24 May 2022

BYTES TECHNOLOGY GROUP plc
('BTG', 'the Group')

Audited preliminary results for the year ended 28 February 2022

Strong organic growth driven by robust customer demand; proposed final and special dividends

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 2022 ('FY22').

Neil Murphy, Chief Executive Officer, said:

"This is another record set of results for BTG, with positive contributions from all parts of the business. During the year we continued to strengthen our market position, by deepening our relationships with key software vendors and expanding our expertise in areas such as cloud, security and annuity software and services. These steps enabled us to make meaningful progress against our strategy and ensure our customers continue to receive the highest quality of service.

"I would like to thank all my colleagues who have done an outstanding job supporting our clients through the past year. The progress we have made is a direct result of their efforts and would not have been possible without them. With our growing customer base, strong reputation with key vendors and focus on sustainable growth, our business remains well placed to deliver against our strategy and capitalise on the exciting market opportunities ahead."

Financial performance

£'million	**FY22** (year ended 28 February 2022)	**FY21** (year ended 28 February 2021)	**% change year-on-year**
Gross invoiced income ('GII')[1]	£1,208.1m	£958.1m	26.1%
Revenue[2]	£447.9m	£393.6m	13.8%
Gross profit ('GP')	£107.4m	£89.6m	19.9%
Gross margin %	24.0%	22.8%	
Operating profit	£42.2m	£26.8m	57.0%
Adjusted operating profit ('AOP')[3]	£46.3m	£37.5m	23.6%
Cash	£67.1m	£20.7m	223.7%
Cash conversion[4]	131.9%	130.7%	
Earnings per share (pence)	13.72	8.52	61.0%
Adjusted earnings per share[5] (pence)	15.46	13.07	18.3%
Final dividend per share (pence)	4.2		
Special dividend per share (pence)	6.2		

Group highlights for the year ended 28 February 2022

- GII increased 26.1% to £1,208.1 million (FY21: £958.1 million), with growth spread across all areas of the business – software, hardware and services – as corporate client demand strengthened alongside continued growth from public sector customers.

- Revenue increased 13.8% to £447.9 million (FY21: £393.6 million).

- GP growth of 19.9% to £107.4 million (FY21: £89.6 million), reflected strong customer acquisition trends across both public and private sectors and increasing gross profit per customer.

- Gross margin % has increased to 24.0% (FY21: 22.8%) in line with growth in GP exceeding growth in revenue

- Operating profit increased 57.0% to £42.2 million (FY21: £26.8 million); noting that FY21 included one-off IPO costs of £8.1 million, whilst FY22 has an increased share-based payment charge compared to FY21.

- AOP which, due to the above, is a better measure of underlying profitability increased by 23.6% to £46.3 million (FY21: £37.5 million).

- Cash at the year end was £67.1m (FY21: £20.7m) reflecting the growth in profit and the high cash conversion rate of 131.9% (FY21: 130.7%)

- Earnings per share increased 61.0% to 13.72 pence (FY21: 8.52 pence).

- Adjusted earnings per share increased 18.3% to 15.46 pence (FY21: 13.07 pence), which the Board believes is a more representative measure than basic earnings per share as it removed the impact of last year's IPO costs, amortisation of purchased intangibles and share-based payment charges.

- The Board is pleased to propose a final dividend of 4.2 pence per share and a special dividend of 6.2 pence per share, which if approved by shareholders will both be paid on 12 August 2022 to shareholders on the register as at 29 July 2022.

Current trading and outlook

After a successful FY22 with a continuation of double-digit growth across key financial metrics, the business carries strong momentum going into FY23. We have already made a good start in this new financial year, although we remain mindful of the domestic and global macroeconomic pressures. Our successful strategy of acquiring new customers and then growing our share of wallet, building on our strong vendor relationships and the technical and commercial skills of our people, makes us confident that the Group is well positioned for the remainder of the financial year, despite current macro-economic uncertainties.

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://event.on24.com/wcc/r/3782892/0FC8CC8B04493B351E5B86FCC0875BED

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 i.e., the gross profit achieved on the contract and not the gross income billed to the customer.

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

[4] 'Cash conversion' is a non-IFRS alternative performance measure that divides cash generated from operations, excluding IPO costs and 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 period. IPO costs, amortisation of acquired intangible assets and share-based payment charges are all excluded in arriving at Adjusted earnings. The calculation is set out in note 30 of the financial statements.

Chief Executive Officer's Review

A strong full year performance delivering on our strategy

We are delighted with the strong performance in FY22, which saw the Group deliver robust growth in adjusted operating profit ('AOP') of 23.6% and gross profit ('GP') growth of 19.9%, driven by an impressive 26.1% growth in gross invoiced income ('GII') across both corporate and public customer sectors. Our revenue, stated after the netting adjustment for cloud and critical security licence sales required by IFRS 15, was up 13.8%.

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

Encouragingly, we have seen continued growth from our public sector customers and strengthening demand from our corporate clients. This resulted in 26.3 % growth in software GII, 24.3% in services GII, and hardware GII growing at 19.7% during FY22. Complementing the substantial growth in GII and GP was our strong cash conversion rate, at 131.9% for the reporting period. The double-digit growth across all our key financial performance measurements 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 FY22. These investments increasingly take the form of annualised contracts and, accordingly, we remain confident in the Group's growth prospects going forward. This reinforces our belief in the potential for future up-selling and cross-selling opportunities into existing clients. The double-digit growth in GII, revenue and GP, reflects the buoyant and robust nature of IT spend across the UK and Ireland.

We continue to expand our IT services capability, underpinned by our Microsoft Azure Expert status and the provision of managed services, augmented with our own IP in the form of Quantum and Licence 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 evolving our internal systems to provide great user experiences and improved productivity to drive efficiencies. This, combined with our continued subdued costs in travel and entertainment, and a slight lag on expanding our sales capacity has resulted in AOP as a percentage of GP increasing on last year to 43.2% for the year under review (FY21: 41.8%)

We remain proud of the energy, enthusiasm and professionalism demonstrated by our people through what continues to be a challenging time for families, organisations, and society in general. Our future growth will be supported by both increasing headcount 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 2021, we launched our first Share Save Plan ('the plan'), which has been well received by our workforce. An encouraging 65% of employees chose to participate in the plan, which far exceeded our expectations.

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

We remain committed to executing our strategy in a responsible manner, with sustainability rooted in everything we do. Our framework in this space aims to deliver positive impacts for our stakeholders across key themes which we have identified as most relevant for the environment in which we operate. Within each theme – financial sustainability, corporate responsibility, stakeholder engagement and good governance – we set ourselves focus areas which drive our activities. Through our environmental working groups, we allocate time and resources to various initiatives, and are committed to directing up to the equivalent of 1% of profit after tax 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. Our latest employee NPS survey was conducted in February 2022 and demonstrated again the high level of engagement and positive feeling among our employees in being part of the Group.

Our dividend policy is to distribute 40% of the Group's post-tax pre-exceptional earnings to shareholders, which provides the business with greater clarity on its capital allocation. Accordingly, we are pleased to confirm that the Board has proposed a final dividend of 4.2 pence per share and a special dividend of 6.2 pence per share, that subject to shareholder approval will be paid on 12 August 2022 to shareholders on the register at 29 July 2022.

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

Low carbon action plan

We set further goals for our business this year with the launch of our low carbon action plan ('LCAP). This outlines our aspirations to reduce our Scope 1, 2 and 3 emissions by 50% by 2025/6, from our 2020/21 baseline. In April 2022 we announced our aim to reach net zero emissions by 2040.

Although our LCAP makes our future emission reduction plans explicit, we have been working to reduce our energy use for a number of years. Our actions to date include:

- Investments in our facilities to reduce electricity consumption and the completion of our move to renewable electricity in FY22
- The move to electricity contracts from green energy suppliers and adopting environmental criteria in major equipment purchases
- Installing electric car charging points at our main locations and setting up a car sharing network
- Continuing to move services to the cloud where they are supported by less carbon intensive third-party datacentres rather than by our own servers.

Our environmental progress this year builds on our FY21 attainment of the ISO 14001 environmental management standard, which aligned us to good practice throughout our supply chain and operations. This commits us to such actions as having the necessary controls to conserve resources and to continually monitoring the environmental impact of our actions. Looking ahead, environmental, social and governance issues (ESG) remain a key focus of our Board and we will continue to pursue good practice in achieving our environmental, and wider sustainability, goals.

Board and Committee Composition

During the year, our long-standing CFO, Keith Richardson, retired from the Group with effect from 21 October 2021. Andrew Holden joined BTG in June 2021 as Chief Operating Officer and was appointed as CFO and member of the Board on 21 October 2021. Dr Erika Schraner was appointed as an independent non-executive director with effect from 1 September 2021. Erika also serves as a member of the Audit, Nomination and Remuneration Committees. David Maw stepped down as a member of the Audit Committee with effect from 27 October 2021. He remains a non-executive director on the BTG Board with continued responsibility for employee engagement. The committees are comprised as follows:

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

Chief Financial Officer's review

Income statement	FY22 £'m	FY21 £'m	Change %
Gross invoiced income (GII)	**1,208.1**	**958.1**	**26.1%**
GII split by product:			
Software	1,136.0	899.2	26.3%
Hardware	28.8	24.1	19.7%
Services internal[1]	21.8	18.3	18.9%
Services external[2]	21.5	16.5	30.2%
Netting adjustment	(760.2)	(564.5)	34.7%
Revenue	**447.9**	**393.6**	**13.8%**
Revenue split by product:			
Software	393.8	348.1	13.1%
Hardware	28.8	24.1	19.7%
Services internal[1]	21.8	18.3	18.9%
Services external[2]	3.5	3.1	15.5%
Gross profit (GP)	**107.4**	**89.6**	**19.9%**
GP / GII %	8.9%	9.4%	
Gross margin %	24.0%	22.8%	
Administrative expenses	**65.2**	**62.7**	**3.9%**
Administrative expenses split:			
Employee costs	53.5	45.4	17.7%
Other administrative expenses	11.7	17.3	(32.2%)
Operating profit	**42.2**	**26.8**	**57.0%**
Add back:			
Share-based payments	2.5	1.0	150.0%
Amortisation of acquired intangible assets	1.6	1.6	0.0%
IPO costs	0.0	8.1	(100.0%)
Adjusted operating profit	**46.3**	**37.5**	**23.6%**
Finance costs	(0.6)	(0.2)	225.4%
Profit before tax	**41.6**	**26.6**	55.9%
Income tax expense	(8.7)	(6.7)	29.5%
Effective tax rate	21.0%	25.2%	
Profit after tax	**32.9**	**19.9**	64.8%

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

Overview of FY22 results

Our second year as a FTSE-listed company has seen continued double-digit growth across all our key performance measures, reinforcing the strong start the Group made as a new listed entity in FY21. FY21 laid down new foundations and a different way of working with our customers and partners due to the onset of the Covid-19 pandemic and created the platform for us to expand and evolve further in FY22.

With a strengthening economy, and hybrid working widespread across our whole customer base, opportunities have emerged to become more fully engaged with our customers, supporting them in their move to the cloud and with more sophisticated and resilient security, support, and managed service solutions. This has resulted in AOP growing by 23.6% year on year from £37.5 million to £46.3 million. This measure excludes the impact of certain large or one-off items which do not reflect the underlying performance of the Group. Operating profit

increased by 57.0% to £42.2 million (FY21: £26.8 million), noting that FY21 included one-off IPO costs of £8.1 million.

