

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 16 of this Circular apply, *mutatis mutandis*, throughout this Circular, including to this front cover.

Action required

- If you are in any doubt as to the action you should take, please consult your CSDP, Broker, banker, accountant, attorney or other professional advisor immediately.
- If you have disposed of any or all your Altron Ordinary Shares on or before Wednesday, 9 December 2020, please forward this Circular to the purchaser of such Altron Ordinary Shares, as the case may be or to the Broker, CSDP, banker, accountant, attorney, or other agent through whom the disposal was effected.
- Altron Shareholders are referred to the section titled: “*Actions required by Altron Shareholders*” commencing on page 8 of this Circular, which sets out the actions required by them.

Nothing in this Circular constitutes (or forms part of) any offer for the sale of, or solicitation of any offer to purchase or subscribe for, any Altron Ordinary Shares in any jurisdiction, nor shall it, or any part of it, form the basis of or be relied upon in connection with any contract or commitment whatsoever in any jurisdiction.

Altron does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP, Broker, banker or other intermediary including, without limitation, any failure on the part of the CSDP, Broker, banker or other intermediary of any beneficial owner of Altron Ordinary Shares to notify such beneficial owner of the transactions set out in this Circular or to take any action on behalf of such beneficial owner.

ALTRON

Allied Electronics Corporation Limited
(Incorporated in the Republic of South Africa)
(Registration Number 1947/024583/06)
Share code: AEL
ISIN: ZAE000191342
(“**Altron**” or “**the Company**”)

CIRCULAR TO SHAREHOLDERS

relating to:

- the separation of Bytes UK from Altron by way of –
 - the disposal by Altron of all its shares in Bytes UK, constituting a Category 1 Transaction in terms of the Listings Requirements and the disposal of the greater part of the assets of Altron in terms of section 112 of the Companies Act (read with section 115 of the Companies Act), to a wholly owned subsidiary of the newly established Bytes UK HoldCo, Bytes Technology HoldCo in consideration for Convertible Notes;
 - the distribution *in specie* of Convertible Notes by Altron to Altron Ordinary Shareholders, constituting the disposal of the greater part of the assets of Altron in terms of section 112 of the Companies Act (read with section 115 of the Companies Act), in the ratio of 0.5 Convertible Note for every 1 Altron Ordinary Share held;
 - the Redemption of Convertible Notes as described in this Circular;
 - the Conversion of Convertible Notes to Bytes UK HoldCo Shares as described in this Circular; and

- the separate admission of all of the Bytes UK HoldCo Shares to the premium listing segment of the Official List of the FCA and to trading on the LSE's Main Market for listed securities and to the Main Board of the JSE as a secondary listing;

and including:

- a report prepared by the Independent Expert in terms of section 112 of the Companies Act (read with Regulation 90 of the Companies Regulations) attached as **Annexure 1**;
- a copy of section 115 of the Companies Act dealing with the approval requirements for fundamental transactions and of section 164 of the Companies Act dealing with Dissenting Shareholders' Appraisal Rights attached as **Annexure 2**;
- a notice convening a General Meeting of Altron Shareholders;
- a form of proxy (*blue*) for the General Meeting to be used by Certificated Shareholders and "own-name" Dematerialised Shareholders only;
- a form of election (*pink*) to be used by Certificated Shareholders who wish to make an election; and
- the declarations and undertakings Form I and Form II in terms of section 64FA of the Income Tax Act, which must be utilised by Altron Shareholders to inform Altron of their Dividends Tax status.

**Financial Advisor and
Transaction Sponsor**



**Independent Reporting
Accountants and Auditors
to Altron**



**South African Legal
and Tax Advisor**



Independent Expert



**Independent Reporting
Accountants and Auditors to Bytes
UK and Bytes UK HoldCo**



This Circular is only available in English. This Circular will be made available for inspection by Altron Shareholders from the date of posting of this Circular on Tuesday 3 November 2020 up to and including the date of the General Meeting on Tuesday, 1 December 2020, on the Company's website, <https://www.altron.com/investors/notices-circulars/> and at the registered office of the Company and the office of the Transaction Sponsor

Date of issue: Tuesday, 3 November 2020

CORPORATE INFORMATION AND ADVISORS

Date of incorporation

13 February 1947

Place of incorporation

South Africa

Company Secretary and Registered Office

WK Groenewald

Allied Electronics Corporation Limited

(Registration number 1947/024583/06)

Altron House

4 Sherborne Road Parktown 2193

Gauteng

South Africa

(PO Box 981, Houghton, 2041)

South African Legal and Tax Advisor

DLA Piper Advisory Services Proprietary Limited

(Registration Number 2015/222271/07)

6th Floor 61 Katherine Street Sandton

Johannesburg

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration Number 2004/003647/07)

15 Biermann Avenue

Rosebank

Johannesburg

2195

(Private Bag X9000, Saxonwold, 2132)

Independent expert

KPMG Services Proprietary Limited

(Registration number 1999/012876/07)

KPMG Crescent

85 Empire Road

Parktown, 2193

South Africa

(Private Bag 9, Parkview, 2122)

Financial Advisor and Transaction Sponsor

Rand Merchant Bank

(A division of FirstRand Bank Limited)

(Registration Number 1929/001225/06)

1 Merchant Place

Corner Fredman Drive and Rivonia Road

Sandton

2196

(PO Box 786273, Sandton, 2146)

Independent Reporting Accountants and Auditors to Altron

PricewaterhouseCoopers Inc.

(Registration Number 1998/012055/21)

4 Lisbon Lane, Waterfall City

Jukskei View

2090

(Private Bag X36, Sunninghill, 2157)

Independent Reporting Accountants and Auditors to Bytes UK HoldCo

Ernst & Young LLP

(Registration number C009126168)

1 More London Place

London SE1 2AF

United Kingdom

TABLE OF CONTENTS

	Page
CORPORATE INFORMATION AND ADVISORS	1
TABLE OF CONTENTS	2
IMPORTANT LEGAL NOTICES	4
ACTIONS REQUIRED BY ALTRON SHAREHOLDERS	8
SALIENT TRANSACTION FEATURES	12
IMPORTANT DATES AND TIMES	14
DEFINITIONS AND INTERPRETATIONS	16
CIRCULAR TO SHAREHOLDERS	23
1. INTRODUCTION AND BACKGROUND	23
2. PURPOSE OF THIS CIRCULAR	24
3. RATIONALE FOR THE PROPOSED TRANSACTION	24
4. DETAILS OF THE DEMERGER	25
5. INFORMATION ON BYTES UK AND BYTES UK HOLDCO	33
6. INFORMATION ON ALTRON	42
7. INDEPENDENT EXPERT'S REPORT	48
8. INDEPENDENT BOARD'S VIEWS ON THE DISPOSAL AND THE DISTRIBUTION	48
9. ALTRON BOARD RECOMMENDATION	49
10. DIRECTORS' RESPONSIBILITY STATEMENTS	49
11. INDEPENDENT BOARD RESPONSIBILITY STATEMENTS	49
12. BYTES UK HOLDCO DIRECTOR RESPONSIBILITY STATEMENTS	49
13. PRELIMINARY TRANSACTION EXPENSES	49
14. GENERAL MEETING	49
15. CONSENTS	50
16. DOCUMENTS AVAILABLE FOR INSPECTION	50
ANNEXURE 1: INDEPENDENT EXPERT'S REPORT ON THE DISPOSAL AND DISTRIBUTION	51
ANNEXURE 2: EXTRACTS OF SECTIONS 115 AND 164 OF THE COMPANIES ACT	57
ANNEXURE 3: EXCHANGE CONTROL FOR THE DEMERGER	62
ANNEXURE 4: BYTES UK HISTORICAL FINANCIAL INFORMATION	63
ANNEXURE 5: INDEPENDENT REPORTING ACCOUNTANTS TO BYTES UK AND BYTES UK HOLDCO REPORT ON BYTES UK HISTORICAL FINANCIAL INFORMATION	112
ANNEXURE 6: BYTES UK HOLDCO HISTORICAL FINANCIAL INFORMATION AS AT INCORPORATION	113

	Page
ANNEXURE 7: INDEPENDENT REPORTING ACCOUNTANTS TO BYTES UK AND BYTES UK HOLDCO REPORT ON BYTES UK HOLDCO HISTORICAL FINANCIAL INFORMATION AS AT INCORPORATION	114
ANNEXURE 8: BYTES UK HOLDCO <i>PRO FORMA</i> FINANCIAL INFORMATION	115
ANNEXURE 9: INDEPENDENT REPORTING ACCOUNTANTS TO BYTES UK AND BYTES UK HOLDCO REPORT ON THE BYTES UK HOLDCO <i>PRO FORMA</i> FINANCIAL INFORMATION	129
ANNEXURE 10: ALTRON <i>PRO FORMA</i> FINANCIAL INFORMATION	131
ANNEXURE 11: INDEPENDENT REPORTING ACCOUNTANTS TO ALTRON REPORT ON ALTRON <i>PRO FORMA</i> FINANCIAL INFORMATION	162
ANNEXURE 12: MATERIAL LOANS	164
ANNEXURE 13: TABLE OF ENTITLEMENTS	165
ANNEXURE 14: FORM OF US INVESTOR LETTER	167
ANNEXURE 15: TAX CONSIDERATIONS	169
ANNEXURE 16: SUMMARY OF MATERIAL CONTRACTS	172
ANNEXURE 17: ELECTRONIC PARTICIPATION REGISTRATION FORM	177
ANNEXURE 18: VIRTUAL MEETING GUIDE FOR ALTRON SHAREHOLDERS	179
ANNEXURE 19: NOTICE OF GENERAL MEETING	180
ANNEXURE 20: FORM OF PROXY	189
ANNEXURE 21: NOTES TO THE FORM OF PROXY	190
ANNEXURE 22: FORM OF ELECTION	191
ANNEXURE 23: TAX DECLARATION AND UNDERTAKING FORMS	195

IMPORTANT LEGAL NOTICES

The definitions and interpretations commencing on page 16 of this Circular apply, *mutatis mutandis*, to this section and throughout this Circular.

GENERAL

This Circular is not a prospectus and neither this Circular nor any accompanying documentation is intended to, and does not, constitute or form part of any offer or invitation to purchase, subscribe for, sell or issue, or any solicitation of any offer to purchase, subscribe for, sell or issue, Altron Ordinary Shares or Bytes UK HoldCo Shares, or any other securities in Altron or Bytes UK HoldCo.

The release, publication or distribution of this Circular in jurisdictions other than South Africa may be restricted by law. The distribution of Convertible Notes to Foreign Shareholders in terms of the Distribution may be affected by the laws of the relevant Foreign Shareholders' jurisdiction. In this regard, Foreign Shareholders are referred to the further detail set out below.

Altron Shareholders are advised to read this Circular, which contains the terms and conditions of the Demerger, with care. Any decision to approve the Demerger (which includes the Disposal and the Distribution) and any other response to the proposals should be made only on the basis of the information in this Circular.

Rand Merchant Bank, which is a registered financial services provider in terms of the Financial Advisory and Intermediary Services Act, is acting exclusively as Financial Advisor and Transaction Sponsor (in terms of the Listings Requirements) to the Company, and no one else in connection with the Demerger. Rand Merchant Bank will not be responsible to anyone, other than the Company, for providing the protections afforded to its clients or for providing any advice, and will not regard any other person (whether or not a recipient of this Circular) as their client in relation to the Demerger, the contents of this Circular, or any other matter referred to in this Circular.

APPLICABLE LAWS

This Circular has been prepared for purposes of complying with the Companies Act, the Companies Regulations and the Listings Requirements (each as applicable), and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa or the listings requirements of any other securities exchange.

The Demerger, which is the subject of this Circular, may be affected by the laws of the relevant jurisdictions of Foreign Shareholders. Each Altron Ordinary Shareholder who is not resident in, or who has a registered address outside, South Africa, should inform itself about and observe any applicable legal requirements of such jurisdictions. It is the responsibility of any Foreign Shareholders to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Demerger (which includes the Disposal and the Distribution), which is the subject of this Circular, including the obtaining of any governmental, exchange control or other consents or the making of any filings which may be required, the compliance with other necessary formalities, the payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction. Foreign Shareholders who are in any doubt as to their positions should consult their professional advisors immediately.

The release, publication or distribution of this Circular, in whole or in part, in, into or from jurisdictions other than South Africa may be restricted by the laws of those jurisdictions and, therefore, persons into whose possession this Circular comes should inform themselves about and observe any applicable laws and restrictions. Any failure to comply with the applicable requirements or restrictions may constitute a violation of the securities laws of one or more such jurisdiction. To the fullest extent permitted by applicable law, Altron and the Altron Group disclaims any responsibility or liability for the violation of such restrictions or requirements by any person.

Any Altron Shareholder who is in doubt as to their position, including, without limitation, their ability to receive Convertible Notes pursuant to the Distribution, or their tax status, should consult an appropriate independent professional advisor in their jurisdiction without delay.

NOTICE TO US SHAREHOLDERS

This Circular is not an offer of securities for sale in the United States. The Convertible Notes to be distributed in terms of the Distribution, and the Bytes UK HoldCo Shares to be issued in terms of the Conversion will not be, and are not required to be, registered under the US Securities Act or under the applicable securities laws or the regulations of any state or other jurisdiction of the United States.

Accordingly, US Altron Ordinary Shareholders will only be entitled to elect to convert all or some of their Convertible Notes and to receive Bytes UK HoldCo Shares upon such Conversion if such US Altron Ordinary Shareholders have demonstrated to Altron and/or their relevant CSDP, Broker, custodian or nominee (as applicable) that they are QIBs and agreed to certain transfer restrictions applicable to the Bytes UK HoldCo Shares delivered to such QIBs. Accordingly, each US Altron Ordinary Shareholder that is a QIB and that wishes to receive Bytes UK HoldCo Shares in terms of the Conversion will be required to execute a US Investor Letter in the format set out in **Annexure 14** of this Circular. The US Investor Letter must be received by the Required Notice Recipient, before the QIB Notification Time (presently indicatively expected to be 12:00 p.m. (SA time) on the Record Date for the Distribution), failing which any such US Investor Letter will not be effective and will be disregarded. The US Investor Letter will require the relevant US Altron Ordinary Shareholder to represent and agree, among other things, that (i) it is a QIB and (ii) for so long as the Bytes UK HoldCo Shares are “restricted securities” within the meaning of the US Securities Act, it will only offer, sell, transfer, assign, pledge or otherwise dispose of the Bytes UK HoldCo Shares (a) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A under the US Securities Act, (b) in accordance with Rule 144 under the US Securities Act (if available), (c) in accordance with another applicable exemption from the registration requirements of the US Securities Act, or (d) in an offshore transaction complying with the provisions of Regulation S under the US Securities Act (including, for the avoidance of doubt, a *bona fide* sale on the LSE or the JSE), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any US Altron Ordinary Shareholder who is not a QIB or in respect of which no US Investor Letter is received by the Required Notice Recipient before the QIB Notification Time, will be a Restricted Altron Shareholder and will be treated as set out under paragraph 4.4.7 of this Circular.

The Bytes UK HoldCo Shares have not been and will not be listed on a US securities exchange or quoted on any inter-dealer quotation system in the United States. Altron does not intend to take any action to facilitate a market in the Bytes UK HoldCo Shares in the United States. Consequently, it is unlikely that an active trading market in the United States will develop for the Bytes UK HoldCo Shares.

US Altron Ordinary Shareholders should consult their own legal and tax advisors with respect to the legal and tax consequences of the Demerger in their particular circumstances.

NEITHER THE US SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES NOR ANY OTHER US REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF CONVERTIBLE NOTES OR THE BYTES UK HOLDCO SHARES OR PASSED UPON OR ENDORSED THE ACCURACY OR ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO CUSTODIANS AND NOMINEES HOLDING ALTRON ORDINARY SHARES IN DEMATERIALIZED FORM ON BEHALF OF US ALTRON ORDINARY SHAREHOLDERS

Each US Altron Ordinary Shareholder that is a QIB and wishes to receive Bytes UK HoldCo Shares in terms of the Conversion will be required to execute a US Investor Letter to be received by the Required Notice Recipient before the QIB Notification Time.

Any custodian or nominee holding Dematerialised Shares on behalf of any US Altron Ordinary Shareholder must either:

- in respect of such US Altron Ordinary Shareholder that is a QIB, receive an executed US Investor Letter from such US Altron Ordinary Shareholders before the QIB Notification Time, with a copy to the Transfer Secretary before the QIB Notification Time, in which case it may make an election in respect of the Convertible Notes and may accept Bytes UK HoldCo Shares on behalf of such US Altron Ordinary Shareholders in the same manner as for any other Altron Ordinary Shareholder that is not a Restricted Altron Shareholder; or
- in respect of such US Altron Ordinary Shareholder that is a Restricted Altron Shareholder, notify the Transfer Secretary by no later than the Record Date for the Distribution of the number of Altron Ordinary Shares held by such Restricted Altron Shareholder. Should you have any questions as to how to facilitate the transfer, please contact your CSDP or Broker.

NOTICE TO INVESTORS IN AUSTRALIA, CANADA AND JAPAN

Neither the Convertible Notes, nor the Bytes UK HoldCo Shares, have been nor will they be qualified for distribution to the public under applicable Australian, Canadian or Japanese securities laws and, accordingly, Altron Ordinary Shareholders in Australia, Canada and Japan will be Restricted Altron Shareholders and will be treated as set out under paragraph 4.4.7 of this Circular.

SHAREHOLDER APPROVAL OF THE DISPOSAL AND DISTRIBUTION

The Disposal and Distribution constitute Section 112 Disposals, and must each be approved by a Special Resolution, in accordance with sections 112 and 115(2) of the Companies Act, at the General Meeting, at which meeting, for quorum purposes, at least three Altron Shareholders must be present, and such Altron Shareholders present must be entitled to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised at the General Meeting. As the Distribution, the Offer, Admission, the Disposal, the Redemption and the Conversion are inter-conditional and indivisible, if more than 25% of Altron Shareholders' voting rights exercised are exercised against the Special Resolutions to approve the Disposal or Distribution, the Demerger will fail.

The Disposal also constitutes a Category 1 Transaction in terms of the Listings Requirements and, as such, requires the approval of more than 50% of the total voting rights exercised by Altron Shareholders in a General Meeting. As the Distribution, the Offer, Admission, the Disposal, the Redemption and the Conversion are inter-conditional and indivisible, if more than 50% of Altron Shareholders' voting rights exercised are exercised against the Disposal, the Demerger will fail.

POTENTIAL COURT APPROVAL

Altron Shareholders are advised that, in accordance with section 115(3) of the Companies Act, Altron may, in certain circumstances, not proceed to implement the Disposal and Distribution without the approval of the court, despite the fact that the Disposal Resolution and Distribution Resolution may have been duly adopted at the General Meeting.

In this regard, a copy of section 115 of the Companies Act, which details the circumstances under which court approval may be required for implementation of the Disposal and Distribution, is set out in **Annexure 2** to this Circular.

DISSENTING SHAREHOLDERS' APPRAISAL RIGHTS

In terms of section 164 of the Companies Act, Altron Shareholders who are entitled to vote on the Disposal Resolution and Distribution Resolution, are advised of their Appraisal Rights as follows:

- at any time before the Disposal Resolution or the Distribution Resolution is to be voted on at the General Meeting, an Altron Shareholder (who is entitled to vote at the General Meeting) may give Altron written notice objecting to that Special Resolution;
- within 10 Business Days after Altron has adopted the Disposal Resolution and Distribution Resolution, Altron must send a notice to each relevant Altron Shareholder who gave Altron written notice of objection to one or both of the Disposal Resolution and Distribution Resolution and has neither withdrawn that notice nor voted in favour of the relevant Special Resolution(s) confirming that the Special Resolution(s) to which they objected have been adopted; and
- an Altron Shareholder who has given Altron written notice in terms of section 164 of the Companies Act objecting to the Disposal Resolution and/or Distribution Resolution and has complied with all of the procedural requirements set out in section 164 of the Companies Act may, if the Special Resolution(s) to which they objected have been adopted, demand in writing that:
 - within 10 Business Days after receipt of the notice referred to above; or
 - if the Altron Shareholder does not receive the notice from Altron referred to above, within 10 Business Days after learning that the Disposal Resolution and/or Distribution Resolution have been adopted,

that Altron pay the Altron Shareholder fair value (in terms of and subject to the requirements set out in section 164 of the Companies Act) for all the Altron Ordinary Shares held by that Altron Shareholder.

A copy of section 164 of the Companies Act pertaining to the Appraisal Rights of a Dissenting Shareholder is set out in **Annexure 2** to this Circular. Before exercising their Appraisal Rights under section 164 of the Companies Act, in relation to the Disposal and the Distribution, all Altron Shareholders should have regard to:

- section 164(9) of the Companies Act in terms of which upon sending the demand contemplated above and thus exercising their Appraisal Rights, a Dissenting Shareholder shall have no further rights in respect of their Altron Ordinary Shares (including the right to participate in the Demerger) (although if they subsequently withdraw their demand prior to a fair value offer being made by Altron, their shareholder rights will be reinstated);
- the Independent Expert's Report set out in **Annexure 1** to this Circular, which concludes that the Disposal and Distribution are fair and reasonable to Altron Shareholders, as each of these terms is defined in the Companies Act; and
- the fact that the court is empowered to grant a costs order in favour of, or against, a Dissenting Shareholder, as may be applicable.

TRP APPROVAL

Altron Shareholders are advised that the Disposal and the Distribution are Section 112 Disposals, and as such, constitute “*affected transactions*” as defined in section 117(1)(c)(i) of the Companies Act. Consequently, the Disposal and the Distribution are regulated by the Companies Act and the Companies Regulations and require the approval of the TRP. The Disposal and the Distribution are subject to the condition that the TRP issues the compliance certificates required in terms of section 119(6) of the Companies Act.

Altron Shareholders should take note that the TRP does not consider the commercial advantages or disadvantages of “*affected transactions*” when it approves such transactions.

CASH CONFIRMATION

The TRP has been furnished with an irrevocable unconditional guarantee issued by Rand Merchant Bank, in accordance with regulation 111(4)(a) of the Companies Regulations, in which Rand Merchant Bank has agreed to pay up to a maximum guaranteed amount equal to the Rand equivalent of GBP97 300 000 in relation to:

- the redemption of 100% of the Convertible Notes held by Altron as nominee for Restricted Altron Shareholders;
- the redemption of 25% of the Convertible Notes held by Altron as nominee for Altron Ordinary Shareholders (other than Altron Finance and Restricted Altron Shareholders); and
- settlement of fractional entitlements of Altron Ordinary Shares to Convertible Notes,

if Bytes UK Holdco fails to pay such amounts to Altron, subject to fulfilment or, where applicable, waiver of the Suspensive Conditions.

CERTAIN FORWARD-LOOKING STATEMENTS

This Circular includes forward-looking statements. Altron has based these forward-looking statements on its current expectations and projections about future performance or achievements. When Altron uses words in this Circular such as ‘anticipates’, ‘will likely result’, ‘are expected to’, ‘will continue’, ‘believes’, ‘is anticipated’, ‘estimates’, ‘intends’, ‘plans’, ‘seeks’, ‘projects’, ‘projection’, ‘will’, ‘may’, ‘might’, ‘expects’, ‘potential’, ‘could’, ‘should’, ‘outlook’ and similar expressions, Altron does so to identify forward-looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Altron cautions that forward-looking statements are not guarantees of future performance and that its actual results, financial condition and liquidity, and the development of the industry in which Altron operates may differ materially from those made in or suggested by the forward-looking statements contained in this Circular. All of these forward-looking statements are based on estimates and assumptions made by Altron’s management, which, although Altron believes them to be reasonable, are inherently uncertain. Altron may not realise any such estimates or statements, and its actual results may differ materially from those contemplated by such forward-looking statements. Factors which may cause Altron’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by it in those statements include, *inter alia*, relevant risk factors.

Altron Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere speaks only as of the date on which Altron makes it. New factors that may cause Altron’s business not to develop as it expects may emerge from time to time and it is likely that Altron may not be able to predict all of these factors. Altron has no duty to, and does not intend to, update or revise the forward-looking statements in this Circular, after the date of this Circular, except as may be required by law.

Any forward-looking statement appearing in this Circular has not been reviewed or reported on by the Company’s external auditors

DATE OF INFORMATION PROVIDED

Unless the context clearly indicates otherwise, all information provided in this Circular is provided as at the Last Practicable Date.

ACTIONS REQUIRED BY ALTRON SHAREHOLDERS

The definitions and interpretations commencing on page 16 apply, *mutatis mutandis*, to this section and throughout this Circular.

Please take careful note of the following provisions regarding the actions required by Altron Shareholders:

This Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the action required to be taken by Altron Shareholders in relation to the Demerger. If you are in any doubt as to what action to take, please consult your Broker, CSDP, banker, accountant, attorney or other professional advisor immediately.

If you have disposed of all your Altron Ordinary Shares then this Circular, together with the accompanying notice of General Meeting, form of proxy and form of election, should be forwarded to the purchaser of such Altron Ordinary Shares, or to the Broker, CSDP, banker, accountant, attorney or other agent through whom the disposal was effected.

This Circular contains important information relating to the Demerger, being the composite, inter-conditional, indivisible transaction consisting of the Distribution, the Offer, Admission, the Disposal, the Redemption and the Conversion. The Disposal and the Distribution constitute Section 112 Disposals. The Convertible Notes will be distributed in the Entitlement Ratio to Altron Shareholders registered as such on the Record Date for the Distribution.

ALTRON SHAREHOLDERS DIVIDENDS TAX DECLARATIONS AND UNDERTAKINGS

Altron Shareholders are strongly encouraged to duly complete and sign the relevant required Form of Declaration and Undertaking (as applicable), attached to this Circular, and submit same to Altron before 23:59 on Tuesday, 8 December. Failure to submit the required Form of Declaration and Undertaking will increase the dividends tax liability of Altron as a result of the Distribution, which may have an adverse impact of the value of the Altron Ordinary Shares after Admission.

If you are the registered holder of the Altron Ordinary Shares but not the beneficial owner or the duly authorised agent of the beneficial owner, kindly procure that the beneficial owner duly completes and signs the required form of Declaration and Undertaking (as applicable), attached to this Circular, and submit such completed and signed Form of Declaration and Undertaking by the beneficial owner to Altron before 23:59 on Tuesday, 8 December.

If you are exempt from dividends tax

You should complete Form I of the Forms of Declarations and Undertakings and return such form to Altron in the manner set out in that form to be received by no later than 23:59 on Tuesday, 8 December.

If you are subject to Dividends Tax at a reduced rate

You should complete Form II of the Forms of Declarations and Undertakings and return such form to Altron in the manner set out in that form to be received by no later than 23:59 on Tuesday, 8 December.

ALTRON SHAREHOLDERS' ELECTION

Certificated Shareholders on the Altron Register on the Record Date for the Distribution (other than Restricted Altron Shareholders and Altron Finance) who wish to make an election to have a greater percentage than the Default Ratio of their Convertible Notes redeemed for cash should complete and return the attached Form of Election (*pink*) to be received by the Transfer Secretaries by no later than 12:00 on the Record Date for the Distribution.

Dematerialised Shareholders on the Altron Register on the Record Date for the Distribution (other than Restricted Altron Shareholders and Altron Finance) should receive notification from their CSDP or Broker regarding the Convertible Notes to which they are entitled in terms of the Distribution and how to make an election to have a greater percentage than the Default Ratio of their Convertible Notes redeemed for cash. Such election must be made through their CSDP or broker by no later than 12:00 on the Record Date for the Distribution. Dematerialised Shareholders should not complete and return a Form of Election (*pink*).

GENERAL MEETING

Altron Shareholders are invited to attend the General Meeting, convened in terms of the notice of General Meeting incorporated in this Circular, which will be held entirely through electronic communication as permitted by the Companies Act, the Company's Memorandum of Incorporation and the Listing Requirements, at 10:00 on Tuesday, 1 December 2020, to, (i) deal with such business as may lawfully be dealt with at the

meeting and (ii) consider and, if deemed fit, pass, with or without modification, the Demerger Resolutions set out hereunder in the manner required by the Companies Act, as read with the Listings Requirements.

Altron Shareholders are encouraged to connect to the General Meeting utilising the details set out in the “Electronic participation” section below.

ATTENDANCE AND VOTING AT THE GENERAL MEETING

Attendance at the General Meeting:

Electronic attendance and participation

As a consequence of the impact of the Covid-19 pandemic and the restrictions placed on public gatherings, Altron will conduct the General Meeting by way of electronic participation only.

The General Meeting will be held at 10:00 on Tuesday 1 December 2020. Altron has retained the services of The Meeting Specialist (Pty) Ltd (“TMS”) to host the General Meeting on an interactive electronic platform, in order to facilitate electronic participation by Altron Shareholders.

Altron Shareholders are encouraged to connect to the General Meeting by utilising the details below and following the relevant prompts.

Altron Shareholders who intend participating in the General Meeting and who wish to vote at the General Meeting are required to submit the completed “Electronic participation registration form” which is attached as **Annexure 17** to this Notice of General Meeting by email to TMS at proxy@tmsmeetings.co.za, as soon as possible, but by no later than 10:00 on Thursday, 26 November 2020. Dematerialised Shareholders without “own name registration” who wish to attend the General Meeting electronically, should instruct their CSDP or Broker to issue them with the necessary letter of representation to attend the meeting as stipulated in the agreement with their CSDP or Broker. Such Dematerialised Shareholders should submit their letters of representation to TMS together with a duly completed Electronic participation registration form by no later than 10:00 on Thursday, 26 November 2020.

A virtual meeting guide for Altron Shareholders is attached to this Circular as **Annexure 18** (page 179). Although the electronic platform provides for voting during the meeting, Altron Shareholders are strongly encouraged to still lodge their votes by proxy prior to the meeting to TMS at email proxy@tmsmeetings.co.za. Should your proxy forms not be returned to TMS by the aforesaid date and time, the forms of proxy may also be handed to the Chairman at any time before the commencement of the General Meeting by email to the Altron Company Secretary at wkgroenewald@altron.com.

The cost of dialling in using a telecommunication line/webcast/web-streaming to participate in the General Meeting is for the expense of the Altron Shareholder and will be billed separately by the Altron Shareholder’s own telecommunication service provider.

The Altron Shareholders acknowledge that the telecommunication lines/webcast/web-streaming are provided by a third party and indemnify Altron, TMS (virtual platform service provider) and/or its third party service providers against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines/webcast/web-streaming, whether the problem is caused by any act or omission on the part of the Altron Shareholder or anyone else. In particular, but not exclusively, Altron Shareholders acknowledge that they will have no claim against Altron, the JSE, TMS and/or its third party service providers, whether for consequential damages or otherwise, arising from the use of the telecommunication lines/web-streaming and connections linking the telecommunication lines/webcast/web-streaming and connections linking the telecommunication lines/webcast/web-streaming to the General Meeting.

Voting at the General Meeting

Altron Shareholders or their representatives, will be able to vote during the General Meeting through the TMS electronic participation platform. Should the Altron Shareholders or representative wish to have their vote(s) counted at the General Meeting, they must provide TMS with the information requested in the Electronic participation registration form.

Altron Shareholders or their representatives, who have requested to vote, will receive a link from Digital Cabinet to either their phone number or email address. The voting will be available on all the resolutions when the chairman opens the General Meeting. Altron Shareholders must click on the “vote now” link and it will direct you to the voting platform.

Altron Shareholders will notice that the voting platform contains all the resolutions which have been published in the notice of General Meeting, with their votes automatically defaulted to “Abstain”. Please note – once you click submit, your votes cannot be retracted and re-voted.

Altron Shareholders may vote on all the resolutions simultaneously by defaulting all their votes as either “For” or “Against” or keeping their votes as an “Abstain” vote on all resolutions and then clicking on the submit button on the bottom of the electronic ballot form.

Altron Shareholders may also indicate their votes individually, per resolution, by selecting the relevant option (“For”, “Against” or “Abstain”) on a resolution by resolution basis. Once an Altron Shareholder has voted on all the resolutions, he/she must scroll down to the bottom of the page and click submit. They will then receive a message on their screens confirming that their votes have been received.

Altron Shareholders will be able to access both the meeting platform and the voting platform, 10 minutes prior commencement of the General Meeting.

Altron Shareholders are encouraged to submit any questions to the Altron Company Secretary at wkgroenewald@altron.com. These questions will be addressed at the General Meeting and will also be responded to through email.

If you hold Dematerialised Shares

Own-name registration

You are entitled to attend, or be represented by proxy, and may vote (or abstain from voting), at the General Meeting. Certificated Altron Shareholders, and Dematerialised Altron Shareholders with “own name” registration, who are entitled to attend, speak and vote at the General Meeting may appoint one or more proxies to attend, speak and vote in their stead. A proxy does not have to be an Altron Shareholder.

If you are unable to attend the General Meeting, but wish to be represented at the General Meeting, you must complete and return the attached form of proxy (*blue*), in accordance with the instructions contained therein, and emailed to TMS, at proxy@tmsmeetings.co.za, to be received by them for administrative purposes by no later than 10:00 on Friday, 27 November 2020. The appointment of a proxy will not preclude the Altron Shareholder who appointed that proxy from attending the General Meeting and participating and voting in person thereat to the exclusion of any such proxy. Proxy forms for use by Altron Ordinary Shareholders at the General Meeting are attached.

Other than own-name registration

You are entitled to attend, or be represented by proxy, and may vote (or abstain from voting), at the General Meeting. You must furnish your CSDP or broker with your instructions for voting at the General Meeting should you wish to vote. If your CSDP or Broker, as the case may be, does not obtain instructions from you, it will be obliged to act in terms of the agreement between you and your CSDP or Broker. Unless you advise your CSDP or Broker, in terms of the agreement between you and your CSDP or Broker by the cut-off time stipulated therein, that you wish to attend the General Meeting or send a proxy to represent you at the General Meeting, your CSDP or Broker will assume you do not wish to attend the General Meeting or send a proxy. If you wish to attend the General Meeting or send a proxy, please contact your CSDP or Broker with your proxy instructions or request your CSDP or Broker to issue the necessary letter of representation to you. The letter of representation, together with the completed electronic participation registration form, must be emailed to TMS at proxy@tmsmeetings.co.za.

You must not complete the attached form of proxy (*blue*). In accordance with the custody agreement between you and your CSDP or Broker, you must advise your CSDP or Broker timeously if you wish to attend, or be represented at, the General Meeting.

Altron does not accept responsibility, and will not be held liable, under any applicable law or regulation (in any jurisdiction), for any action of, or omission by, the CSDP or Broker of a Dematerialised Shareholder, including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner to notify such beneficial owner of the General Meeting or of the matters set out in this Circular.

If you hold Certificated Shares

You are entitled to attend, or be represented by proxy, and may vote (or abstain from voting) at the General Meeting. You may appoint one or more proxies to attend, speak and vote in your stead. A proxy does not have to be an Altron Shareholder.

If you are unable to attend the General Meeting, but wish to be represented thereat, you must complete and return the attached form of proxy (*blue*), in accordance with the instructions contained therein, and emailed to TMS, at proxy@tmsmeetings.co.za, to be received by them for administrative purposes by no later than 10:00 on Friday, 27 November 2020.

Identification

In terms of section 63(1) of the Companies Act, any person attending or participating in a General Meeting must present reasonably satisfactory identification. Upon receiving an electronic participation registration form, TMS will follow a verification process to be reasonably satisfied that the right of any person to participate in and vote (whether as an Altron Shareholder, as a non-own name registered Dematerialised Shareholder with a letter of representation or as proxy for an Altron Shareholder) has been reasonably verified.

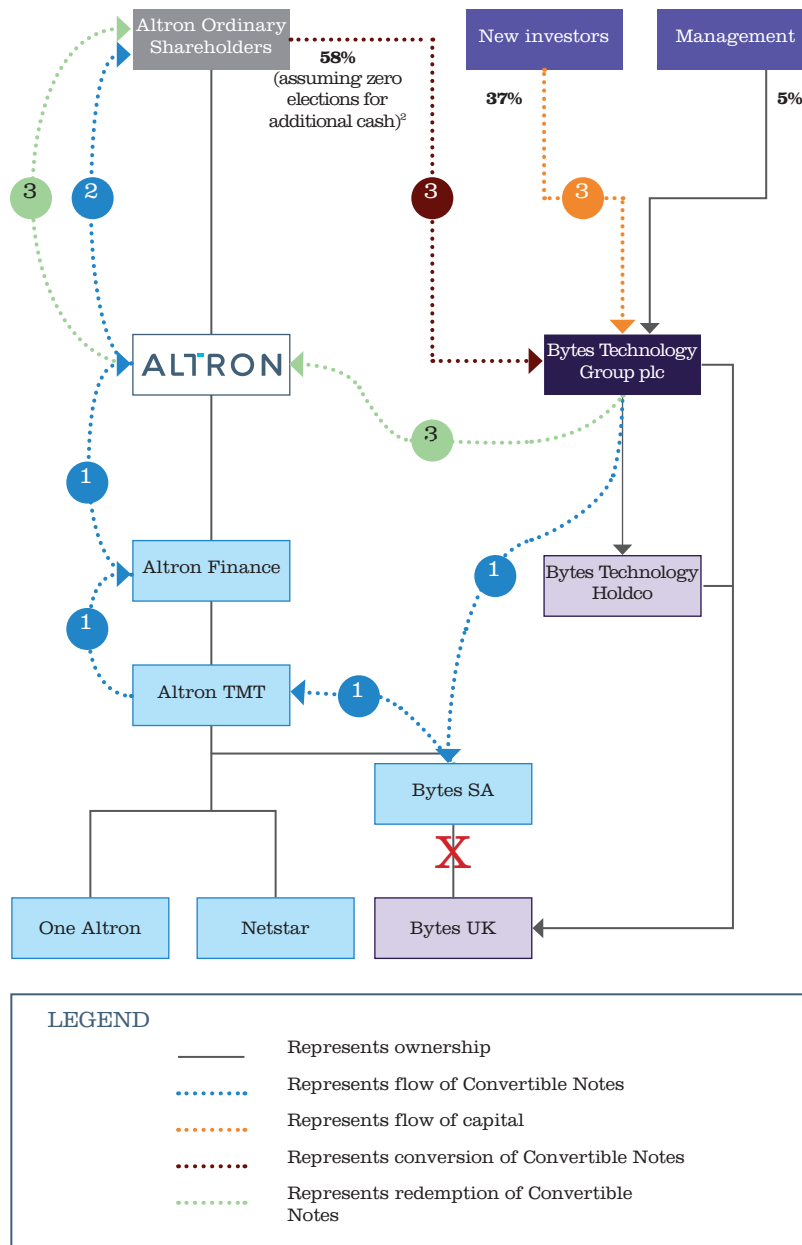
TMS will request certain particulars from the Altron Shareholders when receiving their electronic participation registration forms to comply with this verification process and the following identification will be required:

- (a) if the Altron Shareholder is an individual, a certified copy of his/her original identity document and/or passport and/or driver's licence;
- (b) if the Altron Shareholder is not an individual, a certified copy of a resolution by the relevant entity to represent the entity, and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. This resolution must set out who from the relevant entity is authorised to represent the relevant entity at the General Meeting via electronic communication; and
- (c) a valid email address and/or mobile telephone number.

SALIENT TRANSACTION FEATURES

The aim of the Demerger is to demerge Bytes UK from Altron and list Bytes UK on the LSE and JSE with Altron Ordinary Shareholders retaining an interest in Bytes UK. The Altron Board believes this will unlock significant value for Altron Shareholders. The diagram below provides a high-level overview of the Demerger and the Demerger steps. The rationale for the Demerger and the details of the Demerger are more fully set out in part 3 and 4 of this Circular.

SIMPLIFIED DEMERGER STRUCTURE¹



Notes:

1. Demerger structure diagram has been prepared for illustrative purposes only and is not a complete representation of the Altron corporate structure
2. Altron Ordinary Shareholders will be able to elect to receive a greater percentage of their Convertible Notes in cash

SIMPLIFIED DEMERGER STEPS

Simplifiedly the Demerger is being implemented through a three-step process

Step 1: Altron sells Bytes UK to a wholly owned subsidiary of Bytes UK HoldCo, Bytes Technology Holdco

- Altron sells its shares in Bytes UK to a wholly owned subsidiary of Bytes UK HoldCo, Bytes Technology Holdco at market value (market value is by reference to the Offer price ultimately achieved).
- Altron (through its various subsidiaries) receives Convertible Notes issued by Bytes UK Holdco in consideration for its shares in Bytes UK.

