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Bytes Technology Group PLC
28 October 2021

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Bytes Technology Group plc
("Bytes" or "the Group")

Results for the six months ended 31 August 2021

A strong half year performance delivering on our strategy

Bytes Technology Group plc (LSE: BYIT, JSE: BYI), one of the UK's leading software, security, and cloud services specialists, today announces its half year results for the six months ended 31 August 2021 ("H1 FY22").

Neil Murphy, Chief Executive Officer, said:

"I am delighted to report this strong set of results, which saw the Group deliver against its strategic goals, producing growth across all areas of the business. We have maintained our track record of year-on-year growth despite the ongoing uncertainty caused by the pandemic, with our business benefitting from our wide-ranging offering, and our partnerships with the world's leading vendors and software publishers. Reflecting the strength of our business and our performance, I am pleased to announce an interim dividend of 2.0 pence per share."

"I am particularly proud of the energy, enthusiasm and professionalism demonstrated by our people through what has been and remains a challenging time. I would also like to thank our clients for their continued support; they are the lifeblood of this business and will always be our top priority. Looking ahead, we remain confident in delivering our growth strategy and capitalising on the market opportunity for the benefit of all our stakeholders."

Financial performance

£'million	**H1 FY22** (six months ended 31 August 2021)	**H1 FY21** (six months ended 31 August 2020)	**% change year-on-year**
Gross invoiced income ("GII")[1]	£638.2m	£505.4m	26.3%
Revenue[2]	£251.4m	£221.2m	13.7%
Gross profit ("GP")	£52.9m	£46.4m	14.0%
Operating profit	£23.2m	£19.5m	19.0%
Adjusted operating profit ("AOP")[3]	£25.0m	£20.5m	22.0%
Earnings per share *(pence)*	7.72	6.78	13.9%
Adjusted earnings per share[4] *(pence)*	8.48	7.19	17.9%

Group highlights for the six months ended 31 August 2021

- Gross invoiced income increased 26.3% to £638.2 million (H1 FY21: £505.4 million), with growth primarily in software and services, as corporate client demand strengthened alongside continued growth from public sector customers.

- Revenue has also increased by 13.7% to £251.4 million (H1 FY21: £221.2 million).

- Gross profit growth of 14.0% to £52.9 million (H1 FY21: £46.4 million), reflecting strong customer acquisition trends across both public and private sectors and increasing gross profit per customer.

- Operating profit has increased by 19.0% from £19.5 million to £23.2 million.

- Adjusted operating profit of £25.0 million (H1 FY21: £20.5 million), representing growth of 22.0%.

  - Earnings per share has increased by 13.9% from 6.78 pence to 7.72 pence.

  - Accordingly, the Board is pleased to declare an interim dividend of 2.0 pence per share to be paid on 3 December 2021.

Current trading and outlook

After a successful H1 FY22 with a continuation of double-digit growth, the business carries strong momentum going into the second half of the year where we have already got off to a good start. Travel and marketing expenses have not reverted to pre-lockdown levels and are still broadly in line with those experienced in H1 last year. These costs are expected to increase gradually in the second half of the year. Our successful strategy of acquiring new customers and then growing our share of wallet, building on our strong vendor relationships and the technical and commercial skills of our people, makes us confident that the Group is well positioned for the remainder of the financial year.

Analyst and investor presentation

A presentation and Q&A session for analysts and investors will be held today via webcast at 9:30am BST. If you wish to access the webcast, please contact Headland Consultancy at Bytes@headlandconsultancy.com for the registration details.

The announcement and presentation will be available after the event at: https://www.bytesplc.com/investors.

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Forward-looking statements

This announcement includes statements that are, or may be deemed to be, 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements.

Any forward-looking statements in this announcement reflect the Group's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the UK Listing Authority, the Group undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect events or circumstances after the date of this announcement.

About Bytes Technology Group plc

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

The Group has a primary listing on the Main Market of the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange.

[1] 'Gross invoiced income' ("GII") is a non-IFRS alternative performance measure that reflects gross income billed to customers adjusted for deferred and accrued revenue items.

[2] 'Revenue' is reported in accordance with International Financial Reporting Standard (IFRS) 15, Revenue from Contracts with Customers. Under this standard the Group is required to exercise judgment to determine whether the Group is acting as principal or agent in performing its contractual obligations. Revenue in respect of contracts for which the Group is determined to be acting as an agent is recognised on a 'net' basis i.e., the gross profit achieved on the contract and not the gross income billed to the customer.

[3] 'Adjusted operating profit' is a non-IFRS alternative performance measure that excludes from operating profit the effects of significant items of expenditure which are non-recurring events or do not reflect our underlying operations. IPO costs, amortisation of acquired intangible assets and share-based payment charges are all excluded. The reconciliation of adjusted operating profit to operating profit is set out in the Chief Financial Officer review below.

[4] 'Adjusted earnings per share' is a non-IFRS alternative performance measure that the Group calculates by dividing the profit after tax attributable to owners of the Company, adjusted for the effects of significant items of expenditure which are non-recurring events or do not reflect our underlying operations ("Adjusted earnings") by the weighted average number of ordinary shares in issue during the period. IPO costs, amortisation of acquired intangible assets and share-based payment charges are all excluded in arriving at Adjusted earnings. The calculation is set out in note 15 of the financial statements.

Chief Executive Officer's Review

A strong half year performance delivering on our strategy

We are delighted with the strong performance in H1 FY22, which saw the Group deliver robust growth in adjusted operating profit ("AOP") of 22.0% and gross profit ("GP") growth of 14.0%, driven by impressive growth in gross invoiced income ("GII") across both corporate and public sector customers of 26.3%. Our revenue, stated after the netting adjustment for cloud and critical security license sales, was up 13.7%.

We have maintained our track record of year-on-year growth despite the ongoing uncertainty caused by the pandemic, with our business benefitting from our wide-ranging product offering, with a significant suite of software, services and IT hardware solutions from the world's leading vendors and software publishers.

Encouragingly, we have seen continued growth from our public sector customers and strengthening demand from our corporate clients. This resulted in 27.0% growth in software GII and 27.1% in services GII, with hardware GII relatively flat during H1 FY22. Complementing the substantial growth in GII and GP was our strong cash conversion rate, at 107.5% for the reporting period. The Group had double-digit growth across all our key financial performance measurements, reflecting the continued demand from our customers to invest in resilient and efficient IT services.

Our customers' appetite for security, cloud adoption, digital transformation, hybrid datacentre and remote working solutions have underpinned growth in H1 FY22. These investments increasingly take the form of annualised contracts and, accordingly, we remain confident in the Group's growth prospects going forward. This reinforces our belief in the potential for future up-selling and cross-selling opportunities into existing clients. The double-digit growth in GII, revenue and GP, reflects the buoyant and robust nature of IT spend across the UK and Ireland.

We continue to expand our IT services capability, with GII growth of 27.1% underpinned by our Microsoft Azure Expert status and the provision of managed services, augmented with our own IP in the form of Quantum and Licence Manager. These services, together with additional cyber security services and consultancy, enable us to expand our relevance to clients who need support and assurance as they seek to strengthen their IT resilience and security.

We're not standing still either and are developing our systems to provide great user experiences and improved productivity to help drive efficiencies. This, combined with the subdued costs in travel and entertainment, and a slight lag on expanding our sales capacity has resulted in AOP as a percentage of GP increasing above our expectations to 47.3% for the period under review.

We remain proud of the energy, enthusiasm and professionalism demonstrated by our people through what continues to be a challenging time for families, organisations and society in general. Our future growth will be supported by both increasing headcount as well as training and development in key areas. As a management team, we are extremely pleased with the way our people continue to embrace our collaborative, team-based culture. Our flexible working regime continues to deliver positive results for our business, whilst also meeting our people's aspirations for a healthy work/life balance. In June 2021, we launched our first ShareSave Plan ("the Plan"), which has been well received by our workforce. An encouraging 65% of employees chose to participate in the Plan, which far exceeded our expectations.

