

# Financial statements

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What outcomes do you seek to drive through your financial reporting?

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We're passionate about delivering the high-quality financial data and analysis that underpins the business's decision making, and supporting our stakeholders in their understanding of BTG's results, business model and strategy.

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**Paul Emms**  
Director of Group Finance



# Independent auditor's report to the members of Bytes Technology Group

## Opinion

In our opinion:

- Bytes Technology Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 28 February 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Bytes Technology Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 28 February 2025 which comprise:

Group	Parent company
Consolidated balance sheet as at 28 February 2025	Balance sheet as at 28 February 2025
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 11 to the financial statements including material accounting policy information
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 30 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included

- Performing a walkthrough of the group's financial close process to confirm our understanding of management's going concern assessment process and engaging with management early to ensure all key risk factors identified were considered in their assessment.
- Obtaining management's going concern assessment, including cashflow forecasts and covenant calculations, covering the period to 31 August 2026. We then performed procedures to confirm the clerical accuracy of the underlying model.
- Assessing the group's base scenario for consistency with cash flow forecasts used in the goodwill impairment assessment over which we have performed detailed audit procedures to challenge the base case assumptions including validating the credit facility assumptions.

## Independent auditor’s report to the members of Bytes Technology Group continued

- The group has modelled a base scenario and then two downside scenarios, being a severe but plausible downside scenario and a stressed scenario in order to incorporate unexpected changes to the forecasted liquidity of the group. We have performed audit procedures to challenge the base case and the assumptions included in each modelled scenario for the cash forecast and covenant calculation. We have considered the potential impact of geopolitical and macroeconomic risks such as increases in cost of sales inflation and competition leading to margin pressure, wages inflation, supply chain inflation and rising interest rates impacting customer spending and customer payments.
- We noted that the key assumptions present were forecast gross invoiced income and related growth rates, gross profit and related growth rates, headcount and base pay growth rates, overhead growth rates and debtor days. We agreed the forecasts to Board approved budgets and performed enquiries with management to understand the basis of the key assumptions. We performed procedures to assess their appropriateness, such as reviewing the growth rate assumptions within the context of historic performance. Additionally, where possible, we corroborated management’s assumptions to external data points such as economic forecasts and competitor trading updates.
- We critically assessed management’s ability to accurately forecast through lookback analysis on the last three years of historic financial data.
- We reviewed management’s stress test of their cash forecasts and covenant calculations in order to quantify then assess the likelihood of the downside scenarios required to exhaust the group’s forecast liquidity and breach the group’s covenant ratios.
- Considering the impact and feasibility of potential mitigating activities that are within control of the group, such as freezing planned growth in headcount, pay rises, and reducing dividend payments.
- Reviewing the group’s going concern disclosures included in the Annual Report in order to assess their completeness and conformity with the reporting standards, market practice and FRC guidance.

### Our Key Observations

- As of 28 February 2025, the group had cash and cash equivalents of £113.1 million. The group has no borrowings but has an undrawn RCF facility of £30 million which runs for three years, until 17 May 2026. The new facility includes an optional one-year extension to 17 May 2027 and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity.
- The directors’ assessment is that Bytes Technology Group plc has sufficient liquidity and headroom in cash throughout the going concern period to 31 August 2026. Management’s severe but plausible scenario demonstrated that a worsening of all key assumptions against the base case would not result in liquidity concerns. This is prior to further potential mitigations modelled by management. The changes in assumptions modelled are considered to be highly unlikely based on historical financial performance.
- We have not identified any material climate-related risks that should be incorporated into Bytes Technology Group plc’s forecasts to 31 August 2026.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company’s ability to continue as a going concern for a period until 31 August 2026 being the going concern assessment period.

In relation to the group and parent company’s reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group’s ability to continue as a going concern.

### Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> <li>– We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further four components.</li> <li>– The components where we performed full audit procedures accounted for 100% of the group’s Profit before tax, 100% of Revenue and 99% of Total assets; and we performed specified procedures on the remaining 1% of Total Assets.</li> </ul>
Key audit matters	<ul style="list-style-type: none"> <li>– Risk of misstatement of revenue recognised at or near period end</li> <li>– Risk of incorrect IFRS 15 presentation and disclosure in respect of principal versus agent</li> <li>– Risk of misstatement of rebate and other vendor incentives receivable at period end</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>– Overall group materiality of £3.7 million which represents 5% of 2025 group’s actual reported profit before tax.</li> </ul>

## An overview of the scope of the parent company and group audits

### Tailoring the scope

In the current year our audit scoping has been updated to reflect the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, to identify and assess risks of material misstatement of the group financial statements and identified significant accounts and disclosures.

BTG trades predominantly in the UK through two trading entities, Bytes Software Services Limited (BSS) and Phoenix Software Limited (PSL). We identified 3 components – BSS, PSL and BTG – as individually relevant to the group due to the significant risks or an area of higher assessed risk of material misstatement of the group financial statements being associated with BSS and PSL, and all these components of the group as individually relevant due to materiality or financial size of the component relative to the group. These three individually relevant components are assigned as full scope.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the group significant accounts on which centralised procedures is performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the group significant financial statement account balance.

We then considered whether the remaining group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the group financial statements. We selected no additional components of the group to include in our audit scope to address these risks, however, have performed analytical procedures over these components.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

The three full scope components on which audit procedures were performed, located in two different locations in the UK, contributed 100% (2024: 100%) of the group's Profit before tax, 100% (2024: 100%) of the group's Revenue and 99% (2024: 99%) of the group's Total assets. The remaining two specific scope components contributed <1% (2024: <1%) of the group's Profit before tax, 0% (2024: 0%) of the group's Revenue and <1% (2024: 1%) of the group's Total assets. To respond to any potential risks of material misstatement to the group financial statements, we performed other procedures on these components, including analytical review, confirmation of bank balances, and verification that intercompany and intra-group investment balances were eliminated as part of the consolidation.

### Changes from the prior year

Our full scope locations remain consistent with the prior year. Our specific scope entities have been refined to include only the active holding companies while the remaining companies in the group are dormant companies and are covered as part of the audit tail. We believe our overall coverage is comparable and appropriate for the risk of the business.

### Involvement with component teams

In establishing our overall approach to the group audit, the Senior Statutory Auditor, James Harris, determined the type of work that needed to be undertaken at each of the components.

As Bytes group management and trading components (Bytes Software Services and Phoenix Software) operate primarily in the UK, we have performed the audit using a single integrated group team. Therefore, of the three full scope components, audit procedures were performed directly by the primary audit team. Overseen by the Senior Statutory Auditor, the group audit team designs, executes, reviews and concludes on all work performed, operating as a single audit team across both locations. This integrated team performed all audit procedures at all three full scope components as well as procedures at other scope components. Procedures over all components were overseen by the Senior Statutory Auditor including the design, execution and conclusion on all work performed.

### Climate change

Stakeholders are increasingly interested in how climate change will impact Bytes Technology Group plc. The group has determined that the most significant future impacts from climate change on their operations will be regulatory changes. These are explained on pages 58 to 67 in the Task Force On Climate Related Financial Disclosures and on page 56 in the principal risks and uncertainties. They have also explained their climate objectives on page 42. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the group's business and any consequential material impact on its financial statements.

