Bytes Software Services Limited

Annual Report and Financial Statements

Year Ended

28 February 2025

Company Number 01616977

Bytes Software Services Limited

Company Information

Directors	A J Nicholson (resigned 1st March 2025) D Rawle J M Watson T E Sexton P D Emms S J Mudd (appointed 8th March 2024)
Company secretary	W K Groenewald
Registered number	01616977
Registered office	Bytes House Randalls Way Leatherhead Surrey KT22 7TW
Independent auditor	Ernst & Young LLP Grosvenor House Grosvenor Square Southampton SO15 2BE
Bankers	HSBC Bank Plc 12a North Street Guildford GU1 4AF
Solicitors	Moore Barlow LLP Gateway House Tollgate Chandler's Ford Southampton SO53 3TG

Bytes Software Services Limited

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Strategic report
For the year ended 28 February 2025

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 28 February 2025 ("2024/25") for Bytes Software Services Limited ('the Company').

Business review and principal activity

The Company is one of the UK's leading providers of IT software offerings and solutions, with a focus on cloud, security, and AI products, delivering the latest technology to a diverse range of customers and having a long track record of delivering strong financial performance.

(i) Financial review

We are delighted with the strong performance in 2024/25, which saw the Company deliver growth in operating profit of 15.5% and gross profit of 9.9%, driven by a 10.3% increase in turnover.

This strong performance comes despite the challenging economic climate, underpinned by our broad range of software and IT services offerings from leading vendors and software publishers, the robust nature of IT spending across the UK and Ireland, our highly diversified customer base and our ability to gain market share as we take advantage of our positive exposure to some of the faster-growing areas of IT budgets in cloud, security, data and AI.

This is illustrated by the key performance indicators (KPIs) below:

KPIs	2024/25	2023/24	Change
Turnover (£'000)	1,230,754	1,115,443	10.3%
Gross Profit (£'000)	119,881	109,090	9.9%
Gross Margin %	9.7%	9.8%	
Operating Profit (£'000)	51,691	44,773	15.5%
Operating Profit / Gross Profit	43.1%	41.0	

The Company has achieved strong cash collection figures from customers, average debtor days of 40 (2023/24: 41) and with all supplier payments made on time, with our average creditor days being 46 (2023/24: 47). This year has seen significant interest being earned from money market deposits, totalling £3.3 million (2023/24: £2.3 million). Along with the impact of increased operating profit this has contributed to a profit before tax of £55.0 million (2023/24: £47.1 million). Net assets of the Company at the year-end were £38.4 million (2023/24: £34.2 million).

(ii) Development & performance during the year

2024/25 has seen continued growth across all our key performance measures. Customers choose to partner with us because of the broad range of solutions and services we offer, including multi-cloud migration and adoption, digital transformation, storage, AI and a wide array of security products. Many have built long-standing relationships with us over many years, underpinned by our excellent software advisory expertise and knowledge around procurement routes, which enables us to guide customers on best value.

Examples of our services delivery capability include a consultancy team with expertise across the entire Microsoft Cloud and AI portfolio; our 24x7 Microsoft Cloud Solutions Provider (CSP) support offering plus governance, risk and compliance (GRC), and software asset management (SAM) and IT asset management (ITAM) solutions, including licensing spend optimisation supported by our own IP in the form of Quantum. The expansion of our IT services capability is further enhanced by attaining 10 service delivery specialisations (four in security solutions) and six solution-partner designations from Microsoft.

(ii) Development & performance during the year (continued)

We have seen strong interest in AI products, including Microsoft's Copilot for M365 and we continue to develop associated in-house services to support customer readiness and adoption. We will continue to expand our existing in-house AI-dedicated teams, creating repeatable sector-specific solutions with broader data and generative AI (GenAI) services across our vendor offerings as this income stream continues to grow.

In addition to our partnership with Microsoft, we have also continued to deepen our relationships with other key partners, and are especially pleased to have been recognised by leading industry vendors including Sophos, Cato Networks, Palo Alto Networks and Check Point, reflecting the status and high esteem that the Company has with global technology leaders. These awards are highly competitive, and our success is testament to the expertise of our staff, our collaborative approach with partners and the customer success stories that we deliver.

