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Bytes Technology Group PLC
13 May 2025

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Bytes Technology Group Plc
("BTG" or "the Group" or "the Company")

Audited results for the year ended 28 February 2025
Strong partnerships drive consistent growth

Bytes Technology Group plc (LSE: BYIT, JSE: BYI), one of the UK and Ireland's leading software, security, AI and cloud services specialists, today announces its financial results for the year ended 28 February 2025 (2024/25).

Financial performance

	Year ended 28 February 2025	Year ended 29 February 2024	% change year on year
Gross invoiced income (GII)[1]	£2,099.8m	£1,823.0m	15.2
Revenue[2]	£217.1m	£207.0m	4.9
Gross profit (GP)	£163.3m	£145.8m	12.0
Operating profit	£66.4m	£56.7m	17.1
Operating profit/GP%	40.7%	38.9%	
Cash	£113.1m	£88.8m	27.4
Cash conversion[3]	113.8%	116.4%	
Earnings per share (pence)	22.78	19.55	16.5
Final dividend per share (pence)	6.9	6.0	15.0
Special dividend per share (pence)	10.0	8.7	14.9

Financial highlights

- GII exceeded £2bn for the first time, increasing by 15.2%, primarily driven by software.
- GP growth of 12.0%, with 8.9% corporate growth and 18.2% public sector growth, and double-digit growth in software and services.
- Operating profit increased by 17.1%, with the operating profit / GP margin increasing to 40.7%.
- Final ordinary dividend of 6.9p, resulting in a full-year dividend of 10.0p, up 15.0%, together with a special dividend of 10.0p.
- Strong balance sheet with closing cash of £113m and 114% cash conversion.

[1] GII is a non-International Financial Reporting Standards (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.

[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 GP achieved on the contract and not the gross income billed to the customer). Our key financial metrics of GII, GP, adjusted operating profit and cash conversion are unaffected by this judgement.

[3] Cash conversion is a non-IFRS alternative performance measure that divides cash generated from operations less capital expenditure (together, free cash flow) by operating profit. In prior years, the measure divided 'free cash flow' by adjusted operating profit. Accordingly the previously reported cash conversion for the year ended 29 February 2024 of 104.3% has

operating profit. Accordingly the previously reported cash conversion for the year ended 29 February 2024 of 104.3% has been revised to 116.4% above.

Operational highlights

- Existing customers contributed 97% of our GP in this year (2023/24: 97%), at a renewal rate of 109% (2023/24: 109%).

- Headcount growth of 17.8% to 1,245 (29 February 2024: 1,057), with focus on bolstering sales and service delivery teams while ensuring support areas also grow to support the expanding business.

- Continued to grow our physical footprint by opening offices in Sunderland and Portsmouth, expanding floorspace in London and, towards the end of the year, the acquisition of two buildings adjacent to our Leatherhead office to cater for our further expansion

- Renewed our Microsoft Azure Expert status for provision of managed services and secured more security and cloud specialism.

- Received multiple vendor awards, including from Palo Alto Networks, Axonius, Check Point, Sophos, Cato Networks, Bitdefender, Adobe and Druva.

- Both Bytes Software Services and Phoenix Software named among the UK's top 50 Best Workplaces 2024.

Sam Mudd, Chief Executive Officer, said:

"I am proud to report another strong set of results for BTG, marked by a significant rise in operating profit. This performance reflects robust and sustained demand for our comprehensive suite of software, solutions, and services. Despite a challenging macroeconomic environment, we have not only deepened our relationships with existing clients-securing a greater share of their IT spend-but also successfully expanded our footprint across both public and corporate sectors.

The Group continues to make investments in personnel, systems, services and new vendor accreditations to drive growth and support our customers to navigate the complexities of the evolving IT market where innovation, cloud and security are only becoming more important. The strength of our relationships with Microsoft and many other top-tier vendors, such as Adobe, AWS, Check Point, Dell, VMware and Service Now, allows us to seize exciting opportunities in cloud adoption, data and workload migrations, storage, security and virtualisation technologies. We continue to expand our collaboration with customers as they roll out emerging AI technologies like Copilot, working closely with their teams to embed these tools into their businesses to support growth and drive efficiency.

The sustained demand in structural growth areas such as cloud, security and AI, our commitment to customer service, our expanding technical capabilities and our high levels of accreditation underpin our confidence for continued strong growth in our financial year 2025/26.

I have been hugely impressed by the commitment and professionalism of all of our staff as they remained focused on delivering our strategic priorities in 2024/25, and wish to extend my gratitude 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."

Outlook

The Group traded strongly in financial year 2024/25, while operating in highly competitive markets and despite challenging macroeconomic conditions. Our focus remains on executing our growth strategy by nurturing existing customer relationships, extending our strong vendor partnerships, and leveraging the technical skills of our service delivery teams. We are well positioned to respond to the evolving demands we see in our markets, including cloud computing, cybersecurity, AI and managed services and deliver another year of double-digit gross profit growth together with high single-digit operating profit growth in financial year 2025/26.

Analyst and investor presentation

A presentation for sell-side analysts and investors will be held today at 09:30 (BST) via a video webcast that can be accessed at:

https://sparklive.lseg.com/BytesTechnologyGroup/events/5e028343-b396-4384-a339-1cb2d82ae8eb/btg-plc-full-year-results

A recording of the webcast will be available after the event at bytesplc.com. The announcement and presentation will be available at bytesplc.com from 07:00 and 09:00 (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 because 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. Except as required by law or by the UK Listing Rules of the Financial Conduct 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.

Chief Executive Officer's review

Performance overview

At BTG we are driven by a clear vision: to help organisations succeed in a world of change, through trusted partnerships and transformative technology. I'm proud to say that in 2024/25 we lived up to this vision. Thanks to our great people, across Bytes Software Services and Phoenix Software, our loyal customers and our vendor partners, we helped more businesses and public sector organisations than ever to meet their objectives through innovative IT solutions.

In doing so we achieved another strong set of financial results, with a 15.2% increase in gross invoiced income, a 12.0% rise in gross profit, a 17.1% increase in operating profit and over 100% cash conversion. We have doubled all these income metrics in our five years as a listed entity, while achieving more than 100% cash conversion, enabling us to distribute the majority of these growing earnings to shareholders while maintaining a strong balance sheet - and, our track record of double-digit gross profit growth now runs well over a decade, with most of our current senior management with us throughout this period.

This strong performance comes despite the challenging economic climate, underpinned by our broad range of software and IT services offerings from leading vendors and software publishers, the robust nature of IT spending across the UK and Ireland, our highly diversified customer base and our ability to gain market share. We estimate that our share of the UK and Irish markets is around 4%, and we have updated our medium-term plan to ensure we continue to take advantage of this market share opportunity and our positive exposure to some of the faster-growing areas of IT budgets in cloud, security, data and AI.

Value proposition

Customers choose to partner with BTG because of the broad range of solutions and services we offer, including multi-cloud migration and adoption, digital transformation, storage, AI and a wide array of security products. Many have built long-standing relationships with us over many years, underpinned by our excellent software advisory expertise and knowledge around procurement routes, which enables us to guide customers on best value. We intend to double down on this strength by investing more in pre-sales and specialist technical skills, allowing us to service a larger market and scale up to meet our customers' needs. We are also actively monitoring opportunities to accelerate our capability through M&A, with a focus on cross-sell potential, vendor specialism and solutions expertise, benchmarking for quality and cultural fit against our existing business.

Examples of our services delivery capability include a consultancy team with expertise across the entire Microsoft Cloud and AI portfolio; our security operation centre and 24x7 Microsoft Cloud Solutions Provider (CSP) support offering; plus governance, risk and compliance (GRC), and software asset management (SAM) and IT asset management (ITAM) solutions, including licensing spend optimisation supported by our own IP in the form of Quantum and License Dashboard. The expansion of our IT services capability is further enhanced by the renewal of our Microsoft Azure Expert status for providing managed services, along with attaining 11 service delivery specialisations (four in security solutions) and six solution-partner designations from Microsoft.

We have seen strong interest in AI products, including Microsoft's Copilot for M365 and we continue to develop associated in-house services to support customer readiness and adoption. We will continue to expand our existing in-house AI-dedicated teams, creating repeatable sector-specific solutions with broader data and generative AI (GenAI) services across our vendor offerings as this income stream continues to grow.

In addition to our partnership with Microsoft, we have also continued to deepen our relationships with other key partners, and are especially pleased to have been recognised by leading industry vendors including Palo Alto Networks, HP, Nutanix, Check Point, Sophos, Cato Networks, Bitdefender, Adobe and Druva , reflecting the status and high esteem that the Group has with global technology leaders. These awards are highly competitive, and our success is testament to the expertise of our staff, our collaborative approach with partners and the customer success stories that we deliver.

Vendor alignment

We work with our vendors to align our sales efforts and service offerings with their strategic objectives, and they incentivise us accordingly. This means staying agile to adapt to vendors' incentive programme updates - an ongoing part of our business with which we are well accustomed. Microsoft channel incentives are frequently changed, and we have a good track record of reacting to these while maintaining gross profit levels.

This year, Microsoft communicated a particular amendment to its enterprise agreement program, reducing certain transactional incentives, in advance of it taking effect in January 2025. This provided time for us to prepare and to realign our software and services offerings, as we have often done in the past, with heightened focus on transitioning corporate customers to CSP and providing more services, both in line with our existing strategy. We were able to manage the impact in the final two months of our financial year with our gross profit growth in that period remaining in line with the overall gross profit growth rate for the full year. We were also pleased that Microsoft recognised that enterprise agreements remain a key part of public sector procurement, with a smaller rate reduction applied, which helped mitigate the impact of the changes as we entered the new financial year with March and April being higher volume months for public sector contracts.

Going forward we believe our wide vendor landscape and extensive range of products and services will enable us to absorb individual program changes such as this and drive our continued growth, and that our focus on customers with fewer than 5,000 employees remains a sweet spot with our vendors who value our efficient reach into this part of the market.

People

We are proud of the energy, enthusiasm and professionalism demonstrated by our people, now totalling 1,245 staff across multiple offices and regions. They do a tremendous job supporting our customers and providing outstanding service. We continue to focus on targeted recruitment and training, and on attracting talent into front-end sales, delivery teams and all supporting areas, and on apprentices through to senior roles to help with our ambitious growth plans.

As a management team, we are extremely pleased with the way our people continue to work hard in these challenging times, and embrace our collaborative, team-based culture. People are at the heart of business and following a year of external and internal transition I am committed to improving this year's Employee Net Promoter Score ('eNPS') of 57 which, while still above the industry average, is below the previous high level of 71. To harness the strength of our business further, and protect our culture as we grow, we will appoint our first chief people officer in the 2025/26 financial year.

