26 May 2021

Bytes Technology Group plc
(‘Bytes’, ‘the Group’)

Preliminary results

Record results driven by expanding customer base across both public and private sectors

Bytes Technology Group plc, one of the UK’s leading software, security, and cloud services specialists, today announces financial results for the 12 months ended 28 February 2021 (“FY21”).

Neil Murphy, Chief Executive Officer, said:

“This has been a landmark year for Bytes. At the start of the pandemic and throughout the remainder of the year, our colleagues maintained a high level of service to our customers, helping them to adapt to new working patterns. Our team of salespeople also worked hard to secure a raft of new contracts from customers across the private and public sectors. I would like to thank them for their efforts, which have resulted in a record-breaking year for us.

“During the period, we achieved a successful IPO which provides the Group with a strong platform to take advantage of the tremendous opportunities we see in the market. Our first set of results as a listed business show we are taking great strides in delivering on our long-term strategy for growth. Bytes’ recent inclusion in the FTSE 250 is further recognition of the progress we’ve made since listing, and we look forward to raising our profile with investors further.

“Looking ahead, we remain confident that Bytes is well-positioned to enhance its market share and capitalise on the exciting market opportunities ahead.”

Financial performance

£’million	**FY21** (12 months ended 28 Feb 2021)	**FY20** (12 months ended 29 Feb 2020)	**% change year-on-year**
Gross invoiced income[1]	£958.1m	£722.2m	33%
Revenue[2]	£393.6m	£373.1m	5%
Gross profit	£89.6m	£79.2m	13%
Adjusted operating profit[3]	£37.5m	£31.7m	18%
Adjusted operating profit/ gross profit	42%	40%	
Cash conversion[4]	131%	126%	
Adjusted earnings per share[5] *(pence)*	13.07	11.20	17%

[1] ‘Gross invoiced income’ (“GII”) is a non-IFRS alternative performance measure that reflects gross income billed to customers adjusted for deferred and accrued revenue items.

[2] ‘Revenue’ is reported in accordance with International Financial Reporting Standard (IFRS) 15, Revenue from Contracts with Customers. Under this standard the Group is required to exercise judgment to determine whether the Group is acting as principal or agent in performing its contractual obligations. Revenue in respect of contracts for which the Group is determined to be acting as an agent is recognised on a ‘net’ basis i.e., the gross profit achieved on the contract and not the gross income billed to the customer.

[3] ‘Adjusted operating profit’ is a non-IFRS alternative performance measure that excludes from operating profit the effects of significant items of income and expenditure, such as IPO costs, which are because of an isolated, non-recurring event. Intangible assets amortisation and the effects of share-based payment charges are also excluded. The reconciliation of adjusted operating profit to operating profit is set out in the Chief Financial Officer review below.

[4] 'Cash conversion rate' is a non-IFRS alternative performance measure that the Group defines as cash generated from operations, excluding IPO costs and less capital expenditure (together, 'free cash flow') divided by adjusted operating profit.

[5] 'Adjusted earnings per share' is a non-IFRS alternative performance measure that the Group calculates by dividing the adjusted operating profit after tax attributable to ordinary shareholders by the total number of ordinary shares in issue at the end of the year. The calculation is set out in note 29 of the financial statements.

Group highlights

- Strong performance, with gross invoiced income increasing 33% to £958.1 million (FY20: £722.2 million).

- Revenue growing by 5% to £393.6 million (FY20: £373.1 million)

- Gross profit growth of 13% to £89.6 million (FY20: £79.2 million)

- Record adjusted operating profit of £37.5 million (FY20: £31.7 million), representing growth of 18%.

- Expanded the customer base by 4% to 5,147 (FY20: 4,930), while increasing average gross profit per customer to £17,400 (FY20: £16,100).

- Cash conversion remained strong, resulting in a net cash position at 28 February 2021 of £20.7 million (FY20: £47.4 million) despite £48.6 million of pre-IPO dividends paid and £16.7 million of deferred consideration payments to acquire the B ordinary shares held by management in Bytes Technology Limited and Blenheim Group Limited

- Increased headcount by 13% to 685 (FY20: 608), demonstrating our continued investment in our staff to take advantage of strong growth opportunities in the coming years.

Current trading and outlook

Two months into the new financial year the Group has performed well, with gross profit in line with the Board's expectations and showing growth on the already strong prior year comparables, especially in public sector. We attribute this strong performance to high levels of customer satisfaction, effective sales execution and to a market which has seen IT spending remain robust through the pandemic. We continue to invest in our sales and technical capabilities and expect to see some increase in other overheads as lockdown eases and in-person customer interaction picks back up.

While the economic backdrop remains uncertain as the pandemic continues, we remain confident in delivering our growth strategy and capitalising on the market opportunity.

Our dividend policy is to distribute between 40% and 50% of the Group's profit after tax before any exceptional items to shareholders, as disclosed in the IPO prospectus. The first dividend is intended to be declared as an interim dividend for the year ending 28 February 2022, and then on an ongoing basis.

Analyst and investor presentation

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

Conference call details:

United Kingdom (local): +44 (0)330 336 9127

Confirmation Code: 1881583

Webcast link:

https://webcasting.brrmedia.co.uk/broadcast/609ac70b576c9638976d6449

A replay of the webcast will be available after the event at: https://www.bytesplc.com/

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Forward-looking statements

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

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

About Bytes Technology Group plc:

Bytes 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. It 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 and a secondary listing on the Johannesburg Stock Exchange.

Chief Executive Officer's Review

The last 12 months have been an extraordinary year for our business and our people, as we delivered high double-digit adjusted operating profit growth and listed successfully on the London Stock Exchange – all despite the societal, economic, and logistical challenges of Covid-19.

Our performance exceeded all expectations

Our performance this year was ahead of expectations as we delivered adjusted operating profit growth of 18%. Our cash conversion also remained strong at 131%, giving us £20.7 million in net cash at the period end.

Both our operating companies, Phoenix Software (Phoenix) and Bytes Software Services (BSS), contributed to this strong performance. Phoenix's particularly strong results reflected their success in partnering with the many public sector customers who digitalised their operations and moved to the cloud during lockdown. BSS had an extremely strong first half although corporate sales slowed a little towards the end of the year.

2020/21 was a year of great change for everyone at Bytes. We demerged from Altron, our long-time parent and conducted a successful IPO in a condensed time period in the most unusual of circumstances, due to Covid-19; then, three months after listing, we entered the FTSE 250 in March 2021, on the back of strong demand for our equity. And we are now setting out our stall as an independent organisation, with our own purpose, values, governance, and strategic goals.

That we achieved such great financial results in the middle of this rapid metamorphosis – and a pandemic – says a lot about the hard work, resilience, and can-do attitude of our fantastic people. Despite working remotely most of the year, often while balancing family care commitments, they excelled themselves in delivering outstanding service to our customers, many of whom were themselves going through great change as they digitalised their organisations and networked their own home-based employees. I would like to thank every member of the team for their amazing contribution and congratulate them on these great results.

A simple strategy focused on growing customer numbers and their business

The results also demonstrate the strength of our strategy, which – like the way we do business – is simple and straightforward. Our main strategic goals are to attract new customers and increase our business with existing ones: we delivered on both.

The confidence to make such a pledge follows a raft of great wins. Our new customer contracts included three with central government departments and one with a top 10 FTSE company, along with many other projects with new clients. We were equally successful in growing business with existing customers. For the third consecutive year, more than 90% of our gross profit came from organisations we had worked with previously.

How we build trust-based customer relationships and meet changing needs

Our customers keep coming back – and recommending us to their peers – because we have proven ourselves over many years. They know that we're not interested in a short-term hard sell. Our customers trust us to provide the expert advice, and the right products and services, to transform their IT and organisation, efficiently and cost-effectively. They are also familiar with the passion, diligence, and good humour that our people bring to work. Many of our customers have had the same account manager for more than a decade and such long relationships breed trust and help explain why we have extremely high levels of customer satisfaction and a net promoter score that, at 63, is above the industry average.

Customers also repeatedly turn to us because we can now meet more of their IT needs, having broadened our offering beyond our traditional strengths in software to include additional IT services and hardware. We have diversified to reflect underlying market trends. We believe, for example, that demand for our services offering, such as software asset management, will rise as the growing complexity of technology prompts more customers to ask for expert help in managing their IT licensing arrangements. Such factors reinforce our conviction that we can grow our business significantly with our existing customers.

Raising our profile thanks to our vendors

During the year, we continued to strengthen our partnerships with the 100-plus external vendors whose products we sell and support. We were extremely pleased to win further accreditations and awards from many of our vendor partners, including that of Microsoft Azure Expert Managed Service Provider – the company's highest

accreditation. Such industry recognition further heightens our reputation with our vendors and customers and is a terrific validation of the expertise and quality of our people.

Keeping employees focused and engaged, even at home

Bytes is a people business. We may sell technology, but it is our can-do attitude and expertise that makes us so easy to do business with and builds our strong customer relationships. To keep our people motivated and engaged, we do all we can to engage, develop and reward them. Internal promotion and ongoing training and development are key to this approach, as seen this year when we made Jack Watson, a 2006 Bytes graduate trainee, our new BSS MD.

In normal times, Bytes' offices are dynamic and collaborative places. With the pandemic meaning our people needed to work from home, we took steps to keep everyone happy and motivated. From transferring our varied social activities, parties, and awards events online to ensuring staff had ergonomic and comfortable home-office furniture, we did all we could to keep our unique culture thriving – and our eyes on the ball. All these measures paid off when, to our delight, staff engagement scores rose during the pandemic, with Phoenix joining BSS in receiving the top rating of three stars in a Best Companies employee engagement survey in November 2020.

Deepening our impact as a responsible business

Our two operating companies have remarkably similar cultures and ethics. So much so that I often describe Bytes as 'One company, two brands, one culture'. While BSS and Phoenix will continue to operate largely independently, this year we aligned them behind one set of values (which are very similar to their previous individual ones) and a common purpose. Our strong values, with their emphasis on integrity, collaboration, kindness, and fun, underpin our heritage as a responsible business. We have always aimed to contribute to the wider world – from supporting local hospices and schools to installing electric car charging points at our sites. We accelerated our efforts this year with the drafting and publication of our new corporate social responsibility policy, which was initiated and written by our staff and modelled on the United Nations Sustainable Development Goals. The policy sets out some new social and environmental commitments, such as pledges to donate 1% of our net profits to charity each year and a carbon offsetting programme in partnership with the World Land Trust. We aim to publish our first carbon reduction policy in the second half of the year ending 28 February 2022.

We believe passionately in equality of opportunity and in 2020/21 took further steps to ensure that everyone at Bytes has the same chance to succeed. These included a new board and senior management diversity policy with its commitments including having at least 33% women directors and encouraging colleagues with different ethnic, gender and experiential backgrounds to take on additional responsibilities and roles. We also signed up to the Race at Work Charter, which involves tackling barriers faced by people from ethnic minorities.

External trends and internal strengths set the scene for further growth

The coming year holds inherent social and economic uncertainty for all industries. However, having proven our resilience during this most challenging of years, I am confident that Bytes will deliver another strong performance whatever we encounter in 2021/22. Underlying IT market trends play to our strengths; our strong reputation with customers and vendors continues to grow; our rapid rise into the FTSE 250 is raising our profile, and our debt-free balance sheet gives us the freedom to keep investing in the business. And most importantly of all, I know that the family feel that makes Bytes such a great place to work, and so easy to do business with, will continue to set us apart from our peers and help us achieve our ambitious goals.

Chief Financial Officer's review

Income Statement	FY21 £'m	FY20 £'m	Change %
Gross Invoiced Income (GII)	**958.1**	**722.2**	**32.7%**
GII split by product:			
Software	899.2	665.2	35.2%
Hardware	24.1	29.6	(18.6%)
Services	34.8	27.4	27.0%
Netting adjustment	(564.5)	(349.1)	61.7%
Revenue	**393.6**	**373.1**	**5.5%**
Revenue split by product:			
Software	343.1	326.4	5.1%
Hardware	24.1	29.6	(18.6%)
Services	26.4	17.1	54.4%
Gross Profit	**89.6**	**79.2**	**13.1%**
Gross Profit / GII %	**9.4%**	**11.0%**	
Administrative expenses	**52.1**	**47.5**	**9.7%**
Adjusted Operating Profit	**37.5**	**31.7**	**18.3%**
Adjusted Operating Profit / Gross Profit	**42%**	**40%**	
less share-based payments	(1.0)	(0.3)	
less intangible amortisation	(1.6)	(1.6)	
less IPO Costs	(8.1)	0.0	
Operating Profit	**26.8**	**29.8**	**(10.1%)**
Profit before Tax	**26.7**	**29.9**	(10.7%)
Tax	**(6.7)**	**(5.8)**	
Effective tax rate	**25%**	**19%**	
Profit after Tax	**20.0**	**24.1**	(17.0%)

Overview of FY21 results

Our financial year, which ended on 28 February 2021, coincided almost exactly with the first 12 months of the Covid-19 pandemic. As the UK entered lockdown in March 2020, before we reported the results of the first month of our financial year, we activated our business continuity remote working plan.

