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Bytes Technology Group PLC
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BYTES TECHNOLOGY GROUP plc
('BTG', 'the Group')

Audited preliminary results for the year ended 29 February 2024
Strong strategic progress; extending track record of double-digit growth

Bytes Technology Group plc (LSE: BYIT, JSE: BYI), one of the UK's leading software, security, and cloud services specialists, today announces its financial results for the year ended 29 February 2024 (2023/24).

Sam Mudd, Chief Executive Officer, said:

"I am very pleased to report another set of positive results for BTG, with a 12.2% increase in adjusted operating profit, driven by contributions from all areas of our business. Despite the challenging economic climate over the past year, our customers have continued to invest in their IT needs. Our gross invoiced income has grown by 26.7%, and our gross profit has risen by 12.5%, as we have expanded our client base in both the public and corporate sectors and increased our share of wallet among existing customers.

"The Group has made strategic investments in personnel, internal systems, and new vendor accreditations to drive future growth and assist our customers in navigating the complexities of secure IT environments. Our strong relationship with Microsoft enables us to capitalise on exciting opportunities such as Copilot, Azure Virtual Solutions, and Business Apps. With continued demand for cloud adoption, backup, storage, and security solutions, these will be our key focus areas in 2024/25.

"Moving forward, through our passionate, talented, and experienced staff, we are well-positioned to continue providing high-quality licensing advice, technical support, and service delivery to meet our customers' needs. This will remain our defining USP."

Financial performance

£'million	**Year ended 29 February 2024**	**Year ended 28 February 2023**	**% change year on year**
Gross invoiced income (GII)[1]	£1,823.0m	£1,439.3m	26.7%
Revenue[2]	£207.0m	£184.4m	12.3%
Gross profit (GP)	£145.8m	£129.6m	12.5%
Gross margin % (GP/Revenue)	70.4%	70.3%	
GP/GII %	8.0%	9.0%	
Operating profit	£56.7m	£50.9m	11.4%
Adjusted operating profit (AOP)[3]	£63.3m	£56.4m	12.2%
AOP/GP %	43.4%	43.5%	
Profit after tax	£46.9m	£40.4m	16.1%
Cash	£88.8m	£73.0m	21.6%
Cash conversion (current period)[4]	104.3%	84.3%	
Earnings per share (pence)	19.55	16.88	15.8%
Final dividend per share (pence)	6.0	5.1	17.6%

Special dividend per share (pence)	8.7	7.5	16.0%

Financial highlights

- GII increased 26.7% to £1,823.0 million (2022/23: £1,439.3 million). The exceptional level of growth was underpinned by strategically important contract wins in the public sector (most notably with the NHS and HMRC) and by continued demand from corporate customers.
- Revenue increased 12.3% to £207.0 million (2022/23: £184.4 million).
- Growth in GP of 12.5% to £145.8 million (2022/23: £129.6 million) supported by higher GP per customer of £24,400 (2022/23: £21,800).
- Operating profit increased by 11.4% to £56.7 million (2022/23: £50.9 million).
- AOP increased by 12.2% to £63.3 million (2022/23: £56.4 million); AOP as a percentage of GP has remained in line with the previous year at 43.4% as we continue to invest in the business.
- Growth in profit after tax of 16.1% to £46.9 million (2022/23: £40.4 million), with high levels of interest income offsetting the impact of the rise in the corporation tax rate from April 2023.
- Earnings per share increased 15.8% to 19.55 pence (2022/23: 16.88 pence).
- Full-year cash conversion of 104.3% reflects strong cash collection from customers and in line with our annual target of 100%, an increase over the 84.3% achieved in 2022/23 and resulting in closing cash of £88.8 million (2022/23: £73.0 million).

Final and special dividend

- The Board proposes a final dividend of 6.0 pence per share and a special dividend of 8.7 pence per share.
- The final dividend represents a 17.6% increase over last year's payment, reflecting the strong growth in adjusted profit after tax, and takes the full-year dividend to 8.7 pence per share, an increase of 16.0%.
- The special dividend has been increased by 16.0%, therefore matching the increase in the full year dividend.

Operational highlights

- Customers that traded with BTG last year contributed 97% of our GP this year (2022/23: 96%), at a renewal rate of 109%.
- BTG committed to allocate Copilot licenses across 63% of internal staff (100% of sales and marketing teams) following the successful trials held in H2 2023/24.
- Increased headcount in the year by 13.7% to 1,057 (2022/23: 930) in order to meet high levels of customer demand; particular focus on bolstering sales and service delivery teams, including net new 72 sales heads.
- Continued expansion of our physical footprint with the opening of a London office in March 2023.
- Bytes Software Services awards in 2023 included Mimecast VAR Customer Excellence Partner of the Year, Forcepoint Partner Excellence Award, Rubrik Top Growth Partner of the Year, Checkpoint Cloud Partner of the Year, CyberArk Commercial Partner of the Year, and Tenable Growth Partner of the Year.
- Phoenix Software awards in 2023 included Microsoft Global Modern Endpoint Management Partner of the Year, VMware Winner of the Industry Award, Veeam Public Sector Partner of the Year, Druva International Partner of the Year, Sophos Public Sector Partner of the Year (EMEA North), and Adobe Best Retention Program Award.
- Both Bytes Software Services and Phoenix Software named among the UK's top 50 Best Workplaces 2024 in the Large Company category. This is in addition to both being listed by Great Places in the Tech, Women and Wellbeing categories for 2023.

Current trading and outlook

In 2023/24, we performed strongly, continuing our trend of double-digit growth across all key financial metrics. Whilst we operate in highly competitive markets amidst challenging macroeconomic conditions, by nurturing our customer relationships, extending our strong vendor partnerships, and leveraging the technical and commercial skills of our teams, we remain confident in our ability to succeed and make further progress in 2024/25.

Analyst and investor presentation

A presentation for sell-side analysts and investors will be held today at 9:30am (BST) via a live video webcast that can be accessed using the link:

https://stream.brrmedia.co.uk/broadcast/66321bc93d21e42c1c32c267

A recording of the webcast will be available after the event at www.bytesplc.com. The announcement and presentation will be available at www.bytesplc.com from 7.00am and 9.00am (BST), respectively.

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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 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

BTG is one of the UK's leading providers of IT software offerings and solutions, with a focus on cloud, security, and AI products. The Group enables effective and cost-efficient technology sourcing, adoption and management across software services, including in the areas of security and the cloud. It aims to deliver the latest technology to a diverse range of customers across corporate and public sectors 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-International Financial Reporting Standard (IFRS) alternative performance measure that reflects gross income billed to customers adjusted for deferred and accrued revenue items. GII has a direct influence on our movements in working capital, reflects our risks and shows the performance of our sales teams.

[2] 'Revenue' is reported in accordance with IFRS 15 Revenue from Contracts with Customers. Under this standard, the Group is required to exercise judgement 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 (the gross profit achieved on the contract and not the gross income billed to the customer). Our key financial metrics of gross invoiced income, gross profit, adjusted operating profit and cash conversion are unaffected by this judgement.

[3] 'Adjusted operating profit' is a non-IFRS alternative performance measure that excludes from operating profit the effects of significant items of expenditure that do not reflect our underlying operations. Amortisation of acquired intangible assets and share-based payment charges are both excluded on this basis. The reconciliation of adjusted operating profit to operating

profit is set out in the Chief Financial Officer's review below.

4 'Cash conversion' is a non-IFRS alternative performance measure that divides cash generated from operations less capital expenditure (together, 'free cash flow') by adjusted operating profit.

Chief Executive Officer's review

A strong performance delivering on our strategy

2023/24 was another year of strong performance with the Group growing adjusted operating profit (AOP) by 12.2% and gross profit (GP) by 12.5%, driven by a 26.7% increase in gross invoiced income (GII). Our revenue, stated after the netting adjustment for software and external services sales, under IFRS 15, was up 12.3%.

Despite the ongoing economic uncertainty, we have continued to achieve double-digit growth year on year, underpinned by our diverse range of product offerings, including software, IT services, and hardware solutions from leading vendors and software publishers and reflecting the robust nature of IT spending across the UK and Ireland.

The scale of the increase in GII is in part due to our success in securing large public sector contracts, illustrating our credibility and strength in bidding for significant government software opportunities under the Crown Commercial Services framework agreement. While these sales are initially won at reduced margins, due to the competitive tendering process, we have a strategy and track record of growing the profitability of these contracts over time to secure additional opportunities within those accounts. Additionally, our GII has grown well across our corporate sector customers, increasing by 17.6%, reflecting our continued success in this area.

Our growth in 2023/24 continued to be driven by customers' demand for resilient and efficient IT environments around security, cloud adoption, digital transformation, hybrid data centers, and storage. These are areas where we will continue to invest in pre-sales and specialist technical skills to expand our opportunities with existing and new customers. Examples of our services delivery capabilities include our Security Operation Centre (SOC), Governance, Risk and Compliance (GRC), and Software Asset Management (SAM) including licensing spend optimisation supported by our own IP in the form of Quantum and Licence Dashboard. The expansion of our IT services capability is further enhanced by the renewal of our Microsoft Azure Expert status for the provision of managed services, along with many other key vendor accreditations.

Customer investments increasingly take the form of annuity contracts, providing confidence in our future growth prospects and the potential for up-selling and cross-selling opportunities with existing clients. Most recently this is seen in the strong customer response to Microsoft's AI products, as we have commenced sales of Copilot and associated in-house services to support customer readiness and adoption. We continue to expand our internal skills through AI-dedicated teams in preparation for this to gain increasing momentum in 2024/25 and beyond. Alongside this, other vendors also have a pipeline of AI-supported software solutions that we look forward to rolling out to our customers.

We are proud of the energy, enthusiasm and professionalism demonstrated by our people, now with over 1,000 staff who do a tremendous job supporting our customers and providing outstanding service levels. We continue to focus on targeted recruitment and training and attracting talent, in front-end sales, delivery teams and across all supporting areas, to help with our ambitious growth plans. A number of recently announced appointments demonstrate our desire to grow the careers of our staff internally, such as Phoenix Software's Managing Director appointment of Clare Metcalfe, and on attracting external talent, such as Bytes Software Services new Chief Commercial Officer, Hayley Mooney.

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, while also meeting our people's aspirations for a healthy work/life balance. In June 2023, we launched our third Share Save Plan, which has again been well received by our employees, with over 50% participating in one or more of these plans.

To support the growth in sales and people, we continue to invest in, and evolve, our internal systems both to improve user experiences and to drive efficiencies. Notwithstanding this investment, our AOP as a percentage of GP has remained in line with the previous year at just over 43% and meeting our sustainable target of more than 40%.

We have continued to deepen our relationships with key partners and are especially pleased to have been recognised by leading industry vendors. Phoenix has been named 2023 Microsoft Modern Endpoint Management Global Partner of the Year, along with receiving awards from VMware, Sophos and Adobe, while Bytes received awards from Mimecast, Forcepoint and Rubrik, to name just a few, reflecting the status and high esteem that 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 are committed to executing our strategy in a responsible manner, with sustainability rooted in everything we do. Our sustainability framework aims to deliver positive impacts for our stakeholders across the key themes 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 that drive our activities. Through our staff-led working groups, we allocate time and resources to various environmental initiatives and to corporate social responsibility activities. We remain committed to supporting diversity throughout our business and are proud of the balance represented across our people. We continue our efforts to align with broader diversity targets to reflect the society in which we, and our stakeholders, operate. More details in respect of our sustainability initiatives are set out below.

Our dividend policy is to distribute 40% of the Group's post-tax pre-exceptional earnings to shareholders by way of normal dividends. Accordingly, we are pleased to confirm that the Board has proposed a final dividend of 6.0 pence per share and an additional special dividend of 8.7 pence per share that, subject to shareholder approval, will both be paid on 2 August 2024 to shareholders on the register at 19 July 2024.

My appointment as CEO was confirmed in May 2024 following what had been a challenging couple of months for the Group. Throughout the period since Neil Murphy's resignation, I have been hugely impressed by the commitment and professionalism of all of our staff as they remained focused on delivering our strategic priorities as we have entered 2024/25. I am excited to have the opportunity to lead BTG on the next stage of its journey and I wish to extend my gratitude to all my colleagues for their hard work and dedication to the business. Finally, I would like to thank our clients for their support and entrusting their business to us; together, our staff and customers are our lifeblood and will always be our top priority.

Continued focus on environment, social and governance (ESG)

Our approach to responsible business and ESG is aimed at helping to build a sustainable future and create long-term value for the Group and its stakeholders. Our strategy is underpinned by our purpose and values, which fosters an aligned culture across the organisation. During the period, we further progressed our ESG initiatives in the following ways.

Increasing our carbon reporting

In 2023/24, two major milestones were achieved: our calculation and baselining of Scope 3 emissions and the submission of our carbon reduction targets to the Science Based Targets initiative (SBTi). For the first time, we have calculated all our Scope 1 and 2 and relevant Scope 3 emissions, which has given us a broad view of our key sources of emissions. In July 2023, we made a Group commitment to submit our targets to the SBTi for validation against the Paris Agreement's aim for less than a 1.5-degree global temperature increase. These were submitted in December 2023, and we expect to have our targets validated during 2024. 2023/24 also saw enhanced disclosures through CDP, which was scored for the first time and is in line with our industry.

We continue to monitor the progress of the IFRS S1 and S2 standards being adopted by the UK Government and will review our Annual Report and Accounts following adoption. The standards will incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), so we expect to be in a good position to transition. Within our businesses, we are supporting the evolution to greener transport to reduce business travel and commuting emissions. The Group has successfully deployed an electric vehicle scheme during the period.

Making positive impacts on our society

Employee support and wellbeing continue as key focus areas for the Group, particularly in light of the continuing cost-of-living crisis, with wellbeing days an important part in driving a healthier and happier workforce. In addition to this, employees have been engaged in, and managers trained in, the impact of menopause and in neurodiversity as part of wider awareness programmes.

Our strong culture remains a driving force behind our successful growth. We continue to support this through staff events, incentive trips and the development of our people with continued learning and training opportunities. In 2023/24, there has been an expansion of the apprenticeship scheme into more areas of the business. Staff are also engaged with through various channels and improvements are made based on their ideas and initiatives.

During 2023/24, we supported our communities through donations, fundraising events and volunteer days, such as with the Wildlife Aid Foundation, the Rainbow Trust and St Leonard's Hospice. Charity sport days have continued over the summer months, engaging with vendors to widen the impact. In addition to fundraising and volunteering, due to an IT refresh, Bytes was also able to donate 140 laptops to employee-nominated non-profit organisations and charities across the UK.

Board composition and committee memberships

The below changes to the composition of the Board and committee memberships were made in 2023/24, a number of these changes followed the resignation of Neil Murphy. The appointments of Sam Mudd as CEO and Ross Paterson and Anna Vikström Persson followed a selection process led by the Chair and with support from a leading external search firm. The appointments bring a wealth of experience that complement and enhance the existing expertise within the Board.

Changes to the Boad and committee memberships made or announced during 2023/24:
- 12 July 2023: David Maw retired as Non-Executive Director.
- 12 July 2023: Sam Mudd appointed as an Executive Director at the Annual General Meeting while continuing in her role as Managing Director (MD) of Phoenix Software Limited, a wholly-owned subsidiary of the Group.
- 12 July 2023: Erika Schraner assumed the role of Designated Non-Executive (DNED) for employee engagement, replacing David Maw.
- 31 October 2023: Alison Vincent stepped down from the Board as an Independent Non-Executive Director.
- 1 November 2023: Erika Schraner appointed Chair of the Remuneration Committee.
- 1 February 2024: Shruthi Chindalur appointed as an Independent Non-Executive Director and member of the Audit, Nomination and Remuneration Committees.
- 21 February 2024: Neil Murphy resigned as Chief Executive Director (CEO) and Executive Director.
- 21 February 2024: Sam Mudd appointed as Interim CEO:

Further changes to the composition of the Board and committee memberships were made or announced following the period end:
- 25 March 2024: Mike Phillips resigned as an Independent Non-Executive Director.
- 25 March 2024: Erika Schraner appointed as Senior Independent Director and Interim Chair of the Audit Committee.
- 25 March 2024: Shruthi Chindalur assumed the role of DNED for employee engagement.
- 10 May 2024: Sam Mudd appointed as CEO.