Our partnerships with key vendors go from strength to strength; we are especially pleased to have been recognised by leading industry vendors for our role in supporting the success of Microsoft and Darktrace. Phoenix Software was awarded the prestigious accolade of Microsoft Partner of the Year for the UK for 2021 and Bytes Software Services was recently named Darktrace EMEA Partner of the Year 2021. These awards reflect the status and high esteem which the Group has with global technology leaders and is testament to the expertise of our staff and the customer success stories that we deliver.

We remain committed to executing our strategy in a responsible manner, with sustainability rooted in everything we do. Our framework in this space aims to deliver positive impacts for our stakeholders across key themes which we have identified as most relevant for the environment in which we operate. Within each theme - financial sustainability, corporate responsibility, stakeholder engagement and good governance - we set ourselves focus areas which drive our activities. Through our environmental working committees, we allocate time and resources to various initiatives, and continue to commit the equivalent of 1% of profit after tax to social initiatives, including charitable causes. We remain committed to supporting diversity and continue our efforts towards equal gender balance across our business. We continue our efforts to align with broader diversity targets to reflect the society in which we, and our stakeholders, operate. Our latest eNPS survey was conducted in September 2021 and demonstrated again the high level of staff engagement and positive feeling among our employees in being part of the Group.

As we stated during our 2020 IPO process, it was our intended policy to distribute between 40% and 50% of the Group's post-tax pre-exceptional earnings to shareholders. The Board now considers it appropriate to adopt a simplified policy effective from this set of results, which will see 40% of the Group's post-tax pre-exceptional earnings distributed to shareholders as a dividend. Removing the range associated with the previous policy provides the business with greater clarity on its capital allocation moving forwards. Accordingly, we are pleased to confirm that the Board has approved the declaration of an interim dividend of 2.0 pence per share, for payment early in December 2021.

I wish to extend my gratitude to all my colleagues for their resilience and dedication to the business during H1 FY22 and the preceding challenging months during the pandemic. Finally, I would like to thank our clients for their support and entrusting their business with us; they are the lifeblood of this business and will always be our top priority.

Board and Committee Composition

As announced on 11 August 2021, Dr Erika Schraner has been appointed as an Independent Non-Executive Director with effect from 1 September 2021. Erika also serves as a member of the Audit, Nomination and Remuneration committees.

Following a review of the composition of the Audit committee, for it to align with the UK Corporate Governance Code, David Maw has stepped down as a member of the Audit committee, with effect from 27 October 2021. We wish to express our appreciation to David for his valued contribution to the committee. He will remain a Non-Executive Director on the Bytes Board with continued responsibility for employee engagement.

Accordingly, the committees are comprised as follows:

- Audit committee: Mike Phillips (Chair), Dr. Alison Vincent and Dr. Erika Schraner
- Nomination committee: Patrick De Smedt (Chair), Mike Phillips, Dr. Alison Vincent and Dr. Erika Schraner
- Remuneration committee: Dr. Alison Vincent (Chair), Patrick De Smedt, Mike Phillips and Dr. Erika Schraner

Chief Financial Officer's Review

Income Statement	H1 FY22 £'m	H1 FY21 £'m	Change %
Gross Invoiced Income (GII)	**638.2**	**505.4**	**26.3%**
GII split by product:			
Software	602.9	474.7	27.0%
Hardware	15.6	15.2	2.6%
Services	19.7	15.5	27.1%
Netting adjustment	(386.8)	(284.2)	36.1%
Revenue	**251.4**	**221.2**	**13.7%**
Revenue split by product:			
Software	224.0	197.1	13.6%
Hardware	15.6	15.3	2.0%
Services	11.8	8.8	34.1%
Gross Profit	**52.9**	**46.4**	**14.0%**
Gross Profit / GII %	**8.3%**	**9.2%**	(0.9%)
Gross Profit / Revenue	**21.0%**	**21.0%**	**-**
Administrative expenses	**(29.7)**	**(26.9)**	**10.4%**
Adjusted Operating Profit	**25.0**	**20.5**	**22.0%**
Adjusted Operating Profit / Gross Profit	**47.3%**	**44.2%**	**3.1%**
less share-based payments	(1.0)	(0.2)	
less intangible amortisation	(0.8)	(0.8)	
Operating Profit	**23.2**	**19.5**	**19.0%**
Tax	**(4.6)**	**(3.8)**	21.1%
Effective tax rate	**19.9%**	**19.3%**	
Profit after Tax	**18.3**	**15.8**	15.8%

Gross invoiced income ("GII")

GII reflects gross income billed to our customers, adjusted for deferred and accrued revenue items, mainly relating to managed service contracts. We believe that GII provides a more meaningful measure than revenue to evaluate our sales performance, volume of transactions and rate of growth. As an organisation we continue to focus and report on GII as a key metric. GII has a direct influence on our movements in working capital, reflects our risks and shows the performance of our sales teams.

GII has increased by 26.3% year-on-year, with growth primarily in software and services. Software remains the core focus, contributing 94.5% of total gross invoiced income. The Group benefits from a substantial presence in the public sector, with reported GII having increased by £99.6 million, whilst our corporate GII increased by £33.3 million.

Revenue

Revenue is reported in accordance with International Financial Reporting Standard ("IFRS") 15 Revenue from Contracts with Customers. Under this reporting standard, we are required to exercise judgment to determine whether the Group is acting as principal or agent in performing its contractual obligations. Revenue in respect of contracts for which the Group is determined to be acting as an agent is recognised on a 'net' basis i.e., the gross profit achieved on the contract and not the gross income billed to the customer.

The netting adjustment has been made on a consistent basis in both the current and prior periods. GII is showing a growth of 26.3% whilst revenue (net of IFRS 15 adjustment) is showing a 13.7% growth. This difference primarily reflects the ongoing and accelerating trend towards cloud-based software sales, where we are seen to be acting as agent, rather than principal. We expect this trend to continue into the future.

Gross profit

Gross profit has increased by 14.0% to £52.9 million (FY21: £46.4 million). In the corporate sector, growth in terms of GII and gross profit have closely followed each other, thereby ensuring that gross profit as a percentage of GII for this sector remains at broadly similar levels when compared to H1 in the prior reporting period.

In the public sector, gross profit growth of 7% against a GII growth of 32% means we have seen around a 1% reduction in the gross profit / GII percentage. This reduction can be ascribed to increased competition, particularly when winning new deals and renewing existing contracts in a competitive tender environment. Where new large agreements have been won at a lower margin, management is acutely focussed on tracking these customers individually to ensure that the strategy delivers value for these customers, the business and our other stakeholders by building them out with higher margin services over the duration of the contract.

At the end of FY21 we reported 5,147 current customers, and we are pleased to report a gain of 448 (8.7%) new customers in this reporting period, bringing our total customer base to 5,595, 94% of which we have already transacted with in H1 FY22. At the same time, we have increased gross profit per customer from £17,400 to £18,100 (on a rolling 12-month basis). We continue to focus on our NPS which has increased from 61 to 63, and which has contributed in our ability to retain customers.

Staff costs

Our success in growing GII and gross profit continues to be as a direct result of the investments we have made in our sales and support people over the years. It has been and will remain a carefully managed aspect of our business where we strive to invest in line with the actual growth and not before. Another successful strategy that has borne fruits is one where we look to promote and expand from within giving our employees careers rather than employment. This in turn has created long tenure from our employees that hold and grow equally as long relationships with our customers. This is at the very heart of our low employee churn rate, the growth in gross profit per customer, our high customer retention rate and our exceptional NPS.

Staff costs included in administrative expenses, excluding share-based payments, have increased by 7.7%. The lower growth rate when measured against the GP growth of 14.0%, demonstrates the return from the investment made in new staff in the previous financial year. Early in H2 FY22 we welcomed our new graduate and apprentice sales intake, which should see us well placed to continue our growth trajectory.