Independent auditor’s report to the members of Bytes Technology Group continued

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management’s assessment of the impact of climate risk, physical and transition, their climate plans and objectives, the effects of material climate risks disclosed on pages 58 and 67; and the adequacy of the group’s disclosures in the financial statements and the conclusion that no issues were identified that would impact on the accounting judgements and estimates in the current year and no material impact on assets and liabilities as at 28 February 2025. We also assessed the directors’ considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Risk of misstatement of revenue recognised at or near period end</b></p> <p><i>Refer to the Audit Committee Report (page 94); Accounting policies (pages 157-158); and Note 3 of the Consolidated Financial Statements (pages 165-166).</i></p> <p>The group has reported revenue of £217.1 million (2024: £207.0 million).</p> <p>Revenue reported in accordance with IFRS 5 Revenue from <i>Contracts with Customers</i> is a key financial metric for the business. Gross Invoiced Income (GII), a non-IFRS alternative performance measure (APM), is also used as a key performance indicator assessed by stakeholders.</p> <p>Compensation incentives are based on gross profit or adjusted operating profit targets, creating a risk of revenue misstatement through management override.</p> <p>Management’s process for accounting for certain revenue transactions, particularly the review process at or near the year end is mostly manual and therefore susceptible to error (either deliberate or without intent).</p> <p>There is therefore a risk that revenue is recognised prematurely or fictitiously around period end or revenue is held back to distort earnings between periods.</p> <p>The overall risk of revenue recognition has remained consistent compared to the prior year.</p>	<p>We have performed the following key audit procedures on revenue transactions (included in gross invoiced income):</p> <ul style="list-style-type: none"> <li>● Reconfirmed our understanding of management’s revenue recognition point by revenue stream.</li> <li>● Reconfirmed our understanding of the process of entering into a contract and agreeing terms with customers and how contracts are therefore assessed and set up for revenue recognition.</li> <li>● Assessed the appropriateness of revenue cut-off by independently testing a sample of transactions recorded one week either side of year end, due to the concentration of sales entries in this period as identified through data analytics by vouching to evidence of satisfaction of the related performance obligation. The testing was disaggregated by revenue stream.</li> <li>● Tested a sample of credit notes issued subsequent to the year end.</li> <li>● Tested a sample of sales transactions, such as services revenue transactions deferred at year end and recalculated the deferred elements to obtain assurance over the calculation of deferred revenue.</li> <li>● In order to address the risk of management override, we tested a sample of manual journal entries relating to revenue recorded at or near year end by verifying to supporting documentation and credit notes issued subsequent to the year end, including management’s cut-off journals.</li> <li>● Performed disaggregated analytical review by revenue stream to understand the key driver behind the change in revenue over the period.</li> <li>● Utilised data analytics to analyse 100% sales related journal entry data to track sales from revenue, to accounts receivable and through to cash collection. We used this analysis to validate the appropriateness of the transaction flow and tested a sample of transactions to determine if the journals accurately reflected the substance of the transaction recorded.</li> </ul> <p>We performed full scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.</p>	<p>Through our procedures performed, we have not identified any unsupported manual adjustments to revenue.</p> <p>We conclude that the revenue recognised at or near year end was properly accounted for and that revenue has been appropriately recognised in accordance with IFRS 15.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Risk of incorrect IFRS 15 presentation and disclosure in respect of principal versus agent</b></p> <p><i>Refer to the Audit Committee Report (page 94); Accounting policies (pages 157-158); and Note 3 of the Consolidated Financial Statements (pages 165-166).</i></p> <p>The group has recognised an agency adjustment of £1,882.7 million (2024: £1,616.0 million) in respect of income to be recognised net as agent under IFRS 15.</p> <p>The group makes a judgement over the level of control for all products and services sold and continues to assess this position. There is a risk that the reported revenue may be incorrectly presented as a result of incorrectly assessing whether the group has control over the products or services sold and consequently if the group is principal or agent in its arrangements with customers.</p> <p>In the prior years, the group reassessed its accounting policy in light of the IFRIC agenda decision and determined that it is acting as an agent for all software sales. Although the reassessment has resulted in a decrease in the level of judgement required to establish the level of control over products and services to categorise the transactions between product categories and principal or agent, and the size of adjustment remains high.</p>	<p>We performed the following key audit procedures:</p> <ul style="list-style-type: none"> <li>● Reconfirmed our understanding of management’s processes, methodologies and judgements in identifying and categorising revenue transactions as principal (gross) or agent (net).</li> <li>● Reperformed management’s calculation to ensure this has been performed correctly, i.e. that the revenue, cost of sales and margin agency adjustment is correct. We also ensured that management’s methodologies and categorisations appropriately consider new product types identified during the year.</li> <li>● Performed disaggregated analytical review by revenue stream to understand the key drivers behind changes in revenue over the period.</li> <li>● Independently tested a sample of transactions across the year to determine the group’s control over the product or service including: <ul style="list-style-type: none"> <li>– Verified the product or service type by obtaining evidence for each transaction and agreeing back to underlying data, such as customer purchase order, to determine the group’s categorisation of the product or service.</li> <li>– Corroborated the related cost for the sample selected by tracing through to supporting purchase invoices.</li> <li>– Assessed whether principal (gross) or agent (net) treatment and the corresponding agency adjustment is appropriate.</li> </ul> </li> <li>● Tested that the methodology utilised to calculate the adjusted performance measure (‘APM’) ‘gross invoiced income’ is consistent with the FY 2024 Annual report, assessing management’s rationale for including the APM and ensuring that the amount reported is reconciled to reported revenue.</li> </ul> <p>We performed full scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.</p>	<p>We concluded that the presentation of revenue transactions is appropriate and has been prepared in accordance with IFRS 15.</p>

Independent auditor’s report to the members of Bytes Technology Group continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Risk of misstatement of rebates and other vendor incentives receivable at period end</b></p> <p><i>Refer to the Audit Committee Report (page 94); Accounting policies (page 159).</i></p> <p>The group has reported a year-end rebate and other vendor incentives receivable of £5.6 million (2024: £5.7 million).</p> <p>While most rebates are agreed with the supplier and received during the year, there is a degree of estimation at or around the year end when the rebate is accrued ahead of the full information on the rebate being available. The resulting estimation uncertainty around the rebate receivable balance therefore provides scope for management to influence reported amounts through the estimated rebate adjustments posted to cost of sales.</p> <p>Accounting for most of the rebate income balance does not carry an estimation element, as it can be corroborated to cash and credit notes received from the vendor in the year. The key judgement we focus on is with regards to the rebate receivable balance and corresponding income at year end, where the amounts recognised are often based on sales information, which at the time that the rebate is recognised, has not yet been verified by the vendor.</p> <p>In the current period there have been changes in certain vendor incentive plans, including a rate reduction, a shift from transaction-based rewards and a greater focus on activity-based and usage-based incentives. This change heightens the risk around the recognition of receivables at period end for rebates and other vendor incentives and the corresponding income.</p>	<p>We have performed the following key audit procedures:</p> <ul style="list-style-type: none"> <li>● Updated our understanding of the procedures and controls in place over the recognition and recording of rebates and vendor incentives including understanding the key assumptions used within management’s determination of the estimate.</li> <li>● Obtained an understanding of the changes in the process of rebates and other vendor incentives in the current year.</li> <li>● Inquired of the group’s and individual operating entity’s management, regarding any new or significant rebate and vendor incentive agreements during the period.</li> <li>● Assessed the appropriate accounting in respect of timing of recognition of receivables and income for new or significant rebates and vendor incentive agreements based on the updated terms.</li> <li>● Reviewed management’s estimate and basis of the rebates and vendor incentive receivable and corresponding income.</li> <li>● Assessed the accuracy of management’s previous estimates tested as at 29 February 2024 and 31 August 2024.</li> <li>● For rebate receivables, we obtained a breakdown of the rebate receivable balances at period end and selected samples to vouch back to third party source documentation, including subsequent credit notes received or cash receipts.</li> <li>● For rebate receivables, we performed analytical procedures on rebates by vendors in order to identify anomalous transactions or unusual trends.</li> <li>● For other vendor incentives, we obtained management’s estimate and performed look back analysis of the other vendor incentives accrual as at 28 February 2025 (at year end).</li> <li>● For other vendor incentives, we tested a sample of incentives transactions and obtained evidence of subsequent credit notes received or cash receipts to assess the appropriateness of the accruals recorded as of the period end.</li> </ul> <p>We performed full scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.</p>	<p>We concluded that the rebates and other vendor incentives receivable at the year end and the corresponding income is appropriate in accordance with IFRS.</p>

In the prior year, our auditor’s report included a key audit matter in relation to the risk arising from the undisclosed share trading by directors. In the current year, this is no longer considered a key audit matter as it was resolved in the prior year.

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the group to be £3.7 million (2024: £3.0 million), which is 5% (2024: 5%) of profit before tax.

We believe that profit before tax provides the most relevant measure of underlying performance to the stakeholders of the group. The increase in the current year is in line with the increase in profitability in the year.

We determined materiality for the parent company to be £7.0 million (2024: £9.0 million), which is 1% (2024: 1%) of total equity.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 75% (2024: 50%) of our planning materiality, namely £2.8 million (2024: £1.5 million). We have set performance materiality at this percentage due to our overall risk assessment and expectations of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.6 million to £2.3 million (2024: £0.5 million to £1.3 million).

### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2 million (2024: £0.1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Other information

The other information comprises the information included in the annual report set out on pages 1 to 135, including the Strategic report set out on pages 1 to 74, and the Governance report set out on pages 75 to 135, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Independent auditor's report to the members of Bytes Technology Group continued

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report or the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

### Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 134;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 73 to 74;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 134;
- Directors' statement on fair, balanced and understandable set out on page 135;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 47 to 56;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 95 to 96; and
- The section describing the work of the audit committee set out on pages 92 to 101.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 135, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those related to the reporting framework (UK adopted international accounting standards, the Companies Act 2006, the UK Corporate Governance Code 2018 and in regard to the parent company financial statements, UK GAAP including FRS 101) and the relevant tax compliance regulations in the UK.
- We understood how Bytes Technology Group Plc is complying with those frameworks by making enquires of management and those responsible for legal, compliance and governance matters. We corroborated our enquiries through our review of board minutes, discussions with the Audit Committee, Directors and any correspondence from regulatory bodies and those responsible for legal and compliance procedures. With regards to governance controls, we considered the implementation and continued monitoring of improved controls for share dealings and share register analysis.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud and by assessing key assumptions over significant estimates made by management for evidence of bias. We also considered the performance targets and their propensity to influence efforts made by management to manage revenue and earnings. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.
- Where the risk was considered to be higher, including areas impacting group key performance indicators or management remuneration, we performed audit procedures to address each identified fraud risk or other risk of material misstatement. These procedures included those on revenue recognition detailed above as well as testing manual journals; and were designed to provide reasonable assurance that the financial statements were free from fraud and error. We performed journal entry testing, including manual consolidation journals and journals that indicated large or unusual transactions based on our understanding of the business.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reviewing Board minutes, external legal advice and reports to the Board on the conclusion of the investigations and inquiries with management and directors. Our procedures included a focus on compliance with the accounting, governance and regulatory frameworks and other relevant legislations through obtaining sufficient audit evidence in line with the level of risk identified, in conjunction with compliance with relevant legislation, including tax computations and returns and corroborated that dividend payments complied with the relevant legal requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditor's report to the members of Bytes Technology Group continued

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**James Harris** (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Southampton

12 May 2025

# Consolidated statement of profit or loss

For the year ended 28 February 2025

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

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

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

# Consolidated statement of financial position

As at 28 February 2025

	Note	As at 28 February 2025 £'000	As at 29 February 2024 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	13,581	8,478
Right-of-use assets	10	1,641	1,411
Intangible assets	11	43,475	40,646
Investment in associate	12	3,185	3,193
Contract assets	13	1,773	2,689
Deferred tax asset	8	59	834
<b>Total non-current assets</b>		<b>63,714</b>	<b>57,251</b>
<b>Current assets</b>			
Inventories	15	14	60
Contract assets	13	9,973	11,756
Trade and other receivables	17	268,454	221,815
Cash and cash equivalents	18	113,076	88,836
<b>Total current assets</b>		<b>391,517</b>	<b>322,467</b>
<b>Total assets</b>		<b>455,231</b>	<b>379,718</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	10	(1,269)	(1,314)
Contract liabilities	14	(2,034)	(2,137)
<b>Total non-current liabilities</b>		<b>(3,303)</b>	<b>(3,451)</b>
<b>Current liabilities</b>			
Trade and other payables	19	(327,533)	(277,917)
Contract liabilities	14	(25,245)	(19,348)
Current tax liabilities		(439)	(243)
Lease liabilities	10	(668)	(423)
<b>Total current liabilities</b>		<b>(353,885)</b>	<b>(297,931)</b>
<b>Total liabilities</b>		<b>(357,188)</b>	<b>(301,382)</b>
<b>Net assets</b>		<b>98,043</b>	<b>78,336</b>
<b>Equity</b>			
Share capital	20	2,411	2,404
Share premium	20	636,432	633,650
Share-based payment reserve		14,879	11,050
Merger reserve	21	(644,375)	(644,375)
Retained earnings		88,696	75,607
<b>Total equity</b>		<b>98,043</b>	<b>78,336</b>

