23 May 2023

BYTES TECHNOLOGY GROUP plc
(‘BTG’, ‘the Group’)

Audited preliminary results for the year ended 28 February 2023
Strong performance extending track record of double-digit growth

Bytes Technology Group plc (LSE: BYIT, JSE: BYI), one of the UK’s leading software, security, and cloud services specialists, today announces its financial results for the year ended 28 February 2023 (‘FY23’).

Neil Murphy, Chief Executive Officer, said:

“I am delighted to be reporting another positive set of results, with strong double-digit growth driven by contributions from all areas of the business. This performance was underpinned by continued growth from both our public sector and corporate clients, with customers showing a sustained appetite to invest in their IT requirements. We have seen our gross profit increase by 20.7% as we have expanded our customer base and increased our share of wallet among existing customers. At the same time, we believe that our customer-oriented proposition has enabled us to take market share from competitors.

“A key part of our success can be traced to the high-quality customer service that sits at the centre of our business and makes us so competitive in our markets. For this, I would like to extend my thanks to our people who do an outstanding job supporting our clients. We continue to focus on recruitment and training to ensure we have the right expertise and resources in place to service our clients’ evolving needs. Looking ahead, we have made a positive start to the current year, and we believe our strategy leaves us well positioned to benefit from the growth opportunities we see in our chosen markets.”

Financial performance

£’million	**FY23** (year ended 28 February 2023)	**FY22** (year ended 28 February 2022) (restated)	**% change year-on-year**
Gross invoiced income (‘GII’)[1]	£1,439.3m	£1,208.1m	19.1%
Revenue[2]	£184.4m	£145.8m	26.5%
Gross profit (‘GP’)	£129.6m	£107.4m	20.7%
Gross margin % (GP/Revenue)	70.3%	73.7%	
GP/GII %	9.0%	8.9%	
Operating profit	£50.9m	£42.2m	20.6%
Adjusted operating profit (‘AOP’)[3]	£56.4m	£46.3m	21.8%
AOP/GP %	43.5%	43.1%	
Cash	£73.0m	£67.1m	8.8%
Cash conversion[4]	84.3%	131.9%	
Earnings per share (pence)	16.88	13.72	23.0%
Adjusted earnings per share[5] **(pence)**	18.83	15.30	23.1%
Final dividend per share (pence)	5.1	4.2	21.4%
Special dividend per share (pence)	7.5	6.2	21.0%

The restatement in FY22 is in respect of the Revenue and Gross margin % as described below.

Financial highlights

- GII increased 19.1% to £1,439.3 million (FY22: £1,208.1 million). Strong growth spread across software, hardware, and services, driven by continued demand from both corporate and public sector customers.
- Revenue increased 26.5% to £184.4 million (FY22: £145.8 million – restated).
- Growth in the customer base to 5,941 (FY22: 5,330 customers); higher GP per customer of £21,800 (FY22: £20,100) supported GP growth of 20.7% to £129.6 million (FY22: £107.4 million).
- Operating profit increased by 20.6% to £50.9 million (FY22: £42.2 million).
- AOP increased by 21.8% to £56.4 million (FY22: £46.3 million); AOP as a percentage of GP has remained in line with the previous year at 43.5%.
- Adjusted earnings per share increased 23.1% to 18.83 pence (FY22: 15.30 pence).
- Full year cash conversion of 84.3% reflects a very strong conversion in the second six months of the financial year.
- The Board proposes a final dividend of 5.1 pence per share and a special dividend of 7.5 pence per share.
    - The final dividend represents a 21.4% increase over last year's payment, reflecting the strong growth in AOP and takes the full year dividend to 7.5 pence per share, an increase of 21.0%.
    - The special dividend has increased by 21.0% compared to last year, matching the full year dividend.

Operational highlights

- Customer appetite for security, cloud adoption, digital transformation, hybrid datacentres and remote working solutions underpinned the Group's continued growth in FY23.
- 96% of GP came from customers that traded with BTG last year (FY22: 93%), at a renewal rate of 116%.
- Increased headcount by 20% to 930 in the year to service high levels of customer demand.
- Bytes Software Services named Microsoft Partner of the Year for Operational Excellence in 2022 from over 3,900 partner entries globally.
- Phoenix Software named Dell Technologies Public Sector Partner of the Year 2022.
- Both the Group's businesses, Bytes Software Services and Phoenix Software, becoming Great Place to Work certified.
- In April 2023, we acquired a 25.1% interest in AWS partner, Cloud Bridge Technologies. As a long term partner of Bytes, Cloud Bridge and its significant technical work force gives us additional access to resources which will underpin our multi-cloud strategy over the years to come.

Current trading and outlook

We delivered another year of very positive performance in FY23, extending our track record of delivering strong double-digit growth across our key financial metrics. The business has continued to trade strongly since the beginning of March, bringing the momentum delivered last year into FY24.

Looking ahead to the coming year, we remain mindful of continuing macroeconomic headwinds. However, we are confident that the Group's proven strategy of acquiring new customers and then growing our share of wallet, building on our strong vendor relationships and the technical and commercial skills of our people, ensures we are well placed to make further progress in FY24.

Analyst and investor presentation

A presentation for analysts and investors will be held today via webcast at 9:30am (BST). Please find below access details for the webcast:

Webcast link:
https://stream.brrmedia.co.uk/broadcast/644be818ef37f7f001dea767

A recording of the webcast will be available after the event at www.bytesplc.com.

The announcement and presentation will be available at www.bytesplc.com from 7.00am and 9.00am (BST), respectively.

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Forward-looking statements

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

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

About Bytes Technology Group plc

BTG is one of the UK's leading providers of IT software offerings and solutions, with a focus on cloud 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 the cloud. It aims to deliver the latest technology to a diverse range of customers across corporate and public sectors and has a long track record of delivering strong financial performance.

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

[1] 'Gross invoiced income' ('GII') is a non-International Financial Reporting Standard (IFRS) alternative performance measure that reflects gross income billed to customers adjusted for deferred and accrued revenue items. GII has a direct influence on our movements in working capital, reflects our risks and shows the performance of our sales teams.

[2] 'Revenue' is reported in accordance with IFRS 15, Revenue from Contracts with Customers. Under this standard the Group is required to exercise judgment to determine whether the Group is acting as principal or agent in performing its contractual obligations. Revenue in respect of contracts for which the Group is determined to be acting as an agent is recognised on a 'net' basis (the gross profit achieved on the contract and not the gross income billed to the customer). Following recent guidance issued by the IFRS Interpretation Committee, and in line with developing clear and consistent practice within our industry, we are now accounting for all software revenue on an agency, or "net" basis. Previously, the element of software revenue comprising indirect licence sales of non-cloud licences and licences not requiring critical updates had been recognised "gross". Hence this change in judgement has resulted in a reduction in our statutory revenue figures. The prior year revenue and cost of sales figures have been re-stated accordingly and further details of this change are set out in the Chief Financial Officer's review and in note 1.6 of the financial statements. Our key financial metrics of gross invoiced income, gross profit, adjusted operating profit and cash conversion are unaffected by this change.

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

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

[5] 'Adjusted earnings per share' is a non-IFRS alternative performance measure that the Group calculates by dividing the profit after tax attributable to owners of the company, adjusted for the effects of significant items of expenditure which are non-recurring events or do not reflect our underlying operations ('Adjusted earnings'), by the weighted average number of ordinary shares in issue during the year. Amortisation of acquired intangible assets and share-based payment charges are excluded in arriving at Adjusted earnings. The calculation is set out in note 29 of the financial statements.

Chief Executive Officer's Review

A strong half year performance delivering on our strategy

We are delighted with the strong performance in FY23, which saw the Group deliver growth in adjusted operating profit ('AOP') of 21.8% and gross profit ('GP') of 20.7%, driven by a 19.1% increase in gross invoiced income ('GII'). Our revenue, stated after the netting adjustment for software and external services sales, under IFRS 15, was up 26.5%.

We have maintained our track record of strong double-digit year-on-year growth despite ongoing uncertainty caused by the geopolitical outlook and macro-economic conditions, with our business benefiting from our wide-ranging product offering, with a substantial suite of software, services and IT hardware solutions from the world's leading vendors and software publishers.

Encouragingly, we have seen continued strong double digit growth for GII and GP from both our public sector customers and corporate clients. This is also reflected in our 18.5% growth in software GII and 30.7% increase in our internal services GII during FY23, the two areas of our business that are key drivers in delivering our growth targets. These have been supported by hardware growth of 33.0% and external services growth of 22.8%. The double-digit growth across all our sectors and product sets reflects the continued demand from our customers to invest in resilient and efficient IT services.

Our customers' appetite for security, cloud adoption, digital transformation, hybrid datacentres and remote working solutions have underpinned our continued growth in FY23. These investments increasingly take the form of annualised contracts and, accordingly, we remain confident in the Group's growth prospects going forward. This reinforces our belief in the potential for future up-selling and cross-selling opportunities into existing clients. The double-digit growth in GII and GP reflects the buoyant and robust nature of IT spend across the UK and Ireland.

We continue to expand our IT services capability, underpinned by our Microsoft Azure Expert status, along with many other key vendor accreditations, in the provision of managed services, augmented with our own IP in the form of Quantum and Licence Dashboard. These services, together with additional cybersecurity services and consultancy, enable us to expand our relevance to clients who need support and assurance as they seek to strengthen their IT resilience and security.

We are investing in, and evolving, our internal systems both to continue to improve user experiences and to drive efficiencies. At the same time, with the removal of most restrictions associated with the Covid-19 pandemic, our staff have been able to re-engage face to face with customers, suppliers and partners resulting in a small increase in travel and entertainment costs. Nevertheless, our AOP as a percentage of GP has remained in line with the previous year at 43.5%, and therefore achieving our target to exceed 40%.

We remain proud of the energy, enthusiasm and professionalism demonstrated by our people. Our future growth will be supported by both increasing headcount and training and development in key areas. As a management team, we are extremely pleased with the way our people continue to embrace our collaborative, team-based culture. Our flexible working regime continues to deliver positive results for our business, while also meeting our people's aspirations for a healthy work/life balance. In June 2022, we launched our second Share Save Plan which has been well received by our workforce following the inaugural plan a year before. An encouraging 50% of employees now participate in one, or both, of these plans.

Our partnerships with key partners go from strength to strength and we are especially pleased to have been recognised by leading industry vendors. Following Phoenix Software being awarded the Microsoft Partner of the Year for the UK for 2021, Bytes Software Services was named Microsoft Partner of the Year for Operational Excellence in 2022 from over 3,900 partner entries globally. This recognises us for supporting our customers with digital and business transformation through the adoption of Microsoft tools and automation. These awards reflect the status and high esteem which the Group has with global technology leaders and is testament to the expertise of our staff and the customer success stories that we deliver.

We remain committed to executing our strategy in a responsible manner, with sustainability rooted in everything we do. Our sustainability framework aims to deliver positive impacts for our stakeholders across key themes which we have identified as most relevant for the environment in which we operate. Within each theme – financial sustainability, corporate responsibility, stakeholder engagement and good governance – we set ourselves focus areas which drive our activities. Through our 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 across 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. Further details in respect of our Environment, Social and Governance (ESG) action plan are set out below.

Our dividend policy is to distribute 40% of the Group's post-tax pre-exceptional earnings to shareholders by way of normal dividends. Accordingly, we are pleased to confirm that the Board has proposed a final dividend of 5.1 pence per share and an additional special dividend of 7.5 pence per share that, subject to shareholder approval, will both be paid on 4 August 2023 to shareholders on the register at 21 July 2023.

I wish to extend my gratitude to all my colleagues for their hard work and dedication to the business during FY23. Finally, I would like to thank our clients for their support and entrusting their business with us; together, our staff and customers are our lifeblood and will always be our top priority.