Gross invoiced income (GII)

GII reflects gross income billed to our customers, with some small adjustments for deferred and accrued items (the latter mainly relating to managed service contracts where the income is recognised over time). We believe that GII provides a more meaningful measure than revenue to evaluate our sales performance, volume of transactions and rate of growth. As an organisation we continue to focus and report on GII as a key alternative performance measure. GII has a direct influence on our movements in working capital, reflects our risks and shows the performance of our sales teams.

GII has increased by 26.1% year-on-year, with growth spread across all areas of the business, software, services and hardware. Software remains the core focus, once again contributing 94% of the total. The Group benefits from a substantial presence in the public sector, with continued high levels of government investment in IT technologies resulting in that part of our GII increasing by £191.0 million, up 36%, to £726.6 million (FY21: £535.6 million). Our corporate GII increased by £59.1 million to £481.5 million (FY21: £422.5 million), still representing a healthy 14% rise.

As a result, our overall GII mix has moved slightly more in favour of public sector, at 60% against corporate of 40%, (56% and 44%, respectively in FY21).

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.

The netting adjustment has been made on a consistent basis in both the current and prior periods. While GII is showing a growth of 26.1%, revenue (net of IFRS 15 adjustment) is showing lower growth of 13.8%. This difference primarily reflects the ongoing and accelerating trend towards sales of cloud-based software and critical security software, where we are seen to be acting as agent, rather than principal. We expect this trend to continue and have been investing highly in our technical skills and technical certifications around these areas which generate new and growing gross profit opportunities.

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

Gross profit increased by 19.9% to £107.4 million (FY21: £89.6 million). While growth in GII was greater in the public sector, at GP level the greatest growth was from our corporate customer sectors. Corporate GP grew by of 24% to £70.0 million (FY21: £56.2 million) with a 1.3% rise in the corporate GP/GII% to 14.5% from 13.2%.

In the public sector, GP grew by 12% to £37.4 million (FY21: £33.4 million) with a 1.1% reduction in GP/GII% from 6.2% to 5.1%. This reduction can be ascribed to increased competition, particularly when winning new deals and renewing existing contracts in a competitive tender environment. Where new large agreements have been won at a lower margin, management is acutely focused on tracking these customers individually to ensure that the strategy delivers value for them, the business, and our other stakeholders by complementing them with higher margin services over the duration of the contract. Further, with low debtor days and virtually no bad debts, the public sector remains a low-risk area in which to conduct a significant share of the Group's business.

Our overall GP mix therefore moved slightly in favour of the corporate sector due to the GP/GII% changes, contributing 65% versus the public sector's 35% (63% and 37%, respectively in FY21).

Our overall GP/GII% reduced slightly from 9.3% to 8.9%. It is our key priority to maintain and then increase this measure from the current level by focusing on selling our wide range of solutions offerings and higher margin security products and maximising our vendor incentives through achievement of technical certifications.

GP/Revenue% on the other hand has increased to 24.0% (FY21: 22.8%) because of the increasing size of the netting adjustment which reduces revenue but does not impact on GP.

Our strong presence in both the corporate and public sectors makes us resilient to different levels of demand, where one area's performance can compensate for or complement the other's. Our public sector business has performed strongly over the last 24 months, in central and local government and in the NHS, while the corporate

sector team has seen a positive upturn in FY22 following some reduced investment in the initial phases of the Covid-19 pandemic.

At the end of FY21 we reported 5,147 current customers; we are pleased to report a net gain of 183 (3.6%) new customers in this reporting period, bringing our total customer base to 5,330. In FY22, 93% of our GP came from customers that we also traded with last year at a renewal rate of 111% (which measures the GP from existing customers this year compared to total GP last year). At the same time, we increased gross profit per customer from £17,400 to £20,100. We continue to focus on our customer NPS which has increased from 63 to 64, and which has contributed to our ability to retain customers.

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 heads, vendor and technology specialists, service delivery staff and technical support personnel, backed up by our fantastic 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.

Another successful strategy that has borne fruit is where we look to promote and expand from within, giving our people careers rather than just employment. This, in turn, has created 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, our high customer retention rate, and our exceptional customer NPS, while our employee NPS has been maintained at a very positive 69 across the past two years.

Employee costs included in administrative expenses rose by 17.7% to £53.5 million (FY21: £45.4 million), and excluding share-based payments, rose by 14.5%, lower than the 19.9% rise in GP and reflecting the balanced and proportional way in which vital staff investments are – and will continue to be – made. In H2 FY22 we welcomed our new graduate and apprentice sales intake, which should see us well placed to continue our growth trajectory. Across the year we saw our total staff complement rise from 685 to 773.

Other administrative expenses

Other administrative expenses reduced by £5.6 million to £11.7 million (FY21: £17.3 million) but after excluding the £8.1 million of IPO costs in FY21 there was an increase of £2.5 million year-on-year (FY21 adjusted: £9.2 million). This increase included additional spend on internal systems, professional fees, staff training, welfare and recruitment fees. This reflects the costs of running and investing in a growing organisation and a full year's expenditure related to 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 and are still broadly in line with those experienced last year. As our employees and customers return to work, we expect these costs to increase gradually in FY23.

We have come through the year with only minimal bad debt write-offs and maintained our credit loss provision at the previous year's level of £0.75 million on 28 February 2022.

Adjusted operating profit and operating profit

Adjusted operating profit excludes, from operating profit, the effects of:
- Share based payment charges as these do not arise from ordinary operating activities and whilst new employee share schemes are being launched the charge to the income statement will increase each year
- Amortisation of acquired intangibles as this cost only appears as a consolidation item and does not arise from ordinary operating activities
- IPO costs as these were a substantial one-off cost in FY21 and are non-recurring.

We believe that adjusted operating profit provides a more meaningful measure to evaluate our profitability, performance, and ongoing quality of earnings. Adjusted operating profit in FY22 increased to £46.3 million (FY21: £37.5 million), representing growth of 23.6%.

Our operating profit increased from £26.8 million to £42.2 million equating to an increase of 57.0%. This substantial rise is primarily due to the one-off costs of the IPO last year amounting to £8.1 million, partly offset by a £1.5 million increase in share-based payments' costs following the introduction of share schemes during the year.

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 43.2% (FY21: 41.8%).

Income tax expense

The effective rate of corporation tax charged for the year is 21.0% of profit before tax. Excluding the impact of the non-deductible share-based payments costs and amortisation of intangibles, the underlying adjusted rate reverts to close to 19%. The higher rate of 25.2% in FY21 also reflects the impact of the IPO costs which were non-deductible

Balance sheet and cashflow

	As at	
	28 February 2022	**29 February 2021**
Summary balance sheet	**£'m**	**£'m**
Property plant and equipment	8.0	8.3
Intangible assets	42.8	44.4
Other non-current assets	1.1	1.7
Non-current assets	**51.9**	**54.4**
Trade and other receivables	157.6	106.7
Cash	67.1	20.7
Other current assets	6.9	7.8
Current assets	**231.6**	**135.2**
Trade and other payables	217.6	157.1
Lease liabilities	0.2	0.2
Other current liabilities	14.5	10.3
Current Liabilities	**232.3**	**167.6**
Lease liabilities	1.0	1.2
Other non-current liabilities	2.7	4.1
Non-current liabilities	**3.7**	**5.3**
Net assets	**47.5**	**16.7**
Share capital	2.4	2.4
Share premium	633.6	633.6
Other reserves	3.1	0.3
Merger reserve	(644.4)	(644.4)
Retained earnings	52.8	24.8
Total equity	**47.5**	**16.7**

Closing net assets stood at £47.5 million (FY21: £16.7 million).

While the balance sheet shows a small net current liability position at year end, a portion of the current liabilities, amounting to £28 million, relates to money received from customers in advance for future services and project work. This will be released to the income statement when the work is delivered, and the related delivery costs

will be expensed at the same time. Hence this element will not result in an immediate cash outflow and, where delivery is carried out by our internal resources, the staff costs will be absorbed into our operational cashflow.

The Group has maintained its historic track record of strong discipline and good practices in cash collection built up over many years, which minimises risk in the debtor's book. Accordingly, it achieved average debtor days of 33 across the reporting period (FY21: 33), backed up by only minimal write offs during the year.

Our cash position remained positive throughout the 12 months. However, if required, the Group does have in place an external revolving credit facility, with £40 million of funds available at 28 February 2022 which will reduce to £30 million for a further 12 months from December 2022. The facility was put in place at the time of the IPO and has never been used.

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

Cashflow	FY22 £'m	FY21 £'m
Cash generated from operations	**61.7**	**49.6**
Payments for fixed assets	(0.6)	(0.6)
Free cash flow	**61.1**	**49.0**
Net Interest paid	(0.5)	(0.1)
Taxes paid	(9.1)	(10.2)
IPO Costs	0.0	(8.1)
Proceeds from issues of shares	0.0	8.3
Deferred consideration payments	0.0	(16.7)
Lease payments	(0.3)	(0.3)
Dividends	(4.8)	(48.6)
Net increase/(decrease) in cash	46.4	(26.7)
Cash at the beginning of the year	20.7	47.4
Cash at the end of the year	**67.1**	**20.7**
Cash Conversion	**131.9%**	**130.7%**

Cash generated from operations was £61.7 million and after outflows for taxation (£9.1 million), finance costs (£0.5 million), capital expenditure (£0.6 million), and the interim dividend (£4.8 million), the Group finished FY22 with a cash balance of £67.1 million (FY21: £20.7 million).

The FY21 cashflow included IPO costs and settlement of share scheme deferred consideration amounts which were one off items, not repeated in FY22. The substantial dividends paid in FY21 included a one-off and final pre-IPO dividend of £30 million to the Group's former parent, Altron, in addition to further payments under Altron's standard dividend policy. This year's payment is the interim dividend for FY22 of 2p per share, paid in December 2021.

As part of its focus on managing working capital, the Group measures its cash conversion by dividing cash generated from operations, less capital expenditure (together as 'free cash flow') by adjusted operating profit. For this period the Group achieved a healthy cash conversion ratio of 131.9% (FY21: 130.7%). While the ratio can be sensitive to even small delays in payment from customers, the Group targets a sustainable cash conversion ratio above 100%, which has been achieved.

Financial key performance indicators (KPIs)

We have set out below summaries of the financial KPIs we use to measure and track our progress, noting that the Group uses a mix of statutory performance measures and alternative performance measures (APMs) to understand and respond to changes.

FINANCIAL KPIs	FY22 £'m or %	FY21 £'m or %	Change %
Gross invoiced income (GII)[1]	1,208.1	958.1	26.1%
Revenue	447.9	393.6	13.8%
Gross profit (GP)	107.4	89.6	19.9%
Gross margin %	24.0%	22.8%	
Operating profit	42.2	26.8	57.0%
Adjusted operating profit (AOP)[1]	46.3	37.5	23.6%
AOP / GP %[1]	43.2%	41.8%	
Cash	67.1	20.7	223.7%
Cash conversion[1]	131.9%	130.7%	

[1]Alternative performance measures which are explained above

These all demonstrate improvements over last year, with strong double-digit growth. This has provided the basis on which the Group is able to make its FY22 dividend declaration below.