We are proud of the energy, enthusiasm and professionalism demonstrated by our people, now totalling 760 staff across multiple offices and regions. They do a tremendous job supporting our customers and providing outstanding service. We continue to focus on targeted recruitment and training, and on attracting talent into front-end sales, delivery teams and all supporting areas, and on apprentices through to senior roles to help with our ambitious growth plans. As a management team, we are extremely pleased with the way our people continue to work hard in these challenging times, and embrace our collaborative, team-based culture.

To support the growth in sales and people, we are investing in both our internal and customer-facing systems and in our office environments, including expanding our regional presence with a new office in Portsmouth and purchasing the two buildings immediately adjacent to our existing offices in Leatherhead, to cater for our further expansion. This will improve our staff user experience and drive internal efficiencies, while more closely supporting our customers and making it easier for them to do business with us.

We are committed to implementing our strategy in a responsible manner, with sustainability rooted in everything we do. Our Sustainability Framework aims to deliver positive outcomes for our stakeholders across the key themes 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 that 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 throughout 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. More details of our sustainability initiatives are set out below.

(iii) Future outlook

The Company traded strongly in financial year 2024/25, while operating in highly competitive markets and despite challenging macroeconomic conditions. Trading in the first months of the 2025/26 financial year has been impacted by a challenging macroeconomic environment leading to some deferral of customer buying decisions, particularly in the corporate sector. We have evolved our corporate sales model, which positions us to deliver more relevant solutions and drive sustainable income growth during the second half of the financial year and beyond. Our focus remains on executing our growth strategy by nurturing existing customer relationships, extending our strong vendor partnerships, and leveraging the technical skills of our service delivery teams. We are well positioned to respond to the evolving demands we see in our markets, including cloud computing, cybersecurity, AI and managed services.

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Strategic report (continued)
For the year ended 28 February 2025

Section 172 statement – Duty to promote the success of the company

The Board of Directors of the Company (the "Board") embraces the principles of the UK Corporate Governance Code, including those aimed at promoting transparency around stakeholder engagement. We consider the interests of the Company's employees, customers, suppliers and vendors, investors, and communities and environment in our decision making and in how we deliver our strategy to achieve long-term, sustainable success.

Section 172 of the Companies Act 2006 imposes a duty on directors to act in a way that they consider, in good faith, best promotes the success of the Company for the benefit of all its members as a whole, and in doing so have regard (amongst other matters) to:

a) The likely consequences of any decision in the long term
b) The interests of the Company's employees
c) The need to foster the Company's business relationships with suppliers, customers and others
d) The impact of the Company's operations on the community and the environment
e) The desirability of the Company maintaining a reputation for high standards of business conduct, and
f) The need to act fairly as between members of the Company.

In our decisions and actions during the year, we, the Board, believe we fulfilled this duty, in our consideration of stakeholders and the matters set out in Section 172(1) (a) to (f) above. We know that different stakeholders may hold different views about the decisions we take, and that we sometimes need to act based on competing priorities. Our engagement activities help us to understand what matters most to our stakeholders and to make fully informed decisions in their interests.

We believe strongly in doing business in the right way, with all our decisions underpinned by their impact on the Company's five main stakeholder groups. We describe these groups in the tables that follow, alongside a discussion of how we engaged with and responded to them in the year.

Stakeholder groups	How the Board communicates and stays informed	What the Board has learned
Employees People are at the heart of the Company's business and are instrumental to its continued growth and success.	• Regular updates from the managing director and HR about talent and succession planning, and employee remuneration and benefits, including pensions. • Updates from management about career development and the Company's leadership coaching programme, online staff feedback platforms, quarterly whole-company meetings, eNPS surveys and engagement with the leadership team. • Feedback, insights and ideas from employees, including constructive challenge about how management can improve. • Direct email communication from the Group's CEO to employees during the year, and invitations for various teams to brief her directly on their roles and areas of work. • Visits by the Group's non-executive directors to the office to meet employees and senior leaders. • Meeting between the Group's Audit Committee Chair and members of the finance team to better understand their systems and processes.	• These efforts reinforced what we as a Board know we must prioritise for our people: - Opportunities for professional development and career progression - A safe, diverse and inclusive working culture - The ability to deliver market-leading solutions to our customers. • Employees' physical and mental health and safety also remains a priority for us as a Board. We support the culture of openness promoted by the leadership team, particularly their direct interaction with employees and their decision to implement an anonymous incident reporting hotline. • We continue to support the company's ongoing employee programmes, such as offering health support by partnering with an independent health and wellbeing specialist. • We supported management's decision to roll out an EV scheme. • We reviewed the findings and recommendations from our company culture review to understand how employees are feeling and to support continual improvements.