In August 2024 we launched our fourth Share Save Plan, which has again been well received by our employees, with more than 50% participating in one or more of these plans. August 2024 also saw the vesting of our first Share Save Plan, which was launched in 2021, with participants now able to exercise their options and become shareholders in the BTG Group.

To support the growth in sales and people, we are investing in both our internal and customer-facing systems and in our office environments, including expanding our regional presence with new offices in Sunderland and Portsmouth and purchasing the two buildings immediately adjacent to our existing offices in Leatherhead, to cater for our further expansion. This will improve our staff user experience and drive internal efficiencies, while more closely supporting our customers and making it easier for them to do business with us.
As an evolution of our customer-centric approach, we have realigned our corporate sales teams from a generalist structure into enterprise (>10k seats), corporate (2-10k seats), and mid-market (<2k seats) focused teams. This includes investing in senior leadership for these teams, to increase the relevance of their go-to-market approaches and customer experiences to their customer bases. This also bodes well with our vendors, especially Microsoft, which align in this manner and mirrors the successful segmentation we have operated in our public sector team for some time.

Sustainability

We are committed to implementing our strategy in a responsible manner, with sustainability rooted in everything we do. Our Sustainability Framework aims to deliver positive outcomes 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 of our sustainability initiatives are set out below.

Dividend

Our dividend policy is to distribute 40-50% of the Group's post-tax pre-exceptional earnings to shareholders by way of normal dividends increasing from 40% in 2023/24 to reflect share-based payments no longer being treated as exceptional. Accordingly, we are pleased to confirm that the Board has proposed a final dividend of 6.9 pence per share and an additional special dividend of 10.0 pence per share that, subject to shareholder approval, will both be paid on 25 July 2025 to shareholders on the register at 11 July 2025.

Continued focus on environment, social and governance

Our approach to responsible business and environment, social and governance (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 foster an aligned culture across the organisation. During the period, we continued to progress our ESG initiatives in the following ways.

Achieved Science Based Targets initiative validation and improved rating scores

At the end of June 2024, we received Science Based Targets initiative (SBTi) validation for our near-term and net zero carbon reduction targets - and, we continue to align our activities to our Scope 1 and 2 targets for 2025/26. As part of the continual commitment to disclosures and transparency, we made our annual submission to the CDP for 2024/25 and were pleased to receive a B rating - an increase from a C rating in 2023/24. This comes in addition to our ISS ESG Corporate Rating, which also increased in 2024/25 from a C- to a B-, and which is well within the top decile for our peer group. To move our sustainability goals forward, we initiated a carbon literacy awareness programme to educate, inform and engage employees.

We continue to monitor the progress of the IFRS S1 and S2 standards being adopted by the UK Government through the UK Sustainability Reporting Standards, and will align with these as required. 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, having fully complied with the TCFD's recommendations in our previous Annual Report. Within our businesses, we are supporting the evolution to greener transport to reduce business travel and commuting emissions. The Group successfully implemented an electric vehicle scheme in 2023/24, which has continued to expand across the business in 2024/25. Our York office added solar panels early in 2024/25, which continues to support carbon reduction and increases energy security. Self-generated energy is also being assessed for our other owned offices.

Strong inclusive culture

Employee support and wellbeing continue to be key focus areas for the Group, with our hybrid working policy supporting a healthier work-life balance. We continue to measure the impact of our wellbeing initiatives through the annual employee net promoter score (eNPS) survey. Understanding diversity within our business has also been a focus across the Group, with the roll-out of voluntary self-reporting for gender, ethnicity, disability and neurodiversity. A more detailed understanding of the demographics of our business will help to attract and retain talent and support innovation through diversity of thought.

Our strong culture remains a driving force behind our successful growth. We continue to support this through staff events and incentive trips and by developing our people with continued learning and training opportunities. There has been an expansion of our apprenticeship scheme into more areas of the business and into degree-level apprenticeship programmes. We engage with staff through various channels and several improvements have been made based on their ideas and initiatives. During 2024/25, we continued to support our communities through donations, fundraising events and volunteer days, such as with the Wildlife Aid Foundation, the Rainbow Trust and St Leonard's Hospice.

Board composition and committee memberships

On 25 March 2024, Erika Schraner was appointed as senior independent director and Interim Chair of the Audit Committee, following the resignation of Mike Phillips as an independent non-executive director. At the same time, Shruthi Chindalur assumed the role of designated non-executive director for employee engagement. Sam Mudd was appointed as Interim CEO on 21 February 2024 and as CEO on 10 May 2024.

On 1 June 2024, two additional Board appointments were made, and the ESG Committee was established. Ross Paterson was appointed as an independent non-executive director, Chair of the Audit Committee and a member of the Nomination, the Remuneration and the ESG Committees. Anna Vikström Persson was appointed as an independent non-executive director, Chair of the ESG Committee and a member of the Audit, the Nomination and the Remuneration Committees.

Chief Financial Officer's review

	Year ended 28 February 2025	Year ended 29 February 2024	Change
	£'m	£'m	%
Income statement			
Gross invoiced income (GII)	**2,099.8**	**1,823.0**	**15.2**
GII split by product:			
Software	2,005.3	1,722.0	16.5
Hardware	33.2	41.4	(19.8)
Services internal[1]	34.0	31.5	7.9
Services external[2]	27.3	28.1	(2.8)
Netting adjustment	(1,882.7)	(1,616.0)	16.5
Revenue	**217.1**	**207.0**	**4.9**
Revenue split by product:			
Software	146.0	130.4	12.0
Hardware	33.2	41.4	(19.8)
Services internal[1]	34.0	31.5	7.9
Services external[2]	3.9	3.7	5.4
Gross profit (GP)	**163.3**	**145.8**	**12.0**
GP/GII%	7.8%	8.0%	

GP/GII%	7.8%	8.0%	
Administrative expenses	**96.9**	**89.1**	**8.8**
Administrative expenses split:			
Employee costs	78.1	71.2	9.7
Other administrative expenses	18.8	17.9	5.0
Operating profit	**66.4**	**56.7**	**17.1**
Operating profit/GP%	40.7%	38.9%	
Add back:			
Share-based payments	5.1	5.7	(10.5)
Amortisation of acquired intangible assets	0.9	0.9	-
Adjusted operating profit (AOP)	**72.4**	**63.3**	**14.4**
Interest income	8.5	5.1	66.7
Finance costs	(0.3)	(0.4)	(25.0)
Share of profit of associate[3]	-	0.2	(100.0)
Profit before tax	**74.6**	**61.6**	21.1
Income tax expense	(19.8)	(14.7)	34.7
Effective tax rate	26.5%	23.9%	
Profit after tax	**54.8**	**46.9**	16.8

[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 profit of associate.

Gross invoiced income

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 - and has a direct influence on our movements in working capital. However, it does not capture all the IT spend we help our customers with because, in some cases, our vendor partners invoice the customer directly and pay us a fee which is a percentage of their sales value, and which we recognise within our GII, revenue and GP.

GII has increased by 15.2% year on year, exceeding £2bn for the first time to reach £2,099.8m (2023/24: £1,823.0m), driven by software and with continued strong growth in public sector which contributed 65% of total GII (2023/24: 62%). While growth has reduced compared to 2023/24 (26.7%), the prior year was boosted by some exceptionally large public sector contract wins. These are now in their second year and have become established in our annuity income, with the agreements running over three to five years.

Revenue

Revenue is reported in accordance with IFRS 15 with hardware and internal services reported gross (principal) and software and external services reported net (agent), which means revenue reflects changes in the mix of business but is often not a good indicator of underlying growth.

This reporting of revenue as a mix of GP and GII across the four income streams has given rise to a 4.9% increase, because the growth in software GP (reported net) is outweighed by the reduction in the hardware GII (reported gross). So, given revenue is a mix of metrics, we focus on GP to provide a consistent measure of our sales and profit performance.

Gross profit

GP, our primary measure of sales performance, has grown by £17.5m, up 12.0% year on year to £163.3m (2023/24: £145.8m), with the second six months showing strongly at more than 15% growth (compared to 9% in the first half).

Breaking this down by income stream, the Group's two most strategic focus areas, software and internal services, have both achieved double-digit growth. Software GP is up by 12.0% to £146.1m (2023/24: £130.4m), and with only a very small decline in GP/GII%. This achievement includes the effects of the first two months of Microsoft incentive changes, where we have implemented mitigation plans to help offset the impact.

Internal services GP is up by 27.9% to £8.7m (2023/24: £6.8m), as we continue to invest significantly in our delivery staff to drive our security, cloud and AI solutions. We have been supported in these areas by increasing levels of Microsoft funding, for both internal investments and customer engagements.

Hardware GP declined by 6.1% to £4.6m (2023/24: £4.9m), with strong growth in the second half offsetting a large decline in the first six months.

We have seen good performances from both public and corporate sectors, each contributing around half of the £17.5m growth in GP in absolute terms. Public sector growth has been achieved while bidding under highly competitive tenders, either for single contracts or for several contracts in aggregate, the latter enabling us to gain multiple new clients from a single bid. Despite more pressure on margins under this process, public sector GP has grown by 18.2%. Our corporate GP has grown by 8.9%, increasing by 14.8% in our second half after seeing lower growth in the first half, in part driven by the weaker hardware performance during that period.

The growth in the public sector again demonstrates 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 process is also enhanced by focusing on selling our wide range of solutions offerings and higher-margin security products, while maximising our vendor incentives by achieving technical certifications. We track these customers individually to ensure that the strategy delivers value for the business, and for our stakeholders, over the duration of the contracts.

As in previous years, the higher margins available in the corporate sector means that our overall GP mix for the year continues to stand at 65% in corporate and 35% in the public sector. Despite public sector competition, our margin (GP/GII) has stood up well, dropping only slightly from 8.0% in 2023/24 to 7.8% this year - and, behind this figure, the corporate margin has improved year on year.

Our long-standing relationships with our customers and high levels of repeat business were again demonstrated in 2024/25, with 97% of our GP coming from customers that we also traded with last year (2023/24: 97%), at a renewal rate of 109% - which measures the GP from existing customers this period compared to total GP in the prior period. Included within our GP increase of £17.5m was £4.3m from new customers. Aligned to this, we saw a 1.5% increase in customer numbers (defined as those generating more than £100 of GP) from 5,828 to 5,913, while the average GP per customer increased from £25,000 in 2023/24 to £27,600 in 2024/25.[1]

Administrative expenses

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

Employee costs

Our success in growing the business continues to be as a direct result of the investments we have made over the years in our frontline 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 lasting relationships we have established with our customers, vendors and partners.