- Effective 1 June 2024:
    - Ross Paterson appointed as an Independent Non-Executive Director, Chair of the Audit Committee, and member of the Nomination and Remuneration Committees.
    - Anna Vikström Persson appointed as an Independent Non-Executive Director and member of the Audit, Nomination and Remuneration Committees.
    - ESG Committee of the Board established, members will be Anna Vikström Persson (Chair), Patrick De Smedt, Erika Schraner, Ross Paterson and Shruthi Chindalur.

Chief Financial Officer's review

	Year ended 29 February 2024	Year ended 28 February 2023	Change

Income statement	£'m	£'m	%
Gross invoiced income (GII)	**1,823.0**	**1,439.3**	**26.7%**
GII split by product:			
Software	1,722.0	1,346.1	27.9%
Hardware	41.4	38.3	8.1%
Services internal[1]	31.5	28.5	10.5%
Services external[2]	28.1	26.4	6.4%
Netting adjustment	(1,616.0)	(1,254.9)	28.8%
Revenue	**207.0**	**184.4**	**12.3%**
Revenue split by product:			
Software	130.4	114.1	14.3%
Hardware	41.4	38.3	8.1%
Services internal[1]	31.5	28.5	10.5%
Services external[2]	3.7	3.5	5.7%
Gross profit (GP)	**145.8**	**129.6**	**12.5%**
GP/GII %	8.0%	9.0%	
Gross margin %	70.4%	70.3%	
Administrative expenses	**89.1**	**78.7**	**13.2%**
Administrative expenses split:			
Employee costs	71.2	63.3	12.5%
Other administrative expenses	17.9	15.4	16.2%
Operating profit	**56.7**	**50.9**	**11.4%**
Add back:			
Share-based payments	5.7	4.2	35.7%
Amortisation of acquired intangible assets	0.9	1.3	(30.8)%
Adjusted operating profit (AOP)	**63.3**	**56.4**	**12.2%**
Interest income	5.1	-	
Finance costs	(0.4)	(0.5)	
Share of profit of associate[3]	0.2	-	
Profit before tax	**61.6**	**50.4**	22.2%
Income tax expense	(14.7)	(10.0)	47.0%
Effective tax rate	23.9%	19.9%	
Profit after tax	**46.9**	**40.4**	16.1%

[1] Provision of services to customers using the Group's own internal resources

[2] Provision of services to customers using third-party contractors

[3] Cloud Bridge Technologies 25.1% share of profits since April 2023

Overview of 2023/24 results

2023/24 has seen continued double-digit growth across all our key performance measures. Customers have continued to engage with us to support their move into the cloud, or to extend their presence in it, with demand for more sophisticated and resilient security, support and managed service solutions.

This has resulted in operating profit increasing by 11.4% to £56.7 million (2022/23: £50.9 million) and AOP growing by 12.2% year on year from £56.4 million to £63.3 million. The adjusted operating profit excludes the impact of amortisation of acquired intangible assets and share-based payment charges, which do not reflect the underlying day-to-day performance of the Group.

Gross invoiced income (GII)

GII reflects gross income billed to our customers, with some small adjustments for deferred and accrued items (mainly relating to managed service contracts where the income is recognised over time). We believe that GII is the most useful measure to evaluate our sales performance, volume of transactions and rate of growth. GII has a direct influence on our movements in working capital, reflects our risks and demonstrates the performance of our sales teams. Therefore, it is the income measure that is most recognisable among our staff, and we believe most relevant to our customers, suppliers, investors and shareholders for them to understand our business.

GII has increased by 26.7% year on year, with growth spread across all the business's income streams, but most significantly for software, which remains the core focus, contributing 94% of the total GII for the year (2022/23: 94%).

significantly for software, which remains the core focus, contributing 94% of the total GII for the year (2022/23: 94%). The Group's already substantial presence in the public sector has been bolstered by several very large strategic wins relating to government Microsoft Enterprise Agreements. The Group bids under highly competitive tenders, either for single contracts or for several public body contracts in aggregate, the latter enabling us to gain multiple new clients from a single bid process.

This continued high level of government investment in IT, and the Group's success in winning those new contracts, has resulted in our public sector GII increasing by £280.9 million, up 32.8%, to £1,137.5 million (2022/23: £856.6 million). Our corporate GII increased by £102.7 million to £685.5 million (2022/23: £582.7 million), representing a very pleasing rise of 17.6%.

This means that our overall GII mix has moved slightly compared to last year, with 62% in public sector (2022/23: 60%) against corporate of 38% (2022/23: 40%).

Revenue

Revenue is reported in accordance with IFRS 15 Revenue from Contracts with Customers. Under this reporting standard, we are required to exercise judgement 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, that is, the gross profit achieved on the contract and not the gross income billed to the customer.

Our judgements around this area are set out in notes 1.4 and 1.10 of the full-year financial statements for 2023/24 but in summary, software and external services revenue is treated on an agency basis while hardware and internal services revenue is treated as principal.

It should be noted that GII, gross profit, operating profit, and profit before and after taxes are not affected by these judgements, and neither are the consolidated statements of financial position, cash flows and changes in equity.

With the significant increase in software GII, as noted above, and a squeeze on software margin as noted below, its treatment on a net, or agency, basis, means that the 12.3% increase in revenue in the year is therefore lower than the rise in GII.

Gross profit (GP)

Gross profit increased by 12.5% to £145.8 million (2022/23: £129.6 million).

This growth is less than that for GII given the high level of new or renewed GII derived from the public sector and the highly competitive nature of the tendering process, governed under the Crown Commercial Services framework agreements. This has meant that large software contracts, most notably with Microsoft, have been won or renewed at reduced margins. This tends to be particularly prevalent in the first year of new agreements with public sector entities and, as a result, we have seen a reduction on our GP/GII% in the year to 8.0% (2022/23: 9.0%). That said, if the impact of the two largest new contracts is removed from the calculation, the percentage rises to 8.9%, virtually in line with last year and demonstrating the continued strong performance of the business in maintaining its margins.

Deals such as these are consistent with the Group's strategy of winning new customers and then expanding share of wallet. Our objective is to ensure we build our profitability within each contract over its term, typically three to five years, by adding additional higher-margin products into the original agreement as the customers' requirements grow and become more advanced. Adding AI products such as Copilot will become part of these contract expansions going forward. This is further enhanced by focusing on selling our wide range of solutions offerings and higher-margin security products, while maximising our vendor incentives through achievement of technical certifications. We track these customers individually to ensure that the strategy delivers value for the business, and our other stakeholders, over the duration of the contracts.

Our long-standing relationships with our customers and high levels of repeat business was again demonstrated in 2023/24 with 97% of our GP coming from customers that we also traded with last year (2022/23: 96%), at a renewal rate of 109% (which measures the GP from existing customers this period compared to total GP in the prior period). This demonstrates our ability to increase our share of wallet with average GP per customer growing from £21,800 in 2022/23 to £24,400 in 2023/24.

Administrative expenses

This includes employee costs and other administrative expenses as set out below.

Employee costs

Employee costs

Our success in growing GII and GP continues to be as a direct result of the investments we have made over the years in our front-line sales teams, vendor and technology specialists, service delivery staff and technical support personnel, backed up by our marketing, operations, and finance teams. It has been, and will remain, a carefully managed aspect of our business.

In addition to continuing to hire in line with growth and to ensure we have the expertise required to provide our clients with the best service, our commitment to develop, promote and expand from within the existing employee base, giving our people careers rather than just employment, is at the heart of our progress as a business. This has contributed to long tenure from our employees which in turn supports the long relationships we have established with our customers, vendors, and partners. This is at the very heart of our low employee churn rate, the growth in gross profit per customer and our high customer retention rate.

During the year we have seen total staff numbers rise above 1,000 for the first time, to 1,057 on our February 2024 payroll, up by 13.7% from the year-end position of 930 on 28 February 2023. Employee costs included in administrative expenses rose by 12.5% to £71.2 million (2022/23: £63.3 million), in line with our GP growth and reflecting the balanced and proportional way in which staff investments are made. Indeed, after excluding share-based payments of £5.7 million (2022/23: £4.2 million), the rise was lower at 10.8%.

Other administrative expenses

Other administrative expenses increased by 16.2% to £17.9 million (2022/23: £15.4 million). This increase included additional spend on internal systems, professional fees, staff welfare and travel costs. This reflects the costs of running, and investing in, a growing organisation and in operating a listed Group, including evolving our governance structure, controls, and processes with the support of our professional advisors.

Adjusted operating profit and operating profit

Adjusted operating profit excludes, from operating profit, the effects of:
- Share based payment charges because, while new employee share schemes are being launched, the charge to the income statement will increase each year. Accordingly, the charge for the current year has risen to £5.7 million, compared to £4.2 million last year.
- Amortisation of acquired intangibles because this cost only appears as a consolidation item and does not arise from ordinary operating activities.

We believe that adjusted operating profit is a meaningful measure that the Board can use to effectively evaluate our profitability, performance, and ongoing quality of earnings. Adjusted operating profit in 2023/24 increased to £63.3 million (2022/23: £56.4 million), representing growth of 12.2%. Our operating profit increased from £50.9 million to £56.7 million, equating to an increase of 11.4%.

Adjusted operating profit as a percentage of GP is one of the Group's key alternative performance indicators, being a measure of the Group's operational effectiveness in running day-to-day operations. We aim to sustain it in excess of 40% and have achieved this, with a ratio of 43.4% (2022/23: 43.5%).

Interest income and finance costs

This year has seen significant interest being earned from money market deposits, totalling £5.1 million (2022/23: nil).

Our finance costs largely comprise arrangement and commitment fees associated to our revolving credit facility (RCF), noting that to date the Group has not drawn down any amount. This balance also includes a small amount of finance lease interest on our right-of-use assets, including the introduction of a staff electric vehicle (EV) scheme.

Share of profit in associate

Following the acquisition of a 25.1% interest in Cloud Bridge Technologies in April 2023, in accordance with IAS 28 Investments in Associates we have accounted for the Group's share of its profits since the date of our investment, £0.2 million for the 11-month period.

Profit before tax

The combined impact of increased operating profits and high levels of interest received has seen our profit before tax increasing by an impressive 22.2% to £61.6 million (2022/23: £50.4 million).

Income tax expense

The £4.7 million (47.0%) rise in our income tax expense to £14.7 million (2022/23: £10.0 million) reflects the growth in profits described above and the increase in the UK corporate tax rate from 19% to 25% effective from 1 April 2023.

Nevertheless, our effective rate of tax at 23.9% is lower than the tax charge would be at the standard rate, primarily because of deductions available in relation to the share options exercised by staff during the year. The reconciliation is set out in note 8 to the financial statements.

Profit after tax

Profit after tax increased by 16.1% to £46.9 million (2022/23: £40.4 million), underlining our growth in operating profits and with the impact of higher taxes more than offset by the increase in interest income.

Earnings per share

As a result of this strong growth in profits attributable to owners of the company (post tax), our earnings per share have risen accordingly. Basic earnings per share are up 15.8% from 16.88 pence to 19.55 pence, while adjusted earnings per share have risen 15.7% to 21.78 pence (2022/23: 18.83 pence). The adjusted figure removes the effects of share-based payment charges and amortisation of intangible assets.

Balance sheet and cash flow

	As at	
	29 February 2024	28 February 2023
Balance sheet	**£'m**	**£'m**
Investment in associate	3.2	-
Property plant and equipment	8.5	8.4
Intangible assets	40.6	41.5
Other non-current assets	4.9	1.2
Non-current assets	**57.2**	**51.1**
Trade and other receivables	221.8	185.9
Cash	88.8	73.0
Other current assets	11.8	10.7
Current assets	**322.4**	**269.6**
Trade and other payables	277.9	231.7
Lease liabilities	0.4	0.1
Other current liabilities	19.6	23.9
Current liabilities	**297.9**	**255.7**
Lease liabilities	1.3	0.9
Other non-current liabilities	2.1	2.6
Non-current liabilities	**3.4**	**3.5**
Net assets	**78.3**	**61.5**
Share capital	2.4	2.4
Share premium	633.7	633.6
Share-based payment reserve	11.0	7.2
Merger reserve	(644.4)	(644.4)
Retained earnings	75.6	62.7
Total equity	**78.3**	**61.5**

Closing net assets stood at £78.3 million (2022/23: £61.5 million) including the Group's £3.2 million interest (25.1%) in Cloud Bridge Technologies (which includes our £0.2 million share of profits since it was acquired in April 2023).

Net current assets closed at £24.5 million (2022/23: £13.9 million). This includes growth in the trade and other receivables of 19.3%, and similar growth in trade and other payables of 19.9%, both reflecting the increase in our GII.

Our debtor days at the end of the year stood at 34, down from 37 at 28 February 2023, and our average debtor days for the year was also reduced to 37 (2022/23: 39). While we have increased our closing loss allowance provision to £2.5 million (2022/23: £1.5 million), this is a prudent position given the £35.0 million increase in our gross trade receivables and, in fact, we have come through the year with only £0.3 million in bad debt write-offs against total GII of £1.8 billion.

This strong performance in respect of collecting customer receivables has contributed to the positive cash conversion figures described below.

The Group has paid its suppliers on schedule through the year, with its average creditor days remaining in line with prior year at 47 and standing at 44 at the end of the year (2022/2023: 42).
The consolidated cash flow is set out below along with the key flows which that affected it:

Cash flow	Year ended 29 February 2024 £'m	Year ended 28 February 2023 £'m
Cash generated from operations	**67.3**	**48.9**
Payments for fixed assets	(1.3)	(1.3)
Free cash flow	**66.0**	**47.6**
Net interest received/(paid)	4.7	(0.5)
Taxes paid	(15.1)	(10.3)
Lease payments	(0.2)	(0.2)
Dividends	(36.6)	(30.7)
Investment in associate	(3.0)	0.0
Net increase in cash	15.8	5.9
Cash at the beginning of the year	73.0	67.1
Cash at the end of the year	**88.8**	**73.0**
AOP	**63.3**	**56.4**
Cash conversion (annual)	**104.3%**	**84.3%**
Cash conversion (since IPO)	**109.9%**	**112.4%**

Cash at the end of the period was £88.8 million (2022/23: £73.0 million), which is after the payment of dividends totalling £36.6 million during the year - being the final and special dividends for 2022/23 and the interim dividend for 2023/24 - and after making the £3.0 million investment in Cloud Bridge.

Cash flow from operations after payments for fixed assets (free cash flow) generated a positive cash flow of £66.0 million (2022/23: 47.6 million). Consequently, the Group's cash conversion ratio for the year (free cash flow divided by AOP) was 104.3% (2022/23: 84.3%). Our cumulative cash conversion since we first reported as a PLC in 2020/21 stands at 109.9% over the four years, which is ahead of our sustainable cash conversion target of 100% and reflects the Group's longer-term performance against this measure.

If required, the Group has access to a committed revolving credit facility (RCF) of £30 million with HSBC. The facility commenced on 17 May 2023, replacing the Group's previous facility for the same amount and runs for three years, until 17 May 2026, with an optional one year extension to 17 May 2027. To date, the Group has not utilised the facility.