Continued focus on Environment, Social and Governance (ESG)

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

Evolving our Low Carbon Journey

This year we partnered with an external environmental consultant to help refine our carbon reduction plan through expanding our emissions reporting and aligning this with Science Based Targets with the aim to make an application for our plan to be recognised by the Science Based Targets initiative (SBTi). We continued to develop our Taskforce for Climate-Related Financial Disclosures (TCFD) with our second iteration in FY23, further embedding its risk and financial disclosure recommendations into our processes. Following our first submission to Carbon Disclosure Project in the year, we will continue with this on an annual basis.

In March 2023, our first Group Sustainability Manager was appointed to drive forward social and environmental initiatives and align processes with both our operating companies.

Positively impacting our society

Employee support and wellbeing remains key focus areas for the Group, particularly in light of the continuing cost-of-living crisis. In FY23 we introduced Wellness Days and partnered with vendors to offer broader health and wellbeing benefits to our employees. Our strong culture remains a driving force behind our successful growth. This is an aspect which we continue to support through staff events and the development of our people with continued learning and training opportunities.

During the period, we supported our communities through volunteer days, donations, and fundraising events, such as our Charity Matched Funding project and making contributions to charities such as Shelter.

Building on our robust corporate governance

As announced on 12 April 2023, Sam Mudd will be appointed as an Executive Director, with effect from the conclusion of the next Annual General Meeting to be held on 12 July 2023. Sam is currently the Managing Director of Phoenix Software Limited, a wholly owned subsidiary of the Group, and she will continue in this role following her appointment to the Board. It was also announced that after 23 years with the Group, David Maw will be stepping down as a non-executive director at the 2023 AGM. We are satisfied that the size, structure, and composition of our Board and committees remain appropriate in serving the best interests of the company and our stakeholders, while maintaining a focus on our Board and senior leadership diversity targets. Following Sam's appointment, our female representation on the Board will stand at 43%.

We have continued to improve our internal controls in conjunction with ongoing internal audit engagement, along with enhancing our process documentation and management reporting.

Chief Financial Officer's review

Income statement	FY23 £'m	FY22 (restated[3]) £'m	Change %
Gross invoiced income (GII)	**1,439.3**	**1,208.1**	**19.1%**
GII split by product:			
Software	1,346.1	1,136.0	18.5%
Hardware	38.3	28.8	33.0%
Services internal[1]	28.5	21.8	30.7%
Services external[2]	26.4	21.5	22.8%
Netting adjustment [3]	(1,254.9)	(1,062.3)	18.1%
Revenue [3]	**184.4**	**145.8**	**26.5%**
Revenue split by product:			
Software	114.1	91.6	24.6%
Hardware	38.3	28.8	33.0%
Services internal[1]	28.5	21.8	30.7%
Services external[2]	3.5	3.6	(2.8)%
Gross profit (GP)	**129.6**	**107.4**	**20.7%**
GP / GII %	9.0%	8.9%	
Gross margin %[3]	70.3%	73.7%	
Administrative expenses	**78.7**	**65.2**	**20.7%**
Administrative expenses split:			
Employee costs	63.3	53.5	18.3%
Other administrative expenses	15.4	11.7	31.6%
Operating profit	**50.9**	**42.2**	**20.6%**
Add back:			
Share-based payments	4.2	2.5	68.0%
Amortisation of acquired intangible assets	1.3	1.6	(18.8)%
Adjusted operating profit (AOP)	**56.4**	**46.3**	**21.8%**
Finance costs	(0.5)	(0.6)	(16.7)%
Profit before tax	**50.4**	**41.6**	21.2%
Income tax expense	(10.0)	(8.7)	14.9%
Effective tax rate	19.9%	20.7%	
Profit after tax	**40.4**	**32.9**	22.8%

[1] Provision of services to customers using the Group's own internal resources
[2] Provision of services to customers using third party contractors
[3] The prior year comparative is restated as discussed in the revenue section below

Overview of FY23 results

FY23 has seen continued double-digit growth across all our key performance measures, reinforcing the strong start the Group has made since listing at the end of 2020. As the country and the economy have emerged from the Covid-19 restrictions imposed three years ago, we have seen the new ways of working with our customers and partners continue, which has enabled us to expand and evolve our offerings further in FY23.

With hybrid working now widespread across our whole customer base, and heightened requirements around cybersecurity, customers have continued to engage with us to support their move into the cloud, or extending their presence in it, with more sophisticated and resilient security, support, and managed service solutions. This has resulted in operating profit increasing by 20.6% to £50.9 million (FY22: £42.2 million) and AOP growing by a slighter higher 21.8% year on year from £46.3 million to £56.4 million. The adjusted operating profit excludes the impact of amortisation of acquired intangible assets and share-based payment charges which do not reflect the underlying day-to-day performance of the Group.

Gross invoiced income (GII)

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

GII has increased by 19.1% year on year, with growth spread across all areas of the business, software, services, and hardware. Software remains the core focus, contributing a consistent 94% of the total GII in both the current year and prior year. The Group benefits from a substantial presence in the public sector, with continued high levels of government investment in IT technologies resulting in our public sector GII increasing by £130.0 million, up 17.9%, to £856.6 million (FY22: £726.6 million). Our corporate GII increased by £101.2 million to £582.7 million (FY22: £481.5 million), representing an even stronger rise of 21.0%.

This means that our overall GII mix has remained consistent with last year at 60% in public sector against corporate of 40%.

Revenue

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

Our judgement around this area has been updated since the publication of the full year accounts for the year ended 28 February 2022 following recent guidance issued by the IFRS Interpretation Committee, and in line with developing clear and consistent practise within our industry. Previously we treated most of our indirect software sales (those comprising cloud-based and critical security licences) on an agency basis, with the remainder of indirect software sales treated as principal. The change in judgement for FY23 is to treat all indirect software sales on an agency basis (including those previously treated as principal). Full details are set out in note 1.6 of the financial statements. This has resulted in a reduction in our revenue and the prior year figures have been restated accordingly as follows.

- Prior year (FY22) revenue and cost of sales decrease by a further £302 million on top of the reported agency adjustment for that year.
- Gross invoiced income, gross profit, operating profit, and profit before and after taxes is unchanged in both years. The consolidated statements of financial position, cashflows and changes in equity also remain unchanged.

For our other income streams, there has been no revision in the accounting treatment, with hardware and internal services revenue treated as principal whilst external services revenue is treated on an agency basis.

The growth in revenue of 26.5% against the prior year re-stated figure reflects this revised judgement, but nevertheless shows the growth in the business alongside the reported GII increase.

Gross profit (GP) and gross profit/GII (GP/GII%)

Gross profit increased by 20.7% to £129.6 million (FY22: £107.4 million) with this growth coming from across the business.

Corporate GP grew by 19.6% to £83.7 million (FY22: £70.0 million) with the corporate GP/GII% remaining in line with the prior year at just over 14%. This reflects the continued strengthening of demand from corporate clients post the pandemic.

In the public sector, GP grew by 22.7% to £45.9 million (FY22: £37.4 million) with an increase in GP/GII% from 5.2% to 5.4%. This is notable considering the level of competition within tenders and the growing trend towards aggregated bids where several public sector bodies may require pricing to be submitted on a combined basis. Where new large agreements have been won at a lower margin, management is acutely focused on tracking these customers individually to ensure that the strategy delivers value for the business, and our other stakeholders by complementing them with higher margin services over the duration of the contract.

Our overall GP mix remains balanced in favour of the corporate sector due to the higher GP/GII% which is generated there, contributing 65% versus the public sector's 35% (also 65% and 35% respectively in FY22).

Our overall GP/GII% has increased to 9.0% from 8.9% last year, which is a strong outcome. It remains a key priority to increase this measure further by focusing on selling our wide range of solutions offerings and higher margin security products, whilst maximising our vendor incentives through achievement of technical certifications.

In FY22 we reported 5,330 customers trading with us whilst in this year the figure has risen to 5,941, a net gain of 611 (up 11%). In FY23, 96% of our GP came from customers that we also traded with last year (FY22: 93%), at a renewal rate of 116% (which measures the GP from existing customers this year compared to total GP in the prior year) (FY22: 111%).

Administrative expenses

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

Employee costs

Our success in growing GII and GP continues to be as a direct result of the investments we have made over the years in our front-line sales teams, vendor and technology specialists, service delivery staff and technical support personnel, backed up by our marketing, operations, and finance teams. It has been, and will remain, a carefully managed aspect of our business where we strive to invest in line with actual growth, not before.

In addition to continuing to hire in line with growth, another successful strategy that has delivered results is our commitment to develop, promote and expand from within the existing employee base, giving our people careers rather than just employment. This, in turn, has encouraged long tenure from our employees that align with the long relationships we have with our customers, vendors, and partners. This is at the very heart of our low employee churn rate, the growth in gross profit per customer and our high customer retention rate.

Employee costs included in administrative expenses rose by 18.3% to £63.3 million (FY22: £53.5 million) but excluding share-based payments of £4.2 million (FY22: £2.5 million), the rise was 15.9%, notably lower than the 20.7% rise in GP and reflecting the balanced and proportional way in which vital staff investments are and will continue to be made. During the year we have seen total staff numbers rise to 930 on our February 2023 payroll, up by 20% from the year-end position of 773 on 28 February 2022.

Other administrative expenses

Other administrative expenses increased by £3.7 million to £15.4 million (FY22: £11.7 million). This increase included additional spend on internal systems, professional fees, staff welfare and travel costs. This reflects the costs of running, and investing in, a growing organisation and in operating a listed Group, including evolving our governance structure, controls, and processes with the support of our professional advisors.

Travel and entertaining expenses have not yet reverted to pre-lockdown levels but have increased by £0.3 million compared with those incurred last year. We expect these costs to increase gradually in the coming year but to remain far lower than previously experienced pre Covid-19.

Our trade and other receivables balance at this year end is up on last year by £28.3 million (18.0%), in line with the growth of GII. We have therefore increased our closing impairment allowance by £0.79 million to £1.54 million from the £0.75 million provided at 28 February 2022. However, we are not seeing any indication of customer non-payments and have come through the year with only £0.1 million in bad debt write-offs. Accordingly, the increased allowance represents a small percentage of the gross receivables balance of £179.9 million.

Adjusted operating profit and operating profit

Adjusted operating profit excludes, from operating profit, the effects of:

- Share based payment charges as, whilst new employee share schemes are being launched, the charge to the income statement will increase each year. Accordingly, the charge for the current year has risen to £4.2 million, compared to £2.5 million last year.
- Amortisation of acquired intangibles as this cost only appears as a consolidation item and does not arise from ordinary operating activities.

We believe that adjusted operating profit is a meaningful measure which the Board can use to effectively evaluate our profitability, performance, and ongoing quality of earnings. Adjusted operating profit in FY23 increased to £56.4 million (FY22: £46.3 million), representing growth of 21.8%. Our operating profit increased from £42.2 million to £50.9 million equating to an increase of 20.6%.

Adjusted operating profit as a percentage of GP is one of the Group's key alternative performance indicators, being a measure of the Group's operational effectiveness in running day-to-day operations. We set a target of no less than 40% and we have again achieved this, with a ratio of 43.5% (FY22: 43.1%).

Income tax expense

The effective rate of tax charged for the year is 19.9% of profit before tax (FY22: 20.7%). Excluding the impact of the non-deductible share-based payments costs and amortisation of intangibles, the underlying adjusted rate reverts to close to the standard rate of corporation tax of 19% for FY23 (FY22: 19%).