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Strategic report (continued)
For the year ended 28 February 2025

Section 172 statement (continued)

	• Town hall at which our Group Chair gave a presentation and introduced the refreshed Group Board to employees, and where the Board took questions from employees. • Monitoring the all-employee ShareSave scheme, which this year saw the 2021 scheme mature, enabling employees to exercise their shares. • Report from the Group's designated non-executive director for employee engagement on the programme she has developed to enhance the relationship between employees and the Board. • Report from the company's internal auditors on a review of employee perceptions of culture, values and talent.	
Customers Building trusted relationships with customers, based on a deep understanding of their needs, is critical to the Company's strategy	• Feedback from account and sales teams' meetings with customers in person and at virtual events, including tradeshows and conferences, and through social media and podcasts. • Feedback and insights from management about clients' strategies and future investment plans, through contract reviews and feedback from the company's customer success teams. • Feedback from management's interactions with customers in roundtable and summit events, and other events. • Annual customer experience survey, which is sent to customers, requesting honest feedback. Results are reported to the Board against the results of the previous year to track progress. • Interactions between our MD and customers about what they want to see from our products and services from an operational and sustainability perspective. Major feedback is discussed with management and the Board.	• Customers valued the open and honest way our CEO discussed the former CEO's resignation with them. • Through direct customer feedback and events, we can prioritise what is most important to our customers, such as: - Effective and cost-efficient technology sourcing, adoption and management across software, and security and cloud services - Help to identify their software needs, select and deploy appropriate software products, manage licence compliance and, ultimately, optimise their software assets - Guidance and expertise on emerging technologies, especially AI and GenAI. • We often screen customers for reputational and financial risks to identify issues that could damage its reputation or finances, and flags any material issues with us at Board level.

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Strategic report (continued)
For the year ended 28 February 2025

Section 172 statement (continued)

Stakeholder groups	How the Board communicates and stays informed	What the Board has learned
Suppliers and vendors The Company's well-established relationships with suppliers and vendors helps it to provide the best solutions and support for employees and customers	• Updates from management keep us informed about the major third parties with which the company does business, including its suppliers, banks and regulators. • Direct engagement with vendors and partners at industry events, through specific company-directed engagements and in interactions around solutions and services. Our MD updates the Board on these engagements. • Close engagements with suppliers and vendors about changes within their programme and pricing structures. They discussed how the company and Board could best manage interactions and relations with customers. • Long-standing relationships between our Board and the industry, which includes material vendors and partners that the Company works with on a daily basis.	• Based on these updates, the Board understands how important to suppliers and vendors a close and mutually beneficial relationship with us is. • The Board's strategy and decision making are also informed by developments in technology, which highlight the importance of maintaining strategic and trusted partnerships with the world's most successful software companies. • We screen all major third parties for reputational and financial risks to make sure there are no apparent issues that could damage its reputation or finances, and flags any material issues at Board level.
Investors The Company's investors own the Company and have made a financial commitment to its success	• The Company's ultimate parent is Bytes Technology Group plc (BTG) which is a FTSE 250 listed entity. • As required, our directors engaged with the larger shareholders and potential new investors during the financial year, taking on board their views and future expectations for the Company and BTG as a whole. The directors oversee our proactive approach to investor relations and to provide shareholders with regular updates on financial and operational performance.	• As a Board, we understand that BTG investors are interested in a wide range of issues about the Company and the Group, including the implementation of its strategy, and its financial and operational performance, governance, remuneration, acquisitions and capital allocation. • The directors are aware of their duty to treat investors as a whole fairly, and to make decisions with all investors' long-term interests in mind.
Community and environment The Company recognises that it is part of the communities in which it operates and strives to make a meaningful contribution to sustainable environments	• Briefings from management to keep Board members informed that our operations, products and services are aimed at not adversely affecting the environment and positively contributing to the communities in which the company operates. • Briefings on our sustainability programme and progress against our ESG strategy. Briefings included updates on the rollout of a carbon literacy awareness programme and increasing uptake of volunteer days. • Updates on key developments in the company's sustainability work including receiving validation from the SBTi of its sustainability targets and improved scores from disclosures, including CDP and the ISS ESG quality score and corporate rating.	• We support the company to provide engaging and well-paid local employment. • We encourage employees to help charities and various social and environmental causes – including matching charitable donations, supporting employees' fundraising events and offering paid time to volunteer. • We also support the company to continue working to minimise its impact on the environment, including recent refurbishments that switched to LED lighting, used less harmful refrigerant gases and installed sensor taps. • In response to management's carbon reduction efforts, we continued to support a salary sacrifice scheme to help employees participate in an EV programme, which promotes cleaner air in our communities.