Other costs

Other costs, while only representing 16.6% of total Group administrative costs, has increased by 6.1% primarily due to new head office costs arising in H1 FY22 not present in the prior year period. These include professional fees and other items related to operating as a public listed company.

Travel, communication and marketing expenses have not reverted to pre-lockdown levels and are still broadly in line with those experienced during H1 last year. With the return to work by our employees and customers, and following our graduate and apprentice sales intake in early H2 FY22, we expect these costs to increase gradually in the second half of the year.

Adjusted operating profit and operating profit

Adjusted operating profit excludes, from operating profit, the effects of significant items of expenditure which are non-recurring events or do not reflect our underlying operations. IPO costs, acquired intangible amortisation and share-based payment charges are excluded. We believe that adjusted operating profit provides readers with a more meaningful measure to evaluate our profitability, performance, and ongoing quality of earnings. Adjusted operating profit for H1 FY22 increased to £25.0 million (FY21: £20.5 million), representing growth of 22.0%.

Operating profit increased from £19.5 million to £23.2 million equating to an increase of 19.0%. This difference is primarily due to the introduction of share schemes during the period with share based payment costs increasing from £154k to £1,021m, which was expected and budgeted for in light of the IPO occurring in December 2020 (H2 FY21).

Corporation tax charge

The effective rate of Corporation tax charged for the half year is 19.9% of profit before tax. This is higher than the standard rate of tax of 19% due primarily to the estimated non-deductible expenses being higher in the period.

Cash

The Group started the year with a cash balance of £20.7m. Cash generated from operations was £27.0m and after outflows for taxation (£4.3m), finance costs (£0.3m), financing activities (£0.1m) and capital expenditure (£0.1m), finished H1 FY22 with a cash balance of £42.9m.

The Group has maintained its historic track record of strong discipline and good practices in cash collections that have been built up over many years and which minimises risk in the debtors book. Accordingly, it has achieved average debtor days of 36 across the reporting period.

As part of its focus on managing working capital, the Group measures its cash conversion by dividing cash generated from operations, less capital expenditure (together, 'free cash flow') by adjusted operating profit. For the period the Group achieved a healthy cash conversion ratio of 107.5% (H1 FY21 47.5%). The prior year ratio illustrates the sensitive nature of this number to even small delays in payment from customers. However, the Group targets a sustainable cash conversion ratio above 100%.

Dividend declaration

As stated above, the Group's dividend policy is to distribute 40% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to declare a gross interim dividend of 2.0 pence per share. The aggregate amount of the proposed dividend expected to be paid on 3 December 2021 out of retained earnings at 31 August 2021, but not recognised as a liability at the end of the half year, is £4.8m. The salient dates applicable to the dividend are as follows:

Dividend announcement date	Thursday, 28 October 2021
Currency conversion and SA tax treatment announcement released on SENS	Monday, 15 November 2021
Last day to trade cum dividend (SA register)	Tuesday, 16 November 2021
Commence trading ex-dividend (SA register)	Wednesday, 17 November 2021
Commence trading ex-dividend (UK register)	Thursday, 18 November 2021
Record date	Friday, 19 November 2021
Payment date	Friday, 3 December 2021

Additional information required by the Johannesburg Stock Exchange:

1. The GBP:ZAR currency conversion will be determined and published on SENS on 15 November 2021.
2. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register who are not exempt therefrom.

3. The dividend payment will be made from a foreign source.
4. At 28 October 2021, being the declaration announcement date of the dividend, the Company had a total of 239,482,333 shares in issue (with no treasury shares).
5. No transfers of shareholdings to and from South Africa will be permitted between Tuesday, 16 November 2021 and Friday, 19 November 2021 (both dates inclusive). No dematerialisation or rematerialisation orders will be permitted between Wednesday, 17 November 2021 and Friday, 19 November 2021 (both dates inclusive).

Principal Risks

The Group Board has overall responsibility for risk. This includes establishing and maintaining our risk management framework and internal control systems and setting our risk appetite. In doing this it receives support from our Audit Committee and executive management teams, although, through their skills and diligence, everyone in the Group plays a part in protecting our business from risk and making the most of our opportunities.

We have identified ten principal risks and uncertainties that could have a significant impact on the Group's operations and are assigned to four categories: financial, strategic, process and systems, and operational. Bytes management review each principal risk looking at its level of severity, where it overlaps with other risks, the speed at which it is changing, and its relevance to the Group. We consider the principal risks both individually and collectively, so that we can appreciate the interplay between them and understand the entire risk landscape.

The current principal risks and uncertainties that the Board believes could have a significant effect on the Group's financial performance are:

Financial	**1. Economic disruption**	**Risk Owner:** CFO
	The Risk: This includes the geopolitical risk within the UK post Brexit, and the uncertainties caused by Covid-19. **The Impact:** Major economic disruption could result in reduced demand for software licensing, hardware, and services, which could be compounded by government controls. Such lower demand could arise from reduced customer budgets, cautious spending patterns, or clients 'making do' with existing IT. Major economic disruption could also affect the major financial markets, including currencies, interest rates and the cost of borrowing.	**How we manage it:** We have a varied range of customers across different sectors and all tiers of government. We conduct analysis to ensure we are not over-exposed to any market sector, supplier, vendor, or product line. We assess this risk further in our viability statement. While specific customer sectors have been hard hit, our Board's direction on maintaining a diverse customer base allows us to monitor this risk and manage it at tolerable levels. As often occurs with risk, the pandemic has also proven to be an opportunity, in that we have been able to help organisations to update their technology and meet the urgent need of enabling staff to work from home.
	2. Major supplier revenue changes	**Risk Owner:** CEO
	The Risk: Commercial changes to vendor licensing programmes and to partner rebates and funding which currently contribute an important revenue stream. **The Impact:** If major vendors change their commercial arrangements, it could squeeze our profit margins and adversely affect our profitability.	**How we manage it:** The Company closely monitors incentive income and ensures that staff are aligned to meet vendor partner goals so that the Group maximises these incentives. Close and regular communication with all major vendor partners and distributors allows us to manage this risk appropriately.

Strategic	**3. Vendor relationships**	**Risk Owner:** CEO
	The Risk: The Group depends on the sustainability of its relationships with key vendor partners and their distributors, particularly its relationship with Microsoft. **The Impact:** A deterioration in one or more important trading relationship might render the Group unable to provide products for resale. This would then leave the company with fewer products to sell thus affecting business volumes.	**How we manage it:** We work with our vendors as partners - it is a relationship of mutual dependency since we are their route to the end customer. We maintain excellent relationships with all our vendors, and have a particularly good relationship with Microsoft, who relies on us as a key partner in the UK. Our growth plans, which involve developing business with all our vendors, will naturally reduce the risk of relying too heavily on any single one. Relationships, accreditations, terms & conditions and commercials are reviewed on an ongoing and formal basis and kept constantly under review. Such an outcome has not occurred in the last two decades due to the mutually rewarding nature of these relationships.

Strategic	**4. Competition and disintermediation**	**Risk Owner:** CFO
	The Risk: Mergers and acquisitions have consolidated the distribution network and absorbed specialist services companies causing overlap with our own offerings. A move to direct vendor resale to end customers (disintermediation) could squeeze the market opportunity even more. **The Impact:** Further consolidation could lead to less competition between vendors and cause prices to value added resellers, like the Group, to rise and service levels to fall.	**How we manage it:** The threat of disintermediation by vendors has always been present. This threat is minimised by the Company continuing to increase its value-add to clients directly. This value-add diminishes the desire of clients to deal directly with vendors. Equally, vendors would be hard pressed to engage with millions of organisations globally without a well-established network of intermediaries such as the Group. We differentiate ourselves with customers by providing excellent tailored service and building strong, long-standing

	Direct resale to customers could also increase. This could erode reseller margins, as the purchase cost is less for the distributor than the reseller, and reduce our market, margin, and profits. As consolidating vendors have greater global reach and wider portfolios, the reseller may also become less relevant, which might further affect future revenues and margins.	relationships with them. We achieve this by investing in well-trained staff, with high levels of certification, and by behaving in an ethical, can-do manner that builds trust.