Proposed dividends

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 propose a gross final dividend of 6.0 pence per share. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 29 February 2024, but not recognised as a liability at the end of the financial year, is £14.4 million. In light of the company's continued strong performance and cash generation, the Board also considers it appropriate to propose a cash return to ordinary shareholders with a special dividend of 8.7 pence per share, equating to £20.9 million. If approved by shareholders, the final and special dividend will be payable on Friday, 2 August 2024 to all ordinary shareholders who are registered as such at the close of business on the record date of Friday, 19 July 2024.

The salient dates applicable to the dividend are as follows:

Dividend announcement date	Thursday, 23 May 2024
Currency conversion determined and announced together with the South African (SA) tax treatment on SENS by 11.00	Monday, 15 July 2024
AGM at which dividend resolutions will be proposed	Thursday, 11 July 2024
Last day to trade cum dividend (SA register)	Tuesday, 16 July 2024
Commence trading ex-dividend (SA register)	Wednesday, 17 July 2024
Last day to trade cum dividend (UK register)	Wednesday, 17 July 2024
Commence trading ex-dividend (UK register)	Thursday, 18 July 2024
Record date	Friday, 19 July 2024
Payment date	Friday, 2 August 2024

Additional information required by the Johannesburg Stock Exchange:

1. The GBP:ZAR currency conversion will be determined and published on SENS on Monday, 15 July 2024.
2. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register unless a shareholder qualifies for exemption not to pay such dividend withholding tax.
3. The dividend payment will be made from a foreign source (UK).
4. At Thursday, 23 May 2024, being the declaration announcement date of the dividend, the company had a total of 240,361,243 shares in issue (with no treasury shares).
5. No transfers of shareholdings to and from South Africa will be permitted between Monday, 15 July 2024 and Friday, 19 July 2024 (both dates inclusive). No dematerialisation or rematerialisation orders will be permitted between Wednesday, 17 July 2024 and Friday, 19 July 2024 (both dates inclusive).

Principal risks

The Group Board has overall responsibility for risk. This includes maintaining our risk management (ERM) framework and internal control systems and setting our risk appetite. In doing this, it receives support from our Audit Committee, our internal audit partner and our executive management teams. However, 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 principal risks and uncertainties that could have a significant impact on the Group's operations, which we assign to five categories: financial, strategic, process and systems, operational and regulatory. BTG's management reviews 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 unsettled geopolitical and macroeconomic environment persisted this year, affecting business and people around the world. Russia's war in Ukraine continued unabated, contributing to higher energy prices and inflation. As tensions rose across the Middle East after the 7 October attack on Israel, strikes on commercial ships in the Red Sea forced companies to pay higher insurance rates or a higher cost to reroute goods around southern Africa. Meanwhile, interest rates remained high.
This all served as a strong reminder of the importance of having a robust, agile approach to managing risk. For us, risk management is a continuous journey, requiring review throughout the year. It starts with defining our risk appetite, which was unchanged this year, as we maintained our cautious approach. Our ERM framework enables us to identify and manage risk, and we believe that it continues to serve us well. The changes we made in 2022/23, by including risk management as a standing agenda item at each of the subsidiary board meetings, have solidified the Group's bottom-up approach to risk.

Through our ongoing risk monitoring process, we assess current and emerging risks. The evolving geopolitical and macroeconomic challenges this year increased the potential for economic disruption, especially as it affects our customers, which is one of our principal risks. While we remain vigilant, our business has performed strongly through various external crises in recent years, demonstrating its resilience.

Since our last Annual Report, we have added two new principal risks, reclassified an emerging risk as a principal risk and added one new emerging risk. We now have 14 rather than 11 principal risks, taking into account the following changes.

New principal risks:

- The Climate change and sustainability risk has risen from being an emerging risk to a principal risk called Sustainability/ESG. The physical threats from climate change will remain as emerging, but the elevated principal risk is about keeping up with regulatory requirement changes and ahead of expectations from investors, employees, customers and other stakeholders.
- We have added a new principal risk called Supply chain management. The risk is based on the time and effort needed to manage the supply chain given increasing focus on compliance, audits, sustainability and reporting.
- We have added another new principal risk called Regulatory and compliance, which relates to the inherent risks from evolving regulatory and compliance landscapes.

New emerging risk:

- In October 2023 we identified a third emerging risk from AI and the impact this might have on our customers and their workforce due to the potential to change the internal IT and working landscape and to present risks from moral, legal and ethical standpoints.

Existing principal risks with updated focus:

- Our Economic disruption and Inflation risks have been amended. Economic disruption now focuses on economic impacts affecting our customers, while Inflation now focuses on the internal effect on our workforce.
- The Increasing debtor risk has expanded and been renamed Working capital. It now includes the financial risk of an increased aged debt profile, as well as creditors and the risk of vendors changing their payment terms.
- We have expanded our definition of Competition to include the evolving competitor landscape, such as through AI and marketplaces.
- The Relevance and emerging technology risk now incorporates the cost of staying current and includes the cost of additional resources as well as upgrading the technologies to use similar technologies.
- We have expanded the Business continuity failure risk to include risk to and from people - like insider threats - and kept the risks from processes and technology.
- Under the Attract and retain staff while keeping our culture risk, we have amended skills shortage from a widespread IT shortage to a shortage in emerging areas, such as AI, where expertise is in high demand.

Existing emerging risks:

- As noted above, the physical risk from climate change remains unchanged as an emerging risk, as does our second emerging risk from 2022/23 around keeping pace with social change.

Financial	**1 Economic disruption**	**Risk owner** CEO
	The risk This risk includes the impact of the crises in Palestine and the Red Sea and the continuing conflict in Ukraine. It encompasses the uncertainties caused by global economic pressures and geopolitical risk within the UK.	**How we manage it** We have so far continued to perform well during high inflation, the conflict in Ukraine and leaving the EU, as well as during the current cost-of-living crisis, disruption to shipping through the Red Sea and the Israel-Palestine conflict.
	The impact	These real-life experiences of high

Major economic disruption and potentially higher taxes could see reduced demand for software licensing, hardware and IT services, which could be compounded by government controls. Lower demand could also arise from reduced customer budgets, cautious spending patterns or clients 'making do' with existing IT. Increased costs from shipping diversions away from the Red Sea could have time and cost implications for imported goods. Economic disruption could also affect the major financial markets, including currencies, interest rates and the cost of borrowing. The high inflation rates seen in 2022 and 2023 have decreased but are still above target rates. Economic deterioration like this could have an impact on our business performance and profitability. Inflationary pressure could still create an environment in which customers redirect their spending from new IT projects to more pressing needs.	Inflation, rising cost of living, Covid-19, exchange rate fluctuations and leaving the EU have shown us to be resilient through tough economic conditions. The diversity of our client base has also helped us maintain and increase business in this period. We are not complacent, however - economic disruption remains a risk and we keep our operations under constant review. Our continued focus on software asset management means that we advise customers of the most cost-effective ways to fulfil their software needs. Changes to economic conditions mean many organisations will look to IT to drive growth and/or efficiency. Externally, we have seen more customers looking to avoid increased staff costs through outsourcing their IT to managed services. This may create an opportunity to accelerate our service offerings.
2 Margin pressure	**Risk owner** MDs of subsidiary businesses
The risk BTG faces pressure on profit margins from myriad directions, including increased competition, changes in vendors' commercial behaviour, certain offerings being commoditised and changes in customer mix or preferences. **The impact** These changes could have an impact on our business performance and profitability.	**How we manage it** Profit margins are affected by many factors at customer and micro levels. We can control some of the factors that influence our margins but some, such as economic and political factors, are beyond our control. In the past year we have [again] sought to increase margins where possible, while cost increases from vendors have grown our margins organically. Our diverse portfolio of offerings, with a mix of vendors, software and services, has enabled us to absorb any changes - and we continue to innovate to find new ways to deliver more value for our customers. Services delivered internally are consistently measured against our competition to ensure we remain competitive and maximise margins. We aim to agree acceptable profit margins with customers upfront. Keeping the correct level of certification by vendor, early deal registration and rebate management are three methods we use to make sure we are procuring at the lowest cost and maximising the incentives we earn. This risk area is reviewed monthly.
3 Changes to vendors' commercial model	**Risk owner** CEO
The risk We receive incentive income from our vendor partners and their distributors. This partially offsets our costs of sales but could be significantly reduced or eliminated if the commercial models are changed significantly.	**How we manage it** We maintain a diverse portfolio of vendor products and services. Although we receive major sources of funding from specific vendor programmes, if one source declines, we can offset it by gaining new certifications in, and selling, other

	The impact These incentives are very valuable and contribute to our operational profits. Significant changes to the commercial models could put pressure on our profitability.	technologies where new funding is available. Where vendors have changed - such as Broadcom purchasing VMware - we have seen AWS and Dell increasingly embrace the reseller community. So, overall, for BTG the severity of this risk is unchanged. We closely monitor incentive income and make sure staff are aligned to meet vendor partners' goals so that we don't lose out on these incentives. Close and regular communication with all our major vendor partners and distributors means we can manage this risk appropriately. In some areas we have seen a positive change in vendors' commercial terms, where we have been able to adapt practices. The materiality of this risk has not been realised yet, but it remains a risk.
	4 Inflation	**Risk owner** CFO
	The risk Inflation in the UK, as measured by the Consumer Price Index (CPI), was 10.1% in March 2023 and more than halved to 3.2% by March 2024. This rate is above the Bank of England's target of 2%, although expectations suggest it could be 2% by the second half of 2024. **The impact** Wage inflation and increased fuel and energy costs have a direct impact on our underlying cost base. If our competitors increase wages to a higher level, then we potentially have a risk for retaining and attracting staff and customers.	**How we manage it** Staff costs make up most of our overheads, so our attention has been focused on our staff and their ability to cope with the rising cost of living. At the start of 2023/24, varying levels of wage increases were rolled out for our employees, with a greater percentage increase for lower-paid staff. This was to help our employees maintain their standard of living and be able to keep up with essentials such as rent and mortgage payments, and energy and food bills.
	5 Working capital	**Risk owner** CFO
	The risk As customers face the challenges of inflation and elevated interest rates in the current economic environment, there is a greater risk of an increasing aged debt profile, with customers slower to pay and the possibility of bad debts. Vendors' changing payment terms could also have a significant impact. In 2023/24 we have seen debtor days stabilise as inflation has reduced, but the number of days is yet to return to base level. **The impact** This could adversely affect our businesses' profitability and/or cashflow.	**How we manage it** Our credit collections teams are focused on collecting customer debts on time and maintaining our debtor days at targeted levels. Debt collection is reported and analysed continually and escalated to senior management as required. In the past financial year, BTG hasn't had any significant bad debt or write-offs. A large part of a successful outcome is maintaining strong, open relationships with our customers, understanding their issues and ensuring our billing systems deliver accurate, clear and timely invoicing so that queries can be quickly resolved.
Strategic	**6 Vendor concentration**	**Risk owner** CEO
	The risk Over reliance on any one technology or	**How we manage it** We work with our vendors as partners

supplier could pose a potential risk, should that technology be superseded or exposed to economic down cycles, or if the vendor fails to innovate ahead of customer demands.	- it is a relationship of mutual dependency because we are their route to the end customer. We maintain excellent relationships with all our vendors, and have a particularly good relationship with Microsoft, which 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. Hardware is not a core element of our business but is a steady sector, so we monitor supply closely. We also monitor the geopolitical situation continuously and work closely with suppliers to stay fully informed, so that we can respond quickly should the landscape change. With a diverse portfolio of suppliers and vendors, we are able to offer alternatives to customers if there is a particular vendor with a supply issue. Given this risk is largely driven by geopolitical and macroeconomic factors, we maintain a watching brief so that we can react swiftly if we need to.
The impact Relying too heavily on any one vendor could have an adverse effect on our financial performance, should that relationship break down. Geopolitically, global shortages of computer hardware, components and chips could occur, which might limit our and our customers' ability to purchase hardware for internal use. This could lead to delays in customers purchasing software that is linked to, or dependent on, the hardware being available. Reduced access to computer chips could also slow down vendor innovation, leading to delays in creating new technology to resell to customers. Uptake of AI is expected to increase rapidly. While this represents an opportunity, the development of AI by a handful of companies, including Microsoft, has the potential to further concentrate revenue and profit across fewer vendors. This risk is also heightened by changes to shipping routes, if certain channels are made unsafe.	
7 Competition	**Risk owner** CEO
The risk Competition in the UK IT market, or the commoditisation of IT products, may result in BTG being unable to win or maintain market share. Mergers and acquisitions have consolidated our distribution network and absorbed specialist services companies. This has caused overlap with our own offerings. A move to direct vendor resale to end customers (disintermediation) could place more pressure on the market opportunity. Platforms, like marketplaces, with direct sales to customers, could also be seen as disintermediation. Frameworks, particularly in the public sector, are a procurement route of choice for some customers. We risk narrowing our route to customers if we are not part of these frameworks. AI risks becoming a partial competitor, if it becomes able to provide accurate and beneficial licensing and infrastructure advice direct to customers.	**How we manage it** We closely watch commercial and technological developments in our markets. The threat of disintermediation by vendors has always been present. We minimise this threat by continuing to increase the added value we bring to customers directly. This reduces clients' desire to deal directly with vendors. Equally, vendors cannot engage with myriad organisations globally without the sort of well-established network of intermediaries that we have. We currently work with AWS Marketplace and can sell to our vendors through its platform, which gives discounts to the customer versus buying directly. Artificial intelligence/machine learning has been identified as a new emerging risk, and so will be explored and monitored for risks and opportunities to our business. Currently, there is no sign of any commoditisation that would be a serious threat to our business model in the short or medium term.
The impact This risk could have a material adverse impact on our business and profitability, potentially needing a shift in business operations, including a	

	strategic overhaul of the products, solutions and services that we offer to the market. More consolidation could lead to less competition between vendors and cause prices to value-added resellers, like us, to rise and service levels to fall. Direct resale to customers could also increase. This could erode reseller margins, given the purchase cost is less for the distributor than the reseller. This could reduce our market, margin and profits.	
	8 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 by our customers. **The impact** 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. We have expanded the number and range of our subject-matter experts, who stay ahead of developments in their areas and communicate this internally and externally. 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. This is core to our business, so the risk from this is relatively low.
Processes and systems	**9 Cyberthreats - direct and indirect**	**Risk owner** Chief Information Security Officer
	The risk Breaches in the security of electronic and other confidential information that BTG collects, processes, stores and transmits may give rise to significant liabilities and reputational damage. **The impact** If a hacker accessed our IT systems, they might 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 first- and third-party risk liability, with the possible effects 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 ourselves. This work provides insights into vulnerable areas and the effects of any breaches, which allow us to strengthen our security controls. We have established controls that separate customer systems and mitigate cross-breaches. Our cyberthreat-level system also lets us tailor our approach and controls in line with any intelligence we receive. Our two subsidiaries share insights and examples of good practice on security controls with one another - and the security operations centre located at Phoenix's offices provides the whole business with up-to-date threat analysis.