The consolidated financial statements on pages 147 to 185 were authorised for issue by the Board of directors on 12 May 2025 and were signed on its behalf by:



**Sam Mudd**  
Chief Executive Officer



**Andrew Holden**  
Chief Financial Officer

# Consolidated statement of changes in equity

For the year ended 28 February 2025

	Note	Attributable to owners of the company					Total equity £'000
		Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	
Balance at 1 March 2023		2,395	633,636	7,235	(644,375)	62,606	61,497
Total comprehensive income for the year		-	-	-	-	46,851	46,851
Dividends paid	24(b)	-	-	-	-	(36,641)	(36,641)
Shares issued during the year	20	9	14	-	-	-	23
Transfer to retained earnings	27	-	-	(2,791)	-	2,791	-
Share-based payment transactions	27	-	-	5,708	-	-	5,708
Tax adjustments	8	-	-	898	-	-	898
Balance at 29 February 2024		2,404	633,650	11,050	(644,375)	75,607	78,336
Total comprehensive income for the year		-	-	-	-	54,841	54,841
Dividends paid	24(b)	-	-	-	-	(42,843)	(42,843)
Shares issued during the year	20	7	2,782	-	-	-	2,789
Transfer to retained earnings	27	-	-	(1,091)	-	1,091	-
Share-based payment transactions	27	-	-	5,049	-	-	5,049
Tax adjustments	8	-	-	(129)	-	-	(129)
<b>Balance at 28 February 2025</b>		<b>2,411</b>	<b>636,432</b>	<b>14,879</b>	<b>(644,375)</b>	<b>88,696</b>	<b>98,043</b>

# Consolidated statement of cash flows

For the year ended 28 February 2025

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

# Notes to the consolidated financial statements

For the year ended 28 February 2025

## 1 Accounting policies

### 1.1 General information

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

### 1.2 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006.

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

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, see notes 1.6.1 and 1.6.2, and have been prepared on a historical cost basis, as modified to include derivative financial assets and liabilities at fair value through the consolidated statement of profit or loss.

### 1.3 Going concern

The going concern of the Group is dependent on maintaining adequate levels of resources to continue to operate for the foreseeable future. The directors have considered the principal risks, which are set out in the Group's strategic report, in addition to ever-present risks such as the Group's exposure to credit risk as described in note 17, and liquidity risk, currency risk and foreign exchange risk as described in note 23.

When assessing the going concern of the Group, the directors have reviewed the year-to-date financial results, as well as detailed financial forecasts for the going concern assessment period up to 31 August 2026, being 15 months after the authorisation of these financial statements.

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

#### *Operational performance and operating model*

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

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

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

## Notes to the consolidated financial statements continued

**1.3 Going concern continued**

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

- **Wide ranging customer base** – The Group's income includes a large volume of non-discretionary spend from UK corporates because IT is vital to run their day-to-day operations and to establish competitive advantage in an increasingly digital age. Public sector organisations have similarly sought efficiencies, resilience, and security within their IT infrastructures. This is evident from the 15.2% increase in GII during the year, and our mix of private and public customers across multiple sectors means that a downturn in one area can be compensated by upturns in others.

Sales risk is further mitigated by the fact that none of the Group's wide range of customers contributes more than 1.3% of GP. Indeed, during the year only six customers generated GP in excess of £1 million out of a total Group GP of £163.2 million, the largest £2.1 million and the six combined at £8.3 million (5.1% of total GP). While we have some significant contributions to our GII by individual customers, most notably the NHS, these are primarily long-term (three-year) contracts within the public sector, which makes our income even more secure and provides the opportunity to develop and monetise those accounts further. Even then, the largest customer has provided only 9.1% of our total GII of £2.1 billion during the year.

- **High levels of repeat business** – Due to the nature of licensing schemes and service contracts, a high proportion of business is repeatable in nature, with subscriptions needing to be renewed for the customer to continue to enjoy the benefit of the product or service. Indeed, excluding sales of hardware and services, the remaining dominant balance of our GII – some £2.0 billion (95%) of software – falls into this bracket. The largest software contracts, Microsoft enterprise agreements (EAs), run for three years and it is rare to lose a contract mid-term, which mitigates the risk of income reducing rapidly. The Group has a high success rate in securing renewals of existing EA agreements and winning new ones.

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

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

- **Microsoft relationship strength** – With around 68% of the Group's GII and around 50% of GP generated from sales of Microsoft products and associated service solutions, this continues to be a very important partnership for both sides. These contributions from Microsoft remain in line with previous years in percentage terms; in absolute terms, as our largest vendor, we have now seen their contribution to GII and GP exceed £1.4 billion and £80 million respectively.

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

Further, the Microsoft partnership has created the opportunity for the Group to develop a host of skill sets, so it is best placed to advise and support the customers in whatever direction they choose to fulfil their licensing requirements from a programmatic, purchasing and consumption perspective. To this end, the Group has attained high levels of Microsoft expert status, specialisations and solution partner designations in numerous Microsoft technology areas.

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

In two areas in particular we are seeing high levels of interest leading to increased demand. The first is for security products and functionality to protect customer IT systems. This has arisen from the increased risk of cyber threats and attacks and has generated additional requirements for the Group's support in this area.

The second has arisen from Microsoft's launch of its AI product, Copilot. The Group has been highly engaged this year in educating customers and supporting them in improving their productivity using Copilot within their Microsoft 365 applications, and we have developed associated services to support customer readiness and adoption. We will continue to carefully expand our internal skills in line with this increasing AI momentum in the next year and beyond and to complement the existing Microsoft solutions we sell.

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

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

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

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

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

Over the past year we have seen continued risks arising from macroeconomic and geopolitical factors which align to those identified in our principal risks statement, notably economic disruption, inflation, and attraction and retention of staff. The Board monitors these macroeconomic and geopolitical risks on an ongoing basis. These risks are considered further below.

**Macroeconomic risks**

- Cost of sales inflation and competition leading to margin pressure – While pricing from our suppliers may be at risk of increasing, as they too face the same macroeconomic pressures as ourselves, our commercial model is based on passing on supplier price increases to our customers. We also see

pressure from our customers, notably in the public sector space where new business must often be won under highly competitive tendering processes. So, while there has been a small reduction in our GP/GII margin from 8.0% last year to 7.8% this year, it has been substantially contained and remains one of the biggest focus areas in our business.

- Wage inflation – The business has been facing pressure from wage inflation over the past two to three years. Where strategically required, we have increased salaries to retain key staff in the light of approaches from competitors, especially where staff have specialist or technical skills. We monitor our staff attrition rate and have maintained a level around 14%, which is down on last year’s 16%. We do not believe there has been any significant outflow of staff due to being uncompetitive with salaries. We have a strong, collaborative and supportive culture and offer our staff employment in a business that is robust and they are proud of. This is a key part of our attraction and retention strategy.

In addition, when we look at our key operational efficiency ratio of operating profit/GP, we have achieved just over 40% which is in line with last year, demonstrating the control over rising staff costs in response to the growth of the business. While we have already aligned staff salaries to market rates, further expected rises have been factored into the financial forecasts in line with those awarded in the past year.

- Interest rates – While interest rates have been high in the past two years, they have now appeared to stabilise and started to fall. The Group has no debt exposure, nor has it ever needed to call on its revolving credit facility (RCF). Due to the timing difference we see in our cash flow model between customer receipts and supplier payments, we place cash on the money markets through our monthly cash cycle. While interest rates may fall further in the coming months we still see substantial interest income opportunity over the going concern period. We take have taken advantage of the recent higher interest rates to generate a significant £8.5 million of interest income in the reporting period and with projected growth in profits and cash we should be able to offset rate reductions.

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

## Notes to the consolidated financial statements continued

**1.3 Going concern continued**

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

As in previous years, the majority of our GII (65%), came from the public sector, traditionally with low credit risk, while our corporate customer base includes a wide range of blue-chip organisations and with no material reliance on any single customer.

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

**Geopolitical risks**

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

- In terms of supply chain, we are not significantly or materially dependent on the movement of goods, so physical trade obstacles are not likely to affect us directly, with hardware making up less than 2% of our GII during the year. Nevertheless, we have ensured that we have a number of suppliers with substitute, or alternative, technologies that we can rely on if one supplier cannot meet our requirements or timescales. This indicates that we have managed the supply chain well.
- Software sales though continue to be the dominant element of our overall GII and hence are not inherently affected by cross-border issues.

**Climate change risks**

The Group does not believe that the effects of climate change will have a material impact on its operations and performance over the going concern assessment period. Climate risks are considered fully in the Task Force on Climate-related Financial Disclosures (TCFD) included in the Annual Report.

**Liquidity and financing position**

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

The consolidated balance sheet shows net current assets of £38.2 million at year end; this amount is after the Group paid final and special dividends for the prior year totalling £35.4 million and an interim dividend for the current year of £7.5 million. Post year end the Group has remained cash positive and this is expected to remain the case with continued profitable operations in the future and customer receipts collected ahead of making the associated supplier payments.