Step 2: Altron distributes Bytes UK HoldCo Convertible Notes

- Altron distributes Convertible Notes received in step 1 as a distribution in specie to Altron Ordinary Shareholders, subject to Altron and Altron Finance retaining some Convertible Notes to cover costs, taxes and settle a portion of its loan obligations.

Step 3: Bytes UK HoldCo Offer

- Admission of the Bytes UK HoldCo Shares to the premium listing segment of the Official List and to trading on the Main Market of the LSE and on the Main Board of the JSE by way of a secondary inward listing.
- Bytes UK HoldCo uses proceeds from the Offer to: i) redeem 100% of the Convertible Notes beneficially owned by Altron and Altron Finance; and ii) redeem a minimum of 25% of the Convertible Notes beneficially owned by Altron Ordinary Shareholders (excluding Convertible Notes retained by Altron and Altron Finance as described in step 2), plus such number of such Convertible Notes, up to 100%, as are the subject of Altron Ordinary Shareholder elections for additional cash (in each case subject to investor demand in the Offer). Each Convertible Note which is redeemed will be redeemed for cash at the Offer Price.
- Remaining Convertible Notes held by Altron Ordinary Shareholders convert automatically into Bytes UK HoldCo Shares.

What do Altron Ordinary Shareholders receive as a result of the Demerger

Post implementation of the Demerger for every 8 Altron Ordinary Shares held by Altron Ordinary Shareholders (other than Restricted Altron Shareholders and Altron Finance) they are expected to receive the following on the basis that the Default Ratio is 75%: 25%.

3 Bytes UK HoldCo shares and cash to the value of 1 Bytes UK HoldCo Share at the Offer Price representing a value equivalent to not less than GBP0.94/ZAR20.03 per Altron Ordinary Share at the Minimum Offer Price (representing, as a minimum, approximately 74.6% of the current market value of an Altron Ordinary Share as at the Last Practicable Date). Altron Ordinary Shareholders (excluding Restricted Altron Shareholders and Altron Finance) will have the option to elect to receive a greater percentage of this value in cash.

The Default Ratio of 75%: 25% referred to above and the ability to elect to receive a greater percentage of the value in cash will be dependent on there being sufficient demand in the Offer.

For every 8 Altron Ordinary Shares held by Restricted Altron Shareholders and Altron Finance, they will receive cash to the value of 4 Bytes UK Holdco Shares at the Offer Price.

IMPORTANT DATES AND TIMES

2020

Record date to determine which Altron Shareholders are entitled to receive this Circular and notice of General Meeting	Friday, 23 October
Circular posted to Altron Shareholders and notice convening the General Meeting released on SENS on	Tuesday, 3 November
Last day to trade in order to be eligible to attend and vote at the General Meeting	Wednesday, 18 November
Declaration announcement in respect of the Distribution released on SENS	Friday, 20 November
Declaration announcement in respect of the Distribution released in the South African press on	Monday, 23 November
Record Date for the General Meeting	Monday, 23 November
Last day to lodge an electronic participation registration form (<i>white</i>) with TMS, by 10:00 on	Thursday, 26 November
Last day to lodge forms of proxy (<i>blue</i>), with the TMS for administrative purposes, by 10:00 on	Friday, 27 November
General Meeting to be held via electronic participation as set out in the “ <i>Actions Required by Shareholders</i> ” section of this Circular at 10:00 on	Tuesday, 1 December
Last date and time for Altron Shareholders to give notice to Altron objecting to the Disposal and Distribution in terms of section 164(3) of the Companies Act, by 10:00 on	Tuesday, 1 December
Results of General Meeting released on SENS on	Tuesday, 1 December
Finalisation announcement in respect of the Distribution released on SENS on	Wednesday, 2 December
Announcement released on SENS in respect of cash payment for fractional entitlements	Wednesday, 2 December

If the Disposal and Distribution are approved by Altron Shareholders at the General Meeting and the Suspensive Conditions are fulfilled or waived (where capable of waiver):

The following dates assume that no court approval or review of the Disposal or the Distribution is required:

Last day to trade in Altron Ordinary Shares in order to be eligible to receive the Distribution	Friday, 4 December
Altron Ordinary Shares trade ex the entitlement to receive the Distribution on	Monday, 7 December
Record Date for the Distribution	Wednesday, 9 December
Expected QIB Notification Time, 12:00 on	Wednesday, 9 December
Distribution Election Date	Wednesday, 9 December
Settlement date for the Distribution (Altron to hold Convertible Notes as nominee for Altron Ordinary Shareholders)	Thursday, 10 December
Admission of the Bytes UK HoldCo Shares to the LSE and commencement of unconditional dealings in Bytes UK HoldCo Shares on the LSE at 8:00 (London time) on	Thursday, 17 December
Admission of the Bytes UK HoldCo Shares to the JSE and commencement of unconditional dealings in Bytes UK HoldCo Shares on the JSE at 10:00 on	Thursday, 17 December

Settlement for Conversion of Convertible Notes	Thursday, 17 December
Payment date for Redemption of Convertible Notes	Wednesday, 23 December
Fractional entitlement payment date	Wednesday, 23 December
The following dates assume that court approval or review of the Disposal and Distribution is required:	
Last day for Altron Shareholders who voted against the Disposal and/or the Distribution to require Altron to seek court approval for the Disposal and/or the Distribution in terms of section 115(3)(a) of the Companies Act, if at least 15% of the total votes of Altron Shareholders at the General Meeting were exercised against the Disposal and the Distribution on	5 Business Days after the General Meeting, currently anticipated to be Tuesday, 8 December
Last day for Altron Shareholders who voted against the Disposal and/or the Distribution to apply to the court for a review of the Disposal and/or the Distribution in terms of section 115(3)(b) of the Companies Act on	10 Business Days after the General Meeting, currently anticipated to be Tuesday, 15 December

Notes:

1. All times shown in this Circular are South African Standard Time unless otherwise stated.
2. All dates and times are subject to change by Altron (subject to the approval of the JSE and/or TRP, if required). Any material change will be released on SENS and published in the South African press.
3. Forms of proxy must be lodged with TMS at email proxy@tmsmeetings.co.za, as soon as possible, but by no later than 10:00 on Friday, 27 November 2020. The forms of proxy may also be handed to the Chairman at any time before the commencement of the General Meeting by email to the Altron Company Secretary at wkgroenewald@altron.com.
4. Altron Ordinary Share certificates may not be rematerialised or Dematerialised between Monday, 7 December 2020 and Wednesday, 9 December 2020, both days inclusive.
5. The dates have been determined based on certain assumptions regarding the dates by which certain Altron Shareholder and regulatory approvals will be obtained and that no court approval or review of the Disposal and/or Distribution will be required. If the relevant dates change and the dates set out above are therefore impacted, details of the relevant change will be released on SENS and published in the South African press.
6. If the General Meeting is adjourned or postponed, forms of proxy (*blue*) submitted in respect of the General Meeting will remain valid in respect of any adjournment or postponement thereof.
7. Admission of the Bytes UK HoldCo Shares to the JSE and commencement of unconditional dealings in Bytes UK HoldCo Shares on the JSE will happen at 10:00am instead of 9:00am in order to align with the admission time on the LSE and facilitate a simultaneous listing on both exchanges.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless otherwise stated or the context indicates the contrary, the following expressions have the meanings given to them below and an expression which denotes any gender includes the other genders, any reference to a natural person includes a juristic person and *vice versa* and the singular includes the plural and *vice versa*.

“Additional New Shares”	has the meaning given to that term in paragraph 4.4.14;
“Admission”	admission of all the Bytes UK HoldCo Shares to the premium listing segment of the Official List and to trading on the Main Market of the LSE 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 Thursday, 17 December 2020;
“Adobe”	Adobe, Inc;
“Altron” or the “Company”	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” or “Directors”	the board of directors of Altron, as constituted from time to time comprising, as at the Last Practicable Date, the directors reflected on page 23 of this Circular;
“Altron Distribution” or “Distribution”	the distribution <i>in specie</i> by Altron of the Distributed Convertible Notes to Altron Ordinary Shareholders in terms of section 46 of the Companies Act, which is expected to be declared on Friday, 20 November 2020, subject to the condition that the Demerger Resolutions are duly passed and the TRP issues a Compliance Certificate in respect of the Distribution;
“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% shareholding and the registered holder of 32 287 469 Altron Ordinary Shares equating to approximately 8.0% 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’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 Companies Act;
“Altron Shareholders”	Altron Ordinary Shareholders and the Altron High Voting Shareholder;
“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% shareholding;
“Appraisal Rights”	the rights afforded to Altron Shareholders in terms of section 164 of the Companies Act;
“Articles”	the Articles of Association of Bytes UK HoldCo;

“Authorised Dealer”	a person authorised by the Financial Surveillance Department to deal in foreign exchange;
“Bookrunner”	the bookrunner in connection with the Offer;
“Broker”	any person registered as a “broking member (equities)” in accordance with the provisions of the Financial Markets Act;
“Business Day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“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% shareholding;
“Bytes Software Services”	Bytes Software Services Limited, a private limited company incorporated under the laws of England and Wales with registered number O1616977, in which Bytes UK has a 100% 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 Bytes UK HoldCo has 100% 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 Group”	Bytes UK HoldCo and each of its subsidiaries and subsidiary undertakings from time to time, including, after implementation of the Disposal, Bytes UK and its subsidiaries and subsidiary undertakings;
“Bytes UK HoldCo”	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 Bytes UK HoldCo) each own 1 ordinary share and 25 000 preference shares of £1.00 each;
“Bytes UK HoldCo Board” or “Bytes UK HoldCo Directors”	Patrick de Smedt, Neil Murphy, Keith Richardson and David Maw;
“Bytes UK HoldCo Proposed Directors”	Mike Phillips and Alison Vincent;
“Bytes UK HoldCo Shares”	the ordinary shares in the share capital of Bytes UK HoldCo, having the rights set out in the Articles;
“Bytes UK Management”	Neil Murphy, Keith Richardson, David Rawle, John Gilbertson, Jack Watson and Richard Horowicz;
“Bytes UK Management Consideration Shares”	Bytes UK HoldCo Shares equal to 5% of the issued share capital of Bytes UK HoldCo at Admission (as enlarged by the issue of the such shares) to be issued by Bytes UK HoldCo 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”	the Ordinary Resolution required to be passed in terms of the Listings Requirements in relation to the Disposal;
“Category 1 Transaction”	a transaction which is categorised as Category 1 in terms of paragraph 9.5 of the Listings Requirements;
“Certificate”	the single certificate in respect of all the Convertible Notes to be issued by Bytes UK HoldCo to Bytes SA;
“Certificated Shareholders”	Altron Ordinary Shareholders who hold Certificated Shares;
“Certificated Shares”	Altron Ordinary Shares which have not been Dematerialised into the system operated by Strate, title to which is represented by share certificates or other physical documents of title;
“CGT”	capital gains tax as levied in terms of schedule 8 of the Income Tax Act;
“Check Point”	Check Point Software Technologies Ltd, a cyber security solution provider and strategic partner of Bytes UK;
“Citrix”	Citrix Systems Inc, a multi-national software company and strategic partner of Bytes UK;

“Circular”	this bound document dated Tuesday, 3 November 2020 including all the annexures hereto, the notice of General Meeting and, where applicable, a form of proxy (<i>blue</i>) and form of election;
“cloud” or “cloud computing”	shared, remotely accessible IT solutions;
“Common Monetary Area”	the common monetary area established between South Africa, the Republic of Namibia, and the Kingdoms of Lesotho and Eswatini;
“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;
“Companies Act”	the South African Companies Act 71 of 2008, as amended;
“Companies Regulations”	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;
“Compliance Certificate”	a compliance certificate issued by the TRP in terms of paragraph 102(13) of the Companies Regulations;
“Computershare Nominees”	Computershare Nominees Proprietary Limited, a private limited liability company incorporated under the laws of South Africa with registration number 1999/008543/07;
“Convertible Notes”	220 506 494 convertible unsecured loan notes to be issued by Bytes UK HoldCo to Bytes SA as consideration for Bytes SA’s A ordinary shares in Bytes UK;
“Convertible Notes Instrument”	the loan note instrument entered into by Bytes UK HoldCo on 3 November 2020 in respect of the Convertible Notes;
“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 rate for the conversion from Pound sterling to Rand on the date of payment by the Escrow Bank of the Redemption Proceeds to the Transfer Secretaries;
“Converted Shares”	New Shares to be issued by Bytes UK HoldCo on the Admission Date upon Conversion;
“CREST”	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator;
“CrowdStrike”	CrowdStrike Holdings Inc, a cyber security solution provider and strategic partner of Bytes UK;
“CSDP”	a central securities depository participant as defined in section 1 of the Financial Markets Act;
“CTC”	contributed tax capital;
“Declaration Date”	the date on which Altron declares the Distribution, subject to the conditions that the Demerger Resolutions are passed and the TRP issues a Compliance Certificate for the Distribution, which is expected to be Friday, 20 November 2020;
“Default Ratio”	assuming there is demand in the Offer for New Shares equal to approximately 37% of the enlarged share capital of Bytes UK HoldCo at Admission, 25% as to Redemption: 75% as to Conversion, and adjusted, if necessary, in terms of paragraph 4.4.15;
“Dell”	Dell Inc, a multinational computer company and strategic partner of Bytes UK;
“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 UK HoldCo Group from the Altron Group pursuant to 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 Bytes UK HoldCo, Bytes Technology Holdco, Bytes SA, Altron and Bytes UK Management dated 2 November 2020;
“Digital Cabinet”	a privately-owned South African company, providing software as a service, specializing in digital, cloud-based, Workflow and Document Management Solutions for businesses, who will be facilitating the online shareholder voting process;
“Disposal”	the sale and transfer by Bytes SA of the A ordinary shares it owns in Bytes UK to a wholly owned subsidiary of Bytes UK HoldCo, Bytes Technology Holdco and the sale and transfer by Bytes UK Management of their B ordinary shares in Bytes UK to Bytes UK HoldCo pursuant to the Demerger SPA;
“Disposal Resolution”	the Special Resolution required to be passed in terms of section 112 of the Companies Act to approve the Disposal;
“Dissenting Shareholder”	an Altron Shareholder who delivers a written notice of objection to Altron in relation to the Disposal Resolution and/or the Distribution Resolution and who votes against the Special Resolution(s) to which it objects;
“Distributed Convertible Notes”	has the meaning given to that term in paragraph 4.1.6;
“Distribution”	the distribution <i>in specie</i> by Altron of 91% of the Convertible Notes to Altron Ordinary Shareholders pursuant to section 46 of the Companies Act;
“Distribution Resolution”	the Special Resolution required to be passed in terms of section 112 of the Companies Act in relation to the Distribution;
“Entitlement Ratio”	0.5 Convertible Notes for every 1 Altron Ordinary Share held on the Record Date for the Distribution;
“Escrow Bank”	Firststrand Bank Limited, London Branch;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, issued pursuant to the South African Currency and Exchanges Act, 1933 (including any applicable directive and rulings of FinSurv and the South African National Treasury);
“EY UK”	Ernst & Young LLP (Registration number C009126168), independent reporting accountants and auditors to Bytes UK and Bytes UK HoldCo (details of which firm are contained in the “Corporate Information and Advisors” section of this Circular);
“FCA”	the United Kingdom Financial Conduct Authority;
“Financial Markets Act”	the South African Financial Markets Act, No. 19 of 2012, as amended;
“FinSurv”	the Financial Surveillance Department of the South African Reserve Bank, 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;
“Foreign Shareholders”	Altron Shareholders that are registered in a jurisdiction outside of South Africa, or who are resident, domiciled or located in, or who are a citizen of, a jurisdiction other than South Africa;
“FSMA”	the Financial Services and Markets Act 2000;
“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;
“General Meeting”	the extraordinary general meeting of Altron Shareholders to be held on Tuesday, 1 December 2020 to consider, and if deemed fit, pass the Demerger Resolutions;

“Home Office”	a ministerial department of the Government of the United Kingdom, responsible for immigration, security, and law and order;
“HP”	The Hewett-Packard Company;
“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;
“Income Tax Act”	the South African Income Tax Act 58 of 1962, as amended;
“Independent Board”	the independent committee of the Altron Board comprising Stewart van Graan, Berenice Francis, Grant Gelink, Mike Leeming and Phumla Mnganga, established by the Altron Board for the purposes of the 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;
“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 by the Independent Expert in respect of the Disposal and the Distribution in accordance with regulations 90 and 110 of Companies Regulations, issued in terms of section 223 of the Companies Act, which is included as Annexure 1 to this Circular;
“Independent Reporting Accountants to Altron”	PricewaterhouseCoopers Inc. (registration number 1198/012055/21), registered auditors, a firm of Chartered Accountants (SA) and the independent reporting accountants to Altron (details of which firm are contained in the “Corporate Information and Advisors” section of this Circular) whose limited assurance report on the compilation of the <i>pro forma</i> financial information of Altron is annexed to this Circular as Annexure 11 ;
“Independent Reporting Accountants to Bytes UK and Bytes UK HoldCo”	Ernst & Young LLP (Registration number C009126168), independent reporting accountants and auditors to Bytes UK and Bytes UK HoldCo (details of which firm are contained in the “Corporate Information and Advisors” section of this Circular) and whose reporting accountants reports and limited assurance report are annexed to this Circular as Annexure 5, 7 and 9 ;
“IT”	information technology;
“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 Financial Market Act, or (b) the securities exchange operated by the aforementioned company;
“Last Practicable Date”	the last practicable date prior to the finalisation of this Circular being Monday, 26 October 2020;
“Listings Requirements”	the listings requirements of the JSE, as amended from time to time;
“Listing Rules”	the listing rules of the FCA made under section 74(4) of the FSMA;
“Long Stop Date”	31 December 2020, except where a different date and/or time is stipulated in a particular Suspensive Condition;
“LSE”	London Stock Exchange plc;
“Main Board”	the JSE’s main board for listed securities;
“Main Market”	the LSE’s main market for listed securities;
“Memorandum of Incorporation” or “MOI”	the memorandum of incorporation of Altron, as amended from time to time;
“Microsoft”	Microsoft Corporation;
“Microsoft Certified Professional”	a sales team member who has passed Microsoft’s certified professional exam as provided in paragraph 5.2;
“Mimecast”	Mimecast Limited;

“Minimum Offer Price”	£1.89 per Share, or such higher price per Bytes UK HoldCo Share as the Altron Board may determine and notify to Bytes UK HoldCo in writing by no later than publication of the Prospectus;
“New Shares”	new Bytes UK HoldCo Shares to be issued by Bytes UK HoldCo at the Offer Price pursuant to the Offer;
“Non-Resident Shareholder”	an Altron Shareholder who is not an ordinarily resident in the Common Monetary Area in terms of the Exchange Control Regulations;
“Offer”	the offer of New Shares to institutional investors in the United Kingdom and elsewhere, at the Offer Price;
“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;
“Official List”	the Official List of the FCA;
“Oracle”	Oracle Corporation;
“Ordinary Resolution”	a resolution adopted with the support of more than 50% of the voting rights exercised on that resolution, as defined in the Companies Act;
“PLC Nominees”	PLC Nominees Proprietary Limited, a private limited liability company incorporated under the laws of South Africa with registration number 1989/002235/07;
“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;
“Pounds sterling”	the lawful currency of the UK;
“QIB”	“qualified institutional buyer” as defined in Rule 144A of the US Securities Act;
“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;
“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 Wednesday, 9 December 2020;
“Record Date for the General Meeting”	Monday, 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 General Meeting;
“Redemption”	<ul style="list-style-type: none"> (i) the redemption of 100% of the Convertible Notes held by Altron as nominee for Restricted Altron Shareholders and Altron Finance; (ii) the redemption of 100% of the aggregated fractional entitlements to Convertible Notes arising on the Distribution held by Altron as nominee for Altron Ordinary Shareholders; (iii) the redemption of Convertible Notes to be retained by Altron to finance the dividends tax payable on the distribution; (iv) 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 (v) 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 Proceeds”	the aggregate cash proceeds of the Redemption, in Pounds Sterling, equal to the number of Convertible Notes redeemed multiplied by the Offer Price which proceeds will be converted into Rands 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 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 the Bytes UK HoldCo Shares pursuant to the Demerger SPA);
“Required Notice Recipient”	in the case of (i) Dematerialised Shareholders, the relevant CSDP, Broker, custodian or nominee, with a copy to the Transfer Secretary (at the following e-mail address: Proxy@Computershare.co.za); and (ii) Certificated Shareholders, the Transfer Secretary (at the following e-mail address: Proxy@Computershare.co.za);
“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;
“SaaS”	software-as-a-service;
“SARB”	the South African Reserve Bank;
“Section 112 Disposal”	a disposal by a company of all or the greater part of its assets or undertaking as contemplated in terms of section 112 of the Companies Act;
“Security Partnerships”	Bytes Security Partnerships Limited, a private limited company incorporated under the laws of England and Wales with registered number 4269717, in which Bytes UK has a 100% shareholding;
“SENS”	the Stock Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“Special Resolution”	a resolution adopted with the support of at least 75% of the voting rights exercised on that resolution, as defined in the 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;
“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 Financial Markets Act, which is responsible for the electronic settlement system used for the settlement of securities trades on the JSE;
“Subsidiaries”	shall have the meaning ascribed thereto in the Companies Act;
“Suspensive Conditions”	the suspensive conditions to the Demerger set out in paragraph 9;
“TMS”	The Meeting Specialists Proprietary Limited, a company incorporated under the laws of South Africa with registration number 2017/287419/07 appointed by Altron to facilitate the General Meeting;
“Transfer Secretaries” or “Computershare”	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 secretaries to Altron;
“TRP”	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
“UK”	the United Kingdom;
“UK Companies Act 2006”	the United Kingdom Companies Act 2006, as amended;
“Underwriting Agreement”	the underwriting agreement to be entered into between, among others, Altron, Bytes UK HoldCo and the Bookrunner in relation to the Offer;
“US”	the United States of America;
“US Investor Letter”	an investor letter in the form set out in Annexure 14 to this 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”	the US Securities Act of 1933, as amended;
“Veritas”	Veritas Technologies LLC;
“VAR”	value added reseller; and
“ZAR” or “Rand” or “R”	South African rand, the official currency of South Africa.

ALTRON

ALLIED ELECTRONICS CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1947/024583/06)

Share code: AEL ISIN: ZAE000191342

Share code: AEN ISIN: ZAE000191359

("Altron" or "the Company")

Directors

MJ Leeming*	Independent non-executive chairman
M Nyati	Chief executive officer
C Miller	Chief financial officer
AC Ball**	
BW Dawson**	
BJ Francis*	
GG Gelink*	
P Mnganga*	
S Sithole**	
SW van Graan*	
RE Venter**	

* *Independent non-executive*

** *Non-executive*

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION AND BACKGROUND

Altron announced on Thursday, 2 April 2020 that as part of its FY2020 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 Ordinary Shareholders the Altron Board resolved to apply for admission of the entire issued and to be issued share capital of Bytes UK to the premium listing segment of the Official List, to trading on the Main Market of the LSE 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 Shareholders.

In order to give effect to the above, and as more fully set out in this Circular, Altron proposes through Bytes SA, to dispose of its A ordinary shares in Bytes UK to Bytes Technology Holdco and Bytes UK Management proposes to sell their B ordinary shares in Bytes UK to Bytes UK HoldCo. Bytes UK HoldCo 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 the 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 Companies Act. Altron will retain 9% of the Convertible Notes to settle the dividends withholding tax liability which will arise as a result of the Distribution and subject to fulfilment 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 as attached in **Annexure 23**. Altron will also retain beneficial title to 8% 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, as set out in Annexure 12 of this Circular, and optimise its capital structure. If Admission occurs, a portion of the Distributed Convertible Notes will be redeemed for cash and the balance of the Convertible Notes will be automatically converted into Converted Shares.

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 in Bytes UK HoldCo to the extent that their Convertible Notes have been converted. Altron will, following implementation of the Demerger, have no further interest in Bytes UK HoldCo or obligations to Bytes UK HoldCo in respect of implementation of the Demerger.

As at the date of this Circular, the Demerger SPA and Convertible Notes Instrument have been entered into (as further described in this paragraph 4). Any remaining steps to implement the Demerger will be completed on or prior to Admission.

2. PURPOSE OF THIS CIRCULAR

The purpose of this Circular is to:

- 2.1 provide Altron Shareholders with pertinent information in relation to the Disposal, which constitutes a Section 112 Disposal in terms of the Companies Act and a Category 1 Transaction in terms of the Listings Requirements;
- 2.2 provide Altron Shareholders with pertinent information in relation to the Distribution, which constitutes a Section 112 Disposal in terms of the Companies Act;
- 2.3 provide Altron Shareholders with pertinent information in relation to Bytes UK HoldCo, Bytes UK and Altron's remaining businesses (post the Demerger); and
- 2.4 convene a General Meeting of Altron Shareholders in terms of the notice of General Meeting forming part of this Circular, at which meeting Altron Shareholders will be asked to consider and, if deemed fit, pass the Demerger Resolutions required to implement the Demerger.

The Disposal and Distribution are Section 112 Disposals and the Disposal is also a Category 1 Transaction and must be approved by Altron Shareholders through the Demerger Resolutions. The Independent Expert's Report on the Disposal and the Distribution, which has been duly considered by the Independent Board, is contained in **Annexure 1** to this Circular.

Altron Shareholders are advised to familiarise themselves with the contents of this Circular and to seek independent advice in relation thereto, as may be required.

3. RATIONALE FOR THE DEMERGER

A fundamental and strategic goal of the Altron Board has been, over time, to maximise value for Altron Ordinary Shareholders. This resulted in driving a strategy, which successfully delivered the disposal of non-core assets, the rationalisation of operations and the execution of targeted acquisitions in high-growth areas. This positioned Altron as a leading IT Services organisation in Africa and achieved a total shareholder return of 26% per annum over three years with the return on capital employed increasing from 6.3% to 20.8% over the same period.

The Altron Board has assessed each of the business units within Altron, to identify opportunities which have the potential to unlock further value for Altron Ordinary Shareholders and to streamline operations. Post this review, the Altron Board concluded that the true value of Bytes UK is not reflected in the Company's share price. Bytes UK has increasingly developed a growth trajectory and strategic levers that are different to the rest of the Altron Group and operates in a different geographical capital market with a highly rated peer group. In addition, Bytes UK is independently managed by the Bytes UK Management and has limited functional support from the Altron Group.

Consequently, and after due consideration as to whether the long-term prospects of Bytes UK would be enhanced by a separate listing on the LSE and secondary listing on the JSE, the Altron Board resolved to pursue the Demerger. The Demerger will enable Bytes UK to operate in a more focused and efficient manner, allow Bytes UK to achieve its strategic goals and unlock value for Altron Ordinary Shareholders over the long term.

The Demerger is therefore underpinned by the following:

3.1 Value creation for Altron Ordinary Shareholders

- Allows Altron Ordinary Shareholders to realise full value for their Altron shareholding and continue to participate in the long-term growth prospects and value creation of Bytes UK HoldCo.
- The Altron Board believes that the current Altron share price materially undervalues the sum of the parts valuation of Altron which will likely be realised through the Demerger.

3.2 **Enhanced investor understanding of Bytes UK and Altron**

- Allows Altron Ordinary Shareholders to identify more clearly the different characteristics of Altron and Bytes UK and to value them separately and fairly.

3.3 **Access to an efficient ICT market**

- Provides Altron Ordinary Shareholders with the ability to retain international diversification while gaining access to the listed international ICT market, analysts and international investor following through a larger stock market that has a well-developed ICT peer set. The Altron Board accordingly believes that it is appropriate for Bytes UK HoldCo to have its primary listing on LSE and its secondary listing on the JSE.

3.4 **Strategic focus and independence**

- Provides Altron and Bytes UK the platform to pursue independent strategic initiatives, with enhanced flexibility and efficiency.
- Enhances the ability to mitigate and manage specific risks and challenges faced by each company and proactively react to changes within the specific market segments and geographic landscapes in which they operate.
- Enables the respective management teams to execute on their strategies with direct responsibility and accountability for performance and growth.

The Altron Board has carefully considered the unprecedented market conditions resulting from the Covid-19 pandemic. The Altron Board believes that the terms and construct of the Demerger, as set out in this Circular, are still in the best interests of Altron Ordinary Shareholders and other Altron stakeholders.

In order to provide additional certainty in relation to the above the Altron Board has determined a Minimum Offer Price below which the Demerger won't be implemented. The Minimum Offer Price has been put in place to ensure the Demerger will only be implemented on terms which create value for Altron Shareholders. The Minimum Offer Price will result in a minimum market capitalisation of £450 million for Bytes UK HoldCo at Admission.

As stated above the Minimum Offer Price constitutes the minimum Offer Price below which the Demerger will not proceed. It has been set by reference to the currently prevailing global macroeconomic and stock market volatility. As such, it should not be taken as a guide to the actual Offer Price which may be achieved and/or the Altron Board's assessment of the actual value of the Bytes UK Group. Pursuant to the Demerger SPA, the Altron Board are entitled in their absolute discretion to increase the Minimum Offer Price until publication of the prospectus (which is expected to be on 1 December 2020) in connection with the Demerger. When assessing whether to increase the Minimum Offer Price, the Altron Board will take all relevant factors at that time into consideration in exercising their fiduciary duties.

4. **DETAILS OF THE DEMERGER**

4.1 **Introduction and Background**

- 4.1.1 As at the Last Practicable Date, 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.
- 4.1.2 On 2 April, 2020, the Altron Board announced that Altron intends to demerge Bytes UK from the Altron Group and separately apply for the admission of the entire issued and to be issued ordinary shares of Bytes UK (through Bytes UK HoldCo) to the premium listing segment of the Official List, to trading on the Main Market of the LSE and to the Main Board of the JSE by way of secondary inward listing.
- 4.1.3 In order to give effect to the Demerger, Altron, Bytes SA, Bytes UK Management, Bytes UK HoldCo and Bytes Technology Holdco entered into the Demerger SPA on Monday, 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 Bytes UK HoldCo will issue 220 506 494 Convertible Notes to Bytes SA. Bytes UK Management will sell and transfer their respective B ordinary shares in Bytes UK to Bytes UK HoldCo 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. The Cash-out Amount will not be funded from the proceeds of the Offer.

- 4.1.4 Bytes UK HoldCo entered into the Convertible Notes Instrument and issued a single Certificate in respect of all the Convertible Notes to Bytes SA on Tuesday, 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.
- 4.1.5 Each of Bytes SA, Altron TMT and Altron Finance will distribute the Convertible Notes to their respective shareholders, such that Altron will hold 100% of the Convertible Notes.
- 4.1.6 On Friday, 20 November 2020, Altron is expected to declare the distribution of the beneficial title to 200 660 910 Convertible Notes, constituting approximately 91% 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 Companies Act, subject to the conditions that the Demerger Resolutions are duly passed and the TRP issues a Compliance Certificate for the Distribution. Following the General Meeting, 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.
- 4.1.7 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 Alton Ordinary Shareholders.
- 4.1.8 On Admission (provided it is approved) the Redemption Proportion of the Convertible Notes will be redeemed by Bytes UK HoldCo for cash. The balance of the Convertible Notes will be automatically converted into Converted Shares.
- 4.1.9 Subject to Admission being approved, the Bytes UK HoldCo Shares will be listed on the premium listing segment of the Official List and the Main Board of the JSE by way of a secondary inward listing.

4.2 Implementation of the Demerger

With the exception of the Distribution, which is expected to be implemented on Thursday, 10 December 2020, and payment of the Redemption Proceeds, which are expected to be paid by Bytes UK HoldCo 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.

4.2.1 The Distribution

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

4.2.2 Offer

On Admission (provided it is approved), subject to fulfilment or waiver of the Suspensive Conditions, Bytes UK HoldCo will issue the New Shares at the Offer Price to subscribers. All underwriting commissions, fees, expenses and taxes payable in respect of the Offer and the issue of the New Shares will be borne by Bytes UK HoldCo.

4.2.3 Admission

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

4.2.4 Disposal

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

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

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

- 4.2.4.2 the number of Convertible Notes redeemed for cash multiplied by the Offer Price; plus
- 4.2.4.3 the number of Bytes UK Management Consideration Shares issued multiplied by the Offer Price; plus
- 4.2.4.4 the Cash-out Amount.

4.3 **Confirmation of sufficient securities to settle the Share Consideration**

Altron is satisfied that Bytes UK HoldCo has sufficient authority available to be able to issue the Convertible Notes to Bytes SA and to be able to issue to Altron as nominee for Altron Ordinary Shareholders' the Converted Shares arising on Conversion of the Convertible Notes.

4.4 **Terms of the Convertible Notes**

- 4.4.1 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.
- 4.4.2 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 transferrable 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.
- 4.4.3 On Admission, the Redemption Proportion of Convertible Notes will be redeemed by Bytes UK HoldCo 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.
- 4.4.4 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).
- 4.4.5 **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.**
- 4.4.6 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 4.4.14 and 4.4.15 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.
- 4.4.7 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. 100% 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. Bytes UK HoldCo 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 Altron Shareholders, Altron and Bytes UK HoldCo 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.

- 4.4.8 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 4.4.4 above), following the receipt by the Require 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 their Convertible Notes for cash in terms of paragraph 4.4.6.
- 4.4.9 Convertible Notes will be redeemed out of the net proceeds of the Offer. The total amount applied by Bytes UK HoldCo 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 Bytes UK to Bytes UK HoldCo and Bytes Technology Holdco under the Demerger SPA, as reasonably determined by Bytes UK HoldCo).
- 4.4.10 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 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:
- 4.4.10.1 in respect of Dematerialised Shareholders by using the payment channels Altron uses for payment of dividends and *in specie* distributions.
 - 4.4.10.2 in respect of Certificated Shareholders whose bank account details are known to Altron, electronically to such bank account; and
 - 4.4.10.3 in respect of Certificated 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.
- 4.4.11 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.
- 4.4.12 In respect of the Altron Ordinary Shareholders who are Dematerialised Shareholders, Altron will instruct its Transfer Secretaries 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).
- 4.4.13 In respect of Altron Ordinary Shareholders who are Certificated Shareholders, Altron will instruct its Transfer Secretaries 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).
- 4.4.14 Application of the Default Ratio will result in Bytes UK Holdco issuing New Shares in the Offer representing approximately 37% of the enlarged issued share capital of Bytes UK Holdco 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.

- 4.4.15 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 Distributed 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 Bytes UK HoldCo), 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.
- 4.4.16 Certificated Shareholders on the Altron Register on the Record Date for the Distribution (other than Restricted Altron Shareholders and Altron Finance) who wish to make an election should complete and return the attached Form of Election (*pink*) to be received by the Transfer Secretaries by no later than 12:00 on the Record Date for the Distribution.
- 4.4.17 Dematerialised Shareholders on the Altron Register on the Record Date for the Distribution (other than Restricted Altron Shareholders and Altron Finance) should receive notification from their CSDP or Broker regarding the Convertible Notes to which they are entitled in terms of the Distribution and how to make an election. Such election must be made through their CSDP or Broker by no later than 12:00 on the Record Date for the Distribution. Dematerialised Shareholders should not complete and return a Form of Election (*pink*).
- 4.4.18 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 paragraphs 4.4.10 and 4.4.13.
- 4.4.19 Upon redemption or conversion of all the Convertible Notes, the Convertible Notes and the Certificate will be cancelled and Bytes UK HoldCo 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).
- 4.4.20 All Converted Shares will be issued on the South African branch register of Bytes UK HoldCo. Following Admission, Bytes UK HoldCo Shares will be fully fungible between Bytes UK HoldCo'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 Bytes UK HoldCo Shares, via the JSE, that are already on the South African branch share register maintained by Computershare, Bytes UK HoldCo's South African transfer secretaries. Non-South African residents are not subject to Exchange Control Regulations and may freely transfer the Bytes UK HoldCo Shares between branch registers.

4.5 Entitlements and fractions

- 4.5.1 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**”) for the Distribution. Details of the Convertible Notes to which an Altron Ordinary Shareholder will be entitled are set out in the Table of Entitlements in **Annexure 13** to this Circular.
- 4.5.2 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 Ordinary 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.

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

- 4.6.1 The Disposal constitutes a Category 1 Transaction by Altron in terms of the Listings Requirements and, as such, must be approved by an Ordinary Resolution adopted by Altron Shareholders at the General Meeting.
- 4.6.2 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 must be approved by a Special Resolution adopted by Altron Shareholders at the General Meeting in terms of sections 112 and 115(2)(b) of the Companies Act.
- 4.6.3 The Distribution constitutes the disposal of the greater part of the assets of Altron, and as such, it must be approved by a Special Resolution adopted by Altron Shareholders at the General Meeting in terms of sections 112 and 115(2)(a) of the Companies Act.

4.7 **Voting rights**

- 4.7.1 All of the Altron Ordinary Shares rank *pari passu* with each other and the votes attaching thereto are exercisable on the Demerger Resolutions.
- 4.7.2 Provided the Venter Family are the ultimate beneficial owners of at least 10% of the Altron Ordinary Shares on the Record Date for the General Meeting, the Altron High Voting Share will be exercisable on the Demerger Resolutions and will carry voting rights equal to 25% plus one vote of the total votes exercisable on the Demerger Resolutions, less that number of votes attaching to the Altron Ordinary Shares ultimately beneficially owned by the Venter Family.
- 4.7.3 Every Altron Shareholder registered as such on the Record Date for the General Meeting and present or represented by proxy at the General Meeting shall vote on a poll, determined in accordance with the voting rights associated with the Altron Ordinary Shares and/or Altron High Voting Share held by that Altron Shareholder.

4.8 **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:

- 4.8.1 delivery by the Independent Expert of the Independent Expert's Report to the Altron Independent Board;
- 4.8.2 the adoption of the Demerger Resolutions at the General Meeting;
- 4.8.3 either:
 - 4.8.3.1 fewer than 15% of the voting rights exercised on the Disposal Resolution and the Distribution Resolution are exercised against such resolutions; or
 - 4.8.3.2 if 15% or more of the voting rights exercised on the Disposal Resolution or the Distribution Resolution are exercised against either such resolution:
 - 4.8.3.2.1 within the 5 business day period referred to in section 115(3)(a) of the 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 Companies Act; or
 - 4.8.3.2.2 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 Companies Act, court approval is obtained;
- 4.8.4 either:
 - 4.8.4.1 within the 10 business day period referred to in section 115(3)(b) of the 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 Companies Act for a review of the Disposal or the Distribution; or
 - 4.8.4.2 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 Companies Act for a review of the Disposal and/or the Distribution, then:

- 4.8.4.2.1 the court determines that it will not grant such leave; or
- 4.8.4.2.2 if the court does grant such leave, the court determines that the Disposal Resolution and the Distribution Resolution will not be set aside;
- 4.8.5 if any Altron Shareholders exercise Appraisal Rights, Altron Shareholders holding no more than 5% 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 Companies Act, within the maximum time period specified in the Companies Act, provided that in the event that either:
 - 4.8.5.1 Altron Shareholders deliver notices objecting to the Disposal Resolution or the Distribution Resolution as contemplated in section 164(3) of the Companies Act, in respect of no more than 5% of the Altron Ordinary Shares; or
 - 4.8.5.2 Altron Shareholders who have delivered notices in terms of section 164(3) of the Companies Act exercise voting rights against the Disposal Resolution and the Distribution Resolution in respect of no more than 5% of the Altron Ordinary Shares,

this Suspensive Condition shall be fulfilled immediately following the General Meeting;

- 4.8.6 approval by FinSurv for the Demerger in terms of the Exchange Control Regulations;
- 4.8.7 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;
- 4.8.8 the release by Altron's Lenders of security over the shares and other assets in or of any members of the Bytes UK HoldCo Group (including the shares in Bytes UK) with effect from Admission (including the Specified Security Documents);
- 4.8.9 the Bookrunner procures subscribers for not less than 25% of the enlarged issued share capital of Bytes UK HoldCo immediately following Admission (as determined by Bytes UK HoldCo acting reasonably) at a subscription price per Bytes UK HoldCo Share not less than the Minimum Offer Price;
- 4.8.10 the Underwriting Agreement is entered into and becomes unconditional in accordance with its terms;
- 4.8.11 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 Companies Act) by 2 December 2020;
- 4.8.12 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 Companies Act) between the Record Date and the Admission Date; and
- 4.8.13 Admission occurring.

4.9 **Bytes UK Management Consideration Shares**

- 4.9.1 The Bytes UK Management Consideration Shares that will be issued to Bytes UK Management pursuant to the Demerger SPA will be subject to a 365 day lock-up.
- 4.9.2 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 Bytes UK HoldCo) and held on the Bytes UK HoldCo United Kingdom register.