Operational	**10 Business continuity failure**	Risk owner CFO
	The risk Any failure or disruption of BTG's people, processes and IT infrastructure may negatively affect our ability to deliver to our customers, cause reputational damage and lose us market share.	**How we manage it** Our Chief Technology Officer and Head of IT manage and oversee our IT infrastructure, network, systems and business applications. All our operational teams are focused on the latest vendor products and educate sales teams appropriately. Regular IT audits have identified areas for improvement, while ongoing reviews make sure we have a high level of compliance and uptime. This means our systems are highly effective and fit for purpose. For business continuity, we use different locations sites and solutions to limit the impact of service outage to customers. Where possible, we use active resilience solutions - 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. Employees are encouraged to work from home or take time off when sick, to avoid transmitting illness within the workplace. We also have processes to make sure there isn't a single point of failure, and that resiliency is built into employees' skillsets. Increased automation means a heavier reliance on technology. Although it can reduce human error, it can also potentially increase our reliance on other vendors. Our efforts to reduce the risk from insider threats are multifaceted and involve pre-employment screening, contracts, training, identifying higher-risk individuals, and technology to reduce potential data loss. This risk is reviewed through frequent vulnerability assessments.
	The impact Systems and IT infrastructure are key to our operational effectiveness. Failures or significant downtime could hinder our ability to serve customers, sell solutions or invoice. Major outages in systems that provide customer services could limit clients' ability to extract crucial information from their systems or manage their software. People are a huge part of our operational success, and processes rely on people as much as technology to deliver effectively to our customers. Insider threats, intentional or otherwise, could compromise our ability to deliver and damage our reputation. Employee illness and absence - if in significant numbers, such as a communicable disease in a particular team - could make effective delivery difficult.	
	11 Attract and retain staff while keeping our culture	Risk owner CEO
	The risk The success of BTG's business and growth strategy depends on our ability to attract, recruit and retain a talented employee base. Being able to offer competitive remuneration is an important part of this. Three factors are affecting this: – Inflation, which is still influencing salary expectations and wage growth – Skills shortage in emerging, high-demand areas, such as artificial intelligence and machine learning – With remote or hybrid working becoming the norm, potential employees in traditionally lower-	**How we manage it** We continually strive to be the best company to work for in our sector. One of the ways we manage this risk is by growing our own talent pools. We've used this approach successfully in our graduate intakes for sales, for example. BTG also runs an extensive apprenticeship programme to create a new security skill set. We also review the time that management has to coach new staff. Maintaining our culture is important to retaining current staff. We maintain our small-company feel through regular communications, clubs, charity events and social events. We aim to absorb growth while keeping our culture

	paid geographical regions being able to work remotely in higher-paying areas like London. Maintaining our BTG culture also affects how we attract and retain staff, which growth can change. **The impact** Excessive wage inflation could either drive up costs or mean we are unable to attract or retain the talent pool we need to continue to deliver our planned growth.	growth while keeping our culture.
	12 Supply chain management	Risk owner CEO
	The risk Failure to understand suppliers may lead to regulatory, reputational and financial risks, if they expose our business to practices that we would not tolerate in our own operations. The time and effort to monitor and audit suppliers is considered a risk. **The impact** Managing supply chains is important to the sustainability of the business from a legal, financial, reputational, ethical and environmental viewpoint. There is a risk to our business if we engage with suppliers that: – Provide unethical working conditions and pay – Are involved in financial mismanagement and unethical behaviour – Cause environmental damage – Operate in sanctioned regions. Escalating conflicts could also affect our supply chain - for example, rerouting shipping around South Africa adds journey time and increases carbon emissions.	**How we manage it** Supplier set-up forms include questions to ask suppliers to disclose information relating to compliance and adherence to our Supplier Code of Conduct. Any unethical, illegal or corrupt behaviour that comes to light is escalated and appropriate actions is taken. Phoenix has appointed a Procurement Manager and BSS has established a cross-disciplinary group to work on managing suppliers. We consider the impact from shipping risks to be lower, given that only a small part of our profit and revenue come from hardware.
	13 Sustainability/ESG	Risk owner CEO
Regulatory	**The risk** The growing importance of sustainability and ESG for our customers, investors and employees means we need to stay at the forefront of reporting and disclosure, especially given that requirements and standards are continually updated. **The impact** Falling behind expectations or our peers may lead to challenges around: – Legal compliance, such as adhering to global standards – Retaining customers, as they push to reduce emissions – Investor relations, such as meeting criteria for ESG funds – Attracting and retaining employees, as younger generations seek to work for more purpose-driven businesses.	**How we manage it** Our Board manages and monitors this risk closely, with oversight from the Audit Committee. The Sustainability Manager continues to drive sustainability reporting and initiatives, and to work with an appointed third party to provide guidance and assurance on reported data. Our Sustainability Steering Committee enables decision makers from across Group and our two operating companies to work towards a common goal and report on challenges. Disclosures are made through several channels, including CDP. We submitted our carbon reduction targets to the SBTi in December 2023, as part of our programme to drive sustainability through best practice approaches. Feedback from disclosures is used to guide changes in the business. So, as disclosure methodologies stay current, so should the business, where possible and relevant.

		possible and relevant.
	14 Regulatory and compliance	**Risk owner** CEO
	The risk Our business faces inherent risks from evolving regulatory and compliance landscapes. Changes in laws, regulations and industry standards could significantly affect our operations, financial stability and reputation. **The impact** Operational teams and process face administrative burdens and effects under rapidly changing regulations. Failing to keep up with regulatory, reporting and compliance changes could lead to fines, legal challenges and reputational damage. If regulatory compliance is not maintained, there are risks to the company and to individuals, which could lead to expensive legal challenges and reputational damage to the business among all stakeholders.	**How we manage it** We engage external experts. BTG works closely with external authorities, including through internal and external audits and paid-for consultancy, to advise on expected changes to regulations and the company's response to them. We monitor regulatory developments. Individuals with responsibilities in the business stay up to date with changes in their field through professional memberships and trade publications, and through directly following regulatory and compliance bodies. We work to enhance internal controls. Compliance teams in each operating company hold a register of policies and organise reviews, updates and sign-offs with policy owners to make sure policies are kept current. Our steering committees, operating company board meetings and BTG Board meetings are forums for raising and discussing changes that effect multiple areas of the business.

Going concern disclosure

The Group has performed a full going concern assessment for the year ended 29 February 2024. As outlined in the Chief Financial Officer's review above, trading during the year demonstrated the Group's strong performance in the period and our resilient operating model. The Group has a healthy liquidity position with £88.8 million of cash and cash equivalents available at 29 February 2024. The Group also has access to a committed revolving credit facility that covers the going concern period to 31 August 2025 and that remains undrawn. The directors have reviewed trading and liquidity forecasts for the Group, as well as continuing to monitor the effects of macroeconomic, geopolitical, and climate-related risks on the business. The directors have also considered a number of key dependencies, which are set out in the Group's principal risks report, and including BTG's exposure to inflation pressures, credit risk, liquidity risk, currency risk and foreign exchange risk. 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 2023, with the key assumptions summarised within the financial statements below. Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period without needing to utilise the revolving credit facility.

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 31 August 2025. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

Responsibility statement pursuant to the Financial Services Authority's Disclosure and Transparency Rule 4 (DTR 4)
Each director of the company confirms that (solely for the purpose of DTR 4) to the best of his/her knowledge:

- The financial information in this document, prepared in accordance with the applicable UK law and applicable accounting standards, gives a true and fair view of the assets, liabilities, financial position and result of the Group taken as a whole.
- The Chief Executive Officer's and Chief Financial Officer's reviews include a fair review of the development and performance of the business and the position of the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Sam Mudd
Chief Executive Officer

Andrew Holden
Chief Financial Officer

23 May 2024

Consolidated statement of profit or loss

	Note	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Revenue	3	**207,021**	184,421
Cost of sales		**(61,243)**	(54,848)
Gross profit		**145,778**	129,573
Administrative expenses	4	**(87,839)**	(77,753)
Impairment on trade receivables	17	**(1,227)**	(937)
Operating profit		**56,712**	50,883
Finance income	7	**5,111**	-
Finance costs	7	**(393)**	(491)
Share of profit of associate	12	**166**	-
Profit before taxation		**61,596**	50,392
Income tax expense	8	**(14,745)**	(9,971)
Profit after taxation		**46,851**	40,421
Profit for the period attributable to owners of the parent company		**46,851**	40,421
		Pence	Pence
Basic earnings per ordinary share	28	**19.55**	16.88
Diluted earnings per ordinary share	28	**18.85**	16.28

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.

Consolidated statement of financial position

	Note	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	**8,478**	8,380
Right-of-use assets	10	**1,411**	783
Intangible assets	11	**40,646**	41,526
Investment in associate	12	**3,193**	-
Contract assets	13	**2,689**	397
Deferred tax asset	8	**834**	-
Total non-current assets		**57,251**	51,086
Current assets			
Inventories	15	**60**	58
Contract assets	13	**11,756**	10,684
Trade and other receivables	17	**221,815**	185,920
Cash and cash equivalents	18	**88,836**	73,019
Total current assets		**322,467**	269,681
Total assets		**379,718**	320,767
Liabilities			
Non-current liabilities			
Lease liabilities	10	**(1,314)**	(917)
Contract liabilities	14	**(2,137)**	(1,976)
Deferred tax liabilities	8	**-**	(635)
Total non-current liabilities		**(3,451)**	**(3,528)**
Current liabilities			
Trade and other payables	19	**(277,917)**	(231,717)
Contract liabilities	14	**(19,348)**	(23,914)
Current tax liabilities		**(243)**	(36)
Lease liabilities	10	**(423)**	(75)
Total current liabilities		**(297,931)**	(255,742)
Total liabilities		**(301,382)**	(259,270)
Net assets		**78,336**	61,497
Equity			
Share capital	20	**2,404**	2,395

Share capital	20	**2,404**	2,395
Share premium	20	**633,650**	633,636
Share-based payment reserve		**11,050**	7,235
Merger reserve	21	**(644,375)**	(644,375)
Retained earnings		**75,607**	62,606
Total equity		**78,336**	61,497

The consolidated financial statements were authorised for issue by the Board on 22 May 2024.

Consolidated statement of changes in equity

		Attributable to owners of the company					
		Share capital	**Share premium**	**Share-based payment reserve**	**Merger reserve**	**Retained earnings**	**Total equity**
	Note	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 March 2022		2,395	633,636	3,072	(644,375)	52,839	47,567
Total comprehensive income for the year		-	-	-	-	40,421	40,421
Dividends paid	26(b)	-	-	-	-	(30,654)	(30,654)
Share-based payment transactions	27	-	-	4,188	-	-	4,188
Tax adjustments	8	-	-	(25)	-	-	(25)
Balance at 28 February 2023		2,395	633,636	7,235	(644,375)	62,606	61,497
Total comprehensive income for the year		-	-	-	-	46,851	46,851
Dividends paid	26(b)	-	-	-	-	(36,641)	(36,641)
Shares issued during the year	20	9	14	-	-	-	23
Transfer to retained earnings	27	-	-	(2,791)	-	2,791	-
Share-based payment transactions	27	-	-	5,708	-	-	5,708
Tax adjustments	8	-	-	898	-	-	898
Balance at 29 February 2024		**2,404**	**633,650**	**11,050**	**(644,375)**	**75,607**	**78,336**

Consolidated statement of cash flows

	Note	**Year ended 29 February 2024**	Year ended 28 February 2023
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	22	**67,333**	48,889
Interest received	7	**5,111**	-
Interest paid	7	**(330)**	(443)
Income taxes paid		**(15,109)**	(10,295)
Net cash inflow from operating activities		**57,005**	38,151
Cash flows from investing activities			
Payments for property, plant and equipment	9	**(1,334)**	(1,363)
Investment in associate		**(3,027)**	-
Net cash outflow from investing activities		**(4,361)**	(1,363)
Cash flows from financing activities			
Proceeds from issues of shares		**23**	-
Principal elements of lease payments	10	**(209)**	(233)
Dividends paid to shareholders	24(b)	**(36,641)**	(30,654)
Net cash outflow from financing activities		**(36,827)**	(30,887)
Net increase in cash and cash equivalents		**15,817**	5,901
Cash and cash equivalents at the beginning of the financial year		**73,019**	67,118
Cash and cash equivalents at end of year	18	**88,836**	73,019

Notes to the consolidated financial statements

1 Accounting policies

1.1 General information

Bytes Technology Group plc, together with its subsidiaries ('the Group' or 'the Bytes business') 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 Group's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006.

The Group's material accounting policies and presentation considerations on both the current and comparative periods are detailed below.

The financial information contained in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 29 February 2024 or 28 February 2023. The statutory accounts for the year ended 29 February 2024 will be filed with the Registrar of Companies in due course. The auditors report on these accounts was not qualified or modified and did not contain any statement under Sections 498(2) or (3) of the Companies Act 2006. A separate announcement will be made in accordance with Disclosure and Transparency Rules (DTR) 6.3 when the annual report and audited financial statements for the year ended 29 February 2024 are made available on the Company's website, which is expected to be in June 2024.

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities and the Group's principal risks and uncertainties in the context of the current operating environment. This includes the current geopolitical environment, the current challenging economic conditions, and reviews of future liquidity headroom against the Group's revolving credit facilities, during the period under assessment. The approach and conclusion are set out fully in note 1.3.

The consolidated financial statements have been prepared on a historical cost basis, as modified to include derivative financial assets and liabilities at fair value through the consolidated statement of profit or loss.

1.3 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 the principal risks, which are set out in the Group's risk report within the strategic report, in addition to ever-present risks such as the Group's exposure to credit risk as described in note 17, and liquidity risk, currency risk and foreign exchange risk as described in note 23.

When assessing the going concern of the Group, the directors have reviewed the year-to-date financial actuals, as well as detailed financial forecasts for the period up to 31 August 2025, being the going concern assessment period. This represents 18 months from the end of the reporting period, rather than the minimum 12 months required under International Accounting Standard (IAS) 1, to reflect the possible effect of events occurring after the end of the reporting period up to the date that the financial statements are authorised for issue.

The assumptions used in the financial forecasts are based on the Group's historical performance and management's extensive experience of the industry. Taking into consideration the Groups principal risks, the impact of the current economic conditions and geopolitical environment, and future expectations, the forecasts have been stress-tested through a number of downside scenarios to ensure that a robust assessment of the Group's working capital and cash requirements has been performed.

Operational performance and operating model

The Group is now reporting its fourth year of strong growth since it listed in December 2020. In the current year of reporting, the Group has achieved double-digit growth in gross invoiced income (GII), revenue, gross profit (GP) and operating profit, and finished the year with £88.8 million of cash compared to the prior year £73.0 million.

During the year, customers have continued to move their software products and data off-site and into the cloud, requiring the Group's advice and ongoing support around this, as well as needing flexibility and added security, with hybrid working continuing to be significant for many customers.

On top of these existing opportunities, we are seeing growing requirements for artificial intelligence (AI) functionality within IT applications and a demand for guidance and support from our customers. While we also recognise this as an emerging risk, due to the potential of this technology to change the IT and working landscape and the associated risks from security, moral, legal and ethical standpoints, we primarily consider AI and machine learning an opportunity for our business, as we expand sales into areas such as Microsoft's Copilot and support our customers to capitalise on this emerging technology.

Resilience continues to be built into the Group's operating model from its wide customer base, high levels of repeat business, strong vendor relationships, increased demand driven by heightened IT security risks, and the back-to-back nature of most of its sales. This is explained further below.

- Wide ranging customer base - The Group's income includes a large volume of non-discretionary spend from UK corporates because IT is vital to run their day-to-day operations and to establish competitive advantage in an increasingly digital age. Public sector organisations have similarly sought efficiencies, resilience, and security within their IT infrastructures. This is evident from the 26.7% increase in GII during the year, and our mix of private and public customers means that a downturn in one area can be compensated by upturns in others. This year, though, both sectors have performed strongly, with public sector GII growing by 32.8% and corporate GII by 17.6%.

  Sales risk is further mitigated by the fact that none of the Group's wide range of customers contributes more than 1% of GP. Indeed, during the year only two customers generated GP in excess of £1 million out of a total Group GP of £145.8 million. While we have some significant contributions to our GII by individual customers, most notably the NHS, these are primarily long-term (three-year) contracts within the public sector, which makes our income even more secure and provides the opportunity to develop and monetise those accounts further. Even then, the largest customer has provided only 8% of our total GII of £1.8 billion during the year.