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

**Approach to cash flow forecasts and downside testing**

The going concern analysis reflects the actual trading experience through the financial year to date, Board-approved budgets to 28 February 2026 and detailed financial forecasts for the period up to 31 August 2026, being the going concern assessment period. The Group has taken a measured approach to its forecasting and has balanced the expected trading conditions with available opportunities.

In its assessment of going concern, the Board has considered the potential impact of the current economic conditions and geopolitical environment as described above. If any of these factors leads to a reduction in spending by the Group's customers, there may be an adverse effect on the Group's future GII, GP, operating profit, and debtor collection periods. Under such downsides, the Board has factored in the extent to which they might be offset by reductions in headcount, recruitment freezes and savings in pay costs (including commissions and bonuses). As part of the stressed scenario, where only partial mitigation of downsides is possible, the Board confirmed that the RCF would not need to be used during the going concern period up to 31 August 2026.

**Details of downside testing**

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

- Base case was forecast using the Board-approved budget for the year ending 28 February 2026 and extended across the first six months of the following year to 31 August 2026.
- Downside case 1, Severe but plausible, modelled gross invoiced income reducing by 10% year on year, gross profit reducing by 15% year on year and debtor collection periods extending by five days, in each case effective from June 2025.

- Downside case 2, Stressed, modelled both gross invoiced income and gross profit reducing by 30% year on year and debtor collection periods extending by ten days, again in each case effective from June 2025.
- Partial mitigation measures modelled immediate “self-mitigating” reduction of commission in line with falling gross profit, freezing recruitment of new heads and not replacing natural leavers from September 2025, freezing future pay from March 2026 (as current year rises are already committed) and freezing rises in general overheads from March 2026.
- Full mitigation measures modelled additional headcount reductions from March 2026, in line with falling gross profit.

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

- those relating to headcount freezes or reductions could be implemented even more quickly than indicated above to respond to downward trends as, considering the sudden and significant falls in profitability and cash collections modelled under both downsides, we would not wait for a full three months before taking any action.
- we would also be able to take more action to lower our operating cost base, given the flexibility of our business model.
- a natural reduction in the level of shareholder dividends would follow, in line with the modelled reductions in profit after tax.

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

Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period and therefore with no requirement to call upon the revolving credit facility and remaining compliant with the facility covenants. Dividends are forecast to continue to be paid in line with the Group’s dividend policy to distribute 40–50% of the post-tax pre-exceptional earnings to shareholders.

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

**Going concern conclusion**

Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 31 August 2026, being the going concern assessment period. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

**1.4 Critical accounting estimates and judgements**

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group’s accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

*(i) Critical estimates and judgements*

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

*(ii) Other estimates and judgements*

Areas involving non-critical accounting estimates and judgements are:

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

When recognising revenue, the Group is required to assess whether its role in satisfying its various performance obligations is to provide the goods or services themselves (in which case it is considered to be acting as principal) or arrange for a third party to provide the goods or services (in which case it is considered to be acting as agent). Where it is considered to be acting as principal, the Group recognises revenue at the gross amount of consideration to which it expects to be entitled. Where it is considered to be acting as agent, the Group recognises revenue at the amount of any fee or commission to which it expects to be entitled or the net amount of consideration that it retains after paying the other party.

To determine the nature of its obligation, the standard primarily requires that an entity shall:

- Identify the specified goods or services to be provided to the customer
- Assess whether it controls each specified good or service before that good or service is transferred to the customer by considering if it:
  - is primarily responsible for fulfilling the promise to provide the specified good or service
  - has inventory risk before the specified good or service has been transferred to a customer
  - has discretion in establishing the price for the specified good or service.

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

The Group considers the determination of principal versus agent to be well established within the business processes. Therefore management has concluded that the level of judgement is no longer considered to be significant.

## Notes to the consolidated financial statements continued

**1.4 Critical accounting estimates and judgements**  
*continued*

- *Estimation of recoverable amount of goodwill (see notes 1.15 and 11).*  
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.15. The recoverable amounts of the relevant cash generating units (CGUs) have been determined based on value-in-use calculations in respect of future forecasts which require the use of assumptions. The growth rates used in the short-term forecasts are based on historical growth rates achieved by the Group and longer-term cash flow forecasts (beyond a five-year period) are extrapolated using the estimated growth rates disclosed in note 11. The forecast cash flows are discounted, at the rates disclosed in note 11, to determine the CGUs value in use. The sensitivity of changes in the estimated growth rates and the discount rate are disclosed in note 11.
- *Provisions (see note 1.24).*  
IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be recognised when an entity has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. If any of the conditions for recognition are not met, no provision is recognised, and an entity may instead have a contingent liability. Contingent liabilities are not recognised, but explanatory disclosures are required, unless the possibility of an outflow in settlement is remote. The Group makes provision for future tax liabilities and assets in relation to its unexercised share options. This requires judgement to be made in respect of the Group share price at the time of exercise which crystallises the future liability or asset.
- *Property, plant and equipment (see note 1.20).*  
The Group classifies owner occupied properties as property, plant and equipment. Where tenancies were assumed upon acquisition of the properties and rental income are earned, this requires judgement as to whether the properties are property, plant and equipment or investment property taking into account the evaluation of terms and conditions of the arrangement and intention of future use.
- *Estimation of recoverable amount of investment in associate (see note 12).*  
The Group tests annually whether its investment in associate has suffered any impairment, in accordance with the accounting policy stated in note 1.15 Impairment of non-financial assets. The recoverable amount of the Group's investment has been estimated based on value-in-use calculations in respect of future forecasts which require the use of assumptions. The growth rates used in the short-term forecasts are based on historical growth rates achieved and longer-term cash flow forecasts (beyond a five-year period) are extrapolated using the estimated growth rates disclosed in note 12. The forecast cash flows are discounted, at the rates disclosed in note 12, to determine the value-in-use. The sensitivity of changes in these rates are disclosed in note 12.

**1.5 New standards, interpretations and amendments adopted by the Group***(a) New and amended standards adopted by the Group*

The Group has applied the following standard or amendments for the first time in the annual reporting period commencing 1 March 2024:

- Classification of liabilities as current or non-current – Amendments to IAS 1
- Non-current liabilities with covenants – Amendments to IAS 1
- Lease liability in a sale and leaseback – Amendments to IFRS 16
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7

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

*(b) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 28 February 2025 and have not been adopted early by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

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

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

**1.6 Principles of consolidation***1.6.1 Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 1.6.2 Associate

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

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

### 1.7 Segment reporting

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

### 1.8 Finance income and costs

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

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

### 1.9 Foreign currency translation

#### (i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the statement of profit or loss on a net basis, within 'other gains/(losses)'.

### 1.10 Revenue recognition

#### Revenue recognition principles across all revenue streams

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

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

#### Software

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

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

## Notes to the consolidated financial statements continued

**1.10 Revenue recognition continued**

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

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

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

**Hardware – resale of hardware products**

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

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

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

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

ongoing set of managed service or support contract deliverables over a contract term which may be multi-year.

When selling internally provided services, the Group acts as principal as there are no other parties involved in the process. Revenue is recognised at the gross amount receivable from the customer for the services provided. The Group recognises revenue from internally provided consulting services on an over-time basis, unless they are short term one-off projects. This is because the customer benefits from the Group's activities as the Group performs them. Where one-off projects are completed in less than a month the revenue is recognised when the work has been completed and the customer has confirmed all performance conditions have been satisfied. For longer service projects extending over more than one month the Group applies an inputs basis by reference to the hours expended to the measurement date, and the day rates specified in the contract, subject to sign off of milestones agreed with the customer. For managed services and support contracts the revenue is recognised evenly over the contract term.

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

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

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

**1.11 Contract costs, assets and liabilities****Contract costs****Incremental costs of obtaining a contract**

The Group recognises the incremental costs of obtaining a contract when those costs are incurred. For revenue recognised on a point-in-time basis, this is consistent with the transfer of the goods or services to which those costs relate. For revenue recognised on an over-time basis, the Group applies the practical expedient available in IFRS 15 and recognises the costs as an expense when incurred because the amortisation period of the asset that would otherwise be recognised is less than one year.

### Costs to fulfil a contract

The Group recognises the costs of fulfilling a contract when those costs are incurred. This is because the nature of those costs does not generate or enhance the Group's resources in a way that enables it to satisfy its performance obligations in the future and those costs do not otherwise qualify for recognition as an asset.

#### Contract assets

The Group recognises a contract asset for accrued revenue. Accrued revenue is revenue recognised from performance obligations satisfied in the period that has not yet been invoiced to the customer.

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

#### Contract liabilities

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

### 1.12 Incentives from suppliers

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

#### Rebates from software and hardware sales

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

#### Fees from software sales

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

#### Fees from service engagements

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

### 1.13 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

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

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

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

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

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

## Notes to the consolidated financial statements continued

**1.14 Leases***Group as a lessee*

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

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

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

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

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

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

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

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

**Depreciation**

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

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

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

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

*Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising accounted for on a straight-line basis over the lease term and is included in the statement of profit or loss.

**1.15 Impairment of non-financial assets**

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

**1.16 Cash and cash equivalents**

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

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

**1.17 Trade receivables**

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

**1.18 Inventories**

Inventories are measured at the lower of cost and net realisable value considering market conditions and technological changes. Cost is determined on the first-in first-out and weighted average cost methods. Work and contracts in progress and finished goods include direct costs and an appropriate portion of attributable overhead expenditure based on normal production capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**1.19 Financial instruments**

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

*Recognition*

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

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

*Classification*

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

Financial assets are classified as follows:

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

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

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

*Measurement on initial recognition*

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

*Subsequent measurement: financial assets*

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

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

*Subsequent measurement: financial liabilities*

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

*Derecognition*

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

## Notes to the consolidated financial statements continued

**1.19 Financial instruments continued***Impairment*

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

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

The expected credit loss (ECL) rates are based on the payment profiles of sales over a 12-month period before 28 February 2025, 29 February 2024, and 1 March 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are reviewed and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

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

*Derivatives*

Derivatives are initially recognised at fair value on the date that a derivative contract is entered into as either a financial asset or financial liability if they are considered material. Derivatives are subsequently remeasured to their fair value at the end of each reporting period, with the change in fair value being recognised in profit or loss.