4.10 **Exchange control**

- 4.10.1 Altron has applied for the requisite approval from Finsurv for the Demerger.
- 4.10.2 Altron Ordinary Shareholders whose registered addresses are outside the Common Monetary Area will need to comply with the Exchange Control Regulations set out in **Annexure 3** to this Circular.
- 4.10.3 If Altron Ordinary Shareholders are in any doubt as to what action to take, they should consult their professional advisors.

4.11 TRP

- 4.11.1 Altron Shareholders are advised that the Disposal is deemed to constitute a Section 112 Disposal, and as such, constitutes an “affected transaction” as defined in section 117(1)(c)(i) of the Companies Act. Consequently, the Disposal is regulated by the Companies Act and the Companies Regulations and requires the approval of the TRP.
- 4.11.2 Altron Shareholders are advised that the Distribution is deemed to constitute a Section 112 Disposal, and as such, constitutes an “affected transaction” as defined in section 117(1)(c)(i) of the Companies Act. Consequently, the Distribution is regulated by the Companies Act and the Companies Regulations and requires the approval of the TRP.
- 4.11.3 As noted above, one of the Suspensive Conditions is that the TRP provides the compliance certificate required in terms of section 119(6) of the Companies Act.

Cash Confirmation

- 4.11.4 The TRP has been furnished with an irrevocable unconditional guarantee issued by Rand Merchant Bank, in accordance with regulation 111(4)(a) of the Companies Regulations, in which Rand Merchant Bank has agreed to pay up to a maximum guaranteed amount equal to the Rand equivalent of GBP97 300 000 in relation to:
 - 4.11.4.1 the redemption of 100% of the Convertible Notes held by Altron as nominee for Restricted Altron Shareholders;
 - 4.11.4.2 the redemption of 25% of the Convertible Notes held by Altron as nominee for Altron Ordinary Shareholders (other than Altron Finance and Restricted Altron Shareholders); and
 - 4.11.4.3 settlement of fractional entitlements of Altron Ordinary Shares to Convertible Notes,if Bytes UK Holdco fails to pay such amounts to Altron, subject to fulfilment or, where applicable, waiver of the Suspensive Conditions.

4.12 Transaction specific risk factors

- 4.12.1 As a result of the Demerger, the implementation of Bytes UK Group’s strategy is subject to further implementation risks, including a deterioration of Bytes UK Group’s culture and changes in client perceptions
 - 4.12.1.1 Bytes UK 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.
 - 4.12.1.2 The Demerger could change customers’ perception of Bytes UK 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 Bytes UK Group. As a consequence, Bytes UK 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.
 - 4.12.1.3 Further, any dilution or deterioration of Bytes UK Group’s culture associated with the Demerger may impact its ability to attract or retain talent. Should any of the consequences set out above occur, individually or in combination with others, they could have a material adverse effect on Bytes UK Group’s business, results of operations and financial condition.
- 4.12.2 Following the Demerger, the Bytes UK 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.
 - 4.12.2.1 Following the Demerger, the Bytes UK Group will operate as an independent company, separate from the Altron Group. The Bytes UK 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 UK Group could experience operational difficulties and that operating as an independent group may reduce the Bytes UK 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 UK 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 UK Group's business, results of operation and financial condition.

4.12.3 Bytes UK HoldCo will incur additional costs as a newly public company and Senior Management may be required to devote substantial time to new compliance matters

4.12.3.1 As a newly public company, Bytes UK HoldCo will incur significant legal, accounting and other expenses, including the costs of recruiting and retaining non-executive directors, 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 LSE and JSE. Senior management and other employees of Bytes UK HoldCo will need to devote a substantial amount of time to ensure that Bytes UK HoldCo complies with all of these requirements.

4.12.3.2 The reporting requirements, rules and regulations will increase Bytes UK HoldCo'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 Bytes UK HoldCo to obtain directors' and officers' liability insurance and Bytes UK HoldCo 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 Bytes UK HoldCo to attract and retain qualified persons to serve on the Bytes UK HoldCo Board, particularly to serve on the audit and remuneration committees, or as executive officers. Any failure by Bytes UK HoldCo to effectively manage these additional obligations could have a material adverse effect on its business, results of operations and financial condition.

5. INFORMATION ON BYTES UK AND BYTES UK HOLDCO

5.1 Name, address and incorporation date

Bytes Technology Group plc	Bytes Technology Group Limited
Registration number: 12935776	Registration number: 03643194
Registered address: Bytes House, Randalls Way, Leatherhead, Surrey, England, KT22 7TW	Registered address: Bytes House, Randalls Way, Leatherhead, Surrey, England, KT22 7TW
Place of incorporation: England and Wales	Place of incorporation: England and Wales
Date of incorporation: 7 October 2020	Date of incorporation: 28 September 1998

5.2 Overview of Bytes UK HoldCo and Bytes UK

The Bytes UK 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 UK Group enables effective and cost-efficient technology sourcing, adoption and management across software services, including in the areas of 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.

The Bytes UK 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 UK 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 SaaS. Examples include Microsoft Azure and Microsoft 365.

Beyond the reselling of software, the Bytes UK 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 UK 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 UK Group's gross profit for FY20 generated from its private sector customers and its public sector customers was 67 per cent and 33 per cent, respectively. The Bytes UK Group's 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, Technology, media and telecommunications, manufacturing and retail. In FY20, the Bytes UK Group had 2 516 public sector customers. The Bytes UK 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 UK 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 UK Group's penetration in these segments represents a growth opportunity.

The Bytes UK 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 UK Group having been recognised with numerous accreditations and awards from its vendor partners. The Bytes UK Group has a particularly strong track record of working with Microsoft, with a dedicated Microsoft Services team 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 UK 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 UK Group's gross profit in FY20 up from £24.1 million, or 55.5 per cent., in FY18. The Bytes UK Group has also developed strong partnerships with high growth vendors such as CrowdStrike and Check Point, which focus on cyber security products, and it regularly assesses the market for opportunities to expand vendor relationships as new products and technologies arise.

Employee and customer satisfaction is a priority for the Bytes UK Group. In 2020, Bytes Software Services was ranked 21st in the Sunday Times' list of the best 100 Mid Companies to work for, and the Bytes UK 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 UK Group. The Bytes UK 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% and 92%, respectively, of Bytes UK's gross profit was attributable to business with existing customers (defined as customers that the Bytes Group has previously transacted with).

The Bytes UK Group was founded in 1982 as Bytes UK and in 1998, Bytes Computer Supplies Limited was acquired by Altron, 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. Bytes UK 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, Bytes UK employed 666 people.

The Bytes UK Group has a long track record of growth and between FY10 and FY20, gross profit has increased by a CAGR of 20 per cent¹. This growth has been largely organic, with further contribution from the two strategic acquisitions of Security Partnerships and Phoenix. The Bytes UK Group generated gross invoiced income of £505.4 million in the six months ended 31 August 2020 (six months ended 31 August 2019: £370.30 million) and £722.2 million in FY20 (FY19: £549.4 million). The Bytes UK 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 UK Group's management utilise the following KPIs to monitor and analyse the Bytes UK Group's performance. The table below sets out the performance of these KPIs over the periods indicated.

1. 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

	Year Ended (Audited)			Months Ended 31 August (2020 audited) (2019 unaudited)	
	28 February 2018 ⁽¹⁰⁾	28 February 2019	28 February 2020	2019	2020 ⁽¹¹⁾
Gross invoiced income (£000) ⁽¹⁾	343 429	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⁾	N/A	46.1%	24.5%	N/A	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%	47.4%
Customers ⁽⁷⁾	4 330	4 516	4 929	N/A	4 976
Average gross profit per customer (£000) ⁽⁸⁾	N/A	14.1	16.1	N/A	17.2
Renewal rate ⁽⁹⁾	N/A	136%	115%	N/A	N/A

- (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 UK Group will continue to report gross invoiced income as an alternative financial KPI.
- (2) **“Gross profit”** is defined as revenue less cost of sales and has been extracted from the Bytes UK Group’s historical financial information, where it appears in the Bytes UK 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.
- (5) **“Adjusted operating profit/gross profit”** is a non-IFRS financial measure that the Bytes UK 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 UK Group defines as cash generated from operations minus capital expenditure (together “Free Cash Flow”) divided by adjusted operating profit.
- (7) **“Customers”** is an operating metric that the Bytes UK Group calculates as the number of unique entities transacting greater than £100 in gross profit with the Bytes UK Group during the relevant financial period.
- (8) **“Average gross profit per customer”** is an operating metric that the Bytes UK Group defines as total gross profit divided by total customer numbers.
- (9) **“Renewal rate”** is an operating metric that the Bytes UK Group defines as gross profit from existing customers divided by total gross profit in the prior financial year. Existing customer is defined as a customer who has previously transacted with the Bytes UK 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 UK Group’s LTM gross profit was £85.7 million.

5.3 Bytes UK HoldCo and Bytes UK prospects

The Bytes UK 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 Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors believe that this will be achieved through its strategy to increase the Bytes UK Group’s share of wallet with existing customers and expand its customer base. The Bytes

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

In recent years the Bytes UK 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 Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors believe that the Bytes UK 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 UK 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 UK 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 UK Group in FY15 generated an average gross profit per customer of approximately £8 300², in FY15, 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 Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors believe this increased spend over the course of a customer relationship can be attributed to the Bytes UK 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 UK Group's customers to achieve cost savings on their IT.

The Bytes UK 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 Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors believe that this vibrant culture has led to strong employee retention rates, improved productivity, better customer service and "stickier" customer relationships.

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

5.3.1 Increasing the scale and productivity of its sales engine

The Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors believe that continued development of the Bytes UK's UK 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 UK Group. In order to build and develop the Bytes UK Group's sales engine the Bytes UK Group intends to continue to prioritise employee recruitment, training and development, employee culture and incentivisation.

The Bytes UK 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 UK 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 UK Group's culture, the Bytes UK Group runs comprehensive induction and training programmes before placing new joiners within existing teams of experienced employees.

The Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors believe that a positive workplace culture is critical to the Bytes UK Group being able to motivate its

2. FY18 to FY20 gross profit figures are derived from unaudited IFRS financial information, routinely prepared as part of the financial reporting procedures for the Altron Group

employees to deliver high levels of customer service. One way in which the Bytes UK 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 UK 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 UK Group's sales team without any prior IT or sales experience to deliver £1 million of gross profit within 7 years of starting with the business.

Appropriate incentivisation is essential to maintaining high levels of staff retention and the Bytes UK 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 UK 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 UK Group. While account managers with over eight years of employment with the Bytes UK Group averaged gross profit of £928 000 in FY20, those account managers with less than two years of employment with the Bytes UK Group averaged £130 000 in FY20.

5.3.2 Focusing on strength and depth in end markets

Private sector customers accounted for 67% of the Bytes UK Group's gross profit for FY20, and are expected to remain the higher margin element of the Bytes UK Group's business. The Bytes UK 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 UK 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 employees³, providing significant scope for further growth.

The Bytes UK 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 UK Group. The Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors believe that the changes to working practices driven by the Covid-19 pandemic have also 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 Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors believe that numerous further public sector contracts will be tendered in the near-to-medium term, providing the Bytes UK Group with further opportunities to increase its public sector revenue and gross profit. Although public sector contracts are typically lower margin, they are typically longer term and generally less impacted by adverse changes in economic conditions.

5.3.3 Targeted marketing

The Bytes UK 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 UK Group is focusing on product areas characterised by higher levels of customer spend. The Bytes UK Group also utilises traditional sales channels such as telesales as well as hosting events and webinars which help to drive lead generation. Customer or vendor referrals and word of mouth are often key to winning new business, which reinforces the importance of the Bytes UK 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 UK 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 UK 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.

3. 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 success of the Bytes UK 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%. The Bytes UK 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 UK Group increased its gross profit with an existing customer in the insurance industry by 277%. Similarly, in the public sector, the Bytes UK 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% from the gross profit achieved in the initial transaction to the cumulative gross profit generated as at Friday, 31 July 2020. The Bytes UK Group's approach to marketing new products and services to existing customers is driven by the customer's IT needs or the ability of the Bytes UK Group's sales team to demonstrate that the products and services being offered can lead to cost savings.

5.3.4 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 UK Group to increase the proportion of its gross profit base derived from annuity like 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 UK 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 UK Group is deepening relationships with innovative cloud-led vendors such as CrowdStrike.

The Bytes UK Group developed its proprietary Quantum tool to help its customers better understand their cloud spend, in particular for key Office 365 and Azure products in particular. 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 UK Group's advisory expertise helps the Bytes UK 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.

5.3.5 Continued diversification of product offering

The Bytes UK Group's strong relationships with its customers provide it with a deep knowledge of customer requirements and informs its approach in providing and recommending relevant products. The Bytes UK 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 UK Group provides up to date and independent advice regarding a broad portfolio of products.

The Bytes UK Group keeps pace with rapid technological change by monitoring the market and adapting its offering in line with customer demands and trends. The Bytes UK 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 UK Group also intends to continue developing additional partnerships with specialist IT providers to supplement the Bytes UK Group's existing offering.

Although historically hardware has only accounted for a small proportion of the Bytes UK Group's gross profit, the Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors consider hardware to be an area of significant potential growth for the Bytes UK Group 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 UK Group's customer base undergoes significant change as a result of this trend.

In August 2020, the Bytes UK Group launched Smart Store, a low-touch e-commerce platform through which customers are able to buy hardware from a range of the Bytes UK 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 Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed 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 Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors believe that hardware sales present a significant opportunity for the Bytes UK Group. UK hardware market spend was estimated to be approximately £16.9 billion in 2019⁴, which highlights the scale of the potential hardware opportunity. The Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors believe that hardware sales will enable the Bytes UK Group to increase its share of wallet from its existing customers and also mitigate the competitive pressure the Bytes UK 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 UK Group is targeting an increase in its hardware sales to 10% of gross invoiced income in the medium term.

5.3.6 Optimising software management capabilities

The Bytes UK Group's services, offering assists its customers in achieving cost efficient sourcing, adoption and management of their software. The Bytes UK 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 UK Group's growth strategy. The Bytes UK 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 UK 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 UK Group initially seeks to deliver it through a number of third-party partners under the Bytes UK 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 UK Group HoldCo's proprietary Quantum tool also plays an important role in its SAM offering. As set out above, the platform enables the Bytes UK 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 UK 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 UK Group's SAM services provides another tool through which it 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 UK 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.

5.3.7 Maintaining customer service excellence and continue to develop technical expertise

The Bytes UK HoldCo Directors and the Bytes UK HoldCo Proposed Directors believe that a key to the Bytes UK Group being able to continue to differentiate itself from its competitors in the UK IT market is to maintain the level and quality of the customer service it provides. From the outset of their employment, the Bytes UK Group's employees are trained that high quality personal service is critical to the success of the business, enabling the Bytes UK Group to attract new customers and build long-term customer loyalty. One of the key components of the Bytes UK Group's customer service is its focus on technical expertise and ensuring that the Bytes UK 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 UK 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 that they would recommend Bytes Software Services, and 96.2 per cent of participating customers rated the service provider by Bytes Software Services as either excellent or good.

4. Source: Credit safe 8 July 2020

The Bytes UK 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 UK Group as an attractive alternative to other VARs, and existing customers increase the share of their IT spend with the Bytes UK Group. In considering what is the best solution for a particular customer, the Bytes UK Group will often advise organisations when not to spend money, increasing trust and encouraging long-lasting customer relationships.

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

5.3.8 Strategic acquisition opportunities

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

The Bytes UK 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 UK 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 UK 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 the acquisition by the Bytes UK Group occurred.

5.3.9 Covid-19

The impact of Covid-19 on the Bytes UK Group has been explained in note 1.4 in Annexure 4.

5.4 **Historical financial information of Bytes UK**

The report of the consolidated historical financial information in respect of the last three financial years ended 28 February 2018, 28 February 2019 and 29 February 2020 and the six months ended 31 August 2020 of Bytes UK is prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and is annexed to this Circular as **Annexure 4**. The Reporting Accountants' report on this consolidated historical financial information is annexed to this Circular as **Annexure 5** and should be read in conjunction with the consolidated historical financial information presented in **Annexure 4**.

The Reporting Accountants report on the consolidated historical financial information is issued by EY UK in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the UK.

5.5 **Historical financial information of Bytes UK HoldCo**

As Bytes UK HoldCo is a newly incorporated company the report of the consolidated historical financial information in respect of the last three financial years ended 28 February 2018, 28 February 2019 and 29 February 2020 is not available.

As such, the historical financial information of Bytes UK HoldCo as at incorporation, contained in **Annexure 6** has been prepared in accordance with IFRS-EU. The Reporting Accountants' report on this historical financial information is annexed to this Circular as **Annexure 7** and should be read in conjunction with the historical financial information presented in **Annexure 6**.

The Reporting Accountants report on the historical financial information is issued by EY UK in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the UK.

5.6 **Pro forma financial information of Bytes UK HoldCo**

The *pro forma* financial statements information has been included as **Annexure 8** to this Circular and has been prepared for illustrative purposes only to show the effect of and the provide information about how the Distribution, the Offer, Admission, the Disposal, the Redemption and the Conversion may have affected the financial position of Bytes UK HoldCo assuming that the Distribution,

the Offer, Admission, the Disposal, the Redemption and the Conversion had been implemented on 29 February 2020 and 31 August 2020 for purposes of the statement of financial position, net assets per share and tangible net assets per share and the results of operations assuming they had been implemented on 1 March 2019 and 1 March 2020 for purposes of the statement of comprehensive income, earnings per share and headline earnings per share.

The *pro forma* financial information of Bytes UK Holdco, including the assumptions on which they are based and the financial information from which they have been prepared, are the responsibility of the Bytes UK Holdco Board.

The *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 Bytes UK Holdco's accounting policies, which are consistent with those accounting policies adopted in preparing Bytes UK Holdco's annual financial statements.

Due to their nature, they may not fairly represent Bytes UK Holdco's financial position, changes in equity, results of operations or cash flows after the Distribution, the Offer, Admission, the Disposal, the Redemption and the Conversion.

The Independent Reporting Accountants to Bytes UK and Bytes UK HoldCo assurance report on the *pro forma* financial information is issued in accordance with the Standard for Investment Reporting (SIR) 4000 "Standards for Investment Reporting Applicable to Public Reporting Engagements on *Pro Forma* Financial Information" issued by the Auditing Practices Board in the United Kingdom and is set out in **Annexure 9** of this Circular.

5.7 **Material change**

Save for the Demerger there have been no material changes in the financial or trading position of Bytes UK since the last published balance sheet for the six month period ended 31 August 2020 and the Last Practicable Date.

5.8 **Material contracts**

Other than the Demerger SPA and the Convertible Note Instrument, Bytes UK has not entered into any material contracts either verbally or in writing that are outside the ordinary course of business in the two years preceding the Last Practicable Date or entered into at any time any material contract containing an obligation or settlement that is material to Bytes UK or its subsidiaries as at the Last Practicable Date.

A summary of the material terms of the above mentioned material contracts has been included in **Annexure 16**.

5.9 **Material loans**

As at the Last Practicable Date, Bytes UK had no material loans.

5.10 **Vendors**

Bytes UK has not acquired any material assets from vendors during the three years preceding the date of this Circular.

5.11 **Litigation statement**

There are no legal or arbitration proceedings, pending or threatened, of which Bytes UK is aware, that may have or have had, in the 12 month period prior to the Last Practicable Date, a material effect on the financial positions of Bytes UK.

5.12 **Additional Bytes UK HoldCo information incorporated by reference**

As part of the Bytes UK HoldCo listing process two documents will be made available in order to provide potential Bytes UK HoldCo investors with the requisite information to make an informed investment decision. The first document is the Bytes UK Registration document which provides all the information on a company that a JSE investor would expect to see in a pre-listing statement except for the details of and information about the offer. The Bytes UK Registration document has been prepared concurrently with this Circular and has been approved by the Financial Conduct Authority. As such, and in order to provide Altron Shareholders with additional information on Bytes UK HoldCo the Bytes UK HoldCo Registration document will be made available to Altron Shareholders on the same date as this Circular. Altron Shareholders can access the Bytes UK HoldCo Registration document at the link provided below.

The second document is the Bytes UK HoldCo prospectus which will be approved by the Financial Conduct Authority and the JSE. The Bytes UK HoldCo prospectus will include the same information as the Bytes UK HoldCo Registration document and will also include information relating to the Offer. The Bytes UK HoldCo prospectus will be made available post shareholder approval on 1 December 2020.

The Bytes UK HoldCo Registration document and the Bytes UK HoldCo prospectus are the responsibility of the Bytes UK Holdco Board. Altron does not assume any responsibility for the accuracy and completeness of the information given in the Bytes UK HoldCo Registration document and the Bytes UK HoldCo prospectus.

Incorporated by reference

Weblink

Bytes UK HoldCo Registration document

<https://www.altron.com/investors/notices-circulars/>

The information is available for inspection at the registered office or other designated office of the Altron and the offices of the Transaction Sponsor, at no charge, during business hours from the date of this Circular up to the date of the General Meeting.

6. INFORMATION ON ALTRON

6.1 Overview of Altron

Founded in 1965, Altron has a direct presence in South Africa, rest of Africa, Europe, the Middle East and Australia. In addition, the Altron Group's strategic partnerships with leading international technology companies gives it access to leading technology capabilities and products from across the world, including Asia, Europe and North America.

Most of the Altron's revenue and headcount are derived from the local market in South Africa where the group is headquartered. Altron's primary focus is in providing innovative solutions in the fintech, healthtech, safety & security, and learning and development verticals that have a meaningful impact on society by addressing challenges facing communities in South Africa, the continent and beyond, while delivering shared value for all its stakeholders.

6.2 Altron prospects

Post the Demerger Altron's business operations will consist of its remaining ICT businesses and its telematics and vehicle tracking business. Altron's remaining ICT businesses consist 10 individual businesses offering the full spectrum of ICT services operating in South Africa and selected African countries. Altron's telematics and vehicle tracking business provides stolen vehicle recovery services, advanced vehicle and fleet tracking, fleet management solutions and insurance telematics.

The Altron Board has assessed the Altron business post the Demerger and confirms that it will meet the criteria as set out in the Listings Requirements to remain listed on the JSE.

6.2.1 Purpose and Values

Altron has established a track record of delivering on its purpose: "Delivering Innovation that Matters". In the process, Altron's core values have become deeply embedded in the organisational culture and continue to unite and guide the organisation forward. These core values are (1) openness, honesty and integrity, (2) collaboration across teams, (3) get things done and enjoy doing it, (4) embrace diversity and inclusion, (5) create leading returns for our shareholders, and (6) be passionate about customers, partners, employees and communities. The unbundling of Bytes UK does not change Altron's purpose or core values.

6.2.2 Vision and Differentiation

Over the last few years, Altron has lived its vision to "Be the leading technology solutions provider". This vision has now been refined to highlight Altron's unique capabilities and multi-disciplinary inter-divisional collaboration which drives exceptional offerings and world class customer experience for its over 20 000 enterprise customers in Southern Africa. Going forward Altron's vision is to "Be a highly differentiated technology solutions provider" in the markets where it operates.

Altron's diverse offerings include: scalable proprietary platforms across the healthcare, financial services and telematics industries; cloud services covering migration, application development and managed services; data Analytics and Artificial Intelligence; and security across Cloud, Data, Identity and Managed Operations. Altron's customer experience is enabled by access to local skills, omnichannel accessibility, and Altron's scale, which allows Altron to provide competitive pricing. Altron has an ever-growing annuity revenue that is underpinned by ongoing scaling of proprietary platforms, IT outsourcing/managed services, and embedding custom application development within our offerings.

6.2.3 Operating segments

To align Altron's various offerings, and improve operating efficiency, Altron will be managed in the following operating segments going forward in the foreseeable future:

- 6.2.3.1 **Platforms:** Includes offerings that deploy Altron's proprietary intellectual property. This segment effectively combines the superseded Smart IOT and Healthtech and Fintech segments.
- 6.2.3.2 **Systems Integration:** Houses system integration capabilities and world class security offerings. Replaces the Digital Transformation segment, excluding Bytes UK and the capabilities now separately included in the Infrastructure segment.
- 6.2.3.3 **Infrastructure:** A combination of the infrastructure capabilities in Nexus, Altron Systems Integration and Microsoft LSP offerings.
- 6.2.3.4 **Managed Services:** Houses the Managed Solutions offering.

The Altron Document Solutions business, People Solutions business and Arrow electronic component distribution operation no longer fit into Altron's refined vision for the future as a highly differentiated technology solutions provider. Management is exploring opportunities to exit these non-core businesses.

6.2.4 Growth Areas

Altron is positioned to benefit from strong technology growth trends, specifically:

6.2.4.1 Cloud Services

Management is of the view that growth in cloud related services in Southern Africa has lagged the strong growth seen in developed markets (specifically in the UK, where Bytes UK has benefited greatly) but is now starting to be seen. This is evidenced by major cloud suppliers recently commissioning South Africa-based data centres and the rapid pace of digital transformation in Southern Africa (which has accelerated since the onset of the global covid-19 pandemic). Migration from on-premise data centres to the cloud drives both upfront migration revenue and ongoing consumption annuity revenue.

6.2.4.2 Data

Data and related services are core to the ICT sector. Growth will be achieved by strengthening existing relationships with prominent international OEM suppliers.

6.2.4.3 Security

The rapid pace of digital transformation (e.g.: cloud migration, remote connectivity, and growth in the online marketplace) has created many new cyber security vulnerabilities. This is an exciting growth opportunity for Altron to implement its advanced security capabilities.

6.2.4.4 Automation

Double digit growth is expected in automation as customers seek to manage costs and improve system efficiency in tough economic times. Custom application development, one of Altron's key competencies, is required to implement these technologies (e.g.: Robotic Process Automation and smart conversational bots).

6.2.4.5 Partnerships

Altron has long-established relationships with Microsoft and other international OEM's. All these key partnerships will be maintained after the demerger of Bytes UK.

The Microsoft relationship has proven highly beneficial for Bytes UK and Altron expects it to fuel similar success in Southern Africa – considering the continued growth in demand for digital transformation in the region. Altron was recently awarded LSP and CSP status and has yet to fully leverage this. For example, Microsoft's key enterprise offerings include Dynamics 365, Azure and Office 365 and Altron is underrepresented in two of these offerings. Increased focus on these two offerings, which are in high and increasing demand in Southern Africa, is expected to drive significant growth for Altron.

6.2.5 Financial Outlook

Altron's continuing revenue (excluding the contribution of Bytes UK and non-core operations identified for disposal) is expected to grow by upper single digits for the foreseeable future, despite a weak local economic outlook. Cost reduction initiatives currently being executed across several operations are expected to result in improved margins from current levels.

The non-core operations identified for disposal are more working capital intensive than the remaining core ICT orientated operations. These disposals are consequently expected to improve the working capital efficiency of Altron. Working capital efficiency in the core Altron businesses will continue to be carefully managed.

Despite the recent Covid-19 related lockdown, Altron has maintained strong liquidity and honoured all its financial commitments using existing resources. Proceeds from the redemption of Convertible Notes beneficially held by Altron Finance will be used to reduce debt and ensure the sustainability of Altron's balance sheet. Management envisages further improvements in liquidity in the medium term due to improvements in profitability and working capital efficiency.

6.2.6 Impact of Covid-19 on outlook

When the Altron Board reflected on the recent performance of the Company it became clear that certain of the operations were materially impacted by the pandemic, combined with negative prevailing economic conditions, whilst other operations were beneficiaries of activities relating to the pandemic. However, as a collective, the operations excluding Bytes UK proved resilient in the face of the pandemic with revenue, as at Altron's most recent 31 August 2021 interim results, reducing less than 7% year-on-year. This reduction includes operations which have been classified as held for sale and will not form part of the longer-term future of Altron. Isolating for these held for sale operations, revenue in the recent reporting period actually increased 2.2% year-on-year on a like-for-like basis. The recent acquisition in the Altron security division increased this 2.2% revenue growth to almost 4%. This performance bodes well for the expected stronger medium-term revenue growth as customers' adoption of digital transformation tools, such as cloud computing and identity security, accelerate.

Even though the held for sale assets mentioned above experienced a reduction in revenue and profitability, Altron management has taken appropriate action to reduce costs and return these operations to break-even in the near term.

6.3 Historical financial information of Altron incorporated by reference

The consolidated audited annual financial statements of Altron for the three financial years ended 28 February 2018, 28 February 2019 and 29 February 2020 are incorporated herein by reference and will be available for inspection on Altron's website at <https://www.altron.com/investors/reports-results/integrated-annual-reports/> as set out in paragraph 17 of this Circular.

Incorporated by reference	Weblink
Consolidated audited annual financial statements of Altron for financial year ended 28 February 2018	https://www.altron.com/investors/reports-results/integrated-annual-reports/altron-annual-financial-statements-2018/
Consolidated audited annual financial statements of Altron for financial year ended 28 February 2019	https://www.altron.com/investors/reports-results/integrated-annual-reports/altron-annual-financial-statements-2019/
Consolidated audited annual financial statements of Altron for financial year ended 29 February 2020	https://www.altron.com/investors/reports-results/integrated-annual-reports/altron-annual-financial-statements-2020/

The information is available for inspection at the registered office or other designated office of the Altron and the offices of the sponsor, that such inspection is available to Altron Shareholders and/or prospective investors at no charge, during business hours for a reasonable period (being not less than 14 days).

6.4 Pro forma financial information of Altron

The *pro forma* financial effects presented below and the *pro forma* financial statements, included as **Annexure 10** to this Circular, have been prepared for illustrative purposes only to provide information about how the Demerger may have affected the financial position of Altron assuming the Demerger had been implemented on 29 February 2020 and 31 August 2020 for purposes of the statements of financial position, net asset value per share and tangible net asset value per share and implemented on 1 March 2019 and 1 March 2020 for purposes of the statements of comprehensive income, earnings per share and headline earnings per share.

The *pro forma* financial statements of Altron, including the assumptions on which they are based and the financial information from which they have been prepared, are the responsibility of the Altron Board.

The *pro forma* financial statements have been prepared in compliance with IFRS, the SAICA guide on *pro forma* financial information and in accordance with Altron's accounting policies, which are consistent with those accounting policies adopted in preparing Altron's annual financial statements.

Due to their nature, the *pro forma* financial information may not fairly represent Altron's financial position, changes in equity, results of operations or cash flows after the Demerger.

PRO FORMA FINANCIAL EFFECTS FOR THE YEAR ENDED 29 FEBRUARY 2020

Pro forma financial effects (cents)	Pro forma after the		
	Before (1)	Demerger (2)	Change %
Earnings per share ("EPS")^{2.1}	180	2 760	1 429%
Continuing operations	184	2 764	1 400%
Discontinued operations	(4)	(4)	0%
Headline earnings per share ("HEPS")^{2.1}	180	80	(56%)
Continuing operations	182	82	(55%)
Discontinued operations	(2)	(2)	0%
Net asset value per share^{2.2}	1 061	1 274	20%
Net tangible asset value per share^{2.2}	501	912	82%
Number of shares ('000s)	371 400	371 400	
Weighted average number of shares ('000s)	371 233	371 233	

NOTES

- (1) The "Before" column has been extracted from Altron's audited consolidated annual financial statements for the year ended 29 February 2020.
- (2) The "after the Demerger" column reflects the impact of the Disposal and Distribution of Bytes UK Group as follows:
 - (2.1) *Pro forma* earnings and headline earnings per share are based on the principal assumption that the Disposal and Distribution were effective 1 March 2019.
 - (2.2) *Pro forma* net asset value and net tangible asset value per share are based on the principal assumption that the Disposal and Distribution were effective 29 February 2020.
- (3) Although there is current significant uncertainty regarding the implications of the global COVID-19 pandemic, no post balance sheet event has been adjusted for in this regard. There are no other material subsequent events that require an adjustment to the *pro forma* financial information.

PRO FORMA FINANCIAL EFFECTS FOR THE INTERIM PERIOD ENDED 31 AUGUST 2020

Pro forma financial effects (cents)	Pro forma after the		
	Before (1)	Demerger (2)	Change %
Earnings per share ("EPS")^{2.1}	69	2 551	3 611%
Continuing operations	85	2 567	2 919%
Discontinued operations	(16)	(16)	0%
Headline earnings per share ("HEPS")^{2.1}	67	(22)	(133%)
Continuing operations	83	(6)	(107%)
Discontinued operations	(16)	(16)	0%
Net asset value per share^{2.2}	1 101	1 197	9%
Net tangible asset value per share^{2.2}	467	782	68%
Number of shares ('000s)	369 034	369 034	
Weighted average number of shares ('000s)	373 897	373 897	

NOTES

- (1) The “Before” column has been extracted from Altron’s unaudited interim financial statements for the six months ended 31 August 2020.
- (2) The “*Pro forma* after the Demerger” column reflects the impact of the Disposal and Distribution of Bytes UK Group as follows:
 - (2.1) *Pro forma* earnings and headline earnings per share are based on the principal assumption that the Disposal and Distribution were effective 1 March 20.
 - (2.2) *Pro forma* net asset value and net tangible asset value per share are based on the principal assumption that the Disposal and Distribution were effective 31 August 2020.
- (3) Although there is current significant uncertainty regarding the implications of the global COVID-19 pandemic, no post balance sheet event has been adjusted for in this regard. There are no other material subsequent events that require an adjustment to the *pro forma* financial information.

The Independent Reporting Accountants to Altron assurance report on the *pro forma* financial information is set out in **Annexure 11** of this Circular.

6.5 Share capital

There will be no change in the ordinary share capital or high voting share capital of the Company as a result of the Demerger.

6.6 Major shareholders

As at the Last Practicable Date, to the knowledge of Altron, the names of Altron Ordinary Shareholders who are directly or indirectly beneficially interested in 5% or more of Altron Ordinary Shares are as follows:

Shareholder	Number of shares held	Percentage of issued share capital (%)
Coronation Asset Management	104 617 037	26.07
Value Capital Partners ⁽¹⁾	83 950 240	20.92
Biltron (PTY) Limited (ZA) ⁽²⁾	56 192 243	14.00
Total	244 759 520	60.99

⁽¹⁾ Biltron is the holding company for the Venter Family

⁽²⁾ Value Capital Partners is an investment company which manages money on behalf of its investors

Further to the above table, the Venter family are the holders of the Altron High Voting Share, which has the preferences, rights, limitations and other terms set out in the MOI and which are summarised below.

- the Altron High Voting Share does not have any economic participation rights beyond the rights to have the original consideration of R10 000 repaid on a winding-up or other return of capital; and
- for as long as the Venter family holds directly or indirectly at least 10% of the Altron Ordinary Shares. The Altron High Voting Share carries the number of voting rights that, when aggregated with the total voting rights attaching to all of the Altron Ordinary Shares held by the Venter family, will entitle the Venter family to exercise 25% plus one vote at any shareholders’ meeting.

6.7 Directors' interests in Altron Ordinary Shares

The table below sets out the direct and indirect beneficial interests of the Directors (including any associates of any Director) as at the Last Practicable Date. This includes the interest of persons who are no longer Directors, but resigned during the last 18 months.

	Direct beneficial	Indirect beneficial	Held by associates	Total	%
Executive					
M Nyati ¹	538 333	Nil	Nil	538 333	0.13%
C Miller	161 138	Nil	Nil	161 138	0.04%
Non-executive					
MJ Leeming ²	3 676	396 879	Nil	350 555	0.10%
AC Ball*	Nil	83 950 240	Nil	83 950 240	20.92%
BW Dawson	Nil	2 721 088	Nil	2 721 088	0.68%
S Sithole*	Nil	83 950 240	Nil	83 950 240	20.92%
SW van Graan ³	Nil	25 000	Nil	25 000	<0.01%
BJ Francis	22 000	Nil	Nil	22 000	<0.01%
GG Gelink	18 000	Nil	Nil	18 000	<0.01%
P Mnganga	Nil	Nil	Nil	Nil	0.00%
RE Venter ⁴	44 015	56 192 243	Nil	56 236 258	14.01%
Total	787 162	143 285 450	Nil	144 022 612	35%

* AC Ball and S Sithole have indirect exposure via the Value Capital Partners shareholding in Altron. This creates a double-counting effect in the table, which is adjusted for in the total.

Notes:

The notes below outline the changes in Directors' interests in Altron Ordinary Shares during the period from 29 February 2020 up to and including the Last Practicable Date.

1. M Nyati, settlement of Altron Ordinary shares pursuant to the automatic vesting and exercise of bonus shares and share appreciation rights, direct beneficial increase of 726 685 Altron Ordinary Shares
2. MJ Leeming, indirect beneficial acquisition of 75 000 Altron Ordinary Shares
3. SW van Graan, indirect beneficial acquisition of 25 000 Altron Ordinary Shares
4. RE Venter, direct beneficial disposal of 200 000 Altron Ordinary Shares

At the Last Practicable Date, none of the Directors, including Directors who have resigned in the 18 months prior to the Last Practicable Date, directly or indirectly had a material beneficial interest in transactions effected by Altron during the current or immediately preceding financial year, or during an earlier year in relation to any transactions concluded during that earlier year that remain in any respect outstanding or unperformed, other than as a result of their shareholdings in Altron as disclosed above.

In accordance with section 75 of the Companies Act, Directors with a financial interest (as defined in section 75 of the Companies Act) in Altron will recuse themselves from voting on any Altron Board resolutions in relation to the Demerger, to the extent required. Furthermore, the Independent Board comprises of Directors that have no material financial interest in the Demerger (as defined in section 75 of the Companies Act).

6.8 Directors' remuneration and benefits

Other than for certain adjustments to be made to the awards granted to participants under the 2009 Altron Share Plan in order to place the participants in the same position as they were in prior to the Demerger, in accordance with the rules of the plan, there will be no variation in the remuneration receivable by the executive directors. Such adjustments include reducing strike price of existing awards, accelerated vesting of awards granted under the 2017 and 2018 schemes and adjusting the performance criteria for the remaining vesting period in respect of existing awards made under the 2019 and 2020 schemes.

6.9 Bytes UK HoldCo interests in Altron

At the Last Practicable Date, neither Bytes UK HoldCo nor its directors, directly or indirectly, had a beneficial interest or holdings of securities in Altron.

6.10 **Material loans**

Details of the material loans made to Altron and/or any material loans to any of its subsidiaries, as at the Last Practicable Date, are disclosed in **Annexure 12** of this Circular.

6.11 **Material contracts**

Other than the Demerger SPA Altron has not entered into any material contracts either verbally or in writing that are outside the ordinary course of business in the two years preceding the Last Practicable Date or entered into at any time any material contract containing an obligation or settlement that is material to Altron or its subsidiaries as at the Last Practicable Date.

A summary of the material terms of the Demerger SPA has been included in **Annexure 16**.

6.12 **Working capital statement**

The Directors are of the opinion that pursuant to the implementation of the Demerger the working capital available to Altron and its remaining subsidiaries is sufficient for their present requirements, that is for the next 12 months from the Last Practicable Date. In addition, the Directors have considered the solvency and liquidity assessment, read with Section 46 of the Companies Act, and are satisfied that the Company meets the solvency and liquidity requirements.

7. **INDEPENDENT EXPERT'S REPORT**

- 7.1 The Independent Board has appointed the Independent Expert to provide the fair and reasonable opinion on the Disposal and Distribution, as required under Regulation 110 of the Companies Regulations.
- 7.2 The Independent Expert's Report on the Disposal and Distribution, prepared in accordance with the provisions of the Companies Act and the Companies Regulations, is reproduced in **Annexure 1** to this Circular.
- 7.3 Having considered the terms and conditions of the Disposal and Distribution and based on the conditions set out in the Independent Expert's Report on the Disposal and Distribution, the Independent Expert has concluded that the terms and conditions of the Disposal and Distribution are both fair and reasonable to Altron Shareholders, as each of these terms is defined in the Companies Act.

8. **INDEPENDENT BOARD'S VIEWS ON THE DISPOSAL AND THE DISTRIBUTION**

- 8.1 In accordance with the Companies Regulations, the Altron Board has appointed the Independent Board for the purpose of the Disposal and Distribution. The Independent Board has appointed the Independent Expert to prepare a report on the Disposal and Distribution.
- 8.2 The Independent Board, after due consideration of the Independent Expert's Report, has determined that it will place reliance on the valuations performed by the Independent Expert for the purposes of reaching its own opinion regarding the Disposal and Distribution, as contemplated in Regulation 110(3)(b) of the Companies Regulations.
- 8.3 The Independent Board is not aware of any factors which are difficult to quantify or are unquantifiable (as contemplated in Companies Regulation 110(6)) and has not taken any such factors into account, in forming its opinion.
- 8.4 The Independent Board, taking into account the Independent Expert's Report in relation to the Disposal and Distribution, has considered the terms and conditions of the Disposal and Distribution and is unanimously of the opinion that the terms and conditions thereof are fair and reasonable to Altron Shareholders. The Independent Board, accordingly, recommends that Altron Shareholders vote in favour of the Disposal Resolution and Distribution Resolution to be considered at the General Meeting relating to the approval of the Disposal and Distribution.
- 8.5 As at the Last Practicable Date, the Independent Board had not received any offers, as defined in section 117(1)(f) of the Companies Act.
- 8.6 The Directors on the Independent Board, in their personal capacities, intend to vote any Altron Ordinary Shares beneficially owned by them in favour of the Disposal Resolution and Distribution Resolution to be considered at the General Meeting.