Our first priority was the safety of our people, as we moved overnight to secure home working, with minimal business interruption. Our earlier preparations for this scenario meant the transition was virtually seamless.
Our second priority was delivering a heightened level of customer service. We rapidly implemented virtual working solutions, support services and ongoing managed services for many customers, while continuing to supply essential software licensing renewals and updates.

The pandemic accelerated the digital transition of many customers to cloud-based (hosted) licensing programmes. This enabled them to adopt and use software in a flexible and agile way and to only pay for what they used. The latter was a critical benefit for those customers experiencing a downturn in business profitability who, in some cases, needed to furlough staff and reduce their IT costs.

Our agility in maintaining our own operations and productivity, while continuing to deliver the highest quality software licensing advice and IT solutions, meant we achieved record results in the most demanding of times.

Adjusted operating profit, our key financial measure, increased by 18% in the year ended 28 February 2021, rising to £37.5 million (2019/20 £31.7 million), as further detailed below.

Gross invoiced income, revenue, and gross profit

Gross invoiced income (GII)

GII reflects gross income billed to our customers, adjusted for deferred and accrued revenue items mainly relating to managed service contracts. We believe that GII provides readers with a more meaningful measure than revenue to evaluate our sales performance, volume of transactions and rate of growth.

Our GII increased by 32.7% to £958.1 million (2019/20 £722.2 million) with 94% (FY20: 92%) generated from the sales of software (a combination of on-premises and cloud licensing). There was a small reduction (£5.5 million) in the level of hardware GII (as customers moved away from on-premises infrastructure), although this was offset by a 27% rise (£7.4 million) in services sales as we diversified and built our services solutions offerings, in response to increased demand from our customers.

Revenue

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

The netting adjustment has been made on a consistent basis in both the current and prior periods and provides an important measure of the products and solutions required by customers and the direction of change as it primarily includes sales of cloud licensing and critical security products.

The netting adjustment increased in FY21 and now represents 58.9% of GII (FY20: 48.3%), resulting in revenue growth of 5.5% to £393.6 million (FY20: £373.1 million), versus the 32.7% increase in GII. This demonstrates the high rate of growth in our cloud and security-based licensing sales. Our investment in recruiting and developing our people, and in securing technical certifications, means we can provide high levels of customer advice, service, and support in these areas. This is reflected in our gross profit performance.

Gross profit

Gross profit has increased by 13.1% to £89.6 million (FY20: £79.2 million). Our growth in corporate sector customers' gross profit was mid-single digit compared to strong double-digit growth in public sector customers. As a result, in FY21 corporate gross profit made up 63% of total gross profit and public sector 37%, compared to FY20's 69% and 31%, respectively.

This reduction in the relative contribution of the corporate sector is linked to Covid-19: during the pandemic certain corporate sectors have reduced investment in non-essential and non-required areas of spend, including IT, as they experienced lower levels of business and furloughed staff and/or froze recruitment. However, the fact that our corporate business continued to grow during this challenging time illustrates the strength of our relationships with our private sector customers.

Public sector spend, on the other hand, escalated from the start of the year. We secured significant large new contracts in local and central government and from the NHS, as we provided solutions to support and sustain these essential public services. That momentum continued through the year and shows no sign of reducing as we enter the new financial period.

Our strong presence in both the corporate and public sectors makes us resilient to different levels of demand, where one area's performance can compensate for or complement the other's.

Gross profit/GII% (GP/GII%)

GP/GII% has reduced slightly from 11.0% to 9.4% which reflects the change in the mix of business between corporate and public sector. In the public sector, the Gross Margin (GM)% may be restricted under governing bodies' framework agreements or subject to higher levels of competition in the customer tenders required under public sector purchasing requirements. However, this is generally counterbalanced as public sector business

tends to be lower risk from a collections perspective. GP% measured against revenue is not considered to be such a relevant measure due to the netting impact described above.

Administrative expenses, adjusted operating profit and operating profit

Staff costs

Our outstanding people are at the heart of our success; during the year we continued to invest in them. This continued our 'invest to grow' theme of previous years, which combines internal development and promotions and external recruitment.

Our success in growing GII and gross profit was a direct result of the investments we have made in our people in recent years. Our continued growth has enabled us to invest even further. During the year we increased our headcount from 608 to 685, with a particular focus on recruiting solution specialists and technical delivery experts. We also reinforced our account management teams so they can continue to provide outstanding advice and support to our customers.

As a result, our staff costs (excluding share-based payment) increased by 9.9% from £47.6 million to £52.3 million. Within this amount £7.9 million was classified as cost of sales (FY20 £7.0 million) reflecting the increased focus on service delivery.

Staff bonuses and commissions remain a large proportion of overall staff costs at 30% of this total, up £1 million on prior year and reflecting our growth in gross profit.

Other costs

Our other operating costs increased year on year by 11.6% from £6.9 million to £7.7 million. While there was a significant reduction in travel costs, down more than £1 million on the prior year, we took the opportunity to strengthen our internal systems and infrastructure. There were some additional costs incurred in the final two months of the year due to our operating as a listed company and there will be a full year impact in the new financial year.

Our administrative expenses also include a £0.3 million increase in the loss allowance for trade receivables, rising from £0.4 million to £0.7 million. We had just one very small bad debt but, considering the increase in trade receivables, and the ongoing uncertainties of the impact of Covid-19, believe it's appropriate to carry a slightly higher allowance at year end. Our closing allowance includes full cover for all trade receivables 120 days or more past their due date.

Adjusted operating profit and operating profit

Adjusted operating profit excludes, from operating profit, the effects of significant items of expenditure which are non-recurring events or do not reflect our underlying operations. IPO costs, acquired intangible amortisation and share-based payment charges are all excluded. We believe that adjusted operating profit provides readers with a more meaningful measure to evaluate our profitability, performance, and ongoing quality of earnings. Adjusted operating profit increased to £37.5 million (FY20: £31.7 million), representing growth of 18%. Operating profit reduced from £29.8 million to £26.8 million.

Corporation tax charge

The effective rate of Corporation tax charged for the year is 25% of profit before tax. This is higher than the standard rate of tax of 19% due primarily to the £8.1 million of IPO costs not being allowable as a tax deduction. If the impact of these costs is removed, the effective rate of tax reverts to the expected 19% which is in line with the prior year.

Financial and customer KPIs

The KPIs by which we measure our performance are set out below:

KPIs	FY21	FY20	Change %
Adjusted operating profit/gross profit	**42%**	**40%**	
Cash conversion rate	**131%**	**126%**	
Customers	**5,147**	**4,930**	4%
Average gross profit per customer (£'000)	**17.4**	**16.1**	8%
Renewal rate	**107%**	**115%**	
Basic earnings per share (pence)	**8.52**	**10.39**	(18%)
Adjusted earnings per share (pence)	**13.07**	**11.20**	17%

Adjusted operating profit divided by gross profit is a key measure of the operational effectiveness of our Group in running our day-to-day operations. We have again achieved the target we set of 40%.

Cash conversion rate is defined as cash generated from operations less capital expenditure (together, 'free cash flow') divided by adjusted operating profit. It is a key measure of the efficiency with which underlying operating profit is converted into cash. We set ourselves a cash conversion target of 100% but with increased adjusted operating profit, debtor days running on average 15 lower than creditor days and good collections around the period end, our cash conversion level was well above this target, at 131%.

Number of customers is an operating metric that we calculate as the number of unique entities transacting greater than £100 in gross profit during the relevant financial period. Growth of the customer base is one of our key objectives, with the number increasing by 4% to over 5,100 for the year.

Average gross profit per customer is the third key customer measure. In conjunction with increased gross profit, high renewal rates and increased customer numbers, this measure has increased by 9% to £17,400 per customer (FY20 £16,100)

Renewal rate is the second key customer metric, defined as gross profit from existing customers divided by total gross profit in the previous financial period. This indicates our effectiveness in increasing our share of business with existing customers. With a target of at least 100%, we achieved 107% in this financial year. While lower than the prior year, this is still a very good renewal rate and, along with new customer wins, underlies the overall 13% rise in gross profit

Basic earnings per share and Adjusted earnings per share

Statutory basic earnings per share reduced year on year primarily due to the impact of IPO costs on reducing our post-tax profit.

Adjusted earnings per share removes the impact of non-underlying items and is therefore a more meaningful measure to compare to prior years and so reflect our underlying performance, shown as a 17% increase.

Balance sheet and Cash

		As at
	28 February 2021	29 February 2020
Summary balance sheet	**£'m**	**£'m**
Property plant and equipment	8.3	8.5
Intangible assets	44.4	46.1
Other non-current assets	1.7	2.4
Non-current assets	**54.4**	**57.0**
Trade and other receivables	106.7	77.1
Cash	20.7	47.4
Other current assets	7.8	5.7
Current assets	**135.2**	**130.2**
Trade and other payables	157.1	133.2
Lease liabilities	0.2	0.3
Other current liabilities	10.3	13.4
Current Liabilities	**167.6**	**146.9**
Lease liabilities	1.2	1.3
Other non-current liabilities	4.0	2.9
Non-current liabilities	**5.2**	**4.2**
Net assets	**16.8**	**36.1**
Share capital	2.4	2.3
Share premium	633.7	625.4
Other reserves	0.3	1.2
Merger reserve	(644.4)	(644.4)
Retained earnings	24.8	51.6
Total equity	**16.8**	**36.1**

We finished the year with £20.7 million of cash, ahead of expectations, and with no debt and excellent cash conversion.

Even after significant pre-IPO dividend payments to Altron and the cash settlement of management share schemes, our cash position also remained positive throughout the past 12 months and no external funding was required.

The consolidated cashflow is set out below along which the key flows which have affected it

Cashflow	FY21 £'m	FY20 £'m
Cash generated from operations	**49.6**	**41.7**
Payments for fixed assets	(0.6)	(1.8)
Free cash flow	**49.0**	**39.9**
Net Interest (paid)/received	(0.1)	0.2
Taxes paid	(10.2)	(4.8)
IPO Costs	(8.1)	0.0
Proceeds from issues of shares	8.3	0.0
Deferred consideration payments	(16.7)	0.0
Lease payments	(0.3)	(0.2)
Dividends	(48.6)	(13.8)
Net (decrease)/increase in cash	(26.7)	21.3
Cash at the beginning of the year	47.4	26.1
Cash at the end of the year	**20.7**	**47.4**
Cash Conversion	**131%**	**126%**

Deferred consideration payments relate to one off purchases of management 'B' shares in Bytes Technology Limited & Blenheim Group Limited.

Dividend policy

The Group's intended dividend policy is to distribute between 40% and 50% of post-tax pre-exceptional earnings to shareholders, as disclosed in the IPO prospectus. The first dividend is intended to be declared as an interim dividend for the year ending 28 February 2022, and then on an ongoing basis. For FY21, the post-tax pre-exceptional earnings were £31 million which would have meant a full year dividend of between £12 million and £15 million of which approximately one-third would be paid as an interim dividend and two-thirds being proposed as a final dividend.

Principal risks

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

Our approach to risk is based on enterprise risk management (ERM), a process of identifying and addressing potential barriers to us achieving our strategic objectives. ERM techniques help us to understand the risks that we face, and the effects that they could have on our business, customers, and people, and on our responsibilities to shareholders.

Our ERM framework operates from functional management up through our operating company boards to Group level. This allows us to identify risks as close as possible to their source. The framework supports the Bytes Board in identifying risks directly, in owning risks that are outside the risk tolerance pf the operating companies, and in collating a set of high-impact, or principal, risks relevant to our whole Group.

