Bytes Technology Group plc
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("BTG", or "the Group")

26 October 2022

Results for the six months ended 31 August 2022 and cash dividend declaration
Strong first half extending our track record of double-digit growth

Bytes Technology Group plc (LSE: BYIT, JSE: BYI), one of the UK's leading software, security and cloud services specialists, today announces its half year results for the 6 months ended 31 August 2022 ('H1 FY23').

Neil Murphy, Chief Executive Officer, said:

"We have made a really positive start to the year and extended our long track record of consistent double-digit growth both before and since our listing in 2020. This performance reflects robust demand from both corporate and public sectors, with our customers showing a continued appetite to invest in their IT requirements despite the macroeconomic environment.

A key part of our success can be traced to the high-quality customer service that sits at the centre of our business and makes us so competitive in our markets. For this, I would like to extend my thanks to our people who do an outstanding job supporting our clients.

The new ways of working brought about by the Covid pandemic have become entrenched and we believe the conditions we are operating in represent the new normal. Thanks to our best-in-class expertise and partnerships with the world's leading vendors, we are well placed to continue serving our customers' needs and are confident that the Group is well positioned for the remainder of the financial year".

Financial performance

£'million	**H1 FY23** (six months ended 31 August 2022)	**H1 FY22** (six months ended 31 August 2021) (restated)	**% change year-on-year**
Gross invoiced income ('GII')[1]	£786.2m	£638.2m	23.2%
Revenue[2]	£93.5m	£73.1m	27.9%
Gross profit ('GP')	£65.5m	£52.9m	23.8%
Gross margin % (GP/Revenue)	70.1%	72.4%	
GP/GII %	8.3%	8.3%	
Operating profit	£27.3m	£23.2m	17.7%
Adjusted operating profit ('AOP')[3]	£29.8m	£25.0m	19.2%
Cash	£35.8m	£42.9m	(16.6%)
Cash conversion[4]	(2.8%)	107.5%	
Earnings per share (pence)	9.06	7.72	17.4%
Adjusted earnings per share[5] (pence)	10.11	8.48	19.2%
Interim dividend per share (pence)	2.4	2.0	20%

The restatement in H1 FY22 is in respect of the Revenue and Gross margin % as described below.

Group highlights for the six months ended 31 August 2022

- GII increased 23.2% to £786.2 million (H1 FY22: £638.2 million), with this strong growth spread across all areas of the business – software, hardware and services – and generated from both the corporate and public sector customers.

- Revenue increased 27.9% to £93.5 million (H1 FY22: £73.1 million – restated). Following recent guidance issued by the IFRS Interpretation Committee, and in line with developing clear and consistent practice within our industry, we are now accounting for all software revenue on an agency, or "net" basis. Previously, the element of software revenue comprising indirect licence sales of non-cloud licences and licences not requiring critical updates had been recognised "gross". Hence this change in judgement has resulted in a reduction in our statutory revenue figures. The prior year revenue and cost of sales figures have been re-stated accordingly and further details of this change are set out in the Chief Financial Officer's review on page 7 and in note 1.5 of the interim financial statements. Our key financial metrics of gross invoiced income, gross profit, adjusted operating profit and cash conversion are unaffected by this change.

- GP growth of 23.8% to £65.5 million (H1 FY22: £52.9 million), reflected across both public and corporate sectors and with increased GP per customer.

- Gross margin at 70.1% (H1 FY22: 72.4%) reflects the impact of the revenue agency adjustment noted above, whereby the majority of our GII is accounted for on a net basis.

- GP/GII % is the margin measure which management scrutinise most closely, and this has been maintained at a strong 8.3% considering competitive pressures and challenging macro-economic conditions.

- Operating profit increased 17.7% to £27.3 million (H1 FY22: £23.2 million); noting also that H1 FY23 has a £0.7 million higher share-based payment (SBP) charge compared to H1 FY22.

- AOP which management believe is a better measure of underlying profitability increased by 19.2% to £29.8 million (H1 FY22: £25.0 million).

- Cash at 31 August 2022 was £35.8 million (H1 FY22: £42.9m) which is after the payment of dividends totalling £29.7 million during the past 12 months of which £24.9 million was paid during H1 FY23.

- Cash conversion reduction in the first half of the financial year illustrates the sensitivity of this ratio to even small delays in payment from customers, given that it is measured over a fixed period rather than as a rolling average. However, the Group has not experienced any bad debt write offs in the period and over a longer period, we target a sustainable cash conversion ratio of 100%. Management is confident cash conversion will return to higher levels in H2 FY23. This is discussed further in the Chief Financial Officer's review on page 9.

- Earnings per share increased 17.4% to 9.06 pence (H1 FY22: 7.72 pence).

- Adjusted earnings per share increased 19.2% to 10.11 pence (H1 FY22: 8.48 pence), which the Board believes is a more representative measure than basic earnings per share as it removes the impact of amortisation of purchased intangibles and SBP charges.

- The Board is pleased to declare an interim dividend of 2.4 pence per share which will be paid on Friday, 2 December 2022 to shareholders on the register as at Friday, 18 November 2022. This is a 20% increase over last year's interim dividend, reflecting the strong growth in AOP.

- Notable business highlights in the period include:

    - Bytes Software Services being named Microsoft Partner of the Year for Operational Excellence in 2022 from over 3,900 partner entries globally.
    - Winning almost 300 new customers across the Group.
    - Achieving 120% renewal rate from existing Group customers (which measures the GP from existing customers this period compared to total GP in the prior period).
    - The Group reaching 58% employee participation across its Share Save plans.

Current trading and outlook

After a successful H1 FY23 with a continuation of double-digit growth across key financial metrics, the business carries strong momentum going into the second six months of FY23. We have already made a good start in this second half, although we remain mindful of the domestic and global macroeconomic pressures. Our successful strategy of acquiring new customers and then growing our share of wallet, building on our strong vendor relationships and the technical and commercial skills of our people, makes us confident that the Group is well positioned for the remainder of the financial year.

Analyst and investor presentation

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

Webcast link:
https://event.on24.com/wcc/r/3984277/2BC7C63DAB56981CD98D31952C4AFD53

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

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

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Forward-looking statements

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

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

About Bytes Technology Group plc

BTG is one of the UK's leading providers of IT software offerings and solutions, with a focus on cloud and security products. The Group enables effective and cost-efficient technology sourcing, adoption, and management across software services, including in the areas of security and the cloud. It aims to deliver the latest technology to a diverse range of customers across corporate and public sectors and has a long track record of delivering strong financial performance.

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

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

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

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

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

[5] ‘Adjusted earnings per share’ is a non-IFRS alternative performance measure that the Group calculates by dividing the profit after tax attributable to owners of the company, adjusted for the effects of significant items of expenditure which are non-recurring events or do not reflect our underlying operations (‘Adjusted earnings’), by the weighted average number of ordinary shares in issue during the period. Amortisation of acquired intangible assets and share-based payment charges are excluded in arriving at Adjusted earnings. The calculation is set out in note 15 of the financial statements.

Chief Executive Officer’s Review

A strong half year performance delivering on our strategy

We are delighted with the strong performance in H1 FY23, which saw the Group deliver strong growth in adjusted operating profit (‘AOP’) of 19.2% and gross profit (‘GP’) of 23.8%, driven by a pleasing 23.2% growth in gross invoiced income (‘GII’). Our revenue, stated after the netting adjustment for software and external services sales, under IFRS 15, was up 27.9%.

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

Encouragingly, we have seen continued growth from our public sector customers and corporate clients, both up year on year by above 20% for GII and GP. This is also reflected in our 22.5% growth in software GII, 36.5% in services GII, and hardware GII growing at 34.0% during H1 FY23. The double-digit growth across all our sectors and product sets reflects the continued demand from our customers to invest in resilient and efficient IT services.

Our customers’ appetite for security, cloud adoption, digital transformation, hybrid datacentres and remote working solutions have underpinned our continued growth in H1 FY23. These investments increasingly take the form of annualised contracts and, accordingly, we remain confident in the Group’s growth prospects going forward. This reinforces our belief in the potential for future up-selling and cross-selling opportunities into existing clients. The double-digit growth in GII and GP, reflects the buoyant and robust nature of IT spend across the UK and Ireland.

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

We are investing in, and evolving, our internal systems to provide great user experiences and improved productivity to drive efficiencies. At the same time, with the removal of most restrictions associated with the Covid-19 pandemic, our staff have been able to re-engage face to face with customers, suppliers and partners resulting in a small increase in travel and entertainment costs. Nevertheless, our AOP as a percentage of GP has remained in line with target at 45.5% for the half year under review (H1 FY22: 47.3%).

We remain proud of the energy, enthusiasm and professionalism demonstrated by our people through what continues to be a challenging time for families, organisations, and society in general. Our future growth will be supported by both increasing headcount and training and development in key areas. As a management team, we are extremely pleased with the way our people continue to embrace our collaborative, team-based culture. Our flexible working regime continues to deliver positive results for our business, while also meeting our people’s aspirations for a healthy work/life balance. In June 2022, we launched our second Share Save Plan which has been well received by our workforce following the success of the first plan a year before. An encouraging 509 employees (58%) now participate in one, or both, of these plans, which far exceeded our expectations.