9. ALTRON BOARD RECOMMENDATION

The Altron Board has considered the terms and conditions of the Disposal and Distribution and, taking into account the opinion provided by the Independent Expert in relation to the Disposal and Distribution, is of the opinion that the terms and conditions thereof are fair and reasonable to the Altron Shareholders. Accordingly, the Altron Board recommends to Altron Shareholders that they vote in favour of the resolutions to be considered at the General Meeting.

10. DIRECTORS' RESPONSIBILITY STATEMENTS

The Directors, whose names are set out on page 23 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in relation to Altron and certify that, to the best of their knowledge and belief, there are no other 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 Circular contains all information required by law and in terms of the Listings Requirements.

11. INDEPENDENT BOARD RESPONSIBILITY STATEMENTS

The Independent Board, whose names are set out on page 20 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in relation to Altron and certify that, to the best of their knowledge and belief, there are no other 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 Circular contains all information required by law and in terms of the Listings Requirements.

12. BYTES UK HOLDCO DIRECTOR RESPONSIBILITY STATEMENTS

The Bytes UK HoldCo Directors collectively and individually accept full responsibility for the accuracy of the information given in relation to the Bytes UK HoldCo (including all statements made or given in respect of its securities) and certify that, to the best of their knowledge and belief, there are no other 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 Circular contains all information required by law and in terms of the Listings Requirements.

13. PRELIMINARY TRANSACTION EXPENSES

As at the Last Practicable Date, the estimated expenses in respect of the Demerger (excluding value-added tax) are set out below:

Details of the expense	Paid/ payable to	Estimated amount (Rand)
Lead Financial Advisor	Rand Merchant Bank	10 000 000
Transaction Sponsor	Rand Merchant Bank	2 500 000
Legal and Tax Advisor as to South African Law	DLA Piper	5 500 000
South African Independent Reporting Accountants to Altron	PWC	530 000
Independent Expert	KPMG	560 000
Printing, postage and other transaction costs	Ince	380 000
TRP approval process	TRP	209 000
JSE documentation fees	JSE	143 327
General Meeting hosting: TMS	TMS	28 900
Total		19 851 227

14. GENERAL MEETING

A General Meeting will be held on Tuesday, 1 December 2020 to consider, and if deemed fit, pass the Demerger Resolutions required to authorise and effect the implementation of the Demerger. A notice convening the General Meeting is attached to and forms part of this Circular.

As a consequence of the impact of the Covid-19 pandemic and the restrictions placed on public gatherings, the General Meeting will be held through electronic participation. The details of this are set out in the section "Actions required by Altron Shareholders" of this Circular.

15. **CONSENTS**

The Company's advisors, whose names appear in the "Corporate Information and Advisors" section of this Circular have given and have not, prior to the Last Practicable Date, withdrawn their written consent to the inclusion of their names, and reports where applicable, in the form and context in which they appear in this Circular.

16. **DOCUMENTS AVAILABLE FOR INSPECTION**

As a consequence of the impact of the Covid-19 pandemic and the restrictions placed on public gatherings, the following documents or copies thereof will be available for inspection by Altron Shareholders on the Company's website, <https://www.altron.com/investors/notices-circulars/>, from the date of this Circular up to and including the date of the General Meeting:

- 16.1 the Memorandum of Incorporation of the Company;
- 16.2 the Independent Reporting Accountants to Altron' report on the *pro forma* financial information of Altron as set out in **Annexure 11** to this Circular;
- 16.3 the published, audited annual financial statements (together with all notes) of Altron for each of the three years ended 28 February 2018, 28 February 2019 and 29 February 2020;
- 16.4 the published, audited annual financial statements (together with all notes) of Bytes UK for each of the three years ended 28 February 2018, 28 February 2019 and 29 February 2020;
- 16.5 The Reporting Accountants report on the consolidated historical financial information is issued by EY UK in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the UK;
- 16.6 The historical financial information of Bytes UK HoldCo as at incorporation;
- 16.7 The Reporting Accountants report on the historical financial information of Bytes UK HoldCo as at Incorporation issued by EY UK in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the UK;
- 16.8 *pro forma* financial information of Bytes UK HoldCo;
- 16.9 The Independent Reporting Accountants to Bytes UK and Bytes UK HoldCo assurance report on the *pro forma* financial information of Bytes UK HoldCo;
- 16.10 the Demerger SPA;
- 16.11 the Convertible Loan Note Instrument;
- 16.12 a summary of the Directors', managers' and secretary/ies' service contracts entered into during the last three years;
- 16.13 the Independent Expert's Report as set out in **Annexure 1** to this Circular;
- 16.14 consent letters of the appointed professional advisors as set out in paragraph 16 of this Circular; and
- 16.15 a signed copy of this Circular.

Signed at Sandton on Thursday, 29 October 2020 by Mteto Nyati on behalf of the Altron Board and the Independent Board respectively, he being duly authorised in terms of written resolutions signed by each director and in terms of a resolution of the Independent Board and the Altron Board.

Mteto Nyati

Chief Executive Officer

INDEPENDENT EXPERT'S REPORT ON THE DISPOSAL AND DISTRIBUTION

Confidential

Allied Electronics Corporation Limited
 4 Sherborne Road
 Parktown
 Johannesburg
 2193
 22 October 2020

Our ref

SAN1407812911

Dear Sirs

INDEPENDENT EXPERT REPORT ON THE PROPOSED DISPOSAL OF BYTES UK AND DISTRIBUTION OF THE CONVERTIBLE NOTES TO ALTRON ORDINARY SHAREHOLDERS

Capitalised terms contained herein shall bear the meanings ascribed thereto in the Circular to Altron shareholders dated on or about 3 November 2020, unless otherwise defined herein

Introduction (112(3)(b))

In terms of the announcement published on the Stock Exchange News Service ("SENS") operated by the JSE Limited ("JSE") by Allied Electronics Corporation Limited ("Altron") on 2 April 2020, as part of its FY2020 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 resolved to pursue a separate listing of, and an offer for subscription for Shares in, Bytes UK HoldCo Limited ("Bytes UK") on the London Stock Exchange ("LSE") (with a secondary inward listing on the JSE) and a distribution of Altron's remaining interest in Bytes UK to Altron Shareholders.

In order to give effect to the above, Altron, through Bytes UK HoldCo Proprietary Limited ("Bytes SA"), will dispose of its A ordinary shares in Bytes UK to a newly established company in the UK, Bytes Technology Group plc ("Bytes UK HoldCo") ("the Disposal"). Bytes UK HoldCo will settle the purchase consideration for the A ordinary shares in Bytes UK through the issue of Convertible Notes to Bytes SA. Bytes SA and the intermediate Altron Group companies will distribute the Convertible Notes to Altron as a dividend *in specie* in terms of section 46 of the Companies Act. Altron will retain 9.0% of the Convertible Notes, which will each be redeemed for cash to settle a portion of its loan obligations and optimise its capital structure.

Subject to fulfilment of the condition that all necessary shareholder approvals are obtained and upon Admission of Bytes UK HoldCo Shares as trading on the LSE, Altron will distribute the balance of the Convertible Notes to Altron Ordinary Shareholders as distribution *in specie* in terms of section 46 of the Companies Act ("the Distribution").

Following the Distribution, a portion of the Convertible Notes will be redeemed for cash and the balance of the Convertible Notes will be automatically converted into new shares to be issued by Bytes UK HoldCo to Altron Ordinary Shareholders ("Converted Shares").

The Bytes UK HoldCo Shares, including the Converted Shares, will be listed on the LSE and JSE.

Post the implementation of the Disposal and the Distribution (collectively "the Transaction") as described above, 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 Converted Shares); and
- (iii) Converted Shares to the extent that their Convertible Notes have been converted (except in respect of any fractional entitlements).

Altron will, following implementation of the Transaction, have no further interest in or obligations to Bytes UK HoldCo.

In summary, the separation of Bytes UK from Altron will be made by way of:

- the disposal by Altron of all its shares in Bytes UK, constituting a category 1 disposal in terms of the JSE Listings Requirements and the disposal of the greater part of the assets of Altron in terms of section 112 of the Companies Act (read with section 115 of the Companies Act), to the newly established Bytes UK HoldCo in consideration for Convertible Notes; and
- the distribution *in specie* of Convertible Notes by Altron to Altron Ordinary Shareholders, constituting the disposal of the greater part of the assets of Altron in terms of section 112 of the Companies Act (read with section 115 of the Companies Act), in the ratio of 0.5 Convertible Note for every 1 Altron Ordinary Share held.

Full details of the Transaction are contained in the Circular to Altron shareholders (“the Circular”) to be dated on or about 3 November 2020, which will include a copy of this letter.

The material interests of the directors of Altron and the effect of the Transaction on those interests and persons are set out in section 6.7 of the Circular.

Scope (s112(2))

In terms of section 112 of the Companies Act, as read together with regulation 90 of the Regulations, the Independent Board of directors of Altron (the “Altron Independent Board”) is required to appoint an independent expert who meets the requirements of section 112 of the Companies Act to provide an Independent Expert Report (in the form of a fair and reasonable opinion) with regards to the Transaction.

KPMG Services (Proprietary) Limited (“KPMG”) has been appointed by the Altron Independent Board as the Independent Professional Expert to advise on whether the terms and conditions of the Transaction are fair and reasonable to the shareholders of Altron.

Our work and findings shall not in any way constitute recommendations regarding the completion of the Transaction.

Responsibility (Reg 90(6)(a))

The compliance with the Companies Act is the responsibility of the Altron Independent Board. Our responsibility is to report on the terms and conditions of the Transaction in compliance with the related provisions of the Companies Act.

We confirm that our fair and reasonable opinion has been provided to the Altron Independent Board for the sole purpose of assisting the Altron Independent Board in forming and expressing an opinion for the benefit of the Altron shareholders.

Definition of the terms “fair” and “reasonable” (s 110(8), (9))

Fairness

A transaction will generally be considered fair to a company’s shareholders if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the shareholders.

The assessment of fairness is primarily based on quantitative issues.

The Disposal may be considered to be fair if the consideration received by Altron, for its ownership in Bytes UK is greater than or equal to the fair value of its ownership in Bytes UK.

The Distribution may be considered to be fair if the cash to be received by shareholders for the Convertible Notes will be greater than or equal to the fair value of those Convertible Notes.

In terms of regulation 110(8) of the Regulations, an offer with a consideration within the fair value range is generally considered to be fair.

Reasonableness

The assessment of reasonableness is generally based on qualitative considerations surrounding the transaction. Hence, even though the quantifiable benefits/consideration received by Altron shareholders may be less than the value surrendered by Altron shareholders, the entire transaction may still be reasonable in certain circumstances after considering other significant qualitative factors.

In terms of regulation 110(9) of the Regulations, an offer with an offer consideration per offer share above the offeree company’s traded share price at the relevant time, is generally considered to be reasonable. However, the shares in Bytes UK are not traded, therefore our assessment of reasonableness is restricted to qualitative considerations.

Information utilised and procedures performed (Reg 90(6)(d), (e), (f) and Reg 110(10))

Key fairness considerations

In arriving at our opinion, we have undertaken the following procedures in evaluating the fairness of the Transaction:

- considered the rationale for the Transaction, as set out in the Circular and based on discussions with management of Altron, management of Bytes UK and its advisors;
- obtained an understanding of the structure and terms and conditions of the Transaction based on the Circular;
- held discussions with the directors and management of Altron and Bytes UK to establish the strategy of Bytes UK and considered such other matters as we considered necessary, including the prevailing economic and market conditions and trends in the industry;
- reviewed all financial information provided to us by management, including all publicly available information, specifically:
 - reviewed the Altron Integrated Report for the year ended 29 February 2020;
 - reviewed the consolidated financial statements of Bytes UK for the financial years ended 28 February 2018, 28 February 2019 and 29 February 2020;
 - reviewed the unaudited management accounts of Bytes UK for the period ended 31 July 2020; and
- reviewed the Bytes UK financial model (“the Financial Model”) and the basis of the assumptions therein including the prospects of the business. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management;
- reviewed the process followed in the preparation of the financial model and reliance placed thereon by Altron directors;
- reviewed the reasonableness of material assumptions in the financial model relating to discount rates, inflation rates, gross profit, EBITDA margins, growth assumptions and key economic parameters used in order to test the operation of the model;
- adjusted the financial model to reflect KPMG’s assumptions of cost of capital and of future macro-economic variables such as risk-free rates and inflation rates applicable to the jurisdiction in which Bytes UK operates;
- stress tested the material assumptions applied in the financial model which included, *inter alia*, discount rate, inflation rate, gross profit margins, EBITDA margins, growth rates and key economic parameters used in order to test the operation of the model;
- evaluated the relative risks associated with Bytes UK and the industry in which it operates;
- reviewed certain publicly available information relating to Altron and Bytes UK, including company announcements, analyst reports and media articles; and
- considered any further material adjustments to value based on matters arising in the period from 31 July 2020 to the date of this opinion. In particular, we have adjusted for the dividends declared by Bytes UK between 31 July 2020 and the date of this opinion.

Key qualitative considerations

In arriving at our opinion, we have also considered the following key qualitative considerations in evaluating the reasonableness of the Transaction:

- consideration of the rationale for the Transaction and the benefits thereof to Altron as set out in the Circular and based on discussions with members of the Altron Independent Board; and
- our understanding of the Transaction process and of the extent of the negotiations and resulting agreements in respect of the Transaction;

Valuation (Reg 90(6)(f), (g))

KPMG performed a valuation of Bytes UK to determine whether the Transaction offer consideration is fair and reasonable in terms of section 112 of the Companies Act (as read together with regulation 90 of the Regulations).

The discounted cash flow methodology was the primary valuation methodology employed. This was supplemented with the capitalisation of maintainable earnings methodology.

The valuation was performed taking cognisance of risk and other market and industry factors affecting Bytes UK.

Additionally, sensitivity analyses were performed considering key assumptions pertaining to:

- risk-free rates and market risk premiums;
- company specific risk premiums applied;
- the terminal growth rate used;
- growth rates applied to gross profit in the medium to long-term; and
- EBITDA margins applied.

Key value drivers to the valuation included the discount rate, specifically:

- a market risk premium of 5.0% for Bytes UK was applied in our calculations;
- a risk-free rate of 1.6% based on a blended average of the 30-year long-term UK government bond and the long-term outlook beyond 30 years; and
- a beta, based on selected comparable companies, of 0.91.

Other key value drivers included gross profit margins, EBITDA margins, future growth in the business and a discount for lack of liquidity given that the shares in Bytes UK are not traded. Prevailing market and industry conditions were also considered in assessing the risk profile of Bytes UK.

In undertaking the primary valuation exercise above, we determined a valuation range of Altron's holding in Bytes UK of GBP406.7 million to GBP487.9 million with a most likely value of GBP447.3 million.

The valuation above is provided solely in respect of this fair and reasonable opinion and should not be used for any other purposes.

We performed the following sensitivity analyses on key assumptions included in the valuation model:

- we performed a sensitivity analysis on the discount rate used to value Bytes UK. We applied a 10.0% (multiplicative) company specific risk premium for the top end of our range, and a 20.0% (multiplicative) company risk premium for the low end of our range. The 10.0% company specific risk premium, applied for the top end of our range, yielded a 20.0% increase in the value of Bytes UK;
- we performed a sensitivity analysis on the terminal growth rate applied to the forecasts. A 1.0% increase in the terminal growth rate resulted in an 8.1% increase in the value of Bytes UK. Conversely, a 1.0% decrease in the terminal growth rate resulted in a 6.3% decrease in the value of Bytes UK;
- we performed a sensitivity analysis on the growth rate applied to the medium to long-term portion of the forecasts. A 1.0% increase, per year, in the growth rate resulted in a 6.3% increase in the value of Bytes UK. Conversely, a 1.0% decrease, per year, in the growth rate resulted in a 5.9% decrease in the value of Bytes UK; and
- we performed a sensitivity analysis on the EBITDA margin applied to the medium to long-term portion of the forecasts. A 1.0% increase, per year, in the margin resulted in a 2.5% increase in the value of Bytes UK. Conversely, a 1.0% decrease, per year, in the margin resulted in a 2.5% decrease in the value of Bytes UK.

Disposal

We determined the quantum of the consideration to be received by Altron as GBP416.3 million based on the following inputs:

- a minimum price per Bytes UK HoldCo share of GBP1.89; and
- the number of Bytes UK HoldCo shares issued to Bytes SA of 220 506 494.

We have compared this consideration to our valuation range of Altron's holding in Bytes UK of GBP406.9 million to GBP487.9 million with a most likely value of GBP447.3 million and note that the consideration for the Disposal falls within our value range.

Distribution

With respect to those Convertible Notes to be redeemed for cash, the cash to be received by the Altron shareholders for the Convertible Notes will be equal to the traded price per share in Bytes UK HoldCo upon listing, subject to the minimum price set out above of GBP1.89 per Bytes UK HoldCo Share.

We have determined the value range of a Bytes UK HoldCo Share based on the following inputs:

- our valuation of Altron's total holding in Bytes UK prior to the Transaction;
- adjustments for relevant items on the balance sheet of Bytes UK HoldCo as set out in the *pro forma* financial information in the circular;
- consideration of the expected liquidity of the Bytes UK HoldCo Shares as a result of being traded;
- consideration of the lack of control that Altron shareholders will have over Bytes UK HoldCo; and
- the total number of Bytes UK HoldCo Shares in issue.

Based on the above, we determined a valuation range of Bytes UK HoldCo of GBP1.75 per share to GBP2.09 per share with a most likely value of GBP1.92 per share. We have compared the minimum price per Bytes UK HoldCo Share of GBP1.89 to our valuation range and note that the consideration for the Distribution falls within our value range.

Opinion (Reg 90(6)(c))

KPMG has considered the terms and conditions of the Transaction and, based upon and subject to the conditions set out herein, is of the opinion that:

- the terms and conditions of the Disposal are fair to the Altron shareholders as it falls within the valuation range; and
- the terms and conditions of the Distribution are fair to the Altron shareholders as it falls within the valuation range.

Based on the qualitative considerations set out above, we are of the opinion that:

- the terms and conditions of the Disposal are reasonable in the circumstances; and
- the terms and conditions of the Distribution are reasonable in the circumstances.

Our opinion is necessarily based upon the information available to us up to 22 October 2020, including in respect of the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory, other approvals and consents required in connection with the Transaction will be timeously fulfilled and/or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Limiting conditions (Reg 90(6)(a))

This opinion is provided to the Altron Independent Board in connection with and for the purposes of the Transaction for the sole purpose of assisting the Altron Independent Board in forming and expressing an opinion for the benefit of the Altron shareholders. This opinion is prepared solely for the Altron Independent Board for use in the indicated manner and therefore should not be regarded as suitable for use by any other party or give rise to third party rights. This opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Altron shareholders. Should an Altron Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual Altron Shareholder's decision as to whether to vote in favour of any Transaction may be influenced by his particular circumstances. The assessment as to whether or not the Altron Independent Board decides to recommend the Transaction is a decision that can only be taken by the Altron Independent Board.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management of Altron and Bytes UK, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

Where relevant, the forecasts of Bytes UK relate to future events and are based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Bytes UK will correspond to those projected. Where practicable, we compared the forecast financial information to past trends and third-party estimates as well as discussing the assumptions inherent therein with the management of Bytes UK. On the basis of these enquiries and such other procedures we consider appropriate to the circumstances, we believe that the forecasts have been prepared with due care and consideration.

Our opinion is based on prevailing market, economic and other conditions at the date that this opinion was prepared and corresponds with a period of significant volatility in global financial markets and widespread macro-economic uncertainty. To the extent possible, we have accounted for these conditions in our procedures. However, the factors driving these conditions can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the entities being valued specifically, could impact upon value in the future, either positively or negatively.

In light of the emergence and spread of Covid-19, there is uncertainty, which could persist for some time, as to what this may mean for Bytes UK. As a result, our work may not have identified, or reliably quantified the impact of, all such uncertainties and implications.

The information and underlying assumptions provided to us represent management's best estimates of Bytes UK's likely performance as at the date of their preparation. The assumptions may need to be reviewed and revised to reflect any changes as a result of Covid-19. In particular, there may be uncertainty over the impact of Covid-19 on Bytes UK's operations and forecasts, amongst other things.

If the information shown in this opinion or the assumptions on which this opinion is based are subsequently shown to be incorrect or incomplete, this could have the effect of changing the results of the valuation conclusions set out in this opinion and these changes could be material. We are under no obligation to amend our opinion for any subsequent event or new information.

We have also assumed that the Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives and advisors of Altron and we express no opinion on such consequences. We have assumed that all agreements that will be entered into in respect of the Transaction will be legally enforceable.

Independence, competence and fees (Reg 90(6)(h), (i))

We confirm that neither we, nor any person related to us have any direct or indirect interest in Altron Shares or the Transaction. We confirm that neither we nor any person related to us have any existing or continuing relationship with the issuer and/or any other parties involved in the Transaction and have not had such relationship within the immediately preceding two years.

We also confirm that neither we nor any person related to us (as contemplated in the Companies Act) (i) hold any direct or indirect interest in the Transaction; and (ii) have any other relationship or appointments with Altron or its advisors, nor have had any such relationship within the immediately preceding two years, and are independent as contemplated in terms of section 114(2)(b) and regulations 90(3)(a) and 90(6)(i) of the Regulations and will reasonably be perceived to be independent.

Furthermore, we confirm that our professional fees of approximately R560 000 are not contingent upon the success of the Transaction. Our fees are not payable in shares.

Consent (Reg 90(6)(b))

We consent to the inclusion of this letter and the reference to our opinion in the Circular to be issued to the shareholders of Altron in the form and context in which it appears and in any required regulatory announcement or documentation.

Yours faithfully

Heather Carswell
Director, Deal Advisory

KPMG Services (Proprietary) Limited
KPMG Crescent
85 Empire Road
Parktown
2193

EXTRACTS OF SECTIONS 115 AND 164 OF THE COMPANIES ACT

“SECTION 115: REQUIRED APPROVAL FOR TRANSACTIONS CONTEMPLATED IN PART A

- (1) Despite section 65, and any provision of a company’s Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
- (a) the disposal, amalgamation or merger, or scheme of arrangement:
 - (i) has been approved in terms of this section; or
 - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
 - (b) to the extent that Parts B and C of this Chapter, and the Takeover Regulations apply to a company that proposes to:
 - (i) dispose of all or the greater part of its assets or undertaking;
 - (ii) amalgamate or merge with another company; or
 - (iii) implement a scheme of arrangement,

the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119(4)(b), or exempted the transaction in terms of section 119(6).
- (2) A proposed transaction contemplated in subsection (1) must be approved:
- (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company’s Memorandum of Incorporation, as contemplated in section 64(2); and
 - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company’s holding company if any, if:
 - (i) the holding company is a company or an external company;
 - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
 - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
 - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
- (3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:
- (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
 - (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).

- (4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:
 - (a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
 - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.
- (4A) In subsection (4), 'act in concert' has the meaning set out in section 117(1)(b).
- (5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:
 - (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
 - (b) treat the resolution as a nullity.
- (6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
 - (a) is acting in good faith;
 - (b) appears prepared and able to sustain the proceedings; and
 - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- (7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
 - (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
 - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
- (8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
 - (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
 - (b) was present at the meeting and voted against that special resolution.
- (9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
 - (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
 - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
 - (c) the transfer of shares from one person to another;
 - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
 - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
 - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger."

“SECTION 164: DISSENTING SHAREHOLDERS APPRAISAL RIGHTS

- (1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
 - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
 - (b) enter into a transaction contemplated in section 112, 113 or 114, that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
 - (a) gave the company a written notice of objection in terms of subsection (3); and
 - (b) has neither:
 - (i) withdrawn that notice; or
 - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
 - (a) the shareholder:
 - (i) sent the company a notice of objection, subject to subsection (6); and
 - (ii) in the case of an amendment to the company’s Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
 - (b) the company has adopted the resolution contemplated in subsection (2); and
 - (c) the shareholder:
 - (i) voted against that resolution; and
 - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
 - (a) 20 business days after receiving a notice under subsection (4); or
 - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
 - (a) the shareholder’s name and address;
 - (b) the number and class of shares in respect of which the shareholder seeks payment; and
 - (c) a demand for payment of the fair value of those shares.
- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
 - (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
 - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
 - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder’s rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder’s rights in respect of the shares are reinstated without interruption.

- (11) Within five business days after the later of:
- (a) the day on which the action approved by the resolution is effective;
 - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
 - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11):
- (a) in respect of shares of the same class or series must be on the same terms; and
 - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12):
- (a) the shareholder must either in the case of:
 - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
 - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
 - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
 - (i) tendered the share certificates; or
 - (ii) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
- (a) failed to make an offer under subsection (11); or
 - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- (15) On an application to the court under subsection (14):
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
 - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
 - (c) the court:
 - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
 - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
 - (iii) in its discretion may:
 - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
 - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
 - (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
 - (v) must make an order requiring:
 - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
 - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

- (15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:
- (a) that shareholder must comply with the requirements of subsection 13(a); and
 - (b) the company must comply with the requirements of subsection 13(b).
- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
- (17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:
- (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
 - (b) the court may make an order that:
 - (i) is just and equitable, having regard to the financial circumstances of the company; and
 - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
- (18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
- (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:
- (a) the provisions of that section; or
 - (b) the application by the company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent:
- (a) expressly provided in this section; or
 - (b) that the Panel rules otherwise in a particular case, a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

EXCHANGE CONTROL FOR THE DEMERGER

1. EXCHANGE CONTROL

The following is a summary of the Exchange Control Regulations insofar as they have application to the Altron Ordinary Shareholders in terms of the Demerger. This summary is not comprehensive and is intended as a guide only. If Altron Ordinary Shareholders have any doubts regarding their obligations in terms of the Exchange Control Regulations, they are advised to consult their professional advisors.

1.1 Residents of the Common Monetary Area

In the case of:

- 1.1.1 Certificated Shareholders whose registered addresses in the Altron Register are within the Common Monetary Area and whose document(s) of title are not restrictively endorsed in terms of the Exchange Control Regulations, Converted Shares will be posted to such Altron Ordinary Shareholders, in accordance with the “Action required by Shareholders” section of this document as set out on page 8; or
- 1.1.2 Dematerialised Shareholders whose registered addresses in the Altron Register are within the Common Monetary Area and who have not been restrictively endorsed in terms of the Exchange Control Regulations, Converted Shares will be transferred directly to the accounts nominated for the relevant Altron Ordinary Shareholders by their duly appointed CSDP or Broker in terms of the provisions of the custody agreement with their CSDP or Broker.

1.2 Emigrants from the Common Monetary Area

In the case of Altron Ordinary Shareholders who are emigrants from the Common Monetary Area and whose registered addresses are outside the Common Monetary Area, the Converted Shares will:

- 1.2.1 in the case of Certificated Shareholders whose document(s) of title have been restrictively endorsed under the Exchange Control Regulations, be endorsed “non-resident” and deposited with the Authorised Dealer in foreign exchange in South Africa controlling such Certificated Shareholders’ blocked assets in terms of the Exchange Control Regulations. It will be incumbent on the shareholder concerned to approach the Authorised Dealer controlling such Certificated Shareholders’ blocked assets and instruct the Authorised Dealer accordingly; or
- 1.2.2 in the case of Dematerialised Shareholders, be transferred to the emigrant blocked accounts of the Altron Shareholders held at the CSDP of the Authorised Dealer controlling the particular emigrants’ blocked assets, or the CSDP contracted by such an Authorised Dealer, under the auspices of the controlling Authorised Dealer.

The CSDP or broker must ensure that all requirements of the Exchange Control Regulations are adhered to in respect of their clients falling into this category of investor, whether their Converted Shares are held in certificated or Dematerialised form.

1.3 All other non-residents of the Common Monetary Area

The Converted Shares accruing to Non-Resident Shareholders whose registered addresses are outside the Common Monetary Area and who are not emigrants from the Common Monetary Area will:

- 1.3.1 in the case of Certificated Shareholders, whose document(s) of title have been restrictively endorsed under the Exchange Control Regulations, be deposited with an Authorised Dealer nominated by such Non-Resident Shareholder. It will be incumbent on the Non-Resident Shareholder concerned to nominate the Authorised Dealer and instruct the Authorised Dealer accordingly; or
- 1.3.2 in the case of Dematerialised Shareholders, be credited by their duly appointed CSDP or Broker directly to the accounts nominated by the Non-Resident Shareholders in terms of the provisions of the custody agreement with his/her/its CSDP or Broker.

1.4 Information not provided

If the information regarding the Authorised Dealer is not given or instructions are not given as required, the Converted Shares will be held by the Transfer Secretaries for the benefit of those Ordinary Shareholders concerned, pending receipt of the necessary information or instructions.

BYTES UK HISTORICAL FINANCIAL INFORMATION

The report of the consolidated historical financial information in respect of the last three financial years ended 28 February 2018, 28 February 2019 and 29 February 2020 and the six months ended 31 August 2020 of Bytes UK is prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). The Reporting Accountants' report on this consolidated historical financial information is annexed to this Circular as **Annexure 5** and should be read in conjunction with the consolidated historical financial information presented in **Annexure 4**.

The Reporting Accountants report on the consolidated historical financial information is issued by EY UK in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the UK.

BYTES UK

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

£'000	Note	Years ended			6 months ended	
		28 February 2018	28 February 2019	29 February 2020	"Unaudited" 31 August 2019	31 August 2020
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		(33 307)	(44 918)	(49 373)	(24 172)	(26 849)
Operating profit	4	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 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 UK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

£'000	Note	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	Six months Period ended 31 August 2020
ASSETS					
Non-current assets					
		56 639	55 133	56 962	55 329
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
Current assets					
		59 188	89 842	130 224	139 951
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 assets		115 827	144 975	187 186	195 280
LIABILITIES					
Non-current liabilities					
		(2 285)	(2 038)	(4 191)	(4 481)
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)
Current liabilities					
		(79 917)	(100 784)	(130 213)	(140 706)
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 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 UK

CONSOLIDATED STATEMENT OF CASH FLOWS

£'000	Note	Year ended	Year ended	Year ended	“Unaudited” Period ended	Period ended
		28 February 2018	28 February 2019	29 February 2020	31 August 2019	31 August 2020
Cash flow 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 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 finance 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

NOTES

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; and
- 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 the 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 Registration Document 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 six 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 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 £322 000 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 30 November 2021. The financial actuals include the group's £30m dividend payment disclosed in the group's events occurring after the reporting period, note 26.

The assumptions used in the financial forecasts are based on the group's historical performance, management's extensive experience of the industry and incorporate future market expectations. Taking into consideration the impact of Covid-19 and made all necessary enquiries of on the wider economic environment, the forecasts have been conservatively 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 31 August 2020. 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 Bytes 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.

In the near term, the group will continue to rely on its existing £20 million Invoice Discounting facility ("ID Facility") with HSBC. The ID Facility has been in place since 2017 and was renewed in August 2020 with a 12 month term and a rolling 3 month notice period by the bank. HSBC has confirmed that it has no intention of changing the term of the ID Facility; however, the ID Facility is not formally committed beyond the 3 month notice period. Accordingly, the Directors have made the conservative assumption that the ID facility will cease to be available with effect from 1 February 2021 and that the group will have no other debt facilities available to it.

There is a sufficient level of liquidity/financing headroom post stress testing and mitigation across the going concern forecast period, defined as 12 months from the date of this document, in both the base case and the severe but plausible case, as outlined in more detail below.

Cross-guarantee arrangements with Altron

As disclosed in note 24 of this historical financial information, in 2019 the Altron group renegotiated its long-term debt financing with its banks at more favourable terms. 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 Bytes 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. Until demerger from Altron, the group will continue to be party to the Altron Group cross-guarantee arrangements described further in note 24.

In assessing the Bytes Group's contingent liability to Altron's lenders under the cross-guarantee arrangements, the directors have considered the level of liquidity and covenant headroom reported by Altron in its interim results on 22 October 2020, the cash flow forecast and the projected headroom on the covenants in the going-concern forecast period, together with representations from Altron relating to its own liquidity and covenant headroom after stress testing, prepared for the purposes of its own going concern review and its declaration of an interim dividend on 22 October 2020. These projections do not assume any proceeds from the disposal of certain assets currently held for sale. The Directors believe it to be highly unlikely that Altron's lending syndicate would enforce the Guarantee Agreement against the group in a way that threatens the liquidity position of Altron's principal asset, and that the likelihood of this occurring is sufficiently remote for it to be entirely discounted. The Directors have therefore assumed that there would be no requirement for the Bytes Group to make any payment to Altron in the forecast period, whether by way of dividend or pursuant to the guarantee arrangements.

Approach to stress testing

The going concern analysis, which was approved by the Board in October 2020 reflects the actual trading experience through the financial year to date, as well as detailed financial forecasts for the period up to 30 November 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.

Mitigating actions

There are several potential mitigating actions available to management beyond those considered in the stress testing. In addition to the potential for more vigorous cost management and recruitment freezes than modelled, the Directors believe that there would be scope for the group to manage its working capital position to the order of at least £10 million, through delayed payment to suppliers to mirror extended payment terms with customers, as well as further short term supplier payment management. Such working capital support from vendors is an established feature of the reseller market in which the group operates, with the support of the principal vendors to the group, even though the group has historically made limited use of this.

Furthermore, the Directors consider it highly unlikely that the ID Facility will not be available beyond 31 January 2021. Even if the existing ID Facility with the group's relationship bank were no longer to be available, the Directors believe that the invoice discounting market in the UK is a deep and efficient market with many suppliers. The group has, and will continue to have under any scenario, a substantial and diversified UK-based debtor book related to the supply of third-party industry-standard products (as opposed to bespoke products or services) which the Directors believe would enable it to readily obtain equivalent facilities. The Directors also take comfort from the fact that the asset-backed credit profile of its debtor book is separate and distinct from the credit profile of the group, if this were ever to be impacted under a severe and sustained downturn. The secured nature of the ID Facility and equivalent facilities also ensure that they are not impacted by the existence of the Guarantee Agreement.

Finally, the Directors have obtained a letter of parental support from Altron to support the Bytes Group should it require additional liquidity during the forecast period. Notwithstanding such undertakings from Altron, the Directors have not taken into account any potential funding from Altron.

Going concern conclusion

Based on the analysis described above, the group has sufficient liquidity headroom through the forecast period. When stress testing is applied, the Bytes Group has very minor unfunded liquidity needs at its normal seasonal low points, most notably in February and September/October 2021. These can be mitigated by utilising any one of the mitigating actions described above.

The Directors therefore have reasonable expectation that the Bytes Group has the financial resources to enable it to continue in operational existence for twelve months from the date of this document. Accordingly, the Directors conclude it to be appropriate that the Historical Financial Information be prepared on a going concern basis.

1.6 Critical accounting estimates

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 five 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 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 £446 000 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 costs comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise 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. The group is rewarded by the software vendor in the form of sale and usage commission payments.

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 licence 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 ongoing 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 entity'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 of 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:

£'000	Notes	Years ended 28 February			6 months ended 31 August (Unaudited)	
		2018	2019	2020	2019	2020
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:

£'000	Years ended 28 February			6 months ended 31 August (Unaudited)	
	2018	2019	2020	2019	2020
Revenue by product:					
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.

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

3(b) **Gross invoiced income by type:**

£'000	Years ended 28 February			6 months ended 31 August (Unaudited)	
	2018	2019	2020	2019	2020
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
Income to be recognised as agent under IFRS 15	(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 measure allows a better understanding of business performance and position.

3(c) **Revenue derived from a single external customer:**

£'000	Years ended 28 February			6 months ended 31 August (Unaudited)	
	2018	2019	2020	2019	2020
Gross invoiced income by type:					
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:

£'000	Years ended 28 February			6 months ended 31 August (Unaudited)	
	2018	2019	2020	2019	2020
Operating profit is stated after charging:					
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:					
Property	379	491	75	53	122
Plant, equipment and vehicles	2	193	3	1	–
Foreign exchange (gains)/losses:					
Gains	(24)	(145)	(28)	(32)	–
Losses	–	10	4	–	6

5. NON-UNDERLYING ITEMS

£'000	Years ended 28 February			6 months ended 31 August (Unaudited)	
	2018	2019	2020	2019	2020
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 £427k in 2018 in respect of its acquisition of Blenheim Group Limited. Further details relating to this acquisition are provided in note 23.

6. EMPLOYEES

£'000	Years ended 28 February			6 months ended 31 August (Unaudited)	
	2018	2019	2020	2019	2020
Employee benefit expense:					
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:

£'000	Years ended 28 February			6 months ended 31 August (Unaudited)	
	2018	2019	2020	2019	2020
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 six-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 six-month period to 31 August 2020, no directors have exercised their ordinary B 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**

£'000	Years ended 28 February			6 months ended 31 August (Unaudited)	
	2018	2019	2020	2019	2020
Finance income:					
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:

£'000	Years ended 28 February			6 months ended 31 August (Unaudited)	
	2018	2019	2020	2019	2020
Current tax expense					
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.

£'000	Years ended 28 February			6 months ended 31 August (Unaudited)	
	2018	2019	2020	2019	2020
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 six-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 six-month period ended 31 August 2020 have been measured using the reinstated main rate of 19%.

9. **PROPERTY, PLANT AND EQUIPMENT**

£'000	Freehold land and buildings	Computer equipment	Furniture, fittings and equipment	Computer software	Motor vehicles	Total
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)
Reclassifications	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 year	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

£'000	Buildings (£'000)	Motor vehicles (£'000)	Total (£'000)
Right-of-use assets			
Cost	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
<hr/>			
£'000	1 March 2019	29 February 2020	31 August 2020
Lease liabilities			
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 six-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:

£'000	Year ended 29 February 2020	6 month period ended 31 August 2019	6 month period ended 31 August 2020
Depreciation charge of right-of-use assets			
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 six-month period ended 31 August 2020 (£70 000 for the six-month period ended 31 August 2019).

11. INTANGIBLE ASSETS

£'000	Goodwill	Customer relationships	Brand	Total
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				
Charge for the year	–	880	730	1 610
At 28 February 2019				
Charge for the year	–	1 247	1 034	2 281
At 29 February 2020				
Charge for the year	–	440	365	805
At 31 August 2020				
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:

	Long term growth rate	Discount rate	Goodwill carrying amount
29 February 2020	%	%	£'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

	Long term growth rate	Discount rate	Goodwill carrying amount
29 February 2019	%	%	£'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

	Long term growth rate	Discount rate	Goodwill carrying amount
29 February 2018	%	%	£'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	Bytes Security Partnership	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	Bytes Security Partnership	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)
<hr/>			
29 February 2020	Bytes Software Services	Bytes Security Partnership	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

£'000	Year ended 28 February			6 months period 31 August
	2018	2019	2020	2020
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:

£'000	Notes	Year ended 28 February		6 months period ended	
		2018	2019	31 August 2020	2020
Financial assets					
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

£'000	Notes	Year ended 28 February		6 months period ended	
		2018	2019	2020	31 August 2020
Financial liabilities					
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

£'000	Year ended 28 February		6 months period ended	
	2018	2019	2020	31 August 2020
Financial assets at amortised cost				
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 – (current)				
Prepayments	455	443	1 921	366
	455	443	1 921	366
Trade and other receivables (current)	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
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
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
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
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:

£'000	Trade receivables			
	Year ended 28 February			6 months period ended
	2018	2019	2020	31 August 2020
Adjustment on initial application of IFRS 9	–	446	–	–
Opening loss allowance at 1 March	–	–	476	402
Increase/(decrease) in loss allowance recognised in profit or loss during the year	–	30	–	347
Receivables written off during the year as uncollectible	–	–	(74)	(25)
	–	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

£'000	28 February			31 August
	2018	2019	2020	2020
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

£'000	28 February			31 August
	2018	2019	2020	2020
Trade 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 within 30 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:

£'000	28 February		2020	31 August
	2018	2019		2020
Deferred tax assets				
At 1 March	9	–	–	–
Credited/(charged) to profit or loss	–	–	–	–
Set-off of deferred tax liabilities	(9)	–	–	–
Carrying amount at end of year	–	–	–	–

£'000	28 February		2020	31 August
	2018	2019		2020
Deferred tax liabilities				
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:

£'000	28 February		2020	31 August
	2018	2019		2020
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

£	31 August		2019	28 February
	2020	2018		2020
Allotted, called up and fully paid				
1 (2019 and 2018: 1) – ordinary A share of £1	1	1	1	1
1 000 (2019 and 2018: 1 000) – ordinary B shares of £0.001 each	1	1	1	1
	2	2	2	2

(1) Voting rights

Each holder of ordinary A 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 ordinary B 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 ordinary A 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 ordinary B 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 six 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:	28 February			31 August	
	2018	2019	2020	2020	
Balance 1 March/1 Sept	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)	
Balance at 29 February 2020, 28 February 2019 and 2018	33 064	41 254	51 612	48 769	

20. CASH GENERATED FROM OPERATIONS

£'000	Note	28 February			31 August	
		2018	2019	2020	2019	2020
Profit before income tax from continuing operations		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 (Increase)/decrease in contract assets	7	38	(84)	(76)	(44)	16
Increase in trade and other receivables		(1 202)	(4 750)	2 971	882	(2 327)
(Increase)/decrease in inventories		(13 808)	(8 291)	(22 496)	(6 358)	(22 174)
Increase/(decrease) in trade and other payables		(1 031)	1 567	(594)	(631)	(58)
Increase/(decrease) in contract liabilities		17 363	16 257	27 586	(15 463)	14 109
		(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 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:

£'000	28 February				31 August			
	2018		2019		2020		2020	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR
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:

£'000	28 February			31 August	
	2018	2019	2020	2019	2020
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.