	5. **Relevance and emerging technology**	**Risk Owner:** CEO
	The Risk: As the technology and security markets evolve rapidly and become more complex, the risk exists that we might not keep pace and so fail to be considered for new opportunities. **The Impact:** As customers have wide choice and endless opportunities to research options, if we do not offer cutting edge products and relevant services, we could lose sales and customers, which would affect our profitability.	**How we manage it:** We stay relevant to our customers by continuing to offer them expert advice and innovative solutions; specialising in high-demand areas; holding superior levels of certification; maintaining our good reputation and helping clients find the right solutions in a complex, often confusing IT marketplace. We defend our position by keeping abreast of new technologies and the innovators who develop them. We do this, for example, by running a Cyber Accelerator Programme for new and emerging solution providers, joining industry forums, and sitting on new technology committees. By identifying and developing bonds with emerging companies, we maintain good relationships with them as they grow and give our customers access to their technologies.

Processes and systems	6. **Digital Transformation**	**Risk Owner:** CEO
	The Risk: Failure to transform our internal IT and business processes, so that we cannot keep pace with, nor support, our customers effectively. **The Impact:** If we could not support or interact with our customers in the way they wanted, it could damage our relationships with them, affect sales and damage our profitability.	**How we manage it:** To make sure we keep our business processes and systems in the best shape, we draw on insights from our customers, the market, and all levels of our business. Transformation working groups - including members of our Group technical, IT and security teams - work in partnership with our operating companies to identify strategies and solutions. Transformation work is then run, managed, and monitored by our local IT development, security, and operations teams.

Operational	7. **Cyber Threats (direct)**	**Risk Owner:** CEO
	The Risk: Breaches in the security of electronic and other confidential information collected, processed, stored and transmitted by the Group may give rise to significant liabilities and reputational damage. **The Impact:** Such events can cause significant reputational risk & damage. GDPR and other information security obligations are treated very seriously.	**How we manage it:** The Group undergoes rigorous compliance reviews and uses third-party Penetration Testing Services and IT Audit processes to ensure compliancy with all appropriate regulations. Governance is reviewed monthly and monitored at an operational level on a daily basis.

Operational	8. **Cyber Threats (indirect)**	**Risk Owner:** CEO
	The Risk: Supply chain attacks that are targeted to gain access to customer systems or information. **The Impact:** If an attacker accessed our IT systems, this could allow them to infiltrate one or more of our customer areas. This could provide indirect access, or the intelligence required, to compromise or access a customer environment. This would increase the chance of both first and third-party risk liability, with the possible impacts of regulatory breaches, loss of confidence in our business, reputational damage, and potential financial penalties.	**How we manage it:** We use intelligence-driven analysis, including research by our internal digital forensics team, to protect Bytes. This provides insights into vulnerable areas and the impacts of any breaches, allowing us to strengthen group and operating company security controls. We establish controls that separate customers' systems and mitigate cross-breaches. Our cyber threat level system also allows us to tailor our approach and controls in line with intelligence.
	9. **Technology failure**	**Risk Owner:** CEO
	The Risk: Failure of the Group's critical services or solutions. **The Impact:** Significant downtime in our internal systems would hinder our ability to serve customers and sell solutions. Major outages in systems that provide customer services could limit clients' ability to extract crucial information from their systems or manage their	**How we manage it:** By using different locations, sites, and solutions, we can limit the impact of service outage to customers. Where possible, we use active resilience solutions - which are designed to withstand or prevent loss of services in an unplanned event - rather than just disaster recovery solutions and facilities - which restore normal operations after an incident.

	software.	

	10. Legal and regulatory compliance	Risk Owner: Group Company Secretary
	The Risk: Unintentional non-compliance with data protection laws and regulations, both in the UK and outside.	**How we manage it:** We track and manage contractual and data protection risks with specialist internal team members, seeking expert external advice as required. We have open dialogue with customers and suppliers so that we understand and address their concerns and meet their requirements.
	The Impact: Complex legal and regulatory landscapes can lead to misunderstanding, causing potential regulatory breaches, intervention by regulators, loss of confidence from customers or competitive disadvantage.	

These risks and uncertainties have not changed significantly since those published in the 28 February 2021 Annual Report in May 2021. Contained above is a revision of risks pertaining to Vendor relationships, Competition and disintermediation and Cyber threats (Direct). The Group continues to monitor the impact of Covid-19, as discussed within the Chief Executive Officer's review, above. Further information on the risks can be found on pages 44 to 53 of Bytes' 2021 Annual Report and Accounts, which is available at https://www.bytesplc.com/investors/results-and-reports

Going concern disclosure

The Group performed a full going concern assessment for the year ended 28 February 2021. As outlined in the Chief Financial Officer's Review above, trading in the first half of the year demonstrates the Group's strong performance in the period and its resilient operating model, with the Group exceeding budget expectations in the period. The Group has a healthy liquidity position with £42.9 million of cash and cash equivalents available as at 31 August 2021. The Group also has access to a committed revolving credit facility that covers all the Group's reasonably expected cash requirements over the going concern period to 28 February 2023. The Directors have reviewed trading and liquidity forecasts for the Group as well as continued to monitor the effects of Covid-19 on the business. The Directors have considered the availability of the Group's revolving credit facility, which remains undrawn as at 31 August 2021. The Directors have also considered a number of key dependencies which are set out in the Group's Principle Risks report, specifically the Group's exposure to credit risk, liquidity risk, currency risk and foreign exchange risk as described in note 11 of the interim accounts. The Group continues to model its base case, severe but plausible and stressed scenarios, including mitigations, consistently with those disclosed in the annual financial statements for the year ended 28 February 2021. Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period.

Going concern conclusion
Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The Directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 28 February 2023. Accordingly, the Directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge:

- the unaudited Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union;
- the Interim Management Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the Interim Management Report includes a fair review of the information required by DTR 4.2.8R (disclosure of relates parties' transactions and changes therein).

Neither the Company nor the Directors accept any liability to any person in relation to the half-year financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

On behalf of the Board

Neil Murphy — Chief Executive Officer
Andrew Holden — Chief Financial Officer

27 October 2021

Bytes Technology Group plc

Interim condensed consolidated statement of profit or loss

For the six months ended 31 August

	Note	31 August 2021 Unaudited £'000	31 August 2020 Unaudited £'000	28 February 2021 Audited £'000
Revenue	**3**	251,359	221,222	393,569
Cost of sales		(198,489)	(174,843)	(303,995)
Gross profit		**52,870**	**46,379**	**89,574**
Administrative expenses		(29,688)	(26,516)	(62,397)
Increase in loss allowance on trade receivables	**7**	(15)	(333)	(333)
Operating profit		**23,167**	**19,530**	**26,844**
Finance income		6	24	12
Finance costs		(303)	(40)	(193)
Finance costs - net		(297)	(16)	(181)
Profit before taxation		**22,870**	**19,514**	**26,663**
Income tax expense	**4**	(4,552)	(3,757)	(6,730)
Profit after taxation		**18,318**	**15,757**	**19,933**

	Note			
Profit for the period attributable to owners of the parent company		**18,318**	**15,757**	**19,933**
		pence	**pence**	**pence**
Basic earnings per ordinary share	**15**	7.72	6.78	8.52
Diluted earnings per ordinary share	**15**	7.54	6.78	8.47

The consolidated statement of profit or loss has been prepared on the basis that all operations are continuing operations.

There are no items to be recognised in other comprehensive income and hence, the Group has not presented a statement of other comprehensive income.