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

We remain committed to executing our strategy in a responsible manner, with sustainability rooted in everything we do. Our framework in this space aims to deliver positive impacts for our stakeholders across key themes which we have identified as most relevant for the environment in which we operate. Within each theme – financial sustainability, corporate responsibility, stakeholder engagement and good governance – we set ourselves focus areas which drive our activities. Through our staff led working groups, we allocate time and resources to various environmental initiatives, and to corporate social responsibility activities. We remain committed to supporting diversity across our business and are proud of the balance represented across our people. We continue our efforts to align with broader diversity targets to reflect the society in which we, and our stakeholders, operate. Further details in respect of our Environment, Social and Governance (ESG) action plan are set out below.

Our dividend policy is to distribute 40% of the Group's post-tax pre-exceptional earnings to shareholders. Accordingly, we are pleased to confirm that the Board has declared an interim dividend of 2.4 pence per share which will be paid on Friday, 2 December 2022 to shareholders on the register at Friday 18 November 2022.

I wish to extend my gratitude to all my colleagues for their resilience and dedication to the business during H1 FY23. Finally, I would like to thank our clients for their support and entrusting their business with us; together, our staff and customers are our lifeblood and will always be our top priority.

Values driven Environment, Social and Governance (ESG) actions

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

Progressing our environmental targets
We continued to focus on our Low Carbon Action Plan announced on 24 May 2022 through Scope 1 and 2 reductions and Scope 3 supply chain engagements. As we steadily progress these initiatives, we will be partnering with an external environmental consultant to help drive our carbon reduction plans and ensure these are recognised by the Science Based Targets initiative (SBTi) under its framework for corporate net zero target setting. During the period we completed our first Carbon Disclosure Report (CDP) submission, with this to develop going forward. Following the publication of our first Taskforce for Climate-Related Financial Disclosures (TCFD) in May of this year, we have aligned its risk and opportunity considerations into our internal processes and will report further on our TCFD at the next year-end.

Positively impacting our society

Employee support and wellbeing remained key focus areas, even more so during the current economic challenges and the well-known increasing cost of living. Our strong culture remains a driving force behind our successful growth. This is an aspect which we continue to support through staff events and the development of our people with continued learning and training opportunities. During the period, we contributed further to the enhancement of our communities through volunteer days in support of, for example, the St. Catherine's Hospice, and donations and fundraising events, such as our Charity Matched Funding project.

Building on our robust corporate governance
We continue to build best practice corporate governance, in line with the requirements of a dual LSE premium listed and JSE secondary listed company. We have further improved our internal controls following ongoing internal audit engagement. There were no changes to our Board and Committees composition during the period. We are satisfied that the size, structure and current composition of these remain appropriate in serving the best interests of the company and our stakeholders, while maintaining focus on our Board and senior leadership diversity targets.

Chief Financial Officer's review

	H1 FY23	H1 FY22 (restated[3])	Change
Income statement	**£'m**	**£'m**	**%**
Gross invoiced income (GII)	**786.2**	**638.2**	**23.2%**
GII split by product:			
Software	738.4	602.9	22.5%
Hardware	20.9	15.6	34.0%
Services internal[1]	13.4	10.1	32.7%
Services external[2]	13.5	9.6	40.6%
Netting adjustment [3]	(692.7)	(565.1)	22.6%
Revenue [3]	**93.5**	**73.1**	**27.9%**
Revenue split by product:			
Software	57.8	45.7	26.5%
Hardware	20.9	15.6	34.0%
Services internal[1]	13.4	10.1	32.7%
Services external[2]	1.4	1.7	(17.6%)
Gross profit (GP)	**65.5**	**52.9**	**23.8%**
GP / GII %	8.3%	8.3%	
Gross margin %	70.1%	72.4%	
Administrative expenses	**38.2**	**29.7**	**28.6%**
Administrative expenses split:			
Employee costs	29.7	24.8	19.8%
Other administrative expenses	8.5	4.9	73.5%
Operating profit	**27.3**	**23.2**	**17.7%**
Add back:			
Share-based payments	1.7	1.0	70.0%
Amortisation of acquired intangible assets	0.8	0.8	0.0%
Adjusted operating profit	**29.8**	**25.0**	**19.2%**
Finance costs	(0.3)	(0.3)	0.0%
Profit before tax	**27.0**	**22.9**	17.9%
Income tax expense	(5.3)	(4.6)	15.2%
Effective tax rate	19.7%	19.9%	
Profit after tax	**21.7**	**18.3**	18.6%

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

Overview of H1 FY23 results

Our first half of FY23 has seen continued double-digit growth across all our key performance measures, reinforcing the strong start the Group has made over the past 20 months since becoming a listed entity. Whilst the country and the economy are emerging from the Covid-19 restrictions imposed over the past two years, we have seen the new ways of working with our customers and partners continue, which has enabled us to expand and evolve our offerings further in H1 FY23.

With hybrid working now widespread across our whole customer base, and heightened requirements around cyber security, customers have continued to engage with us to support their move into the cloud, or extending their presence in it, with more sophisticated and resilient security, support, and managed service solutions. This has resulted in Operating profit increasing by 17.7% to £27.3 million (H1 FY22: £23.2 million) and AOP growing by 19.2% year on year from £25.0 million to £29.8 million. The AOP excludes the impact of amortisation of acquired intangible assets and share-based payment charges which do not reflect the underlying performance of the Group.

Gross invoiced income (GII)

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

GII has increased by 23.2% year-on-year, with growth spread across all areas of the business, software, services and hardware. Software remains the core focus, contributing a consistent 94% of the total GII in both the current period and prior period. The Group benefits from a substantial presence in the public sector, with continued high levels of government investment in IT technologies resulting in that part of our GII increasing by £83.4 million, up 20%, to £499.8 million (H1 FY22: £416.4 million). Our corporate GII increased by £64.6 million to £286.4 million (H1 FY22: £221.8 million), representing an even stronger rise of 29%.

As a result, our overall GII mix has moved very slightly, although still the significant balance lies in public sector at 64% against corporate of 36%, (65% and 35%, respectively in H1 FY22).

Revenue

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

Our judgement around this area has been updated since the publication of the full year accounts for the year ended 28 February 2022 following recent guidance issued by the IFRS Interpretation Committee, and in line with developing clear and consistent practise within our industry. Previously we treated most of our indirect software sales (those comprising cloud based and critical security licenses) on an agency basis, with the remainder of indirect software sales treated as principal. The change in judgement for this half year reporting period is to treat all indirect software sales on an agency basis (including those previously treated as principal). Full details are set out in note 1.5 of the interim financial statements. This has resulted in a reduction in our revenue and the prior half year and full year figures have been re-stated accordingly as follows.

- Current H1 (FY23 - 31 August 22) revenue and cost of sales decrease by a further £161 million compared to the agency adjustment under the previous basis for the current period.

- Prior H1 (FY22 - 31 August 21) revenue and cost of sales decrease by a further £178 million on top of the reported agency adjustment for that period.
- Prior full year (FY22 - 28 February 22) revenue and cost of sales decrease by a further £302 million on top of the reported agency adjustment for that year.
- Gross invoiced income, gross profit, operating profit, and profit before and after taxes is unchanged in all periods. The Statement of financial position, Statement of cashflows and the Statement of changes in equity also remain unchanged.

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

The growth in revenue of 27.9%, reflecting this revised judgement, is in line with the growth in both GII and Gross Profit.

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

Gross profit increased by 23.8% to £65.5 million (H1 FY22: £52.9 million) with impressive growth coming from across the business.

Corporate GP grew by 22% to £41.3 million (H1 FY22: £34.0 million) with the corporate GP/GII% remaining in line with the prior period at just over 14%. This reflects the continued strengthening of demand from corporate clients post the pandemic which we reported at our last year end.

In the public sector, GP grew by 28% to £24.2 million (H1 FY22: £18.9 million) with a small but significant increase in GP/GII% to 5%. This is notable considering the level of competition within tenders and the growing trend towards aggregated bids where several public sector bodies may require pricing to be submitted on a combined basis, often with many millions of GII at stake. Where new large agreements have been won at a lower margin, management is acutely focused on tracking these customers individually to ensure that the strategy delivers value for the business, and our other stakeholders by complementing them with higher margin services over the duration of the contract. This strategy is supported by the high growth in our services GII of 37%. Further, the public sector remains a low credit risk area in which to conduct a significant share of the Group's business.

Our overall GP mix remains balanced in favour of the corporate sector due to the higher GP/GII% which is generated there, contributing 63% versus the public sector's 37% (64% and 36%, respectively in H1 FY22).