Section 172 statement (continued)

Principal risks and uncertainties

Having closely monitored the risks to the Company, and the processes we have in place to manage them, we remain confident that our enterprise risk management framework continues to serve us well. The geopolitical and macroeconomic environment continued to be unsettled this year. Russia's war in Ukraine and the conflict in the Middle East persisted, contributing to interest rates remaining higher for longer. Additionally, there were important elections in several major democracies, including the UK and the US, which led to muted spending by businesses and organisations as they awaited the outcomes. The resulting uncertain business environment served to reinforce our belief that risk management is an ongoing process that needs reviewing through the year. The starting point is our risk appetite, which was unchanged this year as we maintained our cautious approach. We identify and manage risk through our enterprise risk management framework, which we believe remains fit for purpose. The Company's bottom-up approach to risk is evidenced by the inclusion of risk management as a standing agenda item at each of our board meetings.

Managing new and emerging risks

We assess current and emerging risks as part of our ongoing risk monitoring progress. While we remain vigilant, we take confidence from the resilience that our business has shown through various external crises in recent years.

In our last Annual Report, we identified 14 principal risks that could have a significant impact on our operations. While the risks themselves are unchanged in 2024/25, with no additions, deletions or reclassifications, we have in some cases updated the status of the risk. We changed the status to 'increase' for the following four risks:

- Working capital, in line with the heightened risk of economic disruption because of the expanded Middle East conflict
- Direct and indirect cyberthreats, because of evolving and elevated global risk to IT security
- Attract and retain staff while keeping our culture, because of the scarcity of suitable applicants and higher salary expectations
- Changes to vendors' commercial model because of changes in certain vendor programmes in 2024/25.

However, vendors have previously changed their commercial models, and we have a strong track record of successfully adjusting to these, aided by close and regular communication with all our major vendors and distributors. We remain confident in our ability to adapt to vendor changes and to maintain our profitability.

For the risks of Vendor concentration and Supply chain management, we changed the status from 'increase' to 'no change', to reflect mitigation actions this year.

We also identified three emerging risks in our previous Annual Report: the physical and transition risks from climate change, keeping pace with social change, and the impact of AI. These risks remain relevant in 2024/25, and we continue to monitor them. In the case of AI, we also see the fast-evolving technology as an opportunity for our business, internally and externally.

Managing new and emerging risks (continued)

Summary of changes since 2023/24

	Risk name	Changes we made
1.	Economic disruption	Noted UK budget changes to employer National Insurance, international political uncertainty and trade tariffs, and public sector budgets.
2.	Margin pressure	Made no changes.
3.	Changes to vendors' commercial model	At our interim period, changed the status to '**increase**', in light of Microsoft changes.
4.	Inflation	Updated risk with latest figures.
5.	Working capital	At our interim period, changed the status to '**increase**'. Noted upcoming UK Government Procurement Act 2024.
6.	Vendor concentration	At our interim period, changed the status to '**no change**'. Noted impact from marketplaces.
7.	Competition	Noted impact from anti-competition regulations.
8.	Relevance and emerging technology	Made no changes.
9.	Cyberthreats – direct and indirect	At our interim period, changed the status to '**increase**', adding extra mitigation measures. Also changed ownership to the chief technology officers (CTOs) of our subsidiary companies.
10.	Business continuity failure	At our interim period, added extra mitigation measures. Changed ownership to the CTOs of our subsidiary companies.
11.	Attract and retain staff while keeping our culture	At our interim period, changed the status to '**increase**', because of scarcity of suitable applicants and salary expectations.
12.	Supply chain management	At our interim period, changed the status to '**no change**', adding extra mitigation measures. Also made small changes to operational measures.
13.	Sustainability/ESG	At our interim period, changed the status to '**no change**', but later returned it to '**increase**' because of trickle-down effects of regulations and requirements. Also changed ownership to the Group Sustainability Manager.
14.	Regulatory and compliance	Made no changes.