Bytes Technology Group plc

Interim condensed consolidated statement of financial position

	Note	As at 31 August 2021 Unaudited £'000	As at 31 August 2020 Unaudited £'000	As at 28 February 2021 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment		7,965	8,420	8,275
Right-of-use assets		1,002	1,202	1,097
Intangible assets	**5**	43,638	45,248	44,443
Contract assets		292	459	214
Deferred tax assets		-	-	357
Total non-current assets		**52,897**	**55,329**	**54,386**
Current assets				
Inventories		258	746	591
Contract assets		4,864	8,009	7,179
Trade and other receivables	**7**	101,952	99,268	106,664
Cash and cash equivalents	**8**	42,854	31,928	20,734
Total current assets		**149,928**	**139,951**	**135,168**
Total assets		**202,825**	**195,280**	**189,554**
Liabilities				
Non-current liabilities				
Lease liabilities		(1,085)	(1,252)	(1,176)
Contract liabilities		(2,371)	(1,475)	(2,324)
Deferred tax liabilities		(1,135)	(1,754)	(1,738)
Total non-current liabilities		**(4,591)**	**(4,481)**	**(5,238)**
Current liabilities				
Trade and other payables	**9**	(150,843)	(147,296)	(157,121)
Contract liabilities		(10,453)	(9,186)	(10,038)
Current tax liabilities		(495)	(645)	(207)
Lease liabilities		(184)	(256)	(202)
Total current liabilities		**(161,975)**	**(157,383)**	**(167,568)**
Total liabilities		**(166,566)**	**(161,864)**	**(172,806)**
Net assets		**36,259**	**33,416**	**16,748**
Equity				
Share capital		2,395	2,325	2,395
Share premium		633,636	625,373	633,636
Other reserves	**14**	1,510	1,324	317
Merger reserve		(644,375)	(644,375)	(644,375)
Retained earnings		43,093	48,769	24,775
Total equity		**36,259**	**33,416**	**16,748**

Bytes Technology Group plc

Interim condensed consolidated statement of changes in equity (unaudited)

For the six months ended 31 August

		Attributable to owners of the company					
	Note	**Share capital £'000**	**Share premium £'000**	**Other reserves £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 March 2021		**2,395**	**633,636**	**317**	**(644,375)**	**24,775**	**16,748**
Total comprehensive income for the period		-	-	-	-	18,318	18,318
Share-based payment transactions	**14**	-	-	1,021	-	-	1,021
Deferred tax		-	-	172	-	-	172
Balance at 31 August 2021		**2,395**	**633,636**	**1,510**	**(644,375)**	**43,093**	**36,259**
Balance at 1 March 2020		**2,325**	**625,373**	**1,170**	**(644,375)**	**51,612**	**36,105**
Total comprehensive income for the period		-	-	-	-	15,757	15,757
Dividends paid	**12(b)**	-	-	-	-	(18,600)	(18,600)
Share-based payment transactions	**14**	-	-	154	-	-	154
Balance at 31 August 2020		**2,325**	**625,373**	**1,324**	**(644,375)**	**48,769**	**33,416**
Balance at 1 March 2020		**2,325**	**625,373**	**1,170**	**(644,375)**	**51,612**	**36,105**
Total comprehensive income for the period		-	-	-	-	19,933	19,933
Dividends paid	**12(b)**	-	-	-	-	(48,600)	(48,600)
Shares issued during the year		70	8,263	-	-	-	8,333
Deferred tax		-	-	15	-	-	15
Transfer to retained earnings		-	-	(1,830)	-	1,830	-
Share-based payment transactions	**14**	-	-	962	-	-	962
Balance at 28 February 2021		**2,395**	**633,636**	**317**	**(644,375)**	**24,775**	**16,748**

Bytes Technology Group plc

Interim condensed consolidated statement of cash flows

For the six months ended 31 August

	Note	**Period ended 31 August 2021 Unaudited £'000**	**Period ended 31 August 2020 Unaudited £'000**	**Year ended 28 February 2021 Audited £'000**
Cash flows from operating activities				
Cash generated from operations	**10**	26,975	10,047	41,546
Interest received		6	24	12
Interest paid		(273)	(2)	(122)
Income taxes paid		(4,338)	(6,444)	(10,213)
Net cash inflow from operating activities		**22,370**	**3,625**	**31,223**
Cash flows from investing activities				
Payments for property, plant and equipment		(111)	(322)	(607)
Deferred consideration payments		-	-	(16,677)
Net cash outflow from investing activities		**(111)**	**(322)**	**(17,284)**
Cash flows from financing activities				
Proceeds from issues of shares		-	-	8,333
Principal elements of lease payments		(139)	(132)	(295)
Dividends paid to shareholders	**12(b)**	-	(18,600)	(48,600)
Net cash outflow from financing activities		**(139)**	**(18,732)**	**(40,562)**
Net increase/(decrease) in cash and cash equivalents		**22,120**	**(15,429)**	**(26,623)**
Cash and cash equivalents at the beginning of the financial year		20,734	47,357	47,357
Cash and cash equivalents at end of	**8**	**42,854**	**31,928**	**20,734**

year

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1. Accounting policies

1.1 General information

The interim condensed consolidated financial statements of Bytes Technology Group plc, together with its subsidiaries ("the Group" or "the Bytes business") for the six months ended 31 August 2021 were authorised for issue in accordance with a resolution of the directors on 27 October 2021.

The Company is a public limited company, incorporated and domiciled in the UK. Its registered address is Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW.

The Group is one of the UK's leading providers of IT software offerings and solutions, with a focus on cloud and security products. The Group enables effective and cost-efficient technology sourcing, adoption and management across software services, including in the areas of security and cloud. The Group aims to deliver the latest technology to a diverse and embedded non-consumer customer base and has a long track record of delivering strong financial performance. The Group has a primary listing on the Main Market of the London Stock Exchange (LSE) and a secondary listing on the Johannesburg Stock Exchange (JSE).

1.2 Basis of preparation

The annual consolidated financial statements of the Group will be prepared in accordance with United Kingdom adopted international accounting standards ("UK adopted IFRSs").

The interim condensed consolidated financial statements for the six months ended 31 August 2021 have been prepared in accordance with UK adopted International Accounting Standard ("IAS") 34 'Interim Financial Reporting'.

The interim condensed consolidated financial statements have been reviewed, but not audited, by Ernst & Young LLP and were approved by the Board of Directors on 27 October 2021. The financial information contained in this report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 28 February 2021, which were prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The annual financial statements for the year ended 28 February 2021 were approved by the Board of Directors on 25 May 2021 and have been delivered to the registrar. The auditor's report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

The Group's interim condensed consolidated financial statements comprise the interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of financial position, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows and a summary of significant accounting policies and the notes thereto.

All amounts disclosed in the Group's interim condensed consolidated financial statements and notes have been rounded off to the nearest thousand, unless otherwise stated.

Going concern

The Group performed a full going concern assessment for the year ended 28 February 2021As outlined in the Chief Financial Officers review, trading in the first half of the year demonstrates the Group's strong performance in the period and its resilient operating model, with the Group exceeding budget expectations in the period. The Group has a healthy liquidity position with £42.9 million of cash and cash equivalents available as at 31 August 2021. The Group also has access to a committed revolving credit facility that covers all the Group's reasonably expected cash requirements over the going concern period to 28 February 2023. The revolving credit facility allows the Group access to £50 million for the first 12 months from 17 December 2020, reducing to £40 million for the following 12 months and to £30 million thereafter. The directors have reviewed trading and liquidity forecasts for the Group and have continued to monitor the effects of the Covid-19 pandemic on the business. The directors have considered the availability of the Group's revolving credit facility in the Group's forecasts, which remains undrawn as at 31 August 2021. The directors have also 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, liquidity risk, currency risk and foreign exchange risk as described in note 11.

The Group continues to model its base case, severe but plausible and stressed scenarios, including mitigations, consistently with those disclosed in the annual consolidated financial statements for the year ended 28 February 2021. The mitigations applied in the downside scenarios relate to the reductions in pay costs and headcount which are within the control of the Group to implement quickly in response to any downward trends should they be necessary. Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period.