During the year we have seen total staff numbers rise to 1,245 on our February 2025 payroll, up by 18% from the year-end position of 1,057 on 29 February 2024.

Employee costs included in administrative expenses rose by 9.7% to £78.1m (2023/24: £71.2m). However, this figure has been affected by:

- A reduction in share-based payment charges of £0.6m given our first three share option schemes issued post-IPO have now vested and given the cost of the new schemes launched in 2023/24 and 2024/25 have been slightly lower

- Capitalising £1.4m of staff costs on to the balance sheet. This relates to the salaries of employees who are developing new IT platforms - one to provide a 'marketplace' gateway for our customers to more seamlessly purchase products online from a range of vendors, and the other to enable us to improve our operational processes around customer order processing. This treatment is in line with our accounting policy for intangible assets.

Without the impact of these two items, the underlying increase in our employee costs is 13.7%.

Other administrative expenses

Other administrative expenses increased by 5.0% to £18.8m (2023/24: £17.9m), including continued investment in staff welfare and internal systems.

Operating profit

Our operating profit increased by 17.1% from £56.7m to £66.4m, which shows the balance we have achieved between growing GP in a challenging market while effectively managing our cost base.

Some of this increase has been positively affected by the £1.4m capitalisation of software developers' staff costs (expensed in the prior year when their work was focused on maintaining legacy systems) and the £0.6m lower share-based payment charge noted above. After adjusting for these, the increase remains strong at 13.4%.
Our operating efficiency ratio, which measures operating profit as a percentage of GP, is a key performance indicator in understanding the Group's operational effectiveness in running day-to-day operations. We aim to sustain it at around 38-40%. The ratio increased to 40.7% (2023/24: 38.9%) but would have been 39.8% excluding the capitalised staff costs.

In previous results announcements we have also focused on adjusted operating profit (AOP) which removes the effects of share-based payment (SBP) charges and amortisation of acquired intangibles - notably because of the growth of these SBP charges over the time since IPO from a near-zero starting position in 2020/21 of £0.3m to £5.1m this year. Given that we have now moved out of that growth cycle, as older schemes vest and new schemes are introduced, the current charges are now viewed to be normalised as business-as-usual recurring expenses. Similarly, our amortisation charges are stable at £0.9m for the current and prior year. So, AOP is no longer considered to add value to understanding our results. We will therefore now focus on operating profit, which brings us in line with other similar businesses in our market segment.

For reference, our AOP has increased by 14.4% to £72.4m (2023/24: £63.3m), and the ratio of AOP to GP increased from 43.4% to 44.3%.

Interest income and finance costs

This year has seen significant interest being earned from money-market deposits, totalling £8.5m (2023/24: £5.1m). While last year included only ten months of earnings, we have nevertheless substantially increased this income stream - backed up by our strong cash management, which has enabled us to place more cash on deposit and for longer periods.

Our interest income benefits from often having materially higher cash balances than reported at period ends around our largest months of trading in March and April (around the UK Government's fiscal year end) and June and December (around some key vendors' fiscal year ends).

Our finance costs primarily 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 from our 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 and Joint Ventures we account for the Group's share of its profits. For 2024/25 we have not recognised any profit as Cloud Bridge's set up costs of investing in overseas operations have offset its UK profits (2023/24: £0.2m).

Profit before tax

The combined impact of increased operating profits and high levels of interest received has seen our profit before tax increase by 21.1% to £74.6m (2023/24: £61.6m).

Income tax expense

The £5.1m (34.7%) rise in our income tax expense to £19.8m (2023/24: £14.7m) reflects the growth in profit before tax and, in part, that last year there was one month included at the previous UK corporate tax rate of 19% (2024/25 fully at 25%) - giving rise to an effective rate of tax of 23.9% in 2023/24. The higher effective rate in 2024/25 of 26.5% is also because of timing difference movements between current and deferred tax, with the latter seeing a reduction in our closing deferred tax asset. We therefore expect our long term effective tax rate to align to the UK corporate tax rate as the differences between accounting profit and taxable profit are substantially timing in nature.

Profit after tax

Profit after tax increased by 16.8% to £54.8m (2023/24: £46.9m), underlining our growth in operating profit and interest income, offset by the higher effective rate of tax.

Earnings per share

As a result of this strong growth in profits attributable to owners of the company, our earnings per share have risen accordingly. Basic earnings per share are up 16.5% from 19.55 pence to 22.78 pence.

Balance sheet and cash flow

Balance sheet	**28 February 2025 £'m**	**29 February 2024 £'m**
Investment in associate	3.2	3.2
Property, plant and equipment	13.6	8.5
Intangible assets	43.5	40.6
Other non-current assets	3.4	4.9
Non-current assets	**63.7**	**57.2**
Trade and other receivables	268.4	221.8
Cash	113.1	88.8
Contract assets	10.0	11.8
Current assets	**391.5**	**322.4**
Trade and other payables	327.5	277.9
Lease liabilities	0.7	0.4
Contract and tax liabilities	25.7	19.6
Current liabilities	**353.9**	**297.9**
Lease liabilities	1.3	1.3
Other non-current liabilities	2.0	2.1
Non-current liabilities	**3.3**	**3.4**
Net assets	**98.0**	**78.3**
Share capital	2.4	2.4
Share premium	636.4	633.7
Share-based payment reserve	14.9	11.0
Merger reserve	(644.4)	(644.4)
Retained earnings	88.7	75.6
Total equity	**98.0**	**78.3**

Closing net assets stood at £98.0m (29 February 2024: £78.3m), including the Group's £3.2m interest (25.1%) in Cloud Bridge Technologies - which includes our £0.2m share of profits since we acquired it in April 2023.

The increase in the value of property, plant and equipment is primarily attributable to the £5.1m purchase of 27,000 square feet of office property immediately adjacent to the existing Group and Bytes Software Services offices in Leatherhead. This space has the potential to accommodate around 300 employees and will provide for current and future capacity requirements for business growth in the coming years.

future capacity requirements for business growth in the coming years.

Intangible assets include the £3.7m addition of capitalised software development costs, a combination of internal staff costs of £1.4m and £2.3m of external contractor costs. As this work continues through the new financial year, we expect around a further £3m of costs to be capitalised in completing this work. While we are in the development phase, there is no amortisation of the asset - this will start once we move to live production mode, scheduled for the latter part of 2025/26.

Net current assets closed at £37.6m (29 February 2024: £24.5m).

Our debtor days at the end of the year stood at 32, and our average debtor days for the year was 38 (2023/24: 37). Our closing loss allowance provision reduced to £1.7m, down from £2.5m at the February 2024 year end, with £0.7m bad debts written off against the provision and another £0.1m reduction to reflect our current expected loss calculated under IFRS 9. We believe this remains a prudent position, given that the level of write-offs is very low considering our GII of £2.1bn.

The Group has paid its suppliers on schedule throughout the year, with its average creditor days remaining broadly in line with prior year at 46 (2023/24: 47) and standing at 36 at the end of the year (2023/2024: 44).

The consolidated cash flow is set out below:

	Year ended 28 February 2025	**Year ended 29 February 2024**
Cash flow	**£'m**	**£'m**
Cash generated from operations	**85.6**	**67.3**
Payments for fixed assets	(6.4)	(1.3)
Payments for intangible assets	(3.7)	-
Free cash flow	**75.5**	**66.0**
Net interest received	8.3	4.7
Taxes paid	(18.9)	(15.1)
Lease payments	(0.6)	(0.2)
Dividends	(42.8)	(36.6)
Issue of share capital	2.8	-
Investment in associate	-	(3.0)
Net increase in cash	24.3	15.8
Cash at the beginning of the period	88.8	73.0
Cash at the end of the period	**113.1**	**88.8**
Operating profit	**66.4**	**56.7**
Cash conversion (against operating profit)	**113.8%**	**116.4%**
Cash conversion (against AOP)	**104.3%**	**104.3%**

Cash at the end of the period was £113.1m (29 February 2024: £88.8m), which is after the payment of dividends totalling £42.8m during the period - being the final and special dividends for 2023/24 and the interim dividend for 2024/25.

Cash flow from operations after payments for fixed and intangible assets (free cash flow) generated a positive cash flow of £75.5m (2023/24: £66.0m), noting that the current year figure is after the purchase of the new properties and the capitalisation of software development costs - a combined outflow of £8.8m.

The Group's cash conversion ratio for the year has historically been measured as free cash flow divided by AOP but, in line with the other profit and efficiency measures referred to above, we are now measuring free cash flow against operating profit, which was 113.8% for the year (2023/24: 116.4%). For reference, the cash conversion against AOP of 104.3% is in line with last year. We target our long-term sustainable cash conversion at 100%.

The £2.8m cash received from the issue of share capital relates to participating staff exercising 711,000 share options, primarily under our 2021 CSOP and SAYE (Share Save) plans, which vested in June 2024 and August 2024, respectively. There is a corresponding increase in the share premium value in the balance sheet above.

If required, the Group has access to a committed RCF of £30m 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 used the facility.

Proposed dividends

As stated above, the Group's dividend policy is to distribute between 40% and 50% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to propose a gross final dividend of 6.9 pence per share. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 28 February 2025, but not recognised as a liability at the end of the financial year, equates to £16.6m. Our capital allocation policy is that excess cash following organic investment and any M&A is returned to shareholders. We consider both special dividends and share buybacks as methods to return excess capital, preferring share buybacks when our shares are materially undervalued. 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 10.0 pence per share, equating to £24.1m. If approved by shareholders, the final and special dividend will be payable on 25 July 2025 to all ordinary shareholders who are registered as such at the close of business on the record date of 11 July 2025.

The salient dates applicable to the dividend are as follows:

Dividend announcement date	Tuesday, 13 May 2025
AGM at which dividend resolutions will be proposed	Wednesday, 2 July 2025
Currency conversion determined and announced together with the South African (SA) tax treatment by 1100 (SAST)	Monday, 7 July 2025
Last day to trade cum dividend (SA register)	Tuesday, 8 July 2025
Commence trading ex-dividend (SA register)	Wednesday, 9 July 2025
Last day to trade cum dividend (UK register)	Wednesday, 9 July 2025
Commence trading ex-dividend (UK register)	Thursday, 10 July 2025
Record date	Friday, 11 July 2025
Payment date	Friday, 25 July 2025

Additional information required by the Johannesburg Stock Exchange:

1. The GBP:ZAR currency conversion will be determined and published on SENS on 7 July 2025.
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 12 May 2025, being the declaration announcement date of the dividend, the company had a total of 241,142,169 shares in issue (with no treasury shares).
5. No transfers of shareholdings to and from South Africa will be permitted between 7 July 2025 and 11 July 2025 (both dates inclusive). No dematerialisation or rematerialisation orders will be permitted between 9 July 2025 and 11 July 2025 (both dates inclusive).