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Strategic report (continued)
For the year ended 28 February 2025

Our principal risks and uncertainties

<table>
<tr><td rowspan="2">Financial</td><td>1. Economic disruption
No change</td><td>Risk owner MD</td></tr>
<tr><td>The risk

This risk includes the impact of UK tax changes, in particular raising National Insurance (NI) contributions from 13.8% to 15% and lowering the employer NI threshold from £9,000 to £5,600.

Internationally, there is political uncertainty with the new US administration. Imposing tariffs on China for trade into the US, resulting in reciprocal tariffs, and threatening tariffs on other countries, could lead to inflation.

In addition, the conflicts in the Middle East and Ukraine continue.

This risk also includes the uncertainties caused by global economic pressures and geopolitical risk within the UK.

There is the potential for public sector funding to be cut, although the size of this is still unknown.

The impact

Major economic disruption and potentially higher taxes could see reduced demand for software licensing, hardware and IT services, which could be compounded by government controls. Lower demand could also arise from reduced customer budgets, cautious spending patterns or clients 'making do' with existing IT.

Economic disruption could also affect the major financial markets, including currencies, interest rates, trade and the cost of borrowing. Economic deterioration like this could affect our business performance and profitability. Inflationary pressure could still create an environment in which customers redirect their spending from new IT projects to more pressing needs.</td><td>How we manage it

We have so far continued to perform well during high inflation, the conflicts in the Middle East and Ukraine, and the UK leaving the EU.

The recent real-life experience of these, and of the rising cost of living and exchange rate fluctuations, have shown us to be resilient through tough economic conditions. The diversity of our client base has also helped us maintain and increase business in this period. We are not complacent, however – economic disruption remains a risk, and we keep our operations under constant review.

We cannot mitigate the NI increases directly, but indirectly we are aiming to increase productivity by using AI tools. Three quarters of our employees have a GenAI licence and, in a recent assessment of usage, the productivity increase was equivalent to 26 full-time-equivalent roles.

Our continued focus on software asset management means that we advise customers of 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.

Externally, we have seen more customers looking to avoid increased staff costs by outsourcing their IT to managed services. This may create an opportunity to accelerate our service offerings.

We will keep a watching brief on the impacts to the public sector from any government cuts to funding or policy changes, and how these effect the business.</td></tr>
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Bytes Software Services Limited

Strategic report (continued)
For the year ended 28 February 2025

Our principal risks and uncertainties (continued)

	2 Margin pressure **No change**	**Risk owner MD**
	The risk The Company faces pressure on profit margins from myriad directions, including increased competition, changes in vendors' commercial behaviour, certain offerings being commoditised and changes in customer mix or preferences. **The impact** These changes could have an impact on our business performance and profitability.	**How we manage it** Profit margins are affected by many factors at customer and micro levels. We can control some of the factors that influence our margins but some, such as economic and political factors, are beyond our control. In the past year we have sought to maintain margins where possible. Our diverse portfolio of offerings, with a mix of vendors, software and services, has enabled us to absorb any changes – and we continue to innovate to find new ways to deliver more value for our customers. Services delivered internally are consistently measured against our competition to ensure we remain competitive and maximise margins. Keeping the correct level of certification by vendor, early deal registration and rebate management are three methods we use to make sure we are procuring at the lowest cost and maximising the incentives we earn. This risk area is reviewed monthly.
	3 Changes to vendors' commercial model **Increase focus**	**Risk owner MD**
	The risk We receive incentive income from our vendors and their distributors. This partially offsets our costs of sales but could be significantly reduced or eliminated if commercial models are changed significantly. **The impact** These incentives are very valuable and contribute to our operational profits. Significant changes to commercial models could put pressure on our profitability.	**How we manage it** We maintain a diverse portfolio of vendor products and services. Although we receive major sources of funding from specific vendor programmes, if one source declines, we can offset it by gaining new certifications in, and selling, other technologies where new funding is available. Microsoft forms a significant part of our gross profit, and has consistently reviewed its incentive programmes to help it achieve its strategic objectives. We have consistently shown our ability to adapt in line with these changes. Although we see this risk increasing, we are confident in our ability to maintain growth over time. We closely monitor incentive income and make sure staff are aligned to meet vendors' goals so that we don't lose these incentives. Close and regular communication with all our major vendors and distributors means we can manage this risk appropriately. In some areas we have seen a positive change in vendors' commercial terms, where we have been able to adapt practices.