Balance sheet and cashflow

	As at	
	28 February 2023	**29 February 2022**
Balance sheet	**£'m**	**£'m**
Property plant and equipment	8.4	8.0
Intangible assets	41.5	42.8
Other non-current assets	1.2	1.1
Non-current assets	**51.1**	**51.9**
Trade and other receivables	185.9	157.6
Cash	73.0	67.1
Other current assets	10.7	6.9
Current assets	**269.6**	**231.6**
Trade and other payables	231.7	217.6
Lease liabilities	0.1	0.2
Other current liabilities	23.9	14.5
Current Liabilities	**255.7**	**232.3**
Lease liabilities	0.9	1.0
Other non-current liabilities	2.6	2.7
Non-current liabilities	**3.5**	**3.7**
Net assets	**61.5**	**47.5**
Share capital	2.4	2.4
Share premium	633.6	633.6
Share-based payment reserve	7.2	3.1
Merger reserve	(644.4)	(644.4)
Retained earnings	62.7	52.8
Total equity	**61.5**	**47.5**

Closing net assets stood at £61.5 million (FY22: £47.5 million) with net current assets of £13.9 million (FY22: net current liabilities £0.7 million)

Growth in the trade and other receivables of 18.0% reflects the growth in our GII, whilst the growth in trade and other payables is lower at 6.5%. The impact on cash flow and cash conversion is explained below.

The increase in other current liabilities primarily relates to deferred income connected to our managed service contracts, a growing and strategically important part of our business, where we receive customer payments up front.

The consolidated cash flow is set out below along with the key flows which have affected it:

Cashflow	FY23 £'m	FY22 £'m
Cash generated from operations	**48.9**	**61.7**
Payments for fixed assets	(1.3)	(0.6)
Free cash flow	**47.6**	**61.1**
Net Interest paid	(0.5)	(0.5)
Taxes paid	(10.3)	(9.1)
Lease payments	(0.2)	(0.3)
Dividends	(30.7)	(4.8)
Net increase/(decrease) in cash	5.9	46.4
Cash at the beginning of the year	67.1	20.7
Cash at the end of the year	**73.0**	**67.1**
Cash Conversion	**84.3%**	**131.9%**

Cash as at the end of the year has increased by 8.8% to £73.0 million (28 February 2022: £67.1 million) which is after the payment of dividends totalling £30.6 million during the past 12 months. Final and special dividends for FY22 accounted for £24.9 million of this figure and the remaining £5.7 million was the interim dividend for FY23.

The Group's cash conversion ratio for the year (free cash flow divided by AOP) was 84.3% (FY22: 131.9%), against its target of 100%. With all other key performance measures moving in a positive direction, the movement from last year to the current year, illustrates the sensitivity of this particular ratio to even small delays in payment from customers, given that it is measured at a point in time at the year-end rather than as a rolling average. This makes it susceptible to short-term, but potentially high value, timing of customer receipts. Further, the Group does not delay payments to suppliers, when due, as a means of mitigating any such delays in customer receipts with its average creditor days remaining just above 45.

Nevertheless, after reporting a negative cash conversion for the first six months of FY23, the full-year position reflects a very strong conversion in the second six months, equating to 180%, and hence moving the full-year figure substantially back towards the Group's target sustainable cash conversion ratio of 100%.

The differences between the two halves, whilst unusually wide in FY23, is in line with our expectations due to the timing of receipts and payments in relation to some our largest Microsoft software enterprise agreements where, for our public sector customers, many of the agreement anniversaries fall on 1 April, aligned to the public sector year end. With these orders needing to be placed at least 30 days ahead of anniversary we often see the customers pay us prior to the end of our financial year, whilst our payments to Microsoft do not fall due until the first quarter of the next year.

As a more general trend across the year, we also saw our customers continuing their digital transformation into the cloud under usage-based licensing models, typically with monthly billing based on customer usage rather than fixed amounts per licence or agreement. This has been most notable within Microsofts Cloud Solution Provider (CSP) program and has led to some delays in payments where customers requested additional analysis around their usage. This has contributed to an increase in debtor days from an average 33 in FY22 to 39 in FY23.

As customers become more familiar with usage-based programs, combined with our development of improved systems to provide greater clarity around CSP invoicing, and a policy to on-board new customers with direct debit as the standard payment method, we expect to see a general reduction in queries and fewer delays in payments as we go forward.

FY23 can therefore be seen as a transitional year for the business as well as for its customer base when it comes to the expansion of usage-based licensing programs. Whilst we still expect to see the seasonal variation in cash conversion from H1 to H2 during FY24, as explained above, we feel confident that the two halves will not see such a disparity as in FY23 and we are focused on a return to our targeted 100% for the full year in FY24. This is a key performance target at both operating company and Group levels.

If required, the group has access to a committed revolving credit facility (RCF) of £30 million with HSBC. The facility commenced on 17 May 2023, replacing the Group's previous facility for the same amount and runs for three years, until 17 May 2026. To date, the Group has not been required to use either it's previous or new facilities.

Proposed dividends

As stated above, the Group's dividend policy is to distribute 40% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to propose a gross final dividend of 5.1 pence per share. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 28 February 2023, but not recognised as a liability at the end of the financial year, is £12.2 million. In light of the company's continued strong performance and cash generation, the Board also considers it appropriate to propose a cash return to ordinary shareholders with a special dividend of 7.5 pence per share, equating to £18.0 million. If approved by shareholders, the final and special dividend will be payable on Friday, 4 August 2023 to all ordinary shareholders who are registered as such at the close of business on the record date of Friday, 21 July 2023. The salient dates applicable to the dividend are as follows:

Dividend announcement date	Tuesday, 23 May 2023
Currency conversion determined and announced together with the South African (SA) tax treatment on SENS by 11.00	Monday, 3 July 2023
AGM at which dividend resolutions will be proposed	Wednesday, 12 July 2023
Last day to trade cum dividend (SA register)	Tuesday 18 July 2023
Commence trading ex-dividend (SA register)	Wednesday 19 July 2023
Last day to trade cum dividend (UK register)	Wednesday 19 July 2023
Commence trading ex-dividend (UK register)	Thursday 20 July 2023
Record date	Friday, 21 July 2023
Payment date	Friday, 4 August 2023

Additional information required by the Johannesburg Stock Exchange:

1. The GBP:ZAR currency conversion will be determined and published on SENS on Friday, 30 June 2023
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 Tuesday 23 May 2023, being the declaration announcement date of the dividend, the Company had a total of 239,482,333 shares in issue (with no treasury shares).
5. No transfers of shareholdings to and from South Africa will be permitted between Friday 30 June 2023 and Friday 21 July 2023 (both dates inclusive). No dematerialisation or rematerialisation orders will be permitted between Wednesday 19 July 2023 and Friday 21 July 2023 (both dates inclusive).

Principal risks

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

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

We are continuing to review the uncertain economic picture, exacerbated by the crisis in Ukraine, the changing market, and the development of our internal governance in evolving our principal risks and uncertainties. The current principal risks and uncertainties that the Board believes could have a significant effect on the Group's financial performance are:

FINANCIAL	**1 ECONOMIC DISRUPTION**	**Risk owner** CEO
	The risk This includes the impact of the crisis in Ukraine, the uncertainties caused by global economic pressures and geopolitical risk within the UK post-Brexit. **The impact** Major economic disruption – including the risk of continuing high inflation (see below) 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 and the cost of borrowing. Economic deterioration like this could have an impact on our business performance and profitability.	**How we manage it** We have so far continued to perform well during the conflict in Ukraine, and under the current effects of inflation, the cost-of-living crisis and leaving the EU. Despite the economic shocks of the past year and continued pressure from the Ukraine conflict, we have not seen an impact on our business. These real-life experiences have shown us to be resilient through tough economic conditions. The diversity of our client base has also helped to maintain and increase business in this period. We are not complacent, however – economic disruption remains a risk and we keep operations under constant review.
	2 MARGIN PRESSURE	**Risk owner** MDs of subsidiary businesses
	The risk BTG faces pressure on profit margins from myriad directions, including increased competition, changes in vendors' commercial behaviour, certain offerings being commoditised and changes in customer mix or preferences. **The impact** These changes could affect 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; however, some factors, such as economic and political ones, are beyond our control. In the past year we have sought to increase margins where possible; cost increases from vendors have grown our margins organically. Our diverse portfolio of offerings, with a mix of vendors as well as a mix of software and services, has enabled us to absorb any changes. Services delivered internally are consistently measured against competition to ensure we remain competitive and maximise margins. We aim to agree acceptable profit margins with customers upfront. Keeping the correct level of certification by vendor, early deal registration and rebate management are three methods deployed to ensure we are procuring at the lowest cost and maximising incentives earned. This risk area is reviewed monthly.

	3 CHANGES TO VENDORS' COMMERCIAL MODEL	**Risk owner** CEO
	The risk BTG receives incentive income from our vendor partners and their distributors. This partially offsets our costs of sales but could be significantly reduced or eliminated if the commercial models are changed significantly. **The impact** These incentives are very valuable and contribute to our operational profits. Significant changes to the commercial models could put pressure on our profitability.	**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. We closely monitor incentive income and make sure staff are aligned to meet vendor partner goals so that we don't lose out on these incentives. Close and regular communication with all our major vendor partners and distributors means we can manage this risk appropriately. In some areas we have seen a positive change from vendor commercials, where we have been able to adapt practices.
	4 INFLATION	**Risk owner** CFO
	The risk Inflation in the UK, as measured by the Consumer Price Index (CPI), is currently 10.4% in the year to February 2023, which is driven by three main drivers: electricity/gas, transport costs and food/non-alcoholic beverages. **The impact** This could create an environment in which customers redirect their spending from new IT projects to more pressing needs. Wage inflation and increased fuel and energy costs have a direct impact on our underlying cost base.	**How we manage it** Our ongoing focus on software asset management means that we continue to advise customers in 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. Staff costs are the largest part of our overheads, so our attention is focused on our staff and their ability to cope with the rising cost of living. Externally, we have seen an increase in customers looking to avoid increased staff costs by outsourcing their IT through managed services. This may create an opportunity to accelerate our service offerings.
	5 INCREASING DEBTOR RISK	**Risk owner** CFO
	The risk As customers face the challenges of inflation and rising interest rates in the current economic environment, there is a greater risk of an increasing aged debt profile, with customers slower to pay and the possibility of bad debts. **The impact** This could adversely affect our businesses' profitability and/or cashflow	**How we manage it** Our credit collections teams are focused on collecting customer debts on term and maintaining our debtor days at targeted levels. Debt collection is reported and analysed continually and escalated to senior management as required. A large part of a successful outcome is maintaining strong, open relationships with our customers, understanding their issues and ensuring our billing systems deliver accurate, clear and timely invoicing, so that queries can be quickly resolved.