**1.20 Property, plant and equipment***Owned assets*

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

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

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

*Subsequent costs*

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

*Depreciation*

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

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

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

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

**1.21 Intangible assets***Goodwill*

Goodwill is measured as described in note 1.15. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

**Brands and customer relationships**

Brands and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

The useful lives for the brands and customer relationships are as follows:

- Customer relationships, 10 years
- Brands, 5 years.

**Software**

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- There is an ability to use or sell the software
- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available
- The expenditure attributable to the software during its development can be reliably measured.

The useful lives for software is 2 to 8 years.

**Research and development**

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

**1.22 Trade and other payables**

Trade payables, sundry creditors and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are accounted for in accordance with the accounting policy for financial liabilities as included above. Amounts received from customers in advance, prior to confirming the goods or services required, are recorded as other payables. Upon delivery of the goods and services, these amounts are recognised in revenue. Other payables are stated at their nominal values.

**1.23 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is

probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

**1.24 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation because of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**1.25 Employee benefits**

**Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**Post-employment obligations**

The Group operates various defined contribution plans for its employees. Once the contributions have been paid, the Group has no further payment obligations. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

**Share-based payments**

**Equity settled share-based payment incentive scheme**

Share-based compensation benefits are provided to particular employees of the Group through the Bytes Technology Group plc share option plans. Information relating to all schemes is provided in note 27.

## Notes to the consolidated financial statements continued

**1.25 Employee benefits continued****Employee options**

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

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

**1.26 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**1.27 Dividends**

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

**1.28 Earnings per share***(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to consider:

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

**1.29 Rounding of amounts**

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

## 2 Segmental information

### 2(a) Description of segment

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

### 2(b) Adjusted operating profit

Adjusted operating profit is an alternative performance measure which excludes the effects of acquired intangible assets amortisation and share-based payment charges. It is used as one of the performance measures determining executive bonus payments in the current and prior reporting periods. It reconciles to operating profit as follows:

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

## 3 Revenue from contracts with customers

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

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

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

#### Software

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

#### Hardware

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

#### Services internal

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

#### Services external

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

Revenue by geographical regions	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
United Kingdom	<b>209,854</b>	199,912
Europe	<b>4,112</b>	4,326
Rest of world	<b>3,168</b>	2,783
	<b>217,134</b>	207,021

## Notes to the consolidated financial statements continued

**3 Revenue from contracts with customers continued****3(b) Gross invoiced income by type**

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

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

**4 Material administrative expenses**

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

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

**5 Employees**

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

<sup>1</sup> Directors' remuneration is included in the directors' remuneration report on pages 112 to 130.

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
<b>The average monthly number of employees during the year was:</b>		
Sales – account management	378	335
Sales – support and specialists	251	228
Service delivery	290	263
Administration	231	202
	<b>1,150</b>	<b>1,028</b>

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

## 6 Auditors' remuneration

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

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

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

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

## 7 Finance income and costs

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

1 Interest received on cash deposited on money market.

## Notes to the consolidated financial statements continued

**8 Income tax expense**

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

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

**Reconciliation of total tax charge**

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

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

<sup>1</sup> Prorated rate for change in tax rate from 19% to 25% on 1 April 2023.

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
<b>Amounts recognised directly in equity</b>		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited/(charged) to equity:		
Deferred tax: share-based payments	(160)	407
Current tax: share-based payments	31	491
	<b>(129)</b>	<b>898</b>

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

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
<b>Deferred tax asset – net</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Intangible assets	(568)	(788)
Property, plant and equipment	(2,088)	(1,059)
Employee benefits	6	1
Provisions	74	73
Share-based payments	2,635	2,607
	<b>59</b>	<b>834</b>
	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
<b>Net deferred tax asset reconciliation</b>		
At 1 March	<b>834</b>	(635)
Intangible assets	<b>220</b>	220
Property, plant and equipment	<b>(1,029)</b>	(175)
Employee benefits	<b>5</b>	(2)
Provisions	<b>1</b>	8
Share-based payments	<b>188</b>	1,011
(Charge)/credit to profit or loss	<b>(615)</b>	1,062
Share-based payments	<b>(160)</b>	407
(Charge)/credit to equity	<b>(160)</b>	407
Carrying amount at end of year	<b>59</b>	<b>834</b>

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.

## Notes to the consolidated financial statements continued

**9 Property, plant and equipment**

	Freehold land and buildings £'000	Computer equipment £'000	Furniture, fittings and equipment £'000	Computer software £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 March 2023	9,405	4,339	1,313	1,017	104	16,178
Additions	373	692	11	249	9	1,334
Disposals	–	(25)	–	–	(27)	(52)
At 29 February 2024	9,778	5,006	1,324	1,266	86	17,460
Additions	5,760	549	46	–	3	6,358
Disposals	–	(1)	–	–	(24)	(25)
<b>At 28 February 2025</b>	<b>15,538</b>	<b>5,554</b>	<b>1,370</b>	<b>1,266</b>	<b>65</b>	<b>23,793</b>
<b>Depreciation</b>						
At 1 March 2023	2,516	3,469	1,043	698	72	7,798
On disposals	–	(25)	–	–	(27)	(52)
Charge for the year	421	584	51	163	17	1,236
At 29 February 2024	2,937	4,028	1,094	861	62	8,982
On disposals	–	(1)	–	–	(24)	(25)
Charge for the year	384	600	47	211	13	1,255
<b>At 28 February 2025</b>	<b>3,321</b>	<b>4,627</b>	<b>1,141</b>	<b>1,072</b>	<b>51</b>	<b>10,212</b>
<b>Net book value</b>						
At 29 February 2024	6,841	978	230	405	24	8,478
<b>At 28 February 2025</b>	<b>12,217</b>	<b>927</b>	<b>229</b>	<b>194</b>	<b>14</b>	<b>13,581</b>

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

**10 Leases****Group as a lessee**

*Amounts recognised in the balance sheet*

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

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

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

*Amounts recognised in the statement of profit or loss*

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

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

*Changes in liabilities arising from financing activities*

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

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

**Group as a lessor**

*Contractual maturity of undiscounted operating lease receipts*

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

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

## Notes to the consolidated financial statements continued

## 11 Intangible assets

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

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

**Determination of recoverable amount**

The carrying value of indefinite useful life intangible assets, being goodwill, are tested annually for impairment. For each CGU and for all periods presented, the Group has assessed that the value in use represents the recoverable amount. The future expected cash flows used in the value-in-use models are based on management forecasts, over a five-year period, and thereafter a reasonable rate of growth is applied based on current market conditions. The recoverable amount of Bytes Software Services and Phoenix Software is estimated to be £755.3 million and £245.7 million respectively. For the purpose of impairment assessments of goodwill, the goodwill balance is allocated to the operating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

A summary of the goodwill per CGU, as well as assumptions applied for impairment assessment purposes, is presented below:

	Long-term growth rate %	Discount rate %	Goodwill carrying amount £'000
<b>28 February 2025</b>			
Bytes Software Services	2	9.20	14,775
Phoenix Software	2	9.20	22,718
			<b>37,493</b>
<b>29 February 2024</b>			
Bytes Software Services	2	9.15	14,775
Phoenix Software	2	9.15	22,718
			37,493

### Growth rates

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

### Discount rates

Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU. Post-tax discount rates have been applied. The difference between the value-in-use calculated using the post-tax discount rates and the value-in-use calculated using pre-tax discount rates is not material.

### Sensitivities

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

	Bytes Software Services £'000	Phoenix Software £'000
<b>28 February 2025</b>		
Headroom	<b>702,044</b>	<b>212,605</b>
1% increase in the post-tax discount rate applied to the forecast future cash flows	<b>(94,207)</b>	<b>(31,522)</b>
1% decrease in the post-tax discount rate applied to the forecast future cash flows	<b>124,953</b>	<b>41,843</b>
0.5% increase in the terminal growth rate	<b>44,492</b>	<b>14,940</b>
0.5% decrease in the terminal growth rate	<b>(38,714)</b>	<b>(13,000)</b>
	Bytes Software Services £'000	Phoenix Software £'000
<b>29 February 2024</b>		
Headroom	688,344	273,935
1% increase in the post-tax discount rate applied to the forecast future cash flows	(97,592)	(38,628)
1% decrease in the post-tax discount rate applied to the forecast future cash flows	129,792	51,351
0.5% increase in the terminal growth rate	46,379	18,323
0.5% decrease in the terminal growth rate	(40,316)	(15,928)

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

## 12 Investment in an associate

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

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Current assets	<b>7,980</b>	8,302
Non-current assets	<b>108</b>	123
Current liabilities	<b>(5,016)</b>	(6,078)
Non-current liabilities	<b>(771)</b>	(11)
<b>Equity</b>	<b>2,301</b>	2,336
Group's share in equity – 25.1%	<b>578</b>	586
Goodwill	<b>2,607</b>	2,607
Group's carrying amount of the investment	<b>3,185</b>	3,193

## Notes to the consolidated financial statements continued

**12 Investment in an associate continued**

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Revenue	28,920	13,851
Cost of sales	(26,755)	(11,789)
Administrative expenses	(2,340)	(1,171)
Finance costs	(56)	(6)
<b>Profit before tax</b>	<b>(231)</b>	885
Income tax expense	198	(222)
<b>Profit for the period</b>	<b>(33)</b>	663
Group's share of profit for the period	<b>(8)</b>	166

The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date. The associate had no contingent liabilities or capital commitments as at 28 February 2025.