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 4.2 pence per share. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 28 February 2022, but not recognised as a liability at the end of the financial year, is £10.1 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 6.2 pence per share, equating to £14.8 million. If approved by shareholders, the final and special dividend will be payable on Friday, 12 August 2022 to all ordinary shareholders who are registered as such at the close of business on the record date of Friday, 29 July 2022. The salient dates applicable to the dividend are as follows:

Dividend announcement date	Tuesday, 24 May 2022
SARB approval for the special dividend to be obtained by this date	Tuesday, 19 July 2022
Currency conversion and South African (SA) tax treatment announcement released on SENS by 11:00	Friday, 22 July 2022
AGM at which dividend resolutions will be proposed	Tuesday, 26 July 2022
Last day to trade cum dividend (SA register)	Tuesday, 26 July 2022
Commence trading ex-dividend (SA register)	Wednesday, 27 July 2022
Commence trading ex-dividend (UK register)	Thursday, 28 July 2022
Record date	Friday, 29 July 2022
Payment date	Friday, 12 August 2022

Additional information required by the Johannesburg Stock Exchange:

1. The GBP:ZAR currency conversion will be determined and published on SENS on Monday, 18 July 2022.
2. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register who are not exempt.
3. The dividend payment will be made from a foreign source (UK).
4. At Tuesday, 24 May 2022, 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, 22 July 2022 and Friday, 29 July 2022 (both dates inclusive). No dematerialisation or rematerialisation orders will be permitted between Wednesday, 27 July 2022 and Friday, 29 July 2022 (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.

In 2021/22, the uncertain economic picture – exacerbated by the crisis in Ukraine – the changing market, and the development of our internal governance caused us to increase and evolve our principal risks and uncertainties.

As indicated below, this includes the:

- Two new financial risks of margin pressure and inflation
- New People risk of attracting and retaining staff
- Evolution of last year's financial risk of major supplier revenue changes to become Changes to vendors' commercial model
- Conflation of last year's strategic supply chain risk and part of the competition and disintermediation risk to become security of supply
- Separation of elements of the competition and disintermediation risk to become part of the two new risks, commoditisation and disintermediation
- Conflation of the two operational risks cyberthreats (direct) and cyberthreats (indirect) to become one risk, cyberthreats – direct and indirect. (We also no longer have ' changing cyber threat' landscape as an emerging risk as we consider that this landscape's changing nature is integral to the current and future threat)
- Downgrading of legal and regulatory non-compliance as a principal operational risk due to the strengthening and formalisation of our internal governance as we enter our second year as a listed company.

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.	**How we manage it** We have so far continued to perform well during the first months of the conflict in Ukraine, and during the continuing tail of Brexit and the Covid-19 pandemic. These real-life experiences have shown us to be resilient under 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, and keep operations under constant review.
	The impact Major economic disruption – including the risk of continuing high inflation (see below) and potential 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.	
	2 Margin pressure	**Risk owner** MDs of subsidiary businesses
	The risk	**How we manage it**

<table>
<tr><td rowspan="2"></td><td>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.</td><td rowspan="2">Profit margins are affected by many factors at customer and micro levels.

We can control some of these factors that influence our margins, however some factors, such as economic and political ones, are beyond our control.

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 methods deployed to ensure we are procuring at the lowest cost.

This risk area is reviewed monthly.</td></tr>
<tr><td>The impact
These changes could have an impact on our business performance and profitability.</td></tr>
<tr><td rowspan="6"></td><td>3 Changes to vendors' commercial model</td><td>Risk owner
CEO</td></tr>
<tr><td>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.</td><td rowspan="2">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.</td></tr>
<tr><td>The impact
These incentives are very valuable and contribute to our operational profits. Significant changes to the commercial models would put pressure on our profitability.</td></tr>
<tr><td>4 Inflation</td><td>Risk owner
CFO</td></tr>
<tr><td>The risk
Inflation in the UK, as measured by the Consumer Price Index (CPI), is currently 9% in the year to April 2022, which is driven by broad-based cost increases.</td><td rowspan="2">How we manage it

The general business outlook shows that the Covid-19 pandemic and associated lockdowns created pent-up demand for IT in our markets.

Our continued 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 constitute the majority of our overheads, therefore our attention is focused on our staff and their ability to cope with the rising cost of living</td></tr>
<tr><td>The impact
This could create an environment in which customers redirect their spending from new IT projects to more pressing needs.

Wage inflation, increased fuel and energy costs have a direct impact on our underlying cost base.</td></tr>
</table>

<table>
<tr><td>Strategic</td><td>5 Security of supply</td><td>Risk owner
CEO</td></tr>
</table>

	The risk Overreliance on key vendors/suppliers (principally Microsoft). Suppliers of technology or services being unable to innovate or supply products due to global trade barriers. **The impact** Too heavy a reliance on any one vendor could have an adverse impact on our financial performance, should that relationship break down. Geopolitically, global shortages of computer hardware, components and chips could occur, which might limit our, and our customers', ability to purchase hardware for internal use. This could lead to delays in customers purchasing software, 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 since we are their route to the end customer. We maintain excellent relationships with all our vendors, and have a particularly good relationship with Microsoft, which relies on us as a key partner in the UK. Our growth plans, which involve developing business with all our vendors, will naturally reduce the risk of relying too heavily on any single one. We monitor the geopolitical situation, continuously and work closely with suppliers and industry bodies to identify any potential supply chain disruptions and impacts. This enables us to remain fully informed, so that we can respond quickly should the landscape change, to ensure that we have diverse supply routes. As this risk is largely driven by geopolitical and macroeconomic factors, we maintain a watching brief so that we can react swiftly if required.
Strategic	**6 Commoditisation**	**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.	**How we manage it** We closely watch commercial and technological developments in our markets. Currently, there's no sign of commoditisation of any kind that would be a serious threat to the business model in the short or medium term.
	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.	
	7 Disintermediation	**Risk owner** CEO
	The risk 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 – called disintermediation – could squeeze the market opportunity even more.	**How we manage it** 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.
	The impact More consolidation could lead to less competition between vendors and cause prices to value-added resellers, like us, to rise and service levels to fall. Direct resale to customers could also increase. This could erode reseller margins, given the purchase cost is less for the distributor than	

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

Processes and systems	**9 Keeping pace with digital change**	**Risk owner** CEO
	The risk Failure to transform our internal IT and business processes, so that we cannot keep pace with, nor support, our customers effectively. **The impact** If we could not support or interact with our customers in the way they wanted, it could damage our relationships with them, affect sales and damage our profitability.	**How we manage it** To make sure we keep our business processes and systems in the best shape, we draw on insights from our customers, the market and all levels of our business. Transformation working groups – including members of our Group technical, IT and security teams – work in partnership with our operating companies to identify strategies and solutions. Transformation work is then run, managed and monitored locally.

Operational	**10 Cyberthreats – direct and indirect**	**Risk owner** Chief Information Security Officer
Operational	**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, 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	**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.

	of regulatory breaches, loss of confidence in our business, reputational damage and potential financial penalties.	
	11 Technology failure	**Risk owner** CFO
	The risk Any failure or disruption of BTG's IT infrastructure or business applications may negatively affect us. **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.	**How we manage it** Our Chief Technology Officer and Head of IT effectively manage and oversee our IT infrastructure, network, systems and business applications. 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.
	12 Attract and retain staff	**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 Consumer Price Index 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. **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.	**How we manage it** We continually strive to be the best company to work for in our sector. One of the ways we manage this risk is by growing our own talent pools. We've used this approach successfully in our graduate intakes for sales, for example. BTG also runs an extensive apprenticeship programme to create a new security skillset.

Further information on these risks can be found in our 2021/2022 Annual Report and Accounts, which will be available in due course at www.bytesplc.com/investors/results-and-reports.

Going concern disclosure

The Group performed a full going concern assessment for the year ended 28 February 2022. 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 £67.1 million of cash and cash equivalents available at 28 February 2022. The Group also has access to a committed revolving credit facility that covers all BTG's reasonably expected cash requirements over the going concern period to 31 August 2023. The directors have reviewed trading and liquidity forecasts for the Group, as well as continuing to monitor the effects of Covid-19 on the business. The directors have considered the availability of the Group's revolving credit facility, which remains undrawn as at 28 February 2022. The directors have also considered a number of key dependencies which are set out in the Group's principal risks report, specifically BTG's exposure to credit risk, liquidity risk, currency risk and foreign exchange risk as described in note 17 and note 25 of the financial statements. The Group continues to model its base case, severe but plausible and stressed scenarios, including mitigations, consistently with those disclosed in the annual financial statements for the year ended 28 February 2021, with the key assumptions summarised in the financial information below. Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period.

Going concern conclusion
Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 31 August 2023. 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

24 May 2022

Consolidated statement of profit or loss

	Note	**Year ended 28 February 2022 £'000**	Year ended 28 February 2021 £'000
Revenue	3	**447,937**	393,569
Cost of sales		**(340,576)**	(303,995)
Gross profit		**107,361**	89,574
Administrative expenses	4, 5	**(65,057)**	(62,397)
Increase in loss allowance on trade receivables	17	**(149)**	(333)
Operating profit		**42,155**	26,844
Finance income		**-**	12
Finance costs		**(589)**	(193)
Finance costs – net	8	**(589)**	(181)
Profit before taxation		**41,566**	26,663
Income tax expense	9	**(8,712)**	(6,730)
Profit after taxation		**32,854**	19,933
Profit for the period attributable to owners of the parent company		**32,854**	19,933
		Pence	Pence
Basic earnings per ordinary share	30	**13.72**	8.52
Diluted earnings per ordinary share	30	**13.42**	8.47

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

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

Consolidated statement of financial position

	Note	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	**8,049**	8,275
Right-of-use assets	11	**928**	1,097
Intangible assets	12	**42,832**	44,443
Contract assets	13	**125**	214
Deferred tax assets	9	**-**	357
Total non-current assets		**51,934**	54,386
Current assets			
Inventories	15	**96**	591
Contract assets	13	**6,591**	7,179
Trade and other receivables	17	**157,610**	106,664
Current tax asset		**219**	-
Cash and cash equivalents	18	**67,118**	20,734
Total current assets		**231,634**	135,168
Total assets		**283,568**	189,554
Liabilities			
Non-current liabilities			
Lease liabilities	11	**(992)**	(1,176)
Contract liabilities	14	**(1,495)**	(2,324)
Deferred tax liabilities	9	**(1,189)**	(1,738)
Total non-current liabilities		**(3,676)**	(5,238)
Current liabilities			
Trade and other payables	19	**(217,612)**	(157,121)
Contract liabilities	14	**(14,528)**	(10,038)
Current tax liabilities		**-**	(207)
Lease liabilities	11	**(185)**	(202)
Total current liabilities		**(232,325)**	(167,568)
Total liabilities		**(236,001)**	(172,806)
Net assets		**47,567**	16,748
Equity			
Share capital	20	**2,395**	2,395
Share premium	20	**633,636**	633,636
Other reserves	21	**3,072**	317
Merger reserve	22	**(644,375)**	(644,375)
Retained earnings	23	**52,839**	24,775
Total equity		**47,567**	16,748

The consolidated financial statements were authorised for issue by the Board of directors on 23 May 2022.