Managing new and emerging risks

We assess current and emerging risks as part of our ongoing risk monitoring progress. While we remain vigilant, we take confidence from the resilience that our business has shown through various external crises in recent years.

In our last Annual Report, we identified 14 principal risks that could have a significant impact on our operations. While the risks themselves are unchanged in 2024/25, with no additions, deletions or reclassifications, we have in some cases updated the status of the risk. We changed the status to 'increase' for the following four risks:

- Working capital, in line with the heightened risk of economic disruption because of the expanded Middle East conflict
- Direct and indirect cyberthreats, because of evolving and elevated global risk to IT security
- Attract and retain staff while keeping our culture, because of the scarcity of suitable applicants and higher salary expectations
- Changes to vendors' commercial model because of changes in certain vendor programmes in 2024/25.

However, vendors have previously changed their commercial models, and we have a strong track record of successfully adjusting to these, aided by close and regular communication with all our major vendors and distributors. We remain confident in our ability to adapt to vendor changes and to maintain our profitability.

For the risks of Vendor concentration and Supply chain management, we changed the status from 'increase' to 'no change', to reflect mitigation actions this year.

We also identified three emerging risks in our previous Annual Report: the physical and transition risks from climate

We also identified three emerging risks in our previous Annual Report: the physical and transition risks from climate change, keeping pace with social change, and the impact of AI. These risks remain relevant in 2024/25, and we continue to monitor them. In the case of AI, we also see the fast-evolving technology as an opportunity for our business, internally and externally.

Summary of changes since 2023/24

	Risk name	Changes we made
1.	Economic disruption	Noted UK budget changes to employer National Insurance, international political uncertainty and trade tariffs, and public sector budgets.
2.	Margin pressure	Made no changes.
3.	Changes to vendors' commercial model	At the half year, changed the status to '**increase**', in light of Microsoft changes.
4.	Inflation	Updated risk with latest figures.
5.	Working capital	At the half year, changed the status to '**increase**'. Noted upcoming UK Government Procurement Act 2024.
6.	Vendor concentration	At the half year, changed the status to '**no change**'. Noted impact from marketplaces.
7.	Competition	Noted impact from anti-competition regulations.
8.	Relevance and emerging technology	Made no changes.
9.	Cyberthreats - direct and indirect	At the half year, changed the status to '**increase**', adding extra mitigation measures. Also changed ownership to the chief technology officers (CTOs) of our subsidiary companies.
10.	Business continuity failure	At the half year, added extra mitigation measures. Changed ownership to the CTOs of our subsidiary companies.
11.	Attract and retain staff while keeping our culture	At the half year, changed the status to '**increase**', because of scarcity of suitable applicants and salary expectations.
12.	Supply chain management	At the half year, changed the status to '**no change**', adding extra mitigation measures. Also made small changes to operational measures.
13.	Sustainability/ESG	At the half year, changed the status to '**no change**', but later returned it to '**increase**' because of trickle-down effects of regulations and requirements. Also changed ownership to the Group Sustainability Manager.
14.	Regulatory and compliance	Made no changes.

Our principal risks and uncertainties

Financial	**1 Economic disruption** **No change**	**Risk owner** CEO
	The risk This risk includes the impact of UK tax changes, in particular raising National Insurance (NI) contributions from 13.8% to 15% and lowering the employer NI threshold from £9,000 to £5,600. Internationally, there is political uncertainty with the new US administration. Imposing tariffs on China for trade into the US, resulting in reciprocal tariffs, and threatening tariffs on other countries, could lead to inflation. In addition, the conflicts in the Middle East and Ukraine continue. This risk also includes the uncertainties caused by global economic pressures and geopolitical risk within the UK. There is the potential for public sector funding to be cut, although the size of this is still unknown.	**How we manage it** We have so far continued to perform well during high inflation, the conflicts in the Middle East and Ukraine, and the UK leaving the EU. The recent real-life experience of these, and of the rising cost of living and exchange rate fluctuations, 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. We cannot mitigate the NI increases directly, but indirectly we are aiming to increase productivity by using AI tools. Three quarters of our employees have a GenAI licence and, in a recent assessment of usage, the productivity increase was equivalent to 26 full-time-equivalent roles. 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 by outsourcing their IT to managed services. This may create an opportunity to accelerate our service offerings.
	The impact 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.	

Economic disruption could also affect the major financial markets, including currencies, interest rates, trade and the cost of borrowing. Economic deterioration like this could affect 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.	We will keep a watching brief on the impacts to the public sector from any government cuts to funding or policy changes, and how these effect the business.
2 Margin pressure **No change**	**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 sought to maintain margins where possible. 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. 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 **Increase focus**	**Risk owner** CEO
The risk We receive incentive income from our vendors and their distributors. This partially offsets our costs of sales but could be significantly reduced or eliminated if commercial models are changed significantly. **The impact** These incentives are very valuable and contribute to our operational profits. Significant changes to commercial models could put pressure on our profitability.	**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 technologies where new funding is available. Microsoft forms a significant part of BTG's gross profit, and has consistently reviewed its incentive programmes to help it achieve its strategic objectives. BTG has consistently shown its ability to adapt in line with these changes. Although we see this risk increasing, we are confident in our ability to maintain growth over time). We closely monitor incentive income and make sure staff are aligned to meet vendors' goals so that we don't lose these incentives. Close and regular communication with all our major vendors 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.
4 Inflation **Decrease focus**	**Risk owner** CFO
The risk Inflation in the UK, as measured by the Consumer Price Index (CPI), was 3.2% in March 2024. At January 2025, this was 3.0%. This rate is above the Bank of England's target of 2%.	**How we manage it** Staffing costs make up most of our overheads, so we focus our attention on our employees and their ability to cope with the rising cost of living. Beyond salaries, we have also focused on providing attractive benefits packages to

	The effects of both NI changes and global trade tariffs are inflationary.	attract and retain talent. While we cannot dictate our customers' budget, our business model is to build trusted relationships - where account managers understand our customers and are able to have pragmatic conversations about what their IT priorities should be in the current technology landscape.
	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 risk retaining and attracting employees and customers. Our customers will also have increased costs, which will change their budgets and spending priorities.	
	5 Working capital **Increase focus**	**Risk owner** CFO
	The risk As customers face the challenges of the current economic environment, with inflation and elevated interest rates, there is a greater risk of an increasing aged debt profile, with customers slower to pay and the possibility of bad debts. The implementation of the UK Government's Procurement Act (2023) will affect the payment terms of public sector customers and affect our supply chain. Vendors' changing payment terms could also have a significant impact. We have seen debtor days stabilise as inflation has reduced, but the number of days is yet to return to historically low levels.	**How we manage it** Our credit collections teams are focused on collecting customer debts on time and maintaining our debtor days at or below target levels. Debt collection is reported and analysed continually and escalated to senior management as required. We have invested in larger credit collection teams and risk management. In the past financial year, BTG has seen a higher level of write-offs than before, but these still aren't significant: all our write-offs are from companies that have become insolvent or gone into administration. 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.
	The impact This could adversely affect our businesses' profitability and/or cash flow.	
Strategic	**6 Vendor concentration** **No change**	**Risk owner** CEO
	The risk Over-reliance on any one technology or 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.	**How we manage it** We work with our vendors as partners - 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. We have a diversified vendor list, as well as a focus on services and using in-house and third-party specialists, which diversifies and mitigates some of the vendor concentration risk.
	The impact Relying too heavily on any one vendor could have an adverse effect on our financial performance, should that relationship break down. Uptake of AI is expected to increase rapidly. While this represents an opportunity, AI development by a handful of companies, including Microsoft, has the potential to further concentrate revenue and profit across fewer vendors.	
	7 Competition **No change**	**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	**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

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.

An increase in the use of marketplaces also heightens the risk of more transactions going through the same route.

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.

The regulatory environment will change the competitive landscape too, as regulators look to decrease monopolies.

The impact
This risk could have a material, adverse impact on our business and profitability, potentially requiring 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.

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 the dominant marketplace providers and can sell from multiple vendors to our customers through their platforms. By matching customer requirements to the vendor's value proposition, we can better serve our customers' needs.

We continue to develop and improve our systems and processes to make transactions easier for our customers, including expanding and improving our own self-service portals.

AI/machine learning has been identified as a new emerging risk, so we will explore and monitor 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.

We are aware of the opportunities from regulatory changes and partnerships to expand our vendor, solution and services portfolio.

8 Relevance and emerging technology
No change

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 solutions 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.

We are giving more focus to customer communications and marketing, to increase brand awareness.

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 is relatively low.

Processes and systems	9 Cyberthreats - direct and indirect Increase focus	Risk owner CTOs of subsidiary businesses
	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 and analysis generated by threat intelligence systems to protect ourselves. This work provides insights into vulnerable areas and the effects of any breaches, which allow us to strengthen our security controls. Internal IT policies and processes are in place to mitigate some of these risks, including regular training, working abroad procedures and the use of enterprise-level security software. 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. Both businesses use a security operations centre and have internal specialists to provide up-to-date threat analysis. We maintain ISO 27001, CE and CE+ certifications to protect our and our customers' data.
Operational	10 Business continuity failure No change	Risk owner CTOs of subsidiary businesses
	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 us reputational damage and lose us market share. **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. Increased automation means a heavier reliance on technology. Although it can reduce human error, it can also potentially increase our reliance on other vendors. 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.	**How we manage it** Our CTOs and heads 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 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. The risk is also mitigated through policies and process implementation, such as Phoenix achieving ISO 22301 certification and Bytes implementing an incident management policy. 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 risk assessments and BCP testing.

11 Attract and retain staff while keeping our culture
Increase focus

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.

Several factors are affecting this:
– Salary and benefit expectations
– BTG's high rate of growth
– Skills shortage in emerging, high-demand areas, such as AI and machine learning
– With remote or hybrid working becoming the norm, potential employees in traditionally lower-paid geographical regions being able to work remotely in higher-paying areas like London.

The impact
The double impact of scarcity of appropriate candidates for new roles and salary expectations will challenge our ability to attract and retain the talent pool we need to deliver our planned growth.

We may also lose talented employees to competitors.

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 across multiple business divisions. We also review the time that management has to coach new staff.

We've also organically grown and set up new geographical offices, to attract local talent.

Maintaining our culture is important to retaining current staff. BTG regularly engages with employees through surveys, such as the eNPS and Great Places to Work. Feedback from these and elsewhere is used to review and develop our employee benefits. We maintain our small-company feel through regular communications, clubs, and charity and social events. We aim to absorb growth while keeping our culture.