- High levels of repeat business - Due to the nature of licensing schemes and service contracts, a high proportion of business is repeatable in nature, with subscriptions needing to be renewed for the customer to continue to enjoy the benefit of the product or service. Indeed, excluding sales of hardware and services, the remaining dominant balance of our GII - some £1.7 billion (94%) of software - falls into this bracket. The largest software contracts, Microsoft enterprise agreements (EAs), run for three years and it is rare to lose a contract mid-term, which mitigates the risk of income reducing rapidly. The Group has a high success rate in securing renewals of existing EA agreements and winning new ones.

  Increasingly, customers transact their cloud software requirements under usage-based cloud solution provider (CSP) contracts, which provide flexibility but also make the running of many of their key business functions dependent on maintaining these agreements and reliant on the Group's support to manage them.

  The high level of customer retention and growth is illustrated by the renewal rate for the year of 109%, a measure of the rate of growth in GP from existing customers, who also contributed 97% of total GP in the year. The Group will continue to focus on increasing its customer base and spend per customer during the going concern period.

- Microsoft relationship strength - With 68% of the Group's GII and 50% of GP generated from sales of Microsoft products and associated service solutions, this continues to be a very important partnership for both sides. These contributions from Microsoft remain closely in line with previous years in percentage terms; in absolute terms, as our largest vendor, we have now seen their contribution to GII and GP exceed £1.2 billion and £70 million respectively.

  As with the customer side, the licensing of a large proportion of EA software over three-year terms reduces the risk of income falling away quickly. Also, with the notable move towards more agile 'pay-as-you-go' CSP contracts around cloud-based applications, this makes those agreements even more 'sticky', by increasing the dependency of the customer on the cloud infrastructure and products which Microsoft provides.

Further, the Microsoft partnership has created the opportunity for the Group to develop a host of skill sets, so it is best placed to advise and support the customers in whatever direction they choose to fulfil their licensing requirements from a programmatic, purchasing and consumption perspective. To this end, the Group has attained high levels of Microsoft expert status, specialisations and solution partner designations in numerous Microsoft technology areas. In turn, Microsoft rewards partners who have these awards with additional levels of funding. The Board is engaged directly with Microsoft executives in developing the partnership further and Microsoft business is currently growing at double-digit rates.

Within the Microsoft program offerings, and also those of other vendors, including dedicated security software providers, the Group has seen an increased demand for security products and functionality to protect customer IT systems. This has arisen from the increased risk of cyber threats and attacks and has generated additional requirements for the Group's support in this area.

Most recently we have seen Microsoft develop and launch its AI product, Copilot. The Group enrolled in its early access programme during the year in preparation to support customers to improve productivity using Copilot within their Microsoft 365 applications, and we have developed associated services to support customer readiness and adoption. We will continue to carefully expand our internal skills in preparation for this to gain increasing momentum in 2024/25 and beyond and to complement the existing Microsoft solutions we sell.

While vendor concentration, and over-reliance on any one supplier, is identified as one of our principal risks, the very close daily workings between the two sides, the mutually beneficial growth in business, and the increase in accreditations and awards, makes the Group a key partner to Microsoft, as they are to us. We therefore believe the risk of cessation of the Microsoft relationship to be remote.

- Back-to-back sales model - The Group's business is substantially derived from the sale of software that it transacts on a 'back-to-back' basis, meaning all orders placed with vendors follow the receipt of a customer order, and the intangible nature of software products means that the Group is not exposed to inventory risk. Hardware sales are also made on a back-to-back basis, and delivered direct from suppliers to customers, so the Group is not required to invest in, or hold, stock.

As a result of these factors described above, the directors believe that the Group operates in a resilient industry, which will enable it to continue its profitable growth trajectory - but it remains very aware of the risks that exist in the wider economy.

Over the past year we have seen the continued risks around energy, wage and commodities inflation; supply problems and product shortages caused by the ongoing conflicts in Ukraine and the Middle East; and climate change. These risks align to those identified in our principal risks statement, notably economic disruption, inflation, and attraction and retention of staff. The Board monitors these macroeconomic and geopolitical risks on an ongoing basis. These risks are considered further below.

Macroeconomic risks

- Energy cost inflation - Our businesses are not naturally heavy consumers of energy, and hence this element of our overall cost base is very small, at less than 0.5% of the total Group administrative expenses. Even a substantial percentage rise would not have a significant impact on our operating profit. Indeed, we are now starting to see a downward trend following many months with high prices.

- Cost of sales inflation and competition leading to margin pressure - While pricing from our suppliers may be at risk of increasing, as they too face the same macroeconomic pressures as ourselves, our commercial model is based on passing on supplier price increases to our customers. We also see pressure from our customers, notably in the public sector space where new business must often be won under highly competitive tendering processes. So, while there has been a reduction in our gross profit/gross invoiced income (GP/GII%) in the period, this is almost entirely attributable to two exceptionally large new public sector contracts which were secured at reduced margins, for strategic reasons, in order to monetise those accounts over the longer contract terms. Excluding those deals, we have seen only a minimal reduction in our GP/GII% compared to the prior period and this remains one of the biggest focus areas in our business.

- Wage inflation - The business has been facing pressure from wage inflation over the past two to three years. Where strategically required, we have increased salaries to retain key staff in the light of approaches from competitors, especially where staff have specialist or technical skills. We monitor our staff attrition rate and have maintained a level around 16%, which is consistent with last year. We do not believe there has been any significant outflow of staff due to being uncompetitive with salaries. We have a strong, collaborative and supportive culture and offer our staff employment in a business that is robust and they are proud of. This is a key part of our attraction and retention strategy.

In addition, when we look at our key operational efficiency ratio of adjusted operating profit/gross profit (AOP/GP), we have achieved 43.4%, which is in line with last year, demonstrating the control over rising staff costs in response to the growth of the business. While we have already aligned staff salaries to market rates, further expected rises have been factored into the financial forecasts in line with those awarded in the past year.

- Interest rates - The substantial rise in UK and global interest rates since the pandemic has had a negative financial impact on many organisations and households. The Group, however, has no debt and so currently no exposure, nor has it ever needed to call on its revolving credit facility (RCF). We have taken advantage of the recent higher interest rates to generate a significant £5.1 million of interest income in the reporting period, due to the timing difference we see in our cash flow model between customer receipts and supplier payments, and by placing cash on the money markets through our monthly cash cycle. While there are indications that interest rates may start to fall in the coming months, as inflation comes down, we still see substantial earnings opportunity over the going concern period.

- Foreign currency rate changes - The vast majority of our business is transacted in GBP. Where we do transact in foreign currencies, fluctuations in the value of the pound sterling can have both positive and negative impacts but we have the ability to self-hedge as we make both sales and purchases in US dollars and euros.

- Inflation and rising interest rates impacting on customer spending - While customers may consider reducing spending on IT goods and services, if they are seen as non-essential, we have seen increased spending by our customers, because IT may be a means to efficiencies and savings elsewhere. As our customers undergo IT transformation, trending to the cloud, automation and managed service, and with growing cybersecurity concerns also heightening the requirements for IT security, we are seeing no let-up in demand, as illustrated by our reported trading performance. This is supported by our very robust operating model, with business spread over many customers in repeat subscription programs and service contracts, and high renewal rates.

- Inflation and rising interest rates impacting on customer payments - Across the year we have seen a reduction in our average debtor days from 39 to 37 and in our closing debtor days from 37 to 34 compared to prior year, and with minimal evidence that customers ultimately do not pay. Indeed, we have suffered only a small level of bad debt during the year: £0.3 million against GII of £1.8 billion (see note 17). While we have provided for a higher loss allowance against trade receivables at the year end, this is due to the increased volumes of business, and still only represents 1% of the closing balances due.

  As in previous years, the majority of our GII (62%), came from the public sector, traditionally very safe and with low credit risk, while our corporate customer base includes a wide range of blue-chip organisations and with no material reliance on any single customer.

Geopolitical risks
The current geopolitical environment, most notably the conflicts in Ukraine and the Middle East, has created potential supply problems, product shortages and general price rises, particularly in relation to fuel, gas and electricity.

- As noted above, increasing energy prices are not having a noticeable impact on our profitability.

- In terms of supply chain, we are not significantly or materially dependent on the movement of goods, so physical trade obstacles are not likely to affect us directly, with hardware only making up 2% of our GII during the year. Nevertheless, we have ensured that we have a number of suppliers with substitute, or alternative, technologies that we can rely on if one supplier cannot meet our requirements or timescales. This indicates that we have managed the supply chain well.

- Software sales, though, continue to be the dominant element of our overall GII and so are not inherently affected by cross-border issues.

Climate change risks
The Group does not believe that the effects of climate change will have a material impact on its operations and performance over the going concern assessment period considering:

- The small number of UK locations it operates from
- A customer base substantially located within the UK
- A supply chain that is not reliant on international trade and does not source products and services from parts of the world that may be affected more severely by climate change
- It sells predominantly electronic software licences and so has no manufacturing or storage requirements
- Its workforce can work seamlessly from home should any of their normal work locations be affected by a climatic event, although in the UK these tend to be thankfully infrequent and not extreme.

Climate risks are considered fully in the Task Force on Climate-related Financial Disclosures (TCFD) included in the Annual Report.

Additional risk considerations in relation to resignation of Group CEO

The Group's former CEO, Neil Murphy, resigned on 21 February 2024, when it transpired he had engaged in unauthorised and undisclosed trading in the company's shares between January 2021 to November 2023, which the company was notified of and also announced to the market on 23 February 2024 and then again on 13 March 2024 when further undisclosed trades were identified.

In the subsequent investigation conducted by the Group regarding these breaches of market regulations, we have considered whether this has, or may in the future, create reputational damage, which could in turn affect the Group's relationships with key stakeholders and ultimately affect the Group's future financial performance, including its profits and cash flows. We have considered potential adverse impacts in the context of the going concern assessment, notably whether we believe the maximum extent of possible risks would be catered for within our stress tests and downside models. We have taken into account the effect, if any, on our major stakeholders, being our customers, suppliers, staff, and other external parties such as our bank, HSBC.

In summary, our customers and vendors deal with our two operating companies, because that is where their contractual arrangements sit, and not at Group level. Their relationships are with the managing directors, leadership teams and staff at the two operational entities, many established over years or decades. In the case of customers, they deal ostensibly with one operation or the other and, as noted in the operating model section above, resilience comes from our wide customer base and from having no reliance on any one customer. Certain vendors deal with both operations but not with the Group per se. For some of the largest customer and vendor accounts there may also be relationships at Group Board level, as would be expected, most notably with Microsoft. These are long-standing, deep and close relationships and, from our observations and direct dialogue with key parties, we have seen no impact on our operational performance to date. For our staff too, its business as usual and we have not seen any change to staff attrition rates or ability to attract new staff. Our bank has not raised any concerns or questions and the availability of our RCF is unaffected.

As time passes, we believe the possibility of impacts materialising will diminish even further. Therefore, based on the above considerations, any potential impacts from this matter have not been specifically factored into the modelling scenarios described below as we believe the sensitivities modelled under our most stressed downside (30% reductions in GII and GP) would be sufficient to cater for any losses, should they arise.

Liquidity and financing position

At 29 February 2024, the Group held instantly accessible cash and cash equivalents of £88.8 million.

The balance sheet shows net current assets of £24.5 million at year end; this amount is after the Group paid final and special dividends for the prior year totalling £30.2 million and an interim dividend for the current year of £6.5 million. Post year end the Group has remained cash positive and this is expected to remain the case with continued profitable operations in the future and customer receipts collected ahead of making the associated supplier payments.

The Group has access to a committed RCF of £30 million with HSBC. The facility commenced on 17 May 2023, replacing the Group's previous facility for the same amount, and runs for three years, until 17 May 2026. The new facility includes an optional one-year extension to 17 May 2027 and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity. To date, the Group has not been required to use either its previous or new facilities, and we do not forecast use of the new facility over the going concern assessment period.

Approach to cash flow forecasts and downside testing

The going concern analysis reflects the actual trading experience through the financial year to date, Board-approved budgets to 28 February 2025 and detailed financial forecasts for the period up to 31 August 2025, being the going concern assessment period. The Group has taken a measured approach to its forecasting and has balanced the expected trading conditions with available opportunities.

In its assessment of going concern, the Board has considered the potential impact of the current economic conditions and geopolitical environment as described above. If any of these factors leads to a reduction in spending by the Group's customers, there may be an adverse effect on the Group's future GII, GP, operating profit, and debtor collection periods. Under such downsides, the Board has factored in the extent to which they might be offset by reductions in headcount, recruitment freezes and savings in pay costs (including commissions and bonuses). As part of the stressed scenario, where only partial mitigation of downsides is possible, the Board confirmed that the RCF would not need to be used during the going concern period up to 31 August 2025.

Details of downside testing

The Group assessed the going concern by comparing a base case scenario to two downside scenarios and, in each of the downside cases, taking into consideration two levels of mitigation: full and partial. These scenarios are set out below.

- Base case was forecast using the Board-approved budget for the year ending 28 February 2025 and extended across the first six months of the following year to 31 August 2025.

- Downside case 1, Severe but plausible, modelled GII reducing by 10% year on year, GP reducing by 15% year on year and debtor collection periods extending by five days, in each case effective from June 2024.

- Downside case 2, Stressed, modelled both GII and GP reducing by 30% year on year and debtor collection periods extending by ten days, again in each case effective from June 2024.

- Partial mitigation measures modelled immediate 'self-mitigating' reduction of commission in line with falling GP, freezing recruitment of new heads and not replacing natural leavers from September 2024, freezing future pay from March 2025 (as current year rises are already committed) and freezing rises in general overheads from March 2025.

- Full mitigation measures modelled additional headcount reductions from March 2025, in line with falling GP.

The pay and headcount mitigations applied in the downside scenarios are within the Group's control and, depending on how severe the impacts of the modelled downside scenarios are, the Group could activate further levels of mitigation. For example:

- Those relating to headcount freezes or reductions could be implemented even more quickly than indicated above to respond to downward trends as, considering the sudden and significant falls in profitability and cash collections modelled under both downsides, we would not wait for a full three months before taking any action.

- We would also be able to take more action to lower our operating cost base, given the flexibility of our business model.

- A natural reduction in the level of shareholder dividends would follow, in line with the modelled reductions in profit after tax.

Therefore, the Board believes that all mitigations have been applied prudently and are within the Group's control.

Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period, have no requirement to call on the RCF and remain compliant with the facility covenants. Dividends are forecast to continue to be paid in line with the Group's dividend policy to distribute 40% of the post-tax pre-exceptional earnings to shareholders.

The directors consider that the level of stress-testing is appropriate to reflect the potential collective impact of all the macroeconomic and geopolitical matters described and considered above.

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 31 August 2025, being the going concern assessment period. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

1.4 Critical accounting estimates and judgements

The preparation of the 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. 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 consolidated financial statements.

(i) Key accounting judgements

The areas involving key accounting judgements are:

- Revenue recognition - *Principal versus agent,* see note 1.10.

  Under IFRS 15, Revenue from Contracts with Customers, 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.

  To determine the nature of its obligation, the standard primarily requires that an entity shall:
  (a) Identify the specified goods or services to be provided to the customer
  (b) Assess whether it controls each specified good or service before that good or service is transferred to the customer by considering if it:
    a. is primarily responsible for fulfilling the promise to provide the specified good or service
    b. has inventory risk before the specified good or service has been transferred to a customer
    c. has discretion in establishing the price for the specified good or service.

  Judgement is therefore required as to whether the Group is a principal or agent against each specified good or service, noting that a balanced weighting of the above indicators may be required when making the assessment.

  The specific judgements made for each revenue category are discussed in the accounting policy for revenue, note 1.10, as disclosed below.