We draw on a mass of different sources to identify risks. This includes risk assessments, technical feeds, market information, competitor analysis, financial and operational reviews, and threat intelligence information about potential cyber threats. We use tools relevant to the risk area we are evaluating, for example, we use ISO 27001, the information security management standard, for cyber risk, and ISO 9001, the quality management standard, for procedural risk.

Our ERM operates five elements to identify risks and intervene during their build up. That is:

1. Identify risk and assign an owner
2. Assess our vulnerability, evaluate the impact, and put in place policies and controls to mitigate
3. Use internal teams to check that the controls and mitigations are operating effectively and identify opportunities for improvement
4. Use external audit to support in evaluating risks and corresponding controls via multiple sources including customers and suppliers
5. Monitor risks and controls internally on an on-going basis to ensure they are up to date, and identify changes which need to be responded to

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

The current ten principal risks are:

<table>
<tr><td rowspan="3">FINANCIAL</td><td>1. ECONOMIC DISRUPTION</td><td>RISK OWNER:
CFO</td></tr>
<tr><td>THE RISK:
This includes the geopolitical risk within the UK post Brexit, and the uncertainties caused by Covid-19.</td><td rowspan="2">HOW WE MANAGE IT:
We have a varied range of customers across different sectors and all tiers of government. We conduct analysis to ensure we are not over-exposed to any market sector, supplier, vendor, or product line.

We assess this risk further in our viability statement. While specific customer sectors have been hard hit, our Board’s direction on maintaining a diverse customer base allows us to monitor this risk and manage it at tolerable levels.

As often occurs with risk, the pandemic has also proven to be an opportunity, in that we have been</td></tr>
<tr><td>THE IMPACT:
Major economic disruption could result in reduced demand for software licensing, hardware, and services, which could be compounded by government controls. Such lower demand could arise from reduced customer budgets, cautious spending patterns, or clients ’making do’ with existing IT. Major economic disruption could also affect the major financial markets, including currencies, interest rates and the cost of borrowing.</td></tr>
</table>

<table>
<tr><td></td><td></td><td>able to help organisations to update their technology and meet the urgent need of enabling staff to work from home.</td></tr>
<tr><td rowspan="3"></td><td>2. MAJOR SUPPLIER REVENUE CHANGES</td><td>RISK OWNER:
CEO</td></tr>
<tr><td>THE RISK:
Commercial changes to vendor licensing programmes and to partner rebates and funding which currently contribute an important revenue stream.</td><td rowspan="2">HOW WE MANAGE IT:
We maintain a diverse portfolio of vendor products and services. Although we do receive major sources of funding from specific vendors, if one source declines, we can offset it by gaining new certifications in, and selling, other technologies where new funding is available.</td></tr>
<tr><td>THE IMPACT:
If major vendors change their commercial arrangements, it could squeeze our profit margins and adversely affect our profitability.</td></tr>
</table>

<table>
<tr><td rowspan="3">STRATEGIC</td><td>3. SUPPLY CHAIN RISK</td><td>RISK OWNER:
CEO</td></tr>
<tr><td>THE RISK:
Overreliance on key vendors/suppliers (principally Microsoft).

Suppliers of technology or services being unable to innovate or supply products due to global trade barriers.</td><td rowspan="2">HOW WE MANAGE IT:

We work with our vendors as partners – it is a relationship of mutual dependency since we are their route to the end customer. We maintain excellent relationships with all our vendors, and have a particularly good relationship with Microsoft, who relies on us as a key partner in the UK. Our growth plans, which involve developing business with all our vendors, will naturally reduce the risk of relying too heavily on any single one.

With regards the geopolitical situation, we monitor it continuously, and work closely with suppliers and industry bodies to identify any potential supply chain disruptions and impacts. This enables us to remain fully informed, so that we can respond quickly should the landscape change to ensure that we have diverse supply routes. As this risk is largely driven by geopolitical and macroeconomic factors, we maintain a watching brief so that we can react swiftly if required.</td></tr>
<tr><td>THE IMPACT:
Too heavy a reliance on any one vendor could have an adverse impact on our financial performance, should that relationship break down.

With regards the geopolitical situation, global shortages of computer hardware, components and chips could occur, which might limit our, and our customers', ability to purchase hardware for internal use. This could lead to delays in customers purchasing software, which is linked to, or dependent on, the hardware being available. Reduced access to computer chips could also slow down vendor innovation, leading to delays in the creation of new technology to resell to customers.</td></tr>
</table>

<table>
<tr><td rowspan="3">STRATEGIC</td><td>4. COMPETITION AND DISINTERMEDIATION</td><td>RISK OWNER:
CFO</td></tr>
<tr><td>THE RISK:
Mergers and acquisitions have consolidated the distribution network and absorbed specialist services companies causing overlap with our own offerings. A move to direct vendor resale to end customers (disintermediation) could squeeze the market opportunity even more.</td><td rowspan="2">HOW WE MANAGE IT:
Our diverse market portfolio means that we are not dependent on one distribution partner. We also protect ourselves against this risk by identifying relevant and emerging product sets that vendors do not have, or that come from competing supply chains.

We differentiate ourselves with customers by providing excellent tailored service and building</td></tr>
<tr><td>THE IMPACT:</td></tr>
</table>

	Further consolidation could lead to less competition between vendors and cause prices to value added resellers, like Bytes, to rise and service levels to fall. Direct resale to customers could also increase. This could erode reseller margins, as the purchase cost is less for the distributor than the reseller, and reduce our market, margin, and profits. As consolidating vendors have greater global reach and wider portfolios, the reseller may also become less relevant, which might further affect future revenues and margins.	strong, long-standing relationships with them. We achieve this by investing in well-trained staff, with high levels of certification, and by behaving in an ethical, can-do manner that builds trust.

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

PROCESSES AND SYSTEMS	**6. DIGITAL TRANSFORMATION**	**RISK OWNER:** CEO
	THE RISK: Failure to transform our internal IT and business processes, so that we cannot keep pace with, nor support, our customers effectively.	**HOW WE MANAGE IT:** To make sure we keep our business processes and systems in the best shape, we draw on insights from our customers, the market, and all levels of our business. Transformation working groups – including members of our Group technical, IT and security teams – work in partnership with our operating companies to identify strategies and solutions. Transformation work is then run, managed, and monitored by our local IT development, security, and operations teams.
	THE IMPACT: If we could not support or interact with our customers in the way they wanted, it could damage our relationships with them, affect sales and damage our profitability.	

OPERATIONAL	7. CYBER THREATS (DIRECT)	RISK OWNER: CEO
	THE RISK: Attacks – ranging from imposters posing as Bytes in emails to a direct threat to our IT infrastructure – leading to data breach.	HOW WE MANAGE IT: We protect Bytes using intelligence-driven analysis, including research by our internal digital forensics team. This provides insights into vulnerable areas and the impacts of any breaches, allowing us to strengthen group and operating company security controls. We use a cyber threat level system to adapt our efforts and controls based on intelligence received.
	THE IMPACT: Such attacks could affect the confidentiality, integrity, or availability of the data that we hold. This could lead to regulatory breaches, liability claims, loss of confidence in our business, reputational damage, and potential financial penalties.	

OPERATIONAL	8. CYBER THREATS (INDIRECT)	RISK OWNER: CEO
	THE RISK: Supply chain attacks that are targeted to gain access to customer systems or information.	HOW WE MANAGE IT: We use intelligence-driven analysis, including research by our internal digital forensics team, to protect Bytes. This provides insights into vulnerable areas and the impacts of any breaches, allowing us to strengthen group and operating company security controls. We establish controls that separate customers' systems and mitigate cross-breaches. Our cyber threat level system also allows us to tailor our approach and controls in line with intelligence.
	THE IMPACT: If an attacker accessed our IT systems, this could allow them to infiltrate one or more of our customer areas. This could provide indirect access, or the intelligence required, to compromise or access a customer environment. This would increase the chance of both first and third-party risk liability, with the possible impacts of regulatory breaches, loss of confidence in our business, reputational damage, and potential financial penalties.	
	9. TECHNOLOGY FAILURE	RISK OWNER: CEO
	THE RISK: Failure of Bytes' critical services or solutions.	HOW WE MANAGE IT: By using different locations, sites, and solutions, we can limit the impact of service outage to customers. Where possible, we use active resilience solutions – which are designed to withstand or prevent loss of services in an unplanned event – rather than just disaster recovery solutions and facilities – which restore normal operations after an incident.
	THE IMPACT: Significant downtime in our internal systems would hinder our ability to serve customers and sell solutions. Major outages in systems that provide customer services could limit clients' ability to extract crucial information from their systems or manage their software.	

	10. LEGAL AND REGULATORY COMPLIANCE	RISK OWNER: Group Company Secretary
	THE RISK: Unintentional non-compliance with data protection laws and regulations, both in the UK and outside.	HOW WE MANAGE IT: We track and manage contractual and data protection risks with specialist internal team members, seeking expert external advice as required. We have open dialogue with customers and suppliers so that we understand and address their concerns and meet their requirements.
	THE IMPACT: Complex legal and regulatory landscapes can lead to misunderstanding, causing potential regulatory breaches, intervention by regulators, loss of confidence from customers or competitive disadvantage.	

Our operating landscape is also affected by key events outside of our control, and most notably recently the Covid-19 pandemic and the aftermath from Brexit. While we do not categorise them as direct risks, they have been an important consideration in establishing our current principal risks and uncertainties and extend across all of them.

Responsibility statement pursuant to FSA's Disclosure and Transparency Rule 4 (DTR 4)

Each Director of the Company confirms that (solely for the purpose of DTR 4) to the best of his/her knowledge:

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

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

On behalf of the Board

Neil Murphy — Chief Executive Officer

Keith Richardson — Chief Financial Officer

25 May 2021

Consolidated statement of profit or loss

	Note	28 February 2021 £'000	29 February 2020 £'000
Revenue	**3**	393,569	373,103
Cost of sales		(303,995)	(293,886)
Gross profit		**89,574**	**79,217**
Administrative expenses	**4, 5**	(62,397)	(49,373)
Increase in loss allowance on trade receivables	**15**	(333)	-
Operating profit		**26,844**	**29,844**
Finance income		12	158
Finance costs		(193)	(82)
Finance income/(costs) – net	**8**	(181)	76
Profit before taxation		**26,663**	**29,920**
Income tax expense	**9**	(6,730)	(5,762)
Profit after taxation		**19,933**	**24,158**
Profit for the period attributable to owners of the parent company		**19,933**	**24,158**
		pence	**pence**
Basic earnings per ordinary share	**29(a)**	8.52	10.39
Diluted earnings per ordinary share	**29(b)**	8.47	10.39

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

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

Consolidated statement of financial position

	Note	As at 28 February 2021 £'000	As at 29 February 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	**10**	8,275	8,521
Right-of-use assets	**11**	1,097	1,332
Intangible assets	**12**	44,443	46,053
Contract assets	**3(d)**	214	1,056
Deferred tax assets	**18**	357	-
Total non-current assets		**54,386**	**56,962**
Current assets			
Inventories	**13**	591	688
Contract assets	**3(d)**	7,179	5,085
Trade and other receivables	**15**	106,664	77,094
Cash and cash equivalents	**16**	20,734	47,357
Total current assets		**135,168**	**130,224**
Total assets		**189,554**	**187,186**
Liabilities			
Non-current liabilities			
Lease liabilities	**11**	(1,176)	(1,295)
Contract liabilities	**3(d)**	(2,324)	(1,001)
Deferred tax liabilities	**18**	(1,738)	(1,895)
Total non-current liabilities		**(5,238)**	**(4,191)**
Current liabilities			
Trade and other payables	**17**	(157,121)	(133,187)
Contract liabilities	**3(d)**	(10,038)	(10,205)
Current tax liabilities		(207)	(3,191)
Lease liabilities	**11**	(202)	(307)
Total current liabilities		**(167,568)**	**(146,890)**
Total liabilities		**(172,806)**	**(151,081)**
Net assets		**16,748**	**36,105**
Equity			
Share capital	**19**	2,395	2,325
Share premium	**19**	633,636	625,373
Other reserves	**20**	317	1,170
Merger reserve	**21**	(644,375)	(644,375)
Retained earnings	**22**	24,775	51,612
Total equity		**16,748**	**36,105**

The consolidated financial statements were authorised for issue by the Board of directors on 25 May 2021.