Our overall GP/GII% has been maintained at 8.3% year on year. It is a key priority to now increase this measure from the current level by focusing on selling our wide range of solutions offerings and higher margin security products and maximising our vendor incentives through achievement of technical certifications.

The performance for this period again demonstrates our significant presence in both the corporate and public sectors and provides resilience, whereby each can compensate for or complement the other.

In H1 FY22 we reported 4,264 customers trading with us in that 6-month period whilst in this reporting period the figure has risen to 4,438, a net gain of 174 (up 4.1%). In H1 FY23, 97% of our GP came from customers that we also traded with last year at a renewal rate of 120% (which measures the GP from existing customers in this 6-month period compared to total GP in the equivalent prior period).

Administrative expenses

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

Employee costs

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

Another successful strategy that has borne fruit is where we look to promote and expand from within, giving our people careers rather than just employment. This, in turn, has created long tenure from our employees that align with the long relationships we have with our customers, vendors, and partners. This is at the very heart of our low employee churn rate, the growth in gross profit per customer and our high customer retention rate.

Employee costs included in administrative expenses rose by 19.8% to £29.7 million (H1 FY22: £24.8 million), but excluding share-based payments, the rise was 17.6%, notably lower than the 23.8% rise in GP and reflecting the balanced and proportional way in which vital staff investments are, and will continue to be, made. During the reporting period we have seen total staff numbers rise to 871, up by 98 (13%) from the year end position of 773 on 28 February 2022.

Other administrative expenses

Other administrative expenses increased by £3.6 million to £8.5 million (H1 FY22: £4.9 million). This increase included additional spend on internal systems, marketing, professional fees, staff welfare and recruitment fees. This reflects the costs of running, and investing in, a growing organisation and in operating a listed Group, including evolving our governance structure, controls and processes with the support of our professional advisors.

Travel and entertaining expenses have not yet reverted to pre-lockdown levels but have increased compared with those experienced last year by £0.3 million. As our employees and customers return to work, we expect these costs to further increase gradually across the second half of the year.

We have come through the first half of the year without any bad debt write-offs but with a higher trade receivables balance in line with growth, and an increase in the aged profile of our trade receivables, we have increased our impairment allowance by £1.19 million to £1.94 million at 31 August 2022 from the £0.75 million level on 28 February 2022. However, we are not seeing any indication of customer non-payments and the increased allowance represents just a very small percentage of the gross receivables balance of £168.5 million.

Adjusted operating profit and operating profit

Adjusted operating profit excludes, from operating profit, the effects of:
- Share based payment charges as, whilst new employee share schemes are being launched, the charge to the income statement will increase each year. For example, the charge for the current period has risen to £1.7 million, compared to £1.0 million last year. The half yearly and annual charge will not flatten out until we have three years share schemes in circulation at any time year on year. At that point we will not make an adjustment for these charges in our adjusted operating profit calculation.
- Amortisation of acquired intangibles as this cost only appears as a consolidation item and does not arise from ordinary operating activities.

We believe that adjusted operating profit provides a more meaningful measure to evaluate our profitability, performance, and ongoing quality of earnings. Adjusted operating profit in H1 FY23 increased to £29.8 million (H1 FY22: £25.0 million), representing growth of 19.2%. Our operating profit increased from £23.2 million to £27.3 million equating to an increase of 17.7%.

Adjusted operating profit as a percentage of GP is one of the Group’s key alternative performance indicators, being a measure of the Group’s operational effectiveness in running day-to-day operations. We set a target of no less than 40% and we have again achieved this, with a ratio of 45.5% (H1 FY22: 47.3%).

Income tax expense

The effective rate of tax charged for the year is 19.7% of profit before tax (H1 FY22: 19.9%). Excluding the impact of the non-deductible share-based payments costs and amortisation of intangibles, the underlying adjusted rate reverts to close to the current rate of corporation tax of 19% (H1 FY22: 19%).

Cashflow

As our customers continue their digital transformation into the cloud, our licensing models have become more subscription based, typically with monthly billing based on customer usage rather than fixed amounts per license or agreement. This has been most notable within Microsoft's Cloud Solution Provider (CSP) program and can lead to delays in payments if customers request additional analysis around their usage. This has contributed to an increase in debtor days from an average 32 in H1 FY22 to 38 in H1 FY23.

We have also seen a corresponding reduction in our cash conversion ratio from 107.5% in H1 FY22 to (2.8%) for H1 FY23, illustrating the sensitivity of this ratio to even small delays in payment from customers, given that it is measured over a fixed period rather than as a rolling average. A delay of a few days in the payment of just a small number of large customer balances at any reporting date can move cash conversion from 100% or more to 0% or lower when considering the size of our GII of £786.2 million, against the AOP of £29.8 million, and the Group does not delay payments to suppliers, when due, as a means of mitigating any such delays in customer receipts.

The first half of the year includes the two biggest supplier payment months in May and August, aligned to the public sector year end in March and the Microsoft year end in June, when many of our customers' Microsoft enterprise agreements commence or renew. As the business continues to grow its GII by 23%, the corresponding supplier payments over this six-month period have also increased. This sensitivity around timing of customer receipts against fixed timing of month end payments to suppliers is evident when looking at the Group's performance for the 5 months to July 2022 and the 7 months to September 2022 when the cash conversion was 111% and 76% respectively.

The Group targets a sustainable cash conversion ratio of 100% over a longer period and management is confident it will return to higher levels in H2 FY23. Key measures which we will undertake include better management of customer understanding around usage-based billing, development of improved systems for CSP for greater clarity and accuracy of invoicing, and a focus on switching more customers to direct debit payments.

Nevertheless, our cash position remained positive throughout the 6 months, and at 31 August 2022, our balance sheet reflects a healthy cash balance of £35.8 million, after paying final and special dividends of £24.9 million relating to the year ended 28 February 2022.

If required, the Group does have in place an external revolving credit facility, with £40 million of funds available at 31 August 2022 which will reduce to £30 million for a further 12 months from December 2022. The facility was put in place at the time of the IPO and has never been used.

Interim dividend

As stated above, the Group's dividend policy is to distribute 40% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to declare a gross interim cash dividend of 2.4 pence per share. The aggregate amount of the interim dividend expected to be paid out of retained earnings at 31 August 2022, but not recognised as a liability at the end of the half year, is £5.7 million. The salient dates applicable to the dividend are as follows:

Dividend announcement date	Wednesday, 26 October 2022
Currency conversion determined and announced together with the South African (SA) tax treatment on SENS	Monday, 14 November 2022
Last day to trade cum dividend (SA register)	Tuesday, 15 November 2022
Commence trading ex-dividend (SA register)	Wednesday, 16 November 2022
Last day to trade cum dividend (UK register)	Wednesday, 16 November 2022
Commence trading ex-dividend (UK register)	Thursday, 17 November 2022
Record date	Friday, 18 November 2022
Payment date	Friday, 2 December 2022

Additional information required by the Johannesburg Stock Exchange:

1. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register unless a shareholder qualifies for exemption not to pay such dividend withholding tax.
2. The dividend payment will be made from a foreign source (UK).
3. At 26 October 2022, being the declaration announcement date of the dividend, the Company had a total of 239,482,333 shares in issue (with no treasury shares).
4. No transfers of shareholdings to and from South Africa will be permitted between Tuesday, 15 November 2022 and Friday, 18 November 2022 (both dates inclusive). No dematerialisation or rematerialisation orders will be permitted between Wednesday, 16 November 2022 and Friday, 18 November 2022 (both dates inclusive).

Principal risks

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

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

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

<table>
<tr><td rowspan="6">Financial</td><td>1 Economic disruption</td><td>Risk owner
CEO</td></tr>
<tr><td>The risk
This includes the impact of the crisis in Ukraine, the uncertainties caused by global economic pressures and geopolitical risk within the UK post-Brexit.</td><td rowspan="2">How we manage it
We have so far continued to perform well since the start of the conflict in Ukraine, during the continuing tail of Brexit and the Covid-19 pandemic, and with increasing pressures from rising inflation.

These real-life experiences have shown us to be resilient under tough economic conditions. The diversity of our client base has also helped to maintain and increase business in this period. We are not complacent, however, and keep operations under constant review.

We currently have no borrowings and only small levels of foreign currency transactions in relation to the size of the business as a whole and hence this is helping to protect us from rising interest rates and the falling value of sterling against the dollar.</td></tr>
<tr><td>The impact
Major economic disruption – including the risk of continuing high inflation (see below) and higher taxes – could see reduced demand for software licensing, hardware and IT services, which could be compounded by government controls. Lower demand could also arise from reduced customer budgets, cautious spending patterns or clients 'making do' with existing IT.

Economic disruption could also affect the major financial markets, including currencies, interest rates and the cost of borrowing. Economic deterioration like this could have an impact on our business performance and profitability.</td></tr>
<tr><td>2 Margin pressure</td><td>Risk owner
MDs of subsidiary businesses</td></tr>
<tr><td>The risk
BTG faces pressure on profit margins from myriad directions, including increased competition, changes in vendors' commercial behaviour, certain offerings being commoditised and changes in customer mix or preferences.</td><td rowspan="2">How we manage it
Profit margins are affected by many factors at customer and micro levels.