(ii) Significant accounting estimates and uncertainties

There are no major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(iii) Other accounting estimates and uncertainties

The other areas involving accounting estimates are included below. The effect of climate change has been considered in determining any critical judgements or adjustments required in the preparation of the Group's financial statements. During the current year, and within the next financial year, the impact, if any, is not expected to create any significant risks which result in a material misstatement to the financial statements occurring. However, the effects of climate change over the longer term are more uncertain and may be more significant.

- ***Property, plant and equipment (see notes 1.20 and 9) and leases (see notes 1.14 and 10).***
  The Group's assets under these categories primarily comprise freehold land and buildings and leasehold buildings with much smaller net book values reported for computer equipment, furniture and fittings. IAS 16 Property, Plant and Equipment requires an item of property, plant and equipment (PPE) to be recognised if it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably.

  Consideration has been made as to whether climate-related matters may affect the value of any items of PPE, their economic life or residual value. As noted in the Task Force on Climate-related Financial Disclosures (TCFD) statement with the strategic report, none of the Group's items of PPE, the properties and the assets included within them, are deemed to be at risk or prone to damage from acute or chronic weather events which could arise as part of climate change. Also, none of the items of PPE is deemed susceptible to being phased out, replaced or made redundant under any climate-related legislative changes.

Hence it is judged that there is no material risk from climate change to the carrying values of any items of PPE on the balance sheet at 29 February 2024.

- ***Estimation of recoverable amount of goodwill (see notes 1.15 and 11).***
  The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.15. The recoverable amounts of cash generating units (CGUs) have been determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on forecasts approved by management covering a five-year period. The growth rates used in the forecasts are based on historical growth rates achieved by the Group. Cash flows beyond the five-year period are extrapolated using the estimated growth rates disclosed in note 11. The forecast cash flows are discounted, at the rates disclosed in note 11, to determine the CGUs value-in-use. The sensitivity of changes in the estimated growth rates and the discount rate are disclosed in note 11.

- ***Impairment of intangible assets (see notes 1.15, 1.21 and 11).***
  The Group's assets under this category comprise goodwill, customer relationships and brands, arising on acquisition of subsidiaries. Customer relationships and brands are recognised at fair value after deduction of accumulated amortisation over their useful lives. IAS 36 Impairment of Assets requires an entity to assess, at the end of each reporting period, whether there are any impairment indicators for an entity's assets. Impairment indicators include significant changes in the technological, market, economic or legal environment in which the entity operates.

  Consideration has been made as to whether climate-related matters may affect any of these conditions which in turn may affect the economic performance of an asset or CGU, or its long-term growth rates. For example, customer buying behaviours, requirement to make significant investments in new technologies, or an increase in costs generally charged by suppliers. Further, climate change indirectly resulting in an increase in market interest rates is likely to affect the discount rate used in calculating an asset's or CGU's value in use. This, in turn, could decrease the asset's or CGU's recoverable amount by reducing the present value of the future cash flows and result in a lower value in use.

  However, as noted in the TCFD statement with the strategic report, the Group continually monitors the regulatory and legal environment and takes external advice as required. It expects the impact from changing customer behaviours to be small given the Group's primary business is the supply of critical cloud, security and software products and IT services. Further, the Group does not rely on overseas operations, or require colleagues to work on-site at all times. Nor does it need to have physical products transported to maintain the economic performance of its CGUs.

  Hence it is judged that there is no material risk from climate change to the carrying values of any intangible assets on the balance sheet at 29 February 2024.

- ***Provisions (see note 1.24)***
  IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be recognised when an entity has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. If any of the conditions for recognition are not met, no provision is recognised, and an entity may instead have a contingent liability. Contingent liabilities are not recognised, but explanatory disclosures are required, unless the possibility of an outflow in settlement is remote. In the case of an onerous contract, the provision reflects the lower of the costs of fulfilling the contract and any compensation or penalties from a failure to fulfil it.

  Consideration has been made as to whether climate-related matters may result in the recognition of new liabilities or, where the criteria for recognition are not met, new contingent liabilities may have to be disclosed. Further consideration has been made as to whether climate change, and any resulting associated legislation, may require past judgements to be reconsidered.

  The Group has judged that there is no material risk from climate change which requires new provisions to be made or existing provisions to be reconsidered at 29 February 2024.

  The Group will continue to review and assess potential climate change impacts when making judgements in relation to its accounting for assets and liabilities or for its future earnings and cash flows. However, for the financial statements for the year ended 29 February 2024, the Group believes there is no material impact or risk of misstatement.

1.5 New standards, interpretations and amendments adopted by the Group

(a) New and amended standards adopted by the Group

The Group has applied the following standard or amendments for the first time in the annual reporting period commencing 1 March 2023:

- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
- International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12

The amendments listed above did not have any impact on the amounts recognised in current or prior periods and are not expected to affect future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 29 February 2024 reporting periods and have not been adopted early by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1.6 Principles of consolidation

1.6.1 Subsidiaries

Subsidiaries are all 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.

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.

1.6.2 Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. The statement of profit or loss reflects the Group's share of profit of the associate. Where there is objective evidence that the investment in associate is impaired, the amount of the impairment is recognised within 'Share of profit of associate' in the statement of profit or loss.

1.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who views the Group's operations on a combined level, given they sell similar products and services, and substantially purchase from the same suppliers and under common customer frameworks. The Group has therefore determined that it has only one reportable segment under IFRS 8, which is that of 'IT solutions provider'.

1.8 Finance income and costs

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

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

1.9 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated 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)'.

1.10 Revenue recognition

Revenue recognition principles across all revenue streams

The Group recognises revenue on completion of its performance obligations at the fixed transaction prices specified in the underlying contracts or orders. There are no variable price elements arising from discounts, targets, loyalty points or returns. Where the contract or order includes more than one performance obligation, the transaction price is allocated to each obligation based on their stand-alone selling prices. These are separately listed as individual items within the contract or order.

In the case of sales of third-party products and services, the Group's performance obligations are satisfied by fulfilling its contractual requirements with both the customer and the supplier (which may be direct with the product vendor), ensuring that orders are processed within any contractual timescales stipulated. In the case of sales of the Group's own in-house products and internal services, this includes the Group fulfilling its contractual responsibilities with the customer.

That primary areas of judgement for revenue recognition as principal versus agent are set out above under our key accounting judgements policy and described further below for each revenue category.

Software

The Group acts as an advisor, analysing customer requirements and designing an appropriate mix of software products under different licensing programs. This may include a combination of cloud and on-premise products, typically used to enhance users' productivity, strengthen IT security or assist in collaboration. The way in which the Group satisfies its performance obligations depends on the licensing program selected.

Direct software sales - the Group's performance obligation is to facilitate software sales between vendors and customers, but the Group is not party to those sales contracts. Supply and activation of the software licences, invoicing and payment all take place directly between the vendor and the customer. The transaction price for the customer is set by the vendor with no involvement from the Group. Therefore, the Group does not control the licences prior to their delivery to the customer and hence acts as agent. The Group is compensated by the vendor with a fee based on fixed rates set by the vendor applied to the customer transaction price and determined according to the quantity and type of products sold. Revenue is recognised as the fee received from the vendor on a point in time basis when the vendor's invoicing to the customer takes place.

Indirect software sales - the Group's performance obligation is to fulfil customers' requirements through the procurement of appropriate on-premise software products, or cloud-based software, from relevant vendors. Operating as a reseller, the Group invoices, and receives payment from, the customer itself. Whilst the transaction price is set by the Group at the amount specified in its contract with the customer, the software licensing agreement is between the vendor and the customer. The vendor is responsible for issuing the licences and activation keys, for the software's functionality, and for fulfilling the promise to provide the licences to the customer. Therefore, the Group acts as agent and revenue is recognised as the amount retained after paying the software vendor. As a reseller, the Group recognises indirect software sales revenue on a point-in-time basis once it has satisfied its performance obligations. This takes two main forms as follows:

In the case of cloud-based software sales, the Group arranges for third-party vendors to provide customers with access to software in the cloud. As the sales value varies according to monthly usage, revenue is recognised once the amount is confirmed by the vendor and the Group has analysed the data and advised the customer. This is because the responsibilities of the Group to undertake such activities mean that these performance obligations are satisfied at each point usage occurs and the Group has a right to receive payment.

In the case of licence sales (non cloud-based software) arising from fixed-price subscriptions where the customer makes an up-front payment, the Group recognises revenue when the contract execution or order is fulfilled by the Group because its performance obligation is fully satisfied at that point. Typically, these take the form of annual instalments where the Group is required to undertake various contract review activities at each anniversary date.

Hardware - resale of hardware products

The Group's activities under this revenue stream comprise the sale of hardware items such as servers, laptops and devices. For hardware sales, the Group acts as principal, as it assumes primary responsibility for fulfilling the promise to provide the goods and for their acceptability, is exposed to inventory risk during the delivery period and has discretion in establishing the selling price.

Revenue is recognised at the gross amount receivable from the customer for the hardware provided and on a point-in-time basis when delivered to the customer.

Services internal - provision of services to customers using the Group's own internal resources

The Group's activities under this revenue stream comprise the provision of consulting services using its own internal resources. The services provided include, but are not limited to, helpdesk support, cloud migration, implementation of security solutions, infrastructure, and software asset management services. The services may be one-off projects where completion is determined on delivery of contractually agreed tasks, or they may constitute an ongoing set of deliverables over a contract term which may be multi-year.

When selling internally provided services, the Group acts as principal as there are no other parties involved in the process. Revenue is recognised at the gross amount receivable from the customer for the services provided. The Group recognises revenue from internally provided consulting services on an over-time basis. This is because the customer benefits from the Group's activities as the Group performs them. For service projects extending over more than one month the Group applies an inputs basis by reference to the hours expended to the measurement date, and the day rates specified in the contract. For managed services and support contracts the revenue is recognised evenly over the contract term.

Services external - provision of services to customers using third-party contractors

The Group's activities under this revenue stream comprise the sale of a variety of IT services which are provided by third-party contractors. These may be similar to the internally provided consulting services, where the Group does not have the internal capacity at the time required by the customer or may be services around different IT technologies and solutions where the Group does not have the relevant skills in-house.

Whilst the transaction price is set by the Group at the amount specified in its contract with the customer, when selling externally provided services, the Group acts as agent because responsibility for delivering the service relies on the performance of the third-party contractor. If the customer is not satisfied with their performance, the third party will assume responsibility for making good the service and obtaining customer sign-off. The Group will not pay the third party until customer sign-off has been received. Revenue is recognised at the amount retained after paying the service provider for the services delivered to the customer on a point-in-time basis. The Group does not control the services prior to their delivery and its performance obligations are satisfied at the point the service has been delivered by the third party and confirmed with the customer.

1.11 Contract costs, assets and liabilities

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 of 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 accrued revenue. Accrued revenue is revenue recognised from performance obligations satisfied in the period that has not yet been invoiced to the customer.

Contract assets also include costs to fulfil services contracts (deferred costs) when the Group is invoiced by suppliers before the related performance obligations of the contract are satisfied by the third party. Deferred costs are measured at the purchase price of the associated services received. Deferred costs are released from the consolidated statement of financial position in line with the recognition of revenue on the specific transaction.

Contract liabilities

The Group recognises a contract liability for deferred revenue when the customer is invoiced before the related performance obligations of the contract are satisfied. A contract liability is also recognised for payments received in advance from customers. Contract liabilities are recognised as revenue when the Group performs its obligations under the contract to which they relate**.**

1.12 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 determined by the type and quantity of products within each sale but may also be volume-purchase related. They are generally short term in nature, with rebates earned but not yet received typically relating to the preceding month's or quarter's trading. Rebate income is recognised in cost of sales in the consolidated statement of profit or loss and rebates earned but not yet received are included within trade and other receivables in the consolidated statement of financial position.

1.13 Income tax

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 based on 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, based on amounts expected to be paid to the tax authorities.

Deferred income tax is provided for 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.

1.14 Leases

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
- 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
- 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.

1.15 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.

1.16 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.
For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

1.17 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.

1.18 Inventories

Inventories are measured at the lower of cost and net realisable value considering 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.

1.19 Financial instruments

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)
- 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 considerations 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 29 February 2024, 28 February 2023 and 1 March 2022 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, among 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.

1.20 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

- 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
- 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.

1.21 Intangible assets

Goodwill

Goodwill is measured as described in note 1.15. 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
- Brands, 5 years.

Software

Costs associated with maintaining software programs 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
- The expenditure attributable to the software during its development can be reliably measured.

The useful lives for software is 2 to 8 years.

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.

1.22 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. Amounts received from customers in advance, prior to confirming the goods or services required, are recorded as other payables. Upon delivery of the goods and services, these amounts are recognised in revenue. Other payables are stated at their nominal values.

1.23 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. 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 is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

1.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation because 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.

1.25 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 through the Bytes Technology Group plc share option plans. Information relating to all schemes is provided in note 27.

Employee options

The fair values of options granted under the Bytes Technology Group plc share option plans are recognised as an employee benefit expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted. The share-based payment reserve comprises the fair value of share awards granted which are not yet exercised. The amount will be reversed to retained earnings as and when the related awards vest and are exercised by employees.

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options issued that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

1.26 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.

1.27 Dividends

Dividends paid on ordinary shares are classified as equity and are recognised as distributions in equity.

1.28 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 consider:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- The weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares.

1.29 Rounding of amounts

All amounts disclosed in the consolidated 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 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 consolidated statement of profit or loss and the 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 is an alternative performance measure which excludes the effects of intangible assets amortisation and share-based payment charges.

Adjusted operating profit reconciles to operating profit as follows:

	Note	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Adjusted operating profit		**63,300**	56,377
Share-based payment charges	27	**(5,708)**	(4,188)
Amortisation of acquired intangible assets	4	**(880)**	(1,306)
Operating profit		**56,712**	50,883

3 Revenue from contracts with customers

3(a) Disaggregation of revenue from contracts with customers

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

Revenue by product	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Software	**130,365**	114,108
Hardware	**41,389**	38,355
Services internal	**31,517**	28,454
Services external	**3,750**	3,504
Total revenue from contracts with customers	**207,021**	184,421

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 internal

The Group's internal services revenue comprises internally provided consulting services through its own internal resources.

Services external

The Group's external services revenue comprises the sale of externally provided training and consulting services through third-party contractors.

Revenue by geographical regions	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
United Kingdom	**199,912**	177,882
Europe	**4,326**	4,358
Rest of world	**2,783**	2,181
	207,021	184,421

3(b) Gross invoiced income by type

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Software	**1,721,993**	1,346,110
Hardware	**41,389**	38,355
Services internal	**31,517**	28,454
Services external	**28,103**	26,395
	1,823,002	1,439,314
Gross invoiced income	**1,823,002**	1,439,314
Adjustment to gross invoiced income for income recognised as agent	**(1,615,981)**	(1,254,893)
Revenue	**207,021**	184,421

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items amounting to £8.5 million (2023: £5.5 million). The Group reports gross invoiced income as an alternative financial KPI as management believes this measure allows further understanding of business performance and position particularly in respect of working capital and cash flow.

4 Material profit or loss items

The Group has identified several 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:

	Note	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Depreciation of property, plant and equipment	9	**1,236**	1,029
Depreciation of right-of-use assets	10	**263**	145
Loss on disposal of property, plant and equipment		**-**	3
Amortisation of acquired intangible assets	11	**880**	1,306
System support and maintenance		**3,872**	2,991
Share-based payment expenses	27	**5,708**	4,188
Expenses relating to short-term leases	10	**250**	25
Foreign exchange losses / (gains)		**137**	(32)

5 Employees

Employee benefit expense:		**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Employee remuneration (including directors' remuneration[1])		**49,791**	40,725
Commissions and bonuses		**21,623**	22,299
Social security costs		**9,479**	8,158
Pension costs		**1,794**	1,413
Share-based payments expense	27	**5,708**	4,188
		88,395	76,783
Classified as follows:			
Cost of sales		**17,211**	13,527
Administrative expenses		**71,184**	63,256
		88,395	76,783

1 Directors' remuneration is included in the directors' remuneration report.

The average monthly number of employees during the year was:	**Year ended 29 February 2024 Number**	Year ended 28 February 2023 Number
Sales - account management	**335**	285
Sales - support and specialists	**228**	199
Service delivery	**263**	204
Administration	**202**	173
	1,028	861

The employee benefit expenses in relation to the service delivery employees are included within cost of sales.