(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:

£'000	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
28 February 2018						
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
	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
	302	230	690	633	1 855	1 505
	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

£'000	28 February 2019	2020	31 August 2020
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	2020
Cash paid	35 900
Total purchase consideration	35 900

The assets and liabilities recognized as a result of the acquisition are as follows:

£'000	Fair value
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 £44.5 million and profit after taxation of £1.1 million 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 £410.4 million and £10.7 million 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 (£107.0 million, converted at the 28 February 2019 closing rate of R18.69:£1) was granted to the Altron group of which R1.6 billion (£70.6 million, converted at the 31 August 2020 closing rate of R22.67:£1) was drawn at 31 August 2020 (R1.733 billion (£86.2 million, converted at the 29 February 2020 closing rate of R20.10:£1) was drawn at 29 February 2020 (2019: R1.3 billion (£69.6 million, 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.

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 six months to eight 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.

£'000	2018	2019
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 current situation is that this is a potential transaction subject to the approval of the Altron Board and relevant regulatory bodies in the various jurisdictions. The Altron Board has commenced with the planning for the potential transaction and expect that this preparation will conclude by the end of 2020. A reassessment of the market conditions will only be performed post the necessary planning that the Altron Board undertakes to determine the way forward on the potential transaction depending on the market conditions at the time.

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.

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:

£'000	28 February 2018	2019	31 August 2020	2020
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 Group 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 £14.3 million 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 Group 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
	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 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 ordinary B shares at the end of the six-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

		1 January 2019
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 ordinary B shares at the end of the six-month period was 2.5 years (29 February 2020: 3 years).

28(c) Share-based payment employee expenses

£'000	28 February			31 August Unaudited	
	2018	2019	2020	2019	2020
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**

£'000	28 February			31 August	
	2018	2019	2020	2019	2020
Basic earnings per share					
Profit from year attributable to the ordinary equity holders of the company	809	1 514	2 416	1 273	1 576
Total basic earnings per share attributable to the ordinary equity holders of the company	809	1 514	2 416	1 273	1 576

29(b) Diluted earnings per share

£'000	28 February			31 August	
	2018	2019	2020	2019	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

£'000	28 February		2020	31 August	
	2018	2019		2019	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

£'000	28 February		2020	31 August	
	2018	2019		2019	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

£'000	28 February		2020	31 August	
	2018	2019		2019	2020
Diluted earnings per share					
Weighted average number of ordinary A 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 ordinary A 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

£'000	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

£'000	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 end d 28 February 2019
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*

£'000	2019
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.

INDEPENDENT REPORTING ACCOUNTANTS TO BYTES UK AND BYTES UK HOLDCO REPORT ON BYTES UK HISTORICAL FINANCIAL INFORMATION

The Directors
Bytes Technology Group plc
Bytes House,
Randalls Way,
Leatherhead,
KT22 7TW

2 November 2020

Dear Sirs

Bytes Technology Limited

We report on the financial information set out in Section B of Part 9 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 registration document dated 2 November 2020 (the "Registration Document") of Bytes Technology Group plc on the basis of the accounting policies set out in note 1.

This report is required by item 18.3.1 of Annex 1 of 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 that may arise 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 Registration Document.

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 Registration Document, 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 item 1.2 of Annex 1 of Commission Delegated Regulation (EU) 2019/980, we are responsible for this report as part of the Registration Document 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 Registration Document in compliance with item 1.2 of Annex 1 of Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129.

Yours faithfully

Ernst & Young LLP

**BYTES UK HOLDCO HISTORICAL FINANCIAL INFORMATION
AS AT INCORPORATION**

BYTES UK HOLDCO “formerly Bytes Technology Holdings plc”) (CRN: 12935776)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the period ended 7 October 2020

In GBP

ASSETS	
Non-current assets	–
Current assets	
Cash and cash equivalents	2
Total assets	2
Non-current liabilities	–
Current liabilities	–
Total net assets	2
Equity	
Issued share capital	2
Total equity	2

Signed by Keith Richardson, as director of Bytes Technology Group plc

Date: 16 October 2020

Notes to the financial information

As at 7 October 2020

1. Corporate information

Bytes Technology Group plc (“formerly Bytes Technology Holdings plc”) (the “Company”) was incorporated on 7 October 2020 as a public company under the laws of England and Wales with a share capital of £2. On 15 October 2020 the shareholding was transferred to Neil Murphy and Keith Richardson.

The registered office of the Company is Bytes House, Randalls Way, Leatherhead, Surrey, UK, 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 is a dormant company.

3. 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”.

Signed by Keith Richardson, as director of Bytes Technology Holdings Plc

Date: 16 October 2020

INDEPENDENT REPORTING ACCOUNTANTS TO BYTES UK AND BYTES UK HOLDCO REPORT ON BYTES UK HOLDCO HISTORICAL FINANCIAL INFORMATION AS AT INCORPORATION

The Directors
Bytes Technology Group plc
Bytes House,
Randalls Way,
Leatherhead,
KT22 7TW

2 November 2020

Dear Sirs

Bytes Technology Group PLC

We report on the financial information set out in section B of Part 10 as at 7 October 2020 (the “Financial Information Table”). This financial information has been prepared for inclusion in the registration document dated 2 November 2020 (the “Registration Document”) of Bytes Technology Group PLC (the “Company”) on the basis of the accounting policies set out in notes 1 to 3 of the financial information table.

This report is required by item 18.3.1 of Annex 1 of 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 that may arise 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 of Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that item and for no other purpose, consenting to its inclusion in the Registration Document.

Responsibilities

The Directors of the Company are responsible for preparing the financial information table in accordance with International Financial Reporting Standards 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.

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 Registration Document, a true and fair view of the state of affairs of Bytes Technology Group PLC as at the dates stated in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework’.

Declaration

For the purposes of item 1.2 of Annex 1 Commission Delegated Regulation (EU) 2019/980 we are responsible for this report as part of the Registration Document 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 of Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129.

Yours faithfully

Ernst & Young LLP

BYTES UK HOLDCO *PRO FORMA* FINANCIAL INFORMATION

The unaudited *pro forma* financial statements information has been prepared for illustrative purposes only to show the effect of and the provide information about how the Demerger and the Dividend may have affected the financial position of Bytes UK HoldCo assuming that the Demerger and the Dividend been implemented on 29 February 2020 and 31 August 2020 for purposes of the statement of financial position and the results of operations assuming they had been implemented on 1 March 2019 and 1 March 2020 for purposes of the statement of comprehensive income, earnings per share and headline earnings per share.

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 Bytes UK HoldCo's accounting policies to be adopted in its next financial statements, which are consistent with those accounting policies adopted in preparing the audited historical information of Bytes UK.

The unaudited *pro forma* financial information of Bytes UK HoldCo, is the responsibility of the Bytes UK HoldCo's Board. It does not purport to be indicative of what the audited consolidated financial results would have been, had the *pro forma* financial adjustments been implemented on a different date.

Due to their nature, they may not fairly represent Bytes UK HoldCo's financial position, changes in equity, results of operations or cash flows after the Demerger and the Dividend.

The Independent Reporting Accountants to Bytes UK and Bytes UK HoldCo assurance report on the *pro forma* financial information is issued in accordance with the Standard for Investment Reporting (SIR) 4000 "Standards for Investment Reporting Applicable to Public Reporting Engagements on *Pro Forma* Financial Information" issued by the Auditing Practices Board in the United Kingdom and is set out in **Annexure 9** of this Circular.

The *pro forma* financial information of Bytes UK HoldCo (the "*pro forma* financial information") included below, comprising the *pro forma* consolidated statement of comprehensive income and the *pro forma* consolidated statement of financial position have been prepared for illustrative purposes as at 29 February 2020.

The *pro forma* financial information has been prepared to illustrate the impact of:

1. a demerger of Bytes UK from Altron, post the potential share offering to Altron shareholders ("collectively referred to as "the Potential Transaction"); and
2. a potential listing and potential share offering of Bytes UK on the London Stock Exchange.

The *pro forma* statement of comprehensive income has been prepared on the assumption that the transaction occurred in the financial year ended 29 February 2020 for purposes of the statement of financial position.

The *pro forma* financial information is the responsibility of the directors and was prepared for illustrative purposes only and may not, because of its nature, fairly present Bytes UK's financial position, changes in equity, results of operations or cash flows after the potential transaction. It does not purport to be indicative of what the audited consolidated financial results would have been, had the *pro forma* financial adjustments been implemented on a different date.

BYTES UK HOLDCO*PRO FORMA* CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF BYTES UK GROUP

For the Financial Year ended February 29, 2020

CONTINUING OPERATIONS £'000	Incorporation Accounts 29 Feb 2020⁽¹⁾	Issue of preference shares⁽²⁾	Bytes UK⁽³⁾	Dividend⁽⁴⁾	Purchase Bytes UK redeem preference shares⁽⁵⁾	Issue of shares (6) net of transaction costs⁽⁷⁾	Pro forma at 29 Feb 2020⁽⁸⁾
Revenue	-	-	373 103	-	-	-	373 103
Cost of Sales	-	-	(293 886)	-	-	-	(293 886)
Gross profit	-	-	79 217	-	-	-	79 217
Administrative expenses	-	-	(49 373)	-	-	(6 272)	(55 645)
Operating profit	-	-	29 844	-	-	(6 272)	23 572
Finance income	-	-	158	-	-	-	158
Finance expense	-	-	(82)	-	-	-	(82)
Profit before taxation	-	-	29 920	-	-	(6 272)	23 648
Income taxation expense	-	-	(5 762)	-	-	-	(5 762)
Profit for the year from continuing operations	-	-	24 158	-	-	(6 272)	17 886
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	24 158	-	-	(6 272)	17 886
Profit attributable to owners of the company	-	-	24 158	-	-	(6 272)	17 886

RECONCILIATION OF HEADLINE EARNINGS	Incorporation accounts 29 Feb 2020⁽¹⁾	Issue of preference shares⁽²⁾	Bytes UK⁽³⁾	Dividend⁽⁴⁾	Purchase Bytes UK & redeem preference shares⁽⁵⁾	Issue of shares⁽⁶⁾ net of transaction costs⁽⁷⁾	Pro forma at 29 Feb 2020⁽⁸⁾
at 29 Feb 2020							
Profit attributable to owners of the company	-	-	24 158	-	-	(6 272)	17 886
Adjusted for loss on disposal of property, plant and equipment	-	-	10	-	-	-	10
Headline earnings	-	-	24 168	-	-	(6 272)	17 896
Basic and diluted earnings per Ordinary Share (pence)	-	-	241 580	-	-	-	7.50
Diluted earnings per Ordinary Share (pence)	-	-	217 424	-	-	-	7.44
Headline and diluted headline earnings per share (pence)	-	-	241 680	-	-	-	7.51
Diluted headline earnings per share (pence)	-	-	217 514	-	-	-	7.44
Number of shares in issue (thousands)	-	-	10 000	-	-	-	238 387 375
Weighted average number of shares in issue	-	-	10 000	-	-	-	238 387 375
Diluted number of shares	-	-	11 111	-	-	-	240 506 374
Diluted weighted average number of shares	-	-	11 111	-	-	-	240 506 375

BYTES UK HOLDCO
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the period ended February 29, 2020

£'000	Incorporation Accounts 29 Feb 2020⁽¹⁾	Issue of preference shares⁽²⁾	Bytes UK⁽³⁾	Dividend⁽⁴⁾	Purchase Bytes UK redeem preference shares⁽⁵⁾	Issue of shares⁽⁶⁾ net of transaction costs⁽⁷⁾	Pro forma at 29 Feb 2020⁽⁸⁾
ASSETS							
Non-current assets							
	-	-	56 962	-	-	-	56 962
Property, plant and equipment	-	-	8 521	-	-	-	8 521
Right of use assets	-	-	1 332	-	-	-	1 332
Investments	-	-	-	-	-	-	-
Intangible assets	-	-	46 053	-	-	-	46 053
Inventories	-	-	497	-	-	-	497
Contract assets	-	-	1 056	-	-	-	1 056
Current assets	-	50	130 224	(48 600)	(50)	(6)	81 618
Inventories	-	-	688	-	-	-	688
Contract assets	-	50	5 085	-	(50)	-	5 085
Trade and other receivables	-	50	77 094	-	(50)	-	77 094
Cash and cash equivalents	-*	-	47 357	(48 600)	-	(6)	(1 249)
Total assets	-	50	187 186	(48 600)	(50)	(6)	138 580

£'000	Incorporation Accounts 29 Feb 2020⁽¹⁾	Issue of preference shares⁽²⁾	Bytes UK⁽³⁾	Dividend⁽⁴⁾	Purchase Bytes UK redeem preference shares⁽⁵⁾	Issue of shares⁽⁶⁾ net of transaction costs⁽⁷⁾	Pro forma at 29 Feb 2020⁽⁸⁾
LIABILITIES							
Non-current liabilities							
	-	-	4 191	-	-	-	4 191
Loans	-	-	-	-	-	-	-
Lease liabilities	-	-	1 295	-	-	-	1 295
Contact liabilities	-	-	1 001	-	-	-	1 001
Deferred tax liabilities	-	-	1 895	-	-	-	1 895
Current liabilities							
	-	-	130 213	-	14 300	-	144 513
Trade and other payables	-	-	116 510	-	-	-	116 510
Contract liabilities	-	-	10 205	-	-	-	10 205
Convertible loan notes	-	-	-	-	-	-	-
Current loan	-	-	-	-	14 300	-	14 300
Current tax liabilities	-	-	3 191	-	-	-	3 191
Trade and other payables	-	-	307	-	-	-	307
Total liabilities	-	-	134 404	-	14 300	-	148 704
Net assets	-	50	52 782	(48 600)	(14 350)	(6)	(10 124)

£'000	Incorporation Accounts 29 Feb 2020⁽¹⁾	Issue of preference shares⁽²⁾	Bytes UK⁽³⁾	Dividend⁽⁴⁾	Purchase Bytes UK redeem preference shares⁽⁵⁾	Issue of shares⁽⁶⁾ net of transaction costs⁽⁷⁾	Pro forma at 29 Feb 2020⁽⁸⁾
EQUITY							
Issued share capital	–*	–	–*	–	2 324	60	2 384
Preference share capital	–	50	–	–	(50)	–	–
Share premium	–	–	–*	–	436 422	6 206	442 628
Other reserves	–	–	1 170	–	–	–	1 170
Merger reserves	–	–	–	–	(453 046)	–	(453 046)
Retained earnings	–	–	51 612	(48 600)	–	(6 272)	(3 260)
Total equity	–	50	52 782	(48 600)	(14 350)	(6)	(10 124)

NOTES AND ASSUMPTIONS

1. Incorporation accounts for Bytes HoldCo

The *pro forma* financial information has been prepared in accordance with Bytes UK HoldCo's accounting policies, which are consistent with those accounting policies adopted in preparing the historical information of Bytes UK. The financial information for Bytes UK HoldCo has been extracted, without material adjustment, from the incorporation accounts of Bytes UK HoldCo and reflect the £2 of issued share capital at incorporation. The audited historical financial information of Bytes UK HoldCo can be found in **Annexure 6**.

2. Issue of preference shares

Subsequent to incorporation, Bytes UK HoldCo'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. 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. Bytes UK

In order to give effect to the Demerger, Altron, Bytes SA, Bytes UK Management, Bytes UK HoldCo and a wholly owned subsidiary of Bytes UK HoldCo entered into the Demerger SPA on 1 November 2020. Pursuant to the Demerger SPA, on Admission Bytes UK will become a subsidiary of Bytes UK HoldCo via another wholly owned subsidiary. The details of the Demerger are set out more fully in Part 4 – Details of the Demerger. To illustrate the effect of the acquisition of Bytes UK by Bytes UK HoldCo a *pro forma* adjustment has been recorded to reflect the consolidation of Bytes UK as at and for the relevant period, as extracted from the audited historical financial information found in Part 11 of this document. As Bytes UK HoldCo was only incorporated on 7 October 2020, Bytes UK HoldCo did not incur any revenue or expenses in the year to 29 February 2020 or six months ended 31 August 2020. Consequently, there is no *pro forma* adjustment to the income statement to reflect historical revenue or expenses for Bytes UK HoldCo .

4. Dividend

Subsequent to 31 August 2020 Bytes UK declared dividends of £8.6 million and £10.0 million which were paid to the holder of its A ordinary share on 14 April 2020 and 28 May 2020. An interim dividend of £30.0 million was also paid to the holder of its A ordinary shares on 28 September 2020. An adjustment has been recorded in the *pro forma* balance sheet to reflect this dividend.

5. Purchase Bytes UK & redeem preference shares

As set out in note 3 above, and as more fully set out in Part 4 – Details of the Demerger, Altron, Bytes SA, Bytes UK Management, Bytes UK HoldCo and a wholly-owned subsidiary of Bytes UK HoldCo have entered into the Demerger SPA for (i) Altron, through Bytes SA, to dispose of its A ordinary shares in Bytes UK to a wholly owned subsidiary of Bytes UK HoldCo and (ii) Bytes UK Management to sell their B ordinary shares in Bytes UK to Bytes UK HoldCo. Bytes UK HoldCo 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 Bytes UK HoldCo at Admission (as enlarged by the issue of such shares).

Bytes UK HoldCo entered into the Convertible Notes Instrument on 1 November 2020 and Bytes UK HoldCo issued a single Certificate in respect of all the Convertible Notes to Bytes SA on 1 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. On Admission, Bytes UK HoldCo will have, through a wholly owned subsidiary, acquired the A ordinary share in Bytes UK from Bytes SA and all of the B ordinary shares in Bytes UK from Bytes UK Management and the Convertible Notes will have been converted into New Shares. The total value of the consideration for the Disposal at the Offer Price is £453 million. This is comprised of:

- (a) £329.1 million being the number of Converted Shares issued multiplied by the Offer Price;
- (b) £87.1 million being the number of Convertible Notes redeemed for cash multiplied by the Offer Price;
- (c) £22.5 million being the number of Bytes UK Management Consideration shares issued multiplied by the Offer Price issued as part consideration to holders of B ordinary shares; plus
- (d) the amount of £14.3 million paid as cash consideration amount to holders of B ordinary shares to be funded from the debt facilities described in Part 15 – Additional Information, paragraph 12. A £14.3 million *pro forma* adjustment has been recorded to current loans to reflect the draw down on debt facilities to fund this payment.

For the purposes of these *pro forma* financial statements, the Offer Price is assumed to be 188.8p, with 232.4 million shares of £0.01 each issued in aggregate to redeem the Convertible Notes settle the purchase consideration. On Admission, Bytes UK HoldCo will have redeemed the preference shares issued to Bytes UK HoldCo's initial shareholders. Consequently, a *pro forma* adjustment has been recorded to reflect the redemption of the preference shares and related receivable of £50 thousand.

Pro forma adjustments have been made to reflect this issuance of equity as part of the group reconstruction in Bytes UK HoldCo resulting in increases in share capital of £2.3 million share premium of £436.4 million (relating to shares issues to fund cash redemptions) and a debit to merger reserve of £453 million. Other than in relation to the £14.3 million cash consideration Amount described above, the impact of the transactions described within this step 5 is cash neutral. The impact of these transactions on the investments line of the balance sheet is extinguished on consolidation.

6. Issue of shares

On Admission Bytes UK HoldCo will issue 6 million Shares of £0.01 each at the Offer Price in order to fund the payment of the transaction costs and placing commissions associated with Admission. Consequently, *pro forma* adjustments have been recorded to show the £11.3 million cash proceeds to Bytes UK HoldCo from the issuance of equity; £60 thousand of issued share capital and the related £11.2 million share premium.

7. Transaction costs

Transaction costs amounting to £11.3 million are expected to be incurred in connection with Admission, these costs are not expected to be continuing. A *pro forma* adjustment has been made to reflect the cash outflow for these costs. £5 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 £6.3 million is an estimate of the other advisory, professional, secretarial etc. fees and has been assumed to be expense in nature and is inclusive of VAT. A *pro forma* adjustment has been recorded to reflect this amount in the relevant *pro forma* income statements and in retained earnings in the *pro forma* statement of financial position.

8. Pro formas at Feb 2020

All of the transactions described above are in relation to Admission and are one off in nature, except as described in note 3 above. No adjustment has been made to reflect the results of Bytes UK HoldCo or Bytes UK since 31 August 2020.

* less than £1 000

The unaudited *pro forma* financial information of the Company (the “*pro forma* financial information”) included below, comprising the *pro forma* consolidated statement of comprehensive income and the *pro forma* consolidated statement of financial position have been prepared for illustrative purposes as at 31 August 2020.

The unaudited *pro forma* financial information has been prepared to illustrate the impact of:

1. a demerger of Bytes UK from Altron, post the potential share offering to Altron shareholders (“collectively referred to as “the Potential Transaction”); and
2. a potential listing and potential share offering of Bytes UK on the London Stock Exchange.

The unaudited *pro forma* statement of comprehensive income has been prepared on the assumption that the transaction occurred in the financial year ended 31 August 2020 for purposes of the statement of financial position.

The *pro forma* financial information is the responsibility of the directors and was prepared for illustrative purposes only and may not, because of its nature, fairly present Bytes UK’s financial position, changes in equity, results of operations or cash flows after the potential transaction. It does not purport to be indicative of what the audited consolidated financial results would have been, had the *pro forma* financial adjustments been implemented on a different date.

BYTES UK HOLDCO PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Interim Financial Year ended August 31, 2020

CONTINUING OPERATIONS £'000	Incorporation Accounts 31 Aug 2020⁽¹⁾	Issue of preference shares⁽²⁾	Bytes UK⁽³⁾	Dividend⁽⁴⁾	Purchase Bytes UK redeem preference shares⁽⁵⁾	Issue of shares (6) net of transaction costs⁽⁷⁾	Pro forma at 31 Aug 2020⁽⁸⁾
Revenue	-	-	221 222	-	-	-	221 222
Cost of Sales	-	-	(174 843)	-	-	-	(174 843)
Gross profit	-	-	46 379	-	-	-	46 379
Administrative expenses	-	-	(26 849)	-	-	(6 272)	(33 121)
Operating profit	-	-	19 530	-	-	(6 272)	13 258
Finance income	-	-	24	-	-	-	24
Finance expense	-	-	(40)	-	-	-	(40)
Profit before taxation	-	-	19 514	-	-	(6 272)	13 242
Income taxation expense	-	-	(3 757)	-	-	-	(3 757)
Profit for the year from continuing operations	-	-	15 757	-	-	(6 272)	9 485
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	15 757	-	-	(6 272)	9 485
Profit attributable to owners of the company	-	-	15 757	-	-	(6 272)	9 485

RECONCILIATION OF HEADLINE EARNINGS	Incorporation accounts 31 Aug 2020⁽¹⁾	Issue of preference shares⁽²⁾	Bytes UK⁽³⁾	Dividend⁽⁴⁾	Purchase Bytes UK & redeem preference shares⁽⁵⁾	Issue of shares⁽⁶⁾ net of transaction costs⁽⁷⁾	Pro forma at 31 Aug 2020⁽⁸⁾
Profit attributable to owners of the company	-	-	15 757	-	-	(6 272)	9 485
Adjusted for loss on disposal of property, plant and equipment	-	-	18	-	-	-	18
Headline earnings	-	-	15 775	-	-	(6 272)	9 503
Basic and diluted earnings per Ordinary Share (pence)	-	-	157 570	-	-	-	3.98
Diluted earnings per Ordinary Share (pence)	-	-	141 814	-	-	-	3.94
Headline and diluted headline earnings per share (pence)	-	-	157 750	-	-	-	3.99
Diluted headline earnings per share (pence)	-	-	141 976	-	-	-	3.95
Number of shares in issue (thousands)	-	-	10 000	-	-	-	238 387 375
Weighted average number of shares in issue	-	-	10 000	-	-	-	240 506 374
Diluted number of shares	-	-	11 111	-	-	-	240 506 374
Diluted weighted average number of shares	-	-	11 111	-	-	-	240 506 374

BYTES UK HOLDCO
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the interim period ended August 31, 2020

£'000	Incorporation Accounts 31 Aug 2020 ⁽¹⁾	Issue of preference shares ⁽²⁾	Bytes UK ⁽³⁾	Dividend ⁽⁴⁾	Purchase Bytes UK redeem preference shares ⁽⁵⁾	Issue of shares ⁽⁶⁾ net of transaction costs ⁽⁷⁾	<i>Pro forma</i> at 31 Aug 2020 ⁽⁸⁾
ASSETS							
Non-current assets							
	-	-	55 329	-	-	-	55 329
Property, plant and equipment	-	-	8 420	-	-	-	8 420
Right of use assets	-	-	1 202	-	-	-	1 202
Investments	-	-	-	-	-	-	-
Intangible assets	-	-	45 248	-	-	-	45 248
Trade and other receivables	-	-	459	-	-	-	459
Current assets	-	50	139 951	(30 000)	(50)	(6)	109 945
Inventories	-	-	746	-	-	-	746
Contracts assets	-	-	8 009	-	-	-	8 009
Trade and other receivables	-	50	99 268	-	(50)	-	99 268
Cash and cash equivalents	-	-	31 928	(30 000)	-	(6)	1 922
Total assets	-	50	195 280	(30 000)	(50)	(6)	165 274

£'000	Incorporation Accounts 31 Aug 2020 ⁽¹⁾	Issue of preference shares ⁽²⁾	Bytes UK ⁽³⁾	Dividend ⁽⁴⁾	Purchase Bytes UK redeem preference shares ⁽⁵⁾	Issue of shares ⁽⁶⁾ net of transaction costs ⁽⁷⁾	<i>Pro forma</i> at 31 Aug 2020 ⁽⁸⁾
LIABILITIES							
Non-current liabilities							
	-	-	4 481	-	-	-	4 481
Loans	-	-	-	-	-	-	-
Lease liabilities	-	-	1 252	-	-	-	1 252
Trade and other payables	-	-	1 475	-	-	-	1 475
Deferred tax liabilities	-	-	1 754	-	-	-	1 754
Current liabilities							
	-	-	140 706	-	14 300	-	155 006
Trade and other payables	-	-	137 239	-	-	-	137 239
Contract liabilities	-	-	9 186	-	-	-	9 186
Convertible loan notes	-	-	-	-	-	-	-
Current loan	-	-	-	-	14 300	-	14 300
Current tax liabilities	-	-	645	-	-	-	645
Trade and other payables	-	-	256	-	-	-	256
Total liabilities	-	-	(145 187)	-	(14 300)	-	(159 487)
Net assets	-	50	50 093	(30 000)	(14 350)	(6)	5 787

£'000	Incorporation Accounts 31 Aug 2020⁽¹⁾	Issue of preference shares⁽²⁾	Bytes UK⁽³⁾	Dividend⁽⁴⁾	Purchase Bytes UK redeem preference shares⁽⁵⁾	Issue of shares (6) net of transaction costs⁽⁷⁾	Pro forma at 31 Aug 2020⁽⁸⁾
EQUITY							
Issued share capital	–*	–	–*	–	2 324	60	2 384
Preference share capital	–	50	–	–	(50)	–	–
Share premium	–	–	–*	–	436 422	6 206	442 628
Other reserves	–	–	1 324	–	–	–	1 324
Merger reserves	–	–	–	–	(453 046)	–	(453 046)
Retained earnings	–	–	48 769	(30 000)	–	(6 272)	12 497
Total equity	–	50	50 093	(30 000)	(14 350)	(6)	5 787

NOTES AND ASSUMPTIONS

1. Incorporation accounts for Bytes HoldCo

The *pro forma* financial information has been prepared in accordance with Bytes UK HoldCo's accounting policies, which are consistent with those accounting policies adopted in preparing the historical information of Bytes UK. The financial information for Bytes UK HoldCo has been extracted, without material adjustment, from the incorporation accounts of Bytes UK HoldCo and reflect the £2 of issued share capital at incorporation. The audited historical financial information of Bytes UK HoldCo can be found in **Annexure 6**.

2. Issue of preference shares

Subsequent to incorporation, Bytes UK HoldCo'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. 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. Bytes UK

In order to give effect to the Demerger, Altron, Bytes SA, Bytes UK Management, Bytes UK HoldCo and a wholly owned subsidiary of Bytes UK HoldCo entered into the Demerger SPA on 1 November 2020. Pursuant to the Demerger SPA, on Admission Bytes UK will become a subsidiary of Bytes UK HoldCo via another wholly owned subsidiary. The details of the Demerger are set out more fully in Part 4 – Details of the Demerger. To illustrate the effect of the acquisition of Bytes UK by Bytes UK HoldCo a *pro forma* adjustment has been recorded to reflect the consolidation of Bytes UK as at and for the relevant period, as extracted from the audited historical financial information found in Part 11 of this document. As Bytes UK HoldCo was only incorporated on 7 October 2020, Bytes UK HoldCo did not incur any revenue or expenses in the year to 29 February 2020 or six months ended 31 August 2020. Consequently, there is no *pro forma* adjustment to the income statement to reflect historical revenue or expenses for Bytes UK HoldCo .

4. Dividend

Subsequent to 29 February 2020 Bytes UK declared dividends of £8.6 million and £10.0 million which were paid to the holder of its A ordinary share on 14 April 2020 and 28 May 2020. An interim dividend of £30.0 million was also paid to the holder of its A ordinary shares on 28 September 2020. An adjustment has been recorded in the *pro forma* balance sheets to reflect this dividend.

5. Purchase Bytes UK & redeem preference shares

As set out in note 3 above, and as more fully set out in Part 4 – Details of the Demerger, Altron, Bytes SA, Bytes UK Management, Bytes UK HoldCo and a wholly-owned subsidiary of Bytes UK HoldCo have entered into the Demerger SPA for (i) Altron, through Bytes SA, to dispose of its A ordinary shares in Bytes UK to a wholly owned subsidiary of Bytes UK HoldCo and (ii) Bytes UK Management to sell their B ordinary shares in Bytes UK to Bytes UK HoldCo. Bytes UK HoldCo 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 Bytes UK HoldCo at Admission (as enlarged by the issue of such shares).

Bytes UK HoldCo entered into the Convertible Notes Instrument on 1 November 2020 and Bytes UK HoldCo issued a single Certificate in respect of all the Convertible Notes to Bytes SA on 1 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. On Admission, Bytes UK HoldCo will have, through a wholly owned subsidiary, acquired the A ordinary share in Bytes UK from Bytes SA and all of the B ordinary shares in Bytes UK from Bytes UK Management and the Convertible Notes will have been converted into New Shares. The total value of the consideration for the Disposal at the Offer Price is £453 million. This is comprised of:

- (a) £329.1 million being the number of Converted Shares issued multiplied by the Offer Price;
- (b) £87.1 million being the number of Convertible Notes redeemed for cash multiplied by the Offer Price;
- (c) £22.5 million being the number of Bytes UK Management Consideration shares issued multiplied by the Offer Price issued as part consideration to holders of B ordinary shares; plus
- (d) the amount of £14.3 million paid as cash consideration Amount to holders of B ordinary shares to be funded from the debt facilities described in Part 15 – Additional Information, paragraph 12. A £14.3 million *pro forma* adjustment has been recorded to current loans to reflect the draw down on debt facilities to fund this payment.

For the purposes of these *pro forma* financial statements, the Offer Price is assumed to be 188.8p, with 232.4 million shares of £0.01 each issued in aggregate to redeem the Convertible Notes settle the purchase consideration. On Admission, Bytes UK HoldCo will have redeemed the preference shares issued to Bytes UK HoldCo's initial shareholders. Consequently, a *pro forma* adjustment has been recorded to reflect the redemption of the preference shares and related receivable of £50 thousand.

Pro forma adjustments have been made to reflect this issuance of equity as part of the group reconstruction in Bytes UK HoldCo resulting in increases in share capital of £2.3 million, share premium of £463.4 million (relating to shares issues to fund cash redemptions) and a debit to merger reserve of £453 million. Other than in relation to the £14.3 million cash consideration Amount described above, the impact of the transactions described within this step 5 is cash neutral. The impact of these transactions on the investments line of the balance sheet is extinguished on consolidation.

6. Issue of shares

On Admission Bytes UK HoldCo will issue 6 million Shares of £0.01 each at the Offer Price in order to fund the payment of the transaction costs and placing commissions associated with Admission. Consequently, *pro forma* adjustments have been recorded to show the £11.3 million cash proceeds to Bytes UK HoldCo from the issuance of equity; £60 thousand of issued share capital and the related £11.2 million share premium.

7. Transaction costs

Transaction costs amounting to £11.3 million are expected to be incurred in connection with Admission, these costs are not expected to be continuing. A *pro forma* adjustment has been made to reflect the cash outflow for these costs. £5 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 £6.3 million is an estimate of the other advisory, professional, secretarial etc. fees and has been assumed to be expense in nature and is inclusive of VAT. A *pro forma* adjustment has been recorded to reflect this amount in the relevant *pro forma* income statements and in retained earnings in the *pro forma* statement of financial position.

8. Pro formas at Feb 2020

All of the transactions described above are in relation to Admission and are one off in nature, except as described in note 3 above. No adjustment has been made to reflect the results of Bytes UK HoldCo or Bytes UK since 31 August 2020.

* less than £1 000

INDEPENDENT REPORTING ACCOUNTANTS TO BYTES UK AND BYTES UK HOLDCO REPORT ON THE BYTES UK HOLDCO *PRO FORMA* FINANCIAL INFORMATION

The Directors
Bytes Technology Group plc
Bytes House,
Randalls Way,
Leatherhead,
KT22 7TW

2 November 2020

Dear Sirs

We report on the *pro forma* financial information (the “Bytes *Pro Forma* Financial Information”) set out in Annexure 8 of the circular to shareholders of Allied Electronics Corporation Limited (the “Circular”) dated Tuesday, 3 November 2020, 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 Bytes Technology Group plc in its next financial statements, being those adopted in preparing the historical financial information of Bytes Technology Limited.

This report is required by the JSE Limited (“JSE”) Listings Requirements and in terms of the South African Companies Act, 2008 and the Companies Regulations (“Takeover Rules”) and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the investment circular, 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 JSE Listings Requirements and the Takeover Rules, consenting to its inclusion in the Circular.

Responsibilities

It is the responsibility of the directors of Bytes Technology Group plc to prepare the Bytes *Pro Forma* Financial Information in accordance JSE Listing Requirements and the Takeover Rules.

It is our responsibility to form an opinion, as required by the JSE Listing requirements and the Takeover Rules, 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 Bytes Technology Group plc.

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 Bytes Technology Group plc.

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 Bytes Technology Group plc.

Yours faithfully

Ernst & Young LLP

ALTRON *PRO FORMA* FINANCIAL INFORMATION

The *pro forma* financial statements have been prepared for illustrative purposes only to provide information about how the Demerger may have affected the financial position of Altron assuming that the Demerger had been implemented on 29 February 2020 and 31 August 2020 for purposes of the statements of financial position, net asset value per share and tangible net asset value per share and implemented on 1 March 2019 and 1 March 2020 for purposes of the statements of comprehensive income, earnings per share and headline earnings per share.

The *pro forma* financial statements have been prepared in compliance with IFRS, the SAICA guide on *pro forma* financial information and in accordance with Altron's accounting policies, which are consistent with those accounting policies adopted in preparing Altron's annual financial statements.

Due to their nature, they may not fairly represent Altron's financial position, changes in equity, results of operations or cash flows after the Demerger.

The *pro forma* financial information of Altron included below, comprising the *pro forma* consolidated statement of comprehensive income, the *pro forma* consolidated statement of financial position and *pro forma* reconciliation of headline earnings per share, is based on the audited consolidated annual financial statements of Altron for the year ended 29 February 2020 and the unaudited interim financial statements of Altron for the six months ended 31 August 2020 (the "*Pro Forma* Financial Information").

The *pro forma* financial information has been prepared to illustrate the impact of the demerger of the remaining Altron shareholding in Bytes UK, post the potential share offering to Altron shareholders, on the audited consolidated annual financial statements of Altron for the year ended 29 February 2020, had the Demerger occurred on 1 March 2019 for purposes of the consolidated statement of comprehensive income as well as the reconciliation of headline earnings per share and on 29 February 2020 for purposes of the consolidated statement of financial position.

The *pro forma* financial information, including the assumptions on which they are based and the financial information from which they have been prepared, is the responsibility of the Directors and was prepared for illustrative purposes only and may not, because of its nature, fairly present Altron's financial position, changes in equity and results of operations or cash flows after the Demerger. It does not purport to be indicative of what the audited consolidated financial results would have been, had the *pro forma* financial adjustments been implemented on a different date.