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

We aim to agree acceptable profit margins with customers upfront.</td></tr>
<tr><td>The impact
These changes could have an impact on our business performance and profitability.</td></tr>
</table>

		Keeping the correct level of certification by vendor, early deal registration and rebate management are methods deployed to ensure we are procuring at the lowest cost. This risk area is reviewed monthly.
	3 Changes to vendors' commercial model	**Risk owner** CEO
	The risk BTG receives incentive income from our vendor partners and their distributors. This partially offsets our costs of sales but could be reduced or eliminated if the commercial models are changed significantly. **The impact** These incentives are very valuable and contribute to our operational profits. Significant changes to the commercial models would put pressure on our profitability.	**How we manage it** We maintain a diverse portfolio of vendor products and services. Although we receive major sources of funding from specific vendor programmes, if one source declines we can offset it by gaining new certifications in, and selling, other technologies where new funding is available. We closely monitor incentive income and make sure staff are aligned to meet vendor partner goals so that we don't lose out on these incentives. Close and regular communication with all our major vendor partners and distributors means we can manage this risk appropriately.
	4 Inflation	**Risk owner** CFO
	The risk Inflation in the UK, as measured by the Consumer Price Index (CPI), is currently 10.1% in the year to September 2022, which is driven by broad-based cost increases. **The impact** This could create an environment in which customers redirect their spending from new IT projects to more pressing needs. Wage inflation, increased fuel and energy costs have a direct impact on our underlying cost base.	**How we manage it** The general business outlook shows that the Covid-19 pandemic and associated lockdowns created pent-up demand for IT in our markets. Our continued focus on software asset management means that we continue to advise customers in the most cost-effective ways to fulfil their software needs. Changes to economic conditions mean many organisations will look to IT to drive growth and/or efficiency. Staff costs constitute the majority of our overheads, therefore our attention is focused on our staff and their ability to cope with the rising cost of living

Strategic	**5 Security of supply**	**Risk owner** CEO
	The risk Overreliance on key vendors/suppliers (principally Microsoft). Suppliers of technology or services being unable to innovate or supply products due to global trade barriers. **The impact**	**How we manage it** We work with our vendors as partners – it is a relationship of mutual dependency since we are their route to the end customer. We maintain excellent relationships with all our vendors, and have a particularly good relationship with Microsoft, which relies on us as a key partner in the UK. Our growth plans, which involve developing business

Too heavy a reliance on any one vendor could have an adverse impact on our financial performance, should that relationship break down. Geopolitically, global shortages of computer hardware, components and chips could occur, which might limit our, and our customers', ability to purchase hardware for internal use. This could lead to delays in customers purchasing software, which is linked to, or dependent on, the hardware being available. Reduced access to computer chips could also slow down vendor innovation, leading to delays in the creation of new technology to resell to customers.	with all our vendors, will naturally reduce the risk of relying too heavily on any single one. We monitor the geopolitical situation, continuously and work closely with suppliers and industry bodies to identify any potential supply chain disruptions and impacts. This enables us to remain fully informed, so that we can respond quickly should the landscape change, to ensure that we have diverse supply routes. As this risk is largely driven by geopolitical and macroeconomic factors, we maintain a watching brief so that we can react swiftly if required.
6 Commoditisation	**Risk owner** CEO
The risk Competition in the UK IT market, or the commoditisation of IT products, may result in BTG being unable to win or maintain market share. **The impact** This would have a material adverse impact on our business and profitability. A huge change would need a big shift in business operations, including a strategic overhaul of the products, solutions and services that we offer to the market.	**How we manage it** We closely watch commercial and technological developments in our markets. Currently, there's no sign of commoditisation of any kind that would be a serious threat to the business model in the short or medium term.
7 Disintermediation	**Risk owner** CEO
The risk Mergers and acquisitions have consolidated our distribution network and absorbed specialist services companies. This has caused overlap with our own offerings. A move to direct vendor resale to end customers – called disintermediation – could squeeze the market opportunity even more. **The impact** More consolidation could lead to less competition between vendors and cause prices to value-added resellers, like us, to rise and service levels to fall. Direct resale to customers could also increase. This could erode reseller margins, given the purchase cost is less for the distributor than the reseller. This could reduce our market, margin and profits.	**How we manage it** The threat of disintermediation by vendors has always been present. We minimise this threat by continuing to increase the added value we bring to customers directly. This reduces clients' desire to deal directly with vendors. Equally, vendors cannot engage with millions of organisations globally without the sort of well-established network of intermediaries that we have.
8 Relevance and emerging technology	**Risk owner** CEO

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

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

Operational	**10 Cyberthreats – direct and indirect**	**Risk owner** Chief Information Security Officer
	The risk Breaches in the security of electronic and other confidential information that BTG collects, processes, stores and transmits may give rise to significant liabilities and reputational damage. **The impact** If a hacker accessed our IT systems, they could infiltrate one or more of our customer areas. This could provide indirect access, or the intelligence required to compromise or access a customer environment. This would increase the chance of first- and third-party risk liability, with the possible effects of regulatory breaches, loss of confidence in	**How we manage it** We use intelligence-driven analysis, including research by our internal digital forensics team, to protect ourselves. This work provides insights into vulnerable areas and the effects of any breaches, which allow us to strengthen our security controls. We have established controls that separate customer systems and mitigate cross-breaches. Our cyberthreat-level system also lets us tailor our approach and controls in line with any intelligence we receive.

	our business, reputational damage and potential financial penalties.	
	11 Technology failure	**Risk owner** CFO
	The risk Any failure or disruption of BTG's IT infrastructure or business applications may negatively affect us.	**How we manage it** Our Chief Technology Officer and Head of IT effectively manage and oversee our IT infrastructure, network, systems and business applications. Regular IT audits have identified areas of improvements and ongoing reviews make sure we have a high level of compliance and uptime. This means our systems are highly effective and fit for purpose. For business continuity, we use different locations, sites and solutions to limit the impact of service outage to customers. Where possible, we use active resilience solutions – designed to withstand or prevent loss of services in an unplanned event – rather than just disaster-recovery solutions and facilities, which restore normal operations after an incident.
	The impact Systems and IT infrastructure are key to our operational effectiveness. Failures or significant downtime could hinder our ability to serve customers, sell solutions or invoice. Major outages in systems that provide customer services could limit clients' ability to extract crucial information from their systems or manage their software.	
	12 Attract and retain staff	**Risk owner** CEO
	The risk The success of BTG's business and growth strategy depends on our ability to attract, recruit and retain a talented employee base. Being able to offer competitive remuneration is an important part of this. Three factors are affecting this: • The Consumer Price Index is driving wage inflation • There is a skills shortage in the IT sector • With remote or hybrid working becoming the norm, potential employees in traditionally lower-paid geographical regions are able to work remotely in higher-paying areas like London.	**How we manage it** We continually strive to be the best company to work for in our sector. One of the ways we manage this risk is by growing our own talent pools. We've used this approach successfully in our graduate intakes for sales, for example. BTG also runs an extensive apprenticeship programme to create a new security skillset.
	The impact Excessive wage inflation could either drive up costs or mean we are unable to attract or retain the talent pool we need to continue to deliver our planned growth.	

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Going concern disclosure

The Interim Results for the Group for H1 FY23 have been prepared on the Going Concern basis following the process undertaken as set out in note 1.2. Based on the analysis set out in that note, 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 28

February 2024. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

Responsibility statement pursuant to the Financial Services Authority's Disclosure and Transparency Rule 4 (DTR 4)

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

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

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

On behalf of the Board

Neil Murphy	Andrew Holden
Chief Executive Officer	Chief Financial Officer

26 October 2022

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

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Interim condensed consolidated statement of profit or loss
For the six months ended 31 August

	Note	31 August 2022 Unaudited £'000	31 August 2021 Unaudited (restated) £'000	28 February 2022 Audited (restated) £'000
Revenue	3	93,533	73,072	145,836
Cost of sales		(28,045)	(20,202)	(38,475)
Gross profit		**65,488**	**52,870**	**107,361**
Administrative expenses		(37,000)	(29,688)	(65,057)
Increase in loss allowance on trade receivables	7	(1,193)	(15)	(149)
Operating profit		**27,295**	**23,167**	**42,155**
Finance income		-	6	-
Finance costs		(255)	(303)	(589)
Finance costs – net		(255)	(297)	(589)
Profit before taxation		**27,040**	**22,870**	**41,566**
Income tax expense	4	(5,333)	(4,552)	(8,712)
Profit after taxation		**21,707**	**18,318**	**32,854**
Profit for the period attributable to owners of the parent company		**21,707**	**18,318**	**32,854**
		Pence	**Pence**	**Pence**
Basic earnings per ordinary share	15	9.06	7.72	13.72
Diluted earnings per ordinary share	15	8.74	7.54	13.42