Consolidated statement of changes in equity

		Attributable to owners of the company					
	Note	**Share capital £'000**	**Share premium £'000**	**Other reserves £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 March 2020		2,325	625,373	1,170	(644,375)	51,612	36,105
Total comprehensive income for the year		-	-	-	-	19,933	19,933
Dividends paid	26(b)	-	-	-	-	(48,600)	(48,600)
Shares issued during the year	20	70	8,263	-	-	-	8,333
Deferred tax	9	-	-	15	-	-	15
Transfer to retained earnings	21	-	-	(1,830)	-	1,830	-
Share-based payment transactions	29	-	-	962	-	-	962
Balance at 28 February 2021		2,395	633,636	317	(644,375)	24,775	16,748
Total comprehensive income for the year		-	-	-	-	32,854	32,854
Dividends paid	26(b)	-	-	-	-	(4,790)	(4,790)
Deferred tax	9	-	-	192			192
Share-based payment transactions	29	-	-	2,563	-	-	2,563
Balance at 28 February 2022		**2,395**	**633,636**	**3,072**	**(644,375)**	**52,839**	**47,567**

Consolidated statement of cash flow

	Note	**Year ended 28 February 2022 £'000**	Year ended 28 February 2021 £'000
Cash flows from operating activities			
Cash generated from operations	24	**61,719**	41,546
Interest received	8	**-**	12
Interest paid	8	**(532)**	(122)
Income taxes paid		**(9,138)**	(10,213)
Net cash inflow from operating activities		**52,049**	31,223
Cash flows from investing activities			
Payments for property, plant and equipment	10	**(617)**	(607)
Deferred consideration payments	20	**-**	(16,677)
Net cash outflow from investing activities		**(617)**	(17,284)
Cash flows from financing activities			
Proceeds from issues of shares	20	**-**	8,333
Principal elements of lease payments	11	**(258)**	(295)
Dividends paid to shareholders	26(b)	**(4,790)**	(48,600)
Net cash outflow from financing activities		**(5,048)**	(40,562)
Net increase/(decrease) in cash and cash equivalents		**46,384**	(26,623)
Cash and cash equivalents at the beginning of the financial year		**20,734**	47,357
Cash and cash equivalents at end of year	18	**67,118**	20,734

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. On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted International Accounting Standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The consolidated financial statements transitioned to UK-adopted international accounting standards for the first financial period beginning after 1 January 2021. There was no impact or change in accounting policies from the transition. UK-adopted International Accounting Standards differs in certain respects from International Financial Reporting Standards as adopted by the EU, the differences have no material impact on the Group's consolidated financial statements for the periods presented.

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 possible ongoing impacts of the global Covid-19 pandemic on the Group, the current geo-political environment, the current challenging economic conditions, and reviews of future liquidity headroom on existing facilities and against the facility financial covenants during the period under assessment. The approach and conclusion are set out fully in note 1.4.

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 Demerger and re-organisation transactions

Background

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

Bytes Technology Limited was previously the parent company of the Bytes business with the two main operating subsidiaries being Bytes Software Services Limited (BSS) and Phoenix Software Limited (Phoenix). BSS is a direct subsidiary of Bytes Technology Limited and Phoenix was held indirectly through an intermediate holding company, Blenheim Group Limited. As a result of the demerger of the Bytes business, both Bytes Technology Group plc and Bytes Technology Holdco Limited became holding companies of the Bytes business, through a combination of issuing new Bytes Technology Group plc shares and cash consideration paid to Altron, the Altron shareholders and to management in exchange for shares held by them in Bytes Technology Limited and Blenheim Group Limited.

The Demerger Transactions – new shares issued

In the comparative period Bytes Technology Group plc issued a total of 232,480,611 new ordinary shares at an issue price of £2.70 per share with an aggregate value of £627.7 million:

- 123,514,420 ordinary shares with an aggregate value of £333.5 million were issued for cash to new institutional and individual investors (including the non-executive directors) introduced by the Group's brokers, Numis Securities. This cash was paid to Altron and Altron shareholders. For the purposes of the Demerger Transactions, the Group has accounted for the cash proceeds received from issuing these shares and the cash paid to Altron and Altron shareholders on a net basis, since both transactions took place simultaneously, were of an equal amount and conducted between the group's brokers, the new institutional and individual investors, Altron and Altron shareholders
- 96,992,074 ordinary shares with an aggregate value of £261.9 million were issued directly to Altron shareholders

- 11,974,117 ordinary shares with an aggregate value of £32.3 million were issued to the Bytes Technology Limited management for the Bytes Technology Limited B ordinary shares.

The Demerger Transactions – cash consideration
In the prior year the Group paid a total cash consideration of £16.7 million:
- A further £14.3 million of cash consideration was paid by the Group to the Bytes Technology Limited management for the Bytes Technology Limited B ordinary shares
- £2.4 million of cash consideration was paid by Bytes Technology Limited Blenheim Group Limited management for the Blenheim Group Limited B ordinary shares.

The investments in the Bytes Technology Limited A ordinary shares and B ordinary shares are held in Bytes Technology Holdco Limited and Bytes Technology Group plc, respectively. On completion of the transaction, Bytes Technology Group plc, together with its direct and indirect subsidiary undertakings, operated as a single corporate group.

IPO costs – shares issued
In addition to the share issues discussed above, Bytes Technology Group plc issued a total of 7,001,720 new ordinary shares last year at an issue price of £2.70 per share with an aggregate value of £18.9 million. The cash proceeds of £18.9 million were used to pay commission costs of £10.6 million associated with the issue of the shares. The remaining net share issue proceeds of £8.3 million were used by the Group to pay the other IPO costs of £8.1 million.

Accounting considerations for the demerger
Reorganisation of the Bytes business
The insertion of both Bytes Technology Group plc and Bytes Technology Holdco Limited into the Group via a combination of a share-for-share exchange and cash consideration with the original stakeholders of the Bytes business (the "Demerger Transactions") were determined not to be a business combination in the prior year; see key accounting judgements, note 1.5 below. Instead, this constitutes a reorganisation of the Bytes business for which the pooling of interests method has been applied.

A separate reserve in equity, the "merger reserve", was created, representing the difference between the total consideration of £644.4 million and the total nominal value of issued share capital acquired in Bytes Technology Limited of £1.10.

Presentation and disclosure including comparative periods
Under the pooling of interest method, the consolidated financial statements have been prepared as if the Group had already existed before the start of the earliest period presented. The comparative information is, therefore, presented as if the Demerger Transactions had occurred at 1 March 2019. The cash consideration of £16.7 million paid on the date of the demerger has been presented within cash flows from investing activities in the consolidated statement of cash flows in the prior year.

Share-based payments
Prior to the IPO, the Bytes business operated two equity settled share-based payment incentive schemes, the Bytes Technology Limited scheme and the Blenheim Group Limited scheme. The Bytes Technology Limited scheme was due to vest on 1 March 2021 and the Blenheim Group Limited scheme on 1 March 2023. Both schemes vested on the date of the IPO.

(1) Bytes Technology Limited scheme
On 15 November 2016, Bytes Technology Limited issued B ordinary share awards to certain members of its management at an option price of £0.001 per share. The IPO and divestiture of the Bytes business by Altron Group was deemed to be a conversion event in terms of the rules of the scheme and the B ordinary shareholders received cash consideration of £14.3m and 5% of the issued share capital of the company (equivalent to £32.3 million) for the purchase of the B ordinary shares.
The cash consideration was deemed to be less than the fair value of the equity instruments measured at the settlement date, so no additional expense was recognised. This was determined with the use of a market valuation approach.

(2) Blenheim Group Limited scheme
On 10 February 2020, Blenheim Group Limited issued and allotted B ordinary share awards to certain members of its management at £0.001 per share. On vesting, these B ordinary shares would be converted into A ordinary shares in Blenheim Group Limited or Altron shares, at Altron's election. The IPO and divestiture of the Bytes business by Altron Group was deemed to be a conversion event in terms of the rules of the scheme and the B ordinary shareholders received cash consideration of £2.4m for the purchase of the B ordinary shares.

The cash consideration was deemed to be less than the fair value of the equity instruments measured at the settlement date, so no additional expense was recognised. This was determined with the use of a market valuation approach.

1.4 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 17 and liquidity risk, currency risk and foreign exchange risk as described in note 25. The directors continue to monitor the effects of the Covid-19 pandemic on the business and will react accordingly if associated risks present themselves.

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 2023.

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

Further details, including the analysis performed and conclusion reached, are set out below.

Operational performance

In preparing its going concern assessment, management have considered the potential future impact of Covid-19 on the business, given the limited impact it has had to date, with the Group now reporting its second year of strong growth since the onset of the pandemic in March 2020. In the current year of reporting, the Group has achieved double-digit growth in revenue, gross profit and operating profit and finished the year with £67.1 million of cash compared to the prior year £20.7 million.

During the year customers have continued to move their software products and data off-site and into the cloud and increasingly required the Group's advice and ongoing support around this as well as needing flexibility and added security with customers' employees working a hybrid mix between home and office.

The directors therefore believe that the group operates in a resilient industry enabling it to continue its profitable growth trajectory but also aware of new and emerging risks which exist in the wider economy such as: supply problems affecting the movement of goods caused by the conflict in Ukraine; product shortages; general price rises particularly in relation to fuel, gas and electricity; climate change; and wage inflation. These are considered further below.

- The Group's supply chain is largely unaffected by global supply issues given that 98% of its gross income is derived from software licensing and provision of IT Services. Only 2% is generated from sales of hardware where there may be supply and transportation considerations.

- The Group is not a significant consumer of gas, electricity and fuel and hence is not materially affected by rising prices for those commodities.

- The Group does not consider 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 and 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. The Group sells predominantly electronic software licenses and so has no manufacturing or storage requirements, and the workforce can work seamlessly from home should any of their normal work locations be impacted by a climatic event. In the UK however 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.

- The Group has experienced the impact of wage inflation in the UK economy over the past 12 months and had to react by increasing wages to retain key staff in the light of approaches from competitors, especially where staff have specialist or technical skills. Hence the Group has already undertaken steps to align staff salaries to market rates. Nevertheless, the Group is not shielded from ongoing wage pressures and therefore further expected rises have been factored into the financial forecasts in line with those awarded in the past year. Despite the rises, the Group still grew operating profit in the year just ended and is forecast to continue to do so.

Further resilience continues to be built into the Group's operating model from its' wide customer base, high levels of repeat business and strong vendor relationships.

- 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, also a large and fast-growing area of the business, have shown minimal negative sensitivity to Covid-19 to date as they've 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 the Group's business is derived from a wide range of customers, none of which contribute more than 5% of total gross income or more than 1% 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 most significant software contracts, the Microsoft Enterprise Agreements (EAs), run for 3 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 agreements and winning new ones. The renewal rate for the year was 111%, a measure of the rate of growth in gross profit from existing customers, who also contributed 93% 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 over 50% of the Group's gross invoiced income and 50% of gross profit generated from sales of Microsoft products and associated service solutions, this is a very important partnership for both parties. Just as from the customer side, the licencing of a large proportion of EA software over 3-year terms reduces the risk of income falling away quickly. Whilst there is a notable move towards more agile "pay as you go" contracts around Cloud based applications, this makes 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 licencing requirements from a programmatic, purchasing and consumption perspective. To this end, the Group has attained the highest levels of Microsoft Expert status, specialist Competencies and Advanced Specialisations 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 high double-digit rates.

Liquidity and financing position

At 28 February 2022, the group held instantly accessible cash and cash equivalents of £67.1 million.

While the balance sheet shows a small net current liability of £0.7 million at year end, this amount is after the Group paid an interim dividend of £4.8 million during the year. 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. This is on top of the funding available noted below.

The group has access to a committed revolving credit facility of £40 million with HSBC, which reduces to £30 million in December 2022 and terminates in December 2023. To date, the group has not been required to use the revolving credit facility and we do not forecast use of this 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 2023. 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 a generalised economic downturn which may result from a combination of factors including 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 savings in commissions and bonuses and discretionary areas of spend. As part of the stressed scenario, where only partial mitigation of downsides is possible, the Board confirmed that the revolving credit facility would not need to be used during the going concern period up to 31 August 2023.