Going concern conclusion

Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 28 February 2023. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

1.3 Demerger and accounting considerations

On 2 April 2020, Allied Electronics Corporation Limited ("Altron" and together with its subsidiaries "Altron group") a South African, JSE listed technology company announced its intention to de-merge the Bytes business and pursue a potential LSE listing with a secondary JSE listing. The parties entered into a share purchase agreement ("Demerger SPA") on 2 November 2020 with the separation and initial public offering ("IPO") taking place on 17 December 2020 (the "Date of the Demerger" and the "Admission date"). The separation was implemented by way of a demerger of the Bytes business to two newly incorporated companies, Bytes Technology Group plc and Bytes Technology Holdco Limited. Bytes Technology Group plc is the ultimate parent company of the newly demerged group with Bytes Technology Holdco Limited, a wholly owned subsidiary held directly by Bytes Technology Group plc. Both companies are incorporated in England and Wales under the UK Companies Act 2006." For more information on the Group's demerger from its former parent group, see the Group's annual consolidated financial statements for the year ended 28 February 2021.

Accounting considerations for the demerger

- Presentation and disclosure including comparative periods

In accounting for the demerger, the Group elected to use the pooling of interest method. Under the pooling of interest method, the annual consolidated financial statements for the year ended 28 February 2021 were prepared as if the Group had already existed before the start of the earliest period presented. The comparative information was therefore presented as if the Demerger Transactions had occurred on 1 March 2019. For the purposes of the interim condensed consolidated financial statements, the comparative information for 31 August 2020 has also been prepared on the same basis. The comparative information for 31 August 2020 has been derived from the unaudited consolidated financial statements of entities forming the Bytes business adjusted for the Demerger Transactions. For more information regarding the Demerger

Transactions, see note 1.3 "Demerger and re-organisation transactions" in the Group's annual consolidated financial statements for the year ended 28 February 2021.

1.4 Critical accounting estimates and judgements

The preparation of the interim condensed consolidated 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.

The key accounting estimates and judgements reported in the annual consolidated financial statements for the year ended 28 February 2021 are still relevant. There are no new significant accounting estimates or judgements arising in the six-month period to 31 August 2021, nor to the date of publication of this interim report.

1.5 New standards, interpretations and amendments adopted by the Group

There were no new standards, interpretations and amendments adopted by the Group during the period to 31 August 2021. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 28 February 2021.

2. Segmental information

2(a) Description of segment

The information reported to the Group's Chief Executive Officer, 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 interim condensed consolidated statement of profit or loss and the interim condensed consolidated statement of financial position. 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 non-underlying items, one-off items, and certain other significant items of income and expenditure in order to provide a more meaningful measure with which to evaluate the Group's profitability and performance based on its day-to-day activities.

An adjustment has been made for the following items:

- Share based payment charges - due to the introduction of new share option schemes post IPO, which did not exist in the comparative period (see note 14)
- Amortisation of acquired intangible assets - due to not reflecting day-to-day activities
- IPO costs - due to their non-recurring nature, noting this was an adjustment in the full year financial statements for the year ended 28 February 2021, but does not affect the current or prior reporting periods

Adjusted operating profit reconciles to operating profit as follows:

	Note	Period ended 31 August 2021 Unaudited £'000	Period ended 31 August 2020 Unaudited £'000	Year ended 28 February 2021 Audited £'000
Adjusted operating profit		24,993	20,489	37,481
Share-based payment charges	**14(d)**	(1,021)	(154)	(962)
Amortisation of acquired intangible assets		(805)	(805)	(1,610)
IPO costs		-	-	(8,065)
Operating profit		**23,167**	**19,530**	**26,844**

3. Revenue from contracts with customers

3(a) Disaggregation of revenue from contracts with customers:

The Group derives revenue from the transfer of goods and services in the following major product lines and geographical regions:

Revenue by product:	Period ended 31 August 2021 Unaudited £'000	Period ended 31 August 2020 Unaudited £'000	Year ended 28 February 2021 Audited £'000
Software	223,987	197,211	343,063
Hardware	15,609	15,251	24,073
Services	11,763	8,760	26,433
Total revenue from contracts with customers	**251,359**	**221,222**	**393,569**

Software

The Group's software revenue comprises the sale of various types of software licences (including both cloud-based and non-cloud-based licences), subscriptions and software assurance products.

Hardware

The Group's hardware revenue comprises the sale of items such as servers, laptops and other devices.

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:	Period ended 31 August 2021 Unaudited £'000	Period ended 31 August 2020 Unaudited £'000	Year ended 28 February 2021 Audited £'000
United Kingdom	240,336	212,810	380,616
Europe	8,093	7,083	9,594
Rest of world	2,930	1,329	3,359

	251,359	**221,222**	**393,569**

3(b) Gross invoiced income by type:	**Period ended 31 August 2021 Unaudited £'000**	**Period ended 31 August 2020 Unaudited £'000**	**Year ended 28 February 2021 Audited £'000**
Software	602,908	474,668	899,155
Hardware	15,609	15,251	24,073
Services	19,729	15,461	34,824
	638,246	**505,380**	**958,052**
Gross invoiced income	638,246	505,380	958,052
Adjustment to gross invoiced income for which the Group acts as agent	(386,887)	(284,158)	(564,483)
Revenue	**251,359**	**221,222**	**393,569**

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. The Group reports gross invoiced income as an alternative financial KPI as management believes this measure allows a better understanding of business performance and position particularly in respect of working capital and cash flow.

4. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual rate used for the period to 31 August 2021 is 19.9%, compared to 19.3% for the period to 31 August 2020. The tax rate is higher in the current period, due primarily to the estimated non-deductible expenses being higher in the period.

The major components of the Group's income tax expense for all periods are:

Current tax expense	**Period ended 31 August 2021 Unaudited £'000**	**Period ended 31 August 2020 Unaudited £'000**	**Year ended 28 February 2021 Audited £'000**
Current income tax charge in the year	4,626	3,898	7,049
Adjustment in respect of current income tax of previous years	-	-	165
Double taxation relief	-	-	(5)
Foreign taxation	-	-	20
Total current income tax charge	**4,626**	**3,898**	**7,229**
Deferred tax credit			
Relating to origination and reversal of temporary differences	(74)	(141)	(499)
Total deferred tax credit	**(74)**	**(141)**	**(499)**
Total tax charge	**4,552**	**3,757**	**6,730**

Amounts recognised directly in equity

	Period ended 31 August 2021 Unaudited £'000	**Period ended 31 August 2020 Unaudited £'000**	**Year ended 28 February 2021 Audited £'000**
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity:			
Deferred tax assets: share-based payments	172	-	15
	172	**-**	**15**

5. Impairment testing of goodwill

In determining the appropriateness of the carrying value of goodwill, 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 three-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 review for potential indicators of impairment was performed for the period to 31 August 2021. As a result of this review, no indicators of impairment have been identified.

6. 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; and
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:

Financial assets	**Note**	**As at 31 August 2021 Unaudited £'000**	**As at 31 August 2020 Unaudited £'000**	**As at 28 February 2021 Audited £'000**
Financial assets at amortised cost:				
Trade receivables	**7**	97,176	95,808	103,455
Other financial assets	**7**	2,986	3,094	1,193
		100,162	98,902	104,648

Financial liabilities	**Note**	**As at 31 August 2021 Unaudited £'000**	**As at 31 August 2020 Unaudited £'000**	**As at 28 February 2021 Audited £'000**
Financial liabilities at amortised cost:				
Trade and other payables - current, excluding Payroll tax and other statutory tax liabilities	**9**	148,933	144,746	150,354
Lease liabilities		1,270	1,508	1,377
		150,203	146,254	151,731

Financial assets at amortised cost:

- *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. 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. Due to the short-term nature of the Group's trade receivables, their carrying amounts are considered to be the same as their fair values.