Consolidated statement of changes in equity

		Attributable to owners of the company					
	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2019	**1.3**	**2,325**	**625,373**	**899**	**(644,375)**	**41,254**	**25,476**
Total comprehensive income for the year		-	-	-	-	24,158	24,158
Dividends paid	**25(b)**	-	-	-	-	(13,800)	(13,800)
Share-based payment transactions	**28**	-	-	271	-	-	271
Balance at 29 February 2020		**2,325**	**625,373**	**1,170**	**(644,375)**	**51,612**	**36,105**
Total comprehensive income for the year		-	-	-	-	19,933	19,933
Dividends paid	**25(b)**	-	-	-	-	(48,600)	(48,600)
Shares issued during the year	**19**	70	8,263	-	-	-	8,333
Deferred tax	**18**	-	-	15	-	-	15
Transfer to retained earnings	**20**	-	-	(1,830)	-	1,830	-
Share-based payment transactions	**28**	-	-	962	-	-	962
Balance at 28 February 2021		**2,395**	**633,636**	**317**	**(644,375)**	**24,775**	**16,748**

Consolidated statement of cash flows

	Note	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Cash flows from operating activities			
Cash generated from operations	**23**	41,546	41,699
Interest received	**8**	12	158
Interest paid	**8**	(122)	(2)
Income taxes paid		(10,213)	(4,784)
Net cash inflow from operating activities		**31,223**	**37,071**
Cash flows from investing activities			
Payments for property, plant and equipment	**10**	(607)	(1,745)
Deferred consideration payments	**17**	(16,677)	-
Net cash outflow from investing activities		**(17,284)**	**(1,745)**
Cash flows from financing activities			
Proceeds from issues of shares	**19**	8,333	-
Principal elements of lease payments	**11**	(295)	(207)
Dividends paid to shareholders	**25(b)**	(48,600)	(13,800)
Net cash outflow from financing activities		**(40,562)**	**(14,007)**
Net (decrease)/increase in cash and cash equivalents		**(26,623)**	**21,319**
Cash and cash equivalents at the beginning of the financial year		47,357	26,038
Cash and cash equivalents at end of year	**16**	**20,734**	**47,357**

Notes to the financial statements

1. Accounting policies

1.1 General information

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

1.2 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

This is the first set of consolidated financial statements for the Group following its demerger from the Altron group and listing on the LSE and JSE. The Group's accounting and presentation considerations on both the current and comparative periods are detailed below.

The financial information contained in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 28 February 2021 or 28 February 2020. The statutory accounts for the year ended 28 February 2021 will be filed with the Registrar of Companies in due course. The auditors report on these accounts was not qualified or modified and did not contain any statement under Sections 498(2) or (3) of the Companies Act 2006. A separate announcement will be made in accordance with Disclosure and Transparency Rules (DTR) 6.3 when the annual report and audited financial statements for the year ended 28 February 2021 are made available on the Company's website, which is expected to be in June 2021.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities and the Group's principal risks and uncertainties in the context of the current operating environment. This includes possible ongoing impacts of the global Covid-19 pandemic on the Group and reviews of future liquidity headroom on existing facilities and against the facility financial covenants during the period under assessment. The approach and conclusion are set out fully in note 1.5.

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

1.3 Demerger and re-organisation transactions

Background

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

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

The Demerger Transactions – new shares issued

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

- 123,514,420 ordinary shares with an aggregate value of £333.5 million were issued for cash to new institutional and individual investors (including the non-executive directors) introduced by the group's brokers, Numis Securities. This cash was paid to Altron and Altron shareholders. For the purposes of the Demerger Transactions, the group has accounted for the cash proceeds received from issuing these shares and the cash paid to Altron and Altron shareholders on a net basis, since both transactions took place simultaneously, were of an equal amount and conducted between the group's brokers, the new institutional and individual investors, Altron and Altron shareholders;
- 96,992,074 ordinary shares with an aggregate value of £261.9 million were issued directly to Altron shareholders; and
- 11,974,117 ordinary shares with an aggregate value of £32.3 million were issued to the Bytes Technology Limited management for the Bytes Technology Limited B ordinary shares.

The Demerger Transactions – cash consideration:

The Group paid a total cash consideration of £16.7 million:

- A further £14.3 million of cash consideration was paid by the Group to the Bytes Technology Limited management for the Bytes Technology Limited B ordinary shares; and
- £2.4 million of cash consideration was paid by Bytes Technology Limited Blenheim Group Limited management for the Blenheim Group Limited B ordinary shares.

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

IPO costs – shares issued:

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

Accounting considerations for the demerger

- *Reorganisation of the Bytes business*

The insertion of both Bytes Technology Group plc and Bytes Technology Holdco Limited into the Group via a combination of a share-for-share exchange and cash consideration with the original stakeholders of the Bytes business (the "Demerger Transactions") were determined not to be a business combination, see key accounting judgments, note 1.6 below. Instead, this constitutes a reorganisation of the Bytes business for which the pooling of interests method has been applied.

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

- *Presentation and disclosure including comparative periods*

Under the pooling of interest method, the consolidated financial statements have been prepared as if the Group had already existed before the start of the earliest period presented. The comparative information is, therefore, presented as if the Demerger Transactions had occurred at 1 March 2019. The comparative information has been derived from the audited consolidated financial statements of entities forming the Bytes business adjusted for the Demerger Transactions. A liability, classified as deferred consideration, has been presented as at 1 March 2019 for the cash consideration of £16.7 million paid on the Date of the Demerger. The cash consideration has been presented within cash flows from investing activities in the consolidated statement of cash flows in the current year.

- *Share Based Payments*

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

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

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

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

1.4 Impact of Covid-19
The global pandemic triggered by the spread of the Covid-19 infection has created uncertainty and poses a higher risk to the business, due to the potential impact it is having on the Group's operations and its customers. The impact of Covid-19 was a non-adjusting post balance sheet event for the year ended 29 February 2020 but has become an adjusting event for the year ended 28 February 2021. The Group has categorised the impact of the risks as follows:

Market risk
There is a risk that an adverse impact to the world economy will potentially impact the Group's customers and its ability to earn revenue. The Group has a diversified customer base across both the corporate and public sectors, which helps mitigate this risk to some extent.

Operational risk
The Group makes significant use of technology to deliver services to its customers throughout periods of uncertainty, including where limitations are imposed on the ability to travel and meet customers face to face. The Group has agility built into its operational model to be able to operate its sales and customer support functions remotely through the use of emails, video conferencing and telephone advice. The Group's staff and its customers have reacted very positively to the remote style of working during the pandemic, with only a small degree of business disruption being incurred in the implementation phase.

Liquidity risk
The Group monitors cash flow forecasts on a regular basis to ensure it can continue to manage its working capital requirements. The directors have considered liquidity risk as one of several key dependencies when forming their going concern assessment in note 1.5. For further information on the Group's approach to mitigating its liquidity risks, see note 24(c).

Credit risk
During the year, the Group has continued to outperform expectations and there have been no major customer defaults. Whilst this has been a very positive period for the Group, the directors place a high degree of importance on the macroeconomic uncertainty that continues to cause wider disruption to economic activity and it is at present unknown what the longer-term impact on the business will be. The directors have placed a greater emphasis on the Group's exposure to credit risk, increasing the Group's expected credit loss provision on its gross trade receivables by £0.3 million and will continue to monitor this going forward, see note 15.

Impairment risk associated with goodwill carrying values
In the Group's most recent annual impairment test performed for the year ended 28 February 2021, the Group has used various downside scenarios in its sensitivity analysis to factor in the potential future impacts of Covid-19 on the future cash flows of the business. The Group adjusted the discount rate applied to these cash flows upwards by a further 1% to simulate a down case scenario and adequate headroom was maintained; see note 12.

1.5 Going concern
The going concern of the group is dependent on maintaining adequate levels of resources to continue to operate for the foreseeable future. The directors have considered a number of key dependencies which are set out in the group's risk

management section, specifically the group's exposure to credit risk as described in note 15 and liquidity risk, currency risk and foreign exchange risk as described in note 24.
The directors continue to monitor the effects of the Covid-19 pandemic on the business and will react accordingly to the associated risks presented in note 1.4.

When assessing the going concern of the group, the directors have reviewed the year to date financial actuals, as well as detailed financial forecasts for the period up to 31 August 2022.

The assumptions used in the financial forecasts are based on the group's historical performance, management's extensive experience of the industry and reflect expectations of future market conditions. Taking into consideration the impact of Covid-19 on the wider economic environment, the forecasts have been assessed and stress tested to ensure that a robust assessment of the group's working capital and cash requirements has been performed.

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

Operational and business impact of Covid-19
Covid-19's impact on the business is described in note 1.4. In preparing its going concern assessment, management have considered the potential future impact of Covid-19 on the business, considering the limited impact it has had to date. Over this period many customers were transitioning to home working and responding to the impact of Covid-19 on their own businesses and this contributed to the group achieving strong double-digit growth in gross profit in the current financial year.

Whilst both operating profit and profit before taxation were down in the current financial year compared to 29 February 2020, this was mainly due to the one-off costs associated with the IPO, see note 5, as opposed to any potential impacts of Covid-19. The underlying performance of the group, ignoring these one-off costs, saw similar double-digit growth in both operating profit and profit before tax. Whilst the Group reported a net current liability at 28 February 2021, this was due to the payment of significant one-off amounts pre-IPO totalling £46.7 million, as noted below under "Liquidity and financing position". Post year end the Group has remained cash positive with closing trade receivables substantially settled within 35 days of year end whilst most trade payable amounts are paid over the three months to the end of May 21. This continues to be the case as the Group generates profits and collects customer receipts ahead of making the associated supplier payments.

The directors believe that the group operates in a resilient industry and that the group has demonstrated profitable growth, despite the pandemic, since 1 March 2020. The group's customer base incorporates a large volume of non-discretionary spend from UK corporates as IT has become vital to establish competitive advantage in an increasingly digital age. Public sector organisations, a large and fast-growing area of the business, have shown minimal negative sensitivity to Covid-19 to date as they've sought efficiencies, resilience, and security within their IT infrastructures. This mix of private and public customers means that a downturn in one area can be compensated for by upturns in others. Risk is further mitigated by the fact that the Group's business is derived from over 5,000 customers, none of which contribute more than 5% of total gross income or more than 1% of total gross profit.

Due to the nature of licensing schemes and service contracts, a high proportion of business is repeatable in nature with subscriptions needing to be renewed for the customer to continue to enjoy the benefit of the product or service. The most significant software contracts, the Microsoft Enterprise Agreements (EAs), run for 3 years and it is rare to lose a contract mid-term which removes the risk of income disappearing over a cliff edge. The Group has very high success rate in securing renewals of existing agreements and winning new ones. The renewal rate for the year was 107%, a measure of the rate of growth in gross profit from existing customers who contributed 95% of total gross profit in the year. The group will continue to focus on increasing its customer base and spend per customer during the going concern period.

Just over 50% of the income is generated from sales of Microsoft (MS) products and associated service solutions. Whilst there is a notable move towards more agile "pay as you go" contracts around Cloud based applications, this makes agreements even more "sticky" by increasing the dependency of the customer on the Cloud infrastructure and products which MS provides.

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

Liquidity and financing position
At 28 February 2021, the group held instantly accessible cash and cash equivalents of £20.7 million. This amount is after the group paid during the year to that date an interim dividend of £18.6 million and a pre-IPO dividend of £30 million to its shareholder, Bytes Technology Group Proprietary Limited, a subsidiary of Altron and a further £16.7 million paid as part of the consideration to acquire the B ordinary shares held by management in Bytes Technology Limited and Blenheim Group Limited. .

On Admission the group gained access to a committed revolving credit facility of £50 million with HSBC, which reduces to £40 million after 12 months and to £30 million thereafter. Hence it extends well beyond the going concern period. To date, the group has not been required to use the revolving credit facility.

Approach to stress testing
The going concern analysis reflects the actual trading experience through the financial year to date, as well as detailed financial forecasts for the period up to 31 August 2022. The group has taken a measured approach to its forecasting and has balanced the expected trading conditions with available opportunities.