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 2023 and extended across the first 6 months of the following year to 31 August 2023.
- 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 5 days, in each case effective from June 22.
- Downside case 2, Stressed, modelled both gross invoiced income and gross profit reducing by 30% year on year and debtor collection periods extending by 10 days, again in each case effective from June 22.
- Partial mitigation measures modelled for the downsides were to freeze future pay and new recruitment from March 23 and "self-mitigating" reduction of commissions in line with falling gross profit.
- Full Mitigation additionally modelled headcount reductions from March 23 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 additional mitigating actions could be implemented more quickly, they have only been forecast from March 23 for the purposes of the going concern assessment.

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.

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 2023. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

1.5 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.

Climate change

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.

The following areas of accounting have been included in this review for the current year:

- ***Property, plant and equipment (see notes 1.23 and note 10) and leases (see notes 1.16 and 11).***

  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 2022

- ***Impairment of intangible assets (see notes 1.18, 1.24 and 12).***

  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 contained within the strategic report in the Annual Report and Accounts for the year ended 28 February 2022, 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 2022.

- ***Provisions (see note 1.27)***

  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 2022.

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 cashflows. However, for the financial statements for the year ended 28 February 2022, the Group believes there is no material impact or risk of misstatement.

(i) Significant accounting estimates and uncertainties

The areas involving significant accounting estimates are:

- Estimation of recoverable amount of goodwill – The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.18. The recoverable amounts of cash generating units (CGUs) have been determined based on value-in-use calculations 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 12. The forecast cashflows are discounted, at the rates disclosed in note 12, to determine the CGUs value-in-use.

(ii) Key accounting judgements
The areas involving key accounting judgements are:

- Revenue recognition – *Principal versus agent,* see note 1.11.

Under IFRS15, 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 entity shall:
(a) Identify the specified goods or services to be provided to the customer (which, for example, could be a right to a good or service to be provided by another party
(b) Assess whether it controls each specified good or service before that good or service is transferred to the customer.

In November 2021, the IFRS Interpretations Committee (IFRIC) discussed a submission received on whether, in applying IFRS 15, a reseller of software licences is a principal or agent. The discussions acknowledged that assessing whether an entity is a principal or agent has historically proven to be a difficult assessment in some situations, and in particular in the context of contracts that involve intangible goods or services. Therefore, determining whether the reseller obtains control of the software licences would require knowledge and consideration of the terms and conditions of the contracts between the reseller and the customer, the reseller and the software manufacturer and the software manufacturer and the customer.

For these reasons, the IFRIC believed it would be inappropriate to conclude on whether the reseller is a principal or agent. It is generally not the IFRIC's role to conclude accounting treatment in a highly specific fact pattern. In the context of principal versus agent considerations, the IFRIC acknowledged 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 IFRIC, after deliberations, concluded that the principles and requirements in IFRS 15 provide an adequate basis for a reseller to determine whether – in the fact pattern described in the request - it is a principal or agent for the standard software licences provided to a customer. Consequently, the IFRIC had tentatively decided not to add a standard-setting project to the work plan.

The tentative agenda decision issued by the IFRIC was discussed at the International Accounting Standards Board (IASB) meeting held on 23 May 2022. Bytes currently recognises revenue from indirect licence sales (which are non-cloud services and without critical upgrades) on a 'gross' basis as a principal. Bytes will consider the final agenda decision when issued and assess its implications on the current accounting policy. If Bytes were to change its accounting policy to recognise revenue for the sale of indirect licence sales (which are non-cloud services and without critical upgrades) as agent rather than principal, revenues and cost of sales would decrease by an estimated £302m (2021: £268m). Gross profit, operating profit and profit before and after taxes will be unchanged in all periods.

Judgement is therefore required as to whether the Group is a principal or agent. The Group has identified its revenue streams within its revenue recognition policy (see note 1.11) and applied the following judgements in respect of principal versus agent

For direct licence sales the Group is considered to be acting as agent. This is because the Group does not control the goods or services prior to their delivery to the customer. The Group's role is to facilitate the sale on behalf of the software vendor that controls the goods or services. It is the software vendor that contracts with and subsequently invoices the customer. The Group does not set the prices paid by the customer and it is remunerated in the form of a sales-based fee.

For those revenue streams that involve the indirect resale of software licences and software assurance (additional benefits over the licence term including software updates), there is often considerable judgement in determining whether the Group is acting as principal or agent. The Group's assessment is based primarily on whether it controls the goods or services prior to their transfer to the customer. However, the nature of these products and services means that a purely control-based assessment does not always lead to a clear conclusion. Consequently, the Group additionally considers the other characteristics of principal set out in IFRS 15. These include whether the Group has

primary responsibility for fulfilling the contractual promises made to the customer, whether the Group assumes inventory risk and whether the Group has discretion in establishing the selling price.

1. For indirect licence sales related to cloud services and licences with critical updates the Group is considered to be acting as agent. This is because cloud services and licences with critical updates require the significant ongoing involvement of the software vendor. The Group does not control the service prior to it being passed to the customer as it is provided as a service delivered by the vendor. Any technical and administrative services provided by the Group are critically dependent on, and so inseparable from, the service provided by the vendor. The Group's role is to arrange for the cloud service/updates to be provided by another party although the vendor invoices the Group and the Group then invoices the customer.

2. For all other indirect licence sales (those not related to cloud services and without critical upgrades) the Group is considered to be acting as principal. This is because, unlike for cloud licences, the Group's performance obligation requires it to take responsibility for agreeing licence types and quantities with the customer in advance and for fulfilling the promise to provide those licences to the customer. If orders are not placed correctly with the manufacturer, resulting in incorrect licences being rejected by the customer, the Group remains liable to pay the manufacturer. Where licences are also accompanied by the right to software assurance benefits from the software vendor to the customer, the non-critical nature of the software updates means that the customer's ability to derive benefit from the software is not dependent on the continued involvement of the software vendor. This results in the balance of the obligation to manage the transfer of the benefits, resting more with the Group than is the case with critical updates, as the Group will advise the customer of their un-activated benefits and arrange for them to be provided by third parties on behalf of the vendor where required. Hence the Group is primarily responsible for fulfilling the contractual promise to provide the specified good or service to the customer, managing its delivery, and typically has responsibility for acceptability of the specified good or service. The Group assumes inventory risk in the event of customers not accepting incorrect licences and has discretion in establishing the prices of the goods and services.

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.

When selling internally provided services, the Group acts as principal as there are no other parties involved in the process.

When selling hardware, the Group acts as principal, as it assumes responsibility for fulfilling the contractual promises made to the customer.

1.6 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards for the first time in the annual reporting period commencing 1 March 2021:

- Proceeds before intended use – Amendments to IAS16
- Onerous contracts – Amendments to IAS37.

For the annual reporting period commencing 1 March 2021, the Group applied the following standards for the first time:

- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting.

The Group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle
- Where applicable, Covid-19-Related Rent Concessions – Amendments to IFRS.

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

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 28 February 2022 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.

1.7 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.

The acquisition method of accounting is used to account for business combinations by the Group, see note 1.17. For Group reorganisations, the Group applies the pooling of interest method, see note 1.7.2.

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.

1.7.2 Pooling of interests method for Group reorganisations

The pooling of interests method is used by the Group for Group reorganisations, which are transactions between entities that are ultimately controlled by the same party or parties. This method treats the combined entities as if they had been combined throughout the current and comparative accounting periods. Accordingly, the consolidated financial statements have been prepared as if the Group had already existed before the start of the earliest period presented. The assets and liabilities of the combining entities are stated at predecessor carrying values and no fair value measurement is performed. No new goodwill arises in applying the pooling of interests method. The difference between the total consideration given and the total nominal value of the Bytes Technology Limited issued share capital acquired, is included in equity as a separate reserve, the 'merger reserve'.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, and costs incurred in relation to the Group reorganisation transactions that are to be accounted for by using the pooling of interests method of accounting are recognised as an expense in the year in which they are incurred.

1.8 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group has therefore determined that it has only one reportable segment under IFRS 8, which is that of 'IT solutions provider'.

1.9 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

The Group has applied the relevant principles of IFRS 15 Revenue from Contracts with Customers to each of its key revenue streams as follows:

Resale of software licences

As a software reseller, the Group acts as an advisor, analysing customer requirements and designing an appropriate mix of licences and technology. The Group's resale of software licences takes place in three principal forms:

- ***Direct licence sales* –** under direct licence sale arrangements, the Group is not a party to the contract between the software vendor and the customer. Activation of the licences, invoicing and payment all take place directly between the software vendor and the customer
- ***Indirect licence sales – resale of cloud-based licences and licences requiring critical updates* –** the Group operates as reseller of a variety of cloud-based licence products and security software, the functionality of which is critically dependent on future updates provided by the software vendor
- ***Indirect licence sales – resale of non-cloud (on-premise) licences including software assurance and licences not requiring critical updates* –** the Group operates as reseller of a variety of non-cloud-based products that are not critically dependent on future updates provided by the software vendor. Alongside or separately to such licences, the Group also acts as a reseller of software assurance – a package of benefits provided by the software vendor that includes access to future (non-critical) updates at no extra cost.

Identifying the performance obligations

When selling indirect licences, the Group's performance obligation is to fulfil customers' requirements through the procurement of relevant and necessary software licences and software assurance. When selling direct licences, the Group's performance obligation is to facilitate transactions between vendors and customers.

For direct licence sales, and indirect licence sales related to cloud services and licences with critical updates, the Group acts as agent. As such, for the indirect sales, the Group recognises revenue as the amount retained after paying the software vendor for the licences and services provided and, for the direct license sales, the Group recognises revenue as the fee received from the software vendor. The judgements made in arriving at this conclusion are set out at note 1.5.

For other indirect licence sales related to non-cloud (on premise) licences including software assurance and licences not requiring critical updates, the Group acts as principal. As such, the Group recognises revenue at the gross amount receivable from the customer for the goods and services provided. The judgements made in arriving at this conclusion are set out at note 1.5.

Determining the transaction price

For direct licence sales, the transaction price between the customer and software vendor is set by the vendor with no involvement from the Group. The fee received by the Group is based on fixed rates set by the software vendor applied to the customer transaction price and determined according to the quantity and type of products sold.

The transaction price for all other forms of indirect software licence sales is fixed at the amount specified in the contract between the customer and the Group and has no variable element.

Allocating the transaction price

When reselling software licences and/or software assurance, which together represent one performance obligation, together with other goods and services that represent additional separate performance obligations, such as hardware, the Group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e., their standalone selling prices.

Recognising revenue

The Group recognises all licence sale revenue on a point-in-time basis. This is because the Group's activities in satisfying its performance obligations do not satisfy any of the criteria for over-time revenue recognition set out in IFRS 15. As a reseller, the Group's performance obligations are fully satisfied at the point it has fulfilled its contractual requirements with both the customer and the software vendor, ensuring that orders are processed within any contractual timescales stipulated by the customer and vendor and that billing of the customer has taken place. Thereafter, the Group has no ongoing performance obligations. The software vendor is responsible for issuing the licences and for the software's functionality and is therefore responsible in those respects for fulfilling the promise to provide the licences to the customer.

Revenue arising from monthly billed cloud-based licence sales, where the Group is acting as agent, is recognised in monthly instalments based on the customer's previous month's usage. This is because the responsibilities of the Group to monitor, review, advise and undertake other ongoing activities, including billing, in relation to customer usage mean that its performance obligation is not satisfied at the point the contract is initiated. Rather, the customer receives the benefits of the Group's activities, after the initial contract set up, as they are performed. The Group is rewarded for its performance across the contract term at each point in time that the usage occurs, and revenue is recognised accordingly. Revenue is recognised in the month after the usage takes place when the amount consumed by the customer is confirmed by the

software vendor who is providing the service and the Group has analysed the usage data, advised the customer and billing of the customer has taken place.