- *Other financial assets*

These amounts including certain rebates and rental deposits. Other financial assets also include other receivables that generally arise from transactions outside the usual operating activities of the group. Due to the short-term nature of the Group's other financial assets, their carrying amounts are considered to be the same as their fair values.

Financial liabilities at amortised cost:

- *Trade and other payables*

Trade payables are unsecured and are usually paid within 45 days of invoice date or 30 days for small suppliers under the prompt payment code. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

- *Leases*

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. Leases are initially measured at the net present value of the minimum lease payments. The lease payments are discounted using the interest rate implicit within the lease. Due to the short-term nature of the Group's leases, their carrying amounts are considered to be the same as their fair values.

Risk exposure

The Group's exposure to various risks associated with the financial instruments is discussed in note 11. 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.

7. Trade and other receivables

	As at 31 August 2021 Unaudited £'000	**As at 31 August 2020 Unaudited £'000**	**As at 28 February 2021 Audited £'000**
Financial assets			
Gross trade receivables	97,915	96,532	104,179
Less: impairment allowance	(739)	(724)	(724)
Net trade receivables	97,176	95,808	103,455
Other receivables	2,986	3,094	1,193
	100,162	98,902	104,648
Non-financial assets			
Prepayments	1,790	366	2,016
	1,790	366	2,016
Trade and other receivables	101,952	99,268	106,664

8. Cash and cash equivalents

	As at 31 August 2021 Unaudited £'000	**As at 31 August 2020 Unaudited £'000**	**As at 28 February 2021 Audited £'000**
Cash at bank and in hand	42,854	31,928	20,734

	42,854	31,928	20,734

9. Trade and other payables

	As at 31 August 2021 Unaudited £'000	As at 31 August 2020 Unaudited £'000	As at 28 February 2021 Audited £'000
Trade and other payables	120,795	126,180	124,977
Accrued expenses	28,138	18,566	25,377
Payroll tax and other statutory liabilities	1,910	2,550	6,767
	150,843	147,296	157,121

10. Cash generated from operations

	Note	Period ended 31 August 2021 Unaudited £'000	Period ended 31 August 2020 Unaudited £'000	Year ended 28 February 2021 Audited £'000
Profit before taxation		22,870	19,514	26,663
Adjustments for:				
Depreciation and amortisation		1,319	1,340	2,680
Loss on disposal of property, plant and equipment		2	18	18
Non-cash employee benefits expense - share based payments	**14(d)**	1,021	154	962
Finance (income)/costs - net		297	16	181
Decrease/(increase) in contract assets		2,237	(2,327)	(1,252)
Decrease/(increase) in trade and other receivables		4,712	(22,174)	(29,570)
Decrease/(increase) in inventories		333	(58)	97
(Decrease)/increase in trade and other payables		(6,278)	14,109	40,611
Increase in contract liabilities		462	(545)	1,156
Cash generated from operations		**26,975**	**10,047**	**41,546**

11. 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 period consolidated profit or loss and statement of financial position information has been included where relevant to add further context.

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 or access to the revolving credit facility.

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 approach to credit risk is disclosed in note 15 in its annual consolidated financial statements for the year ended 28 February 2021.

11(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 consolidated financial statements due to the low volume and short-term nature of the contracts. Similarly, the amounts recognised in profit or loss in relation to derivatives were considered immaterial to disclose separately.

11(b) Foreign exchange risk

The Group's exposure to foreign currency risk at the end of the reporting period, was as follows:

	As at 31 August 2021 Unaudited			As at 31 August 2020 Unaudited		As at 28 February 2021 Audited		
	USD £'000	EUR £'000	NOK £'000	USD £'000	EUR £'000	USD £'000	EUR £'000	NOK £'000
Trade receivables	12,420	3,743	-	11,649	11,786	11,468	605	-
Cash and cash equivalents	124	71	-	978	653	424	717	-
Trade payables	(13,279)	(6,797)	(278)	(8,990)	(16,850)	(11,163)	(6,557)	(1,294)
	(735)	(2,983)	(278)	3,637	(4,411)	729	(5,235)	(1,294)

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	Period ended 31 August 2021 Unaudited	Period ended 31 August 2020 Unaudited	Year ended 28 February 2021 Audited

	£'000	£'000	£'000
Total net foreign exchange gains/(losses) in profit or loss	6	(6)	(11)
	6	(6)	(11)

11(c) 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 held and is comfortable that for normal operating requirements, no further external borrowings are currently required.

As at 31 August 2021, the Group had cash and cash equivalents of £42.9 million (2020: £31.9 million), see note 8. 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.

(2) Revolving Credit Facility
The Group has entered into a three-year committed Revolving Credit Facility (RCF) from 17 December 2020 of £50 million for the first 12 months, reducing to £40 million for the following 12 months and to £30 million thereafter. The Group incurred arrangement fees of £0.4 million representing 0.75% of the initial £50 million facility available. The Group has so far not drawn down any amount on this facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee has been capitalised as a prepayment and amortised over the three-year period of the facility. The facility also incurs a commitment fee and utilisation fee and both are payable quarterly in arrears. Under the terms of the facility, the Group is required to comply with the following financial covenants:

- Interest cover: EBITDA (earnings before interest, tax, depreciation and amortisation) to net finance charges for the last 12 months shall be greater than 4.0 times;
- Leverage: Net debt to EBITDA for the last 12 months must not exceed 2.5 times.

The Group has complied with these covenants throughout the reporting period.

(3) Contractual maturity of financial liabilities
The following table details the Group's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

31 August 2021 - Unaudited	Note	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade and other payables	**9**	120,795	**-**	**-**	**-**	120,795	120,795
Lease liabilities		235	231	578	429	1,473	1,269
		121,030	231	578	429	122,268	122,064

31 August 2020 - Unaudited		Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade and other payables	**9**	126,180	-	-	-	126,180	126,180
Lease liabilities		302	230	690	633	1,855	1,508
		126,482	230	690	633	128,035	127,688

28 February 2021 - Audited		Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade and other payables	**9**	124,977	-	-	-	124,977	124,977
Lease liabilities		257	231	578	545	1,611	1,378
		125,234	231	578	545	126,588	126,355

12. Capital management

12(a) Risk management
For the purpose of the Group's capital management, capital includes issued capital, 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 shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of 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 shareholders' 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. The Board has concluded that 40% of the Group's post-tax pre-exceptional earnings will be distributed to shareholders. Subject to any cash requirements for ongoing investment, the Board will consider returning excess cash to shareholders over time.

12(b) Dividends

Ordinary shares	Period ended 31 August 2021 Unaudited £'000	Period ended 31 August 2020 Unaudited £'000	Year ended 28 February 2021 Audited £'000
Interim dividend paid	-	18,600	18,600
Final	-	-	30,000
Total dividends attributable to ordinary shareholders	**-**	**18,600**	**48,600**

Final and interim dividends in prior periods
Final and interim dividends paid for the year ended 28 February 2021 and period ended 31 August 2020 to the former parent group, Allied Electronics Corporation Limited relate to the distributions of profits prior to 17 December 2020, "the Date of Demerger". For more information on the Group's demerger from its former parent group, see the Group's annual consolidated financial statements for the year ended 28 February 2021. Dividends per share for the year ended 28 February 2021 and period ended 31 August 2020 were calculated by dividing the dividend paid by the number of ordinary shares in issue at the Date of Demerger.

13. Related party transactions

In the ordinary course of business, the Group carries out transactions with related parties, as defined by IAS 24 'Related Party Disclosures'. There have been no related party transactions that materially affect the current period. Related party transactions materially affecting the prior periods reported relate to the final and interim dividends paid to the Group's former parent group, disclosed in note 12(b).