6 Auditors' remuneration

During the year, the Group obtained the following services from the company's auditors and its associates:

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Fees payable to the company's auditors and its associates for the audit of the parent company and consolidated financial statements	**268**	281
Fees payable to the company's auditors and its associates for other services:		
Audit of the financial statements of the company's subsidiaries	**398**	372
Other fees	**420**	14
Non-audit services[1]	**101**	95
	1,187	762

[1] Non-audit services in the current and prior year relate to the auditors' review of our interim report issued in October 2023 (28 February 2023: October 2022).

7 Finance income and costs

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Finance income		
Bank interest received[1]	**5,111**	-
Finance income	**5,111**	-
Finance costs		
Interest expense on financial liabilities measured at amortised cost	**(330)**	(443)
Interest expense on lease liability	**(63)**	(48)
Finance costs	**(393)**	(491)

[1] Interest received on cash deposited on money market

8 Income tax expense

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

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Current income tax charge in the year	**15,892**	10,483
Adjustment in respect of current income tax of previous years	**(85)**	66
Total current income tax charge	**15,807**	10,549
Current year	**(1,109)**	(402)
Adjustments in respect of prior year	**70**	(75)
Effect of changes in tax rates	**(23)**	(101)
Deferred tax credit	**(1,062)**	(578)
Total tax charge	**14,745**	9,971

Reconciliation of total tax charge

Reconciliation of total tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK applied to profit before tax:

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Profit before income tax	**61,596**	50,392
Income tax charge at the standard rate of corporation tax in the UK of 24.49% (2023: 19%)[1]	**15,085**	9,574
Effects of:		
Non-deductible expenses	**(261)**	507
Adjustment to previous periods	**(15)**	(9)
Effect of changes in tax rate	**(23)**	(101)
Effect of share of profit of associate	**(41)**	-
Income tax charge reported in profit or loss	**14,745**	9,971

[1] Prorated rate for change in tax rate from 19% to 25% on 1 April 2023

Amounts recognised directly in equity

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited/(charged) to equity:		
Deferred tax: share-based payments	**407**	(24)
Current tax: share-based payments	**491**	-
	898	(24)

Deferred tax asset / (liabilities)	**As at 29 February 2024 £'000**	As at 28 February 2023 £'000
The balance comprises temporary differences attributable to:		
Intangible assets	**(788)**	(1,008)
Property, plant and equipment	**(1,059)**	(884)
Employee benefits	**1**	3
Provisions	**73**	65
Share-based payments	**2,607**	1,189
	834	(635)

Deferred tax asset/ (liabilities)	**As at 29 February 2024 £'000**	As at 28 February 2023 £'000
At 1 March	**(635)**	(1,189)
Credited to profit or loss	**1,062**	578
Credit/(Charge) to equity	**407**	(24)
Carrying amount at end of year	**834**	(635)

The deferred tax asset and deferred tax liabilities carrying amounts at the end of the year are set off as they arise in the same jurisdiction and as such there is a legally enforceable right to offset.

9 Property, plant and equipment

	Freehold land and buildings £'000	**Computer equipment £'000**	**Furniture, fittings and equipment £'000**	**Computer software £'000**	**Motor vehicles £'000**	**Total £'000**
Cost						
At 1 March 2022	8,921	3,875	1,305	746	101	14,948
Additions	484	590	8	271	10	1,363
Disposals	-	(126)	-	-	(7)	(133)
At 28 February 2023	9,405	4,339	1,313	1,017	104	16,178
Additions	373	692	11	249	9	1,334
Disposals	-	(25)	-	-	(27)	(52)
At 29 February 2024	**9,778**	**5,006**	**1,324**	**1,266**	**86**	**17,460**
Depreciation						
At 1 March 2022	2,143	3,083	989	626	58	6,899
On disposals	-	(122)	-	-	(8)	(130)
Charge for the year	373	508	54	72	22	1,029
At 28 February 2023	2,516	3,469	1,043	698	72	7,798

At 28 February 2023	2,516	3,469	1,043	698	72	7,798
On disposals	-	(25)	-	-	(27)	(52)
Charge for the year	421	584	51	163	17	1,236
At 29 February 2024	**2,937**	**4,028**	**1,094**	**861**	**62**	**8,982**
Net book value						
At 28 February 2023	6,889	870	270	319	32	8,380
At 29 February 2024	**6,841**	**978**	**230**	**405**	**24**	**8,478**

10 Leases

(i) Amounts recognised in the balance sheet

Right-of-use assets	**Buildings £'000**	**Motor vehicles £'000**	**Total £'000**
Cost			
At 1 March 2022 and 28 February 2023	1,377	245	1,622
Additions	-	891	891
Disposals	-	(245)	(245)
At 29 February 2024	**1,377**	**891**	**2,268**
Depreciation			
At 1 March 2022	449	245	694
Charge for the year	145	-	145
At 28 February 2023	594	245	839
Disposals	-	(245)	(245)
Charge for the period	144	119	263
At 29 February 2024	**738**	**119**	**857**
Net book value			
At 1 March 2022	928	-	928
At 28 February 2023	783	-	783
At 29 February 2024	**639**	**772**	**1,411**

Lease liabilities	**As at 29 February 2024 £'000**	As at 28 February 2023 £'000	As at 1 March 2022 £'000
Current	**423**	75	185
Non-current	**1,314**	917	992
	1,737	992	1,177

There were additions of £0.9 million to the right-of-use assets in the financial year ended 29 February 2024 (financial year ended 28 February 2023: £Nil).

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Depreciation charge of right-of-use assets	**263**	145
Interest expense (included in finance cost)	**63**	48
Expense relating to short-term leases (included in administrative expenses)	**250**	25

(iii) Changes in liabilities arising from financing activities

	As at 1 March 2023 £'000	Additions £'000	Cash flows £'000	Interest £'000	**As at 29 February 2024 £'000**
Lease liabilities	992	891	(209)	63	**1,737**
Total liabilities from financing activities	992	891	(209)	63	**1,737**

	As at 1 March 2022 £'000	Additions £'000	Cash flows £'000	Interest £'000	As at 28 February 2023 £'000
Lease liabilities	1,177	-	(233)	48	992
Total liabilities from financing activities	1,177	-	(233)	48	992

11 Intangible assets

	Goodwill	**Customer relationships**	**Brand**	**Total**
	£'000	£'000	£'000	£'000

	£'000	£'000	£'000	£'000
Cost				
At 1 March 2022, 28 February 2023 and 29 February 2024	**37,493**	**8,798**	**3,653**	**49,944**
Amortisation				
At 1 March 2022	-	3,887	3,225	7,112
Charge for the year	-	878	428	1,306
At 28 February 2023	-	4,765	3,653	8,418
Charge for the year	-	880	-	880
At 29 February 2024	**-**	**5,645**	**3,653**	**9,298**
Net book value				
At 28 February 2023	37,493	4,033	-	41,526
At 29 February 2024	**37,493**	**3,153**	**-**	**40,646**

Determination of recoverable amount

The carrying value of indefinite useful life intangible assets and goodwill are tested annually for impairment. 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, over a five-year period, and thereafter a reasonable rate of growth is applied based on current market conditions. The recoverable amount of Bytes Software Services and Phoenix Software is £737.3 million and £306.8 million respectively. 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:

29 February 2024	**Long-term growth rate %**	**Discount rate %**	**Goodwill carrying amount £'000**
Bytes Software Services	**2**	**9.15**	**14,775**
Phoenix Software	**2**	**9.15**	**22,718**
			37,493

28 February 2023	Long-term growth rate %	Discount rate %	Goodwill carrying amount £'000
Bytes Software Services	2	9.10	14,775
Phoenix Software	2	9.10	22,718
			37,493

Growth rates

The Group used what it considers to be a conservative growth rate of 2% which was applied beyond the approved budget periods. The growth rate was consistent with publicly available information relating to long-term average growth rates for the market in which the respective CGU operated.

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:

29 February 2024	**Bytes Software Services £'000**	**Phoenix Software £'000**
Headroom	**688,344**	**273,935**
1% increase in the pre-tax discount rate applied to the estimated future cash flows	**(97,592)**	**(38,628)**
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	**129,792**	**51,351**
0.5% increase in the terminal growth rate	**46,379**	**18,323**
0.5% decrease in the terminal growth rate	**(40,316)**	**(15,928)**

28 February 2023	Bytes Software Services £'000	Phoenix Software £'000
Headroom	675,427	229,245
1% increase in the pre-tax discount rate applied to the estimated future cash flows	(94,815)	(32,956)
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	126,339	43,885
[illegible]	[illegible]	[illegible]

0.5% increase in the terminal growth rate	45,179	15,660
0.5% decrease in the terminal growth rate	(39,234)	(13,599)

None of the above sensitivities, taken either in isolation or aggregated, indicates a potential impairment. The directors consider that there is no reasonable possible change in the assumptions used in the sensitivities that would result in an impairment of goodwill.

12 Investment in an associate

With effect from 18 April 2023 the Group acquired 25.1% interest in Cloud Bridge Technologies Limited for £3.0 million, settled in cash. The Group's interest in Cloud Bridge Technologies Limited is accounted for using the equity method.

	As at 29 February 2024 £'000
Current assets	**8,302**
Non-current assets	**123**
Current liabilities	**(6,078)**
Non-current liabilities	**(11)**
Equity	**2,336**
Group's share in equity - 25.1%	**586**
Goodwill	**2,607**
Group's carrying amount of the investment	**3,193**

	Acquisition to 29 February 2024 £'000
Revenue	**13,857**
Cost of sales	**(11,789)**
Administrative expenses	**(1,171)**
Finance costs	**(6)**
Profit before tax	**885**
Income tax expense	**(222)**
Profit for the period	**663**
Group's share of profit for the period	**166**

The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date.

The associate had no contingent liabilities or capital commitments as at 29 February 2024.

13 Contract assets

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Contract assets	**14,445**	11,081

Contract assets is further broken down as:	**As at 29 February 2024 £'000**	As at 28 February 2023 £'000
Short-term contract assets	**11,756**	10,684
Long-term contract assets	**2,689**	397
	14,445	11,081

Contract assets include £2.4 million (2023: £3.8 million) of deferred costs relating to internal services contracts, and the recognition of accrued revenue of £12.0 million (2023: £7.3 million) for certain large software orders where performance obligations were satisfied in the period but not yet invoiced to the customer at the period end.

14 Contract liabilities

	As at 29 February 2024 £'000	As at 28 February2023 £'000
Contract liabilities	**21,485**	25,890

Contract liabilities is further broken down as:	**As at 29 February 2024 £'000**	As at 28 February 2023 £'000

Contract liabilities is further broken down as:	£'000	£'000
Short-term contract liabilities	**19,348**	23,914
Long-term contract liabilities	**2,137**	1,976
	21,485	25,890

During the year, the Group recognised £23.9 million (2023: £14.5 million) of revenue that was included in the contract liability balance at the beginning of the period. This liability arises where revenue has been deferred when the customer is invoiced before the related performance obligations of the contract are satisfied, and the deferral of certain large payments received in advance from customers.

15 Inventories

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Inventories	**60**	58
	60	58

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 year amounted to £nil (28 February 2023: £38,000).

16 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
- 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 29 February 2024 £'000**	As at 28 February 2023 £'000
Financial assets at amortised cost:			
Trade receivables	17	**212,432**	178,386
Other receivables	17	**7,415**	5,896
		219,847	184,282

Financial liabilities	Note	**As at 29 February 2024 £'000**	As at 28 February 2023 £'000
Financial liabilities at amortised cost:			
Trade and other payables - current, excluding payroll tax and other statutory tax liabilities	19	**259,661**	217,253
Lease liabilities	10	**1,737**	992
		261,398	218,245

The Group's exposure to various risks associated with the financial instruments is discussed in note 23. 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.

17 Trade and other receivables

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Financial assets		
Gross trade receivables	**214,922**	179,928
Less: impairment allowance	**(2,490)**	(1,542)
Net trade receivables	**212,432**	178,386
Other receivables	**7,415**	5,896

	219,847	184,282
Non-financial assets		
Prepayments	**1,968**	1,638
	1,968	1,638
Trade and other receivables	**221,815**	185,920

(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 1.19.

(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)

29 February 2024	**Current £'000**	**Past due 0 to 30 days £'000**	**Past due 31 to 60 days £'000**	**Past due 61 to 120 days £'000**	**Past due 121 to 365 days £'000**	**Total £'000**
Expected loss rate	**0.07%**	**0.41%**	**4.16%**	**7.62%**	**80.02%**	
Gross carrying amount - trade receivables	**180,289**	**23,688**	**4,994**	**3,744**	**2,207**	**214,922**
Loss allowance	**134**	**97**	**208**	**285**	**1,766**	**2,490**

28 February 2023	Current £'000	Past due 0 to 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 120 days £'000	Past due 121 to 365 days £'000	Total £'000
Expected loss rate	0.09%	0.55%	6.39%	16.34%	92.68%	
Gross carrying amount - trade receivables	145,832	25,343	6,760	1,310	683	179,928
Loss allowance	124	139	432	214	633	1,542

The closing loss allowances for trade receivables reconcile to the opening loss allowances as follows:

Trade receivables	**As at 29 February 2024 £'000**	As at 28 February 2023 £'000
Opening loss allowance at 1 March	**1,542**	750
Increase in loss allowance recognised in profit or loss during the period	**1,227**	937
Receivables written off during the year as uncollectable	**(279)**	(145)
Closing loss allowance	**2,490**	1,542

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among 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.

(iv) Other receivables

Other receivables include accrued rebate income.

18 Cash and cash equivalents

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Cash at bank and in hand	**88,836**	73,019
	88,836	73,019

19 Trade and other payables

	As at 29 February 2024 £'000	As at 28 February 2023 £'000

	£'000	£'000
Trade and other payables	**168,777**	138,307
Accrued expenses	**90,884**	78,946
Payroll tax and other statutory liabilities	**18,256**	14,464
	277,917	231,717

Trade payables are unsecured and are usually paid within 45 days of recognition. Accrued expenses includes accruals for purchase invoices not received and other accrued costs such as bonuses and commissions payable at year end and costs in relation to the investigation around undisclosed share dealings.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

20 Share capital and share premium

Allotted, called up and fully paid	**Number of shares**	**Nominal value £'000**	**Share premium £'000**	**Total £'000**
At 1 March 2022 and 28 February 2023[1]	239,482,333	2,395	633,636	636,031
Shares issued during the year	874,565	9	14	23
At **29 February 2024**[2, 3]	**240,356,898**	**2,404**	**633,650**	**636,054**

1 **Shares issued during the prior year**

During the prior year no new ordinary shares were issued by the company.

2 **Ordinary shares**

Ordinary shares have a nominal value of £0.01. All ordinary shares in issue rank pari passu and carry the same voting rights and entitlement to receive dividends and other distributions declared or paid by the Group. The company does not have a limited amount of authorised share capital.

3 **Share options**

Information related to the company's share option schemes, including options issued during the financial year and options outstanding at the end of the reporting period is set out in note 27.

21 Merger reserve

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Balance at 1 March 2022, 28 February 2023 and 29 February 2024	**(644,375)**	(644,375)
	(644,375)	(644,375)

The merger reserve of £644.4 million arose in December 2019, on the date that the Group demerged from its previous parent company. This is an accounting reserve in equity representing the difference between the total nominal value of the issued share capital acquired in Bytes Technology Limited of £1.10 and the total consideration given of £644.4 million.