ALLIED ELECTRONICS CORPORATION LIMITED
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year ended February 29, 2020

CONTINUING OPERATIONS

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Con-solidation adjust-ments⁽³⁾	Profit on disposal of Bytes UK⁽⁴⁾	Interest⁽⁵⁾	Trans-action costs⁽⁶⁾	Pro forma After⁽⁷⁾
Revenue	16 713	(6 992)	-	-	-	-	9 721
Other income	103	-	-	-	-	-	103
Operating costs	(14 981)	6 380	-	-	-	(20)	(8 621)
Material and services consumed	(10 910)	5 483	-	-	-	(20)	(5 447)
Net impairment losses on financial and other assets	(56)	-	-	-	-	-	(56)
Employees' remuneration	(4 015)	897	-	-	-	-	(3 118)
EBITDA before capital items and equity accounted losses	1 835	(612)	-	-	-	(20)	1 203
Depreciation and amortisation	(745)	48	-	-	-	-	(697)
Operating profit before capital items	1 090	(564)	-	-	-	(20)	506
Capital items	1	(1)	237	9 715	-	-	9 952
Operating profit	1 091	(565)	237	9 715	-	(20)	10 458
Finance income	116	(3)	-	-	-	-	113
Finance expense	(350)	2	-	-	140	-	(208)
Share of loss of equity-accounted investees, net of taxation	-	-	-	-	-	-	-
Profit before taxation	857	(566)	237	9 715	140	(20)	10 363
Taxation	(185)	110	-	-	(39)	-	(114)
Profit for the year from continuing operations	672	(456)	237	9 715	101	(20)	10 249

DISCONTINUED OPERATIONS

R millions	Before ⁽¹⁾	Bytes UK Group ⁽²⁾	Con-solidation adjust-ments ⁽³⁾	Profit on disposal of Bytes UK ⁽⁴⁾	Interest ⁽⁵⁾	Trans-action costs ⁽⁶⁾	Pro forma After ⁽⁷⁾
Revenue	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Operating costs	(6)	-	-	-	-	-	(6)
Material and services consumed	(4)	-	-	-	-	-	(4)
Employees' remuneration	(2)	-	-	-	-	-	(2)
EBITDA before capital items	(6)	-	-	-	-	-	(6)
Depreciation and amortisation	-	-	-	-	-	-	-
Operating profit before capital items	(6)	-	-	-	-	-	(6)
Capital items	(4)	-	-	-	-	-	(4)
Operating loss	(10)	-	-	-	-	-	(10)
Finance income	-	-	-	-	-	-	-
Finance expense	-	-	-	-	-	-	-
Loss before taxation	(10)	-	-	-	-	-	(10)
Taxation	(4)	-	-	-	-	-	(4)
Loss for the year from discontinued operations	(14)	-	-	-	-	-	(14)
Net profit for the year	658	(456)	237	9 715	101	(20)	10 235

OTHER COMPREHENSIVE INCOME

R millions	Before ⁽¹⁾	Bytes UK Group ⁽²⁾	Con- solida- tion adjust- ments ⁽³⁾	Profit on disposal of Bytes UK ⁽⁴⁾	Interest ⁽⁵⁾	Trans- action costs ⁽⁶⁾	<i>Pro forma</i> <i>After</i> ⁽⁷⁾
Items that will not be reclassified to profit or loss							
Remeasurement of net defined benefit asset	(112)	-	-	-	-	-	(112)
Items that are or may be reclassified subsequently to profit or loss							
Foreign currency translation differences in respect of foreign operations	81	-	-	-	-	-	81
Effective portion of changes in the fair value of cash flow hedges	-	-	-	-	-	-	-
Other comprehensive loss for the year, net of taxation	(31)	-	-	-	-	-	(31)
Total comprehensive income for the year	627	(456)	237	9 715	101	(20)	10 204

ATTRIBUTION OF INCOME

R millions	Before ⁽¹⁾	Bytes UK Group ⁽²⁾	Con-solidation adjust-ments ⁽³⁾	Profit on disposal of Bytes UK ⁽⁴⁾	Interest ⁽⁵⁾	Trans-action costs ⁽⁶⁾	Pro forma After ⁽⁷⁾
Net profit attributable to:							
Non-controlling interests	(12)	-	-	-	-	-	(12)
Non-controlling interests from continuing operations	(12)	-	-	-	-	-	(12)
Non-controlling interests from discontinued operations	-	-	-	-	-	-	-
Altron equity holders	670	(456)	237	9 715	101	(20)	10 247
Altron equity holders from continuing operations	684	(456)	237	9 715	101	(20)	10 261
Altron equity holders from discontinued operations	(14)	-	-	-	-	-	(14)
Net profit for the year	658	(456)	237	9 715	101	(20)	10 235
Total comprehensive income attributable to:							
Non-controlling interests	(12)	-	-	-	-	-	(12)
Non-controlling interests from continuing operations	(12)	-	-	-	-	-	(12)
Non-controlling interests from discontinued operations	-	-	-	-	-	-	-
Altron equity holders	639	(456)	237	9 715	101	(20)	10 216
Altron equity holders from continuing operations	646	(456)	237	9 715	101	(20)	10 223
Altron equity holders from discontinued operations	(7)	-	-	-	-	-	(7)
Total comprehensive income for the year	627	(456)	237	9 715	101	(20)	10 204

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Con-solidation adjust-ments⁽³⁾	Profit on disposal of Bytes UK⁽⁴⁾	Interest⁽⁵⁾	Trans-action costs⁽⁶⁾	Pro forma After⁽⁷⁾
Basic earnings per share from continuing operations (cents)	184						2 764
Diluted earnings per share from continuing operations (cents)	183						2 741
Basic loss per share from discontinued operations (cents)	(4)						(4)
Diluted loss per share from discontinued operations (cents)	(4)						(4)
Basic earnings per share from total operations (cents)	180						2 760
Diluted earnings per share from total operations (cents)	179						2 737
Ordinary shares ('000)							
Weighted average number of shares	371 233						371 233
Diluted number of shares	3 128						3 128
Diluted weighted average number of shares	374 362						374 362

ALLIED ELECTRONICS CORPORATION LIMITED
PRO FORMA RECONCILIATION OF HEADLINE EARNINGS PER SHARE

For the period ended February 29, 2020

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Con-solidation adjust-ments⁽³⁾	Profit on disposal of Bytes UK⁽⁴⁾	Interest⁽⁵⁾	Trans-action costs⁽⁶⁾	Pro forma After⁽⁷⁾
Reconcilia-tion between earnings and headline earnings for total operations							
Earnings attributable to shareholders	670	(456)	237	9 715	101	(20)	10 247
Adjustments for:							
Impairment of goodwill	5	-	-	-	-	-	5
Profit on demerger of operations	-	-	-	-	-	-	-
Net profit on disposal of property, plant and equipment	(21)	1	-	-	-	-	(20)
Foreign currency translation reserve recycling to profit and loss	3	-	(237)	-	-	-	(234)
Profit on demerger of operations	-	-	-	(9 715)	-	-	(9 715)
Profit on non-current financial assets at amortised cost	(2)	-	-	-	-	-	(2)
Capital rental devices written off	12	-	-	-	-	-	12
Headline earnings	667	(455)	-	-	101	(20)	293
Headline earnings per share from total operations (cents)	180	-	-	-	-	-	80
Diluted headline earnings per share from total operations (cents)	178	-	-	-	-	-	78

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Con-solidation adjust-ments⁽³⁾	Profit on disposal of Bytes UK⁽⁴⁾	Interest⁽⁵⁾	Trans-action costs⁽⁶⁾	Pro forma After⁽⁷⁾
Reconciliation between earnings and headline earnings for continuing operations							
Earnings attributable to shareholders	684	(456)	237	9 715	101	(20)	10 261
Adjustments for:							
Impairment of goodwill	5	-	-	-	-	-	5
Net profit on disposal of property, plant and equipment	(21)	1	-	-	-	-	(20)
Foreign currency translation reserve recycling to profit and loss	(3)	-	(237)	-	-	-	(240)
Profit on demerger of operations	-	-	-	(9 715)	-	-	(9 715)
Capital rental devices written off	12	-	-	-	-	-	12
Headline earnings	677	(455)	-	-	101	(20)	303
Headline earnings per share from total operations (cents)	182	-	-	-	-	-	82
Diluted headline earnings per share from total operations (cents)	181	-	-	-	-	-	81

NOTES AND ASSUMPTIONS

(1) Before

The “Before” column has been extracted from Altron’s audited consolidated annual financial statements for the year ended 29 February 2020.

(2) Disposal of Bytes UK

Extracted from the consolidation workings underlying Altron’s audited consolidated annual financial statements for the year ended 29 February 2020. A reconciliation of the results of Bytes UK consolidated into Altron’s consolidated annual financial statements to the results presented in the Bytes UK Historical Financial Information, attached as **Annexure 4** to this circular, is presented below:

	Bytes UK per Altron £'000	Exchange rate	Bytes UK per Altron £'000	Reclass ^a £'000	Changes in account- ing policies ^b £'000	Bytes UK Audit Adjust- ments ^c £'000	Bytes UK Group Historical Financial Informa- tion £'000
Summary							
Revenue	6 992	18.6682	374 565	–	4 219	(5 681)	373 103
Cost of sales	–	18.6682	–	(294 199)	(4 219)	4 532	(293 886)
Gross profit	6 992	18.6682	374 565	(294 199)	–	(1 149)	79 217
Administrative expenses	(6 429)	18.6682	(344 404)	294 199	–	832	(49 373)
Operating profit	564	18.6682	30 161	–	–	(317)	29 844
Finance income	3	18.6682	158	–	–	–	158
Finance costs	(2)	18.6682	(82)	–	–	–	(82)
Finance costs – net	1	18.6682	76	–	–	–	76
Profit before income tax	565	18.6682	30 237	–	–	(317)	29 920
Income tax expenses	(110)	18.6682	(5 868)	–	–	106	(5 762)
Profit and total comprehensive income for the period	455	18.6682	24 369	–	–	(211)	24 158

Notes:

- Represents the reclassification of line items to align presentation between Bytes UK and Altron.
- Changes in accounting policies represent the impact of the following differences:
 - certain revenue streams previously recognised as a principal and on a gross basis under Altron policy are recognised as an agency arrangement on a net basis under Bytes UK policy; and
 - in addition, certain revenue streams previously recognised over time under Altron policy are recognised at a point in time under Bytes UK policy.

This results in an increase in revenue and cost of sales under Bytes UK policies with no impact on the net profit.
- Represents recognition of audit adjustments, previously deemed immaterial from an Altron group perspective, as follows:
 - period end revenue and cost accruals;
 - remeasurement of share-based payment charge; and
 - related tax charge.

(3) Consolidation adjustments

Represents the recycle of the FCTR relating to Bytes UK Group through profit and loss.

(4) Profit on disposal of Bytes UK

Altron will receive Convertible Loan Notes assumed at R9.55 billion as consideration, being the estimated market value of Bytes UK Group on listing of GBP450 million converted at 21.22399 (latest exchange rate). The once off profit on the Disposal is determined as follows:

	R million
Consideration received on the Disposal	9 551
Less: Net asset value of Bytes UK Group at 29 February 2020	(865)
Add: Pre-disposal dividend declared	1 029
Profit on disposal	9 715

(5) Interest

Interest saving is assumed on the utilisation of the pre-disposal dividend of R1 029 million and the cash redemption of the convertible loan notes to be unbundled relating to treasury shares of R647 million (being 7% of the consideration for the Disposal), net of transaction costs of R20 million, to reduce interest-bearing loans in the Altron Group. The resultant interest saving has been calculated using the average interest rate incurred on the interest-bearing loans for the year ended 29 February 2020 of 8.45% as follows:

	R million
Interest saving on interest-bearing loans partly settled	140
Tax thereon @28%	(39)
Interest saving after tax	101

(6) Transaction costs

Once off transaction costs of R20 million incurred by Altron are charged to profit and loss as incurred. These costs are not deductible for tax purposes.

(7) All adjustments are recurring in nature except where otherwise stated.

ALLIED ELECTRONICS CORPORATION LIMITED
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at February 29, 2020

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Pre-disposal dividend⁽³⁾	Con-solidation adjust-ments (4)	Applica-tion of proceeds on the Disposal⁽⁵⁾	Distri-bution and redemp-tion of con-vertible loan notes⁽⁷⁾	Trans-action costs⁽⁷⁾	<i>Pro forma After</i>
ASSETS								
Non-current assets	4 507	(1 065)	-	-	-	-	-	3 442
Property, plant and equipment	648	(171)	-	-	-	-	-	477
Intangible assets and goodwill	1 945	(735)	-	-	-	-	-	1 210
Right-of-use assets	524	(27)	-	-	-	-	-	497
Equity-accounted investments	15	-	-	-	-	-	-	15
Financial assets at amortised cost	191	-	-	-	-	-	-	191
Financial assets at fair value through profit or loss	117	-	-	-	-	-	-	117
Financial assets at fair value through other comprehensive income	21	-	-	-	-	-	-	21
Finance lease assets	237	-	-	-	-	-	-	237
Contract costs capitalised	163	-	-	-	-	-	-	163
Capital rental devices	297	-	-	-	-	-	-	297
Trade and other receivables	121	(121)	-	-	-	-	-	-
Contract assets	11	(11)	-	-	-	-	-	-
Defined benefit asset	83	-	-	-	-	-	-	83
Deferred taxation	134	-	-	-	-	-	-	134

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Pre-disposal dividend⁽³⁾	Con-solidation adjust-ments (4)	Applica-tion of proceeds on the Disposal⁽⁵⁾	Distri-bution and redemp-tion of convertible loan notes⁽⁷⁾	Trans-action costs⁽⁷⁾	<i>Pro forma After</i>
Current assets	9 118	(3 665)	1 029	-	9 551	(8 904)	(20)	7 109
Inventories	1 252	(31)	-	-	-	-	-	1 221
Trade and other receivables	5 726	(2 524)	-	-	-	-	-	3 202
Financial assets at fair value through profit and loss	25	-	-	-	-	-	-	25
Financial assets of convertible notes	-	-	-	-	9 551	(9 551)	-	-
Contract assets	205	(43)	-	-	-	-	-	162
Taxation receivable	32	-	-	-	-	-	-	32
Restricted cash	13	-	-	-	-	-	-	13
Cash and cash equivalents	1 810	(1 067)	1 029	-	-	647	(20)	2 399
Assets classified as held for sale	55	-	-	-	-	-	-	55
Total assets	13 625	(4 730)	1 029	-	9 551	(8 904)	(20)	10 551
EQUITY AND LIABILITIES								
Total equity	3 763	(865)	1 029	-	9 551	(8 904)	(20)	4 554
Share capital and share premium	2 871	-	-	-	-	-	-	2 871
Retained earnings	3 547	(617)	1 029	(248)	9 551	(8 904)	(20)	4 338
Other reserves	(2 479)	(248)	-	248	-	-	-	(2 479)
Attributable to Altron shareholders	3 939	(865)	1 029	-	9 551	(8 904)	(20)	4 730
Non-controlling interest	(176)	-	-	-	-	-	-	(176)
Non-current liabilities	2 502	(305)	-	-	-	-	-	2 197
Loans	1 707	-	-	-	-	-	-	1 707
Contract liabilities	349	(239)	-	-	-	-	-	110
Lease liabilities	391	(26)	-	-	-	-	-	365
Deferred taxation	55	(40)	-	-	-	-	-	15

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Pre-disposal dividend⁽³⁾	Con-solidation adjust-ments (4)	Applica-tion of proceeds on the Disposal⁽⁵⁾	Distri-bution and redemp-tion of convertible loan notes⁽⁷⁾	Trans-action costs⁽⁷⁾	<i>Pro forma After</i>
Current liabilities	7 360	(3 560)	–	–	–	–	–	3 800
Loans	493	–	–	–	–	–	–	493
Lease liabilities	181	(6)	–	–	–	–	–	175
Bank Overdrafts	854	–	–	–	–	–	–	854
Provisions	14	–	–	–	–	–	–	14
Trade and other payables	4 325	(2 357)	–	–	–	–	–	1 968
Financial liabilities at fair value through profit or loss	3	–	–	–	–	–	–	3
Contract liabilities	1 380	(1 130)	–	–	–	–	–	250
Taxation payable	110	(67)	–	–	–	–	–	43
Total equity and liabilities	13 625	(4 730)	1 029	–	9 551	(8 904)	(20)	10 551
Number of shares in issue, net of treasury shares ('000)	371 400							371 400
Net asset value per share (cents)⁽⁸⁾	1 061							1 274
Tangible net asset value per share (cents)⁽⁹⁾	501							912

NOTES AND ASSUMPTIONS

(1) Before

The “Before” column has been extracted from Altron’s audited consolidated annual financial statements for the year ended 29 February 2020.

(2) Disposal of Bytes UK Group

Extracted from the consolidation workings underlying Altron’s audited consolidated annual financial statements for the year ended 29 February 2020. A reconciliation of the financial position of Bytes UK consolidated into Altron’s consolidated annual financial statements to the financial position presented in the Bytes UK Historical Financial Information, attached as **Annexure 4** to this circular is presented below:

	Bytes UK per Altron £'000	Exchange rate	Bytes UK per Altron £'000	Reclass ^a £'000	Changes in account- ing policies ^b £'000	Bytes UK Audit Adjust- ments ^c £'000	Bytes UK Group Historical Financial Informa- tion £'000
Assets							
Non-current assets							
Investments							
Property, plant and equipment	171	20.1012	8 521			–	8 521
Right-of-use assets	27	20.1012	1 332			–	1 332
Intangible assets	735	20.1012	36 545		9 508	–	46 053
Trade and other receivables	121	20.1012	6 020	(6 020)	–	1 056	1 056
Contract assets	11	20.1012	547	(547)	–	–	–
Deferred tax assets	–	20.1012	–	–	–	–	–
Total non-current assets	1 065		52 965	(6 567)	9 508	1 056	56 963
Current assets							
Inventories	31	20.1012	1 555		–	(867)	(688)
Trade and other receivables	2 524	20.1012	125 576	8 700	(55 847)	3 750	82 179
Contract assets	43	20.1012	2 123	(2 123)	–	–	–
Cash and cash equivalents	1 067	20.1012	53 106		(5 749)	–	47 357
Total current assets	3 666		182 360	6 577	(61 596)	2 883	130 224
Total assets	4 730		235 325	10	(52 087)	3 939	187 187
Liabilities							
Non-current liabilities							
Borrowings	–	20.1012	(16)	16	–	–	–
Lease liabilities	26	20.1012	1 295		–	–	1 295
Deferred tax liabilities	40	20.1012	1 990		–	(95)	1 895
Non-current contract liabilities	239	20.1012	11 905	(11 905)	–	1 001	1 001
Trade and other payables	–	20.1012	–	–	–	1 001	1 001
Provisions	–	20.1012	–	–	–	–	–
Total non-current liabilities	305		15 175	(11 890)	–	906	4 191

	Bytes UK per Altron £'000	Exchange rate	Bytes UK per Altron £'000	Reclass ^a £'000	Changes in account- ing policies ^b £'000	Bytes UK Audit Adjust- ments ^c £'000	Bytes UK Group Historical Financial Informa- tion £'000
Current liabilities							
Trade and other payables	2 357	20.1012	117 281	68 100	(61 596)	2 930	126 715
Contract liabilities	1 130	20.1012	56 201	(56 201)	–	–	–
Current tax liabilities	67	20.1012	3 332	–	–	(141)	3 191
Borrowings	–	20.1012	–	–	–	–	–
Lease liabilities	6	20.1012	307	–	–	–	307
Provisions	–	20.1012	–	–	–	–	–
Total current liabilities	3 560		177 120	11 900	(61 596)	2 789	130 214
Total liabilities	3 865		192 295	10	(61 596)	3 695	134 405
Net assets	865		43 030	–	9 508	244	52 783
Equity							
Share capital	–		–	–	–	–	–
Share premium	–		–	–	–	–	–
Other reserves	24	20	1 181	–	–	(11)	1 170
Retained earnings	841	20	41 849	–	9 508	255	51 612
Total equity	865		43 030	–	9 508	244	52 783

Notes:

- a. Represents the reclassification of line items to align presentation between Bytes UK and Altron.
- b. Changes in accounting policies represent the impact of the following differences:
 - certain revenue streams previously recognised as a principal on a gross basis under Altron policy are recognised as an agency arrangement on a net basis under Bytes UK policy. In addition, certain revenue streams previously recognised over time under Altron policy are recognised at a point in time under Bytes UK policy. This results in a decrease in trade and other receivables and trade and other payables under Bytes UK policies with no impact on the net asset value;
 - certain cash-in-transit items, classified as trade and other receivables and trade and other payables under Altron Group policy, are classified as cash and cash equivalents under Bytes UK Group policy. This results in a decrease in trade and other receivables and trade and other payables, as well as an increase in cash and cash equivalents under Bytes UK policies; and
 - the Bytes UK Group has elected to apply the IFRS 1 exemption from IFRS 3 'Business Combinations' in respect of restating business combinations that occurred prior to the transition date to IFRS. This results in an increase in goodwill and retained earnings under Bytes UK policies.
- c. Represents recognition of audit adjustments, previously deemed immaterial from an Altron group perspective, as follows:
 - period end revenue and cost accruals;
 - remeasurement of share-based payment charge; and
 - reclassification of contract assets and contract liabilities from current assets/liabilities to non-current assets/liabilities.

(3) Pre-disposal dividend

Represents the dividend to be declared by Bytes UK Group of R1 029 million prior to the Disposal.

(4) Consolidation adjustments

Represents recycle of the FCTR relating to Bytes UK Group through profit and loss.

(5) Application of proceeds on the Disposal

Altron will receive Convertible Loan Notes assumed at R9.55 billion as consideration, being the estimated market value of Bytes UK Group on listing of GBP450 million converted at 21.22399 (latest exchange rate).

(6) Distribution and redemption of convertible loan notes

Altron will distribute the Convertible Loan Notes, as a distribution *in specie*, to external shareholders. The Convertible Loan Notes attributable to treasury shares, amounting to approximately 7.1% of the issued shares in Altron, will be settled in cash.

	R million
Distribution in specie to external shareholders	8 904
Distribution to treasury shares (net of dividends tax and settled in cash)	647
	9 551

The Convertible Loan Notes distributed to the treasury shares will be redeemed and utilised to partly reduce interest-bearing loans.

(7) Transaction costs

Once off transaction costs of R20 million incurred by Altron are charged to profit and loss as incurred. These costs are not deductible for tax purposes.

(8) Net asset value per share

Net asset value per share is computed by dividing total equity attributable to Altron shareholders by the total number of shares in issue, net of treasury shares

(9) Tangible net asset value per share

Tangible net asset value per share is computed by dividing total equity attributable to Altron shareholders less the sum of intangible assets, goodwill and deferred tax asset divided by the total number of shares in issue, net of treasury shares.

ALLIED ELECTRONICS CORPORATION LIMITED
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended August 31, 2020

CONTINUING OPERATIONS

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Con-solidation adjust-ments⁽³⁾	Profit on disposal of Bytes UK⁽⁴⁾	Interest⁽⁵⁾	Trans-action costs⁽⁶⁾	Pro forma After⁽⁷⁾
Revenue	8 354	(4 761)	-	-	-	-	3 593
Other income	-	-	-	-	-	-	-
Operating costs	(7 471)	4 302	-	-	-	(20)	(3 189)
Material and services consumed	(7 471)	(4 302)	-	-	-	(20)	(3 189)
Net impairment losses on financial and other assets	-	-	-	-	-	-	-
Employees' remuneration	-	-	-	-	-	-	-
EBITDA before capital items and equity accounted losses	883	(459)	-	-	-	(20)	404
Depreciation and amortisation	(375)	29	-	-	-	-	(346)
Operating profit before capital items	508	(430)	-	-	-	(20)	58
Capital items	5	-	336	9 278	-	-	9 619
Operating profit	513	(430)	336	9 278	-	(20)	9 677
Finance income	36	(1)	-	-	-	-	35
Finance expense	(146)	1	-	-	41	-	(104)
Share of loss of equity-accounted investees net of taxation	-	-	-	-	-	-	-
Profit before taxation	403	(430)	336	9 278	41	(20)	9 608
Taxation	(94)	88	-	-	(11)	-	(17)
Profit for the year from continuing operations	309	(342)	336	9 278	30	(20)	9 591

DISCONTINUED OPERATIONS

R millions	Before ⁽¹⁾	Bytes UK Group ⁽²⁾	Con-solidation adjust-ments ⁽³⁾	Profit on disposal of Bytes UK ⁽⁴⁾	Interest ⁽⁵⁾	Trans-action costs ⁽⁶⁾	Pro forma After ⁽⁷⁾
Revenue	771	-	-	-	-	-	771
Other income	-	-	-	-	-	-	-
Operating costs	(818)	-	-	-	-	-	(818)
Material and services consumed	(818)	-	-	-	-	-	(818)
Employees' remuneration	-	-	-	-	-	-	-
EBITDA before capital items	(47)	-	-	-	-	-	(47)
Depreciation and amortisation	(29)	-	-	-	-	-	(29)
Operating profit before capital items	(76)	-	-	-	-	-	(76)
Capital items	(2)	-	-	-	-	-	(2)
Operating loss	(78)	-	-	-	-	-	(78)
Finance income	-	-	-	-	-	-	-
Finance expense	(3)	-	-	-	-	-	(3)
Loss before taxation	(81)	-	-	-	-	-	(81)
Taxation	21	-	-	-	-	-	21
Loss for the year from discontinued operations	(60)	-	-	-	-	-	(60)
Net profit for the year	249	(342)	336	9 278	30	(20)	9 531

OTHER COMPREHENSIVE INCOME

R millions	Before ⁽¹⁾	Bytes UK Group ⁽²⁾	Con- solida- tion adjust- ments ⁽³⁾	Profit on disposal of Bytes UK ⁽⁴⁾	Interest ⁽⁵⁾	Trans- action costs ⁽⁶⁾	Pro forma After ⁽⁷⁾
Items that will not be reclassified to profit or loss							
Loss on disposal of treasury shares	-	-	-	-	-	-	-
Items that are or may be reclassified subsequently to profit or loss							
Foreign currency translation differences in respect of foreign operations	182	-	-	-	-	-	182
Effective portion of changes in the fair value of cash flow hedges	-	-	-	-	-	-	-
Other comprehensive loss for the year, net of taxation	182	-	-	-	-	-	182
Total comprehensive income for the year	431	(342)	336	9 278	30	(20)	9 713

ATTRIBUTION OF INCOME

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Con-solidation adjust-ments⁽³⁾	Profit on disposal of Bytes UK⁽⁴⁾	Interest⁽⁵⁾	Trans-action costs⁽⁶⁾	Pro forma After⁽⁷⁾
Net profit attributable to:							
Non-controlling interests	(8)	-	-	-	-	-	(8)
Non-controlling interests from continuing operations	(9)	-	-	-	-	-	(9)
Non-controlling interests from discontinued operations	1	-	-	-	-	-	1
Altron equity holders	257	(342)	336	9 278	30	(20)	9 539
Altron equity holders from continuing operations	318	(342)	336	9 278	30	(20)	9 600
Altron equity holders from discontinued operations	(61)	-	-	-	-	-	(61)
Net profit for the year	249	(342)	336	9 278	30	(20)	9 531
Total comprehensive income attributable to:							
Non-controlling interests	(8)	-	-	-	-	-	(8)
Non-controlling interests from continuing operations	(9)	-	-	-	-	-	(9)
Non-controlling interests from discontinued operations	1	-	-	-	-	-	1
Altron equity holders	439	(342)	336	9 278	30	(20)	9 721
Altron equity holders from continuing operations	500	(342)	336	9 278	30	(20)	9 782
Altron equity holders from discontinued operations	(61)	-	-	-	-	-	(61)
Total comprehensive income for the year	431	(342)	336	9 278	30	(20)	9 713

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Conso- lidation adjust- ments⁽³⁾	Profit on disposal of Bytes UK⁽⁴⁾	Interest⁽⁵⁾	Trans- action costs⁽⁶⁾	Pro forma After⁽⁷⁾
Basic earnings per share from continuing operations (cents)	85						2 567
Diluted earnings per share from continuing operations (cents)	84						2 546
Basic loss per share from discontinued operations (cents)	(16)						(16)
Diluted loss per share from discontinued operations (cents)	(16)						(16)
Basic earnings per share from total operations (cents)	69						2 551
Diluted earnings per share from total operations (cents)	68						2 530
Ordinary shares ('000)							
Weighted average number of shares	373 897						373 897
Diluted number of shares	3 086						3 086
Diluted weighted average number of shares	376 982						376 982

ALLIED ELECTRONICS CORPORATION LIMITED
PRO FORMA RECONCILIATION OF HEADLINE EARNINGS PER SHARE

For the six months ended August 31, 2020

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Con-solidation adjust-ments⁽³⁾	Profit on disposal of Bytes UK⁽⁴⁾	Interest⁽⁵⁾	Trans-action costs⁽⁶⁾	Pro forma After⁽⁷⁾
Reconciliation between earnings and headline earnings from total operations							
Earnings attributable to shareholders	257	(342)	336	9 278	30	(20)	9 539
Adjustments for:							
Closure of dormant operations	(1)	-	-	-	-	-	(1)
Impairment of held-for-sale disposal groups	4	-	-	-	-	-	4
Net profit on disposal of property plant and equipment	(1)	-	-	-	-	-	(1)
Foreign currency translation reserve recycling	-	-	(336)	-	-	-	(336)
Profit on demerger of operations	-	-	-	(9 278)	-	-	(9 278)
Reversal of provision related to East Africa disposal	(13)	-	-	-	-	-	(13)
Capital rental devices written off	5	-	-	-	-	-	5
Headline earnings	251	(342)	-	-	30	(20)	(81)
Headline earnings per share from total operations (cents)	67	-	-	-	-	-	(22)
Diluted headline earnings per share from total operations (cents)	67	-	-	-	-	-	(22)

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Con-solidation adjust-ments⁽³⁾	Profit on disposal of Bytes UK⁽⁴⁾	Interest⁽⁵⁾	Trans-action costs⁽⁶⁾	Pro forma After⁽⁷⁾
Reconcilia-tion between earnings and headline earnings from continuing operations							
Earnings attributable to shareholders	318	(342)	336	9 278	30	(20)	9 600
Adjustments for:							
Reversal of provision related to East Africa disposal	(13)	-	-	-	-	-	(13)
Profit on demerger of operations	-	-	-	(9 278)	-	-	(9 278)
Net profit on disposal of property plant and equipment	(1)	-	-	-	-	-	(1)
Foreign currency translation reserve recycling	-	-	(336)	-	-	-	(336)
Capital rental devices written off	5	-	-	-	-	-	5
Headline earnings	309	(342)	-	-	30	(20)	(23)
Headline earnings per share from total operations (cents)	83	-	-	-	-	-	(6)
Diluted headline earnings per share from total operations (cents)	82	-	-	-	-	-	(6)

NOTES AND ASSUMPTIONS

(1) Before

The “Before” column has been extracted from Altron’s unaudited consolidated interim financial statements for the six months ended 31 August 2020.

(2) Disposal of Bytes UK

Extracted from the consolidation workings underlying Altron’s unaudited consolidated interim financial statements for the six months ended 31 August 2020. A reconciliation of the results of Bytes UK presented in this circular to the results consolidated into Altron’s consolidated interim financial statements to the results presented in the Bytes UK Historical Financial Information, attached as **Annexure 4**, is presented below:

	Bytes UK per Altron £'000	Exchange rate	Bytes UK per Altron £'000	Reclass ^a £'000	Changes in account- ing policies ^b £'000	Bytes UK Audit Adjust- ments ^c £'000	Bytes UK Group Historical Financial Informa- tion £'000
Summary							
Revenue	4 761	21.987	217 232	–	3 585	404	221 222
Cost of sales	–	21.987	–	(170 844)	(3 585)	(414)	(174 843)
Gross profit	4 761		217 232	(170 844)	–	(9)	46 379
Administrative expenses	(4 332)	21.987	(197 630)	170 844	–	(63)	(26 849)
Operating profit	430			–	–	(72)	19 530
Finance income	1	21.987	23	–	–	1	24
Finance costs	(1)	21.987	(40)	–	–	–	(40)
Finance costs – net	–		(17)	–	–	1	(16)
Profit before income tax	429		19 585	–	–	(72)	19 514
Income tax expenses	(88)	21.987	(4 028)	–	–	271	(3 757)
Profit and total comprehensive income for the period	341		15 557	–	–	199	15 756
Profit is attributable to:							
Owners of the company	341	21.987	15 557	–	–	199	15 756

Notes:

- Represents the reclassification of line items to align presentation between Bytes UK and Altron.
- Changes in accounting policies represent the impact of the following differences:
 - certain revenue streams previously recognised as a principal and on a gross basis under Altron policy are recognised as an agency arrangement on a net basis under Bytes UK policy.
 - in addition, certain revenue streams previously recognised over time under Altron policy are recognised at a point in time under Bytes UK policy; and

This results in an increase in revenue and cost of sales under Bytes UK policies with no impact on the net profit.

- Represents recognition of audit adjustments, previously deemed immaterial from an Altron group perspective, as follows:
 - period end revenue and cost accruals;
 - remeasurement of share-based payment charge; and
 - related tax charge.

(3) Consolidation adjustment

Represents the recycle of the FCTR relating to Bytes UK Group through profit and loss.

(4) Profit on disposal of Bytes UK

Altron will receive Convertible Loan Notes assumed at R9.55 billion as consideration, being the estimated market value of Bytes UK Group on listing of GBP450 million converted at 21.22399 (latest exchange rate). The once off profit on the Disposal is determined as follows:

	R million
Consideration received on the Disposal	9 551
Less: Net asset value of Bytes UK Group at 31 August 2020	(910)
Add: Pre-disposal dividend declared	637
Profit on disposal	9 278

(5) Interest

Interest saving is assumed on the utilisation of the pre-disposal dividend of R637 million and the cash redemption of the convertible loan notes to be unbundled relating to treasury shares of R647 million (being 7% of the consideration for the Disposal), net of transaction costs of R20 million, to reduce interest-bearing loans in the Altron Group. The resultant interest saving has been calculated using the average interest rate incurred on the interest-bearing loans for the six months ended 31 August 2020 of 6.45% as follows:

	R million
Interest saving on interest-bearing loans partly settled	41
Tax thereon @28%	(11)
Interest savings after tax	30

(6) Transaction costs

Once off transaction costs of R20 million incurred by Altron are charged to profit and loss as incurred. These costs are not deductible for tax purposes.

(7) All adjustments are recurring in nature except where otherwise stated.

ALLIED ELECTRONICS CORPORATION LIMITED
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at August 31, 2020

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Pre- disposal dividend⁽³⁾	Con- solida- tion adjust- ments⁽⁴⁾	Applica- tion of proceeds on the Disposal⁽⁵⁾	Distribu- tion and redemp- tion of convert- ible loan notes⁽⁶⁾	Trans- action costs⁽⁷⁾	Pro forma After
ASSETS								
Non-current assets	4 297	(1 028)	-	-	-	-	-	3 269
Property, plant and equipment	659	(191)	-	-	-	-	-	468
Intangible assets and goodwill	2 176	(810)	-	-	-	-	-	1 366
Right-of-use assets	372	(27)	-	-	-	-	-	345
Equity- accounted investments	22	-	-	-	-	-	-	22
Financial assets at amortised cost	189	-	-	-	-	-	-	189
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	21	-	-	-	-	-	-	21
Finance lease assets	-	-	-	-	-	-	-	-
Contract costs capitalised	195	-	-	-	-	-	-	195
Capital rental devices	268	-	-	-	-	-	-	268
Trade and other receivables	137	-	-	-	-	-	-	137
Contract assets	10	-	-	-	-	-	-	10
Defined benefit asset	83	-	-	-	-	-	-	83
Deferred taxation	165	-	-	-	-	-	-	165

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Pre-disposal dividend⁽³⁾	Consolidation adjustments⁽⁴⁾	Application of proceeds on the Disposal⁽⁵⁾	Distribution and redemption of convertible loan notes⁽⁶⁾	Transaction costs⁽⁷⁾	Pro forma After
Current assets	9 975	(4 363)	637	-	9 551	(8 904)	(20)	6 876
Inventories	1 244	(33)	-	-	-	-	-	1 211
Trade and other receivables	6 135	(3 604)	-	-	-	-	-	2 531
Financial assets at fair value through profit and loss	1	-	-	-	-	-	-	1
Financial assets of convertible notes	-	-	-	-	9 551	(9 551)	-	-
Contract assets	283	(86)	-	-	-	-	-	197
Taxation receivable	19	-	-	-	-	-	-	19
Restricted cash	6	-	-	-	-	-	-	6
Cash and cash equivalents	1 234	(640)	637	-	-	647	(20)	1 858
Assets classified as held for sale	1 053	-	-	-	-	-	-	1 053
Total assets	14 272	(5 391)	637	-	9 551	(8 904)	(20)	10 145
EQUITY AND LIABILITIES								
Total equity	3 988	(910)	637	-	9 551	(8 904)	(20)	4 342
Share capital and share premium	2 816	-	-	-	-	-	-	2 816
Retained earnings	3 707	(549)	637	(361)	9 551	(8 904)	(20)	4 061
Other reserves	(2 459)	(361)	-	361	-	-	-	(2 459)
Attributable to Altron shareholders	4 064	(910)	637	-	9 551	(8 904)	(20)	4 418
Non-controlling interest	(76)	-	-	-	-	-	-	(76)

R millions	Before⁽¹⁾	Bytes UK Group⁽²⁾	Pre-disposal dividend⁽³⁾	Consolidation adjustments⁽⁴⁾	Application of proceeds on the Disposal⁽⁵⁾	Distribution and redemption of convertible loan notes⁽⁶⁾	Transaction costs⁽⁷⁾	Pro forma After
Non-current liabilities	2 051	(77)	–	–	–	–	–	1 974
Loans	1 384	–	–	–	–	–	–	1 384
Contract liabilities	300	–	–	–	–	–	–	300
Lease liabilities	302	(30)	–	–	–	–	–	272
Deferred taxation	65	(47)	–	–	–	–	–	18
Current liabilities	8 233	(4 404)	–	–	–	–	–	3 829
Loans	357	–	–	–	–	–	–	357
Lease liabilities	116	(4)	–	–	–	–	–	112
Bank overdrafts	1 086	–	–	–	–	–	–	1 086
Provisions	10	–	–	–	–	–	–	10
Trade and other payables	4 162	(2 643)	–	–	–	–	–	1 519
Financial liabilities at fair value through profit or loss	8	–	–	–	–	–	–	8
Contract liabilities	1 914	(1 738)	–	–	–	–	–	176
Taxation payable	29	(19)	–	–	–	–	–	10
Liabilities classified as held-for-sale	551	–	–	–	–	–	–	551
Total equity and liabilities	14 272	(5 391)	637	–	9 551	(8 904)	(20)	10 145
Number of shares in issue, net of treasury shares ('000)	369 034							369 034
Net asset value per share (cents)⁽⁸⁾	1 101							1 197
Tangible net asset value per share (cents)⁽⁹⁾	467							782

NOTES AND ASSUMPTIONS

(1) Before

The “Before” column has been extracted from Altron’s audited consolidated annual financial statements for the year ended 31 August 2020.

(2) Disposal of Bytes UK Group

Extracted from the consolidation workings underlying Altron’s unaudited consolidated interim financial statements for the six months ended 31 August 2020. A reconciliation of the financial position of Bytes UK consolidated into Altron’s consolidated interim financial statements to the financial position presented in the Bytes UK Historical Financial Information, attached as **Annexure 4** to this circular, is presented below:

	Bytes UK per Altron £’000	Exchange rate	Bytes UK per Altron £’000	Reclass ^a £’000	Changes in account- ing policies ^b £’000	Bytes UK Audit Adjust- ments ^c £’000	Bytes UK Group Historical Financial Informa- tion £’000
Assets							
Non-current assets							
Investments							
Property, plant and equipment	191	22.6671	8 421	–	–	(1)	8 420
Right-of-use assets	27	22.6671	1 202	–	–	–	1 202
Intangible assets	810	22.6671	35 739	–	9 509	–	45 248
Trade and other receivables	–	22.6671	–	–	–	459	459
Contract assets	–	22.6671	–	–	–	–	–
Deferred tax assets	–	22.6671	–	–	–	–	–
Total non-current assets	1 028		45 363	–	9 509	458	55 329
Current assets							
Inventories	33	22.6671	1 435	–	–	(689)	746
Trade and other receivables	3 604	22.6671	159 001	3 805	(61 371)	5 842	107 277
Contract assets	86	22.6671	3 805	(3 805)	–	–	–
Cash and cash equivalents	640	22.6671	28 217	–	3 711	–	31 928
Total current assets	4 362		192 458	–	(57 660)	5 153	139 951
Total assets	5 391		237 821	–	(48 151)	5 611	195 280
Liabilities							
Non-current liabilities							
Lease liabilities	30	22.6671	1 331	105	–	(184)	1 252
Deferred tax liabilities	47	22.6671	2 069	–	–	(315)	1 754
Trad and other payables	–	22.6671	–	–	–	1 475	1 475

	Bytes UK per Altron £'000	Exchange rate	Bytes UK per Altron £'000	Reclass ^a £'000	Changes in account- ing policies ^b £'000	Bytes UK Audit Adjust- ments ^c £'000	Bytes UK Group Historical Financial Informa- tion £'000
Total non-current liabilities	77		3 400	105	-	976	4 481
Current liabilities							
Trade and other payables	2 643	22.6671	116 594	76 672	(57 660)	4 199	139 805
Contract liabilities	1 738	22.6671	76 672	(76 672)	-	-	-
Current tax liabilities	19	22.6671	837	-	-	(192)	645
Lease liabilities	4	22.6671	176	(105)	-	185	256
Total current liabilities	4 408		194 280	(105)	(57 660)	4 192	140 706
Total liabilities	4 481		197 680	-	(57 660)	5 168	145 187
Net assets	910		40 141	-	9 509	443	50 093
Equity							
Share capital	-	22.6671	-	-	-	-	-
Share premium	-	22.6671	-	-	-	-	-
Other reserves	31	22.6671	1 373	(49)	-	-	1 324
Retained earnings	879	22.6671	38 768	49	9 509	443	48 769
Total equity	910		40 141	-	9 509	443	50 093

Notes:

- a. Represents the reclassification of line items to align presentation between Bytes UK and Altron.
- b. Changes in accounting policies represent the impact of the following differences:
 - certain revenue streams previously recognised as a principal on a gross basis under Altron policy are recognised as an agency arrangement on a net basis under Bytes UK policy. In addition, certain revenue streams previously recognised over time under Altron policy are recognised at a point in time under Bytes UK policy. This results in a decrease in trade and other receivables and trade and other payables under Bytes UK policies with no impact on the net asset value;
 - certain cash-in-transit items, classified as trade and other receivables and trade and other payables under Altron Group policy, are classified as cash and cash equivalents under Bytes UK Group policy. This results in a decrease in trade and other receivables and trade and other payables, as well as an increase in cash and cash equivalents under Bytes UK policies; and
 - the Bytes UK Group has elected to apply the IFRS 1 exemption from IFRS 3 'Business Combinations' in respect of restating business combinations that occurred prior to the transition date to IFRS. This results in an increase in goodwill and retained earnings under Bytes UK policies..
- c. Represents recognition of audit adjustments, previously deemed immaterial from an Altron group perspective, as follows:
 - period end revenue and cost accruals;
 - remeasurement of share-based payment charge; and
 - reclassification of contract assets and contract liabilities from current assets/liabilities to non-current assets/liabilities.