12 Supply chain management
No change

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.

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.

The impact
The impact to the business is across multiple streams, from legal, financial and reputational to ethical and environmental.

Escalating conflicts could also affect our supply chain.

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 action is taken. Onboarding questionnaires have been reviewed and improved.

Phoenix has appointed a supply chain manager, and Bytes has appointed a third-party compliance officer focused on supply chain management. Bytes has also established a cross-disciplinary group to work on managing suppliers.

13 Sustainability/ESG
No change

Risk owner Group Sustainability Manager

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

How we manage it
Our Board manages and monitors this risk closely, with oversight from the ESG and Audit Committees.

The Group 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. Environmental management systems are also in place and certified by ISO 14001.

Regulatory	– 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.	Our Sustainability Steering Committee enables decision makers from across the Group and our two operating companies to work towards a common goal and report on challenges. In June 2024, we enhanced the governance of ESG, by creating a Board-level ESG Committee. Disclosures are made through several channels, including ISS ESG ratings, CDP and EcoVadis. We had our near-term and net zero targets validated by the SBTi in June 2024, 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.
	14 Regulatory and compliance No change	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.	**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 Group'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 affect multiple areas of the business.
	The impact Operational teams and processes 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 Group and to individuals, which could lead to expensive legal challenges and reputational damage to the business among all stakeholders.	

Going concern disclosure

The Group has performed a full going concern assessment from 28 February 2025 for the period up to 31 August 2026. 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 £113.1m of cash and cash equivalents available at 28 February 2025. The Group also has access to a committed RCF that covers the going concern period to 31 August 2026 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 29 February 2024, and 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 use the RCF.

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 2026. 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 Conduct 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 their knowledge that:

- 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 **Andrew Holden**
Chief Executive Officer **Chief Financial Officer**
13 May 2025

Consolidated statement of profit or loss

	Note	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Revenue	3	**217,134**	207,021
Cost of sales		**(53,880)**	(61,243)
Gross profit		**163,254**	145,778
Administrative expenses	4	**(96,936)**	(87,839)
Decrease / (increase) in loss allowance on trade receivables	17	**108**	(1,227)
Operating profit		**66,426**	56,712
Finance income	7	**8,486**	5,111
Finance costs	7	**(291)**	(393)
Share of profit of associate	12	**(8)**	166
Profit before taxation		**74,613**	61,596
Income tax expense	8	**(19,772)**	(14,745)
Profit after taxation		**54,841**	46,851
Profit for the period attributable to owners of the parent company		**54,841**	46,851
		Pence	Pence
Basic earnings per ordinary share	28	**22.78**	19.55
Diluted earnings per ordinary share	28	**21.95**	18.85

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 28 February 2025 £'000	As at 29 February 2024 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	**13,581**	8,478
Right-of-use assets	10	**1,641**	1,411
Intangible assets	11	**43,475**	40,646
Investment in associate	12	**3,185**	3,193
Contract assets	13	**1,773**	2,689
Deferred tax asset	8	**59**	834
Total non-current assets		**63,714**	57,251
Current assets			
Inventories	15	**14**	60
Contract assets	13	**9,973**	11,756
Trade and other receivables	17	**268,454**	221,815
Cash and cash equivalents	18	**113,076**	88,836
Total current assets		**391,517**	322,467
Total assets		**455,231**	379,718
Liabilities			
Non-current liabilities			
Lease liabilities	10	**(1,269)**	(1,314)
Contract liabilities	14	**(2,034)**	(2,137)
Total non-current liabilities		**(3,303)**	(3,451)
Current liabilities			
Trade and other payables	19	**(327,533)**	(277,917)
Contract liabilities	14	**(25,245)**	(19,348)
Current tax liabilities		**(439)**	(243)
Lease liabilities	10	**(668)**	(423)

Lease liabilities	10	[illegible]	[illegible]
Total current liabilities		**(353,885)**	(297,931)
Total liabilities		**(357,188)**	(301,382)
Net assets		**98,043**	78,336
Equity			
Share capital	20	**2,411**	2,404
Share premium	20	**636,432**	633,650
Share-based payment reserve		**14,879**	11,050
Merger reserve	21	**(644,375)**	(644,375)
Retained earnings		**88,696**	75,607
Total equity		**98,043**	78,336

The consolidated financial statements were authorised for issue by the Board on 12 May 2025.

Consolidated statement of changes in equity

		Attributable to owners of the company					
	Note	**Share capital £'000**	**Share premium £'000**	**Share-based payment reserve £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 March 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	24(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
Total comprehensive income for the year		-	-	-	-	54,841	54,841
Dividends paid	24(b)	-	-	-	-	(42,843)	(42,843)
Shares issued during the year	20	7	2,782	-	-	-	2,789
Transfer to retained earnings	27	-	-	(1,091)	-	1,091	-
Share-based payment transactions	27	-	-	5,049	-	-	5,049
Tax adjustments	8	-	-	(129)	-	-	(129)
Balance at 28 February 2025		**2,411**	**636,432**	**14,879**	**(644,375)**	**88,696**	**98,043**

Consolidated statement of cash flows

	Note	**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'000
Cash flows from operating activities			
Cash generated from operations	22	**85,635**	67,333
Interest received	7	**8,486**	5,111
Interest paid	7	**(224)**	(330)
Income taxes paid		**(18,930)**	(15,109)
Net cash inflow from operating activities		**74,967**	57,005
Cash flows from investing activities			
Payments for property, plant and equipment	9	**(6,358)**	(1,334)
Payments for intangible asset	11	**(3,709)**	-
Investment in associate		**-**	(3,027)
Net cash outflow from investing activities		**(10,067)**	(4,361)
Cash flows from financing activities			
Proceeds from issues of shares		**2,789**	23
Principal elements of lease payments	10	**(606)**	(209)
Dividends paid to shareholders	24(b)	**(42,843)**	(36,641)
Net cash outflow from financing activities		**(40,660)**	(36,827)
Net increase in cash and cash equivalents		**24,240**	15,817
Cash and cash equivalents at the beginning of the financial year		**88,836**	73,019
Cash and cash equivalents at end of year	18	**113,076**	88,836

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 28 February 2025 or 29 February 2024. The statutory accounts for the year ended 28 February 2025 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 28 February 2025 are made available on the Company's website, which is expected to be in May 2025.

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 comprise the financial statements of the Company and its subsidiaries, see note 1.6.1 and 1.6.2, and 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 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 results, as well as detailed financial forecasts for the going concern assessment period up to 31 August 2026, being 15 months after the authorisation of these financial statements.

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 Group's 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

Following the previous years of strong growth since it listed in December 2020, the Group has again achieved double-digit growth in gross invoiced income (GII), gross profit (GP) and operating profit, and finished the year with £113.1 million of cash compared to the prior year £88.8 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.

We are also 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 and incentive funding, 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 15.2% increase in GII during the year, and our mix of private and public customers, across multiple sectors means that a downturn in one area can be compensated by upturns in others.

  Sales risk is further mitigated by the fact that none of the Group's wide range of customers contributes more than 1.3% of GP. Indeed, during the year only six customers generated GP in excess of £1 million out of a total Group GP of £163.2 million, the largest £2.1 million and the six combined at £8.3 million (5.1% of total GP). 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 9.1% of our total GII of £2.1 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 £2.0 billion (95%) 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 around 68% of the Group's GII and around 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 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 £1.4 billion and £80 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 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.

The Board and operating company Directors are engaged directly with Microsoft executives on a regular basis in developing the partnership further and Microsoft business is currently growing at double-digit rates.

In two areas in particular we are seeing high levels of interest leading to increased demand. The first is 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.

The second has arisen from Microsoft's launch of its AI product, Copilot. The Group has been highly engaged this year in educating customers and supporting them in improving their 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 line with this increasing AI momentum in the next year 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.

- Microsoft incentives - Microsoft rewards partners with a range of incentives comprising transactional rebates and fees for licence sales plus additional levels of funding for partners who have attained their technical specialisations through a range of programmes aligned to customer engagement in areas such as cloud migrations, and technology onboarding, adoption and consumption. This latter funding corresponds strongly to the Group's strategic focus on services and solutions expansion, so is a growing income stream which supplements the traditional transactional schemes.

  Hence while recent Microsoft EA incentive changes will see certain transactional rebates and fees reduced, the Group has the opportunity to offset this through the growth of other services linked incentives. Further, any negative impact on EA profitability will diminish as we move through the going concern period as new and renewing contracts are re-priced to reflect the new level of EA incentives available, which affects all Microsoft partners similarly, and hence we will compete for future business on a level playing field. The Group is therefore well positioned to manage such changes, backed by our long track record of successfully adapting to shifts in Microsoft, and other vendor, programmes generally. We therefore believe our stress tests, detailed below, consider downsides around reducing gross profit that are sufficiently severe to cater for any adverse impacts from these incentive changes, should they arise.

- 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 continued risks arising from macroeconomic and geopolitical factors which 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

- 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 small reduction in our GP/GII margin from 8.0% last year to 7.8% this year, it has been substantially contained and 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 14%, which is down on last year's 16%. 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 operating profit/GP, we have achieved just over 40% 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 - While interest rates have been high in the past two years, they have now appeared to stabilise and started to fall. The Group has no debt exposure, nor has it ever needed to call on its revolving credit facility (RCF). Due to the timing difference we see in our cash flow model between customer receipts and supplier payments, we place cash on the money markets through our monthly cash cycle. While interest rates may fall further in the coming months we still see substantial interest income opportunity over the going concern period. We take have taken advantage of the recent higher interest rates to generate a significant £8.5 million of interest income in the reporting period and with projected growth in profits and cash we should be able to offset rate reductions.

- Economic conditions 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 robust operating model, with business spread over many customers in repeat subscription programmes and service contracts, and high renewal rates.

- Economic conditions impacting on customer payments - Across the year we have seen our average debtor days of 38 remaining close to that in the previous two years of 37 and 39 respectively and with our closing debtor days standing at just 32. There is limited evidence that customers ultimately do not pay and we have only suffered £0.7 million of bad debt during the year against GII of £2.1 billion (see note 17). We were carrying sufficient loss allowance to cover this.

  As in previous years, the majority of our GII (65%), came from the public sector, traditionally 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.

- Tariffs impacting the Group directly or indirectly - Recently we have seen the introduction of import tariffs by certain countries which will increase the cost of imported goods within the global supply chain. As we are neither a significant exporter nor importer of goods, we do not expect this will have a direct material impact on the profitability of the business within the going concern period. This is a fast moving matter which we will therefore continue to monitor closely for further changes, and in particular for any indirect impact on our customers' spending and payments, as noted above.