Where the Group's customer offering includes multi-year deals of typically three years in duration, the contractual arrangements for such deals take two alternative forms – the customer may elect to make a single up-front payment or may elect to pay through annual instalments. For up-front payment contracts, the Group recognises the total contract price when the contract is executed and invoiced because its performance obligation is fully satisfied at that point. For annual instalment contracts, which are more common, the Group recognises revenue for each instalment when it is billed. This is because, in contrast to up-front payment contracts, the Group's performance obligation is not fully satisfied when the contract is executed. Under annual instalment plans, the Group is required to undertake various contract review activities at each anniversary date, and at that point the customer also has the option of moving to a different reseller should they wish to do so. The contract term is therefore considered to be one year as this is the period during which the parties to the contract have present enforceable rights and obligations.

Fees earned from direct licence sales are recognised (accrued) in the month when the vendor's invoicing to the customer takes place.

Externally provided services

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.

Identifying the performance obligations

The Group's sale of externally provided services is generally distinct from other goods and services that the Group might provide to the same customer under the same or separate contracts. This is because the customer can benefit from the services on their own or from other resources (as is evidenced by the fact that the services are provided by another party). Additionally, the services are not generally integrated with, or dependent on, other services that might be provided to the customer.

When selling externally provided services, the Group acts as agent and so recognises revenue at the amount retained after paying the service provider for the services delivered to the customer, i.e., the gross profit earned. The judgements made in arriving at this conclusion are set out at note 1.5.

Determining the transaction price

The transaction price for the services is fixed at the amount specified in the contract and has no variable element.

Allocating the transaction price

When selling services provided through third-party contractors, together with other goods and services under the same or linked contracts, those goods and services represent more than one performance obligation, the Group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e., their standalone selling prices.

Recognising revenue

The Group recognises all revenue from externally provided services on a point-in-time basis. This is because the Group's activities in satisfying its performance obligation do not satisfy any of the criteria for over-time revenue recognition set out in IFRS 15. The Group's performance obligations are fully satisfied at the point the service has been fully delivered by the third party and the Group has confirmed with the customer that they are satisfied all requirements have been met such that billing of the customer can take place.

Internally provided consulting services

The Group's activities under this revenue stream comprise the provision of consulting services using its own internal resources. The services provided include, 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.

Identifying the performance obligations

The Group's sale of internally provided consulting services is generally distinct from other goods and services that the Group might provide to the same customer under the same or separate contracts. This is because the customer can benefit from the services on their own or from other resources. Additionally, the services are not generally integrated with, or dependent on, other services that might be provided to the customer. When selling internally provided consulting services, the Group acts as principal and so recognises revenue at the gross amount receivable from the customer for the services provided.

Determining the transaction price
The transaction price for consulting services is fixed by the day rates or milestone prices specified in the contract and has no variable element.

Allocating the transaction price
When selling internally provided consulting services together with other goods and services under the same or linked contracts and those goods and services represent more than one performance obligation, the Group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e., their standalone selling prices.

Recognising revenue
The Group recognises all 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.

Hardware sales
The Group's activities under this revenue stream comprise the sale of hardware items such as servers, laptops, and devices.

Identifying the performance obligations
The Group's sale of hardware, which is made in the capacity of principal, is generally distinct from other goods and services that the Group might provide to the same customer under the same or separate contracts. This is because the customer can usually benefit from the hardware either on its own or with other resources. Occasionally, the hardware may be integrated with software licences resold by the Group in such a way that the customer's ability to benefit from the software and hardware products is interdependent. In such instances, the sale of the hardware and related licence together represent a single performance obligation. When selling hardware, the Group acts as principal and so recognises revenue at the gross amount receivable from the customer for the hardware provided.

Determining the transaction price
The transaction price for sales of hardware is fixed at the amount specified in the contract and has no variable element.

Allocating the transaction price
When selling hardware together with other goods and services under the same or linked contracts and those goods and services represent more than one performance obligation, the Group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e., their standalone selling prices.

Recognising revenue
The Group recognises all revenue from sales of hardware on a point-in-time basis. This is because the Group's activities in satisfying its performance obligation do not satisfy any of the criteria for over-time revenue recognition set out in IFRS 15. Revenue is recognised on delivery when control of the hardware passes to the customer.

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 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.

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 Non-underlying items
Non-underlying items are those items that, by virtue of their nature, size or expected frequency, warrant separate additional disclosure in the consolidated financial statements, to fully understand the underlying performance of the Group. Such items have been included within administrative expenses but have also been disclosed separately in note 5 in the notes to the consolidated financial statements.

1.15 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.

1.16 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.

1.17 Business combinations
The acquisition method of accounting is used to account for all business combinations, except for those between entities under common control. The consideration transferred for the acquisition of a subsidiary comprises the:
- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the Group
- Fair value of any asset or liability resulting from a contingent consideration arrangement
- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity, on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.
The excess of the:
- Consideration transferred
- Amount of any non-controlling interest in the acquired entity
- Acquisition date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

1.18 Impairment of non-financial assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

1.20 Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional, i.e. fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Prepayments and other receivables are stated at their nominal values.

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

1.22 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 2022, 28 February 2021 and 1 March 2020 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.

1.23 Property, plant and equipment

Owned assets

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

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

Subsequent costs

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

Depreciation

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

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

- Buildings, 20 to 50 years
- Leasehold improvements (included in land and buildings), shorter of lease period or useful life of asset
- Plant and machinery, 3 to 20 years
- Motor vehicles, 4 to 8 years
- Furniture and equipment, 5 to 20 years
- IT equipment and software, 2 to 8 years.

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

1.24 Intangible assets

Goodwill

Goodwill is measured as described in note 1.18. 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.

1.25 Trade and other payables
Trade payables, sundry creditors and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are accounted for in accordance with the accounting policy for financial liabilities as included above. 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.

1.26 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.

1.27 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.

1.28 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. Before the demerger, the Bytes business had two share schemes, the Bytes Technology Limited equity settled share-based payment incentive scheme and the Blenheim Group Limited equity settled share-based payment incentive scheme. Information relating to all schemes is provided in note 29.

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.

Employee shares

The fair values of shares issued under the Bytes Technology Limited and the Blenheim Group Limited equity settled share-based payment incentive schemes are recognised as employee benefit expenses, with corresponding increases in equity. The total amount to be expensed is determined by reference to the fair values of the shares issued. The fair values of the shares issued are measured using generally accepted valuation techniques.

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

1.29 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.

1.30 Dividends

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

1.31 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.

1.32 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 non-underlying items, intangible assets amortisation and share-based payment charges.

Adjusted operating profit reconciles to operating profit as follows:

	Note	**Year ended 28 February 2022 £'000**	Year ended 28 February 2021 £'000
Adjusted operating profit		**46,329**	37,481
Share-based payment charges	29	**(2,563)**	(962)
Amortisation of acquired intangible assets	4	**(1,611)**	(1,610)
Non-underlying items	5	**-**	(8,065)
Operating profit		**42,155**	26,844

3 Revenue from contracts with customers

3(a) Disaggregation of revenue from contracts with customers

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

Revenue by product (1)	**Year ended 28 February 2022 £'000**	Year ended 28 February 2021 (Restated) £'000
Software	**393,764**	348,075
Hardware	**28,807**	24,073
Services internal (2)	**21,761**	18,301
Services external (3)	**3,605**	3,120
Total revenue from contracts with customers	**447,937**	393,569

(1) In line with the revenue streams disclosed in note 1.11 Revenue recognition, services revenue has been split between internally provided services and externally provided services. The prior year figures have been restated, with reclassification of £5 million revenue now correctly presented within software revenue, having previously been incorrectly presented as services revenue for the year ended 28 February 2021. The correction of the prior year categorisation of revenue has no change to total revenue and there is no change in the financial position and financial performance.

(2) Provision of services to customers using the Group's own internal resources

(3) Provision of services to customers using third party contractors

Hardware

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

Software

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

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 2022 £'000**	Year ended 28 February 2021 £'000
United Kingdom	**430,875**	380,616
Europe	**13,289**	9,594
Rest of world	**3,773**	3,359
	447,937	393,569

3(b) Gross invoiced income by type

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Software	**1,136,039**	899,155
Hardware	**28,807**	24,073
Services internal	**21,761**	18,301
Services external	**21,517**	16,523
	1,208,124	958,052
Gross invoiced income	**1,208,124**	958,052
Adjustment to gross invoiced income for income recognised as agent	**(760,187)**	(564,483)
Revenue	**447,937**	393,569

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

4 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 2022 £'000**	Year ended 28 February 2021 £'000
Depreciation of property, plant and equipment	10	**828**	835
Depreciation of right-of-use assets	11	**169**	235
Loss on disposal of property, plant and equipment		**15**	18
Amortisation of acquired intangible assets	12	**1,611**	1,610
Consulting fees		**2,215**	2,290
Share-based payment expenses	29	**2,563**	962
Operating lease charges:	11	**16**	54
- Property		**16**	54
- Plant, equipment and vehicles		**-**	-
Foreign exchange (gains)/losses		**(38)**	11

5 Non-underlying items

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
IPO costs	**-**	8,065
	-	8,065

Items included in administrative expenses that are material, either because of size or their nature and that are non-recurring are considered as non-underlying items. In the current year the Group incurred no costs considered to be non-underlying items. In the prior year the Group incurred costs of £8.1 million in respect of its IPO. These costs specifically related to stamp duty taxes and other legal and professional costs. In addition, in the prior year, commission costs of £10.6 million were incurred for raising gross proceeds of £352.4 million on IPO. £333.5 million of the proceeds were used to settle the Group's obligations under the Demerger SPA with Altron and Altron's shareholders, with the remaining £18.9 million being used to pay the commission costs of £10.6 million and the IPO costs of £8.1 million. The £10.6 million of commission costs was offset against the share premium created on the issue of the shares, see note 20.

6 Employees

Employee benefit expense:	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Employee remuneration (including directors' remuneration)	**34,027**	29,980
Commissions and bonuses	**18,552**	15,982
Social security costs	**6,437**	5,326
Pension costs	**1,169**	1,038
Share-based payments expense	**2,563**	962
	62,748	53,288
Classified as follows:		
Cost of sales	**9,282**	7,875
Administrative expenses	**53,466**	45,413
	62,748	53,288

The average monthly number of employees during the year was:

	Year ended 28 February 2022 Number	Year ended 28 February 2021 Number
Sales	**284**	255
Technical	**299**	272
Administration	**141**	120
	724	647

7 Auditors' remuneration

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

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Fees payable to the company's auditors and its associates for the audit of the parent company and consolidated financial statements	**198**	161
Fees payable to the company's auditors and its associates for other services:		
Audit of the financial statements of the company's subsidiaries	**317**	264
Non-audit services (1)	**75**	1,243
	590	1,668

(1) Non-audit services in the current year relate to the auditors' review of our interim report issued in October 2021, in the prior year they relate to pre-IPO services provided which are of a one-off nature.