STRATEGIC	6 VENDOR CONCENTRATION	Risk owner CEO
	The risk Over-reliance on any one technology or supplier could pose a potential risk, should that technology be superseded or be exposed to economic down cycles, or if the vendor fails to innovate ahead of customer demands. **The impact** Too heavy a reliance on any one vendor could have an adverse effect on our financial performance, should that relationship break down. Global shortages of computer hardware and components could also reduce customers' ability to purchase hardware for internal use. This could lead to delays in customers purchasing software, which is linked to or dependent on the hardware being available. Reduced access to computer chips could also slow down vendor innovation, leading to delays in the creation of new technology to resell to customers.	**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. Hardware is not a core element of our business, but is a growing sector, so we will be monitoring supply closely. However, we monitor the geopolitical situation continuously and work closely with suppliers to stay fully informed, so that we can respond quickly should the landscape change. With a diverse portfolio of suppliers and vendors, we are able to offer alternatives to customers if there is a particular vendor with a supply issue. Given this risk is largely driven by geopolitical and macroeconomic factors, we maintain a watching brief so that we can react swiftly if we need to.
	7 COMPETITION	Risk owner CEO
	The risk Competition in the UK IT market, or the commoditisation of IT products, may result in BTG being unable to win or maintain market share. Mergers and acquisitions have consolidated our distribution network and absorbed specialist services companies. This has caused overlap with our own offerings. A move to direct vendor resale to end customers (disintermediation) could place more pressure on the market opportunity. Platforms, like marketplaces, with direct sales to customers could also be seen as disintermediation. **The impact** This would have a material adverse impact on our business and profitability. A huge change would need a big 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	**How we manage it** We closely watch commercial and technological developments in our markets. The threat of disintermediation by vendors has always been present. We minimise this threat by continuing to increase the added value we bring to customers directly. This reduces clients' desire to deal directly with vendors. Equally, vendors cannot engage with millions of organisations globally without the sort of well-established network of intermediaries that we have. We currently work with AWS Marketplace and can sell to our vendors through their platform, which gives discounts to the customer versus buying directly. Currently, there is no sign of any commoditisation that would be a serious threat to our business model in the short or medium term.

	reseller. This could reduce our market, margin and profits.	
	8 RELEVANCE AND EMERGING TECHNOLOGY	**Risk owner** CEO
	The risk As the technology and security markets evolve rapidly and become more complex, the risk exists that we might not keep pace and so fail to be considered for new opportunities by our customers. **The impact** As customers have wide choice and endless opportunities to research options, if we do not offer cutting-edge products and relevant services, we could lose sales and customers, which would affect our profitability.	**How we manage it** We stay relevant to our customers by: – Continuing to offer them expert advice and innovative solutions – Specialising in high-demand areas – Holding superior levels of certification – Maintaining our good reputation and helping clients find the right solutions in a complex, often confusing IT marketplace. We defend our position by keeping abreast of new technologies and the innovators who develop them. We do this, for example, by running a Cyber Accelerator Programme for new and emerging solution providers, joining industry forums and sitting on new technology committees. We have expanded the number and range of our subject matter experts, who stay abreast of developments in their areas and communicate this internally and externally. By identifying and developing bonds with emerging companies, we maintain good relationships with them as they grow and give our customers access to their technologies. This is core to our business, so the risk from this is relatively low.
PROCESSES AND SYSTEMS	**9 CYBERTHREATS – DIRECT AND INDIRECT**	**Risk owner** Chief Information Security Officer
	The risk Breaches in the security of electronic and other confidential information that BTG collects, processes, stores and transmits may give rise to significant liabilities and reputational damage. **The impact** If a hacker accessed our IT systems, they could infiltrate one or more of our customer areas. This could provide indirect access to, or the intelligence required to compromise or access, a customer environment. This would increase the chance of first- and third-party risk liability, with the possible effects of regulatory breaches, loss of confidence in our business, reputational damage and potential financial penalties.	**How we manage it** We use intelligence-driven analysis, including research by our internal digital forensics team, to protect ourselves. This work provides insights into vulnerable areas and the effects of any breaches, which allow us to strengthen our security controls. We have established controls that separate customer systems and mitigate cross-breaches. Our cyberthreat-level system also lets us tailor our approach and controls in line with any intelligence we receive.
OPERATIONAL	**10 BUSINESS CONTINUITY FAILURE**	**Risk owner** CFO
	The risk Any failure or disruption of BTG's IT infrastructure or business applications may negatively affect us. Not keeping pace with changes in technology might also mean we are unable to advise our customers and so lose market share.	**How we manage it** Our Chief Technology Officer and Head of IT effectively 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.

	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.	Regular IT audits have identified areas of improvements and ongoing reviews make sure we have a high level of compliance and uptime. This means our systems are highly effective and fit for purpose. For business continuity, we use different locations, sites and solutions to limit the impact of service outage to customers. Where possible, we use active resilience solutions – designed to withstand or prevent loss of services in an unplanned event – rather than just disaster-recovery solutions and facilities, which restore normal operations after an incident. Increased automation means a heavier reliance on technology. Although it reduces human error, it could potentially increase our reliance on other vendors.
	11 ATTRACT AND RETAIN STAFF WHILE KEEPING OUR CULTURE	**Risk owner** CEO
	The risk The success of BTG's business and growth strategy depends on our ability to attract, recruit and retain a talented employee base. Being able to offer competitive remuneration is an important part of this. Three factors are affecting this: – The CPI is driving wage inflation – There is a skills shortage in the IT sector – With remote or hybrid working becoming the norm, potential employees in traditionally lower-paid geographical regions are able to work remotely in higher-paying areas like London. Maintaining BTG culture also affects how we attract and retain staff, which growth can change.	**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 staff, for example. BTG also runs an extensive apprenticeship programme to create a new security skill set. We also look to make sure management has enough time to coach new staff. Maintaining our culture is important to retain current staff. Our small-company feel is maintained through regular communications, clubs, charity events and social events.
	The impact Excessive wage inflation could either drive up costs or mean we are unable to attract or retain the talent pool we need to continue to deliver our planned growth.	

Going concern disclosure

The Group has performed a full going concern assessment for the year ended 28 February 2023. 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 £73.0 million of cash and cash equivalents available at 28 February 2023. The Group also has access to a committed revolving credit facility that covers the going concern period to 31 August 2024 and which remains undrawn. The directors have reviewed trading and liquidity forecasts for the Group, as well as continuing to monitor the effects of macro-economic, geopolitical and climate related risks on the business. The directors have also considered a number of key dependencies which are set out in the Group's principal risks report, and including BTG's exposure to inflation pressures, credit risk, liquidity risk, currency risk and foreign exchange risk. The Group continues to model its base case, severe but plausible and stressed scenarios, including mitigations, consistently with those disclosed in the annual financial statements for the year ended 28 February 2022, with the key assumptions summarised within the financial statements below. Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period without needing to utilise the revolving credit facility.

Going concern conclusion
Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 31 August 2024. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

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

- The financial information in this document, prepared in accordance with the applicable UK law and applicable accounting standards, gives a true and fair view of the assets, liabilities, financial position, and result of the Group taken as a whole.

- The Chief Executive Officer's and Chief Financial Officer's reviews include a fair review of the development and performance of the business and the position of the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Neil Murphy	Andrew Holden
Chief Executive Officer	Chief Financial Officer

23 May 2023

Consolidated statement of profit or loss

	Note	**Year ended 28 February 2023 £'000**	Year ended 28 February 2022 (Restated) £'000
Revenue	1.6, 3	**184,421**	145,836
Cost of sales		**(54,848)**	(38,475)
Gross profit		**129,573**	107,361
Administrative expenses	4	**(77,753)**	(65,057)
Impairment on trade receivables	16	**(937)**	(149)
Operating profit		**50,883**	42,155
Finance costs	7	**(491)**	(589)
Profit before taxation		**50,392**	41,566
Income tax expense	8	**(9,971)**	(8,712)
Profit after taxation		**40,421**	32,854
Profit for the period attributable to owners of the parent company		**40,421**	32,854
		Pence	Pence
Basic earnings per ordinary share	29	**16.88**	13.72
Diluted earnings per ordinary share	29	**16.28**	13.42

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 2023 £’000**	As at 28 February 2022 £’000
Assets			
Non-current assets			
Property, plant and equipment	9	**8,380**	8,049
Right-of-use assets	10	**783**	928
Intangible assets	11	**41,526**	42,832
Contract assets	12	**397**	125
Total non-current assets		**51,086**	51,934
Current assets			
Inventories	14	**58**	96
Contract assets	12	**10,684**	6,591
Trade and other receivables	16	**185,920**	157,610
Current tax asset		**-**	219
Cash and cash equivalents	17	**73,019**	67,118
Total current assets		**269,681**	231,634
Total assets		**320,767**	283,568
Liabilities			
Non-current liabilities			
Lease liabilities	10	**(917)**	(992)
Contract liabilities	13	**(1,976)**	(1,495)
Deferred tax liabilities	8	**(635)**	(1,189)
Total non-current liabilities		**(3,528)**	(3,676)
Current liabilities			
Trade and other payables	18	**(231,717)**	(217,612)
Contract liabilities	13	**(23,914)**	(14,528)
Current tax liabilities		**(36)**	-
Lease liabilities	10	**(75)**	(185)
Total current liabilities		**(255,742)**	(232,325)
Total liabilities		**(259,270)**	(236,001)
Net assets		**61,497**	47,567
Equity			
Share capital	19	**2,395**	2,395
Share premium	19	**633,636**	633,636
Share-based payment reserve	20	**7,235**	3,072
Merger reserve	21	**(644,375)**	(644,375)
Retained earnings	22	**62,606**	52,839
Total equity		**61,497**	47,567

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

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 2021		2,395	633,636	317	(644,375)	24,775	16,748
Total comprehensive income for the year		-	-	-	-	32,854	32,854
Dividends paid	25(b)	-	-	-	-	(4,790)	(4,790)
Deferred tax	8	-	-	192	-	-	192
Share-based payment transactions	28	-	-	2,563	-	-	2,563
Balance at 28 February 2022		2,395	633,636	3,072	(644,375)	52,839	47,567
Total comprehensive income for the year		-	-	-	-	40,421	40,421
Dividends paid	25(b)	-	-	-	-	(30,654)	(30,654)
Deferred tax	8	-	-	(25)	-	-	(25)
Share-based payment transactions	28	-	-	4,188	-	-	4,188
Balance at 28 February 2023		**2,395**	**633,636**	**7,235**	**(644,375)**	**62,606**	**61,497**

Consolidated statement of cash flow

	Note	**Year ended 28 February 2023 £'000**	Year ended 28 February 2022 £'000
Cash flows from operating activities			
Cash generated from operations	23	**48,889**	61,719
Interest paid	7	**(443)**	(532)
Income taxes paid		**(10,295)**	(9,138)
Net cash inflow from operating activities		**38,151**	52,049
Cash flows from investing activities			
Payments for property, plant and equipment	9	**(1,363)**	(617)
Net cash outflow from investing activities		**(1,363)**	(617)
Cash flows from financing activities			
Principal elements of lease payments	10	**(233)**	(258)
Dividends paid to shareholders	25(b)	**(30,654)**	(4,790)
Net cash outflow from financing activities		**(30,887)**	(5,048)
Net increase in cash and cash equivalents		**5,901**	46,384
Cash and cash equivalents at the beginning of the financial year		**67,118**	20,734
Cash and cash equivalents at end of year	17	**73,019**	67,118

Notes to the financial statements

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 accounting and presentation considerations on both the current and comparative periods are detailed below.

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 geo-political environment, the current challenging economic conditions, and reviews of future liquidity headroom against the Group's revolving credit facilities, during the period under assessment. The approach and conclusion are set out fully in note 1.3.

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

1.3 Going concern

The going concern of the Group is dependent on maintaining adequate levels of resources to continue to operate for the foreseeable future. The directors have considered a number of principal risks which are set out in the Group's risk report within the strategic report in addition to ever present risks such as the Group's exposure to credit risk as described in note 16 and liquidity risk, currency risk and foreign exchange risk as described in note 24.

When assessing the going concern of the Group, the directors have reviewed the year-to-date financial actuals, as well as detailed financial forecasts for the period up to 31 August 2024, being the going concern assessment period.

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

Operational performance and operating model

The Group is now reporting its third year of strong growth since it listed in December 2020. In the current year of reporting, the Group has achieved double-digit growth in gross invoiced income, revenue, gross profit, and operating profit, all in the high teens or low twenties percentages, and finished the year with £73.0 million of cash compared to the prior year £67.1 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 now the norm for many customers.

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

- The Group's income includes a large volume of non-discretionary spend from UK corporates as IT is vital to establish competitive advantage in an increasingly digital age. Public sector organisations have similarly sought efficiencies, resilience, and security within their IT infrastructures. This mix of private and public customers means that a downturn in one area can be compensated for by upturns in others. Risk is further mitigated by the fact that none of the Group's wide range of customers contributes more than 5% of total gross invoiced income or more than 1.5% of total gross profit.

- 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. 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 makes the running of many of their key business functions dependent on maintaining these agreements, and reliant on the Group's support managing them.