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

**13 Contract assets**

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

Contract assets include £1.7 million (2024: £2.4 million) of deferred costs relating to internal services contracts, and the recognition of accrued revenue of £10.0 million (2024: £12.0 million) for certain large software orders where performance obligations were satisfied in the period but not yet invoiced to the customer at the period end.

## 14 Contract liabilities

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

During the year, the Group recognised £19.3 million (2024: £23.9 million) of revenue that was included in the contract liability balance at the beginning of the period. This liability arises where revenue has been deferred when the customer is invoiced before the related performance obligations of the contract are satisfied, and the deferral of certain large payments received in advance from customers.

## 15 Inventories

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Inventories	14	60
	14	60

Inventories include asset management subscription licences purchased in advance for a specific customer that as yet haven't been consumed. Inventories recognised as an expense in cost of sales during the year amounted to £46,000 (29 February 2024: £nil).

## 16 Financial assets and financial liabilities

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

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

The Group holds the following financial instruments:

Financial assets	Note	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Financial assets at amortised cost:			
Trade receivables	17	259,224	212,432
Other receivables	17	6,917	7,415
		266,141	219,847
Financial liabilities	Note	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Financial liabilities at amortised cost:			
Trade and other payables – current, excluding payroll tax and other statutory tax liabilities	19	301,669	259,661
Lease liabilities	10	1,937	1,737
		303,606	261,398

The Group's exposure to various risks associated with the financial instruments is discussed in note 23. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Notes to the consolidated financial statements continued

**17 Trade and other receivables**

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

*(i) Classification of trade receivables*

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies are provided in note 1.19.

*(ii) Fair values of trade receivables*

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

*(iii) Credit risk*

**Ageing and impairment analysis (excluding finance lease assets)**

28 February 2025	Current £'000	Past due 0 to 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 120 days £'000	Past due 121 to 365 days £'000	Total £'000
Expected loss rate	0.07%	0.26%	2.90%	10.93%	44.84%	
Gross carrying amount – trade receivables	<b>232,118</b>	<b>17,495</b>	<b>5,201</b>	<b>4,189</b>	<b>1,880</b>	<b>260,883</b>
<b>Loss allowance</b>	<b>162</b>	<b>45</b>	<b>151</b>	<b>458</b>	<b>843</b>	<b>1,659</b>
29 February 2024	Current £'000	Past due 0 to 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 120 days £'000	Past due 121 to 365 days £'000	Total £'000
Expected loss rate	0.07%	0.41%	4.16%	7.62%	80.02%	
Gross carrying amount – trade receivables	180,289	23,688	4,994	3,744	2,207	214,922
Loss allowance	134	97	208	285	1,766	2,490

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

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
<b>Trade receivables</b>		
Opening loss allowance at 1 March	<b>2,490</b>	1,542
(Decrease)/increase in loss allowance recognised in profit or loss during the period	<b>(108)</b>	1,227
Receivables written off during the year as uncollectable	<b>(723)</b>	(279)
Closing loss allowance	<b>1,659</b>	2,490

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

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

*(iv) Other receivables*

Other receivables include accrued rebate and other vendor incentive income of £5.6 million (2024: £5.7 million).

## 18 Cash and cash equivalents

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

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

## 19 Trade and other payables

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

Trade payables are unsecured and are usually paid within 45 days of recognition. Accrued expenses includes accruals for purchase invoices not received and other accrued costs such as bonuses and commissions payable at year end.

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

## 20 Share capital and share premium

Allotted, called up and fully paid	Number of shares	Nominal value £'000	Share premium £'000	Total £'000
At 1 March 2023	239,482,333	2,395	633,636	636,031
Shares issued during the year	874,565	9	14	23
At 29 February 2024	240,356,898	2,404	633,650	636,054
Shares issued during the year	711,367	7	2,782	2,789
<b>At 28 February 2025</b>	<b>241,068,265</b>	<b>2,411</b>	<b>636,432</b>	<b>638,843</b>

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

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

Notes to the consolidated financial statements continued

**21 Merger reserve**

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

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

**22 Cash generated from operations**

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

**23 Financial risk management**

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year consolidated profit or loss and statement of financial position information has been included where relevant to add further context.

Management monitors the liquidity and cash flow risk of the Group carefully. Cash flow is monitored by management on a regular basis and any working capital requirement is funded by cash resources or access to the revolving credit facility.

The main financial risks arising from the Group's activities are credit, liquidity and currency risks. The Group's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made. The Group's approach to credit risk is disclosed in note 17.

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

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

**23(a) Derivatives**

Derivatives are only used for economic hedging purposes and not speculative investments.

The Group has taken out forward currency contracts during the periods presented but has not recognised either a forward currency asset or liability at each period end as the fair value of the foreign currency forwards is considered to be immaterial to the consolidated financial statements due to the low volume and short-term nature of the contracts. Similarly, the amounts recognised in profit or loss in relation to derivatives were considered immaterial to disclose separately.

## 23(b) Foreign exchange risk

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

	As at 28 February 2025			As at 29 February 2024		
	USD £'000	EUR £'000	NOK £'000	USD £'000	EUR £'000	NOK £'000
Trade receivables	11,348	3,945	–	10,247	2,661	–
Cash and cash equivalents	3,627	155	–	176	1,647	–
Trade payables	(18,663)	(3,529)	(53)	(16,640)	(4,253)	(580)
	<b>(3,688)</b>	<b>571</b>	<b>(53)</b>	<b>(6,217)</b>	<b>55</b>	<b>(580)</b>

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

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

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

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Total net foreign exchange losses in profit or loss	<b>55</b>	<b>137</b>

## 23(c) Liquidity risk

### (1) Cash management

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. The Group generates positive cash flows from operating activities and these fund short-term working capital requirements. The Group aims to maintain significant cash reserves and none of its cash reserves is subject to restrictions. Access to cash is not restricted and all cash balances could be drawn on immediately if required. Management monitors the levels of cash deposits carefully and is comfortable that for normal operating requirements; no further external borrowings are currently required.

At 28 February 2025, the Group had cash and cash equivalents of £113.1 million, see note 18. Management monitors rolling forecasts of the Group's liquidity position (which comprises its cash and cash equivalents) on the basis of expected cash flows generated from the Group's operations. These forecasts are generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group and take into account certain down-case scenarios.

### (2) Revolving Credit Facility

On 17 May 2023 the Group entered into a new three-year committed Revolving Credit Facility (RCF) for £30 million including an optional one-year extension to 17 May 2027, and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity. The new facility incurred an arrangement fee of £0.1 million, being 0.4% of the new funds available. The Group has so far not drawn down any amount on either the previous or new facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a prepayment and amortised over the initial three-year period of the facility. The facility also incurs a commitment fee and utilisation fee, both of which are payable quarterly in arrears. Under the terms of both the previous and new facilities, the Group is required to comply with the following financial covenants:

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

The Group has complied with these covenants throughout the reporting period. As at 28 February 2025 and 29 February 2024, the Group had net finance income and has therefore complied with the interest cover covenant. The Group has been in a net cash position as at 28 February 2025 and 29 February 2024 and has therefore complied with the Net debt to EBITDA covenant.

## Notes to the consolidated financial statements continued

**23 Financial risk management continued****(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:

			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
<b>28 February 2025</b>	<b>Note</b>							
<b>Trade and other payables</b>	<b>19</b>		<b>301,669</b>	–	–	–	<b>301,669</b>	<b>301,669</b>
<b>Lease liabilities</b>	<b>10</b>		<b>726</b>	<b>689</b>	<b>627</b>	–	<b>2,042</b>	<b>1,937</b>
			<b>302,395</b>	<b>689</b>	<b>627</b>	–	<b>303,711</b>	<b>303,606</b>
<b>29 February 2024</b>	<b>Note</b>							
Trade and other payables	19		259,660	–	–	–	259,660	259,660
Lease liabilities	10		495	495	869	–	1,859	1,737
			260,155	495	869	–	261,519	261,397

**24 Capital management****24(a) Risk management**

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of shareholders. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. To ensure an appropriate return for shareholders' capital invested in the Group, management thoroughly evaluates all material revenue streams, relationships with key vendors and potential acquisitions and approves them by the Board, where applicable. The Group's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows. The Group's dividend policy is to distribute 40–50% of the Group's post-tax pre-exceptional earnings to shareholders in respect of each financial year. Subject to any cash requirements for ongoing investment, the Board will consider returning excess cash to shareholders over time.

**24(b) Dividends**

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

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

The Board has proposed a final ordinary dividend of 6.9 pence and a special dividend of 10.0 pence per share for the year ended 28 February 2025 to be paid to shareholders on the register as at 11 July 2025. The aggregate of the proposed dividends expected to be paid on 25 July 2025 is £40.7 million. The proposed dividends per ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability in the consolidated financial statements.

## 25 Capital commitments

At 28 February 2025, the Group had £Nil capital commitments (29 February 2024: £Nil).

## 26 Related-party transactions

In the ordinary course of business, the Group carries out transactions with related parties, as defined by IAS 24 Related Party Disclosures. Apart from those disclosed elsewhere in the consolidated financial statements, material transactions for the year are set out below:

### 26(a) Transactions with key management personnel

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

#### Compensation of key management personnel of the Group

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

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Short-term employee benefits	4,591	3,653
Post-employment pension benefits	121	97
<b>Total compensation paid to key management</b>	<b>4,712</b>	<b>3,750</b>

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

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

Share-based payment charges include £1,570,816 (2024: £1,257,326) in respect of key management personnel, refer to note 27 for details on the Group's share-based payment incentive schemes.

### 26(b) Subsidiaries and associates

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

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

Group companies made purchases from the associate of £4.9 million (2024: £3.1 million) and sales to the associate of £0.1 million (2024: £nil) during the year with a trade payable balance of £0.1 million (2024: £0.5 million) at the year end.