8 Finance income and costs

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Finance income		
Bank interest received	**-**	12
Finance income	**-**	12
Finance costs		
Interest expense on financial liabilities measured at amortised cost	**(532)**	(122)
Interest expense on lease liability	**(57)**	(71)
Finance costs expensed	**(589)**	(193)
Net finance costs	**(589)**	(181)

9 Income tax expense

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

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Current income tax charge in the year	**8,561**	7,049
Adjustment in respect of current income tax of previous years	**150**	165
Double taxation relief	**-**	(5)
Foreign taxation	**1**	20
Total current income tax charge	**8,712**	7,229
Current year	**(434)**	(298)
Adjustments in respect of prior year	**5**	(201)
Effect of changes in tax rates	**429**	-
Deferred tax credit	**-**	(499)
Total tax charge	**8,712**	6,730

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 2022 £'000	Year ended 28 February 2021 £'000
Profit before income tax	**41,566**	26,662
Income tax charge at the standard rate of corporation tax in the UK of 19% for all periods	**7,898**	5,066
Effects of:		
Non-deductible expenses	**229**	1,637
Foreign tax credits	**1**	14
Adjustment to previous periods	**155**	(36)
Effect of changes in tax rate	**429**	-
Other differences	**-**	49
Income tax charge reported in profit or loss	**8,712**	6,730

Amounts recognised directly in equity	**Year ended 28 February 2022 £'000**	Year ended 28 February 2021 £'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	**192**	15
	192	15

Changes affecting the future tax charge

The UK Finance Act 2021 has been substantively enacted, increasing the corporate tax rate to 25% effective from 1 April 2023. Since this change has been substantively enacted this has resulted in rebasing of the deferred tax liability.

Deferred tax liabilities	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000
The balance comprises temporary differences attributable to:		
Intangible assets	**(1,309)**	(1,207)
Property, plant and equipment	**(769)**	(531)
Employee benefits	**145**	241
Provisions	**53**	101
Share-based payments	**691**	15
	(1,189)	(1,381)

Deferred tax assets	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000
At 1 March	**357**	-
Credited to profit or loss	**340**	342
Credited to equity	**192**	15
Carrying amount at end of year	**889**	357
Deferred tax liabilities	**£'000**	£'000
At 1 March	**(1,738)**	(1,895)
(Charge) / Credited to profit or loss	**(340)**	157
Carrying amount at end of year	**(2,078)**	(1,738)
Net deferred tax liabilities	**(1,189)**	(1,381)

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.

10 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 2020	8,290	1,424	973	624	83	11,394
Transfers	509	1,806	332	-	-	2,647
Additions	81	471	27	-	28	607
Disposals	-	(35)	(29)	-	(22)	(86)
At 28 February 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**

Depreciation						
At 1 March 2020	1,003	758	514	563	35	2,873
Transfers	440	1,893	314	-	-	2,647
On disposals	-	(35)	(19)	-	(14)	(68)
Charge for the year	348	327	104	38	18	835
At 28 February 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**
Net book value						
At 28 February 2021	7,089	723	390	23	50	8,275
At 28 February 2022	**6,778**	**792**	**316**	**120**	**43**	**8,049**

11 Leases

(i) Amounts recognised in the balance sheet

Right-of-use assets	**Buildings £'000**	**Motor vehicles £'000**	**Total £'000**
Cost			
At 1 March 2020	1,377	245	1,622
At 28 February 2021 and 28 February 2022	**1,377**	**245**	**1,622**
Depreciation			
At 1 March 2020	162	128	290
Charge for the year	142	93	235
At 28 February 2021	304	221	525
Charge for the period	145	24	169
At 28 February 2022	**449**	**245**	**694**
Net book value			
At 1 March 2020	1,215	117	1,332
At 28 February 2021	1,073	24	1,097
At 28 February 2022	**928**	**-**	**928**

Lease liabilities	**As at 28 February 2022 £'000**	**As at** 28 February 2021 £'000	**As at** 1 March 2020 £'000
Current	**185**	202	307
Non-current	**992**	1,176	1,295
	1,177	1,378	1,602

There were no additions to the right-of-use assets in the financial year ended 28 February 2022 (financial year ended 28 February 2021: £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 2022 £'000**	Year ended 28 February 2021 £'000
Buildings	145	142
Motor vehicles	24	93
	169	235

Interest expense (included in finance cost)	**57**	71
Expense relating to short-term leases (included in administrative expenses)	**16**	54
Expense relating to leases of low-value assets (included in administrative expenses)	**-**	-

(iii) Changes in liabilities arising from financing activities

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

	1 March 2020 £'000	Cash flows £'000	Interest £'000	28 February 2021 £'000
Lease liabilities	1,602	(295)	71	1,378
Total liabilities from financing activities	1,602	(295)	71	1,378

12 Intangible assets

	Goodwill £'000	**Customer relationships £'000**	**Brand £'000**	**Total £'000**
Cost				
At 1 March 2020, 28 February 2021 and 28 February 2022	**37,493**	**8,798**	**3,653**	**49,944**
Amortisation				
At 1 March 2020	-	2,127	1,764	3,891
Charge for the year	-	880	730	1,610
At 28 February 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**
Net book value				
At 28 February 2021	37,493	5,791	1,159	44,443
At 28 February 2022	**37,493**	**4,911**	**428**	**42,832**

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 £778.6 million and £273.6 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 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

28 February 2021
During the financial year to 28 February 2021, the Group successfully integrated the Bytes Security Partnership into the Bytes Software Services business. The £6.9 million carrying value of goodwill previously allocated to Bytes Security Partnership has been re-allocated to the Bytes Software Services CGU. The goodwill per CGU as at 28 February 2021 is as follows:

	Long-term growth rate %	Discount rate %	Goodwill carrying amount £'000
Bytes Software Services	2	8.44	14,775
Phoenix Software	2	8.44	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 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)**

28 February 2021	Bytes Software Services £'000	Phoenix Software £'000
Headroom	377,502	127,899
1% increase in the pre-tax discount rate applied to the estimated future cash flows	(55,339)	(21,190)
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	75,769	29,016
0.5% increase in the terminal growth rate from 2022 to 2026	30,790	11,715
0.5% decrease in the terminal growth rate from 2022 to 2026	(26,351)	(10,026)

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.

13 Contract assets

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Contract assets	**6,716**	7,393

Contract assets is further broken down as:	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000
Short term contract assets	**6,591**	7,179
Long term contract assets	**125**	214
	6,716	7,393

14 Contract liabilities

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Contract liabilities	**16,023**	12,362

Contract liabilities is further broken down as:	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000
Short term contract liabilities	**14,528**	10,038
Long term contract liabilities	**1,495**	2,324
	16,023	12,362

During the year, the Group recognised £10 million (2021: £10 million) of revenue that was included in the contract liability balance at the beginning of the period.

15 Inventories

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Inventories	96	591
	96	591

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 £495,000 (28 February 2021: £97,000).

16 Financial assets and financial liabilities

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

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

The Group holds the following financial instruments:

Financial assets	Note	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Financial assets at amortised cost:			
Trade receivables	17	**154,928**	103,455
Other financial assets	17	**1,501**	1,193
		156,429	104,648

Financial liabilities	Note	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Financial liabilities at amortised cost:			
Trade and other payables – current, excluding Payroll tax and other statutory tax liabilities	19	**208,183**	150,354
Lease liabilities	11	**1,177**	1,378
		209,360	151,732

The Group's exposure to various risks associated with the financial instruments is discussed in note 25. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

17 Trade and other receivables

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Financial assets		
Gross trade receivables	**155,678**	104,179
Less: impairment allowance	**(750)**	(724)
Net trade receivables	**154,928**	103,455
Other receivables	**1,501**	1,193
	156,429	104,648
Non-financial assets		
Prepayments	**1,181**	2,016
	1,181	2,016
Trade and other receivables	**157,610**	106,664

(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 1.22.

(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 2021	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	0.05%	0.58%	6.08%	25.87%	100%	
Gross carrying amount – trade receivables	87,557	12,077	3,764	545	236	104,179
Loss allowance	48	70	229	141	236	724

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**

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

Trade receivables	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000
Opening loss allowance at 1 March	**724**	402
Increase in loss allowance recognised in profit or loss during the period	**149**	333
Receivables written off during the year as uncollectable	**(123)**	(11)
Closing loss allowance	**750**	724

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.

18 Cash and cash equivalents

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Cash at bank and in hand	**67,118**	20,734
	67,118	20,734

19 Trade and other payables

	As at 28 February 2022 £'000	As at 28 February 2021 (Restated) £'000
Trade and other payables	**129,430**	99,079
Accrued expenses	**78,753**	51,275
Payroll tax and other statutory liabilities	**9,429**	6,767
	217,612	157,121

The prior year figures have been restated with a reclassification of £26 million from trade and other payables to accrued expenses representing supplier invoices not received at the prior year end. The correction of the prior year has no impact on the total trade and other payables and there is no change in the financial position of the Group.

Trade payables are unsecured and are usually paid within 45 days of recognition. Included in other payables is £15m of funds received from customers in advance, prior to confirming the goods or services required. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

20 Share capital and share premium

Authorised, allotted, called up and fully paid	Number of shares	Nominal value £'000	Share premium £'000	Total £'000
At 1 March 2020 (1)	232,480,613	2,325	625,373	627,698
Shares issued during the year (2)	7,001,720	70	8,263	8,333
At 28 February 2021 and **28 February 2022** (3), (4)	**239,482,333**	**2,395**	**633,636**	**636,031**

(1) Demerger Transactions
The comparative figures are presented as if the Demerger Transactions had occurred on 1 March 2019. On the Date of the Demerger, the company had 2 ordinary shares in issue and issued a further 232,480,611 ordinary shares in the company at an issue price of £2.70 per share with an aggregate value of £627.7 million. This amount, together with the cash payments of £16.7 million to management for the acquisition of the Bytes Technology Limited and Blenheim Group Limited B ordinary shares, is the total consideration of £644.4 million paid to Altron and the management under the Demerger SPA to acquire the entire issued share capital of Bytes Technology Limited. The issue of 232,480,611 ordinary shares by the company at an issue price of £2.70 per share, gave rise to share capital of £2.3 million, being the nominal value of the shares issued and share premium of £625.4 million with a contribution to the merger reserve of £627.7 million, see note 22.

(2) Shares issued during the prior year
During the prior year the company issued 7,001,720 new ordinary shares at an issue price of £2.70 per share to institutional investors introduced by Numis Securities. This resulted in gross share proceeds of £18.9 million consisting of share capital of £70,000 and a share premium of £18.9 million which was offset by £10.6 million of commission costs paid on the issue of the shares. The remaining net share issue proceeds of £8.3 million were used by the company to pay the other IPO costs of £8.1 million included in note 5. The £10.6 million of commission costs were paid to Numis Securities for raising total gross proceeds of £352.4 million for the introduction of the new institutional and individual investors on the Date of the Demerger and during the year.

(3) 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.

(4) 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 29.

21 Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and 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 29.

	Note	Bytes Technology Group plc £'000	Bytes Technology Limited £'000	Blenheim Group Limited £'000	Total other reserves £'000
Balance at 1 March 2020		-	818	352	1,170
Share-based payment expenses	29	302	129	531	962
Deferred tax	9	15	-	-	15
Transfer to retained earnings (1)	23	-	(947)	(883)	(1,830)
At 28 February 2021		317	-	-	317
Share-based payment expenses	29	2,563	-	-	2,563
Deferred tax	9	192	-	-	192
At 28 February 2022		**3,072**	**-**	**-**	**3,072**

(1) Transfer to retained earnings
On the Date of the Demerger, both the Bytes Technology Limited scheme and the Blenheim Group Limited scheme were exercised. The equity amounts relating to both schemes were transferred to retained earnings on settlement.

22 Merger reserve

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Balance at 1 March 2020, 28 February 2021 and 28 February 2022	**(644,375)**	(644,375)
	(644,375)	(644,375)

The merger reserve of £644.4 million effective on the Date of the Demerger 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. The total consideration was satisfied by the issue of new shares in the company for a consideration of £627.7 million, see note 18 and further cash consideration of £16.7 million for the acquisition of the Bytes Technology Limited and Blenheim Group Limited B ordinary shares. £14.3 million of the cash consideration was satisfied by the company to acquire the Bytes Technology Limited B ordinary shares and £2.4 million was satisfied by Bytes Technology Limited to acquire the Blenheim Group Limited B ordinary shares.