  The high level of customer retention and growth is illustrated by the renewal rate for the year of 116%, a measure of the rate of growth in gross profit from existing customers, who also contributed 96% of total gross profit in the year. The Group will continue to focus on increasing its customer base and spend per customer during the going concern period.

- With 65% of the Group's gross invoiced income and over 50% of gross profit generated from sales of Microsoft products and associated service solutions, this is a very important partnership for both parties. As from 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, it has created the opportunity for the Group to develop a host of skill sets so it is best placed to advise and support the customers in whatever direction they choose to fulfil their licensing requirements from a programmatic, purchasing and consumption perspective. To this end, the Group has attained high levels of Microsoft expert status, specialisations, and solution partner designations in numerous Microsoft technology areas. In turn, Microsoft rewards partners who have these awards with additional levels of funding. The Board is engaged directly with Microsoft executives in developing the partnership further and Microsoft business is currently growing at double-digit rates.

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

- The Group's business is substantially derived from the sale of software which 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 are also very aware of the risks which exist in the wider economy.

Whilst the Covid-19 pandemic has had limited negative impact over the past three years, as illustrated by the Group results over that period, the business remains vigilant around the safety of staff at work and who are all fully equipped to work from home if required to enable smooth and undisrupted service provision to customers.

Over the past year other risks have become more prominent around energy, wage, and commodities inflation; supply problems caused by the conflict in Ukraine; product shortages; and climate change. These risks align to those identified in our principal risks statement, notably economic disruption, inflation, and attraction and retention of staff. The Board monitor these macroeconomic and geopolitical risks on an ongoing basis. They are considered further below.

Macroeconomic risks

- Energy cost inflation – Our businesses are not naturally heavy consumers of energy, and hence this element of our overall cost base is very small at less than 0.5% of the total group administrative expenses. Even a substantial percentage rise would not have a significant impact on our operating profit.

- Cost of sale inflation – Pricing from our suppliers may be at risk of increasing, particularly those whose underlying currency is USD. However, our commercial model is based on passing on supplier price increases to our customers. During the year the maintenance of our gross profit/gross invoiced income (GP/GII%) has demonstrated this, despite the fall in the value of sterling over that period. This is one of the biggest focus areas in our business and has been maintained despite market and competitive pressures. Software sales is the biggest component of our GP, hence it's the most susceptible to price pressures and margin squeeze, and yet we have maintained its GP/GII% during the year.

- Wage inflation – the business has been facing pressure from wage inflation since the Covid-19 restrictions were eased and the labour market opened up again. 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, but there is always a line which we will not cross. We monitor our staff attrition rate and maintained a level below 15% which is consistent with last year. We do not believe there has been any significant outflow of staff due to being uncompetitive with salaries. We have a strong, collaborative, and supportive culture and offer our staff employment in a business which is robust and which they are proud of, and this is a key part of our attraction and retention strategy.

  Moreover, when we look at our key operational efficiency ratio of adjusted operating profit/gross profit (AOP/GP) we have achieved 43.5% which is in line with the 43.1% from last year, hence demonstrating the control over rising staff costs in response to the growth of the business. Whilst 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 – interest rates rising rapidly in the UK and internationally will have a negative financial impact on many organisations and households. The Group however does not have any debt, nor has it ever needed to call upon its revolving credit facility. Therefore, this does not currently, or in the foreseeable future, affect our income statement or cash flow.

- Foreign currency rate changes – as already mentioned above, we have withstood significant reductions in the value of the pound throughout the year and yet maintained our GP/GII%. Our foreign currency transactions are only a very small part of our business. At the end of the year, we have just £1.5 million net exposure in USD and £0.1 million net in Euros.

- Inflation and rising interest rates impacting on customer spending – whilst customers may consider reducing spending on IT goods and services, if it is seen as non-essential, we have seen increased spending by our customers as these areas may in fact be a means to efficiency and savings elsewhere. During the Covid-19 pandemic we saw many customers undergo significant 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 a continuation in this movement and no let-up in demand, as illustrated by our reported trading performance. This is supported by our very robust operating model which has been explained above, with business spread over many customers in repeat subscription programs and service contracts, and high renewal rates.

- Inflation and rising interest rates impacting on customer payments – whilst we saw an increase in debt collection periods during the year, with some customers taking longer to pay, this has reduced towards the end of the year. In part, this is connected with the trend to more cloud-based software programs as noted above under our operating model analysis, whereby customers pay in arrears based on software usage rather than upfront. However, there has been no evidence that customers ultimately do not pay, and we have suffered only a small level of bad debt during the year, £145,000 against gross invoiced income of £1.4 billion (see note 16). As in the previous year 60% of our GII came from the public sector, traditionally very safe and with low credit risk, whilst our corporate customer base includes a wide range of blue-chip organisations and with no material reliance on any single customer.

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

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

- In terms of supply chain, we are not significantly or materially dependent on the movement of goods and hence physical trade obstacles are not likely to affect us directly. Hardware only made up 3% of our GII during the year and 3% of GP. Whilst we are conscious of the fact that lead times for hardware supply have increased, and this has been a trend over the past two or three years, we have ensured that we have a number of suppliers with substitute, or alternative, technologies which we can rely on if one supplier cannot meet our requirements or time scales; 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 is 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 review period considering:

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

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

Liquidity and financing position
At 28 February 2023, the Group held instantly accessible cash and cash equivalents of £73.0 million.

The balance sheet shows net current assets of £13.9 million at year end, this amount is after the Group paid final and special dividends for the prior year totalling £24.9 million and an interim dividend for the current year of £5.7 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 revolving credit facility (RCF) of £30 million with HSBC. The facility commenced on 17 May 2023, replacing the Group’s previous facility for the same amount and runs for three years, until 17 May 2026. 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 stress testing
The going concern analysis reflects the actual trading experience through the financial year to date, as well as detailed financial forecasts for the period up to 31 August 2024, 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 fully above, most notably general inflation, wage inflation, the conflict in Ukraine and, climate change. 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 gross invoiced income, gross profit, operating profit, and debtor collection periods. Under such downsides the Board have 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 2024.

Details of stress 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 2024 and extended across the first six months of the following year to 31 August 2024

- 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 2023

- 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 2023

- Partial mitigation measures modelled for the downsides were to freeze future pay and new recruitment from March 2024 and ‘self-mitigating’ reduction of commissions in line with falling gross profit

- Full Mitigation additionally modelled headcount reductions from March 2024 in line with falling gross profit.

The mitigations applied in the downside scenarios relate to pay costs and headcount which are within the control of the Group to implement quickly in response to any downward trends should they be necessary. While these mitigating actions have only been forecast from March 2024 for the purposes of the going concern assessment, they could be implemented much sooner, notably an earlier recruitment freeze and non-replacement of natural leavers, either immediately or within a small number of months following the decline in income and profits.

Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period with dividends forecast to continue to be paid in line with the Group's dividend policy to distribute 40% of the post-tax pre-exceptional earnings to shareholders.

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

Going concern conclusion

Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 31 August 2024, being the going concern assessment period. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

1.4 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved significant judgement or complexity. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Detailed information about each of these estimates and judgements is included in other notes, together with information about the basis of calculation for each affected line item in the consolidated financial statements.

(i) Key accounting judgements

The areas involving key accounting judgements are:

- Revenue recognition – *Principal versus agent,* see note 1.11.
  Under IFRS 15, Revenue from Contracts with Customers, when recognising revenue, the Group is required to assess whether its role in satisfying its various performance obligations is to provide the goods or services itself (in which case it is considered to be acting as principal) or arrange for a third party to provide the goods or services (in which case it is considered to be acting as agent). Where it is considered to be acting as principal, the Group recognises revenue at the gross amount of consideration to which it expects to be entitled. Where it is considered to be acting as agent, the Group recognises revenue at the amount of any fee or commission to which it expects to be entitled or the net amount of consideration that it retains after paying the other party.

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

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

  The specific judgements made for each revenue category are discussed in the accounting policy for revenue, note 1.11 and 1.6, as disclosed below.

(ii) Significant accounting estimates and uncertainties

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

(iii) Other accounting estimates and uncertainties

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

- ***Property, plant and equipment (see notes 1.21 and 9) and leases (see notes 1.15 and 10).***
  The Group's net assets under these categories primarily comprise freehold land and buildings and leasehold buildings with much smaller net book values reported for computer equipment, furniture and fittings. IAS 16 Property, Plant and Equipment requires an item of property, plant and equipment (PPE) to be recognised if it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably.

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

  Hence it is judged that there is no material risk from climate change to the carrying values of any items of PPE on the balance sheet at 28 February 2023.

- Estimation of recoverable amount of goodwill (see notes 1.16 and 11).
  The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.16. The recoverable amounts of cash generating units (CGUs) have been determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on forecasts approved by management covering a five-year period. The growth rates used in the forecasts are based on historical growth rates achieved by the Group. Cash flows beyond the five-year period are extrapolated using the estimated growth rates disclosed in note 11. The forecast cash flows are discounted, at the rates disclosed in note 11, to determine the CGUs value-in-use. The sensitivity of changes in the estimated growth rates and the discount rate are disclosed in note 11.

- ***Impairment of intangible assets (see notes 1.16, 1.22 and 11).***
  The Group's net assets under this category comprise goodwill, customer relationships and brands, arising on acquisition of subsidiaries. Goodwill is not amortised but is tested for impairment at least annually at the level of the cash generating unit (CGU) to which it relates. Customer relationships and brands are recognised at fair value after deduction of accumulated amortisation over their useful lives. IAS 36 Impairment of Assets requires an entity to assess, at the end of each reporting period, whether there are any impairment indicators for an entity's assets. Impairment indicators include significant changes in the technological, market, economic or legal environment in which the entity operates.

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

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

  Hence it is judged that there is no material risk from climate change to the carrying values of any intangible assets on the balance sheet at 28 February 2023.

- ***Provisions (see note 1.25)***
  IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be recognised when an entity has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. If any of the conditions for recognition are not met, no provision is recognised, and an entity may instead have a contingent liability. Contingent liabilities are not recognised, but explanatory disclosures are required, unless the possibility of an outflow in settlement is remote. In the case of an onerous contract, the provision reflects the lower of the costs of fulfilling the contract and any compensation or penalties from a failure to fulfil it.

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

  The Group has judged that there is no material risk from climate change which requires new provisions to be made or existing provisions to be reconsidered at 28 February 2023.

  The Group will continue to review and assess potential climate change impacts when making judgements in relation to its accounting for assets and liabilities or for its future earnings and cash flows. However, for the financial statements for the year ended 28 February 2023, the Group believes there is no material impact or risk of misstatement.

1.5 New standards, interpretations and amendments adopted by the Group

(a) New and amended standards adopted by the Group

There are no new standards applied for the first time in the annual reporting period commencing 1 March 2022.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 28 February 2023 reporting periods and have not been adopted early by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1.6 Changes in accounting policy and disclosures

The following change in accounting policy is effective in the year to 28 February 2023. Other than the one mentioned below, there are no further changes to accounting policies applicable in the period.

Change in accounting policy – IFRS 15

During the year, the IFRS Interpretation Committee (the ‘Committee’) concluded on a response to a request to clarify whether a company should recognise revenue from the resale of standard software licences on a gross or net basis under IFRS 15, Revenue from Contracts with Customers (‘IFRS 15’). The fact pattern provided to the Committee was very similar to that faced by the Group when transacting software sales with customers.

The Committee did not provide direct clarification on the topic, as they stated that the specifics of each case may vary and must be analysed in detail, and that the assessment of whether an entity is a principal or agent might require judgement, in particular when the specified good or service is intangible. The Committee concluded that the principles and requirements in IFRS 15 already provided an adequate basis for a reseller to determine whether it is a principal or agent for software licences provided to a customer based on the control criteria set out in the standard and summarised under our key accounting judgements policy, note 1.4 (iii), above.

However, following the Committee’s conclusion, and in line with developing clear and consistent practice within its industry, the Group further considered the balance of the guidance around control indicators provided in IFRS 15.