22 Cash generated from operations

	Note	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Profit before taxation		**61,596**	50,392
Adjustments for:			
Depreciation and amortisation	4	**2,379**	2,480
Loss on disposal of property, plant and equipment	4	**-**	3
Non-cash employee benefits expense - share-based payments	4	**5,708**	4,188
Share of profit of associate		**(166)**	-
Finance income	7	**(5,111)**	
Finance costs	7	**393**	491
Increase in contract assets		**(3,364)**	(4,365)
Increase in trade and other receivables		**(35,895)**	(28,310)
(Increase)/decrease in inventories		**(2)**	38
Increase in trade and other payables		**46,200**	14,105

(Decrease)/increase in contract liabilities	**(4,405)**	9,867
Cash generated from operations	**67,333**	48,889

23 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 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 17.

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.

23(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.

23(b) Foreign exchange risk

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

	As at 29 February 2024			As at 28 February 2023		
	USD £'000	**EUR £'000**	**NOK £'000**	USD £'000	EUR £'000	NOK £'000
Trade receivables	**10,247**	**2,661**	**-**	13,529	1,900	-
Cash and cash equivalents	**176**	**1,647**	**-**	250	214	-
Trade payables	**(16,640)**	**(4,253)**	**(580)**	(15,286)	(1,981)	(221)
	(6,217)	**55**	**(580)**	(1,507)	133	(221)

The following table demonstrates the profit before tax sensitivity to a possible change in the currency exchange rates with GBP, all other variables held constant.

	As at 29 February 2024			As at 28 February 2023		
	GBP:USD £'000	**GBP:EUR £'000**	**GBP:NOK £'000**	GBP:USD £'000	GBP:EUR £'000	GBP:NOK £'000
5% increase in rate	**296**	**(3)**	**28**	72	(6)	11
5% decrease in rate	**(327)**	**3**	**(31)**	(79)	7	(12)

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

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Total net foreign exchange losses/(gains) in profit or loss	**137**	(32)

23(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 is subject to restrictions. Access to cash is not restricted and all cash balances could be drawn on immediately if required. Management monitors the levels of cash deposits carefully and is comfortable that for normal operating requirements, no further external borrowings are currently required.

At 29 February 2024, the Group had cash and cash equivalents of £88.8 million, see note 18. 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

On 17 May 2023 the Group entered into a new three-year committed Revolving Credit Facility (RCF) for £30 million including an optional one-year extension to 17 May 2027, and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity. The new facility replaced the previous RCF which was entered into in December 2020 and was set to expire in December 2023 but was cancelled, without penalty, on 17 May 2023, on commencement of the new RCF. The new facility has incurred an arrangement fee of £0.1 million, being 0.4% of the new funds available. The Group has so far not drawn down any amount on either the previous or new 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 fees are capitalised as a prepayment and amortised over the initial three-year period of the facility. The facility also incurs a commitment fee and utilisation fee, both of which are payable quarterly in arrears. Under the terms of both the previous and new facilities, 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 past 12 months shall be greater than 4.0 times
- Leverage: net debt to EBITDA for the past 12 months must not exceed 2.5 times.

The Group has complied with these covenants throughout the reporting period. As at 29 February 2024, the Group had net finance income and has therefore complied with the interest cover covenant. The EBITDA to net finance charges in the prior year was approximately 109 times. The Group has been in a net cash position as at 29 February 2024 and 28 February 2023 and has therefore complied with the Net debt to EBITDA covenant.

(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:

29 February 2024	**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	**19**	**259,660**	**-**	**-**	**-**	**259,660**	**259,660**
Lease liabilities	**10**	**495**	**495**	**869**	**-**	**1,859**	**1,737**
		260,155	**495**	**869**	**-**	**261,519**	**261,397**

28 February 2023	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	19	217,253	-	-	-	217,253	217,253
Lease liabilities	10	116	463	545	-	1,124	992
		217,369	463	545	-	218,377	218,245

24 Capital management

24(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. To ensure an appropriate return for shareholders' capital invested in the Group, management thoroughly evaluates all material revenue streams, relationships 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 Group's dividend policy is to distribute 40% of the Group's post-tax pre-exceptional earnings to shareholders in respect of each financial year. Subject to any cash requirements for ongoing investment, the Board will consider returning excess cash to shareholders over time.

24(b) Dividends

	2024		2023	
Ordinary shares	**Pence per share**	**£'000**	Pence per share	£'000
Interim dividend paid	**2.70**	**6,466**	2.40	5,748
Special dividend paid	**7.50**	**17,961**	6.20	14,848
Final dividend paid	**5.10**	**12,214**	4.20	10,058
Total dividends attributable to ordinary shareholders	**15.30**	**36,641**	12.80	30,654

Dividends per share is calculated by dividing the dividend paid by the number of ordinary shares in issue. Dividends are paid out of available distributable reserves of the company.

The Board has proposed a final ordinary dividend of 6.0 pence and a special dividend of 8.7 pence per share for the year ended 29 February 2024 to be paid to shareholders on the register as at 19 July 2024. The aggregate of the proposed dividends expected to be paid on 2 August 2024 is £35.3 million. The proposed dividends per ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability in the consolidated financial statements.

25 Capital commitments

At 29 February 2024, the Group had £Nil capital commitments (28 February 2023: £Nil).

26 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. Apart from those disclosed elsewhere in the consolidated financial statements, material transactions for the year are set out below:

26(a) Transactions with key management personnel

Key management personnel are defined as the directors (both executive and non-executive) of Bytes Technology Group plc, Bytes Software Services Limited and Phoenix Software Limited. Details of the compensation paid to the directors of Bytes Technology Group plc as well as their shareholdings in the Group are disclosed in the remuneration report.

Compensation of key management personnel of the Group

The remuneration of key management personnel, which consists of persons who have been deemed to be discharging managerial responsibilities, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Short-term employee benefits	**3,653**	4,158
Post-employment pension benefits	**97**	92
Total compensation paid to key management	**3,750**	4,250

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel including executive directors.

Key management personnel received a total of 170,360 share option awards (2023: 565,782) at a weighted average exercise price of £0.04 (2023: £1.33).

Share-based payment charges include £1,257,326 (2023: £1,006,423) in respect of key management personnel, refer to note 27 for details on the Group's share-based payment incentive schemes.

26(b) Subsidiaries and associates

Interests in subsidiaries are set out in note 29 and the investment in associate is set out in note 12.

26(c) Outstanding balances arising from sales/purchases of services

Group companies made purchases from the associate of £3.1 million during the year with a trade payable balance of £0.5 million at year end.

27 Share-based payments

The Group accounts for its share option awards as equity-settled share-based payments. The fair value of the awards granted is recognised as an expense over the vesting period. The amount recognised in the share-based payment reserve will be reversed to retained earnings as and when the related awards vest and are exercised by employees. As noted in the prior year Annual Report one-third of the annual bonus for the financial year ended 29 February 2024 awarded to each of the Company's executive directors is deferred in shares for two years. This deferral has resulted in the granting of the awards under the Deferred Bonus Plan during the year.

Performance Incentive Share Plan

Options granted under the Performance Incentive Share Plan (PISP) are for shares in Bytes Technology Group plc. The exercise price of the options is a nominal amount of £0.01. Performance conditions attached to the awards granted in the current year are employee specific, in addition to which, options will only vest if certain employment conditions are met. The fair value of the share options is estimated at the grant date using a Monte Carlo option pricing model for the element with market conditions and Black Scholes option-pricing model for non-market conditions. The normal vesting date shall be no earlier than the third anniversary of the grant date and not later than the day before the tenth anniversary of the grant date. There is no cash settlement of the options available under the scheme. During the year the Group granted 1,195,700 (2023: 552,480) options. For the year ended 29 February 2024, 298,561 (2023: 30,589) options were forfeited, 819,416 options were exercised (2023: nil) and no options expired.

Company Share Option Plan

Options granted under the Company Share Option Plan (CSOP) are for shares in Bytes Technology Group plc. The exercise price of the options granted in the current year was determined by the average of the last three dealing days prior to the date of grant. There are no performance conditions attached to the awards, but options will only vest if certain employment conditions are met. The fair value at grant date is estimated at the grant date using a Black Scholes option-pricing model. The normal vesting date shall be no earlier than the third anniversary of the grant date and not later than the day before the tenth anniversary of the grant date. There is no cash settlement of the options available under the scheme. During the year the Group granted no (2023: 2,904,100) options. For the year ended 29 February 2024, 176,600 (2023: 127,400) options were forfeited, and no options were exercised or expired.

Save as You Earn Scheme

Share options were granted to eligible employees under the Save As You Earn Scheme (SAYE) during the year. Under the SAYE scheme, employees enter a three-year savings contract in which they save a fixed amount each month in return for their SAYE options. At the end of the three-year period, employees can either exercise their options in exchange for shares in Bytes Technology Group plc or have their savings returned to them in full. The exercise price of the options represents a 20% discount to the exercise price of the CSOP awards. The fair value at grant date is estimated using a Black Scholes option-pricing model. There is no cash settlement of the options. During the year the Group granted 337,890 (2023: 722,863) options. For the year ended 29 February 2024, 213,832 (2023: 523,974) options were forfeited, 3,625 (2023: nil) options were exercised and no options expired.

Deferred Bonus Plan

Options granted under the Deferred Bonus Plan (DBP) are for shares in Bytes Technology Group plc. The exercise price of the options is a nominal amount of £0.01. There are no performance conditions attached to the awards, but options will only vest if certain employment conditions are met. The fair value at grant date is estimated at the grant date using a Black Scholes option-pricing model. The normal vesting date shall be no earlier than the second anniversary of the grant date. During the year the Group granted 45,365 (2023: 35,842) options. For the year ended 29 February 2024, 50,526 (2023: nil) options were forfeited and no options were exercised or expired.

Share-based payment employee expenses

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Equity settled share-based payment expenses	**5,708**	4,188

There were no cancellations or modifications to the awards in 2024 or 2023.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	29 February 2024 Number	**29 February 2024 WAEP**	**28 February 2023 Number**	**28 February 2023 WAEP**
Outstanding at 1 March	**8,760,684**	**£3.59**	5,227,362	£3.43
Granted during the year	**1,666,660**	**£0.80**	4,215,285	£3.84
Forfeited during the year	**(874,565)**	**£2.28**	(681,963)	£3.98
Exercised during the year	**(874,565)[1]**	**£0.03**	-	-
Outstanding at 29 February	**8,813,260**	**£3.52**	8,760,684	£3.59
Exercisable at 29 February	**609,272**	**£0.01**	-	-

[1] The weighted average share price at date of exercise was £5.85.

The weighted average expected remaining contractual life for the share options outstanding at 29 February 2024 was 2.2 years (2023: 2.9 years).

The weighted average fair value of options granted during the year was £4.21 (2023: £1.63).

The range of exercise prices for options outstanding at the end of the year was £0.01 to £5.00 (2023: £0.01 to £5.00).

The tables below list the inputs to the models used for the awards granted under the below plans for the years ended 29 February 2024 and 28 February 2023:

Assumptions	**29 February 2024 PISP**	**29 February 2024 SAYE**	**29 February 2024 DBP**
Weighted average fair value at measurement date	£4.86	£1.79	£5.15
Expected dividend yield	1.53%	1.53%	0.00%
Expected volatility	31%	30%	30%
Risk-free interest rate	4.29%	4.79%	4.44%
Expected life of options	3 years	3 years	2 years
Weighted average share price	£5.16	£5.11	£5.16
Model used	Black-Scholes and Monte Carlo	Black-Scholes	Black-Scholes

Assumptions	28 February 2023 PISP	28 February 2023 CSOP	28 February 2023 SAYE	28 February 2023 DBP
Weighted average fair value at measurement date	£4.06	£1.20	£1.38	£4.52
Expected dividend yield	1.52%	1.52%	1.54%	0.00%
Expected volatility	37%	34%	37%	35%
Risk-free interest rate	1.59%	1.72%	1.59%	1.53%
Expected life of options	3 years	5 years	3 years	2 years
Weighted average share price	£4.53	£4.53	£4.48	£4.53
Model used	Black-Scholes and Monte Carlo	Black-Scholes	Black-Scholes	Black-Scholes

The expected life of the options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of the company and publicly quoted companies in a similar sector to the company over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

28 Earnings per share

The Group calculates earnings per share (EPS) on several different bases in accordance with IFRS and prevailing South Africa requirements.

	Year ended 29 February 2024 pence	Year ended 28 February 2023 pence
Basic earnings per share	**19.55**	16.88
Diluted earnings per share	**18.85**	16.28
Headline earnings per share	**19.55**	16.88
Diluted headline earnings per share	**18.85**	16.28
Adjusted earnings per share[1]	**21.78**	18.83

Adjusted earnings per share[1]	**21.78**	18.83
Diluted adjusted earnings per share[1]	**21.01**	18.16

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

	Year ended 29 February 2024 Number	Year ended 28 February 2023 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and headline earnings per share	**239,693,670**	239,482,333
Adjustments for calculation of diluted earnings per share and diluted headline earnings per share:		
- share options[1]	**8,813,260**	8,760,684
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and diluted headline earnings per share	**248,506,930**	248,243,017

[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 27.

28(b) Headline earnings per share

The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Listing Requirements. The table below reconciles the profits attributable to ordinary shareholders to headline earnings and summarises the calculation of basic and diluted HEPS:

	Note	**Year ended 29 February 2024 pence**	Year ended 28 February 2023 pence
Profit for the period attributable to owners of the company		**46,851**	40,421
Adjusted for:			
Loss on disposal of property, plant and equipment	4	**-**	3
Tax effect thereon		**-**	(1)
Headline profits attributable to owners of the company		**46,851**	40,423

28(c) Adjusted earnings per share

Adjusted earnings per share is a Group key 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 adjusted operating profit attributable to ordinary shareholders by the total number of ordinary shares in issue at the end of the year. Adjusted operating profit is calculated to reflect the underlying long-term performance of the Group by excluding the impact of the following items:

- Share-based payment charges
- Acquired intangible assets amortisation.

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

	Note	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Profits attributable to owners of the company		**46,851**	40,421
Adjusted for:			
- Amortisation of acquired intangible assets	4	**880**	1,306
- Deferred tax effect on above		**(220)**	(301)
- Share-based payment charges	27	**5,708**	4,188
- Deferred tax effect on above		**(1,011)**	(522)
Adjusted profits attributable to owners of the company		**52,208**	45,092

29 Subsidiaries

The Group's subsidiaries included in the consolidated financial statements 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 Technology Holdco Limited[1]	UK	100%	Holding company
Bytes Technology Limited	UK	100%	Holding company
Bytes Software Services Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sectors
Phoenix Software limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sectors
Blenheim Group Limited[2]	UK	100%	Dormant for all periods
License Dashboard Limited[2]	UK	100%	Dormant for all periods
Bytes Security Partnerships Limited[2]	UK	100%	Dormant for all periods
Bytes Technology Group Holdings Limited[2]	UK	100%	Dormant for all periods
Bytes Technology Training Limited[2]	UK	100%	Dormant for all periods
Elastabytes Limited	UK	50%	Deregistered. Dormant in prior periods

[1] Bytes Technology Holdco Limited is held directly by the company. All other subsidiary undertakings are held indirectly by the company.

[2] Taken advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 29 February 2024.

The registered address of all of the Group subsidiaries included above is Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW.

30 Events after the reporting period

On 9 May 2024 a settlement agreement was reached between the Company and Neil Murphy, it's former CEO, following his resignation on 21 February 2024 in accordance with the terms of his service contract and the directors' remuneration policy. Full details can be found in the directors' remuneration report.

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 UK governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

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S Chindalur

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