(3) Pre-disposal dividend

Represents the dividend to be declared by Bytes UK Group of R637 million prior to the Disposal.

(4) Consolidation adjustments

Represents the recycle of the FCTR relating to Bytes UK Group through profit and loss.

(5) Application of proceeds on the Disposal

Altron will receive Convertible Loan Notes assumed at R9.55 billion as consideration, being the estimated market value of Bytes UK Group on listing of GBP450 million converted at 21.22399 (latest exchange rate).

(6) Distribution and redemption of convertible loan notes

Altron will distribute the Convertible Loan Notes, as a distribution *in specie* to external shareholders. The Convertible Loan Notes attributable to treasury shares, amounting to approximately 7.1% of the issued shares in Altron will be settled in cash.

	R million
Distribution <i>in specie</i> to external shareholders	8 904
Distribution to treasury shares (net of dividends tax and settled in cash)	647
	9 551

The Convertible Loan Notes distributed to the treasury shares will be redeemed and utilised to partly reduce interest-bearing loans.

(7) Transaction costs

Once off transaction costs of R20 million incurred by Altron are charged to profit and loss as incurred. These costs are not deductible for tax purposes.

(8) Net asset value per share

Net asset value per share is computed by dividing total equity attributable to Altron shareholders by the total number of shares in issue, net of treasury shares

(9) Tangible net asset value per share

Tangible net asset value per share is computed by dividing total equity attributable to Altron shareholders less the sum of intangible assets, goodwill and deferred tax asset divided by the total number of shares in issue, net of treasury shares.

INDEPENDENT REPORTING ACCOUNTANTS TO ALTRON REPORT ON ALTRON *PRO FORMA* FINANCIAL INFORMATION

To the Directors of Allied Electronics Corporation Limited

Report on the Assurance Engagement on the Compilation of *Pro Forma* Financial Information Included in a Circular

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of Allied Electronics Corporation Limited (the “Company” or “Altron”) by the directors. The *pro forma* financial information, as set out in paragraph 6.4 and **Annexure 10** of the Circular, consist of the *pro forma* financial effects, the *pro forma* statement of financial position as at 29 February 2020, and 31 August 2020, the *pro forma* statement of comprehensive income for the year then ended 29 February 2020 and the six months ended 31 August 2020 and related notes. The applicable criteria on the basis of which the directors have compiled the *pro forma* financial information are specified in the JSE Limited (JSE) Listings Requirements and described in **Annexure 10** of the Circular.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the disposal of Bytes Technology Group (“Bytes UK Group”), a wholly owned subsidiary of Altron and the subsequent distribution of the consideration to Altron shareholders (the “Demerger”). As part of this process, information about the Company’s financial position and financial performance has been extracted by the directors from the Company’s annual financial statements for the year ended 29 February 2020, on which an audit report has been published and the interim financial statements for the six months ended 31 August 2020, which are unaudited.

Directors’ responsibility

The directors of the Company are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 10** of the Circular.

Our independence and quality control

We have complied with the independence and other ethical requirements of Sections 290 and 291 of the Independent Regulatory Board for Auditors’ *Code of Professional Conduct for Registered Auditors (Revised January 2018)* and parts 1 and 3 of the Independent Regulatory Board for Auditors’ *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the “**IRBA Codes**”), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Reporting accountant’s responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexure 10 of the Circular based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

The purpose of *pro forma* financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the *pro forma* financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in **Annexure 10** of the Circular.

PricewaterhouseCoopers Inc.

Director: Alinah Motaung

Registered Auditor

Johannesburg

28 October 2020

MATERIAL LOANS

Loan	Division	Balance (R'm)	How loan arose	Secured/Unsecured	Lender/Debenture Holders	Facility	Repayment terms	Rate	Security	Conversion or redemption rights	How repayments < 12 months will be financed	Comment
Altron												
Bullet	Altron Finance	NIL	Refinance	Secured	Consortium (Nedbank/Standard Bank/Absa)	Bullet	28 Feb 2021	JIBAR + 2%	Various	No	N/A	
Amortising	Altron Finance	R400 million	Refinance	Secured	Consortium (Nedbank/Standard Bank/Absa)	Amortising loan with quarterly repayments	28 Feb 2021	JIBAR + 1.9%	Various	No	Cash generated from operations	
RCF	Altron Finance	R550 million	Refinance	Secured	Consortium (Nedbank/Standard Bank/Absa)	RCF with bullet maturity profile	31 Aug 2022	JIBAR + 1.95%	Various	No	No forced repayments - N/A	

TABLE OF ENTITLEMENTS

The number of Convertible Notes to which Altron Ordinary Shareholders will be entitled is set out below, on the basis that Altron Ordinary Shareholders will be entitled to 0.5 Convertible Notes for every 1 Altron Ordinary Share on the Distribution date.

Ordinary Shares held	CCN entitlement	Ordinary Shares held	CNN entitlement
1	0.5	41	20.5
2	1	42	21
3	1.5	43	21.5
4	2	44	22
5	2.5	45	22.5
6	3	46	23
7	3.5	47	23.5
8	4	48	24
9	4.5	49	24.5
10	5	50	25
11	5.5	51	25.5
12	6	52	26
13	6.5	53	26.5
14	7	54	27
15	7.5	55	27.5
16	8	56	28
17	8.5	57	28.5
18	9	58	29
19	9.5	59	29.5
20	10	60	30
21	10.5	61	30.5
22	11	62	31
23	11.5	63	31.5
24	12	64	32
25	12.5	65	32.5
26	13	66	33
27	13.5	67	33.5
28	14	68	34
29	14.5	69	34.5
30	15	70	35
31	15.5	71	35.5
32	16	72	36
33	16.5	73	36.5
34	17	74	37
35	17.5	75	37.5
36	18	76	38
37	18.5	77	38.5
38	19	78	39
39	19.5	79	39.5
40	20	80	40

Ordinary Shares held	CCN entitlement	Ordinary Shares held	CNN entitlement
81	40.5	2 100	1 050
82	41	2 200	1 100
83	41.5	2 300	1 150
84	42	2 400	1 200
85	42.5	2 500	1 250
86	43	2 600	1 300
87	43.5	2 700	1 350
88	44	2 800	1 400
89	44.5	2 900	1 450
90	45	3 000	1 500
91	45.5	3 100	1 550
92	46	3 200	1 600
93	46.5	3 300	1 650
94	47	3 400	1 700
95	47.5	3 500	1 750
96	48	3 600	1 800
97	48.5	3 700	1 850
98	49	3 800	1 900
99	49.5	3 900	1 950
100	50	4 000	2 000
200	100	4 100	2 050
300	150	4 200	2 100
400	200	4 300	2 150
500	250	4 400	2 200
600	300	4 500	2 250
700	350	4 600	2 300
800	400	4 700	2 350
900	450	4 800	2 400
1 000	500	4 900	2 450
1 100	550	5 000	2 500
1 200	600	10 000	5 000
1 300	650	100 000	50 000
1 400	700	1 000 000	500 000
1 500	750	10 000 000	5 000 000
1 600	800	100 000 000	50 000 000
1 700	850		
1 800	900		
1 900	950		
2 000	1 000		

FORM OF US INVESTOR LETTER

To: CSDP or Broker and Transfer Secretary

Ladies and Gentlemen:

This letter (the “**US Investor Letter**”) relates to the issuance of new ordinary shares of Bytes Technology Group plc (the “**New Bytes UK HoldCo Shares**”) in terms of section 112 of the South African Companies Act, 71 of 2008, as amended, (the “**Companies Act**”) (read with section 115 of the Companies Act). This US Investor Letter is to be delivered on behalf of the person acquiring beneficial ownership of the New Bytes UK HoldCo Shares by the investor named below or the accounts listed on the attachment hereto (each, an “**Investor**”).

1. The Investor hereby confirms that it is a “qualified institutional buyer” (as such term is defined in Rule 144A (“**Rule 144A**”) under the US Securities Act of 1933 (the “**Securities Act**”) (a “QIB”).
2. The Investor understands and agrees that (i) the New Bytes UK HoldCo Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and (ii) the New Bytes UK HoldCo Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act (“**Rule 144**”) for resales of any New Bytes UK HoldCo Shares. The Investor agrees that, for so long as the New Bytes UK HoldCo Shares are restricted securities, if, in the future, it decides to offer, resell, pledge or otherwise transfer such New Bytes UK HoldCo Shares, or any economic interest therein, such New Bytes UK HoldCo Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only: (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; (ii) in accordance with Rule 144 (if available), (iii) in accordance with another applicable exemption from the registration requirements of the Securities Act; or (iv) in an offshore transaction complying with the provisions of Regulation S under the Securities Act (including, for the avoidance of doubt, a bona fide sale on the London Stock Exchange or the Johannesburg Stock Exchange), in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.
3. Each of the foregoing restrictions is subject to any requirement of law that the disposition of the Investor’s property or the property of such investor account or accounts on behalf of which the Investor holds the New Bytes UK HoldCo Shares be, at all times, within the control of the Investor or of such accounts and subject to compliance with any applicable state securities laws.
4. The Investor acknowledges that Allied Electronics Corporation Limited, Bytes Technology Group plc and others will rely on the acknowledgements, representations and warranties contained in this US Investor Letter as a basis for an exemption from the registration requirements of the Securities Act. The Investor signing this US Investor Letter agrees to notify Allied Electronics Corporation Limited and Bytes Technology Group plc promptly if any of the acknowledgements, representations or warranties set forth herein are no longer accurate.
5. Each of Allied Electronics Corporation Limited, Bytes Technology Group plc and their respective affiliates are irrevocably authorised to produce this US Investor Letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.
6. This US Investor Letter shall be governed by, and construed in accordance with, the laws of the State of New York.

7. The Investor understands, and acknowledges, that no agency of the United States, or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of the New Bytes UK HoldCo Shares.

Very truly yours,

NAME OF PURCHASER:

By:

Name:

Title:

Address:

Date:

Name of account holder:

Name of broker:

Name of CSDP:

Account number of broker:

Account number of CSDP:

Telephone number of broker/CSDP:

SCA number of broker/CSDP:

TAX CONSIDERATIONS

The following summary describes the principal South African income tax considerations generally applicable to the Demerger. This summary is based on the current provisions of the Income Tax Act, and the prevailing practice adopted by SARS published in writing prior to the date hereof. This summary does not consider legislative proposals to amend the Income Tax Act.

This summary is of a general nature only and is not intended to be legal or tax advice to any particular Altron Shareholder. This summary is not exhaustive of all South African income tax considerations. Accordingly, Altron Shareholders should consult their own tax advisors as to the tax consequences under the tax laws of the country of which they are resident or otherwise subject to tax of participating in the Demerger.

1. BYTES SA

1.1 Bytes UK Disposal

Bytes SA will receive the Convertible Notes as consideration (i.e. proceeds) for the disposal of all its ordinary shares in Bytes UK. Bytes SA will disregard any capital loss or capital gain on the disposal of the Bytes UK shares as it will meet the requirements of the participation exemption for the disposal of shares in foreign companies (Paragraph 64B of the Eighth Schedule to the Income Tax Act).

1.2 Distribution by Bytes SA through to Altron

Upon the issue of the Convertible Notes, Bytes SA, and each of Altron TMT and Altron Finance will distribute the Convertible Notes to their respective shareholders, as distributions *in specie*, such that Altron holds 100% of the Convertible Notes.

On the initial distribution of the Convertible Notes by Bytes SA to Altron TMT, Bytes SA will be deemed to have disposed of the Convertible Notes for proceeds equal to the market value thereof and this value will also be the base cost of the Convertible Notes. The proceeds will be equivalent to the base cost and thus Bytes SA will not derive a capital gain or loss on the distribution of the Convertible Notes to Altron TMT.

The distribution of the Convertible Notes by Bytes SA to Altron TMT will qualify for exemption from dividends tax and income tax.

There are no STT implications on the distribution of the Convertible Notes, as they will not be a “security” as defined in the relevant South African legislation.

The subsequent distribution of the Convertible Notes by each of Altron TMT and Altron Finance to their respective shareholders will be subject to similar tax consequences to those described above for the distribution of the Convertible Notes by Bytes SA to Altron TMT. Accordingly, no capital gain/loss, dividend tax and/or income tax consequences should be derived Bytes SA, and each of Altron TMT and Altron Finance on the distribution of the Convertible Notes to Altron.

2. ALTRON DISTRIBUTION

Altron will distribute the Convertible Notes as a dividend *in specie* to Altron Ordinary Shareholders and the Altron Board shall resolve that an amount of R5.13 per Altron Ordinary Share results in a reduction of CTC of Altron in relation to the Distribution.

Altron will be liable for dividends tax at a rate of 20% on the market value of the Convertible Notes distributed to Altron Ordinary Shareholders. However, the dividends tax liability of Altron on the Distribution of the Convertible Notes will be reduced by the following amounts:

- The amount applied by the Altron Board as a reduction of CTC of Altron in respect of the Altron Ordinary Shares.
- The distribution of Convertible Notes to an Altron Ordinary Shareholder that is exempt from dividends tax and has timeously submitted the declarations and undertakings to Altron in terms of section 64FA(1) of the Income Tax Act (“**Form I**”).
- The distribution of Convertible Notes to an Altron Ordinary Shareholder that is not tax resident in South Africa and is subject to dividends tax at a reduced rate as a result of the application of an agreement for the avoidance of double taxation, which has timeously submitted the declarations and undertakings to Altron in terms of 64FA(2) of the Income Tax Act (“**Form II**”).

Form I and Form II are available on the Altron company website at <https://www.altron.com/investors/notices-circulars/> and contain declarations and undertakings in terms of section 64FA of the Income Tax Act, which must be utilised by shareholders to inform Altron of their Dividends Tax status (the “**Form(s) of Declaration and Undertaking**”).

In order that Altron may determine its liability for Dividends Tax on the Distribution shareholders that qualify for exemption from, or reduction of, Dividends Tax, are required to submit to Altron their duly completed Form of Declaration and Undertaking before 23:59 on Tuesday, 8 December 2020 by email to divcompliance@altron.com.

Based on information reasonably available to Altron as at the Last Practicable Date, Altron estimates the upper range of its Dividends Tax liability associated with the Distribution to be approximately 8-9% of the value of the Distribution. This estimate can only be finalised upon determination of the following variables, including –

- the actual composition of the Altron shareholder base on the Record Date;
- whether Altron is timeously supplied with the requisite Forms of Declaration and Undertaking by shareholders that are exempt from or subject to a reduced rate of Dividends Tax, and
- the rate of Dividends Tax remaining unchanged between the date of this announcement and the date of the Distribution.

To the extent that the Altron Board determines that it is likely that the resultant Dividends Tax liability will exceed the above estimated range, the amount of contributed tax capital distributed to Altron Shareholders may be adjusted on or before the Record Date for Distribution, at the sole election of the Altron Board, in order to align the final Dividend Tax liability within the expected range.

The tax treatment for the Distribution for Altron Ordinary Shareholders is set out below:

3. SA TAX RESIDENT SHAREHOLDERS

Altron Ordinary Shareholders that are residents of South Africa for purposes of the Income Tax Act (“**South African Resident Shareholders**”) will acquire their Convertible Notes (including any fractional entitlements thereto) from the Distribution as a dividend *in specie* and obtain a base cost equivalent to the market value of the distributed Convertible Notes.

While the Distribution of the Convertible Notes to Altron Ordinary Shareholders will have dividend tax consequences for Altron, South African Resident Shareholders should be exempt from normal tax on the dividend received by or accrued to the shareholder in terms of section 10(1)(k) of the Income Tax Act (subject to the exclusions).

South African Resident Shareholders must reduce the base cost of their Altron Ordinary Shares by an amount of R5.13 per Altron Ordinary Share being the CTC returned by Altron to Altron Ordinary Shareholders. If the amount of R5.13 per Altron Ordinary Share exceeds the base cost of an Altron Ordinary Shares then any excess amount will be treated as a capital gain in the determination of the South African Resident Shareholder’s aggregate capital gain or aggregate capital loss for the year of assessment in which the return of capital will be received by or accrue to the shareholder concerned.

The redemption of all or a portion of the Convertible Notes should not have any additional tax implications for South African Resident Shareholders since the base cost (i.e. the market value of the distributed Convertible Note) and the cash proceeds should be the same.

On the basis that the conversion of the non-redeemed Convertible Notes to Converted Shares is a term of the issue thereof, in terms of SARS practice and the Income Tax Act there is no disposal on conversion of the Convertible Notes to Converted Shares, and consequently, there is no capital gain or loss derived by the South African Resident Shareholder.

Accordingly, the South African Resident Shareholders will obtain a base cost in the Converted Shares equivalent to the market value of the distributed Convertible Note not redeemed for cash.

Post the transaction, South African dividends tax at 20% will be withheld on any foreign cash dividends declared and paid by Bytes UK Holdco to South African Resident Shareholders holding Converted Shares listed on the exchange operated by the JSE, subject to any applicable exemptions that may apply.

However, South African Resident Shareholders that are companies (or other qualifying exempt entities) that have submitted the prescribed information to their Regulated Intermediary or Bytes UK HoldCo prior to payment of the relevant foreign cash dividend will qualify for the exemption from dividends tax.

South African Resident Shareholders that dispose of their Converted Shares listed on the exchange operated by the JSE will be subject to either income tax (in the case of share dealers) or capital gains tax (in the case of capital investors).

4. **NON-SA TAX RESIDENT ORDINARY SHAREHOLDERS**

Altron Ordinary Shareholders that are not residents of South Africa for purposes of the Income Tax Act (“**Non-SA Resident Shareholders**”) will acquire their Convertible Notes from the Distribution as a dividend in specie and obtain a base cost equivalent to the market value of the distributed Convertible Notes.

While the Distribution of the Convertible Notes to Altron Ordinary Shareholders will have dividend tax consequences for Altron, Non-SA Resident Shareholders should be exempt from normal tax on the dividend received by or accrued to the shareholder in terms of section 10(1)(k) of the Income Tax Act (subject to the exclusions).

Non-SA Resident Shareholders must reduce the base cost of their Altron Ordinary Shares by an amount of R5.13 per Altron Ordinary Share being the CTC returned by Altron to Altron Ordinary Shareholders. If the amount of R5.13 per Altron Ordinary Share exceeds the base cost of an Altron Ordinary Shares it should not have any capital gains tax consequences in South Africa for Non-SA Resident Shareholders unless it relates to an asset subject to South African capital gains tax (i.e. provided the return of capital is not attributable to a permanent establishment of the Non-SA Resident Shareholder in South Africa no capital gains taxes should arise).

The comments relating to the tax consequences on redemption and automatic conversion of the Convertible Notes, for South African Resident Shareholders, in paragraph 3 of this **Annexure 15** apply equally to Non-SA Resident Shareholders.

Accordingly, the redemption of all or a portion of the Convertible Notes should not have any additional tax implications for Non-SA Resident Shareholders and Non-SA Resident Shareholders will, after conversion of the Convertible Notes to Converted Shares, obtain a base cost in the Converted Shares equivalent to the market value of the distributed Converted Shares not redeemed.

Post the transaction, no South African dividends tax at 20% will be withheld on any foreign cash dividends declared and paid by Bytes UK Holdco to Non-SA Resident Shareholders holding Converted Shares listed on the exchange operated by the JSE as a specific exemption is applicable in terms of the Income Tax Act.

Non-SA Resident Shareholders that dispose of their Converted Shares listed on the exchange operated by the JSE will not be subject to capital gains tax (in the case of capital investors) provided that the Converted Shares are not attributable to a permanent establishment of the Non-SA Resident Shareholder in South Africa.

Where the Non-SA Resident Shareholders are share dealers no income tax will be payable on disposal of their Converted Shares listed on the exchange operated by the JSE as the income will not be from a South African source.

SUMMARY OF MATERIAL CONTRACTS

1. SHARE PURCHASE AGREEMENT

1.1 Overview

The Demerger SPA is entered into among Bytes SA, Bytes UK Management, Bytes UK HoldCo, Altron, Bytes Technology HoldCo in order to: (i) demerge Bytes UK from the Altron Group by means of a sale of shares; (ii) offer certain shares in Bytes UK HoldCo to institutional investors in the United Kingdom and elsewhere; and (iii) apply for Admission. In addition, Altron undertakes to procure compliance by Bytes SA of its obligations under the Demerger SPA. Implementation of the Demerger SPA is subject to the satisfaction or waiver of the Suspensive Conditions on or before the Long Stop Date.

1.2 Demerger by sale of shares

(a) The entire issued share capital of Bytes UK comprises of 10 000 A Ordinary Shares of £0.0001 each and 1 000 B Ordinary Shares of £0.0001 each (“Sale Shares”).

(b) **Sale of the A Ordinary Shares**

Bytes SA will sell 10 000 A Ordinary Shares in Bytes UK to Bytes Technology HoldCo, in consideration for the Convertible Notes which shall be issued by Bytes UK HoldCo to Bytes SA on the publication of the Circular, and

(c) **Sale of the B Ordinary Shares**

Bytes UK Management will sell 1 000 B Ordinary Shares in Bytes UK directly to Bytes UK HoldCo in consideration for which Bytes UK HoldCo will issue the Bytes UK Management Consideration Shares and pay the Cash-out Amount..

1.3 Warranties

(a) Bytes SA and each member of Bytes UK Management give, collectively as warrantors, the same comprehensive set of warranties to Bytes UK HoldCo and Bytes Technology HoldCo in respect of the Bytes UK Group which endure regardless of whether or not completion of the transaction occurs. These warranties are subject only to matters disclosed in the Bytes UK HoldCo registration document, the Prospectus and searches as at the date which is three Business Days prior to the date of the Demerger SPA of the microfiche files maintained by the Registrar of Companies in England and Wales and of the Central Registry of Winding-Up Petitions in England and Wales in respect of Bytes UK and its subsidiaries. A number of these warranties are qualified by the warrantors’ knowledge, particularly in respect of the Bytes UK group’s state of corporate and legal affairs. Some key warranties include:

- (i) accuracy of the Offer documents;
- (ii) financial information, corporate organization and business
- (iii) compliance with applicable laws and consents/authorizations;
- (iv) indebtedness and insolvency;
- (v) contracts, litigation, insurance and pension schemes;
- (vi) absence of employment disputes and compliance with employment law;
- (vii) assets, title to property and intellectual property rights;
- (viii) information technology and data protection;
- (ix) director loans and related party transactions; and
- (x) anti-money laundering, bribery and corruption.

(b) Furthermore, Bytes SA, Altron and Bytes UK Management provide customary capacity and authority warranties to each of Bytes UK HoldCo and Bytes Technology HoldCo. Additionally, Bytes SA provides warranties to each of Bytes UK HoldCo and Bytes Technology HoldCo in respect

of the ownership of the Sale Shares, Bytes SA and Altron's solvency and the indebtedness, as well as that the Bytes UK group is not subject to any security, guarantee or similar obligations (other than as disclosed) relating to the debts or liabilities of Bytes SA or the Altron group and that Bytes SA has no claims against any Bytes UK group company.

- (c) Bytes UK HoldCo and Bytes Technology Holdco give customary capacity and authority warranties to Bytes SA and Bytes UK Management.
- (d) Bytes SA provides tax warranties and tax covenants to Bytes UK HoldCo and Bytes Technology Holdco in respect of the Bytes UK group, and provides further covenants to Bytes Technology Holdco to pay certain tax liabilities that arise in respect of Bytes UK or its subsidiaries.

1.4 Protection of goodwill

Bytes SA undertakes to Bytes UK HoldCo and Bytes Technology HoldCo that it will not, for the period from the date of the Demerger SPA until 24 months after the completion date of the Demerger SPA (i):

- (a) not to compete with the business⁶ of Bytes UK in the United Kingdom or the Republic Ireland (except in respect of the permitted offerings provided by: (i) Altron Security (consisting of Altron Cybertech and Ubusha Technologies), (ii) Altron Karabina (specifically relating to Microsoft Dynamics 365 Cloud and Microsoft Security), and (iii) Altron Netstar, in each case substantially as such offerings are carried on as at the date of Demerger SPA);
- (b) not to solicit anyone who was a customer of Bytes UK or its subsidiaries at the completion date or 12 months prior to that date so as to compete with, harm the goodwill or entice away the custom of the customer or prospective customer in connect with the business of Bytes UK;
- (c) not to interfere with anyone who was a supplier to Bytes UK or its subsidiaries at any time during the period 12 months prior to the completion date of the Demerger SPA;
- (d) not to solicit any persons who are, at the completion date of the Demerger SPA or 12 months prior, employees of Bytes UK or its subsidiaries (other than non-managerial or purely administrative employees); or
- (e) subject to (f) below, at any time following the completion date of the Demerger SPA, not to use or display business names, intellectual property rights or confusingly similar trademarks and the like (excluding the name "Bytes" or any other name incorporating "Bytes" which the Altron Group shall be entitled to use outside of the United Kingdom and the Republic of Ireland) in the legal or business name of any member of the Altron Group;
- (f) not to use or display any business intellectual property rights or business names (including the words "Bytes", "Bytes Software Services" or "Bytes Technology Group" or "Phoenix" in the United Kingdom and the Republic of Ireland).

1.5 Indemnity

- (a) Each of Bytes SA and Bytes UK Management indemnifies each of Bytes UK HoldCo and Bytes Technology Holdco against any loss that they or Bytes UK, or its subsidiaries or Bytes UK HoldCo may incur at any time as a result of a breach by Bytes SA or Bytes UK Management of their warranties given in the Demerger SPA in respect of capacity, authority, ownership of sale shares, solvency, that Bytes UK is not bound by any security or similar obligation (other than as disclosed) relating to the debts or liabilities of Bytes SA or the Altron group or that Bytes SA has no claims against any Bytes UK Group.
- (b) Bytes SA indemnifies each of Bytes UK HoldCo and Bytes Technology Holdco against any losses that they or Bytes UK or its subsidiaries may incur at any time as a result of:
 - (i) any claims, proceedings or demands that are threatened or commenced by or on behalf of any Altron Shareholder relating to the Distribution, or the redemption or conversion of any Convertible Notes (unless that claim or demand arises as a result of a breach of the terms of the Convertible Note by Bytes UK HoldCo); and/or
 - (ii) the information provided to HoldCo pursuant to the Altron's obligations to provide Bytes UK HoldCo the details of the redemption elections including as a result of: (i) any such information being untrue, incorrect or misleading, or (ii) the number of redeemed Convertible Notes being either too high or too low.

⁶ Being the business carried on by Bytes UK or any of its subsidiaries directly through their own employees and offerings, consisting of the following core activities: (i) software asset management; (ii) advisory services relating to software licences and/or assets; (iii) cloud migration services; (iv) security services; and (v) the resale of software licences and hardware products

1.6 Altron Undertaking and Bytes UK HoldCo Guarantee

- (a) Altron unconditionally and irrevocably undertakes to Bytes UK HoldCo and Bytes Technology Holdco:
 - (i) to procure that Bytes SA punctually performs and discharges all of its obligations under the Demerger SPA and other related agreements;
 - (ii) to procure that at all times until: (i) all of Bytes SA's obligations under the Demerger SPA other related agreements have been fully performed and discharged, (ii) any and all sums payable by Bytes SA arising out of or in connection with the Demerger SPA and related agreements have been fully paid, Bytes SA maintains sufficient funds to perform its obligations and pay such sums as and when they fall due; and
 - (iii) that, if at any time Bytes SA does not have sufficient funds pursuant to (ii) above, to immediately place Bytes SA in sufficient funds to enable it to perform performs and discharges all of its obligations under the Demerger SPA and other related agreements and/or pay such sums as and when they fall due;
- (b) Bytes UK HoldCo unconditionally and irrevocably undertakes to each of Bytes SA and Bytes UK Management:
 - (i) to procure that Bytes Technology Holdco punctually performs and discharges all of its obligations under the Demerger SPA and other related agreements; and
 - (ii) as principal obligor, to guarantee the due and punctual payments of any and all sums now and subsequently payable by Bytes Technology Holdco arising out of or in connection with the Demerger SPA and related agreements.

1.7 Limitation of Liability

- (a) The warrantors' liability under the Demerger SPA is limited in several ways: time limits: in respect of a warranty claim other than a tax claim, no notice of a claim may be made after a date which is six months after the publication of the audited accounts of Bytes UK HoldCo for the second complete financial year after the completion date, and in respect of a tax claim, on or before the seventh anniversary of the completion date;
- (b) upper limit for Bytes SA and Altron: aggregate liability of Bytes SA for all warranty claims plus tax claims plus secondary covenant claims is limited to an amount equal to: (i) 50 per cent. of the principal amount of the Convertible Notes, less (ii) £10 million. The aggregate liability of Altron for all fundamental warranty claims plus warranty claims plus indemnity claims plus tax claims plus secondary covenants is limited to the principal amount of the Convertible Notes;
- (c) upper limit for Bytes UK Management: in addition to individual claim limitations, the aggregate liability of each of Bytes UK Management for all warranty claims is limited to an amount equal to 1.5 times his annual salary payable by the Bytes UK group under arrangements in place immediately following Admission. Their aggregate liability for indemnity and other fundamental warranty claims is limited to a percentage of the Cash-out Amount;
- (d) lower limit: the warrantors are not liable for any warranty or tax claim unless the aggregate amount of a claim exceeds 1.0 per cent of the purchase consideration. Furthermore, the warrantors are not liable for any warranty or tax claims which do not exceed an amount equal to 0.1 per cent of the purchase consideration.

2. CONVERTIBLE NOTES INSTRUMENT

2.1 Overview

- (a) The instrument is entered into by Bytes UK HoldCo in order to create 200 506 494 Convertible Notes which shall be issued by Bytes UK HoldCo as part of the consideration for the acquisition of Bytes UK pursuant to the terms of the Demerger SPA. The Convertible Notes are capable of redemption for cash or conversion into New Shares, upon which such Convertible Notes shall be automatically cancelled.
- (b) The rights and obligations in the instrument are subject to the fulfilment or waiver of the Suspensive Conditions prior to 08:00(London Time) of the Long Stop Date failing which the instrument shall automatically terminate and be of no further force and effect, and all Convertible Notes shall be automatically cancelled for no value.

- (c) The Convertible Notes shall bear no interest and have no rights to receive any amounts in respect of or in lieu of any distributions made by Bytes UK HoldCo to its shareholders.
- (d) The Convertible Notes will be evidenced by certificates which each noteholder shall be entitled to receive without charge.

2.2 Amount and description of the Convertible Notes.

The aggregate principal amount of the Convertible Notes is limited to an amount equal to 200 506 494 Convertible Notes multiplied by the Offer Price and are issued in integral multiples equal to the Offer Price by Bytes UK HoldCo. The Convertible Notes are issued and held subject to and with the benefit of the provisions of this instrument and all such provisions are binding on Bytes UK HoldCo and the Convertible Noteholders and all persons claiming through or under them respectively. Upon issue, the Convertible Notes will rank *pari passu* equally and rateably without discrimination or preference and as an unsecured obligation of Bytes UK HoldCo. The Convertible Notes may only be sold or transferred by Bytes SA or any member of the Altron Group to permitted transferees, being any other member of the Altron Group

2.3 Redemption

If the Convertible Notes are redeemed by the holder, Bytes UK HoldCo will pay for the benefit of that holder the Redemption Value of the relevant Convertible Notes.

2.4 Conversion

- (a) If the Convertible Notes are not redeemed by a holder, they will automatically be converted into New Shares. Bytes UK HoldCo undertakes to procure that it keeps available for issue, free from pre-emptive rights, that number of New Shares as would be required to be issued on conversion of all of the Convertible Notes outstanding from time to time.
- (b) Any such New Shares shall be admitted to trading on the London Stock Exchange's Main Market being, the premium listing segment of the Official List and listing and trading as a secondary inward listing on the Main Board of the JSE.
- (c) On conversion of the Convertible Notes the New Shares shall be issued in certificated form to PLC Nominees as custodian for Strate and Strate shall, in respect of the New Shares issued, credit the CSDP account notified by the relevant Convertible Noteholder to Bytes UK HoldCo in writing not later than two business days before Admission.

2.5 Conditions for redemption or conversion of the Convertible Notes

- (a) Subject to and with effect from Admission, Bytes UK HoldCo will redeem at the Redemption Value (being the principal amount of the Convertible Note, which is the Offer Price) the aggregate number of Convertible Notes as is equal to the number of New Shares placed in the Offer, excluding:
 - (i) any New Shares placed on behalf of Bytes UK HoldCo to finance the costs and expenses of the Offer (including commissions) payable by it; and
 - (ii) the stamp duty payable on the transfer of shares pursuant to the Demerger SPA.
- (b) Bytes UK HoldCo shall procure that the relevant redemption monies are paid in sterling to the escrow account within 4 Business Days following Admission..
- (c) Save in respect of Convertible Notes subject to redemption, each not shall, upon Admission, be automatically converted into one New Share.

2.6 Performance

Each Convertible Noteholder shall be entitled to sue for the performance and observance of the provisions of the instrument so far as its holding of Convertible Notes is concerned.

2.7 No set-off

Payments of principal under the instrument on redemption in accordance will be paid by the Bytes UK HoldCo to the Convertible Noteholders without any deduction or withholding unless the deduction or withholding is required by law.

2.8 Recognition of Convertible Noteholder as absolute owner

- (a) Even if beneficial ownership in any Convertible Notes may have been transferred to a permitted transferee, Bytes UK HoldCo is only required to recognise as absolute owner the registered

holder of any Convertible Notes. Additionally, Bytes UK HoldCo shall not (except as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Convertible Notes are subject. Bytes UK HoldCo is not bound to enter any notice of any express, implied or constructive trust on its register in respect of any Convertible Notes.

- (b) The receipt of the registered Convertible Noteholder of any Convertible Notes (or in the case of joint registered holders, the receipt of any of them) of cash or New Shares pursuant to redemption or conversion shall serve as a good discharge to Bytes UK HoldCo notwithstanding any notice it may have of the right, title, interest or claim of any other person to or in such Convertible Notes.

ELECTRONIC PARTICIPATION REGISTRATION FORM

ALLIED ELECTRONICS CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
 (Registration number 1947/024583/06)
 Share code: AEL ISIN: ZAE000191342
 (“Altron” or “the Company” or “the Group”)

ELECTRONIC PARTICIPATION REGISTRATION FORM

ELECTRONIC PARTICIPATION REGISTRATION FORM FOR THE GENERAL MEETING OF SHAREHOLDERS TO BE HELD ENTIRELY THROUGH ELECTRONIC COMMUNICATION ON TUESDAY, 1 DECEMBER 2020 AT 10:00 – FOR USE BY CERTIFICATED ALTRON ORDINARY SHAREHOLDERS, DEMATERIALIZED ALTRON ORDINARY SHAREHOLDERS WITH “OWN NAME” REGISTRATION AND THE ALTRON HIGH VOTING SHAREHOLDER ONLY

Shareholders or their proxies who wish to participate in the general meeting via electronic communication (“Participants”), must register with the Company’s meeting scrutineers by delivering the signed form below (“the application”) to The Meeting Specialists (Pty) Ltd (“TMS”) at email proxy@tmsmeeting.co.za by no later than 10:00 on Thursday, 26 November 2020.

Altron Shareholders who have dematerialised their shares without “own name registration” who wish to attend the General Meeting electronically, should instruct their Central Securities Depository Participant (“CSDP”) or broker to issue them with the necessary letter of representation to attend the meeting as stipulated in the agreement with their CSDP or Broker. Such Altron Shareholders should submit their letters of representation to TMS together with this duly completed Electronic participation registration form by no later than 10:00 on Thursday, 26 November 2020.

Participants will be able to vote during the General Meeting through an electronic participation platform. Such Participants, should they wish to have their vote(s) counted at the general meeting, must provide TMS with the information requested below.

Each shareholder, who has complied with the requirements below, will be contacted between 23 November 2020 and 27 November 2020 via email/mobile with a unique link to allow them to participate in the virtual General Meeting.

The cut-off time, for administrative purposes, to participate in the meeting will be at 10:00 on Wednesday, 18 November 2020.

The Participant’s unique access credentials will be forwarded to the email/cell number provided below.

Please take note of the virtual meeting guide for shareholders attached as **Annexure 18** at page 179

Name and surname of shareholder:
Name and surname of shareholder representative (if applicable):
ID number of shareholder of representative:
Email:
Cell number:
Telephone number:
Name of CSDP or Broker:
(if shares are held in dematerialised format):
SCA number/Broker account number or own name account number:
Number of shares:
Signature:
Date:

The cost of dialling in using a telecommunication line/webcast/web-streaming to participate in the General Meeting is for the expense of the Participant and will be billed separately by the Participant's own telecommunication service provider.

The Participant acknowledges that the telecommunication lines/webcast/web-streaming are provided by a third party and indemnifies Altron, the Johannesburg Stock Exchange Limited ("JSE"), TMS (virtual platform service provider) and/or its third party service providers against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines/webcast/web-streaming, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against Altron, the JSE, TMS and/or its third party service providers, whether for consequential damages or otherwise, arising from the use of the telecommunication lines/web-streaming and connections linking the telecommunication lines/webcast/web-streaming and connections linking the telecommunication lines/webcast/web-streaming to the General Meeting.

Participants will be able to vote during the General Meeting through an electronic participation platform. Such Participants, should they wish to have their vote(s) counted at the General Meeting, must act in accordance with the requirements set out above.

Once the Participant has received the link, the onus to safeguard this information remains with the Participant.

The application will only be deemed successful if this application form has been fully completed and signed by the Participant and delivered or emailed to TMS at proxy@tmsmeetings.co.za.

By signing this registration form, I agree and consent to the processing of my personal information above for the purpose of participation in the General Meeting.

Shareholder name:

Signature:

Date:

VIRTUAL MEETING GUIDE FOR ALTRON SHAREHOLDERS

ALLIED ELECTRONICS CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1947/024583/06)

Share code: AEL ISIN: ZAE000191342

("Altron" or "the Company" or "the Group")

VIRTUAL MEETING GUIDE FOR SHAREHOLDERS

HOW TO ACCESS THE VIRTUAL MEETING

In order to participate and vote in the meeting, each user must have an internet-enabled device (phone, laptop, Desktop) capable of browsing to a regular website (in order to vote and participate).

Closer to the meeting date or on the day the virtual meeting, you will receive a link and a password to enter the virtual meeting room.

Click on the link and you will be directed to the meeting platform.

An additional unique link will be sent, individually, to each shareholder who has made contact with the Meeting Specialist (Pty) Ltd on proxy@tmsmeetings.co.za and who has successfully been validated to vote at the meeting.

Guests will only be allowed to observe and listen to the proceedings of the meeting.

NAVIGATING THE MEETING PLATFORM

Shareholders who would like to pose questions, please click on the Q&A icon on the bottom of your screen, to ask your question.

If you have a question on particular resolution, please type your name, the resolution number, followed by your question and press enter or send.

Alternatively, if you would like to address the meeting directly, please click on the raise your hand icon. Once the chairperson has identified you, your microphone will be unmuted and you will be able to address the meeting.

HOW TO EXERCISE YOUR VOTES

All Altron Shareholders or their representatives, who have requested to vote, would have received a link from Digital Cabinet to either their phone number or email address.

The voting will be available on all the resolutions when the chairman opens the meeting.

Please click on the vote now link and it will direct you to the voting platform.

You will notice that the voting platform contains all the resolutions which have been published in the notice of meeting, with your votes automatically defaulted to Abstain.

Please note – once you click submit, your votes cannot be retracted and re-voted.

You may vote on all the resolutions simultaneously by defaulting all your votes as either "For" or "Against" or keeping it as an "Abstained" vote and then clicking on the submit button on the bottom of the electronic ballot form.

You may also indicate your votes individually, per resolution, by selecting the relevant option (For, Against or Abstain) on a resolution by resolution basis.

Once you have voted on all the resolutions, scroll down to the bottom of the page and click submit.

You will receive a message on your screen confirming that your votes have been received.

Once again, please ensure that you have selected the correct option on a resolution. Either, For or Against or Abstain before clicking the submit button.

You will be able to access both the meeting platform and the voting platform, 10 minutes prior commencement of the virtual meeting.