In the previous year, the Group recognised revenue from indirect software licence sales relating to cloud-based licences and licences requiring critical updates on an agency, ‘net’, basis. This is because these do not meet the control criteria noted under IFRS 15 due to the primary responsibility for fulfilling the promise to provide these licences to the customer resting with the software vendor and requiring the vendors ongoing involvement.

All remaining indirect software licence sales, those which were non-cloud based and without critical updates, were treated on a ‘gross’ basis as a principal. However, this previous gross conclusion required significant judgement as these sales comprise elements which can also be indicative of a net treatment with the conclusion being dependent on an assessment of the relative weighting of the various factors. Whilst the Group does have discretion in establishing the price of the software previously treated on a gross basis, the other key control indicators highlighted in note 1.4 (ii) were not being satisfied. The Group is not exposed to any inventory risk, it is the vendor who has primary responsibility for fulfilling the promise to provide the licences to the customer, and the Group does not control the software licences prior to their transfer.

As a result of its reassessment of the above control indicators outlined under IFRS 15, the Group has amended its judgement and now concludes that an accounting policy change in favour of agent (and net) presentation should be adopted for all software sales that were previously recorded as principal and presented gross.

In accordance with IAS 8, the Group has applied this accounting policy change retrospectively, so the prior year and current year are presented consistently.

The impact of this change in accounting policy on the prior year financial statements is set out below:

- Revenue and cost of sales decreased by £302 million, being the additional cost of transactions assessed as being recognised on an agency basis
- The consolidated statements of profit or loss, financial position, cash flows and of changes in equity remain unchanged in both years and there is no impact on basic and diluted earnings per share.

The prior year impact is summarised in the following table noting that the Group continues to report Gross Invoiced Income as an Alternative Performance Measure, and this is unaffected. The impact on the current year has not been quantified as it is impractical to do so.

	Previous accounting policy			**Revised accounting policy**		
	Gross invoiced income £'000	Agency Adjustment £'000	Revenue £'000	Gross invoiced income £'000	Agency adjustment £'000	Revenue £'000
28 February 2022	1,208,124	(760,187)	447,937	1,208,124	(1,062,288)	145,836

1.7 Principles of consolidation

1.7.1 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.

1.8 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'.

1.9 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.

1.10 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)'.

1.11 Revenue recognition

Revenue recognition principles across all revenue streams

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

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

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

Software

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

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

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

> In the case of cloud-based software sales, the Group arranges for third-party vendors to provide customers with access to software in the cloud. As the sales value varies according to monthly usage, revenue is recognised once the amount is confirmed by the vendor and the Group has analysed the data and advised the customer. This is because the responsibilities of the Group to undertake such activities mean that these performance obligations are satisfied at each point usage occurs and the Group has a right to receive payment.
>
> In the case of licence sales (non cloud-based software) arising from fixed-price subscriptions where the customer makes an up-front payment, the Group recognises revenue when the contract execution or order is fulfilled by the Group because its performance obligation is fully satisfied at that point. Typically, these take the form of annual instalments where the Group is required to undertake various contract review activities at each anniversary date.

Hardware – resale of hardware products

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

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

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

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

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

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

1.12 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**.**

1.13 Rebates

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

1.14 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 in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1.15 Leases

Lessee

The Group leases a property and various motor vehicles. Lease agreements are typically made for fixed periods but may have extension options included. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group is depreciating the right-of-use assets over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured at the net present value of the minimum lease payments. The net present value of the minimum lease payments is calculated as follows:

- Fixed payments, less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease; where this rate cannot be determined, the Group's incremental borrowing rate is used.

Right-of-use assets are measured at cost comprising the following:

- The net present value of the minimum lease payments
- Any lease payments made at, or before, the commencement date less any lease incentives received
- Any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Depreciation
Depreciation is recognised in profit or loss for each category of assets on a straight-line basis over the lease term.

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

- Buildings, 8 years
- Motor vehicles, 2 to 3 years.

The depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate. Gains and losses arising on the disposal of leased assets are included as capital items in profit or loss.

1.16 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.

1.17 Cash and cash equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.18 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.

1.19 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.

1.20 Financial instruments

Financial instruments comprise investments in equity, loans receivable, trade and other receivables (excluding prepayments), investments, cash and cash equivalents, restricted cash, non-current loans, current loans, bank overdrafts, derivatives and trade and other payables.

Recognition

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments. Financial assets are recognised on the date the Group commits to purchase the instruments (trade date accounting).

Financial assets are classified as current if expected to be realised or settled within 12 months from the reporting date; if not, they are classified as non-current. Financial liabilities are classified as non-current if the Group has an unconditional right to defer payment for more than 12 months from the reporting date.

Classification

The Group classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL) based on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Financial assets are classified as follows:

- Financial assets to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss)
- Financial assets to be measured at amortised cost.

Financial assets are not reclassified unless the Group changes its business model. In rare circumstances where the Group does change its business model, reclassifications are done prospectively from the date that the Group changes its business model.

Financial liabilities are classified and measured at amortised cost except for those derivative liabilities and contingent considerations that are measured at FVTPL.

Measurement on initial recognition

All financial assets and financial liabilities are initially measured at fair value, including transaction costs, except for those classified as FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Subsequent measurement: financial assets

Subsequent to initial recognition, financial assets are measured as described below:

- FVTPL – these financial assets are subsequently measured at fair value and changes therein (including any interest or dividend income) are recognised in profit or loss
- Amortised cost – these financial assets are subsequently measured at amortised cost using the effective interest method, less impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss
- Equity instruments at FVOCI – these financial assets are subsequently measured at fair value. Dividends are recognised in profit or loss when the right to receive payment is established. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

Subsequent measurement: financial liabilities

All financial liabilities, excluding derivative liabilities and contingent consideration, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset or liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Offsetting financial instruments
Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

Impairment
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on credit risk characteristics and the days past due.

The expected credit loss (ECL) rates are based on the payment profiles of sales over a 12-month period before 28 February 2023, 28 February 2022 and 1 March 2021 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.

1.21 Property, plant and equipment
Owned assets
Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

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

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

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

The estimated useful lives for the current and comparative periods are as follows:
- Buildings, 20 to 50 years
- Leasehold improvements (included in land and buildings), shorter of lease period or useful life of asset
- Plant and machinery, 3 to 20 years
- Motor vehicles, 4 to 8 years
- Furniture and equipment, 5 to 20 years
- IT equipment and software, 2 to 8 years.

The depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate. Gains and losses arising on the disposal of property, plant and equipment are included as capital items in profit or loss.

1.22 Intangible assets

Goodwill

Goodwill is measured as described in note 1.16. 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.

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.

1.23 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.

1.24 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.

1.25 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.

1.26 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 28.

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 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.

1.27 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.

1.28 Dividends

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

1.29 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.

1.30 Rounding of amounts

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

2 Segmental information

2(a) Description of segment

The information reported to the Group's Chief Executive Officer, who is considered to be the chief operating decision maker for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8, which is that of 'IT solutions provider'. The Group's revenue, results, assets and liabilities for this one reportable segment can be determined by reference to the consolidated statement of profit or loss and the consolidated statement of financial position. An analysis of revenues by product lines and geographical regions, which form one reportable segment, is set out in note 3.

2(b) Adjusted operating profit

Adjusted operating profit is an alternative performance measure which excludes the effects of intangible assets amortisation and share-based payment charges.

Adjusted operating profit reconciles to operating profit as follows:

	Note	**Year ended 28 February 2023 £'000**	Year ended 28 February 2022 £'000
Adjusted operating profit		**56,377**	46,329
Share-based payment charges	28	**(4,188)**	(2,563)
Amortisation of acquired intangible assets	4	**(1,306)**	(1,611)
Operating profit		**50,883**	42,155

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 (1)	**Year ended 28 February 2023 £'000**	Year ended 28 February 2022 (Restated) £'000
Software	**114,108**	91,663
Hardware	**38,355**	28,807
Services internal	**28,454**	21,761
Services external	**3,504**	3,605
Total revenue from contracts with customers	**184,421**	145,836

(1) Revenue from contracts with customers have been restated as noted in note 1.6 above. This arises from all software sales being classified as agent and presented on a 'net' basis, thereby reducing Software revenue from £393.8 million to £91.7 million.

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 2023 £’000**	Year ended 28 February 2022 (Restated) £’000
United Kingdom	**177,882**	140,382
Europe	**4,358**	4,235
Rest of world	**2,181**	1,219
	184,421	145,836

3(b) Gross invoiced income by type

	Year ended 28 February 2023 £’000	Year ended 28 February 2022 (Restated) £’000
Software	**1,346,110**	1,136,039
Hardware	**38,355**	28,807
Services internal	**28,454**	21,761
Services external	**26,395**	21,517
	1,439,314	1,208,124
Gross invoiced income	**1,439,314**	1,208,124 (1)
Adjustment to gross invoiced income for income recognised as agent	**(1,254,893)**	(1,062,288)
Revenue	**184,421**	145,836

(1) The adjustment to gross invoiced income for income recognised as an agent has been restated, refer note 1.6 above.

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items amounting to £5.5 million (2022: £4.3 million). The Group reports gross invoiced income as an alternative financial KPI as management believes this measure allows further understanding of business performance and position particularly in respect of working capital and cash flow.

4 Material profit or loss items

The Group has identified several items included within administrative expenses which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group:

	Note	**Year ended 28 February 2023 £’000**	Year ended 28 February 2022 £’000
Depreciation of property, plant and equipment	9	**1,029**	828
Depreciation of right-of-use assets	10	**145**	169
Loss on disposal of property, plant and equipment		**3**	15
Amortisation of acquired intangible assets	11	**1,306**	1,611
System support and maintenance		**2,991**	2,215
Share-based payment expenses	28	**4,188**	2,563
Operating lease charges - property	10	**25**	16
Foreign exchange gains		**(32)**	(38)

5 Employees

Employee benefit expense:		Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Employee remuneration (including directors' remuneration [1])		**40,725**	34,027
Commissions and bonuses		**22,299**	18,552
Social security costs		**8,158**	6,437
Pension costs		**1,413**	1,169
Share-based payments expense	28	**4,188**	2,563
		76,783	62,748
Classified as follows:			
Cost of sales		**13,527**	9,282
Administrative expenses		**63,256**	53,466
		76,783	62,748

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

The average monthly number of employees during the year was:	Year ended 28 February 2023 Number	Year ended 28 February 2022 Number
Sales – account management	**285**	228
Sales – support and specialists	**199**	209
Service delivery	**204**	146
Administration	**173**	141
	861	724

Employee numbers has been reclassified this year to split sales support and specialists from service delivery. We believe this provides a more useful presentation of how the Group's employees are deployed. 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 2023 £'000	Year ended 28 February 2022 £'000
Fees payable to the company's auditors and its associates for the audit of the parent company and consolidated financial statements	**281**	**198**
Fees payable to the company's auditors and its associates for other services:		
Audit of the financial statements of the company's subsidiaries	**372**	**317**
Other fees	**14**	**-**
Non-audit services [1]	**95**	**75**
	762	**590**

(1) Non-audit services in the current and prior year relate to the auditors' review of our interim report issued in October 2022 (October 2021).