23 Retained earnings

Movements in retained earnings were as follows:	Note	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Balance at 1 March		**24,775**	51,612
Net profit for the period [(1)]		**32,854**	19,933
Transfer from other reserves	21	**-**	1,830
Dividends	26(b)	**(4,790)**	(48,600)
		52,839	24,775

(1) Net profit in the prior period is stated after £8.1 million of IPO costs, see note 5.

24 Cash generated from operations

	Note	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Profit before taxation		**41,566**	26,663
Adjustments for:			
Depreciation and amortisation	4	**2,608**	2,680
Loss on disposal of property, plant and equipment	4	**15**	18
Non-cash employee benefits expense – share based payments	6	**2,563**	962
Finance (income)/costs – net	8	**589**	181
(Increase)/decrease in contract assets		**677**	(1,252)
(Increase) in trade and other receivables		**(50,946)**	(29,570)
Decrease/(increase) in inventories		**495**	97
Increase in trade and other payables		**60,491**	40,611
Increase in contract liabilities		**3,661**	1,156
Cash generated from operations		**61,719**	41,546

25 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 on note 17.

The Group's policy in respect of liquidity risk is to maintain readily accessible bank deposit accounts to ensure that the company has sufficient funds for its operations. The cash deposits are held in a mixture of short-term deposits and current accounts which earn interest at a floating rate.

The Group's policy in respect of currency risk, which primarily exists as a result of foreign currency purchases, is to either sell in the currency of purchase, maintain sufficient cash reserves in the appropriate foreign currencies which can be used to meet foreign currency liabilities, or take out forward currency contracts to cover the exposure.

25(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.

25(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 2022			As at 28 February 2021		
	USD £'000	**EUR £'000**	**NOK £'000**	USD £'000	EUR £'000	NOK £'000
Trade receivables	**5,375**	**1,423**	**-**	11,468	605	-
Cash and cash equivalents	**3,093**	**75**	**-**	424	717	-
Trade payables	**(15,243)**	**(2,078)**	**(97)**	(11,163)	(6,557)	(1,294)
	(6,775)	**(580)**	**(97)**	729	(5,235)	(1,294)

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 2022			As at 28 February 2021		
	GBP:USD £'000	**GBP:EUR £'000**	**GBP:NOK £'000**	GBP:USD £'000	GBP:EUR £'000	GBP:NOK £'000
5% increase in rate	**323**	**28**	**5**	(35)	249	62
5% decrease in rate	**(357)**	**(31)**	**(5)**	38	(276)	(68)

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

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Total net foreign exchange gains/(losses) in profit or loss	38	(11)
	38	(11)

25(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 2022, the Group had cash and cash equivalents of £67.1 million, see note 18. Management monitors rolling forecasts of the Group's liquidity position (which comprises its cash and cash equivalents) on the basis of expected cash flows generated from the Group's operations. These forecasts are generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group and take into account certain down-case scenarios.

(2) Revolving Credit Facility
The Group entered into a three-year committed Revolving Credit Facility (RCF) in December 2020. In December 2021 the RCF reduced to £40 million and in December 2022 will reduce to £30 million. The Group incurred arrangement fees of £0.4 million representing 0.75% of the initial £50 million facility available. The Group has so far not drawn down any amount on this facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee has been capitalised as a prepayment and amortised over the three-year period of the facility. The facility also incurs a commitment fee and utilisation fee, both of which are payable quarterly in arrears. Under the terms of the facility, the Group is required to comply with the following financial covenants:

- Interest cover: EBITDA (earnings before interest, tax, depreciation and amortisation) to net finance charges for the 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 2022, EBITDA to net finance charges was approximately 76 times (2021: 208 times). The group has been in a net cash position as at 28 February 2022 and 28 February 2021 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 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	**16**	**208,183**	**-**	**-**	**-**	**208,183**	**208,183**
Lease liabilities	**11**	**231**	**116**	**694**	**313**	**1,354**	**1,177**
		208,414	**116**	**694**	**313**	**209,537**	**209,360**

28 February 2021	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	16	150,354	-	-	-	150,354	150,354
Lease liabilities	11	257	231	578	545	1,611	1,378
		150,611	231	578	545	151,965	151,732

26 Capital management

26(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.

26(b) Dividends

	2022		2021	
Ordinary shares	**Pence per share**	**£'000**	**Pence per share**	**£'000**
Interim dividend paid	2.00	4,790	8.00	18,600
Dividend paid prior to Demerger	-	-	12.90	30,000
Total dividends attributable to ordinary shareholders	**2.00**	**4,790**	**20.90**	**48,600**

Final and interim dividends paid for the year ended 28 February 2021 relates to the distributions of profits prior to the Date of Demerger. For more information on the Group's demerger from its former parent group, see the Group's annual consolidated financial statements for the year ended 28 February 2021. Dividends per share 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 4.2 pence and a special dividend of 6.2 pence per share for the year ended 28 February 2022 to be paid to shareholders on the register as at 29 July 2022. The aggregate of the proposed dividends expected to be paid on 12 August 2022 is £24.9 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.

27 Capital commitments

At 28 February 2022, the Group had £Nil capital commitments (28 February 2021: £Nil).

28 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:

28(a) Transactions with key management personnel

In the prior year, prior to the Date of the Demerger, the key management personnel were defined as the directors of the Bytes business. Certain directors were not paid directly by the Bytes business but received remuneration from Altron, in respect of their services to the larger Group which included the Bytes business. The Group was not recharged for these services, since it was not possible to make an accurate apportionment of their remuneration. The total remuneration relating to these directors was included in the aggregate of directors' remuneration disclosed in the consolidated financial statements of the Altron group. Following the Date of Demerger, the 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 within the remuneration report in the Annual Report and Accounts for the year ended 28 February 2022.

28(b) Subsidiaries

Interests in subsidiaries are set out in note 31.

28(c) Transactions with former parent group, Altron

The following transactions occurred with related parties:

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Purchase of services		
Management services provided by fellow Group company	**-**	42
Other transactions		
Dividends paid to former parent group	**-**	(48,600)

28(d) Outstanding balances arising from sales/purchases of services

There were no outstanding balances at the end of each reporting period.

29 Share-based payments

The Group established new equity settled share-based payment incentive schemes with effect from the Admission Date. 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.

Performance Incentive Share Plan

On 17 December 2020, 1,480,110 share options were granted to eligible employees under the Performance Incentive Share Plan (PIP). Options granted in the scheme 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 was £3.40 per option, based on the share price at grant date. The share price at the date of grant was deemed to be the fair value of the option - given that there are no performance conditions; the exercise price is a nominal amount, being £0.01; and option holders are entitled to dividend equivalents. The normal vesting date shall be not 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. For the year ended 28 February 2022, 45,153 options were forfeited, and no options were exercised or expired.

Company Share Option Plan

On 1 June 2021, 2,802,000 share options were granted to eligible employees under the Company Share Option Plan (CSOP). Options granted in the scheme are for shares in Bytes Technology Group plc. The exercise price of the options of £5.00 was equal to the market price of the shares on the last business day before the date of grant, being 28 May 2021. 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 using a Black Scholes option-pricing model, taking into account the terms and conditions on which the options were granted. The contractual life of each option granted is the earliest date (or dates) on which the award may be exercised, unless an earlier event occurs to cause the award to lapse or become exercisable. The normal vesting date shall be not earlier than the third anniversary of the grant date and not later than the day before the tenth anniversary of the grant date. There is no cash settlement of the options available under the scheme. For the year ended 28 February 2022, 63,000 options were forfeited, and no options were exercised or expired.

Save as You Earn Scheme

On 1 August 2021, 1,103,220 share options were granted to eligible employees under the Save As You Earn Scheme (SAYE). Under the SAYE scheme, employees enter a three-year savings contract in which they 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 of £4.00 represents a 20% discount to the market price of the shares on the last business day before 1 June 2021, being 28 May 2021. The fair value at grant date is estimated using a Black Scholes option-pricing model, taking into account the terms and conditions on which the options were granted. There is no cash settlement of the options. For the year ended 28 February 2022, 49,815 options were forfeited, and no options exercised or expired.

Bytes Technology Limited Scheme

This scheme was settled on the Date of the Demerger. For more information on the Group's demerger from its former parent group and the settlement of these schemes, see the Group's annual consolidated financial statements for the year ended 28 February 2021.

Blenheim Group Limited Scheme
This scheme was settled on the Date of the Demerger. For more information on the Group's demerger from its former parent group and the settlement of these schemes, see the Group's annual consolidated financial statements for the year ended 28 February 2021.

Share-based payment employee expenses

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Equity settled share-based payment expenses	**2,563**	962
	2,563	962

Assumptions	**PIP**	**CSOP**	**SAYE**
Grant date	17 Dec 20	1 Jun 21	1 Aug 21
Vesting period	3 years	3 years	3 years
Expected volatility	n/a	35%	35%
Risk-free interest rate	n/a	0.16%	0.22%
Expected dividend yield	n/a	1.26%	1.26%
Expected forfeitures	9%	9%	11%

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.

30 Earnings per share

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

The share issues in respect of the Demerger Transactions in the prior year are reflected in the EPS denominator as if these shares were in issue on 1 March 2020.

	Year ended 28 February 2022 pence	Year ended 28 February 2021 pence
Basic earnings per share	**13.72**	8.52
Diluted earnings per share	**13.42**	8.47
Headline earnings per share	**13.72**	8.52
Diluted headline earnings per share	**13.42**	8.47
Adjusted earnings per share	**15.46**	13.07
Diluted adjusted earnings per share	**15.12**	12.99

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

	Year ended 28 February 2022 Number	Year ended 28 February 2021 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**	233,900,138
Adjustments for calculation of diluted earnings per share and diluted headline earnings per share:		
– share options [(1)]	**5,385,330**	1,480,110
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and diluted headline earnings per share	**244,867,663**	235,380,248

(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 29.

30(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 2022 pence**	Year ended 28 February 2021 pence
Profit for the period attributable to owners of the company		32,854	19,933
Adjusted for:			
Loss on disposal of property, plant and equipment	4	15	18
Tax effect thereon		(3)	(3)
Headline profits attributable to owners of the company		32,866	19,948

30(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:

- Non-underlying 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 2022 £'000**	Year ended 28 February 2021 £'000
Profits attributable to owners of the company		**32,854**	19,933
Adjusted for:			
- Amortisation of acquired intangible assets	4	**1,611**	1,610
- Non-underlying items	5	**-**	8,065
- Share-based payment charges	29	**2,563**	962
Adjusted profits attributable to owners of the company		**37,028**	30,570

31 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 sector sectors
Bytes Security Partnerships Limited	UK	100%	Dormant in current year. Provided cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors in prior year
Blenheim Group Limited	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 sector sectors
License Dashboard Limited	UK	100%	Dormant in current year. Provided cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors in prior year
Bytes Technology Group Holdings Limited	UK	100%	Dormant for all periods
Bytes Technology Training Limited	UK	100%	Dormant for all periods
Elastabytes Limited	UK	50%	Dormant for all periods

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

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

32 Events after the reporting period

On 24 February 2022, Russia commenced a military invasion of Ukraine which is still ongoing. In response, multiple jurisdictions have imposed economic sanctions and restrictions on Russia. The Group has no business involvement in either Ukraine or Russia and the economic and market effects of the war are uncertain and cannot be predicted at this stage. Therefore, management concludes that there are no 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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