Geopolitical risks
The current geopolitical environment, including the ongoing 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.

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

Liquidity and financing position

At 28 February 2025, the Group held instantly accessible cash and cash equivalents of £113.1 million.

The consolidated balance sheet shows net current assets of £38.2 million at year end; this amount is after the Group paid final and special dividends for the prior year totalling £35.4 million and an interim dividend for the current year of £7.5 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 2026 and detailed financial forecasts for the period up to 31 August 2026, 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 2026.

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 2026 and extended across the first six months of the following year to 31 August 2026.
- Downside case 1, Severe but plausible, modelled gross invoiced income reducing by 10% year on year, gross profit reducing by 15% year on year and debtor collection periods extending by five days, in each case effective from June 2025.
- Downside case 2, Stressed, modelled both gross invoiced income and gross profit reducing by 30% year on year and debtor collection periods extending by ten days, again in each case effective from June 2025.
- Partial mitigation measures modelled immediate "self-mitigating" reduction of commission in line with falling gross profit, freezing recruitment of new heads and not replacing natural leavers from September 2025, freezing future pay from March 2026 (as current year rises are already committed) and freezing rises in general overheads from March 2026.
- Full mitigation measures modelled additional headcount reductions from March 2026, in line with falling gross profit.

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 and therefore with no requirement to call upon the revolving credit facility and remaining compliant with the facility covenants. Dividends are forecast to continue to be paid in line with the Group's dividend policy to distribute 40-50% 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 2026, 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. 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.

This note provides an overview of the areas that involved estimates or judgements and whether any are considered critical due to their complexity or risk impact.

(i) Critical estimates and judgements

There are no critical areas of judgement. There are no critical areas of estimation uncertainty that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

(ii) Other estimates and judgements

Areas involving non-critical accounting estimates and judgements are:

- ***Principal versus agent (see note 1.10).***

  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 themselves (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.

  The specific judgements made for each revenue category are discussed in the accounting policy for revenue as disclosed in note 1.10. The Group considers the determination of principal versus agent to be well established within the business processes. Therefore management has concluded that the level of judgement is no longer considered to be significant.

- ***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 the relevant cash generating units (CGUs) have been determined based on value-in-use calculations in respect of future forecasts which require the use of assumptions. The growth rates used in the short-term forecasts are based on historical growth rates achieved by the Group and longer term cash flow forecasts (beyond a 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.

- ***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. The Group makes provision for future tax liabilities and assets in relation to its unexercised share options. This requires judgement to be made in respect of the Group share price at the time of exercise which crystalises the future liability or asset.

- ***Property, plant and equipment (see note 1.20).***

  The Group classifies owner occupied properties as property, plant and equipment. Where tenancies were assumed upon acquisition of the properties and rental income are earned, this requires judgement as to whether the properties are property, plant and equipment or investment property taking into account the evaluation of terms and conditions of the arrangement and intention of future use.

- ***Estimation of recoverable amount of investment in associate (see note 12).***

  The Group tests annually whether its investment in associate has suffered any impairment, in accordance with the accounting policy stated in note 1.15 Impairment of non-financial assets. The recoverable amount of the Group's investment has been estimated based on value-in-use calculations in respect of future forecasts which require the use of assumptions. The growth rates used in the short-term forecasts are based on historical growth rates achieved and longer-term cash flow forecasts (beyond a five-year period) are extrapolated using the estimated growth rates disclosed in note 12. The forecast cash flows are discounted, at the rates disclosed in note 12, to determine the value-in-use. The sensitivity of changes in these rates are disclosed in note 12.

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 2024:

- Classification of liabilities as current or non-current - Amendments to IAS 1
- Non-current liabilities with covenants - Amendments to IAS 1
- Lease liability in a sale and leaseback - Amendments to IFRS16
- Supplier finance arrangements - Amendments to IAS 7 and IFRS 7

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 the year ended 28 February 2025 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.

- Lack of exchangeability - Amendments to IAS 21
- Classification and measurement of financial instruments - Amendments to IFRS 7 and IFRS 9

The Group is assessing the impact of IFRS 18 Presentation and disclosure in financial statements which, if adopted by the UK Endorsement Board, will be effective for reporting periods beginning on or after 1 January 2027.

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.

Software

The Group acts as an advisor, analysing customer requirements and designing an appropriate mix of software products under different licensing programmes. 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 programme 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 and control has passed 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 managed service or support contract 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, unless they are short term one-off projects. This is because the customer benefits from the Group's activities as the Group performs them. Where one-off projects are completed in less than a month the revenue is recognised when the work has been completed and the customer has confirmed all performance conditions have been satisfied. For longer 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, subject to sign off of milestones agreed with the customer. 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 Incentives from suppliers

As a value-added IT reseller, the Group can earn incentive income from suppliers in addition to any profit made on the underlying transactions.

Rebates from software and hardware sales

Where the Group invoices a customer directly, it may receive additional rebates from suppliers. These 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.

Fees from software sales

Where the Group sells on behalf of a vendor who invoices the customer directly, the Group is paid a fee from the vendor for our service in managing the customer relationship and providing licensing advice and support to them. As noted above in note 1.10 under Direct software sales, the fee is recognised in revenue when the vendor's invoicing to the customer takes place. Fees recognised but not yet received are included within trade and other receivables in the consolidated statement of financial position.

Fees from service engagements

Where the Group provides internal services in relation to certain vendor technologies, the activity may be funded by the vendor themself rather than by the customer, for example where the vendor is seeking to increase awareness and/or uptake in certain technical solution areas, refer to note 1.10 revenue recognition - services internal.

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

Group as a 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.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising accounted for on a straight-line basis over the lease term and is included in the statement of 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, 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 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 28 February 2025, 29 February 2024, and 1 March 2023 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.

Property acquired and held for future use and development as owner-occupied property is included in owned property.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, if it is probable that future economic benefits embodied within the item will flow to the Group and the cost of such item can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised. All other costs are recognised in profit or loss as an expense when incurred.

Depreciation

Depreciation is recognised in profit or loss for each category of assets on a straight-line basis over their expected useful lives up to their respective estimated residual values. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings, 20 to 50 years
- Leasehold improvements (included in land and buildings), shorter of lease period or useful life of asset
- Plant and machinery, 3 to 20 years
- Motor vehicles, 4 to 8 years
- Furniture and equipment, 5 to 20 years
- IT equipment and software, 2 to 8 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 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 acquired intangible assets amortisation and share-based payment charges. It is used as one of the performance measures determining executive bonus payments in the current and prior reporting periods. It reconciles to operating profit as follows:

	Note	**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'000
Adjusted operating profit		**72,355**	63,300
Share-based payment charges	27	**(5,049)**	(5,708)
Amortisation of acquired intangible assets	4	**(880)**	(880)
Operating profit		**66,426**	56,712

3 Revenue from contracts with customers

3(a) Disaggregation of revenue from contracts with customers

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

Revenue by product	**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'000
Software	**146,002**	130,365
Hardware	**33,216**	41,389
Services internal	**34,032**	31,517
Services external	**3,884**	3,750
Total revenue from contracts with customers	**217,134**	207,021

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 28 February 2025 £'000**	Year ended 29 February 2024 £'000
United Kingdom	**209,854**	199,912
Europe	**4,112**	4,326
Rest of world	**3,168**	2,783
	217,134	207,021

3(b) Gross invoiced income by type

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Software	**2,005,289**	1,721,993
Hardware	**33,216**	41,389
Services internal	**34,032**	31,517
Services external	**27,267**	28,103
	2,099,804	1,823,002
Gross invoiced income	**2,099,804**	1,823,002
Adjustment to gross invoiced income for income recognised as agent	**(1,882,670)**	(1,615,981)
Revenue	**217,134**	207,021

Gross invoiced income reflects gross income billed to customers adjusted for movements in deferred and accrued revenue items amounting to a £7.7 million reduction (2024: £8.5 million increase). The Group reports gross invoiced income as an alternative performance measure as management believes this measure allows further understanding of business performance and volume of activity in respect of working capital and cash flow.

4 Material administrative expenses

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 28 February 2025 £'000**	Year ended 29 February 2024 £'000
Depreciation of property, plant and equipment	9	**1,255**	1,236
Depreciation of right-of-use assets	10	**509**	263
Amortisation of acquired intangible assets	11	**880**	880
System support and maintenance		**4,670**	3,872
Share-based payment expenses	27	**5,049**	5,708
Expenses relating to short-term leases	10	**348**	250
Rental income		**(105)**	-
Foreign exchange losses		**55**	137

5 Employees

Employee benefit expense:		**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'000
Employee remuneration (including directors' remuneration (1))		**55,497**	49,791
Commissions and bonuses		**24,837**	21,623
Social security costs		**9,762**	9,479
Pension costs		**2,009**	1,794
Share-based payments expense	27	**5,049**	5,708
		97,154	88,395
Classified as follows:			
Cost of sales		**19,098**	17,211
Administrative expenses		**78,056**	71,184
		97,154	88,395

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

The average monthly number of employees during the year was:	**Year ended 28 February 2025 Number**	Year ended 29 February 2024 Number
Sales - account management	**378**	335
Sales - support and specialists	**251**	228
Service delivery	**290**	263
Administration	**231**	202
	1,150	1,028

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 28 February 2025 £'000	Year ended 29 February 2024 £'000
Fees payable to the company's auditors and its associates for the audit of the parent company and consolidated financial statements (1)	**316**	688
Fees payable to the company's auditors and its associates for other services:		
Audit of the financial statements of the company's subsidiaries	**450**	398
Non-audit services (2)	**105**	101
	871	1,187

(1) Other fees of £0.4 million in the prior year has been included within fees of the parent company.

(2) Non-audit services in the current and prior year relate to the auditors' review of our interim report issued in October of each year.