7 Finance costs

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Finance costs		
Interest expense on financial liabilities measured at amortised cost	**(443)**	(532)
Interest expense on lease liability	**(48)**	(57)
Finance costs	**(491)**	(589)

8 Income tax expense

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

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Current income tax charge in the year	**10,483**	8,561
Adjustment in respect of current income tax of previous years	**66**	150
Foreign taxation	**-**	1
Total current income tax charge	**10,549**	8,712
Current year	**(402)**	(434)
Adjustments in respect of prior year	**(75)**	5
Effect of changes in tax rates	**(101)**	429
Deferred tax credit	**(578)**	-
Total tax charge	**9,971**	8,712

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 2023 £'000	Year ended 28 February 2022 £'000
Profit before income tax	**50,392**	41,566
Income tax charge at the standard rate of corporation tax in the UK of 19% for all periods	**9,574**	7,898
Effects of:		
Non-deductible expenses	**507**	229
Foreign tax credits	**-**	1
Adjustment to previous periods	**(9)**	155
Effect of changes in tax rate	**(101)**	429
Income tax charge reported in profit or loss	**9,971**	8,712

Amounts recognised directly in equity

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity:		
Deferred tax: share-based payments	**(24)**	192
	(24)	192

Changes affecting the future tax charge
Effective from 1 April 2023 the UK corporate tax rate increases to 25%, this change has been used to rebase the deferred tax liability in both the current and prior year.

Deferred tax liabilities	**As at 28 February 2023 £'000**	As at 28 February 2022 £'000
The balance comprises temporary differences attributable to:		
Intangible assets	**(1,008)**	(1,309)
Property, plant and equipment	**(884)**	(769)
Employee benefits	**3**	145
Provisions	**65**	53
Share-based payments	**1,189**	691
	(635)	(1,189)

Deferred tax liabilities	**As at 28 February 2023 £'000**	As at 28 February 2022 £'000
At 1 March	**(1,189)**	(1,381)
Credited to profit or loss	**578**	-
(Charge)/credited to equity	**(24)**	192
Carrying amount at end of year	**(635)**	(1,189)

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 2021	8,880	3,666	1,303	624	89	14,562
Additions	41	435	2	122	17	617
Disposals	-	(226)	-	-	(5)	(231)
At 28 February 2022	8,921	3,875	1,305	746	101	14,948
Additions	484	590	8	271	10	1,363
Disposals	-	(126)	-	-	(7)	(133)
At 28 February 2023	**9,405**	**4,339**	**1,313**	**1,017**	**104**	**16,178**
Depreciation						
At 1 March 2021	1,791	2,943	913	601	39	6,287
On disposals	-	(213)	-	-	(3)	(216)
Charge for the year	352	353	76	25	22	828
At 28 February 2022	2,143	3,083	989	626	58	6,899
On disposals	-	(122)	-	-	(8)	(130)
Charge for the year	373	508	54	72	22	1,029
At 28 February 2023	**2,516**	**3,469**	**1,043**	**698**	**72**	**7,798**
Net book value						
At 28 February 2022	6,778	792	316	120	43	8,049
At 28 February 2023	**6,889**	**870**	**270**	**319**	**32**	**8,380**

10 Leases

(i) Amounts recognised in the balance sheet

Right-of-use assets	**Buildings £'000**	**Motor vehicles £'000**	**Total £'000**
Cost			
At 1 March 2021	1,377	245	1,622
At 28 February 2022 and 28 February 2023	**1,377**	**245**	**1,622**
Depreciation			
At 1 March 2021	304	221	525
Charge for the year	145	24	169
At 28 February 2022	449	245	694
Charge for the period	145	-	145
At 28 February 2023	**594**	**245**	**839**
Net book value			
At 1 March 2021	1,073	24	1,097
At 28 February 2022	928	-	928
At 28 February 2023	**783**	**-**	**783**

Lease liabilities	**As at 28 February 2023 £'000**	As at 28 February 2022 £'000	As at 1 March 2021 £'000
Current	**75**	185	202
Non-current	**917**	992	1,176
	992	1,177	1,378

There were no additions to the right-of-use assets in the financial year ended 28 February 2023 (financial year ended 28 February 2022: £Nil).

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

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

Depreciation charge of right-of-use assets	**Year ended 28 February 2023 £'000**	Year ended 28 February 2022 £'000
Buildings	**145**	145
Motor vehicles	**-**	24
	145	169
Interest expense (included in finance cost)	**48**	57
Expense relating to short-term leases (included in administrative expenses)	**25**	16

(iii) Changes in liabilities arising from financing activities

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

	1 March 2021 £'000	Cash flows £'000	Interest £'000	28 February 2022 £'000
Lease liabilities	1,378	(258)	57	1,177
Total liabilities from financing activities	1,378	(258)	57	1,177

11 Intangible assets

	Goodwill £'000	Customer relationships £'000	Brand £'000	Total £'000
Cost				
At 1 March 2021, 28 February 2022 and 28 February 2023	**37,493**	**8,798**	**3,653**	**49,944**
Amortisation				
At 1 March 2021	-	3,007	2,494	5,501
Charge for the year	-	880	731	1,611
At 28 February 2022	-	3,887	3,225	7,112
Charge for the year	-	878	428	1,306
At 28 February 2023	**-**	**4,765**	**3,653**	**8,418**
Net book value				
At 28 February 2022	37,493	4,911	428	42,832
At 28 February 2023	**37,493**	**4,033**	**-**	**41,526**

Determination of recoverable amount

The carrying value of indefinite useful life intangible assets and goodwill are tested annually for impairment. For each CGU and for all periods presented, the Group has assessed that the value in use represents the recoverable amount. The future expected cash flows used in the value-in-use models are based on management forecasts, over a five-year period, and thereafter a reasonable rate of growth is applied based on current market conditions. The recoverable amount of Bytes Software Services and Phoenix Software is £720.1 million and £261.6 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 2023	**Long-term growth rate %**	**Discount rate %**	**Goodwill carrying amount £'000**
Bytes Software Services	**2**	**9.10**	**14,775**
Phoenix Software	**2**	**9.10**	**22,718**
			37,493

28 February 2022	Long-term growth rate %	Discount rate %	Goodwill carrying amount £'000
Bytes Software Services	2	8.54	14,775
Phoenix Software	2	8.54	22,718
			37,493

Growth rates

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

Discount rates

Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU. Pre-tax discount rates have been applied.

Sensitivities

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

28 February 2023	**Bytes Software Services £'000**	**Phoenix Software £'000**
Headroom	**675,427**	**229,245**
1% increase in the pre-tax discount rate applied to the estimated future cash flows	**(94,815)**	**(32,956)**
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	**126,339**	**43,885**
0.5% increase in the terminal growth rate from 2024 to 2028	**45,179**	**15,660**
0.5% decrease in the terminal growth rate from 2024 to 2028	**(39,234)**	**(13,599)**

28 February 2022	Bytes Software Services £'000	Phoenix Software £'000
Headroom	738,557	240,596
1% increase in the pre-tax discount rate applied to the estimated future cash flows	(104,467)	(36,204)
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	142,534	49,408
0.5% increase in the terminal growth rate from 2023 to 2027	51,412	17,836
0.5% decrease in the terminal growth rate from 2023 to 2027	(44,109)	(15,302)

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 Contract assets

	As at 28 February 2023 £'000	As at 28 February 2022 £'000
Contract assets	**11,081**	6,716

Contract assets is further broken down as:	**As at 28 February 2023 £'000**	As at 28 February 2022 £'000
Short-term contract assets	**10,684**	6,591
Long-term contract assets	**397**	125
	11,081	6,716

Contract assets include £3.8 million (2022: £2.1 million) of deferred costs relating to internal services contracts, and the recognition of accrued revenue of £7.3 million (2022: £4.6 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.

13 Contract liabilities

	As at 28 February 2023 £'000	As at 28 February 2022 £'000
Contract liabilities	**25,890**	**16,023**

Contract liabilities is further broken down as:	**As at 28 February 2023 £'000**	As at 28 February 2022 £'000
Short-term contract liabilities	**23,914**	14,528
Long-term contract liabilities	**1,976**	1,495
	25,890	16,023

During the year, the Group recognised £14.5 million (2022: £10.0 million) of revenue that was included in the contract liability balance at the beginning of the period. The increase in contract liabilities reflects the rise in internal services business 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.

14 Inventories

	As at 28 February 2023 £'000	As at 28 February 2022 £'000
Inventories	**58**	96
	58	96

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 £38,000 (28 February 2022: £495,000).

15 Financial assets and financial liabilities

This note provides information about the Group's financial instruments, including:

- An overview of all financial instruments held by the Group
- Specific information about each type of financial instrument
- Accounting policies
- Information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:

Financial assets	Note	**As at 28 February 2023 £'000**	As at 28 February 2022 £'000
Financial assets at amortised cost:			
Trade receivables	16	**178,386**	154,928
Other financial assets	16	**5,896**	1,501
		184,282	156,429

Financial liabilities	Note	**As at 28 February 2023 £'000**	As at 28 February 2022 £'000
Financial liabilities at amortised cost:			
Trade and other payables – current, excluding Payroll tax and other statutory tax liabilities	18	**217,253**	208,183
Lease liabilities	10	**992**	1,177
		218,245	209,360

The Group's exposure to various risks associated with the financial instruments is discussed in note 24. 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.

16 Trade and other receivables

	As at 28 February 2023 £'000	As at 28 February 2022 £'000
Financial assets		
Gross trade receivables	**179,928**	155,678
Less: impairment allowance	**(1,542)**	(750)
Net trade receivables	**178,386**	154,928
Other receivables	**5,896**	1,501
	184,282	156,429
Non-financial assets		
Prepayments	**1,638**	1,181
	1,638	1,181
Trade and other receivables	**185,920**	157,610

(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 1.20.

(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 2022	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	0.06%	0.56%	6.67%	20.25%	100%	
Gross carrying amount – trade receivables	133,031	16,968	5,027	514	138	155,678
Loss allowance	78	95	335	104	138	750

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

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

Trade receivables	**As at 28 February 2023 £'000**	As at 28 February 2022 £'000
Opening loss allowance at 1 March	**750**	724
Increase in loss allowance recognised in profit or loss during the period	**937**	149
Receivables written off during the year as uncollectable	**(145)**	(123)
Closing loss allowance	**1,542**	750

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(iv) Other receivables
Other receivables include accrued rebate income.

17 Cash and cash equivalents

	As at 28 February 2023 £'000	As at 28 February 2022 £'000
Cash at bank and in hand	**73,019**	67,118
	73,019	67,118

18 Trade and other payables

	As at 28 February 2023 £'000	As at 28 February 2022 £'000
Trade and other payables	**138,307**	129,430
Accrued expenses	**78,946**	78,753
Payroll tax and other statutory liabilities	**14,464**	9,429
	231,717	217,612

Trade payables are unsecured and are usually paid within 45 days of recognition.

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

19 Share capital and share premium

Authorised, allotted, called up and fully paid	**Number of shares**	**Nominal value £'000**	**Share premium £'000**	**Total £'000**
At 1 March 2021	239,482,333	2,395	633,636	636,031
Shares issued during the year (1)	-	-	-	-
At 28 February 2022 and **28 February 2023** (2), (3)	**239,482,333**	**2,395**	**633,636**	**636,031**

(1) Shares issued during the prior year
During the current and prior year no new ordinary shares were issued by the company.

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

(3) Share options
Information related to the company's share option schemes, including options issued during the financial year and options outstanding at the end of the reporting period is set out in note 28.

20 Share-based payment reserve

The following table shows the movements in these reserves during the year. All movements relate to the Group's share-based payment schemes, further details are provided in note 28.