## 27 Share-based payments

The Group accounts for its share option awards as equity-settled share-based payments. The fair value of the awards granted is recognised as an expense over the vesting period. The amount recognised in the share-based payment reserve will be reversed to retained earnings as and when the related awards vest and are exercised by employees. As noted in the prior year Annual Report, one third of the annual bonus for the financial year ended 28 February 2025 awarded to each of the Company's executive directors is deferred in shares for two years. This deferral has resulted in the granting of the awards under the Deferred Bonus Plan during the year.

#### Performance Incentive Share Plan

Options granted under the Performance Incentive Share Plan (PISP) are for shares in Bytes Technology Group plc. The exercise price of the options is a nominal amount of £0.01. Performance conditions attached to the awards granted in the current year are employee-specific, in addition to which, options will only vest if certain employment conditions are met. The fair value of the share options is estimated at the grant date using a Monte Carlo option pricing model for the element with market conditions and Black-Scholes option-pricing model for non-market conditions. The normal vesting date shall be no earlier than the third anniversary of the grant date and not later than the day before the tenth anniversary of the grant date. There is no cash settlement of the options available under the scheme. During the year the Group granted 961,569 (2024: 1,195,700) options. For the year ended 28 February 2025, 47,463 (2024: 298,561) options were forfeited, 57,583 options were exercised (2024: 819,416) and no options expired.

## Notes to the consolidated financial statements continued

**27 Share-based payments continued****Company Share Option Plan**

Options granted under the Company Share Option Plan (CSOP) are for shares in Bytes Technology Group plc. The exercise price of the options granted in the current year was determined by the average of the last three dealing days prior to the date of grant. There are no performance conditions attached to the awards, but options will only vest if certain employment conditions are met. The fair value at grant date is estimated at the grant date using a Black–Scholes option-pricing model. The normal vesting date shall be no earlier than the third anniversary of the grant date and not later than the day before the tenth anniversary of the grant date. There is no cash settlement of the options available under the scheme. During the year the Group granted no (2024: nil) options. For the year ended 28 February 2025, 174,897 (2024: 176,600) options were forfeited, 217,000 (2024: nil) options were exercised and no options expired.

**Save as You Earn Scheme**

Share options were granted to eligible employees under the Save As You Earn Scheme (SAYE) during the year. Under the SAYE scheme, employees enter a three-year savings contract in which they save a fixed amount each month in return for their SAYE options. At the end of the three-year period, employees can either exercise their options in exchange for shares in Bytes Technology Group plc or have their savings returned to them in full. The exercise price of the options represents a 20% discount to the exercise price of the CSOP awards. The fair value at grant date is estimated using a Black–Scholes option-pricing model. There is no cash settlement of the options. During the year the Group granted 449,394 (2024: 337,890) options. For the year ended 28 February 2025, 214,641 (2024: 213,832) options were forfeited, 425,868 (2024: 3,625) options were exercised and 32,865 (2024: nil) options expired.

**Deferred Bonus Plan**

Options granted under the Deferred Bonus Plan (DBP) are for shares in Bytes Technology Group plc. The exercise price of the options is a nominal amount of £0.01. There are no performance conditions attached to the awards, but options will only vest if certain employment conditions are met. The fair value at grant date is estimated at the grant date using a Black–Scholes option-pricing model. The normal vesting date shall be no earlier than the second anniversary of the grant date. During the year the Group granted 16,675 (2024: 45,365) options. For the year ended 28 February 2025, no (2024: 50,526) options were forfeited and 10,916 options were exercised. No options expired in the current or prior period.

**Share-based payment employee expenses**

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

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

**Movements during the year**

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

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

<sup>1</sup> The weighted average share price at date of exercise was £5.09 (2024: £5.85).

The weighted average expected remaining contractual life for the share options outstanding at 28 February 2025 was 1.53 years (2024: 2.2 years). The weighted average fair value of options granted during the year was £3.93 (2024: £4.21). The range of exercise prices for options outstanding at the end of the year was £0.01 to £5.00 (2024: £0.01 to £5.00).

The tables below list the inputs to the models used for the awards granted under the below plans for the years ended 28 February 2025 and 29 February 2024:

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

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

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

## 28 Earnings per share

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

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

Notes to the consolidated financial statements continued

**28 Earnings per share continued**

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

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

<sup>1</sup> Share options

Share options granted to employees under the Save As You Earn Scheme, Company Share Option Plan and Bytes Technology Group plc performance incentive share plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share on the basis that all employees are employed at the reporting date, and to the extent that they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the share options are disclosed in note 27.

**28(b) Headline earnings per share**

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

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

**28(c) Adjusted earnings per share**

Adjusted earnings per share is an alternative performance measure used as a target for the PSP awards made in 2022, 2023 and 2024. It is calculated by dividing the adjusted profits attributable to ordinary shareholders by the total number of ordinary shares in issue at the end of the year. Adjusted profit is calculated by excluding the impact of the following items:

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

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

	Note	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Profits attributable to owners of the company		<b>54,841</b>	46,851
Adjusted for:			
– Amortisation of acquired intangible assets	4	<b>880</b>	880
– Deferred tax effect on above		<b>(220)</b>	(220)
– Share-based payment charges	27	<b>5,049</b>	5,708
– Deferred tax effect on above		<b>(188)</b>	(1,011)
Adjusted profits attributable to owners of the company		<b>60,362</b>	52,208

## 29 Subsidiaries

The Group's subsidiaries included in the consolidated financial statements are set out below. The country of incorporation is also their principal place of business.

Name of entity	Country of incorporation	Ownership interest	Principal activities
Bytes Technology Holdco Limited <sup>1</sup>	UK	100%	Holding company
Bytes Technology Limited	UK	100%	Holding company
Bytes Software Services Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sectors
Phoenix Software Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sectors
Blenheim Group Limited <sup>2</sup>	UK	100%	Dormant for all periods
License Dashboard Limited <sup>2</sup>	UK	100%	Dormant for all periods
Bytes Security Partnerships Limited <sup>2</sup>	UK	100%	Dormant for all periods
Bytes Technology Group Holdings Limited <sup>2</sup>	UK	100%	Dormant for all periods
Bytes Technology Training Limited <sup>2</sup>	UK	100%	Dormant for all periods

<sup>1</sup> Bytes Technology Holdco Limited is held directly by the company. All other subsidiary undertakings are held indirectly by the company.

<sup>2</sup> Taken advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 28 February 2025.

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

## 30 Events after the reporting period

There were no events after the period that require disclosure.

# Parent company financial statements of Bytes Technology Group plc

## Company balance sheet

As at 28 February 2025

	Note	As at 28 February 2025 £'000	As at 29 February 2024 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	5	641,998	641,998
Property, plant and equipment	6	55	121
Deferred tax assets	4	320	141
<b>Total non-current assets</b>		<b>642,373</b>	642,260
<b>Current assets</b>			
Trade and other receivables	7	255	12,884
Cash and cash equivalents		62,394	40,421
<b>Total current assets</b>		<b>62,649</b>	53,305
<b>Total assets</b>		<b>705,022</b>	695,565
<b>Current liabilities</b>			
Trade and other payables	8	(2,106)	(7,860)
Current tax liability		(296)	(157)
<b>Total current liabilities</b>		<b>(2,402)</b>	(8,017)
<b>Total liabilities</b>		<b>(2,402)</b>	(8,017)
<b>Net assets</b>		<b>702,620</b>	687,548
<b>Equity</b>			
Share capital	10	2,411	2,404
Share premium	10	636,432	633,650
Share-based payment reserves		13,927	9,969
Retained earnings <sup>1</sup>		49,850	41,525
<b>Total equity</b>		<b>702,620</b>	687,548

<sup>1</sup> The profit for the company for the period was £50,077,000 (2024: £39,781,000).

The financial statements on pages 186 to 195 were approved by the Board on 12 May 2025 and signed on its behalf by:



**Sam Mudd**  
Chief Executive Officer



**Andrew Holden**  
Chief Financial Officer

## Company statement of changes in equity

For the year ended 28 February 2025

	Note	Attributable to owners of the company				Total £'000
		Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	
At 1 March 2023		2,395	633,636	7,052	35,594	678,677
Total comprehensive income for the year		–	–	–	39,781	39,781
Dividends paid		–	–	–	(36,641)	(36,641)
Shares issued during the year	10	9	14	–	–	23
Transfer to retained earnings		–	–	(2,791)	2,791	–
Share-based payment transactions		–	–	5,708	–	5,708
Balance at 29 February 2024		2,404	633,650	9,969	41,525	687,548
Total comprehensive income for the year		–	–	–	50,077	50,077
Dividends paid		–	–	–	(42,843)	(42,843)
Shares issued during the year	10	7	2,782	–	–	2,789
Transfer to retained earnings		–	–	(1,091)	1,091	–
Share-based payment transactions		–	–	5,049	–	5,049
<b>Balance at 28 February 2025</b>		<b>2,411</b>	<b>636,432</b>	<b>13,927</b>	<b>49,850</b>	<b>702,620</b>

# Notes to the financial statements

## 1 Accounting policies

The principal accounting policies applied are summarised below.

### 1.1 Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

The financial statements of Bytes Technology Group plc for the period ended 28 February 2025 were approved and signed by the Chief Executive Officer on 12 May 2025 having been duly authorised to do so by the Board. The company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with FRS 101 and in accordance with the provisions of the UK Companies Act 2006.

### 1.2 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Bytes Technology Group plc is a company incorporated in the UK under the Companies Act. The address of the registered office is provided on page 199. The company is the ultimate parent company and provides management services to subsidiary undertakings in respect of certain head office functions and requirements, which are recharged as the costs are incurred by the company.

The company's financial statements are included in the Bytes Technology Group plc consolidated financial statements for the period ended 28 February 2025.

These financial statements are separate financial statements.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101:

- The requirements of IFRS 7 Financial Instruments Disclosures
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- The requirement of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Where required, equivalent disclosures are given in the consolidated financial statements of Bytes Technology Group plc. As permitted by Section 408 of the Companies Act 2006, the income statement of the company is not presented as part of these financial statements.