NOTICE OF GENERAL MEETING

ALLIED ELECTRONICS CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
 (Registration number 1947/024583/06)
 Share code: AEL ISIN: ZAE000191342
 (“Altron” or “the Company” or “the Group”)

Notice is hereby given to Altron Shareholders recorded in the Company’s securities register on Monday, 23 November 2020 that an extraordinary general meeting of the Shareholders of Altron (“General Meeting”) will be held entirely through electronic communication as permitted by the Companies Act, 71 of 2008, as amended (“Companies Act”), the Company’s Memorandum of Incorporation (“MOI”) and the Listings Requirements of the Johannesburg Stock Exchange (“JSE Listing Requirements”) on Tuesday, 1 December 2020 at 10:00, to (i) deal with such business as may lawfully be dealt with at the meeting and (ii) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, as read with the JSE Listings Requirements.

Altron Shareholders will need to register by latest on Thursday, 26 November 2020 at 10:00 to participate in the General Meeting. Details of how to register are provided hereunder and in the “Electronic participation registration form”, attached as **Annexure 17** to this notice of General Meeting. A “virtual meeting guide for shareholders” is included as **Annexure 18** to this Notice of General Meeting.

Reports available online

The following documents are available online at www.altron.com:

- the Circular;
- this Notice of General Meeting (including form of proxy);
- the Election Participation Registration Form (including the virtual meeting guide for shareholders); and
- the form of election

The definitions and interpretation commencing on page 28 of this Circular (to which this Notice of General Meeting is attached) apply, *mutatis mutandis*, to this Notice of General Meeting.

Important dates to note	2020
Notice record date	Friday, 23 October
Last day to trade in order to be eligible to attend and vote at the General Meeting	Wednesday 18 November
Record date in order to be eligible to attend and vote at the General Meeting	Monday, 23 November
Electronic participation forms to be submitted by no later than 10:00 on	Thursday, 26 November
Forms of Proxy to be submitted by no later than 10:00, for administrative purposes, on	Friday, 27 November
General meeting to be held at 10:00 on	Tuesday, 1 December

Electronic participation

Altron Shareholders who intend participating in the General Meeting and who wish to vote at the General Meeting are required to submit the completed “Electronic participation registration form” which is attached as **Annexure 17** to this Notice of General Meeting by email to The Meeting Specialist (Pty) Ltd (“TMS”) at proxy@tmsmeetings.co.za, as soon as possible, but by no later than 10:00 on Thursday, 26 November 2020. Dematerialised Shareholders without “own name registration” who wish to attend the General Meeting electronically, should instruct their CSDP or broker to issue them with the necessary letter of representation to attend the meeting as stipulated in the agreement with their CSDP or Broker.

Although the electronic platform provides for voting during the General Meeting, Altron Shareholders are strongly encouraged to lodge their forms of proxy prior to the meeting by email to TMS at proxy@tmsmeetings.co.za.

Identification

In terms of section 63(1) of the Companies Act, any person attending or participating in a General Meeting must present reasonably satisfactory identification. Upon receiving an Electronic participation registration form, TMS will follow a verification process to be reasonably satisfied any person has the right to participate in and vote (whether as a shareholder or as proxy for a shareholder) at the General Meeting.

TMS will request certain particulars from Altron Shareholders when receiving an Electronic participation registration form to comply with this verification process and the following identification will be required:

- if the Altron Shareholder is an individual, a certified copy of his/her original identity document and/or passport and/or driver's licence;
- if the Altron Shareholder is not an individual, a certified copy of a resolution of the board or similar governing body of the relevant entity authorising an individual or individuals to represent the entity, and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution; and
- a valid email address and/or mobile telephone number.

Further information

For further information relating to voting and proxies, please refer to pages 180 – 183 of this Notice of General Meeting.

When reading the resolutions below, please refer to the explanatory notes for the ordinary and special resolutions which accompany this Notice of General Meeting.

RESOLUTIONS FOR CONSIDERATION AND APPROVAL

Ordinary Resolution Number 1 – Approval of the Disposal as a Category 1 Transaction

“Resolved that the Disposal be and is hereby approved as a Category 1 Transaction as contemplated in the JSE Listings Requirements.”

Explanatory note in respect of the Ordinary Resolution Number 1

The Disposal constitutes a Category 1 Transaction by Altron in terms of the JSE Listings Requirements and, as such, requires the approval of more than 50% of the total voting rights exercised by Altron Shareholders in the General Meeting.

Ordinary Resolution Number 2 – General Authority

“Resolved that each Director of the Company be and is hereby authorised to take all such actions, sign all such documents and do all such things as may be necessary for or incidental to the implementation of Ordinary Resolution 1 and Special Resolutions 1 and 2.”

Special Resolution Number 1 – Approval of the Disposal in terms of section 115(2)(b) of the Companies Act

“Resolved that the Disposal, which, having regard to the consolidated financial statements of Altron, constitutes a disposal of the greater part of the assets of Altron, be and is hereby approved in terms of section 115(2)(b) of the Companies Act.”

Explanatory note in respect of the Special Resolution Number 1

In terms of section 115(2)(b) of the Companies Act, if the disposal by a company of all or the greater part of its assets, having regard to the consolidated financial statements of its holding company, also constitutes a disposal of all or the greater part of the assets of its holding company, that disposal requires the approval by special resolution of the shareholders of the holding company. Having regard to the consolidated financial statements of Altron, the Disposal constitutes the disposal of the greater part of its assets. Accordingly, Altron Shareholder approval by special resolution is required for the implementation of the Disposal.

The percentage of voting rights required for the special resolution to be adopted is at least 75% of the voting rights that are entitled to be exercised on such special resolution.

Special Resolution Number 2 – Approval of the Distribution in terms of section 112 and 115(2)(a) of the Companies Act

“Resolved that the Distribution, which constitutes a disposal of the greater part of the assets of Altron, be and is hereby approved in terms of sections 112 and 115(2)(a) of the Companies Act.”

Explanatory note in respect of Special Resolution number 2

In terms of 112 of the Companies Act, a company may not dispose of all or the greater part of its assets, unless the disposal has been approved by special resolution of its shareholders in accordance with section 115 of the Companies Act. The Distribution constitutes the disposal by Altron of the greater part of its assets. Accordingly, Altron Shareholder approval by special resolution is required for the implementation of the Distribution.

The percentage of voting rights required for the special resolution to be adopted is at least 75% of the voting rights that are entitled to be exercised on such special resolution.

VOTING AND PROXIES

In terms of, among others, the Companies Act and the JSE Listings Requirements, no voting rights attaching to the treasury shares held by Altron or shares held by a share trust or scheme (save for those shares held in favour of employees to which voting rights have already accrued) and unlisted securities, other than the Altron High Voting Share, as applicable, may be exercised.

Certificated Shareholders, and Dematerialised Shareholders with “own name” registration, who are entitled to attend, speak and vote at the General Meeting may appoint one or more proxies to attend, speak and vote in their stead. A proxy does not have to be a shareholder of the Company. The appointment of a proxy will not preclude the Altron Shareholder who appointed that proxy from attending the General Meeting and participating and voting in person thereat to the exclusion of any such proxy. Proxy forms for use by Altron Ordinary Shareholders at the General Meeting are attached.

Dematerialised Shareholders without “own name” registration must furnish their CSDP or broker with their instructions for voting at the General Meeting should they wish to vote. If your CSDP or broker, as the case may be, does not obtain instructions from you, it will be obliged to act in terms of the agreement between you and your CSDP or broker. Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut-off time stipulated therein, that you wish to attend the General Meeting or send a proxy to represent you at the General Meeting, your CSDP or broker will assume you do not wish to attend the General Meeting or send a proxy. If you wish to attend the General Meeting or send a proxy, you must request your CSDP or broker to issue the necessary letter of representation to you.

Certificated Shareholders and Dematerialised Shareholders with “own name” registration, who are unable to attend the General Meeting and wish to be represented thereat, must complete the relevant form of proxy attached hereto at Schedule 3 in accordance with the instructions therein and lodge it with, or mail it to, the Transfer Secretaries.

It is requested that for administrative purposes only, proxy forms should be forwarded to reach TMS by no later than 10:00 on Friday, 27 November 2020. Should your proxy forms not be returned to TMS by the aforesaid date and time, the forms of proxy may also be handed to the Chairman at any time before the commencement of the General Meeting by email to the Altron Company Secretary at wkgroenewald@altron.com.

Altron Shareholders who intend participating in the General Meeting electronically and who wish to vote at the General Meeting are required to submit the “Electronic participation registration form” which is attached as **Annexure 17** to this Notice of General Meeting by email to TMS at proxy@tmsmeetings.co.za, as soon as possible, but no later than 10:00 on Thursday, 26 November 2020. Dematerialised Shareholders without “own name registration” who wish to attend the General Meeting electronically, should instruct their CSDP or broker to issue them with the necessary letter of representation to attend the meeting as stipulated in the agreement with their CSDP or broker.

A virtual meeting guide for Altron Shareholders is attached as **Annexure 18** to this notice of General Meeting.

Although the electronic platform provides for voting during the meeting, Altron Shareholders are strongly encouraged to still lodge their forms of proxy prior to the meeting to TMS at email proxy@tmsmeetings.co.za.

The General Meeting may not begin until at least three Altron Shareholders entitled to attend and vote at that meeting are present in person and sufficient persons are present (in person or by proxy) at the General Meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the General Meeting. A matter to be decided at the General Meeting may not begin to be considered unless sufficient persons are present at the meeting (in person or by proxy) to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of the matter at the time the matter is called on the agenda. For resolutions required to be passed in terms of the JSE Listing Requirements, once a quorum has been established for purposes of such resolution, a quorum must be maintained at the meeting for all matters to be considered at the meeting.

The results of the General Meeting will be released on SENS as soon as practicably possible after the meeting.

APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS

In accordance with section 164 of the Companies Act, at any time before Special Resolutions 1 and 2 are voted on, an Altron Shareholder may give Altron written notice objecting to Special Resolutions 1 and 2, or either of them.

Within 10 Business Days after Altron has adopted the relevant special resolution, Altron must give a notice that the special resolution has been adopted to each Altron Shareholder who (i) gave Altron a written notice of objection as contemplated above; and (ii) has neither withdrawn that notice nor voted in support of the special resolution.

An Altron Shareholder may demand that Altron pay such shareholder the fair value of all the Altron Ordinary Shares held by that person if: (i) the Altron Shareholder has sent Altron a written notice of objection; (ii) Altron has adopted the special resolution; and (iii) the Altron Shareholder voted against the special resolution and has complied with all of the procedural requirements of section 164 of the Companies Act.

The right to receive such fair value is subject to the provisions of the Companies Act including section 164(9).

Section 112(3) of the Companies Act provides that a notice of the shareholders meeting must be delivered to each shareholder of a company disposing of all or greater parts of its assets, and must include or be accompanied by the provisions of section 115 and 164 of the Companies Act, which are set out in Schedule 1 and Schedule 2 respectively.

By order of the board

Allied Electronics Corporation Limited

per: **Mr WK Groenewald FCG**

For Altron Management Services (Pty) Ltd

Company Secretary

Altron House
4 Sherborne Road Parktown, 2193
(PO Box 981, Houghton, 2041)

20 October 2020

The Meeting Specialist (Pty) Ltd

JSE Building
One Exchange Square
Gwen Lane
Sandown, 2196
(PO Box 62043, Marshalltown, 2107) proxy@tmsmeetings.co.za

Copy of section 115 of the Companies Act 71 of 2008, as amended

115. Required approval for transactions contemplated in Part A

- (1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
- (a) the disposal, amalgamation or merger, or scheme of arrangement:
 - (i) has been approved in terms of this section; or
 - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
 - (b) to the extent that Parts B and C of this Chapter, and the Takeover Regulations, apply to a company that proposes to:
 - (i) dispose of all or the greater part of its assets or undertaking;
 - (ii) amalgamate or merge with another company; or
 - (iii) implement a scheme of arrangement,

the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119(4)(b), or exempted the transaction in terms of section 119(6).
- (2) A proposed transaction contemplated in subsection (1) must be approved:
- (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and
 - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if-
 - (i) the holding company is a company or an external company;
 - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
 - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
 - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
- (3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if-
- (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
 - (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
- (4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights -
- (a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
 - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.
- (4A) In subsection (4), "**act in concert**" has the meaning set out in section 117(1)(b).

- (5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either-
 - (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
 - (b) treat the resolution as a nullity.
- (6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
 - (a) is acting in good faith;
 - (b) appears prepared and able to sustain the proceedings; and
 - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- (7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if-
 - (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
 - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
- (8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person-
 - (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
 - (b) was present at the meeting and voted against that special resolution.
- (9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect-
 - (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
 - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
 - (c) the transfer of shares from one person to another;
 - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
 - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
 - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

Copy of section 164 of the Companies Act 71 of 2008, as amended

164. Dissenting shareholders appraisal rights.—

- (1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to—
 - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37 (8); or
 - (b) enter into a transaction contemplated in section 112, 113, or 114,
 that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who—
 - (a) gave the company a written notice of objection in terms of subsection (3); and
 - (b) has neither—
 - (i) withdrawn that notice; or
 - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if—
 - (a) the shareholder—
 - (i) sent the company a notice of objection, subject to subsection (6); and
 - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
 - (b) the company has adopted the resolution contemplated in subsection (2); and
 - (c) the shareholder—
 - (i) voted against that resolution; and
 - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5) (a) (i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within—
 - (a) 20 business days after receiving a notice under subsection (4); or
 - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state—
 - (a) the shareholder's name and address;
 - (b) the number and class of shares in respect of which the shareholder seeks payment; and
 - (c) a demand for payment of the fair value of those shares.
- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless—
 - (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12) (b);
 - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
 - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.

- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- (11) Within five business days after the later of—
- (a) the day on which the action approved by the resolution is effective;
 - (b) the last day for the receipt of demands in terms of subsection (7) (a); or
 - (c) the day the company received a demand as contemplated in subsection (7) (b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11)—
- (a) in respect of shares of the same class or series must be on the same terms; and
 - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12)—
- (a) the shareholder must either in the case of—
 - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
 - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
 - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and—
 - (i) tendered the share certificates; or
 - (ii) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has—
- (a) failed to make an offer under subsection (11); or
 - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- (15) On an application to the court under subsection (14)—
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
 - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
 - (c) the court—
 - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
 - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
 - (iii) in its discretion may—
 - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
 - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
 - (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
 - (v) must make an order requiring—
 - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13) (a); and
 - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13) (a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

- (15A) At any time before the court has made an order contemplated in subsection (15) (c) (v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case—
- (a) that shareholder must comply with the requirements of subsection 13 (a); and
 - (b) the company must comply with the requirements of subsection 13 (b).
- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
- (17) If there are reasonable grounds to believe that compliance by a company with subsection (13) (b), or with a court order in terms of subsection (15) (c) (v) (bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months—
- (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
 - (b) the court may make an order that—
 - (i) is just and equitable, having regard to the financial circumstances of the company; and
 - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
- (18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
- (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to—
- (a) the provisions of that section; or
 - (b) the application by the company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent—
- (a) expressly provided in this section; or
 - (b) that the Panel rules otherwise in a particular case,

a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.

FORM OF PROXY

ALLIED ELECTRONICS CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
 (Registration number 1947/024583/06)
 Share code: AEL ISIN: ZAE000191342
 (“Altron” or “the Company” or “the Group”)

FORM OF PROXY FOR THE GENERAL MEETING OF SHAREHOLDERS TO BE HELD ENTIRELY THROUGH ELECTRONIC COMMUNICATION ON TUESDAY, 1 DECEMBER 2020 AT 10:00 – FOR USE BY CERTIFICATED ALTRON ORDINARY SHAREHOLDERS, DEMATERIALISED ALTRON ORDINARY SHAREHOLDERS WITH “OWN NAME” REGISTRATION AND THE ALTRON HIGH VOTING SHAREHOLDER ONLY

Holders of Dematerialised Altron Ordinary Shares other than “own name” registration must inform their CSDP or Broker of their intention to attend the General Meeting and request their CSDP to issue them with the necessary authorisation to attend the General Meeting in person or provide their CSDP or Broker with their voting instructions should they not wish to attend the General Meeting in person but wish to be represented thereat.

I/We

(please print full names)

of (address)

telephone number

cell phone number

being the holder(s) [insert number and class of shares] in the Company, hereby appoint:

or failing him/her,

or failing him/her,

the chairperson of the General Meeting as my/our proxy to attend and speak and vote for me/us on my/our behalf at the General Meeting which will be held on Tuesday, 1 December 2020 at 10:00 and at any adjournment thereof for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

Indicate with an “X” or the relevant number shares, in the applicable space, how you wish your votes to cast. Unless otherwise directed the proxy will vote as he/she deems fit.

MATTERS TO BE RESOLVED	NUMBER OF ALTRON SHARES		
	FOR	AGAINST	ABSTAIN
Ordinary resolution number 1: Approval of Category 1 Transaction			
Ordinary Resolution number 2: General Authority			
Special Resolution Number 1: – Approval of the Disposal			
Special Resolution Number 2: – Approval of the Distribution			

Signed at: _____ on _____ 2020

Signature: _____

Capacity of signatory (where applicable): _____

Note: Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc) must be attached to this form of proxy, unless previously recorded by Altron. Authority of signatory to be attached. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy.

Assisted by me (where applicable) _____

Full name: _____

Capacity: _____

Signature: _____

Forms of proxy including the authority (if any) under which they are signed should be emailed to: The Meeting Specialist Proprietary Limited, proxy@tmsmeetings.co.za, to be received by them for administrative purposes by no later than 10:00 on Friday, 27 November 2020. Should the form of proxy not be returned by the aforesaid date and time, it may be handed to the chairperson of the General Meeting before that meeting is due to commence.

NOTES TO THE FORM OF PROXY

ALLIED ELECTRONICS CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1947/024583/06)

Share code: AEL ISIN: ZAE000191342

("Altron" or "the Company" or "the Group")

Notes to form of proxy and summary of applicable rights established by section 58 of the Companies Act, 2008 ("Companies Act")

Altron Ordinary Shareholders and the Altron High Voting Shareholder, holding Certificated Shares or Dematerialised Shares with "own name" registration, are entitled to appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder. Such Altron Shareholder may insert the name of a proxy or the names of two alternative proxies of the Altron Shareholder's choice in the space provided, with or without deleting "the chairperson of the General Meeting", provided that any such deletion must be signed in full by the shareholder. The person whose name stands first on the proxy form and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the chairperson of the General Meeting. A proxy need not be a shareholder of Altron.

All resolutions put to the vote shall be decided by way of a poll. An Altron Shareholder is entitled on a poll, to 1 (one) vote per Altron Ordinary Share held. An Altron Shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the Altron Shareholder in the appropriate box(es). An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will result in the proxy not being authorised to vote or to abstain from voting at the General Meeting in respect of the shareholder's votes, except in the case where the chairperson of the General Meeting is the proxy. An Altron Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Altron Shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the Altron Shareholder.

A proxy appointment must be in writing, dated and signed by the relevant shareholder.

Any alteration or correction made to this form of proxy must be signed in full and not initialled by the signatory.

A minor must be assisted by his/her parent/guardian and the relevant documentary evidence establishing his/her legal capacity must be attached to this form of proxy unless previously recorded by the Company or waived by the chairperson of the General Meeting.

When there are joint holders of shares, any one holder may sign the proxy form.

The chairperson of the General Meeting may reject or accept any proxy form which is completed and/or received other than in compliance with these notes. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person other than the chairperson of the General Meeting.

The appointment of a proxy or proxies: a. is suspended at any time to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder; b. is revocable in which case the shareholder may revoke the proxy appointment by: (i) cancelling it in writing or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the company.

Should the instrument appointing a proxy or proxies have been delivered to the company, as long as the appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by such company to the shareholder, must be delivered by such company to: a. the shareholder; or b. the proxy or proxies, if the shareholder has directed the company to do so in writing and has paid any reasonable fee charged by the company for doing so.

The proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

Forms of proxy must be emailed to: The Meeting Specialist Proprietary Limited, proxy@tmsmeetings.co.za, to be received by them for administrative purposes by no later than 10:00 on Friday, 27 November 2020. Should this form of proxy not be returned to The Meeting Specialist Proprietary Limited, the forms of proxy may also be handed to the Chairman at any time before the commencement of the General Meeting by email to the Altron Company Secretary at wkgroenewald@altron.com.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE TRANSFER SECRETARIES ON REQUEST.

FORM OF ELECTION

ALLIED ELECTRONICS CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1947/024583/06)

Share code: AEL ISIN: ZAE000191342

("Altron" or "the Company")

Important notes concerning this Form of Election

This Form of Election is only for use by Certificated Shareholders in respect of the Distributed Convertible Notes as described in paragraph 4.1.7 of the Circular, of which this Form of Election forms part. Accordingly, all terms used in this Form of Election shall, unless the context otherwise requires or they are otherwise defined herein, have the meanings attributed to them in the Circular.

Shareholders on the Altron Register on the Record Date for the Distribution (other than Restricted Altron Shareholders and Altron Finance) ("**Eligible Shareholders**") may elect by no later 12:00pm on the Record Date for the Distribution that a greater percentage than the Default Ratio of their Convertible Notes should be redeemed for cash subject to paragraphs 4.4.14 and 4.4.15 of the Circular having first been complied with, to 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. Eligible Shareholders who fail to make an election timeously will have their Convertible Notes redeemed for cash and converted into Converted Shares in the Default Ratio.

Dematerialised Shareholders on the Altron Register on the Record Date for the Distribution (other than Restricted Altron Shareholders and Altron Finance) should receive notification from their CSDP or Broker regarding the Convertible Notes to which they are entitled in terms of the Distribution and how to make an election. Such election must be made through their CSDP or Broker by no later than 12:00 on the Record Date for the Distribution. Dematerialised Shareholders must not complete this Form of Election.

FORMS OF ELECTION MUST BE LODGED WITH OR MAILED TO THE TRANSFER SECRETARIES SO AS TO BE RECEIVED BY NO LATER THAN 12:00 ON 9 DECEMBER. FORMS OF ELECTION RECEIVED AFTER THIS TIME AND DATE WILL NOT BE ACCEPTED. THE ADDRESS DETAILS OF THE TRANSFER SECRETARIES APPEAR BELOW.

To Computershare Investor Services Proprietary Limited:

15 Biermann Avenue

Rosebank

Johannesburg

2195

(Private Bag X9000, Saxonwold, 2132)

PART A: TO BE COMPLETED BY ALL ELIGIBLE SHAREHOLDERS WHO RETURN THIS FORM OF ELECTION.

I/We, the undersigned Eligible Shareholder, hereby elect to redeem my/our Convertible Notes for cash in accordance with the following ratio:

No of Distributed Convertible Notes	Percentage of Distributed Convertible Notes to be redeemed
<p>If Part A is not completed, but the remaining parts of the Form of Election are completed, then you are deemed to have elected to redeem your Convertible Notes in the Default Ratio. Therefore, Certificated Shareholders who wish to redeem their Convertible Notes for a greater percentage than the Default Ratio need to complete Part A and must complete and sign the rest of the Form of Election in accordance with the instructions herein and lodge this Form of Election with the Transfer Secretaries.</p> <p>Elections by Altron Ordinary Shareholders to redeem less than the Default Ratio of their Convertible Notes will not be recognised.</p>	

The Default Ratio, assuming there is demand in the Offer for New Shares equal to 36.9% of the enlarged share capital of Bytes UK HoldCo at Admission, is 25% as to Redemption : 75% as to Conversion adjusted, if necessary, in terms of Paragraph 4.4.15 of the Circular.

I/We, the undersigned Eligible Shareholder, authorise the Transfer Secretaries, upon the Conversion of any of my/our Convertible Notes, to register the transfer of the relevant Converted Shares in Bytes UK HoldCo into the name of the person mentioned below:

Surname or Name of corporate body:
First name(s) in full:
Title (Mr, Mrs, Miss, Ms, etc):
Address to which the Converted Shares should be sent (if different from registered address):
Postal code:

Signature of Shareholders	Name and address of agent lodging this Form (if any)
Assisted by me (if applicable)	
(State full name and capacity)	
Date	
Telephone number (Home)	
Telephone number (Work)	
Mobile number	

PART B: TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS WHO ARE EMIGRANTS FROM, OR NON-RESIDENTS OF, THE COMMON MONETARY AREA.

Name of Authorised Dealer:	
Account number/Investor Code(IVC):	
Address:	
Contact telephone and/or cellular phone number:	
Email address:	
No of Distributed Convertible Notes:	
Percentage of Distributed Convertible Notes held on Record Date:	(A)
Number of Convertible Notes redeemed for cash:	(B)
Date of signature:	Signature:

Instructions and notes on how to complete this Form of Election:

- (i) A separate Form of Election is required for each Eligible Shareholder holding Certificated Shares.
- (ii) Part A must be completed by all Eligible Shareholders holding Certificated Shares who return this Form of Election.
- (iii) Part B must be completed by all Eligible Shareholders holding Certificated Shares who are either i), emigrants from South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland (collectively the “**Common Monetary Area**”) or ii), non-residents of the Common Monetary Area.
- (iv) “Emigrant” refers to a resident of the Common Monetary Area who has formally emigrated to take up permanent residence or has been granted permanent residence in any country outside the Common Monetary Area.
- (v) “Non-resident” refers to a person (i.e. a natural person or legal entity) whose normal place of residence, domicile or registration is outside the Common Monetary Area.
- (vi) Persons who have acquired Altron Ordinary Shares after the date of the issue of the Circular, may obtain copies of the Form of Election and the Circular from the Company at the registered office of Altron and Altron’s Sponsor whose details are set out in the “Corporate Information and Advisers” section of the Circular.
- (vii) Election under this Form of Election may only be amended or withdrawn as provided for in the Circular, and is otherwise irrevocable and may not be withdrawn once submitted.
- (viii) Eligible Shareholders should consult their professional advisers in case of doubt as to the correct completion of this Form of Election.

- (ix) No receipts will be issued for documents lodged unless specifically requested. In compliance with the JSE Listing Requirements, lodging agents are requested to prepare special transaction receipts, if required. Signatories may be called upon for evidence of their authority or capacity to sign this Form of Election.
- (x) Certificated Shareholders electing to redeem their Distributed Convertible Notes for cash and who have not previously provided Altron with their banking details will need to do so by completing Part C.
- (xi) Any alteration to this Form of Election must be signed in full and not initialled.
- (xii) If this Form of Election is signed under a power of attorney, then such power of attorney, or a notarially certified copy thereof, must accompany the completed and signed Form of Election.

PART C: DIRECT CREDIT - BANK ACCOUNT DETAILS FORM FOR COMPLETION ONLY BY CERTIFICATED SHAREHOLDERS WHO HAVE NOT PREVIOUSLY PROVIDED THE TRANSFER SECRETARIES WITH THEIR LATEST BANKING DETAILS.

Full name of registered shareholder:																			
Identity number of person signing this form:																			
Your shareholder number (if known)																			
Contact telephone and/or cellular phone number:																			
Office phone number																			
Email address:																			
Date of signature				Signature															
REQUEST FOR DIRECT CREDITING OF PAYMENTS - BANK ACCOUNT DETAILS																			
PLEASE NOTE: We cannot accept banking details in the name of a third party																			
Name of bank account holder:																			
Name of South African Bank:																			
Name of bank branch:																			
Bank account number:																			
Bank branch code																			
Account Type				Cheque				Transmission				Savings							
I/We hereby authorise the Transfer Secretaries to act in accordance with my/our instructions set out above.																			
I/We acknowledge that these instructions supersede and have priority over all previous instructions relating to payments to which I/we am/are entitled to be paid in cash, but do not override any previous reinvestment instructions.																			
Signature of shareholder				Day				Month				Year							
If you are signing this form in a representative capacity, please indicate which capacity (see over)																			
<p style="text-align: center;">BANK VERIFICATION</p> <p>I/We confirm that the above information about the abovementioned shareholders account at this Bank is correct</p> <p style="text-align: center;">Signed on behalf of Bank</p> <p style="text-align: center;">THIS MUST BE COMPLETED BY YOUR BANK</p>										BANK STAMP HERE									

This form must be signed and accompanied by an original certified copy of your identity document. (copies of certified copies will not be accepted).

Please be advised that facsimile/electronic copies will not be accepted.

HOW TO COMPLETE THIS FORM

Request for Direct Crediting of payments

This form must be completed in full if you wish your cash payments to be paid directly into your nominated South African bank account. Until cancelled in writing by you, all future cash payments will be paid into the nominated account.

IMPORTANT: Do not use the number quoted on your credit or debit card.

By signing this form you:

- Confirm that the details are true and correct.
- Understand that Altron is obliged to post you a cheque in the event that we are unable to transfer the funds due to you electronically and any decision to do so will be at the sole and absolute discretion of Altron on a case by case basis.
- Agree that if Altron determines that a cheque will be sent to you by post, it will be at your own risk.
- Understand and agree that neither Altron nor the Transfer Secretaries shall be responsible in any way for any loss you may suffer as a result of transfer/deposits being made in accordance with the information provided on this form.
- Understand and agree that any such deposit shall constitute a full and sufficient discharge of Altron's obligation to make such payments to me/us.
- Understand and agree that this payment instruction will be applied to all future cash payments.
- This instruction only applies to the specific holding identified by the holder number and the name appearing on the front of this form.

NOTE: We cannot accept banking details in the name of a third party.

IF YOU ARE SIGNING THIS FORM IN A REPRESENTATIVE CAPACITY, ALTRON REQUIRES THE FOLLOWING DOCUMENTATION IN ADDITION TO AN ORIGINAL CERTIFIED COPY OF YOUR IDENTITY DOCUMENT.

Joint holding:	Where the holding is in more than one name, the signature of the first mentioned shareholder is required.
Power of attorney:	To sign under a Power of Attorney, you must have already lodged the Power of Attorney with Altron. Alternatively, please attach an original certified copy of the Power of Attorney to this form when you return it together with an original certified copy of the registered holder's identity document.
Trusts:	The form must be signed by the authorised trustee. If you have not already done so, please attach an original certified copy of the Trustee Resolution/Power of Attorney authorising you to act on behalf of the trust, together with original certified copies of the Letters of Authority issued by the Master of the High Court and the Trust Deed.
Companies/Closed Corporations/ Funds:	Any authorised company official/member may sign on behalf of the company/closed corporation/fund. Please indicate the office held when signing the form. If you have not already done so, please provide Altron with an original certified copy of your authorisation to act on behalf of the company/closed corporation/fund in the form of an original certified copy of the board minute/resolution detailing the authorized signatories including specimen signatures and a company letterhead for noting in our records. In addition, Altron requires an original certified copy of the Certificate of Incorporation/CK1 Founding Statement/Constitution.
Minors:	If the shares are registered in the name of a minor, the form must be completed by the natural guardian, stating the capacity in which he/she is signing or in the case of a legal guardian attach an original certified copy of the Letters of Guardianship (if not previously provided). The guardian must attach an original certified copy of his/her identity document together with an original certified copy of the birth certificate of the minor.
Deceased shareholders:	This form must be signed by the Executor/s of the Deceased Estate. If you have not already done so, please provide with an original certified copy of the Letters of Executorship together with an original certified copy of the Executor's identity document.
Shareholder under Curatorship:	The form must be signed by the Curator Bonis appointed by the Master of the High Court. If you have not already done so, please provide Altron with an original certified copy of the Letters of Curatorship together with an original certified copy of the Curator's identity document.
Shareholder under Liquidation:	The form must be signed by the liquidator appointed by the Master of the High Court. If you have not already done so, please provide Altron with an original certified copy of your Letter of Appointment together with an original certified copy of the shareholder's identity document.

TAX DECLARATION AND UNDERTAKING FORMS

Allied Electronics Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number 1947/024583/06)

Share code: AEL ISIN: ZAE000191342

("Altron" or the "Company")

FORM I: REQUIRED DIVIDENDS TAX DECLARATION AND UNDERTAKING (IF YOU ARE EXEMPT FROM DIVIDENDS TAX)

This form is to be completed by the beneficial owner (of dividends, including dividends *in specie*) in order for the **exemptions** from dividends tax referred to in **s64F, read together with s64FA(1) or, 64G(2) of the Income Tax Act (No. 58 of 1962) (the "Act")**. In order to qualify for an exemption this declaration and written undertaking should be submitted to Altron within the prescribed period as guided by the circular. Failure to do so will result in the full 20% dividends tax being paid by Altron.

For completion by Altron Shareholders who are exempt from Dividends Tax (as indicated under Part C of this Form I). **Please complete form II.**

Note: Do NOT complete this Form I if you are subject to Dividends Tax at a reduced rate (including a reduced rate of 0%).

Instructions:

Deliver this completed Form I to the Company on an urgent basis.

To be **e-mailed** to: divcompliance@altron.com

**DIVIDENDS TAX: DECLARATION AND UNDERTAKING MADE BY THE BENEFICIAL OWNERS OF
A DIVIDEND (EXEMPTION FROM DIVIDENDS TAX)**

PART A – WITHHOLDING AGENT OR COMPANY DECLARING DIVIDEND

Registered name: Allied Electronics Corporation Limited

Company registration number: 1947/024583/06

Dividends tax reference number: 9725149711

Address: 4 Sherborne Road, Parktown, 2193

Contact details: +27(11) 6453600

E-mail: divcompliance@altron.com

PART B – BENEFICIAL OWNER

Full names and Surname OR Registered name:	
Nature of person or entity (please tick box):	
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Listed company
<input type="checkbox"/>	Unlisted company
<input type="checkbox"/>	Trust (any type)
<input type="checkbox"/>	South African Government or Provincial Administration or Municipality
<input type="checkbox"/>	Retirement fund (pension or provident or benefit or retirement annuity)
<input type="checkbox"/>	Other (if this box is selected, please provide description of nature of person/entity below):
Identity number/Passport number/Registration number:	
Income tax reference number:	
Email address:	
Telephone number:	
Physical address:	
Postal address:	
Country of residence for tax purposes:	
Number of shares held in the Company	

PART C — EXEMPTION

Please indicate the reason that the beneficial owner is exempt from the dividends tax as indicated in section 64F of the Income Tax Act (No.58 of 1962) (the “Act”) (please tick box):

<input type="checkbox"/>	a company which is a resident; or
<input type="checkbox"/>	the government of the Republic in the national, provincial or local sphere; or
<input type="checkbox"/>	a public benefit organisation approved by the Commissioner in terms of section 30(3) of the Act; or
<input type="checkbox"/>	a trust contemplated in section 37A of the Act; or
<input type="checkbox"/>	an institution, board or body contemplated in section 10(1)(cA) of the Act; or
<input type="checkbox"/>	a fund contemplated in section 10 (1)(d)(i) or (ii) of the Act; or
<input type="checkbox"/>	a person contemplated in section 10(1)(t) of the Act; or
<input type="checkbox"/>	a holder of shares in a registered micro business, as defined in the Sixth Schedule of the Act, paying that dividend, to the extent that the aggregate amount of dividends paid by that registered micro business to all holders of shares in that registered micro business during the year of assessment in which that dividend is paid does not exceed the amount of R200 000; or
<input type="checkbox"/>	a small business funding entity as contemplated in section 10(1)(cQ) of the Act; or
<input type="checkbox"/>	a person that is not a resident and the dividend is a dividend contemplated in paragraph (b) of the definition of “dividend” in section 64D of the Act; or
<input type="checkbox"/>	any person to the extent that the dividend constitutes income of that person; or
<input type="checkbox"/>	any person to the extent that the dividend was subject to the secondary tax on companies; or
<input type="checkbox"/>	any fidelity or indemnity fund contemplated in section 10(1)(d)(iii) of the Act; or
<input type="checkbox"/>	a natural person or deceased estate or insolvent estate of that person in respect of a dividend paid in respect of a tax free investment as contemplated in section 12T(1) of the Act.

DECLARATION IN TERMS OF SECTION 64FA OF THE ACT

I,

(insert full name and surname of the beneficial owner or duly authorised agent of the beneficial owner)

the undersigned, declare that dividends paid to the beneficial owner are exempt, or would have been exempt had such dividend not been a distribution of an asset in specie, from the dividends tax in terms of section 64F of the Act as indicated above.

Signature: _____

Date: _____

(Duly authorised to do so)

Capacity of Signatory (if not the beneficial owner): _____

UNDERTAKING IN TERMS OF SECTION 64FA OF THE ACT

I,

(insert full name and surname of the beneficial owner or duly authorised agent of the beneficial owner)

the undersigned, undertake to forthwith inform the Company in writing should the circumstances of the beneficial owner referred to in the declaration above change.

Signature: _____

Date: _____

(Duly authorised to do so)

Capacity of Signatory (if not the beneficial owner): _____

Allied Electronics Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number 1947/024583/06)

Share code: AEL ISIN: ZAE000191342

("Altron" or the "Company")

**FORM II: REQUIRED DIVIDENDS TAX DECLARATION AND UNDERTAKING
(IF YOU ARE SUBJECT TO DIVIDENDS TAX AT A REDUCED RATE)**

This form is to be completed by the beneficial owner (of dividends, including dividends *in specie*) in order for the **exemptions** from dividends tax referred to in **s64F, read together with s64FA(2) and 64G(2) of the Income Tax Act (No. 58 of 1962) (the "Act")**. In order to qualify for an exemption this declaration and written undertaking should be submitted to Altron within the prescribed period as guided by the circular. Failure to do so will result in the full 20% dividends tax being paid by Altron.

For completion by Altron Shareholders who are subject to Dividends Tax at a reduced rate in terms of an agreement for the avoidance of double taxation ("**DTA**") and only applicable to Altron Shareholders resident outside of South Africa for tax purposes.

Note: Do NOT complete this Form II if you are exempt from Dividends Tax as indicated in section 64F of the Income Tax Act (No. 58 of 1962) (the "Act"), i.e. if you are a taxpayer under Part C of Form I.

Instructions:

Deliver this completed Form II to the Company on an urgent basis

To be **e-mailed** to: divcompliance@altron.com

**DIVIDENDS TAX: DECLARATION AND UNDERTAKING MADE BY THE BENEFICIAL OWNERS OF
A DIVIDEND (REDUCED RATE OF DIVIDENDS TAX)**

(ONLY APPLICABLE TO PERSONS RESIDENT OUTSIDE OF SOUTH AFRICA FOR TAX PURPOSES)

PART A – WITHHOLDING AGENT OR COMPANY DECLARING DIVIDEND

Registered name: Allied Electronics Corporation Limited

Company registration number: 1947/024583/06

Dividends tax reference number: 9725149711

Address: 4 Sherborne Road, Parktown, 2193

Contact details: +27(11) 6453600

E-mail: divcompliance@altron.com

PART B – BENEFICIAL OWNER

Full names and Surname OR Registered name:	
Nature of person or entity (please tick box):	
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Listed company
<input type="checkbox"/>	Unlisted company
<input type="checkbox"/>	Trust (any type)
<input type="checkbox"/>	South African Government or Provincial Administration or Municipality
<input type="checkbox"/>	Retirement fund (pension or provident or benefit or retirement annuity)
<input type="checkbox"/>	Other (if this box is selected, please provide description of nature of person/entity below):
Identity number/Passport number/Registration number:	
Income tax reference number (if applicable):	
Email address:	
Telephone number:	
Fax number:	
Physical address:	
Postal address:	
Country of residence for tax purposes:	

PART C — REDUCED RATE

Please insert below the reasons that the beneficial owner (specified above) of (please insert number of shares) _____ shares in the Company meets the requirements applicable for the reduced rate of dividends tax in terms of a DTA:

DECLARATION IN TERMS OF SECTION 64FA OF THE ACT

I, _____
(insert full name and surname of the beneficial owner or duly authorised agent of the beneficial owner)

the undersigned, declare that all the relevant requirements in terms of Article (please insert) _____ of the DTA in force between the Republic of South Africa and the country of residence for tax purposes of the beneficial owner of shares in the Company (specified above), as well as the requirements of sections 64FA, 64G or 64H of the Act (whichever is applicable) have been met, and that dividends paid on the shares in the Company (specified above) are therefore subject to dividends tax at the reduced rate of (please insert) _____%.

Signature: _____ Date: _____

(Duly authorised to do so)

Capacity of Signatory (if not the beneficial owner): _____

UNDERTAKING IN TERMS OF SECTION 64FA OF THE ACT

I, _____
(insert full name and surname of the beneficial owner or duly authorised agent of the beneficial owner)

the undersigned, undertake to forthwith inform the Company in writing should the circumstances of the beneficial owner referred to in the declaration above change.

Signature: _____ Date: _____

(Duly authorised to do so)

Capacity of Signatory (if not the beneficial owner): _____