	Note	Share-based payment reserve £’000
Balance at 1 March 2021		317
Share-based payment expenses	28	2,563
Deferred tax	8	192
At 28 February 2022		3,072
Share-based payment expenses	28	4,188
Deferred tax	8	(25)
At 28 February 2023		**7,235**

21 Merger reserve

	Year ended 28 February 2023 £’000	Year ended 28 February 2022 £’000
Balance at 1 March 2021, 28 February 2022 and 28 February 2023	**(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 Retained earnings

Movements in retained earnings were as follows:	Note	**Year ended 28 February 2023 £’000**	Year ended 28 February 2022 £’000
Balance at 1 March		**52,839**	24,775
Net profit for the period		**40,421**	32,854
Dividends	25(b)	**(30,654)**	(4,790)
		62,606	52,839

23 Cash generated from operations

	Note	**Year ended 28 February 2023 £’000**	Year ended 28 February 2022 £’000
Profit before taxation		**50,392**	41,566
Adjustments for:			
Depreciation and amortisation	4	**2,480**	2,608
Loss on disposal of property, plant and equipment	4	**3**	15
Non-cash employee benefits expense – share-based payments	4	**4,188**	2,563
Finance costs	7	**491**	589
(Increase)/decrease in contract assets		**(4,365)**	677
Increase in trade and other receivables		**(28,310)**	(50,946)
Decrease in inventories		**38**	495
Increase in trade and other payables		**14,105**	60,491
Increase in contract liabilities		**9,867**	3,661
Cash generated from operations		**48,889**	61,719

24 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 16.

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.

24(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.

24(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 2023			As at 28 February 2022		
	USD £'000	**EUR £'000**	**NOK £'000**	USD £'000	EUR £'000	NOK £'000
Trade receivables	**13,529**	**1,900**	**-**	5,375	1,423	-
Cash and cash equivalents	**250**	**214**	**-**	3,093	75	-
Trade payables	**(15,286)**	**(1,981)**	**(221)**	(15,243)	(2,078)	(97)
	(1,507)	**133**	**(221)**	(6,775)	(580)	(97)

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 2023			As at 28 February 2022		
	GBP:USD £'000	**GBP:EUR £'000**	**GBP:NOK £'000**	GBP:USD £'000	GBP:EUR £'000	GBP:NOK £'000
5% increase in rate	**72**	**(6)**	**11**	323	28	5
5% decrease in rate	**(79)**	**7**	**(12)**	(357)	(31)	(5)

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

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Total net foreign exchange gains in profit or loss	**32**	38

24(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 2023, the Group had cash and cash equivalents of £73.0 million, see note 17. Management monitors rolling forecasts of the Group's liquidity position (which comprises its cash and cash equivalents) on the basis of expected cash flows generated from the Group's operations. These forecasts are generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group and take into account certain down-case scenarios.

(2) Revolving Credit Facility

On 17 May 2023 the Group entered into a new three-year committed Revolving Credit Facility (RCF) for £30 million including an optional one-year extension to 17 May 2027, and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity. The new facility replaced the previous RCF which was entered into in December 2020 and reduced to £30 million in December 2022. This was set to expire in December 2023 but was cancelled, without penalty, on 17 May 2023, on commencement of the new RCF. In December 2020, the Group incurred arrangement fees of £0.4 million representing 0.75% of the initial £50 million facility available at the time. The new facility has incurred an arrangement fee of £0.1 million, being 0.4% of the new funds available. The Group has so far not drawn down any amount on either the previous or new facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a prepayment and amortised over the initial three-year period of the facility. The facility also incurs a commitment fee and utilisation fee, both of which are payable quarterly in arrears. Under the terms of both the previous and new facilities, the Group is required to comply with the following financial covenants:

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

The Group has complied with these covenants throughout the reporting period. As at 28 February 2023, EBITDA to net finance charges was approximately 109 times (2022: 76 times). The Group has been in a net cash position as at 28 February 2023 and 28 February 2022 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 2023	**Note**	**Within 1 year £'000**	**1 to 2 years £'000**	**2 to 5 years £'000**	**Over 5 years £'000**	**Total contractual cash flows £'000**	**Carrying amount £'000**
Trade and other payables	**18**	**217,253**	**-**	**-**	**-**	**217,253**	**217,253**
Lease liabilities	**10**	**116**	**463**	**545**	**-**	**1,124**	**992**
		217,369	**463**	**545**	**-**	**218,377**	**218,245**

28 February 2022	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	18	208,183	-	-	-	208,183	208,183
Lease liabilities	10	231	116	694	313	1,354	1,177
		208,414	116	694	313	209,537	209,360

25 Capital management

25(a) Risk management

For the purpose of the Group's capital management, capital includes issued capital, ordinary shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of shareholders. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. To ensure an appropriate return for shareholders' capital invested in the Group, management thoroughly evaluates all material revenue streams, relationships with key vendors and potential acquisitions and approves them by the Board, where applicable. The Group's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows. The Group's dividend policy is to distribute 40% of the Group's post-tax pre-exceptional earnings to shareholders in respect of each financial year. Subject to any cash requirements for ongoing investment, the Board will consider returning excess cash to shareholders over time.

25(b) Dividends

	2023		2022	
Ordinary shares	**Pence per share**	**£'000**	Pence per share	£'000
Interim dividend paid	**2.40**	**5,748**	2.00	4,790
Special dividend paid	**6.20**	**14,848**	-	-
Final dividend paid	**4.20**	**10,058**		
Total dividends attributable to ordinary shareholders	**12.80**	**30,654**	2.00	4,790

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 5.1 pence and a special dividend of 7.5 pence per share for the year ended 28 February 2023 to be paid to shareholders on the register as at 21 July 2023. The aggregate of the proposed dividends expected to be paid on 4 August 2023 is £30.2 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.

26 Capital commitments

At 28 February 2023, the Group had £Nil capital commitments (28 February 2022: £Nil).

27 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:

27(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 February 2023 £'000	Year ended 28 February 2022 £'000
Short-term employee benefits	**4,158**	3,598
Post-employment pension benefits	**92**	79
Total compensation paid to key management	**4,250**	3,677

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 565,782 share option awards (2022: 391,000) at a weighted average exercise price of £1.33 (2022: £4.91).

Share-based payment charges include £1,006,423 (2022: £512,908) in respect of key management personnel, refer to note 28 for details on the Group's share-based payment incentive schemes.

27(b) Subsidiaries
Interests in subsidiaries are set out in note 30.

27(c) Outstanding balances arising from sales/purchases of services
There were no outstanding balances at the end of each reporting period.

28 Share-based payments

The Group established new equity-settled share-based payment incentive schemes with effect from IPO. These share option awards have been accounted for as equity-settled share-based payments. The fair value of the awards granted is recognised as an expense over the vesting period. As noted in the prior year Annual Report one-third of the annual bonus for the financial year ended 28 February 2022 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 552,480 (2022: nil) options. For the year ended 28 February 2023, 30,589 (2022: 45,153) options were forfeited, and no options were exercised or 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 2,904,100 (2022: 2,802,000) options. For the year ended 28 February 2023, 127,400 (2022: 63,000) options were forfeited, and no options were exercised or expired.

Save as You Earn Scheme
Share options were granted to eligible employees under the Save As You Earn Scheme (SAYE) during the year. Under the SAYE scheme, employees enter a three-year savings contract in which they save a fixed amount each month in return for their SAYE options. At the end of the three-year period, employees can either exercise their options in exchange for shares in Bytes Technology Group plc or have their savings returned to them in full. The exercise price of the options represents a 20% discount to the exercise price of the CSOP awards. The fair value at grant date is estimated using a Black Scholes option-pricing model. There is no cash settlement of the options. During the year the Group

granted 722,863 (2022: 1,103,220) options. For the year ended 28 February 2023, 523,974 (2022: 49,815) options were forfeited, and no options were exercised or 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 35,842 options. No options granted under the DBP were forfeited, exercised or expired.

Share-based payment employee expenses

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Equity settled share-based payment expenses	**4,188**	2,563

There were no cancellations or modifications to the awards in 2023 or 2022.

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 2023 Number	**28 February 2023 WAEP**	**28 February 2022 Number**	**28 February 2022 WAEP**
Outstanding at 1 March	5,227,362	£3.43	1,480,110	£0.01
Granted during the year	4,215,285	£3.84	3,905,220	£4.72
Forfeited during the year	(681,963)	£3.98	(157,968)	£3.26
Outstanding at 28 February	8,760,684	£3.59	5,227,362	£3.43
Exercisable at 28 February	-	-	-	-

The weighted average expected remaining contractual life for the share options outstanding at 28 February 2023 was 2.9 years (2022: 3.2 years).
The weighted average fair value of options granted during the year was £1.63 (2022: £1.29).
The range of exercise prices for options outstanding at the end of the year was £0.01 to £5.00 (2022: £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 2023 and 28 February 2022:

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

Assumptions	**28 February 2022 CSOP**	**28 February 2022 SAYE**
Weighted average fair value at measurement date	£1.26	£1.38
Expected dividend yield	1.26%	1.26%
Expected volatility	35%	35%
Risk-free interest rate	0.16%	0.22%
Expected life of options	5 years	3 years
Weighted average share price	£5.00	£4.82
Model used	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.

29 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 2023 pence	Year ended 28 February 2022 pence
Basic earnings per share	**16.88**	13.72
Diluted earnings per share	**16.28**	13.42
Headline earnings per share	**16.88**	13.72
Diluted headline earnings per share	**16.28**	13.42
Adjusted earnings per share[1]	**18.83**	15.46
Diluted adjusted earnings per share[1]	**18.16**	15.12

1 Refer note 29(c), had the prior year adjusted operating profit included the effects of deferred tax on the adjusting items the adjusted earnings per share would have been 15.30 and the diluted adjusted earnings per share would have been 14.97.

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

	Year ended 28 February 2023 Number	Year ended 28 February 2022 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and headline earnings per share	**239,482,333**	239,482,333
Adjustments for calculation of diluted earnings per share and diluted headline earnings per share:		
– share options (1)	**8,760,684**	5,385,330
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and diluted headline earnings per share	**248,243,017**	244,867,663

(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 28.

29(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 2023 pence**	Year ended 28 February 2022 pence
Profit for the period attributable to owners of the company		**40,421**	32,854
Adjusted for:			
Loss on disposal of property, plant and equipment	4	**3**	15
Tax effect thereon		**(1)**	(3)
Headline profits attributable to owners of the company		**40,423**	32,866

29(c) Adjusted earnings per share

Adjusted earnings per share is a Group key alternative performance measure which is consistent with the way that financial performance is measured by senior management of the Group. It is calculated by dividing the adjusted operating profit attributable to ordinary shareholders by the total number of ordinary shares in issue at the end of the year. Adjusted operating profit is calculated to reflect the underlying long-term performance of the Group by excluding the impact of the following items:

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

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

	Note	**Year ended 28 February 2023 £'000**	Year ended 28 February 2022 £'000
Profits attributable to owners of the company		**40,421**	**32,854**
Adjusted for:			
- Amortisation of acquired intangible assets	4	**1,306**	**1,611**
- Deferred tax effect on above[(1)]		**(301)**	**-**
- Share-based payment charges	28	**4,188**	**2,563**
- Deferred tax effect on above[(1)]		**(522)**	**-**
Adjusted profits attributable to owners of the company		**45,092**	**37,028**

(1) The prior year has not been restated to include the deferred tax effect on the adjusting items as the impact was considered to be immaterial. Had the prior year been restated the adjusted profits attributable to owners of the company would have been £36.6 million.

30 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
Blenheim Group Limited (2)	UK	100%	Holding company in prior year. The company transferred its investment in Phoenix Software Limited to Bytes Technology Limited and became dormant during February 2022.
Phoenix Software limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sectors
License Dashboard Limited (2)	UK	100%	Dormant for all periods
Bytes Security Partnerships Limited (2)	UK	100%	Dormant for all periods
Bytes Technology Group Holdings Limited (2)	UK	100%	Dormant for all periods
Bytes Technology Training Limited (2)	UK	100%	Dormant for all periods
Elastabytes Limited (2)	UK	50%	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 2023.

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

31 Events after the reporting period

With effect from 18 April 2023 the Group acquired 25.1% interest in Cloud Bridge Technologies Limited for £3.0 million. As disclosed in note 24(c)(2) the Group replaced the current Revolving Credit Facility (RCF) with a new RCF. These have no impact on the results reported for the year ended 28 February 2023. There are no other events after the reporting period that require disclosure in these financial statements.

Corporate Information

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

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