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

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

Interim condensed consolidated statement of financial position

	Note	As at 31 August 2022 Unaudited £'000	As at 31 August 2021 Unaudited £'000	As at 28 February 2022 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment		8,128	7,965	8,049
Right-of-use assets		856	1,002	928
Intangible assets	5	42,027	43,638	42,832
Contract assets		109	292	125
Total non-current assets		**51,120**	**52,897**	**51,934**
Current assets				
Inventories		45	258	96
Contract assets		4,206	4,864	6,591
Trade and other receivables	7	176,674	101,952	157,610
Current tax asset		-	-	219
Cash and cash equivalents	8	35,756	42,854	67,118
Total current assets		**216,681**	**149,928**	**231,634**
Total assets		**267,801**	**202,825**	**283,568**
Liabilities				
Non-current liabilities				
Lease liabilities		(897)	(1,085)	(992)
Contract liabilities		(1,769)	(2,371)	(1,495)
Deferred tax liabilities		(787)	(1,135)	(1,189)
Total non-current liabilities		**(3,453)**	**(4,591)**	**(3,676)**
Current liabilities				
Trade and other payables	9	(199,585)	(150,843)	(217,612)
Contract liabilities		(18,265)	(10,453)	(14,528)
Current tax liabilities		(239)	(495)	-
Lease liabilities		(188)	(184)	(185)
Total current liabilities		**(218,277)**	**(161,975)**	**(232,325)**
Total liabilities		**(221,730)**	**(166,566)**	**(236,001)**
Net assets		**46,071**	**36,259**	**47,567**
Equity				
Share capital		2,395	2,395	2,395
Share premium		633,636	633,636	633,636
Other reserves		4,775	1,510	3,072
Merger reserve		(644,375)	(644,375)	(644,375)
Retained earnings		49,640	43,093	52,839
Total equity		**46,071**	**36,259**	**47,567**

Interim condensed consolidated statement of changes in equity (unaudited)

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
				Attributable to owners of the company			
Balance at 1 March 2022		**2,395**	**633,636**	**3,072**	**(644,375)**	**52,839**	**47,567**
Total comprehensive income for the period		-	-	-	-	21,707	21,707
Dividends paid	12(b)	-	-	-	-	(24,906)	(24,906)
Share-based payment transactions	14	-	-	1,702	-	-	1,702
Deferred tax		-	-	1	-	-	1
Balance at 31 August 2022		**2,395**	**633,636**	**4,775**	**(644,375)**	**49,640**	**46,071**
Balance at 1 March 2021		**2,395**	**633,636**	**317**	**(644,375)**	**24,775**	**16,748**
Total comprehensive income for the period		-	-	-	-	18,318	18,318
Dividends paid	12(b)	-	-	-	-	-	-
Share-based payment transactions	14	-	-	1,021	-	-	1,021
Deferred tax		-	-	172	-	-	172
Balance at 31 August 2021		**2,395**	**633,636**	**1,510**	**(644,375)**	**43,093**	**36,259**
Balance at 1 March 2021		**2,395**	**633,636**	**317**	**(644,375)**	**24,775**	**16,748**
Total comprehensive income for the period		-	-	-	-	32,854	32,854
Dividends paid	12(b)	-	-	-	-	(4,790)	(4,790)
Share-based payment transactions	14	-	-	2,563	-	-	2,563
Deferred tax		-	-	192	-	-	192
Balance at 28 February 2022		**2,395**	**633,636**	**3,072**	**(644,375)**	**52,839**	**47,567**

Interim condensed consolidated statement of cash flows

	Note	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited £'000	Year ended 28 February 2022 Audited £'000
Cash flows from operating activities				
Cash (utilised by)/generated from operations	10	(238)	26,975	61,719
Interest received		-	6	-
Interest paid		(229)	(273)	(532)
Income taxes paid		(5,276)	(4,338)	(9,138)
Net cash (outflow)/inflow from operating activities		**(5,743)**	**22,370**	**52,049**
Cash flows from investing activities				
Payments for property, plant and equipment		(595)	(111)	(617)
Net cash outflow from investing activities		**(595)**	**(111)**	**(617)**
Cash flows from financing activities				
Principal elements of lease payments		(118)	(139)	(258)
Dividends paid to shareholders	12(b)	(24,906)	-	(4,790)
Net cash outflow from financing activities		**(25,024)**	**(139)**	**(5,048)**
Net (decrease)/increase in cash and cash equivalents		**(31,362)**	**22,120**	**46,384**
Cash and cash equivalents at the beginning of the financial year		67,118	20,734	20,734
Cash and cash equivalents at end of year	8	**35,756**	**42,854**	**67,118**

1. Accounting policies

1.1 General information

The interim condensed consolidated financial statements of Bytes Technology Group plc, together with its subsidiaries ("the Group") for the six months ended 31 August 2022 were authorised for issue in accordance with a resolution of the directors on 25 October 2022.

The Company is a public limited company, incorporated and domiciled in the UK. Its registered address is Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW.

The Group 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 annual consolidated financial statements of the Group will be prepared in accordance with UK-adopted International Accounting Standards ("UK-adopted IFRSs").

The interim condensed consolidated financial statements for the six months ended 31 August 2022 have been prepared in accordance with UK-adopted International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The interim condensed consolidated financial statements have been reviewed, but not audited, by Ernst & Young LLP and were approved by the Board of Directors on 25 October 2022. The financial information contained in this report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 28 February 2022, which were prepared in accordance with UK-International Accounting Standards in conformity with the requirements of the Companies Act 2006. The annual financial statements for the year ended 28 February 2022 were approved by the Board of Directors on 23 May 2022 and have been delivered to the registrar. The auditor's report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

The Group's interim condensed consolidated financial statements comprise the interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of financial position, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows and a summary of significant accounting policies and the notes thereto.

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

Going concern

As outlined in the Chief Financial Officer's review above, trading during the 6-month period ended 31 August 2022 (H1 FY23) demonstrated the Group's continued strong performance and resilient operating model with double digit growth in gross invoiced income, gross profit and adjusted operating profit against the prior year.

The Group has a healthy liquidity position at 31 August 2022 with £35.8 million of cash and cash equivalents available, after having paid final and special dividends in relation to the year ended 28 February 2022 totalling £24.9 million during the period. Despite a reduction in cash conversion during the six months, compared to the prior period, the Group targets a sustainable cash conversion ratio of 100% and management is confident cash conversion will return to higher levels in H2 FY23. The Group also has access to a committed revolving credit facility (RCF) that covers all its reasonably expected cash requirements up until December 2023 with access to £40 million currently available, reducing to £30 million in December 2022. It is reviewing its requirements to put in place a new facility beyond that time, however the Group has not required to drawdown on the facility to date.

In continuing to adopt a going concern basis for preparing the interim financial statements for the period ended 31 August 2022, the directors have reviewed trading and cash forecasts prepared for the Group up to 28 February 2024. This included considering the availability of liquidity headroom on the revolving credit facility, and a number of uncertainties which are set out in the Group's principal risks above, as well as the Group's exposure to credit risk, liquidity risk, currency risk and foreign exchange risk as described in note 11 of the interim financial statements.

The Directors have also considered impacts on future trading and liquidity in the context of the current operating and macro-economic environment. This includes:

- **Possible ongoing effects of the Covid-19 pandemic**
  The pandemic has had limited negative impact to date, and indeed the opposite in creating additional opportunities and requirements from our customer base. Hence the Group is now in its third financial year of reporting strong growth since the onset of the pandemic in March 2020. However, the directors continue to monitor the effects of Covid-19 on the business and will react accordingly if associated risks present themselves.
- **The current challenging economic conditions in the UK**
  Building on those risks identified in our principal risks statement, notably economic disruption, inflation, and attraction and retention of staff, we have assessed the impacts of specific areas as follows:
  - Energy cost inflation - Our businesses are not naturally heavy consumers of energy, and hence this element of our overall cost base is very small. Even a substantial percentage rise would not have a significant impact on our bottom line.
  - Cost of sale inflation - Pricing from our suppliers may be at risk of increasing, in response to inflation pressures on their side and/or for those suppliers whose underlying currency is USD. However, our commercial model is based on passing on supplier price increases to our customers. During H1 FY23 the maintenance of our gross profit / gross invoiced income (GP/GII %) at 8.3% has demonstrated this, despite a significant and consistent fall in the value of sterling over that period and rising inflation. The GP/GII% is one of the biggest focus areas in our business and been maintained despite market and competitive pressures. Software sales is the biggest component of our GP, hence it's the most susceptible to price pressures and margin squeeze, and yet we have achieved an increase in its GP/GII% during H1 FY23.
  - Wage inflation – the business has been facing pressure of wage inflation since the COVID restrictions were eased and the labour market opened up again. Where strategically required we have increased salaries to retain key staff, but there is always a line which we will not cross. We monitor our staff attrition rate and target 12% which we have achieved in the period, and not seen an outflow of staff due to being uncompetitive with salaries. We have a strong, collaborative and supportive culture and offer our staff employment in a business which is robust and which they are proud of, and this is a key part of our attraction and retention strategy. Moreover, when we look at our key operational efficiency ratio of adjusted operating profit / gross profit (AOP/GP) we have achieved 45.5% in H1 FY23, only fractionally down on last year, but with an increase in spend in key areas such as marketing, staff welfare and internal systems, as well as in staff costs, in response to the growth of the business.
  - Interest rates - interest rates rising rapidly in the UK and internationally will have a negative financial impact on many organisations and households. The Group however does not have any debt, nor has it ever needed to call upon the RCF facility. Therefore, this does not currently, or in the foreseeable future, affect our income statement or cashflow.
  - Foreign currency rate changes – as already mentioned above, we have withstood significant reductions in the value of the pound throughout H1 FY23 and yet maintained our GP/GII% at 8.3%. Our foreign currency transactions are only a very small part of our business. At the end of H1 FY23 we have just £2.3 million net exposure in USD and £3.7 million net in Euros.
  - Wage and energy inflation, rising interest rates, and possible public sector cuts impacting on customer spending – whilst customers may consider reducing spending on IT goods and services, if it is seen as non-essential, we may alternatively see increased spending in these areas if they are seen to be a means to efficiency and savings elsewhere. During the COVID pandemic we saw many customers undergo significant IT transformation, trending to the cloud, automation and managed service and with growing cyber security concerns also heightening the requirements for IT security. We are seeing a continuation in this movement and no let-up in demand, as illustrated by our six months trading performance. This is supported by our very robust business model whereby our income is spread over a large number of diverse customers, none of whom represent more than 1% of our

total GP. Further, due to the nature of licencing schemes and service contracts, a high proportion of our 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 Group has a high success rate in securing renewals of existing agreements and winning new ones, and the licencing of software over multi-year contracts reduces the risk of income falling away quickly.

  - Inflation and rising interest rates impacting on customer payments – whilst we have seen an increase in debt collection periods, with some customers taking longer to pay, there has been no evidence that customers ultimately do not pay, and we haven't suffered any bad debts over the six-month period. Over 60% of our GII came from the public sector in H1 FY23, traditionally very safe and with low credit risk, whilst our corporate customer base includes a wide range of blue-chip organisations and with no material reliance on any single customer.

- **The current geopolitical environment**
  Most notably the conflict in Ukraine has created potential supply problems, product shortages and general price rises particularly in relation to fuel, gas and electricity.
  - As noted above, increasing energy prices are not having a noticeable impact on our profitability.
  - In terms of supply chain, we are not significantly or materially dependant on the movement of goods and hence physical trade obstacles are not likely to affect us directly. Hardware only made-up 4% of our GP in H1 FY23 and has grown which indicates that we have managed the supply chain well. Whilst we are conscious of the fact that lead times for hardware supply have increased, and this has been a trend over the past two or three years, we have ensured that we have a number of suppliers with substitute, or alternative, technologies which we can rely on if one supplier cannot meet our requirements or time scales.
  - Software sales though continues to be the dominant element of our overall GII and hence is not inherently affected by cross-border issues.

In response to the above, the Group continues to forecast cashflows under base case, severe but plausible and stressed scenarios, including mitigations, consistent with those disclosed in detail on page 137 in the annual financial statements for the year ended 28 February 2022. The downsides evaluate reductions in GII and GP and increases in debtor days. The mitigations applied in the downside scenarios relate to the reductions in 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. In the most stressed scenario, we have forecast both GII and GP falling by 30%, commencing in December 2022, and debtor days increasing by 10 at that same point in time. The directors consider that such deteriorations remain appropriate to reflect the potential collective impact of all the macro-economic and geopolitical matters described and considered above.

Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period, with no requirement to call upon the revolving credit facility.

Going concern conclusion
Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 28 February 2024. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

1.3 Critical accounting estimates and judgements
The preparation of the interim condensed consolidated financial statements requires the use of accounting estimates and judgements which, by definition, may not equate to the subsequent actual results in the areas where estimates or judgments are required.

The accounting estimates and judgements adopted for these interim condensed consolidated financial statements are consistent with those of the previous financial year as disclosed in the Group's annual report and accounts for the year ended 28 February 2022 except for a change in accounting judgement around revenue recognition relating to certain indirect software licence sales.

The background to the change, and the reassessment of the judgement around it, is set out below:

Revenue recognition – Principal versus agent, see also note 1.5 below

Background
Under IFRS15, Revenue from Contracts with Customers, when recognising revenue, the Group is required to assess whether its role in satisfying its various performance obligations is to provide the goods or services itself (in which case it is considered to be acting as principal) or arrange for a third party to provide the goods or services (in which case it is considered to be acting as agent). Where it is considered to be acting as principal, the Group recognises revenue at the gross amount of consideration to which it expects to be entitled. Where it is considered to be acting as agent, the Group recognises revenue at the amount of any fee or commission to which it expects to be entitled or the net amount of consideration that it retains after paying the other party.

To determine the nature of its obligation, the standard primarily requires that an entity shall:
(a) Identify the specified goods or services to be provided to the customer (which, for example, could be a right to a good or service to be provided by another party)
(b) Assess whether it controls each specified good or service before that good or service is transferred to the customer.

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

For these reasons, the Committee believed it would be inappropriate to conclude on whether the reseller is a principal or agent. It is generally not the Committee's role to conclude accounting treatment in a highly specific fact pattern. In the context of principal versus agent considerations, the Committee acknowledged that the assessment of whether an entity is a principal or agent might require judgement, in particular when the specified good or service is intangible.

The Committee issued a tentative agenda decision in December 2021 concluding that the principles and requirements in IFRS 15 provide an adequate basis for a reseller to determine whether – in the fact pattern described in the request - it is a principal or agent for the standard software licences provided to a customer. Subsequently, at its 20 April 2022 meeting, the Committee finalised and approved its agenda decision. The International Accounting Standards Board, at its May 2022 meeting, did not object to the agenda decision.

Following the Committee's final decision, the Group re-assessed its position around the principal versus agent judgement in respect of indirect software licence sales by further considering the guidance provided in IFRS15.

IFRS15 guidance
IFRS15, first and foremost, requires an entity to assess whether it controls each specified good or service before that good or service is transferred to the customer. Control of a good or service refers to the ability to direct the use of and obtain substantially all the remaining benefits from it. Control also includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, the good or service.

In addition to these primary indicators of control, IFRS 15 also highlights three additional indicators of control whereby:
- The entity is primarily responsible for fulfilling the promise to provide the specified good or service.
- The entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.
- The entity has discretion in establishing the price for the specified good or service.

An entity is a principal if, governed by the above indicators, it controls the specified good or service before that good or service is transferred to a customer. An entity is an agent if the entity's performance obligation is to arrange for the provision of the specified good or service by another party. An entity that is an agent does not control the specified good or service provided by another party before that good or service is transferred to the customer.

IFRS15 application to the Group fact pattern and re-assessment of the Group's judgement on agent versus principal for indirect software licence sales
In the year ended 28 February 2022, the Group recognised approximately 65% of its revenue from indirect software licence sales as an agent, those relating to cloud-based licences and licences requiring critical updates. These do not meet the control indicator criteria noted above due to the primary responsibility for fulfilling the promise to provide these licences to the customer resting with the software vendor and requiring the vendors ongoing involvement.

The other approximately 35% of indirect software licence sales, being sales of non-cloud "on-premise" licences and licences not requiring critical upgrades, were treated on a 'gross' basis as a principal. This was due to the judgement being made that the primary obligation for fulfilling the promise to provide these licences to the customer was deemed to rest with the Group as significant ongoing involvement was not required form the software vendor. However, other key control indicators were not satisfied, such as:

- Being responsible for the licences meeting customer specifications, as the licencing agreement is between the customer and vendor.
- Obtaining licences before obtaining a contract with the customer, as orders with customer and vendor are always back-to-back.
- Being able to direct the use of, and obtain substantially all the remaining benefits from, the licences, as the licencing usage rights are between the customer and vendor.
- Being able to prevent other entities, most notably the software vendor, from directing the use of the licence, as the licencing usage rights are between the customer and vendor.

Hence, for the current year ending 28 February 2023, following the Committee's final decision, and in line with developing clear and consistent practice within our industry, the Group has re-assessed the control indicators outlined under IFRS15 and now considers itself to be acting as agent for the resale of all indirect software licences (whether previously treated as agent or principal).

This is because, for all indirect software sales, the Group does not control the software licences prior to their transfer to the customer. The software licensing agreement is between the customer and the software vendor and that governs the licence usage rights and benefits. None of those benefits are enjoyed by the Group. The software vendor is responsible for issuing the licences, and activation keys, and for the software's functionality, and therefore for the licences meeting the customers specifications. The group does not obtain legal title to the licences at any stage, not even momentarily.