Given the uncertainty around the impact of Covid-19, the Board has also in its assessment of going concern considered the potential impact of a generalised economic downturn leading to a greater impact on the spending patterns of the group's customers than has been experienced to date, and the extent to which this could adversely affect the group's future revenue, gross invoiced income, operating profit, adjusted operating profit and debtor days, as well as the extent to which this might be offset by savings in commissions and bonuses and discretionary areas of spend. As part of the stressed scenario, where only partial mitigation of downsides is possible, the Board confirmed that the revolving credit facility would not be used during the going concern period up to 31 August 2022 and therefore the group would remain in compliance with the covenant limits required as part of the facility.

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

- Base case was forecast using the Board approved budget for the year ending 28 February 2022 and extended across the first 6 months of the following year to 31 August 2022.

- Downside case 1, Severe but plausible, modelled gross invoiced income reducing by 10% year on year, gross profit reducing by 15% year on year and debtor collection periods extending by 5 days, in each case from June 21.

- Downside case 2, Stressed, modelled both gross invoiced income and gross profit reducing by 30% year on year and debtor collection periods extending by 10 days, again in each case from June 21.

- Partial mitigation measures modelled for the downsides were to freeze future pay and new recruitment from March 22 and "self-mitigating" reduction of commissions in line with falling Gross Profit.

- Full Mitigation additionally modelled headcount reductions from March 22 in line with falling Gross Profit.

The mitigations applied in the downside scenarios relate to pay costs and headcount which are within the control of the Group to implement quickly in response to any downward trends should they be necessary. However, they have not been applied until 1 March 22 as pay related cost are already substantially committed for the year ending 28 February 2022.

Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period.

Going concern conclusion
Based on the analysis described above, the group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the group has the financial resources to enable it to continue in operational existence for the period up to 31 August 2022. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

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

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

(i) Significant accounting estimates and uncertainties

The areas involving significant accounting estimates are:

- Estimation of recoverable amount of goodwill – The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.18. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates disclosed in note 12. These growth rates are based on historical growth rates achieved by the Group, adjusted for estimated future growth expectation.

(ii) Key accounting judgements

The areas involving key accounting judgements are:

- The Demerger Transactions – The insertion of both Bytes Technology Group plc and Bytes Technology Holdco Limited into the Group via a combination of a share-for-share exchange and cash consideration with the original stakeholders of the Bytes business has been treated as a reorganisation of the Bytes business. There is currently no IFRS guidance on the accounting treatment for such Group reorganisations. The Group was therefore required to consider the specific facts and circumstances surrounding the transactions, to determine an appropriate accounting policy. The key accounting judgement was to determine if the Demerger Transactions were a business combination i.e., 'a transaction or other event in which an acquirer obtains control of one or more businesses' and apply the acquisition accounting method in accordance with IFRS 3 'Business combinations' or not a business combination and treat them as a Group reorganisation which is outside the scope of IFRS 3. The Group determined that the Demerger Transactions were not a business combination on the basis that neither the company, Bytes Technology Holdco Limited or Bytes Technology Limited could be identified as the acquirer. On that basis, the Group accounted for the Demerger Transactions as a Group reorganisation and specifically chose to apply the pooling of interests method of accounting. In order to present the Demerger Transactions as a Group reorganisation of the existing Bytes business, the transactions were presented as if they had occurred on 1 March 2019 and the prior period comparatives adjusted for the Demerger Transactions. The principles of the pooling of interests method of accounting are provided in note 1.8.2.

- Revenue recognition – *Principal versus agent,* see note 1.12.
  When recognising revenue, the Group is required to assess whether its role in satisfying its various performance obligations is to provide the goods or services itself (in which case it is considered to be acting as principal) or arrange for a third party to provide the goods or services (in which case it is considered to be acting as agent). Where it is considered to be acting as principal, the Group recognises revenue at the gross amount of consideration to which it expects to be entitled. Where it is considered to be acting as agent, the Group recognises revenue at the amount of any fee or commission to which it expects to be entitled or the net amount of consideration that it retains after paying the other party.

  For those revenue streams that involve the resale of software licences and software assurance, there is often considerable judgement in determining whether the Group is principal or agent. The Group's assessment is based primarily upon whether it controls the goods or services prior to their transfer to the customer. However, the nature of these products and services means that a purely control-based assessment does not always lead to a clear conclusion. Consequently, the Group additionally considers the other characteristics of principal set out in IFRS 15. These include whether the Group has primary responsibility for fulfilling the contractual promises made to the customer, whether the Group assumes inventory risk and whether the Group has discretion in establishing the selling price.
  For direct licence sales the Group is considered to be acting as agent. This is because the Group does not control the goods or services prior to their delivery to the customer. The Group's role is to facilitate the sale on behalf of the software vendor that controls the goods or services. It is the software vendor that contracts with and subsequently invoices the customer. The Group does not set the prices paid by the customer and it is remunerated in the form of a usage or sales-based commission.

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

  For licence sales without critical upgrades or cloud services for the related perpetual licences, with or without software assurance, the Group is considered to be acting as principal. This is because the Group's performance obligation results in it obtaining control of the licence key and/or right to software assurance benefits from the software vendor and then transferring them to the customer. With regard to software assurance, the non-critical nature of the software updates

means that the customer's ability to derive benefit from the software is not dependent on the continued involvement of the software vendor. This results in the balance of control resting more with the Group than is the case with critical updates. The Group is primarily responsible for fulfilling the promise to provide the specified good or service to the customer, as the Group obtains control of the licence before it is delivered to the customer and also typically has responsibility for acceptability of the specified good or service. The Group has primary responsibility for fulfilling the contractual promises to the customer, assumes inventory risk in the event of cancellation of the sale for any reason and has discretion in establishing the prices of the goods and services.

1.7 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standard for the first time for the annual reporting period commencing 1 March 2020:

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

The Group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle; and
- [Where applicable: Covid-19-Related Rent Concessions – Amendments to IFRS].

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

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 28 February 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1.8 Principles of consolidation

1.8.1 Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group, see note 1.17. For Group reorganisations, Group applies the pooling of interest method, see note 1.8.2.

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

1.8.2 Pooling of interests method for Group reorganisations

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

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

1.9 Segment reporting

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

1.10 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.

1.11 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)'.

1.12 Revenue recognition

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

Resale of software licences and subscriptions

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

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

Identifying the performance obligations

As a reseller, the Group's performance obligation is to deliver solutions to customers through the procurement of software licences, software assurance and provision of value-added consulting services in connection with those licences. The services the Group provides include the design of customer-specific solutions, licence and software assurance procurement and assistance with the negotiation and interpretation of software vendor agreements. In the context of the Group's contract with the customer, the consulting services are highly interrelated with the software licences and software assurance. The customer's ability to derive benefit from the licences and software assurance is therefore dependent on those services. The customer will only enter into these contracts if the consulting services, software licences and software assurance are provided as a bundled solution. The consulting services, licence products and software assurance sold cannot be distinguished from each other in the context of the contract and so are considered to represent a single performance obligation.

For direct licence sales, licence sales related to cloud services and licences with critical updates the Group acts as agent. As such, the Group recognises revenue as the amount of commission earned, the amount retained after paying the software vendor for the licences and services provided or, for cloud-based services, the usage fee received from the software vendor. The judgements made in arriving at this conclusion are set out at note 1.6.

For licence sales related to perpetual licences, subscription licences and software assurance the Group acts as principal. As such, the Group recognises revenue at the gross amount receivable from the customer for the goods and services provided. The judgements made in arriving at this conclusion are set out at note 1.6.

Determining the transaction price

The transaction price for the reselling of software licences and subscriptions is based upon fixed commission rates set by the software vendor applied to customer usage.

The transaction price for non-cloud-based licence sales and software assurance is fixed at the amount specified in the contract and has no variable element.

Allocating the transaction price

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

Recognising revenue

With the exception of revenue arising from cloud-based licence sales and services, the Group recognises all licence sale revenue on a point in time basis. This is because the Group's activities in satisfying its performance obligations do not satisfy any of the criteria for over time revenue recognition set out in IFRS 15. As a reseller, the Group's performance obligations are fully satisfied at the point the licences are delivered and control of the software passes to the customer. Thereafter, the Group has no ongoing performance obligations.

Revenue arising from cloud-based licence sales is recognised on an over time basis. This is because the responsibilities of the Group to monitor, review and undertake certain other ongoing activities in relation to customer usage mean that its performance obligation is not satisfied at the point the licence is delivered. Rather, the customer receives and consumes the benefits of the Group's post-sale activities as those post-sale activities are performed. The Group is rewarded for its performance as the usage occurs and revenue is recognised accordingly. Revenue is recognised in the month the usage takes place based on an estimate of the amount due. Any adjustment that may be required is made in the following month when the amount receivable is confirmed by the software vendor.

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

The rendering of services typically involves the performance by the Group of a contractually agreed task over an agreed period of time. The services may be rendered within a single period or over more than one period.

Externally provided training and consulting services

The Group's activities under this revenue stream comprise the sale of training and consulting services through third-party contractors.

Identifying the performance obligations

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

When selling externally provided training and consulting services the Group acts as agent and so recognises revenue at the amount retained after paying the service provider for the services delivered to the customer, i.e. the gross margin earned.

Determining the transaction price

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

Allocating the transaction price

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

Recognising revenue

The Group recognises all revenue from externally provided training and consulting services on a point in time basis. This is because the Group's activities in satisfying its performance obligation do not satisfy any of the criteria for over time revenue recognition set out in IFRS 15. The Group's performance obligations are fully satisfied at the point the contract is signed. Thereafter, the Group has no ongoing performance obligations as these rest with the services provider.

Internally provided consulting services

The Group's activities under this revenue stream comprise the provision of consulting services using its own internal resources. The services provided include helpdesk support, cloud migration, implementation of security solutions, infrastructure and software asset management services.

Identifying the performance obligations

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

Determining the transaction price

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

Allocating the transaction price

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

Recognising revenue

The Group recognises all revenue from internally provided consulting services on an over time basis. This is because the customer simultaneously consumes and benefits from Group's activities as the Group performs. In measuring its performance and the amount of revenue to be recognised, the Group applies an inputs basis by reference to the hours expended to the measurement date and the day rates specified in the contract.

Hardware sales

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

Identifying the performance obligations

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

Determining the transaction price

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

Allocating the transaction price

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

Recognising revenue

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

Contract costs

Incremental costs of obtaining a contract

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

Costs to fulfil a contract

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

Contract assets

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

Contract liabilities

The Group recognises a contract liability for deferred revenue when the customer is invoiced, or when payment is due, before the related performance obligations of the contract are satisfied. A contract liability is also recognised for payments received in advance from customers.

1.13 Rebates

Rebates from suppliers are accounted for in the period in which they are earned and are based on commercial agreements with suppliers. Rebates earned are mainly purchase volume related and are generally short term in nature, with rebates earned but not yet received typically relating to the preceding 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 accrued income in the consolidated statement of financial position.

1.14 Non-underlying items

Non-underlying items are those items that, by virtue of their nature, size or expected frequency, warrant separate additional disclosure in the consolidated financial statements, to fully understand the underlying performance of Group. Such items have been included within administrative expenses but have also been disclosed separately in note 5 in the notes to the consolidated financial statements. Non-underlying items relate primarily to the costs incurred as part of the demerger and separate listing of the Group in December 2020.

1.15 Income tax

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

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

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

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

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

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

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

1.16 Leases

Lessee

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

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

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

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- 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; and
- any initial direct costs.

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

Depreciation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.22 Financial instruments

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

Recognition

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

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

Classification

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

Financial assets are classified as follows:

- Financial assets to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- 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 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, excluding derivative liabilities and contingent consideration, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

Derecognition

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

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

Impairment
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.
To measure the expected credit losses, trade receivables have been grouped based on credit risk characteristics and the days past due.

The expected credit loss (ECL) rates are based on the payment profiles of sales over a 12-month period before 28 February 2021, 29 February 2020 and 1 March 2019 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, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

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

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

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

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

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

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

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

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

1.24 Intangible assets

Goodwill

Goodwill is measured as described in note 1.18. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

Brands and customer relationships

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

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

- Customer relationships 10 years; and
- Brands 5 years.

Software

Costs associated with maintaining software programmes 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; and
- the expenditure attributable to the software during its development can be reliably measured.