7 Finance income and costs

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Finance income		
Bank interest received (1)	**8,486**	5,111
Finance income	**8,486**	5,111
Finance costs		
Interest expense on financial liabilities measured at amortised cost	**(224)**	(330)
Interest expense on lease liability	**(67)**	(63)
Finance costs	**(291)**	(393)

(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 28 February 2025 £'000	Year ended 29 February 2024 £'000
Current income tax charge in the year	**19,175**	15,892
Adjustment in respect of current income tax of previous years	**(18)**	(85)
Total current income tax charge	**19,157**	15,807
Deferred tax charge / (credit) in the year	**604**	(1,109)
Adjustments in respect of prior year	**11**	70
Effect of changes in tax rates	**-**	(23)
Deferred tax charge / (credit)	**615**	(1,062)
Total tax charge	**19,772**	14,745

Reconciliation of total tax charge

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

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Profit before income tax	**74,613**	61,596
Income tax charge at the standard rate of corporation tax in the UK of 25% (2024: 24.49%)[1]	**18,653**	15,085
Effects of:		
Non-deductible expenses	**1,124**	(261)
Adjustment to previous periods	**(7)**	(15)
Effect of changes in tax rate	**-**	(23)
Effect of share of profit of associate	**2**	(41)
Income tax charge reported in profit or loss	**19,772**	14,745

(1) Prorated rate for change in tax rate from 19% to 25% on 1 April 2023

Amounts recognised directly in equity	**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'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	**(160)**	407
Current tax: share-based payments	**31**	491
	(129)	898

On 23 May 2023, the International Accounting Standards Board (the Board) issued International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12. On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK introducing a global minimum effective tax rate of 15% for large groups, with revenues exceeding €750 million, for financial years beginning on or after 31 December 2023. These rules are not expected to affect the Group.

Deferred tax asset - net	**As at 28 February 2025 £'000**	As at 29 February 2024 £'000
The balance comprises temporary differences attributable to:		
Intangible assets	**(568)**	(788)
Property, plant and equipment	**(2,088)**	(1,059)
Employee benefits	**6**	1
Provisions	**74**	73
Share-based payments	**2,635**	2,607
	59	834

Net deferred tax asset reconciliation	**As at 28 February 2025 £'000**	As at 29 February 2024 £'000
At 1 March	**834**	(635)
Intangible assets	**220**	220
Property, plant and equipment	**(1,029)**	(175)
Employee benefits	**5**	(2)
Provisions	**1**	8
Share-based payments	**188**	1,011
(Charge) / credit to profit or loss	**(615)**	1,062
Share-based payments	**(160)**	407
(Charge)/credit to equity	**(160)**	407
Carrying amount at end of year	**59**	834

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 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
Additions	5,760	549	46	-	3	6,358
Disposals	-	(1)	-	-	(24)	(25)
At 28 February 2025	**15,538**	**5,554**	**1,370**	**1,266**	**65**	**23,793**
Depreciation						
At 1 March 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
On disposals	-	(1)	-	-	(24)	(25)
Charge for the year	384	600	47	211	13	1,255
At 28 February 2025	**3,321**	**4,627**	**1,141**	**1,072**	**51**	**10,212**
Net book value						
At 29 February 2024	6,841	978	230	405	24	8,478
At 28 February 2025	**12,217**	**927**	**229**	**194**	**14**	**13,581**

During the year the Group acquired property for £5.4 million, adjacent to its offices in Leatherhead. Part of the property

During the year the Group acquired property, for £5.4 million, adjacent to its offices in Leatherhead. Part of the property acquired is subject to existing operating lease agreements. Since the property was acquired by the Group for use as owner-occupied offices, the property has been included in owned property.

10 Leases

Group as a lessee

Amounts recognised in the balance sheet

Right-of-use assets	Buildings £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 March 2023	1,377	245	1,622
Additions	-	891	891
Disposals	-	(245)	(245)
At 29 February 2024	1,377	891	2,268
Additions	-	739	739
At 28 February 2025	**1,377**	**1,630**	**3,007**
Depreciation			
At 1 March 2023	594	245	839
Disposals	-	(245)	(245)
Charge for the period	144	119	263
At 29 February 2024	738	119	857
Charge for the period	145	364	509
At 28 February 2025	**883**	**483**	**1,366**
Net book value			
At 1 March 2023	783	-	783
At 29 February 2024	639	772	1,411
At 28 February 2025	**494**	**1,147**	**1,641**

Lease liabilities	**As at 28 February 2025 £'000**	As at 29 February 2024 £'000	As at 1 March 2023 £'000
Current	**668**	423	75
Non-current	**1,269**	1,314	917
	1,937	1,737	992

There were additions of £0.7 million to the right-of-use assets in the financial year ended 28 February 2025 (2024: £0.9 million).

Amounts recognised in the statement of profit or loss

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

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Depreciation charge of right-of-use assets	**509**	263
Interest expense (included in finance cost)	**67**	63
Expense relating to short-term leases (included in administrative expenses)	**348**	250

Changes in liabilities arising from financing activities

	As at 1 March 2024 £'000	Additions £'000	Cash flows £'000	Interest £'000	**As at 28 February 2025 £'000**
Lease liabilities	1,737	739	(606)	67	**1,937**
Total liabilities from financing activities	1,737	739	(606)	67	**1,937**

	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

Group as a lessor

Contractual maturity of undiscounted operating lease receipts

The following table details the Group's remaining contract maturity for operating leases on the Group during the year. There were no operating lease receivables in the prior year. The table is based on undiscounted contractual receipts.

28 February 2025	Within 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Over 5 years £'000
Operating lease receivables	**464**	**464**	**464**	**244**	**87**	**159**

11 Intangible assets

	Goodwill £'000	Customer relationships £'000	Brand £'000	Software £'000	Total £'000
Cost					
At 1 March 2023 and 29 February 2024	37,493	8,798	3,653	-	49,944
Additions	-	-	-	3,709	3,709
At 28 February 2025	**37,493**	**8,798**	**3,653**	**3,709**	**53,653**
Amortisation					
At 1 March 2023	-	4,765	3,653	-	8,418
Charge for the year	-	880	-	-	880
At 29 February 2024	-	5,645	3,653	-	9,298
Charge for the year	-	880	-	-	880
At 28 February 2025	**-**	**6,525**	**3,653**	**-**	**10,178**
Net book value					
At 29 February 2024	37,493	3,153	-	-	40,646
At 28 February 2025	**37,493**	**2,273**	**-**	**3,709**	**43,475**

During the year the Group capitalised internal software development costs of £3.7 million. The project was still in production phase at the year end and as such there is no amortisation charge in the current financial year.

Determination of recoverable amount

The carrying value of indefinite useful life intangible assets, being 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 estimated to be £755.3 million and £245.7 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:

28 February 2025	**Long-term growth rate %**	**Discount rate %**	**Goodwill carrying amount £'000**
Bytes Software Services	**2**	**9.20**	**14,775**
Phoenix Software	**2**	**9.20**	**22,718**
			37,493

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

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. Post-tax discount rates have been applied. The difference between the value-in-use calculated using the post-tax discount rates and the value-in-use calculated using pre-tax discount rates is not material.

Sensitivities

The impacts of variations in the calculation of value-in-use of assumed growth rate and post-tax discount rates applied to the forecast future cash flows of the CGUs have been estimated as follows:

28 February 2025	**Bytes Software Services £'000**	**Phoenix Software £'000**
Headroom	**702,044**	**212,605**
1% increase in the post-tax discount rate applied to the forecast future cash flows	**(94,207)**	**(31,522)**
1% decrease in the post-tax discount rate applied to the forecast future cash flows	**124,953**	**41,843**
0.5% increase in the terminal growth rate	**44,492**	**14,940**
0.5% decrease in the terminal growth rate	**(38,714)**	**(13,000)**

29 February 2024	Bytes Software Services £'000	Phoenix Software £'000
Headroom	688,344	273,935
1% increase in the post-tax discount rate applied to the forecast future cash flows	(97,592)	(38,628)
1% decrease in the post-tax discount rate applied to the forecast 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)

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 28 February 2025 £'000	As at 29 February 2024 £'000
Current assets	**7,980**	8,302
Non-current assets	**108**	123
Current liabilities	**(5,016)**	(6,078)
Non-current liabilities	**(771)**	(11)
Equity	**2,301**	2,336
Group's share in equity - 25%	**578**	586
Goodwill	**2,607**	2,607
Group's carrying amount of the investment	**3,185**	3,193

	28 February 2025 £'000	Acquisition to 29 February 2024 £'000
Revenue	**28,920**	13,851
Cost of sales	**(26,755)**	(11,789)
Administrative expenses	**(2,340)**	(1,171)
Finance costs	**(56)**	(6)
Profit before tax	**(231)**	885
Income tax expense	**198**	(222)
Profit for the period	**(33)**	663
Group's share of profit for the period	**(8)**	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 28 February 2025.

In preparing the financial statements, the Group has considered whether there are impairment indicators present in relation to the net assets of the associate which would require an adjustment to be made to the £3.2 million carrying amount of the investment as at 28 February 2025. The Group has assessed its share of the value in use of the associate using future expected cash flows based on management forecasts over a five-year period, and thereafter a reasonable rate of growth of 2% is applied based on current market conditions and using a discount rate of 9.2% (post-tax rate) in line with that of the Group (see note 11). Based on this, the Group's share in the recoverable amount of Cloud Bridge is estimated to be £3.8 million which provides a headroom against the carrying value of £0.6 million. The calculation of future cashflows uses estimates of revenue growth, gross margin, and administrative costs. In making its assessment, management have considered several qualitative factors in respect of the Cloud Bridge business including historic track record of revenue growth, increase in customer opportunities and pipeline, attainment of key vendor accreditations, development of internal systems to deliver cost savings and efficiencies, and expansion of operations in other territories. Gross margin changes create the greatest sensitivity and a 2% reduction across the assessment period would lead to an impairment to the carrying value of £1.2 million. The value in use is also sensitive to changes in the discount rate applied. A 2% increase in the rate would give rise to an impairment to the carrying value of £0.4 million. Taking the base headroom forecast and the qualitative factors together, the Group concludes there is no impairment of the carrying amount of the investment at the reporting date.

13 Contract assets

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Contract assets	**11,746**	14,445

Contract assets is further broken down as:	**As at 28 February 2025 £'000**	As at 29 February 2024 £'000
Short-term contract assets	**9,973**	11,756
Long-term contract assets	**1,773**	2,689
	11,746	14,445

Contract assets include £1.7 million (2024: £2.4 million) of deferred costs relating to internal services contracts, and the recognition of accrued revenue of £10.0 million (2024: £12.0 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 28 February 2025 £'000	As at 29 February 2024 £'000
Contract liabilities	**27,279**	21,485

Contract liabilities is further broken down as:	**As at 28 February 2025 £'000**	As at 29 February 2024 £'000
Short-term contract liabilities	**25,245**	19,348
Long-term contract liabilities	**2,034**	2,137
	27,279	21,485

During the year, the Group recognised £19.3 million (2024: £23.9 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 28 February 2025 £'000	As at 29 February 2024 £'000
Inventories	**14**	60
	14	60

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 £46,000 (29 February 2024: £nil).