For cloud-based licences or licences requiring critical updates, significant ongoing involvement is required from the software vendor. Similarly, it is the software vendor who assumes responsibility for the delivery of any software updates available as part of the licence agreements. It is therefore the software vendor's responsibility in all those respects for fulfilling the promise to provide the licences to the customer.

The Group's role is to arrange for the licences and updates to be provided by the software vendor although the vendor invoices the Group, and the Group then invoices the customer.

Impact of accounting judgement re-assessment
As a result of making and implementing the reassessment described above, the Group has updated this aspect of its revenue recognition policy, as set out in note 1.6 below.

The impact of implementing the re-assessment on the Group's revenue figures in the current period and in the prior period comparative figures is set out in note 1.5 below.

1.4 New standards, interpretations and amendments adopted by the Group
There were no new standards, interpretations and amendments adopted by the Group during the period to 31 August 2022, other than noted above, that have a material impact on the interim condensed consolidated financial statements of the Group.

1.5 Changes in accounting policies and disclosures
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those set out in the Group's annual consolidated financial statements for the year ended 28 February 2022, except for the change set out in note 1.6 below and explained fully in note 1.3.

These changes in the Group's revenue accounting policy, to treat all indirect software sales as agent, have resulted in the following impacts on the current period financial statements and, in accordance with IAS8, a retrospective restatement of the relevant prior period reported financial statements:

- Revenue and cost of sales decreased by the additional value of revenue assessed as being recognised on an agency basis being £161 million in H1 FY23 (H1 FY22: £178 million; FY22: £302 million).
- Gross profit, operating profit, and profit before and after taxes have remained unchanged in all periods. As a result, there is no impact on basic and diluted earnings per share.

This is summarised in the following table noting that the Group continues to report Gross Invoiced Income as an Alternative Performance Measure.

	Previous accounting policy			**Revised accounting policy**		
Indirect software licence sales	Gross invoiced income £'000	Agency adjustment £'000	Revenue £'000	Gross invoiced income £'000	Agency adjustment £'000	Revenue £'000
Six months to 31 August 2022	786,201	(532,124)	254,077	786,201	(692,668)	93,533
Six months to 31 August 2021	638,246	(386,887)	251,359	638,246	(565,174)	73,072
Year ended 28 February 2022	1,208,124	(760,187)	447,937	1,208,124	(1,062,288)	145,836

1.6 Revenue Recognition

The Group's full revenue recognition policy is set out in its financial statements for the year ended 28 February 2022.

For the six-month period ended 31 August 2022 the Group's revenue recognition policy remains unchanged except that for indirect licence sales involving resale of non-cloud (on-premise) licences and licences not requiring critical updates, the group is now considered to be acting as agent, rather than principal.

The judgments made in arriving at this change in accounting policy are set out fully in note 1.3 and the impact is quantified in note 1.5 above.

The classification between agent and principal for all other revenue streams described in the revenue recognition policy remains unchanged and is summarised below:

- Direct licence sales - unchanged - the Group acts as agent.
- Indirect licence sales involving the resale of cloud-based licences and licences requiring critical updates - unchanged - the Group acts as agent.
- Externally provided services - unchanged - the Group acts as agent.
- Internally provided services - unchanged - the Group acts as principal.
- Hardware- unchanged - the Group acts as principal.

The judgments made in arriving at these conclusions are set out in note 1.5 within the financial statements for the year ended 28 February 2022.

Aside from the change noted above, the other aspects of the revenue recognition policy in respect of identifying the Group's performance obligations, determining the transaction price, allocating the transaction price, and recognising revenue, remain as stated in the financial statements for the year ended 28 February 2022.

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 interim condensed consolidated statement of profit or loss and the interim condensed consolidated statement of financial position. An analysis of revenues by product lines and geographical regions, which form one reportable segment, is set out in note 3.

2(b) Adjusted operating profit

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

Adjusted operating profit reconciles to operating profit as follows:

	Note	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited £'000	Year ended 28 February 2022 Audited £'000
Adjusted operating profit		29,802	24,993	46,329
Share-based payment charges	**14**	(1,702)	(1,021)	(2,563)
Amortisation of acquired intangible assets		(805)	(805)	(1,611)
Operating profit		**27,295**	**23,167**	**42,155**

3. Revenue from contracts with customers

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

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

	Period ended 31 August 2022 Unaudited	Period ended 31 August 2021 Unaudited (restated)	Year ended 28 February 2022 Audited (restated)
Revenue by product[1, 2]	**£'000**	**£'000**	**£'000**
Software	57,884	45,694	91,663
Hardware	20,865	15,609	28,807
Services internal	13,350	10,094	21,761
Services external	1,434	1,675	3,605
Total revenue from contracts with customers	**93,533**	**73,072**	**145,836**

[1] In line with the revenue streams disclosed for the year ended 28 February 2022, services revenue has been split between internally provided services and externally provided services. Services revenue in the prior year has consequently been reclassified.
[2] Software revenues have been restated as noted in notes 1.3 and 1.5 above.

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

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

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

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

Revenue by geographical regions	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited (restated) £'000	Year ended 28 February 2022 Audited (restated) £'000
United Kingdom	90,042	70,104	140,382
Europe	2,425	2,169	4,235
Rest of world	1,066	799	1,219
	93,533	**73,072**	**145,836**

3(b) Gross invoiced income by type[1]	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited (restated) £'000	Year ended 28 February 2022 Audited (restated) £'000
Software	738,448	602,908	1,136,039
Hardware	20,865	15,609	28,807
Services internal	13,350	10,106	21,761
Services external	13,538	9,623	21,517
	786,201	**638,246**	**1,208,124**
Gross invoiced income	786,201	638,246	1,208,124
Adjustment to gross invoiced income for income recognised as agent [2]	(692,668)	(565,174)	(1,062,288)
Revenue	**93,533**	**73,072**	**145,836**

[1] In line with the revenue streams disclosed for the year ended 28 February 2022, services revenue has been split between internally provided services and externally provided services. Services revenue in the prior year has consequently been reclassified.

[2] The adjustment to gross invoiced income for income recognised as an agent have been restated as noted in notes 1.3 and 1.5 above.

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

4. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual rate used for the period to 31 August 2022 is 19.7%, compared to 19.9% for the period to 31 August 2021. The tax rate is higher in the current period, due primarily to the estimated non-deductible expenses being higher in the period.

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

Current tax expense	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited £'000	Year ended 28 February 2022 Audited £'000
Current income tax charge in the year	5,734	4,626	8,561
Adjustment in respect of current income tax of previous years	-	-	150
Foreign taxation	-	-	1
Total current income tax charge	**5,734**	**4,626**	**8,712**
Deferred tax credit			
Current year deferred tax credits	(401)	(74)	(434)
Adjustments in respect of prior year	-	-	5
Effect of change in tax rates	-	-	429
Total deferred tax credit	**(401)**	**(74)**	**-**
Total tax charge	**5,333**	**4,552**	**8,712**

Amounts recognised directly in equity

	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited £'000	Year ended 28 February 2022 Audited £'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity:			
Deferred tax: share-based payments	1	172	192
	1	**172**	**192**

5. Impairment testing of goodwill

The carrying value of indefinite useful life intangible assets and goodwill are tested annually for impairment and when circumstances indicate that the carrying value may be impaired. The test was performed for the year ended 28 February 2022 and the key assumptions used were disclosed in the Annual Report for the year ended 28 February 2022. In determining the appropriateness of the carrying value of goodwill, 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 review for potential indicators of impairment was performed for the period to 31 August 2022. As a result of this review, no indicators of impairment have been identified.

6. 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; 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 31 August 2022 Unaudited £'000**	**As at 31 August 2021 Unaudited £'000**	**As at 28 February 2022 Audited £'000**
Financial assets at amortised cost:				
Trade receivables	**7**	166,598	97,176	154,928
Other financial assets	**7**	7,753	2,986	1,501
		174,351	100,162	156,429

Financial liabilities	**Note**	**As at 31 August 2022 Unaudited £'000**	**As at 31 August 2021 Unaudited £'000**	**As at 28 February 2022 Audited £'000**
Financial liabilities at amortised cost:				
Trade and other payables – current, excluding Payroll tax and other statutory tax liabilities	**9**	196,109	148,933	208,183
Lease liabilities		1,085	1,269	1,177
		197,194	150,202	209,360

Financial assets at amortised cost:
- *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. 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. Due to the short-term nature of the Group's trade receivables, their carrying amounts are considered to be the same as their fair values.

- *Other financial assets*

These amounts including certain rebates and rental deposits. Other financial assets also include other receivables that generally arise from transactions outside the usual operating activities of the Group. Due to the short-term nature of the Group's other financial assets, their carrying amounts are considered to be the same as their fair values.