Research and development

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

1.25 Trade and other payables

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

1.26 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

1.27 Provisions

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

1.28 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related

service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

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

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

Share-based payments
Equity settled share-based payment incentive scheme
Share-based compensation benefits are provided to particular employees of the Group via the Bytes Technology Group plc performance incentive share plan. Prior to the demerger the Bytes business had two share schemes, the Bytes Technology Limited equity settled share-based payment incentive scheme and the Blenheim Group Limited equity settled share-based payment incentive scheme. Information relating to all schemes is provided in note 28.

Employee options
The fair values of options granted under the Bytes Technology Group plc performance incentive share plan is recognised as an employee benefit expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

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

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

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

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

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

1.31 Earnings per share
(i) Basic earnings per share
Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

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

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

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

2. Segmental information

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

2(b) Adjusted operating profit
Adjusted operating profit excludes the effects of non-underlying items and other significant items of income and expenditure which have an impact on the quality of earnings, such as IPO costs, which are because of an isolated, non-recurring event. Intangible assets amortisation and the effects of share-based payment charges have also been excluded.

Adjusted operating profit reconciles to operating profit as follows:

	Note	**Year ended 28 February 2021 £'000**	**Year ended 29 February 2020 £'000**
Adjusted operating profit		37,481	31,725
Share-based payment charges	28	(962)	(271)
Amortisation of acquired intangible assets	4	(1,610)	(1,610)
IPO costs	5	(8,065)	-
Operating profit		**26,844**	**29,844**

3. Revenue from contracts with customers

3(a) Disaggregation of revenue from contracts with customers:
The Group derives revenue from the transfer of goods and services in the following major product lines and geographical regions:

Revenue by product	**Year ended 28 February 2021 £'000**	**Year ended 29 February 2020 £'000**
Software	343,063	326,439
Hardware	24,073	29,576
Services	26,433	17,088
Total revenue from contracts with customers	**393,569**	**373,103**

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

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

Services
The Group’s services revenue comprises the sale of externally provided training and consulting services through third-party contractors and internally provided consulting services through its own internal resources.

	Year ended 28 February 2021 £’000	**Year ended 29 February 2020 £’000**
Revenue by geographical regions:		
United Kingdom	380,616	352,458
Europe	9,594	17,720
Rest of world	3,359	2,925
	393,569	**373,103**

3(b) Gross invoiced income by type:	**Year ended 28 February 2021 £’000**	**Year ended 29 February 2020 £’000**
Software	899,155	665,147
Hardware	24,073	29,576
Services	34,824	27,431
	958,052	**722,154**
Gross invoiced income	958,052	722,154
Adjustment to gross invoiced income for revenue recognised as agent	(564,483)	(349,051)
Revenue	**393,569**	**373,103**

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

3(c) Largest revenue derived from a single external customer:	**Year ended 28 February 2021 £’000**	**Year ended 29 February 2020 £’000**
Software	45,791	42,605
	45,791	**42,605**

3(d) Revenue recognised in relation to contract liabilities
During the year, the Group recognised £10 million (2020: £10 million) of revenue that was included in the contract liability balance at the beginning of the period.

4. Material profit or loss items

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

	Note	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Depreciation of property, plant and equipment	**10**	835	684
Depreciation of right-of-use assets	**11**	235	290
Loss on disposal of property, plant and equipment	**10**	18	10
Amortisation of acquired intangible assets	**12**	1,610	1,610
Consulting fees		2,290	946
Operating lease charges:	**11**	54	78
Property		54	75
Plant, equipment and vehicles		-	3
Foreign exchange losses/(gains)		11	(24)

5. Non-underlying items

	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
IPO costs	8,065	-
	8,065	-

Items included in administrative expenses that are material, either because of size or their nature and that are non-recurring are considered as non-underlying items. The Group incurred costs of £8.1 million in respect of its IPO. These costs specifically related to stamp duty taxes and other legal and professional costs. In addition, commission costs of £10.6 million were incurred for raising gross proceeds of £352.4 million on IPO. £333.5 million of the proceeds were used to settle the Group's obligations under the Demerger SPA with Altron and Altron's Shareholder, with the remaining £18.9 million being used to pay the commission costs of £10.6 million and the IPO costs of £8.1 million. The £10.6 million of commission costs was offset against the share premium created on the issue of the shares, see note 19.

6. Employees

Employee benefit expense:	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Employee remuneration (including directors' remuneration)	29,980	26,960
Commissions and bonuses	15,982	15,023
Social security costs	5,326	4,694
Pension costs	1,038	918
Share-based payments expense	962	271
	53,288	47,866
Classified as follows:		
Cost of sales	7,875	6,981
Administrative expenses	45,413	40,885
	53,288	47,866

The average monthly number of employees during the year was:

	Year ended 28 February 2021 Number	**Year ended 29 February 2020 Number**
Sales	255	252
Technical	272	235
Administration	120	106
	647	593

7. Auditors' remuneration

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

	Year ended 28 February 2021 £'000	**Year ended 29 February 2020 £'000**
Fees payable to the company's auditors and its associates for the audit of the parent company and consolidated financial statements	161	-
Fees payable to company's auditors and its associates for other services:		
Audit of the financial statements of the company's subsidiaries	264	334
Non-audit services [1]	1,243	-
	1,668	334

(1) Non-audit services relate to pre-IPO services provided which are of a one-off nature.

8. Finance income and costs

	Year ended 28 February 2021 £'000	**Year ended 29 February 2020 £'000**
Finance income		
Bank interest received	12	158
Finance income	12	158
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(122)	(2)
Interest expense on lease liability	(71)	(80)
Finance costs expensed	(193)	(82)
Net finance (costs)/income	(181)	76

9. Income tax expense

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

	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Current tax expense		
Current income tax charge in the year	7,049	5,912
Adjustment in respect of current income tax of previous years	165	(7)
Double taxation relief	(5)	-
Foreign taxation	20	-
Total current income tax charge	7,229	5,905
Deferred tax credit		
Increase in deferred tax assets	(342)	-
Decrease in deferred tax liabilities	(157)	(143)
Deferred tax credit	(499)	(143)
Total tax charge	6,730	5,762

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 2021 £'000	Year ended 29 February 2020 £'000
Profit before income tax	26,662	29,920
Profit before income tax at the standard rate of corporation tax in the UK of 19% for all periods	5,066	5,685
Effects of:		
Non-deductible expenses	1,637	166
Tax credit in respect of qualifying R&D expenditure	-	(67)
Foreign tax credits	14	-
Adjustment to previous periods	(36)	(18)
Other differences	49	(4)
Income tax charge reported in profit or loss	6,730	5,762

Amounts recognised directly in equity

	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity:		
Deferred tax assets: share-based payments	15	-
	15	-

Changes affecting the future tax charge:
In the Spring Budget 2021, the UK Government announced that, from 1 April 2023, the main rate of corporation tax of 25% will be effective and will be substantively enacted once the Finance Bill 2021 has received Royal Assent. The Group has considered the impact of the proposed change in the main rate of corporation of 25% on both its future tax liabilities and future deferred tax position and considers the change to be immaterial at this stage. The Group will continue to monitor the potential impact over the period up to 1 April 2023. In the previous Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reduce to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the consolidated balance sheet date have been measured using currently enacted tax rates and reflected in these consolidated financial statements, see note 18.

10. Property, plant and equipment

	Freehold land and buildings £'000	Computer equipment £'000	Furniture, fittings and equipment £'000	Computer software £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 March 2019	7,105	1,317	959	611	64	10,056
Additions	1,190	454	59	13	29	1,745
Disposals	(5)	(347)	(45)	-	(10)	(407)
At 29 February 2020	8,290	1,424	973	624	83	11,394
Transfers	509	1,806	332	-	-	2,647
Additions	81	471	27	-	28	607
Disposals	-	(35)	(29)	-	(22)	(86)
At 28 February 2021	8,880	3,666	1,303	624	89	14,562
Depreciation						
At 1 March 2019	744	800	494	519	29	2,586
On disposals	(2)	(347)	(38)	-	(10)	(397)
Charge for the year	261	305	58	44	16	684
At 29 February 2020	1,003	758	514	563	35	2,873
Transfers	440	1,893	314	-	-	2,647
On disposals	-	(35)	(19)	-	(14)	(68)
Charge for the year	348	327	104	38	18	835
At 28 February 2021	1,791	2,943	913	601	39	6,287
Net book value						
At 29 February 2020	7,287	666	459	61	48	8,521
At 28 February 2021	7,089	723	390	23	50	8,275

11. Leases

(i) Amounts recognised in the balance sheet

Right-of-use assets	**Buildings £'000**	**Motor vehicles £'000**	**Total £'000**
Cost			
At 1 March 2019	1,377	245	1,622
At 29 February 2020 and 28 February 2021	1,377	245	1,622
Depreciation			
At 1 March 2019	-	-	-
Charge for the year	162	128	290
At 29 February 2020	162	128	290
Charge for the period	142	93	235
At 28 February 2021	304	221	525
Net book value			
At 1 March 2019	1,377	245	1,622
At 29 February 2020	1,215	117	1,332
At 28 February 2021	1,073	24	1,097

Lease liabilities	**28 February 2021 £'000**	**29 February 2020 £'000**	**1 March 2019 £'000**
Current	202	307	307
Non-current	1,176	1,295	1,422
	1,378	1,602	1,729

There were no additions to the right-of-use assets in the financial year ended 28 February 2021 (financial year ended 29 February 2020: £Nil).

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

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

Depreciation charge of right-of-use assets	**Year ended 28 February 2021 £'000**	**Year ended 29 February 2020 £'000**
Buildings	142	162
Motor vehicles	93	128
	235	290
Interest expense (included in finance cost)	71	80
Expense relating to short-term leases (included in administrative expenses)	54	54
Expense relating to leases of low-value assets (included in administrative expenses)	-	24

(iii) Changes in liabilities arising from financing activities

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

	1 March 2019 £'000	Cash flows £'000	Interest £'000	29 February 2020 £'000
Lease liabilities	1,729	(207)	80	1,602
Total liabilities from financing activities	1,729	(207)	80	1,602

12. Intangible assets

	Goodwill £'000	Customer relationships £'000	Brand £'000	Total £'000
Cost				
At 1 March 2019, 29 February 2020 and 28 February 2021	37,493	8,798	3,653	49,944
Amortisation				
At 1 March 2019	-	1,247	1,034	2,281
Charge for the year	-	880	730	1,610
At 29 February 2020	-	2,127	1,764	3,891
Charge for the year	-	880	730	1,610
At 28 February 2021	-	3,007	2,494	5,501
Net book value				
At 29 February 2020	37,493	6,671	1,889	46,053
At 28 February 2021	37,493	5,791	1,159	44,443

Determination of recoverable amount:

The carrying value of indefinite useful life intangible assets and goodwill are tested annually for impairment. The recoverable amount of each cash-generating unit (CGU) is the higher of the CGU's fair value less costs of disposal and its value in use. 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, typically over a three-year period, and thereafter a reasonable rate of growth is applied based on current market conditions. For the purpose of impairment assessments of goodwill, the goodwill balance is allocated to the operating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

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

28 February 2021

During the financial year to 28 February 2021, the Group successfully integrated the Bytes Security Partnership into the Bytes Software Services business. The £6.9 million carrying value of goodwill previously allocated to Bytes Security

Partnership has been re-allocated to the Bytes Software Services CGU. The goodwill per CGU as at 28 February 2021 is as follows:

	Long-term growth rate	**Discount rate**	**Goodwill carrying amount**
	%	**%**	**£'000**
Bytes Software Services	2	8.44	14,775
Phoenix Software	2	8.44	22,718
			37,493

29 February 2020

	Long-term growth rate	**Discount rate**	**Goodwill carrying amount**
	%	**%**	**£'000**
Bytes Software Services	2	8.13	7,841
Bytes Security Partnership	2	8.13	6,934
Phoenix Software	2	8.13	22,718
			37,493

Growth rates

The Group used a conservative growth rate of 2% which was applied beyond the approved budget periods. The growth rate was consistent with publicly available information relating to long-term average growth rates for the market in which the respective CGU operated. The average growth rates ranged from 2% to 5% (2020: 2% – 5%).