14. Share-based payments

14(a) Save As You Earn Scheme
On 1 August 2021, 1,103,220 share options were granted to eligible employees under the Save As You Earn Scheme (SAYE). Under the SAYE scheme, employees enter a three-year savings contract in which they can save a fixed amount each month. At the end of the three-year period, employees have an 'option' to buy shares at a fixed price. Options granted in the scheme are for shares in Bytes Technology Group plc. The exercise price of the options of £4.00 represents a 20% discount to the market price of the shares on the last business day prior to 1 June 2021, being 28 May 2021. The fair value at grant date is estimated using a Black Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. There is no cash settlement of the options.
When exercisable, each option is convertible into one ordinary share. As soon as reasonably practicable after a vested option has been exercised, and by no later than 30 days following receipt of a valid exercise notice, the company shall issue and allot or transfer or procure to transfer to the award holder the number of shares in respect of which the vested option has been exercised.

For the six months ended 31 August 2021, no options were exercised, forfeited or expired. The Group has recognised £41,614 of share-based payment expense in the statement of profit or loss from this date.

14(b) Company Share Option Plan
On 1 June 2021, 2,802,000 share options were granted to eligible employees under the Company Share Option Plan (CSOP). Options granted in the scheme are for shares in Bytes Technology Group plc. The exercise price of the options of £5.00 was equal to the market price of the shares on the last business day prior to the date of grant, being 28 May 2021. There are no performance conditions attached to the awards, but options will only vest if certain service conditions are met. The fair value at grant date is estimated using a Black Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is the earliest date (or dates) on which the Award may be exercised unless an earlier event occurs to cause the Award to lapse or become exercisable. The normal vesting date shall be not earlier than the third anniversary of the grant date and not later than the day prior to the tenth anniversary of the grant date. There is no cash settlement option available under the scheme.

When exercisable, each option is convertible into one ordinary share. As soon as reasonably practicable after a vested option has been exercised, and by no later than 30 days following receipt of a valid exercise notice, the company shall issue and allot or transfer or procure to transfer to the award holder the number of shares in respect of which the vested option has been exercised.

For the six months ended 31 August 2021, no options were exercised, forfeited or expired. The Group has recognised £229,785 of share-based payment expense in the statement of profit or loss.

14(c) Bytes Technology Group plc Performance Share Plan
Under the existing Bytes Technology Group plc performance share plan (PSP), 1,480,110 share options were granted on 17 December 2020 to eligible employees of Bytes Technology Group plc and its subsidiaries. Awards granted in the scheme are for shares in Bytes Technology Group plc. Under the plan, participants are granted options which only vest if certain service conditions are met.

The number of options that will vest depends on the participants of the scheme being employed or a 'good leaver' at the vesting date. Once vested, the options remain exercisable for a period up to 10 years from the date of the grant.

Options are granted under the plan for no consideration and carry no voting rights. The Remuneration Committee may decide on or before the date of grant that an award holder shall be entitled to receive additional shares and/or cash payments representing the value of any dividends that would have been paid on the vested shares during the vesting period.

When exercisable, each option is convertible into one ordinary share. As soon as reasonably practicable after a vested option has been exercised, and by no later than 30 days following receipt of a valid exercise notice, the company shall issue and allot or transfer or procure to transfer to the award holder the number of shares in respect of which the vested option has been exercised.

The share price at the date of grant was deemed to be the fair value of the option given that there are no performance conditions, the exercise price is a nominal amount, being £0.01 and option holders are entitled to dividend equivalents.

For the six months ended 31 August 2021, no options were exercised, forfeited or expired. The Group has recognised £749,469 of share-based payment expense in the statement of profit or loss.

14(d) Share-based payment employee expenses

	Period ended 31 August 2021 Unaudited £'000	Period ended 31 August 2020 Unaudited £'000	Year ended 28 February 2021 Audited £'000
Save As You Earn Scheme	42	-	-
Company Share Option Plan	230	-	-
Bytes Technology Group plc Performance Share	749	-	302

Plan			
Bytes Technology Limited Scheme(1)	-	65	129
Blenheim Group Limited Scheme(1)	-	89	531
	1,021	154	962

(1) The Bytes Technology Limited and the Blenheim Group Limited schemes were settled on the Date of the Demerger.For more information on the Group's demerger from its former parent group and the settlement of these schemes, see the Group's annual consolidated financial statements for the year ended 28 February 2021.

15. Earnings per share

The Group calculates earnings per share (EPS) on several different bases in accordance with IFRS and prevailing South Africa requirements. The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Listing Requirements.

	Period ended 31 August 2021 Unaudited	**Period ended 31 August 2020 Unaudited**	**Year ended 28 February 2021 Audited**
	pence	**pence**	**pence**
Basic earnings per share	7.72	6.78	8.52
Diluted earnings per share	7.54	6.78	8.47
Headline earnings per share	7.72	6.78	8.52
Diluted headline earnings per share	7.54	6.78	8.47
Adjusted earnings per share	8.48	7.19	13.07
Diluted adjusted earnings per share	8.30	7.19	12.99

15(a) Weighted average number of shares used as the denominator

	Period ended 31 August 2021 Unaudited	**Period ended 31 August 2020 Unaudited**	**Year ended 28 February 2021 Audited**
	Number	**Number**	**Number**
Weighted average number of ordinary shares used as the denominator in calculating both basic EPS and HEPS	237,429,774	232,480,613	233,900,140
Adjustments for calculation of both diluted EPS and diluted HEPS:			
- share options(1)	5,385,330	-	1,480,110
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating both diluted EPS and diluted HEPS	242,815,104	232,480,613	235,380,250

(1) Share options
Share options granted to employees under the Save As You Earn Scheme, Company Share Option Plan and Bytes Technology Group plc performance incentive share plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share on the basis that all employees are employed at the reporting date, and to the extent that they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the share options are disclosed in note 14.

15(b) Headline earnings per share

The table below reconciles the profits attributable to owners of the company to headline profits attributable to owners of the company:

	Period ended 31 August 2021 Unaudited	**Period ended 31 August 2020 Unaudited**	**Year ended 28 February 2021 Audited**
	£'000	**£'000**	**£'000**
Profits attributable to owners of the company	18,318	15,757	19,933
Adjusted for:			
- Loss on disposal of property, plant and equipment	-	-	-
Headline profits attributable to owners of the company	18,318	15,757	19,933

15(c) Adjusted earnings per share

Adjusted earnings per share is a non-IFRS alternative performance measure which is consistent with the way that financial performance is measured by senior management of the Group. It is calculated by dividing the profit after tax attributable to owners of the Company adjusted for the effects of amortisation of acquired intangible assets, IPO costs and share-based payment charges, by the weighted average number of ordinary shares in issue during the period. The tax effect of adjusting the profit after tax attributable to owners of the Company for the items disclosed above is considered to be immaterial for the purposes of the calculation.

The table below reconciles the profit for the financial year to adjusted earnings and summarises the calculation of adjusted EPS:

	Period ended 31 August 2021 Unaudited	**Period ended 31 August 2020 Unaudited**	**Year ended 28 February 2021**

	£'000	£'000	Audited £'000
Profits attributable to owners of the company	18,318	15,757	19,933
Adjusted for:			
- Share-based payment charges	1,021	154	962
- Amortisation of acquired intangible assets	805	805	1,610
- IPO costs	-	-	8,065
Total adjusted earnings attributable to owners of the company	20,144	16,716	30,570

16. Events after the reporting period

Dividends not recognised at 31 August 2021
Since the end of the half year the directors have recommended the payment of an interim dividend of 2.0 pence per fully paid ordinary share. The aggregate amount of the proposed dividend expected to be paid on 3 December 2021 out of retained earnings at 31 August 2021, but not recognised as a liability at the end of the half year is £4.8 million.

Independent Review Report to Bytes Technology Group Plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2021 which comprises the Interim condensed consolidated statement of profit or loss, Interim condensed consolidated statement of financial position, Interim condensed consolidated statement of changes in equity, Interim condensed consolidated statement of cash flows and the related Notes 1 to 16. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in Note 1, the annual financial statements of the Group will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Southampton
27 October 2021

Corporate Information

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

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NR Murphy
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DN Maw
MS Phillips
E Schraner
A Vincent

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