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:

	As at 28 February 2025	As at 29 February 2024

Financial assets	Note	February 2025 £'000	February 2024 £'000
Financial assets at amortised cost:			
Trade receivables	17	**259,224**	212,432
Other receivables	17	**6,917**	7,415
		266,141	219,847

Financial liabilities	Note	**As at 28 February 2025 £'000**	As at 29 February 2024 £'000
Financial liabilities at amortised cost:			
Trade and other payables - current, excluding payroll tax and other statutory tax liabilities	19	**301,669**	259,661
Lease liabilities	10	**1,937**	1,737
		303,606	261,398

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 28 February 2025 £'000	As at 29 February 2024 £'000
Financial assets		
Gross trade receivables	**260,883**	214,922
Less: impairment allowance	**(1,659)**	(2,490)
Net trade receivables	**259,224**	212,432
Other receivables	**6,917**	7,415
	266,141	219,847
Non-financial assets		
Prepayments	**2,313**	1,968
	2,313	1,968
Trade and other receivables	**268,454**	221,815

(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)

28 February 2025	**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%**	**0.26%**	**2.90%**	**10.93%**	**44.84%**	
Gross carrying amount - trade receivables	**232,118**	**17,495**	**5,201**	**4,189**	**1,880**	**260,883**
Loss allowance	**162**	**45**	**151**	**458**	**843**	**1,659**

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

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

	As at 28 February 2025	As at 29 February 2024

Trade receivables	£'000	£'000
Opening loss allowance at 1 March	**2,490**	1,542
(Decrease) / increase in loss allowance recognised in profit or loss during the period	**(108)**	1,227
Receivables written off during the year as uncollectable	**(723)**	(279)
Closing loss allowance	**1,659**	2,490

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 and other vendor incentive income of £5.6 million (2024: £5.7 million).

18 Cash and cash equivalents

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Cash at bank and in hand	**6,276**	88,836
Short-term deposits	**106,800**	-
	113,076	88,836

Short-term deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

19 Trade and other payables

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Trade and other payables	**179,003**	168,777
Accrued expenses	**122,666**	90,884
Payroll tax and other statutory liabilities	**25,864**	18,256
	327,533	277,917

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.

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 2023	239,482,333	2,395	633,636	636,031
Shares issued during the year	874,565	9	14	23
At 29 February 2024	240,356,898	2,404	633,650	636,054
Shares issued during the year	711,367	7	2,782	2,789
At **28 February 2025**	**241,068,265**	**2,411**	**636,432**	**638,843**

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.

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

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Balance at 1 March 2023, 29 February 2024 and **28 February 2025**	**(644,375)**	(644,375)

Balance at 1 March 2023, 29 February 2024 and **28 February 2025**	**(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 28 February 2025 £'000**	Year ended 29 February 2024 £'000
Profit before taxation		**74,613**	61,596
Adjustments for:			
Depreciation and amortisation	4	**2,644**	2,379
Non-cash employee benefits expense - share-based payments	4	**5,049**	5,708
Share of profit of associate		**8**	(166)
Finance income	7	**(8,486)**	(5,111)
Finance costs	7	**291**	393
Decrease/(increase) in contract assets		**2,699**	(3,364)
Increase in trade and other receivables		**(46,639)**	(35,895)
Decrease/(increase) in inventories		**46**	(2)
Increase in trade and other payables		**49,616**	46,200
Increase/(decrease) in contract liabilities		**5,794**	(4,405)
Cash generated from operations		**85,635**	67,333

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 28 February 2025			As at 29 February 2024		
	USD £'000	**EUR £'000**	**NOK £'000**	USD £'000	EUR £'000	NOK £'000
Trade receivables	**11,348**	**3,945**	**-**	10,247	2,661	-
Cash and cash equivalents	**3,627**	**155**	**-**	176	1,647	-
Trade payables	**(18,663)**	**(3,529)**	**(53)**	(16,640)	(4,253)	(580)

	(3,688)	**571**	**(53)**	(6,217)	55	(580)

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 28 February 2025			As at 29 February 2024		
	GBP:USD	**GBP:EUR**	**GBP:NOK**	GBP:USD	GBP:EUR	GBP:NOK
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
5% strengthening in GBP	**176**	**(27)**	**3**	296	(3)	28
5% weakening in GBP	**(194)**	**30**	**(3)**	(327)	3	(31)

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

	Year ended 25 February 2025 £'000	Year ended 29 February 2024 £'000
Total net foreign exchange losses in profit or loss	**55**	137

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 28 February 2025, the Group had cash and cash equivalents of £113.1 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 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 28 February 2025 and 29 February 2024, the Group had net finance income and has therefore complied with the interest cover covenant. The Group has been in a net cash position as at 28 February 2025 and 29 February 2024 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:

28 February 2025	**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**	**301,669**	**-**	**-**	**-**	**301,669**	**301,669**
Lease liabilities	**10**	**726**	**689**	**627**	**-**	**2,042**	**1,937**
		302,395	**689**	**627**	**-**	**303,711**	**303,606**

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

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 40-50% 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

	2025		2024	
Ordinary shares	**Pence per share**	**£'000**	Pence per share	£'000
Interim dividend paid	**3.1**	**7,469**	2.7	6,466
Special dividend paid	**8.7**	**20,936**	7.5	17,961
Final dividend paid	**6.0**	**14,438**	5.1	12,214
Total dividends attributable to ordinary shareholders	**17.8**	**42,843**	15.3	36,641

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 6.9 pence and a special dividend of 10.0 pence per share for the year ended 28 February 2025 to be paid to shareholders on the register as at 11 July 2025. The aggregate of the proposed dividends expected to be paid on 25 July 2025 is £40.7 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 28 February 2025, the Group had £Nil capital commitments (29 February 2024: £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 28	Year ended 29

	February 2025	February 2024
	£'000	£'000
Short-term employee benefits	**4,591**	3,653
Post-employment pension benefits	**121**	97
Total compensation paid to key management	**4,712**	3,750

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 376,082 share option awards (2024: 170,360) at a weighted average exercise price of £0.21 (2024: £0.04).

Share-based payment charges include £1,570,816 (2024: £1,257,326) 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 £4.9 million (2024: £3.1 million) and sales to the associate of £0.1 million (2024: £nil) during the year with a trade payable balance of £0.1 million (2024: £0.5 million) at the 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 28 February 2025 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 961,569 (2024: 1,195,700) options. For the year ended 28 February 2025, 47,463 (2024: 298,561) options were forfeited, 57,583 options were exercised (2024: 819,416) 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 (2024: nil) options. For the year ended 28 February 2025, 174,897 (2024: 176,600) options were forfeited, 217,000 (2024: nil) options were exercised and no options 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 449,394 (2024: 337,890) options. For the year ended 28 February 2025, 214,641 (2024: 213,832) options were forfeited, 425,868 (2024: 3,625) options were exercised and 32,865 (2024: nil) options expired.

were exercised and 32,865 (2024: nil) 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 16,675 (2024: 45,365) options. For the year ended 28 February 2025, no (2024: 50,526) options were forfeited and 10,916 options were exercised. No options expired in the current or prior period.

Share-based payment employee expenses

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Equity settled share-based payment expenses	**5,049**	5,708

There were no cancellations or modifications to the awards in 2025 or 2024.

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:

	28 February 2025 Number	**28 February 2025 WAEP**	29 February 2024 Number	29 February 2024 WAEP
Outstanding at 1 March	**8,813,260**	**£3.52**	8,760,684	£3.59
Granted during the year	**1,428,249**	**£1.44**	1,666,660	£0.80
Forfeited during the year	**(437,001)**	**£3.96**	(739,519)	£2.28
Exercised during the year	**(711,367)[1]**	**£3.92**	(874,565)[1]	£0.03
Expired during the year	**(32,865)**	**£4.00**	-	-
Outstanding at 29 February	**9,060,276**	**£3.14**	8,813,260	£3.52
Exercisable at 29 February	**2,802,279**	**£4.02**	609,272	£0.01

[1] The weighted average share price at date of exercise was £5.09 (2024: £5.85).

The weighted average expected remaining contractual life for the share options outstanding at 28 February 2025 was 1.53 years (2024: 2.2 years).

The weighted average fair value of options granted during the year was £3.93 (2024: £4.21).

The range of exercise prices for options outstanding at the end of the year was £0.01 to £5.00 (2024: £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 28 February 2025 and 29 February 2024:

Assumptions	**28 February 2025 PISP**	**28 February 2025 SAYE**	**28 February 2025 DBP**
Weighted average fair value at measurement date	£5.11	£1.33	£5.58
Expected dividend yield	1.56%	1.76%	0.00%
Expected volatility	34%	34%	33%
Risk-free interest rate	4.31%	3.74%	4.47%
Expected life of options	3 years	3 years	2 years
Weighted average share price	£5.59	£4.94	£5.59
Model used	Black-Scholes and Monte Carlo	Black-Scholes	Black-Scholes

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

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 28 February 2025 pence	Year ended 29 February 2024 pence
Basic earnings per share	**22.78**	19.55
Diluted earnings per share	**21.95**	18.85
Headline earnings per share	**22.78**	19.55
Diluted headline earnings per share	**21.95**	18.85
Adjusted earnings per share	**25.07**	21.78
Diluted adjusted earnings per share	**24.16**	21.01

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

	Year ended 28 February 2025 Number	Year ended 29 February 2024 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and headline earnings per share	**240,750,619**	239,693,670
Adjustments for calculation of diluted earnings per share and diluted headline earnings per share:		
- share options (1)	**9,060,276**	8,813,260
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	**249,810,895**	248,506,930

(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 28 February 2025 pence	Year ended 29 February 2024 pence
Profit for the period attributable to owners of the company		**54,841**	46,851
Adjusted for:			
Loss on disposal of property, plant and equipment	4	**-**	-
Tax effect thereon		**-**	-
Headline profits attributable to owners of the company		**54,841**	46,851

28(c) Adjusted earnings per share

Adjusted earnings per share is an alternative performance measure used as a target for the PSP awards made in 2022, 2023 and 2024. It is calculated by dividing the adjusted profits attributable to ordinary shareholders by the total number of ordinary shares in issue at the end of the year. Adjusted profit is calculated 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 28 February 2025 £'000	Year ended 29 February 2024 £'000
Profits attributable to owners of the company		**54,841**	46,851
Adjusted for:			
- Amortisation of acquired intangible assets	4	**880**	880
Deferred tax effect on above		**(220)**	(220)

- Deferred tax effect on above		**(220)**	(220)
- Share-based payment charges	27	**5,049**	5,708
- Deferred tax effect on above		**(188)**	(1,011)
Adjusted profits attributable to owners of the company		**60,362**	52,208

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

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 28 February 2025.

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

There were no events after the period that require disclosure.

[1] FY24 customer numbers and average GP per customer have been revised from 5,978 and £24,400 in the 2023/24 annual report to remove year on year fluctuations caused by very small customer variations under a single parent.

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