Discount rates

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

Sensitivities

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

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

29 February 2020	**Bytes Software Services**	**Bytes Security Partnership**	**Phoenix Software**
	£'000	**£'000**	**£'000**
Headroom	333,967	44,215	52,253
1% increase in the pre-tax discount rate applied to the estimated future cash flows	(43,296)	(7,463)	(10,891)
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	60,156	10,369	15,132
0.5% increase in the terminal growth rate from 2021 to 2025	7,475	1,363	1,969
0.5% decrease in the terminal growth rate from 2021 to 2025	(7,344)	(1,339)	(1,933)

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

13. Inventories

	As at 28 February 2021 £'000	As at 29 February 2020 £'000
Inventories	591	688
	591	688

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 £97,000 (29 February 2020: £94,000).

14. 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; and
- 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 2021 £'000**	**As at 29 February 2020 £'000**
Financial assets at amortised cost:			
Trade receivables	**15**	103,455	73,365
Other financial assets	**15**	1,193	1,808
		104,648	75,173

Financial liabilities	**Note**	**As at 28 February 2021 £'000**	**As at 29 February 2020 £'000**
Financial liabilities at amortised cost:			
Trade and other payables – current, excluding Payroll tax and other statutory tax liabilities	**17**	150,354	125,429
Lease liabilities	**11**	1,377	1,602
		151,731	127,031

The Group's exposure to various risks associated with the financial instruments is discussed in note 24. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

15. Trade and other receivables

	As at 28 February 2021	As at 29 February 2020
Financial assets	**£'000**	**£'000**
Gross trade receivables	104,179	73,767
Less: impairment allowance	(724)	(402)
Net trade receivables	103,455	73,365
Other receivables	1,193	1,808
	104,648	75,173
Non-financial assets		
Prepayments	2,016	1,921
	2,016	1,921
Trade and other receivables	106,664	77,094

(i) Classification of trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies are provided in note 1.22.

(ii) Fair values of trade receivables

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

(iii) Credit risk

Ageing and impairment analysis (excluding finance lease assets)

29 February 2020	**Current**	**Past due 0 to 30 days**	**Past due 31 to 120 days**	**Past due 121 to 365 days**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Expected loss rate	0.02%	0.28%	13.41%	95.61%	
Gross carrying amount – trade receivables	59,410	12,445	1,792	120	73,767
Loss allowance	12	35	240	115	402

28 February 2021	**Current**	**Past due 0 to 30 days**	**Past due 31 to 60 days**	**Past due 61 to 120 days**	**Past due 121 to 365 days**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Expected loss rate	0.05%	0.58%	6.08%	25.87%	100%	
Gross carrying amount – trade receivables	87,557	12,077	3,764	545	236	104,179
Loss allowance	48	70	229	141	236	724

Impact of Covid-19

During the financial year, the Group has revised the expected credit loss rates for the impact of Covid-19 and altered the payment profiles of balances associated with certain customers. To represent the effects of this, the Group has split the past due 31 to 120 days ageing profile into two separate ageing profiles, being past due 31 to 60 days and past due 61 to 120 days. The loss allowances applied to both ageing profiles are based on the historical loss rates adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

	Trade receivables	
	As at 28 February 2021 £’000	**As at 29 February 2020 £’000**
Opening loss allowance at 1 March	402	476
Increase in loss allowance recognised in profit or loss during the period	333	-
Receivables written off during the year as uncollectible	(11)	(74)
Closing loss allowance	724	402

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

16. Cash and cash equivalents

	As at 28 February 2021 £’000	**As at 29 February 2020 £’000**
Cash at bank and in hand	20,734	47,357
	20,734	47,357

17. Trade and other payables

	As at 28 February 2021 £’000	**As at 29 February 2020 £’000**
Trade and other payables (1)	124,977	106,818
Accrued expenses	25,377	20,988
Payroll tax and other statutory liabilities	6,767	5,381
	157,121	133,187

(1) Demerger Transactions

Included within trade and other payables as at 29 February 2020 are deferred consideration amounts totalling £16.7 million relating to the Demerger Transactions. These amounts represent the cash consideration payments made to both management teams of Bytes Technology Limited and Blenheim Group Limited on the Date of the Demerger. Payments of £14.3 million and £2.4 million were made to the Bytes Technology Limited management and Blenheim Group Limited management respectively for the Bytes Technology Group Limited and Blenheim Group Limited B ordinary shares. The Group has chosen to present the Demerger Transactions from 1 March 2019 and has therefore recognised a liability in the prior periods for the cash consideration paid on the Date of the Demerger.

Trade payables are unsecured and are usually paid within 30 days of recognition.

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

18. Deferred tax balances

Deferred tax assets **The balance comprises temporary differences attributable to:**	As at 28 February 2021 £'000	As at 29 February 2020 £'000
Employee benefits	241	-
Provisions	101	-
Share-based payments	15	-
	357	-

Deferred tax assets	As at 28 February 2021 £'000	As at 29 February 2020 £'000
At 1 March	-	-
Credited to profit or loss	342	-
Credited to equity	15	-
Carrying amount at end of year	357	-

Deferred tax liabilities **The balance comprises temporary differences attributable to:**	As at 28 February 2021 £'000	As at 29 February 2020 £'000
Intangible assets	1,207	1,488
Property, plant and equipment	531	407
	1,738	1,895

Deferred tax liabilities	As at 28 February 2021 £'000	As at 29 February 2020 £'000
At 1 March	1,895	2,038
Credited to profit or loss	(157)	(143)
Carrying amount at end of year	1,738	1,895

19. Share capital and share premium

Authorised, allotted, called up and fully paid	Number of shares	Nominal value £'000	Share premium £'000	Total £'000
At 1 March 2019 and 29 February 2020 (1)	232,480,613	2,325	625,373	627,698
Shares issued during the year (2)	7,001,720	70	8,263	8,333
At 28 February 2021 (3), (4)	239,482,333	2,395	633,636	636,031

(1) Demerger Transactions

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

shares by the company at an issue price of £2.70 per share, gave rise to share capital of £2.3 million, being the nominal value of the shares issued and share premium of £625.4 million with a contribution to the merger reserve of £627.7 million, see note 21. Included in the 232,480,611 ordinary shares issued on the Date of the Demerger were 123,514,420 ordinary shares with an aggregate value of £333.5 million issued for cash to new institutional and individual investors (including the non-executive directors) introduced by the company's brokers, Numis Securities. This cash was paid to Altron and Altron shareholders. 96,992,074 ordinary shares with an aggregate value of £261.9 million were issued directly to Altron shareholders and 11,974,117 ordinary shares with an aggregate value of £32.3 million were issued to the Bytes Technology Limited management for the Bytes Technology Limited B ordinary shares, giving the combined value of £627.7 million shown above.

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

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

(4) Share options
Information related to the Bytes Technology Group plc performance incentive share plan, including options issued during the financial year and options outstanding at the end of the reporting period is set out in note 28.

20. Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. All movements relate to the Group's share-based payment schemes; further details are provided in note 28.

	Note	The Bytes Technology Group plc performance incentive plan £'000	Bytes Technology Limited scheme £'000	Blenheim Group Limited scheme £'000	Total other reserves £'000
Balance at 1 March 2019			**721**	**178**	**899**
Share-based payment expenses	**28**	-	97	174	271
At 29 February 2020		**-**	**818**	**352**	**1,170**
Share-based payment expenses	**28**	302	129	531	962
Deferred tax	**18**	15	**-**	-	15
Transfer to retained earnings [(1)]	**22**	-	(947)	(883)	(1,830)
At 28 February 2021		**317**	**-**	**-**	**317**

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

21. Merger reserve

	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Balance at 1 March 2019, 29 February 2020 and 28 February 2021	(644,375)	(644,375)
	(644,375)	**(644,375)**

The merger reserve of £644.4 million effective on the Date of the Demerger is an accounting reserve in equity representing the difference between the total nominal value of the issued share capital acquired in Bytes Technology Limited of £1.10 and the total consideration given of £644.4 million. The total consideration was satisfied by the issue of new shares in the company for a consideration of £627.7 million, see note 19 and further cash consideration of £16.7 million for the acquisition of the Bytes Technology Limited and Blenheim Group Limited B ordinary shares. £14.3 million of the cash consideration was satisfied by the company to acquire the Bytes Technology Limited B ordinary shares and £2.4 million was satisfied by Bytes Technology Limited to acquire the Blenheim Group Limited B ordinary shares.

22. Retained earnings

Movements in retained earnings were as follows:	Note	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Balance at 1 March		51,612	41,254
Net profit for the period (1)		19,933	24,158
Transfer from other reserves	**20**	1,830	-
Dividends	**25(b)**	(48,600)	(13,800)
		24,775	**51,612**

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

23. Cash generated from operations

	Note	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Profit before taxation		26,663	29,920
Adjustments for:			
Depreciation and amortisation	4	2,680	2,584
Loss on disposal of property, plant and equipment	4	18	10
Non-cash employee benefits expense – share based payments	6	962	271
Finance (income)/costs – net	8	181	(76)
(Increase)/decrease in contract assets		(1,252)	2,971
(Increase) in trade and other receivables		(29,570)	(22,496)
Decrease/(increase) in inventories		97	(594)
Increase in trade and other payables		40,611	27,586
Increase in contract liabilities		1,156	1,523
Cash generated from operations		**41,546**	**41,699**

24. Financial risk management

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

A significant portion of the Group's revenues are from the sale of Microsoft software and associated services and it, therefore, remains strongly dependent thereon. The Group intends to continue to develop this relationship, as well as seek additional opportunities with other suppliers, in order to mitigate the risk and exposure going forward.

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

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

24(a) Derivatives

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

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

24(b) Foreign exchange risk

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

			As at 28 February 2021		As at 29 February 2020
	USD £'000	**EUR £'000**	**NOK £'000**	**USD £'000**	**EUR £'000**
Trade receivables	11,468	605	-	8,057	397
Cash and cash equivalents	424	717	-	4,627	283
Trade payables	(11,163)	(6,557)	(1,294)	(14,873)	(6,323)
	729	(5,235)	(1,294)	(2,189)	(5,643)

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

	Year ended 28 February 2021 £'000	**Year ended 29 February 2020 £'000**
Total net foreign exchange (losses)/gains in profit or loss	(11)	24
	(11)	24

24(c) Liquidity risk

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

At 28 February 2021, the Group had cash and cash equivalents of £20.7 million, see note 16. Management monitors rolling forecasts of the Group's liquidity position (which comprises its cash and cash equivalents) on the basis of expected cash flows generated from the Group's operations. These forecasts are generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group and take into account certain down case scenarios.

(2) Revolving Credit Facility
The Group has entered into a three-year committed Revolving Credit Facility (RCF) from the admission date of £50 million for the first 12 months, reducing to £40m for the following 12 months and to £30m thereafter. The Group incurred arrangement fees of £0.4 million representing 0.75% of the initial £50 million facility available. The Group has so far not drawn down any amount on this facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee has been capitalised as a prepayment and amortised over the three-year period of the facility. The facility also incurs a commitment fee and utilisation fee and both are payable quarterly in arrears. Under the terms of the facility, the Group is required to comply with the following financial covenants:

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

The Group has complied with these covenants throughout the reporting period. As at 28 February 2021, EBITDA to net finance charges was approximately 208 times. Net debt to EBITDA was approximately 0.5 times.

(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	1 to 2 years	2 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
28 February 2021	**Note**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	17	124,977	-	-	-	124,977	124,977
Lease liabilities	11	257	231	578	545	1,611	1,378
		125,234	231	578	545	126,588	126,355

		Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
29 February 2020		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	17	106,818	-	-	-	106,818	106,818
Lease liabilities	11	324	230	690	748	1,992	1,602
		107,142	230	690	748	108,810	108,420

25. Capital management

25(a) Risk management

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the 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. In order to ensure an appropriate return for shareholders' capital invested in the Group, management thoroughly evaluates all material revenue streams, relationship 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 Board initially intends to target an annual dividend of between 40% and 50 % of the Group's profit after taxation before any exceptional items in each financial year. Subject to any cash requirements for ongoing investment, the Board will consider returning excess cash to shareholders over time.

25(b) Dividends

	2021		2020	
Ordinary shares	**Pence per share**	**£'000**	**Pence per share**	**£'000**
Prior year's final dividend paid	-	-	5.94	13,800
Interim dividend paid	8.00	18,600	-	-
Dividend paid prior to Demerger	12.90	30,000	-	-
Total dividends attributable to ordinary shareholders	**20.90**	**48,600**	**5.94**	**13,800**

Final and interim dividends paid for the years ended 28 February 2021 and 29 February 2020 relate to the distributions of profits prior to the Date of Demerger. Dividends per share is calculated by dividing the dividend paid by the number of ordinary shares in issue at the Date of Demerger. The Board of directors recommend no further ordinary or special dividends for the year ended 28 February 2021.