Financial liabilities at amortised cost:
- *Trade and other payables*

Trade payables are unsecured and are usually paid within 45 days of invoice date or 30 days for small suppliers under the prompt payment code. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

- *Leases*

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. Leases are initially measured at the net present value of the minimum lease payments. The lease payments are discounted using the interest rate implicit within the lease. Due to the short-term nature of the Group's leases, their carrying amounts are considered to be the same as their fair values.

Risk exposure

The Group's exposure to various risks associated with the financial instruments is discussed in note 11. 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.

7. Trade and other receivables

	As at 31 August 2022 Unaudited	As at 31 August 2021 Unaudited	As at 28 February 2022 Audited
Financial assets	**£'000**	**£'000**	**£'000**
Gross trade receivables	168,541	97,915	155,678
Less: impairment allowance	(1,943)	(739)	(750)
Net trade receivables	166,598	97,176	154,928
Other receivables	7,753	2,986	1,501
	174,351	100,162	156,429
Non-financial assets			
Prepayments	2,323	1,790	1,181
	2,323	1,790	1,181
Trade and other receivables	176,674	101,952	157,610

8. Cash and cash equivalents

	As at 31 August 2022 Unaudited £'000	As at 31 August 2021 Unaudited £'000	As at 28 February 2022 Audited £'000
Cash at bank and in hand	35,756	42,854	67,118
	35,756	42,854	67,118

9. Trade and other payables

	As at 31 August 2022 Unaudited £'000	As at 31 August 2021 Unaudited (restated) £'000	As at 28 February 2022 Audited £'000
Trade and other payables	139,597	106,804	129,430
Accrued expenses	56,512	42,129	78,753
Payroll tax and other statutory liabilities	3,476	1,910	9,429
	199,585	150,843	217,612

The figures as at 31 August 2021 have been restated with a reclassification of £14.0 million from trade and other payables to accrued expenses representing supplier invoices not received at the period end. The restatement is consistent with the yearend restatement. The correction of prior period has no impact on total trade and other payables, and there is no change in the financial position or profitability of the Group.

10. Cash generated from operations

	Note	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited £'000	Year ended 28 February 2022 Audited £'000
Profit before taxation		27,040	22,870	41,566
Adjustments for:				
Depreciation and amortisation		1,394	1,319	2,608
Loss on disposal of property, plant and equipment		-	2	15
Non-cash employee benefits expense – share based payments	**14**	1,702	1,021	2,563
Finance costs – net		255	297	589
Decrease in contract assets		2,401	2,237	677
(Increase)/decrease in trade and other receivables		(19,065)	4,712	(50,946)
Decrease in inventories		51	333	495
(Decrease)/increase in trade and other payables		(18,027)	(6,278)	60,491
Increase in contract liabilities		4,011	462	3,661
Cash (utilised by)/generated from operations		**(238)**	**26,975**	**61,719**

11. 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 period consolidated profit or loss and statement of financial position information has been included where relevant to add further context.

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

The main financial risks arising from the Group's activities are credit, liquidity and currency risks. The Group's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made. The Group's approach to credit risk is disclosed in note 25 in its annual consolidated financial statements for the year ended 28 February 2022.

11(a) Derivatives

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

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

11(b) Foreign exchange risk

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

	As at 31 August 2022 Unaudited			As at 31 August 2021 Unaudited			As at 28 February 2022 Audited		
	USD £'000	EUR £'000	NOK £'000	USD £'000	EUR £'000	NOK £'000	USD £'000	EUR £'000	NOK £'000
Trade receivables	9,646	3,958	-	12,420	3,743	-	5,375	1,423	-
Cash and cash equivalents	4,898	1,734	606	124	71	-	3,093	75	-
Trade payables	(12,207)	(2,015)	(30)	(13,279)	(6,797)	(278)	(15,243)	(2,078)	(97)
	2,337	3,677	576	(735)	(2,983)	(278)	(6,775)	(580)	(97)

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

	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited £'000	Year ended 28 February 2022 Audited £'000
Total net foreign exchange gains/(losses) in profit or loss	15	6	38
	15	6	38

11(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 held and is comfortable that for normal operating requirements, no further external borrowings are currently required.

As at 31 August 2022, the Group had cash and cash equivalents of £35.8 million (2022: £67.1 million), see note 8. Management monitors rolling forecasts of the Group's liquidity position (which comprises its cash and cash equivalents) on the basis of expected cash flows generated from the Group's operations. These forecasts are generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group and take into account certain down case scenarios.

(2) Revolving Credit Facility

The Group entered into a three-year committed Revolving Credit Facility (RCF) in December 2020. In December 2021 the RCF reduced to £40 million, in December 2022 the RCF will reduce to £30 million and expire in December 2023. 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.

(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:

31 August 2022 - Unaudited	**Note**	**Within 1 year £'000**	**1 to 2 years £'000**	**2 to 5 years £'000**	**Over 5 years £'000**	**Total contractual cash flows £'000**	**Carrying amount £'000**
Trade and other payables	**9**	196,109	-	-	-	196,109	196,109
Lease liabilities		231	116	694	198	1,239	1,085
		196,340	116	694	198	197,348	197,194

31 August 2021 - Unaudited		Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade and other payables	9	148,933	-	-	-	148,933	148,933
Lease liabilities		235	231	578	429	1,473	1,269
		149,168	231	578	429	150,406	150,202

28 February 2022 - Audited	Note	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade and other payables	9	208,183	-	-	-	208,183	208,183
Lease liabilities		231	116	694	313	1,354	1,177
		208,414	116	694	313	209,537	209,360

12. Capital management

12(a) Risk management

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of shareholders. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. 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 Group's dividend policy is to distribute 40% of the Group's post-tax pre-exceptional earnings to shareholders in respect of each financial year. Subject to any cash requirements for ongoing investment, the Board will consider returning excess cash to shareholders over time.

12(b) Dividends

Declared and paid during the period	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited £'000	Year ended 28 February 2022 Audited £'000
Interim dividend	-	-	4,790
Final dividend	10,058	-	-
Special dividend	14,848	-	-
Total dividends attributable to ordinary shareholders	**24,906**	**-**	**4,790**

Final and interim dividends in prior periods

Dividends per share for the year ended 28 February 2022 and period ended 31 August 2021 were calculated by dividing the dividend paid by the number of ordinary shares in issue.

Dividends not recognised at 31 August 2022

Since the end of the half year the directors have recommended the payment of an interim dividend of 2.4 pence per fully paid ordinary share (2021: 2.0 pence). The aggregate amount of the proposed dividend expected to be paid on 2 December 2022 out of retained earnings at 31 August 2022, but not recognised as a liability at the end of the half year is £5.7 million.

13. 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'. There have been no related party transactions that materially affect the current period. Related party transactions materially affecting the prior periods reported relate to the final and interim dividends paid to the Group's former parent group, disclosed in note 12(b).

14. Share-based payments

For the six months ended 31 August 2022 4,215,285 share options were granted to eligible employees.

	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited £'000	Year ended 28 February 2022 Audited £'000
Share-based payment employee expenses	1,702	1,021	2,563

15. Earnings per share

The Group calculates earnings per share (EPS) on several different bases in accordance with IFRS and prevailing South Africa requirements. The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Listing Requirements.

	Period ended 31 August 2022 Unaudited pence	Period ended 31 August 2021 Unaudited pence	Year ended 28 February 2022 Audited pence
Basic earnings per share	9.06	7.72	13.72
Diluted earnings per share	8.74	7.54	13.42
Headline earnings per share	9.06	7.72	13.72
Diluted headline earnings per share	8.74	7.54	13.42
Adjusted earnings per share	10.11	8.48	15.46
Diluted adjusted earnings per share	9.75	8.30	15.12

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

	Period ended 31 August 2022 Unaudited Number	Period ended 31 August 2021 Unaudited Number	Year ended 28 February 2022 Audited Number
Weighted average number of ordinary shares used as the denominator in calculating both basic EPS and HEPS	239,482,333	237,429,774	239,482,333
Adjustments for calculation of both diluted EPS and diluted HEPS:			
– share options(1)	8,866,180	5,385,330	5,385,330
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating both diluted EPS and diluted HEPS	248,348,513	242,815,104	244,867,663

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

15(b) Headline earnings per share
The table below reconciles the profits attributable to owners of the company to headline profits attributable to owners of the company:

	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited £'000	Year ended 28 February 2022 Audited £'000
Profits attributable to owners of the company	21,707	18,318	32,854
Adjusted for:			
- Loss on disposal of property, plant and equipment	-	-	15
- Tax effect thereon	-	-	(3)
Headline profits attributable to owners of the company	21,707	18,318	32,866

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

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

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

	Period ended 31 August 2022 Unaudited £'000	Period ended 31 August 2021 Unaudited £'000	Year ended 28 February 2022 Audited £'000
Profits attributable to owners of the company	21,707	18,318	32,854
Adjusted for:			
- Amortisation of acquired intangible assets	805	805	1,611
- Share-based payment charges	1,702	1,021	2,563
Total adjusted earnings attributable to owners of the company	24,214	20,144	37,028