### 1.3 Going concern

The ability of the company to continue as a going concern is contingent on the ongoing viability of the Group and its ability to continue as a going concern. The Group has prepared its going concern assessment and this is provided in note 1.3 in the notes to the financial statements included in the Bytes Technology Group plc consolidated financial statements. Having assessed the Group's overall assessment of going concern in relation to the company, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the company's financial statements.

### 1.4 Critical accounting estimates and judgements

The preparation of the 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 company's accounting policies.

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

The other areas involving accounting estimates are:

**Impairment of investment**

The investment in subsidiary is assessed annually to determine if there is any indication that the investment might be impaired. The recoverable amount is determined based on a value-in-use calculation and compared to the carrying value of the investment. The value-in-use calculation is based on forecasts approved by management. The cash flows beyond the forecast period are extrapolated using estimated long-term growth rates. The forecast cash flows are discounted at the company's discount rate. The recoverable value of the investment is estimated to be the sum of the recoverable values of the two principal operating companies within the Group of which the company is parent as disclosed in note 11 to the notes to the consolidated financial statements of the Group.

**1.5 Changes in accounting policy and disclosures**

*(a) New and amended standards adopted by the company*

The Group has applied the following standard or amendments for the first time in the annual reporting period commencing 1 March 2024:

- Classification of liabilities as current or non-current – Amendments to IAS 1
- Non-current liabilities with covenants – Amendments to IAS 1
- Lease liability in a sale and leaseback – Amendments to IFRS 16
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7

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

*(b) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 28 February 2025 and have not been adopted early by the company. These standards are not expected to have a material impact on the company in the current or future reporting periods.

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

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

**1.6 Investments**

Investments in subsidiary undertakings are included in the balance sheet at cost less any provision for impairment in value. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. Where these circumstances

have reversed, the impairment previously made is reversed to the extent of the original cost of the investment.

**1.7 Functional and presentation currency**

The financial statements are presented in pounds sterling (£), which is the company's functional and presentation currency. All transactions undertaken by the company are denominated in pounds sterling.

**1.8 Revenue recognition**

The company provides management services to subsidiary undertakings which are invoiced quarterly in arrears. Revenue from providing such services is recognised in the accounting period in which the services are rendered on an over time basis. In measuring its performance and the amount of revenue to be recognised, the company applies an inputs basis by reference to the costs incurred by the company and the hours expended by management for providing services to the measurement date.

**1.9 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 on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the UK. 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, on the basis of 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 financial statements. 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when 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.

## Notes to the financial statements continued

**1.10 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.

*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.

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

- IT software, three years.

The depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate.

**1.11 Trade and other receivables**

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.

**1.12 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. Cash and cash equivalents at 28 February 2025 includes short-term deposits of £62.3 million (2024: £nil).

**1.13 Financial instruments**

Financial instruments comprise investments in equity, loans receivable, trade and other receivables (excluding prepayments), investments, cash and cash equivalents, current loans, and trade and other payables.

*Recognition*

Financial assets and liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instruments.

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 company has an unconditional right to defer payment for more than 12 months from the reporting date.

*Classification*

The company 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 company'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 company changes its business model. In rare circumstances where the company does change its business model, reclassifications are done prospectively from the date that the company changes its business model.

Financial liabilities are classified and measured at amortised cost except for those derivative liabilities and contingent consideration 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 are subsequently measured at amortised cost using the effective interest method.

**Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company 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.

**Impairment**

The company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

**1.14 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. Other payables are stated at their nominal values.

**1.15 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.

**1.16 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 company operates various defined contribution plans for its employees. Once the contributions have been paid, the company 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.

**Share-based payments**

*Equity-settled share-based payment schemes*

Share-based compensation benefits are provided to particular employees of the Group through the Bytes Technology Group plc share option plans.

*Employee options*

The fair values of options granted under the Bytes Technology Group plc share option plans are recognised as employee benefit expenses in the entities of the Group in which the employees are contracted and providing their services. 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.

The company has a recharge arrangement with its subsidiaries whereby the company recharges the amount equal to the share-based payment charge to its subsidiaries according to the vesting schedule.

The share-based payment reserve comprises the fair value of share awards granted which are not yet exercised. The amount will be reversed to retained earnings as and when the related awards vest and are exercised by employees.

**1.17 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.

**1.18 Dividends**

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

**1.19 Rounding of amounts**

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

Notes to the financial statements continued

**2 Directors' remuneration**

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
<b>Remuneration of directors:</b>		
Directors' remuneration <sup>1</sup>	1,967	1,387
Social security costs	263	168
Pension costs	31	17
	<b>2,261</b>	<b>1,572</b>

1 Directors' remuneration

The amounts comprise fees paid to the non-executive directors and, for executive directors, salary and benefits earned for the period. Further information on directors' remuneration is provided in the directors' remuneration report on pages 112 to 130.

**3 Employee costs and numbers**

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
<b>Employee benefit expense:</b>		
Employee remuneration	912	774
Social security costs	109	96
Pension costs	28	25
	<b>1,049</b>	<b>895</b>

The average monthly number of employees during the period was:

	Year ended 28 February 2025 Number	Year ended 29 February 2024 Number
Administration	8	6
	<b>8</b>	<b>6</b>

**4 Income tax expense**

The major components of the company's income tax expense are:

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Current income tax charge in the year	606	157
Adjustment in respect of current income tax of previous years	(7)	–
<b>Total current income tax charge</b>	<b>599</b>	<b>157</b>
Deferred tax credit in the year	(186)	(113)
Adjustments in respect of prior year	7	(1)
Effect of changes in tax rates	–	(2)
<b>Deferred tax credit</b>	<b>(179)</b>	<b>(116)</b>
<b>Total tax charge</b>	<b>420</b>	<b>41</b>

## Reconciliation of total tax charge

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

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Profit before income tax	50,497	39,822
Income tax charge at the standard rate of corporation tax in the UK of 25% (2024: 24.49%) <sup>1</sup>	12,624	9,752
Effects of:		
Non-deductible expenses	46	(34)
Non-taxable income	(12,250)	(9,674)
Adjustments to previous periods	–	(1)
Effect of change in rate	–	(2)
<b>Income tax charge reported in profit or loss</b>	<b>420</b>	<b>41</b>

1 Prorated rate for change in the tax rate from 19% to 25% on 1 April 2023.

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
<b>Deferred tax assets</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Property, plant and equipment	(14)	(30)
Provisions	–	8
Share-based payments	334	163
	<b>320</b>	<b>141</b>

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
<b>Deferred tax assets</b>		
At 1 March	141	25
Credited to profit or loss	179	116
Carrying amount at end of year	<b>320</b>	<b>141</b>

## 5 Investment in subsidiaries

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Balance at 1 March 2023, 29 February 2024 and <b>28 February 2025</b>	<b>641,998</b>	641,998

### Subsidiary undertakings

A detailed listing of the company's direct and indirect subsidiaries is set out in note 29 in the notes to the financial information in the consolidated financial statements of the Group.

### Recoverable amount of investment in subsidiaries

The recoverable amount is estimated to be the recoverable amounts of the two principal operating subsidiaries disclosed in note 11 to the notes to the consolidated financial statements of the Group. This note also discloses the assumptions used in estimating the recoverable amounts and sensitivities performed. The Group considered that no reasonably possible change in assumptions will result in an impairment.

## Notes to the financial statements continued

**6 Property, plant and equipment**

	Computer software £'000	Total £'000
<b>Cost</b>		
At 1 March 2023, 29 February 2024 and <b>28 February 2025</b>	<b>198</b>	<b>198</b>
<b>Depreciation</b>		
At 1 March 2023	11	11
Charge for the year	66	66
At 29 February 2024	77	77
Charge for the year	66	66
<b>At 28 February 2024</b>	<b>143</b>	<b>143</b>
<b>Net book value</b>		
At 29 February 2024	121	121
<b>At 28 February 2025</b>	<b>55</b>	<b>55</b>

**7 Trade and other receivables**

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Amounts due from other Group companies	–	12,612
Prepayments	255	272
	<b>255</b>	<b>12,884</b>

**8 Trade and other payables**

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Trade and other payables	1,933	2,040
Amounts due to other Group companies <sup>1</sup>	173	5,820
	<b>2,106</b>	<b>7,860</b>

<sup>1</sup> Amounts due to other Group companies are unsecured, interest free and repayable on demand.

**9 Borrowings**

On 17 May 2023 the Group entered into a new three-year committed Revolving Credit Facility (RCF) for £30 million, including an optional one-year extension to 17 May 2027, and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity. The new facility incurred an arrangement fee of £0.1 million, being 0.4% of the new funds available. Neither the company, nor any of its subsidiaries, has drawn down any amount on either the previous or the new facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the 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. For further details on the RCF, see note 23(c) in the notes to the consolidated financial statements of the Group.

## 10 Share capital and share premium

<b>Ordinary shares Authorised, allotted, called up and fully paid</b>	<b>Number of shares</b>	<b>Nominal value £'000</b>	<b>Share premium £'000</b>	<b>Total £'000</b>
At 1 March 2023	239,482,333	2,395	633,636	636,031
Shares issued during the period	874,565	9	14	23
At and 29 February 2024	240,356,898	2,404	633,650	636,054
Shares issued during the period	711,367	7	2,782	2,789
<b>At 28 February 2025</b>	<b>241,068,265</b>	<b>2,411</b>	<b>636,432</b>	<b>638,843</b>

<sup>1</sup> 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 company. The company does not have a limited amount of authorised share capital.

## 11 Information included in the notes to the consolidated financial statements

Some of the information included in the notes to the consolidated financial statements is directly relevant to the financial statements of the company. Please refer to the following:

Note 6 – Auditors' remuneration

Note 24(b) – Dividends

Note 26(a) – Transactions with key management personnel

Note 27 – Share-based payments

Note 30 – Events after the reporting period