26. Capital commitments

At 28 February 2021, the Group had £Nil capital commitments (29 February 2020: £Nil).

27. Related party transactions

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

27(a) Transactions with key management personnel

Prior to the Date of the Demerger, the key management personnel are defined as the directors of the Bytes business. Certain directors were not paid directly by the Bytes business but received remuneration from Altron, in respect of their services to the larger Group which included the Bytes business. The Group was not recharged for these services, since it was not possible to make an accurate apportionment of their remuneration. The total remuneration relating to these directors were included in the aggregate of directors' remuneration disclosed in the consolidated financial statements of the Altron group. Following the Date of Demerger, the key management personnel are defined as the directors (both executive and non-executive) of Bytes Technology Group plc, Bytes Software Services Limited and Phoenix Software Limited. Details of the compensation paid to the directors as well as their shareholdings in the Group are disclosed in the annual report on remuneration.

27(b) Subsidiaries

Interests in subsidiaries are set out in note 30.

27(c) Transactions with former parent group, Altron

The following transactions occurred with related parties:

	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Purchase of services		
Management services provided by fellow Group company	42	50
Other transactions		
Dividends paid to former parent group	(48,600)	(13,800)

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

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

28. Share-based payments

28(a) Arrangements started from the Date of Demerger and onwards

The Group established a new equity settled share-based payment incentive scheme, the Bytes Technology Group plc performance incentive share plan, with effect from the Admission Date. Awards under the Bytes Technology Group plc performance incentive share plan have been accounted for as equity settled share-based payments. The fair value of the awards granted is recognised as an expense over the appropriate service and vesting period.

The Bytes Technology Group plc performance incentive share plan

Employees of Bytes Technology Group plc and its subsidiaries are eligible to participate in the Bytes Technology Group plc performance incentive share plan. Awards are made at the discretion of the Group's Remuneration Committee and may be granted in the form of an option or conditional share award. No individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Awards granted in the scheme are for shares in Bytes Technology Group plc. Under the plan, participants are granted options which only vest if certain service conditions are met.

The number of options that will vest depends on the participants of the scheme being employed or a 'good leaver' at the vesting date. Once vested, the options remain exercisable for a period up to 10 years from the date of the grant.

Options are granted under the plan for no consideration and carry no voting rights. The Remuneration Committee may decide on or before the date of grant that an award holder shall be entitled to receive additional shares and/or cash payments representing the value of any dividends that would have been paid on the vested shares during the vesting period.

When exercisable, each option is convertible into one ordinary share. As soon as reasonably practicable after a vested option has been exercised, and by no later than 30 days following receipt of a valid exercise notice, the company shall issue and allot or transfer or procure to transfer to the award holder the number of shares in respect of which the vested option has been exercised.

Set out below are summaries of options granted under the plan:

	2021 Number of options
As at commencement of the scheme	1,480,110
As at 28 February 2021	1,480,110

No options were exercised, forfeited or expired during the period covered by the above table.

Share options outstanding at the end of the year have the following vesting dates, expiry dates and exercise prices:

Grant date	Vesting date	Expiry date	Exercise price	Share options 28 February 2021
17 December 2020	17 December 2023	16 December 2030	£0.01	1,480,110
				1,480,110
Weighted average remaining contractual life of options outstanding at end of period				2.80 years

(i) Fair value of options granted
The assessed fair value at grant date of options granted during the year ended 28 February 2021 was £3.40 per option, based on the share price at grant date which was the Date of Admission of the company's shares. The share price at the date of grant is deemed to be the fair value of the option given that there are no performance conditions, the exercise price is a nominal amount, being £0.01 and option holders are entitled to dividend equivalents.

(ii) Net settlement feature for withholding tax obligations
The Group has the right but not the obligation to withhold an amount sufficient to settle the tax liability of an employee associated with a share-based payment and transfer that amount in cash to the tax authority on the employee's behalf.

28(b) Arrangements existing before the Date of Demerger
Prior to the Demerger, the Group operated two equity settled share-based payment incentive schemes, the Bytes Technology Limited scheme and the Blenheim Group Limited scheme. The Bytes Technology Limited scheme was due to vest on 1 March 2021 and the Blenheim Group Limited scheme on 1 March 2023. Both schemes vested on the Date of the Demerger and settled as discussed in more detail below.

(1) Bytes Technology Limited scheme
On 15 November 2016, Bytes Technology Limited issued and allotted B ordinary shares to certain members of its management at £0.001 per share. The value of the shares was to be determined by taking the average profitability of Bytes Technology Limited in the two years immediately preceding 28 February 2021 multiplied by a market multiple to be determined at the vesting date. The B ordinary shares participated in 20% of the growth above the pre-determined hurdle. These shares carried no dividend rights. Upon vesting of the B ordinary shares, the B ordinary shares would be converted into Fixed Rate Preference Shares (FRPS), the FRPS would then have been immediately converted into A ordinary shares or Altron shares, at Altron's election. The A ordinary shares would have ranked pari passu in all respects with the existing A ordinary shares, including the right to receive all dividends declared, made or paid after the vesting date. The Demerger Transactions were deemed an event which accelerated the vesting period of the B ordinary shares. It was not considered necessary to convert the B ordinary shares to A ordinary shares for the scheme to be considered equity settled, since the vesting conditions were considered to be met on the Date of the Demerger. The B ordinary shares were acquired by the company on the Date of the Demerger, with the B ordinary shareholders receiving cash consideration of £14.3 million and 5% of the issued share capital of the company. The Group has chosen the approach to present the Demerger Transactions from 1 March 2019 and recognised a liability of £14.3 million in respect of its obligation to acquire the B ordinary shares. The cash consideration was deemed to be less than the fair value of the equity instruments measured at the settlement date, so no additional expense was recognised. This was determined with the use of a market valuation approach. An expense of £0.1 million was immediately recognised in profit or loss, resulting from accelerating the vesting period of the shares.

(2) Blenheim Group Limited scheme
On 10 February 2020 Blenheim Group Limited issued and allotted B ordinary shares to certain members of its management at £0.001 per share. The value of the shares was to be determined by taking the average profitability of the Blenheim Group of companies, including Blenheim Group Limited, Phoenix Software Limited and License Dashboard Limited (all wholly owned subsidiaries of the company) in the two years immediately preceding 28 February 2023 multiplied by a market multiple to be determined at the vesting date. The B ordinary shares participated in 15% of the growth above a pre-determined hurdle. These shares carried no dividend rights. Upon vesting of the B ordinary shares, the B ordinary shares would be converted into A ordinary shares in Blenheim Group Limited or Altron shares, at Altron's election. The Demerger Transactions were deemed an event which accelerated the vesting period of the B ordinary shares. It was not considered necessary to convert the B ordinary shares to A ordinary shares for the scheme to be considered equity settled, since the vesting conditions were considered to be met on the Date of the Demerger. The B ordinary shares were acquired by Bytes Technology Limited on the Date of the Demerger, with the B ordinary shareholders receiving cash consideration of £2.4 million. The Group recognised a liability of £2.4 million on 1 March 2019 in recognition of presenting the Demerger Transactions from this date. The cash consideration was deemed to be less than the fair value of

the equity instruments measured at the settlement date, so no additional expense was recognised. This was determined with the use of a market valuation approach. An expense of £0.4 million was immediately recognised in profit or loss, resulting from accelerating the vesting period of the shares.

None of the B ordinary shares in either Bytes Technology Limited or Blenheim Group Limited were exercisable at the comparative reporting date. The details of the Bytes Technology Limited and Blenheim Group Limited B ordinary shares previously in issue were as follows:

Bytes Technology Limited	**Number of shares**
B ordinary shares issued in Bytes Technology Limited as at 29 February 2020	1,000

Blenheim Group Limited	**Number of shares**
B ordinary shares issued in Blenheim Group Limited on 10 February 2020	1,000
B ordinary shares issued in Blenheim Group Limited as at 29 February 2020	1,000

Fair value and assumptions of B ordinary shares awarded

(1) Bytes Technology Limited Scheme

		15 November 2016
Fair value at grant date	(GBP)	3.00
Share price	(GBP)	65.76
Exercise price	(GBP)	72.33
Expected volatility	(%)	25.00
Vesting period	(years)	5
Dividend yield	(%)	9.3
Risk-free interest rate	(%)	1.40

The fair value of the services received is measured using the Binomial Approach Model.

The expected volatility is based on the average historic volatility of peer group companies (based on the vesting period remaining).

The weighted average remaining period to vesting on the B ordinary shares at 29 February 2020 was one year.

(2) Blenheim Group Limited Scheme

		10 February 2020
Fair value at grant date	(GBP)	3.00
Share price	(GBP)	41.40
Exercise price	(GBP)	51.75
Expected volatility	(%)	30.30
Vesting period	(years)	3
Dividend yield	(%)	9.5
Risk-free interest rate	(%)	0.31

The fair value of the services received is measured using the Binomial Approach Model.
The expected volatility is based on the average historic volatility of peer group companies (based on the vesting period remaining).

The weighted average remaining period to vesting on the B ordinary shares at 29 February 2020 was three years.

Share-based payment employee expenses

	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Equity settled share-based payment expenses	962	271
	962	271

29. Earnings per share

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

Share transactions such as share issues in respect of the Demerger Transactions are reflected in the EPS denominator as if these transactions had occurred on 1 March 2019.

29(a) Basic earnings per share

Basic earnings per share	Year ended 28 February 2021 pence	Year ended 29 February 2020 pence
From profit for the period attributable to owners of the company	8.52	10.39

29(b) Diluted earnings per share

Diluted earnings per share	Year ended 28 February 2021 pence	Year ended 29 February 2020 pence
From profit for the period attributable to owners of the company	8.47	10.39

29(c) 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:

Headline earnings per share	Note	Year ended 28 February 2021 pence	Year ended 29 February 2020 pence
From profit for the period attributable to owners of the company		8.52	10.39
Adjusted for:			
Loss on disposal of property, plant and equipment	**4**	-	-
Total headline earnings per share attributable to owners of the company		8.52	10.39

29(d) Diluted headline earnings per share

Diluted headline earnings per share	Note	Year ended 28 February 2021 pence	Year ended 29 February 2020 pence
From profit for the period attributable to owners of the company		8.47	10.39
Adjusted for:			
Loss on disposal of property, plant and equipment	**4**	-	-
Total diluted headline earnings per share attributable to owners of the company		8.47	10.39

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

	Year ended 28 February 2021 Number	Year ended 29 February 2020 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and headline earnings per share	233,900,138	232,480,611
Adjustments for calculation of diluted earnings per share and diluted headline earnings per share:		
– share options	1,480,110	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and diluted headline earnings per share	235,380,248	232,480,611

29(f) Adjusted earnings per share

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

- Non-underlying items
- Share-based payment charges
- Acquired intangible assets amortisation

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

	Note	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Profits attributable to ordinary shareholders		19,933	24,158
Adjusted for:			
- Amortisation of acquired intangible assets	**4**	1,610	1,610
- Non-underlying items	**5**	8,065	-
- Share-based payment charges	**28**	962	271
Total adjusted earnings attributable to owners of the company		30,570	26,039
		pence	**pence**
Adjusted earnings per share		13.07	11.20
Diluted adjusted earnings per share		12.99	11.20

29(g) Information concerning the classification of securities

(i) Share options

Share options granted to employees under the Bytes Technology Group plc performance incentive share plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share on the basis that all employees are employed at the reporting date, and to the extent that they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the share options are disclosed in note 28.

30. Subsidiaries

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

Name of entity	Country of incorporation	Ownership interest	Principal activities
Bytes Technology Holdco Limited (1)	UK	100%	Holding company
Bytes Technology Limited	UK	100%	Holding company
Bytes Software Services Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors
Bytes Security Partnerships Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors
Blenheim Group Limited	UK	100%	Holding company
Phoenix Software limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors
License Dashboard Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors
Bytes Technology Group Holdings Limited	UK	100%	Dormant for all periods
Bytes Technology Training Limited	UK	100%	Dormant for all periods
Elastabytes Limited	UK	50%	Dormant for all periods

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

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