Bytes Software Services Limited

Strategic report (continued)
For the year ended 28 February 2025

Our principal risks and uncertainties (continued)

	4 Inflation **Decrease focus**	**Risk owner FD**
	The risk Inflation in the UK, as measured by the Consumer Price Index (CPI), was 3.2% in March 2024. At January 2025, this was 3.0%. This rate is above the Bank of England's target of 2%. The effects of both NI changes and global trade tariffs are inflationary. **The impact** Wage inflation and increased fuel and energy costs have a direct impact on our underlying cost base. If our competitors increase wages to a higher level, then we potentially risk retaining and attracting employees and customers. Our customers will also have increased costs, which will change their budgets and spending priorities.	**How we manage it** Staffing costs make up most of our overheads, so we focus our attention on our employees and their ability to cope with the rising cost of living. Beyond salaries, we have also focused on providing attractive benefits packages to attract and retain talent. While we cannot dictate our customers' budget, our business model is to build trusted relationships – where account managers understand our customers and are able to have pragmatic conversations about what their IT priorities should be in the current technology landscape.
	5 Working capital **Increase focus**	**Risk owner FD**
	The risk As customers face the challenges of the current economic environment, with inflation and elevated interest rates, there is a greater risk of an increasing aged debt profile, with customers slower to pay and the possibility of bad debts. The implementation of the UK Government's Procurement Act (2023) will affect the payment terms of public sector customers and affect our supply chain. Vendors' changing payment terms could also have a significant impact. We have seen debtor days stabilise as inflation has reduced, but the number of days is yet to return to historically low levels. **The impact** This could adversely affect our businesses' profitability and/or cash flow.	**How we manage it** Our credit collections teams are focused on collecting customer debts on time and maintaining our debtor days at or below target levels. Debt collection is reported and analysed continually and escalated to senior management as required. We have invested in larger credit collection teams and risk management. In the past financial year, the Company has seen a higher level of write-offs than before, but these still aren't significant: all our write-offs are from companies that have become insolvent or gone into administration. A large part of a successful outcome is maintaining strong, open relationships with our customers, understanding their issues and ensuring our billing systems deliver accurate, clear and timely invoicing so that queries can be quickly resolved.

Our principal risks and uncertainties (continued)

Strategic	**6 Vendor concentration** **No change**	Risk owner MD
	The risk Over-reliance on any one technology or supplier could pose a potential risk, should that technology be superseded or exposed to economic down cycles, or if the vendor fails to innovate ahead of customer demands. **The impact** Relying too heavily on any one vendor could have an adverse effect on our financial performance, should that relationship break down. Uptake of AI is expected to increase rapidly. While this represents an opportunity, AI development by a handful of companies, including Microsoft, has the potential to further concentrate revenue and profit across fewer vendors.	**How we manage it** We work with our vendors as partners – it is a relationship of mutual dependency because we are their route to the end customer. We maintain excellent relationships with all our vendors, and have a particularly good relationship with Microsoft, which relies on us as a key partner in the UK. Our growth plans, which involve developing business with all our vendors, will naturally reduce the risk of relying too heavily on any single one. We have a diversified vendor list, as well as a focus on services and using in-house and third-party specialists, which diversifies and mitigates some of the vendor concentration risk.

Our principal risks and uncertainties (continued)

	7 Competition No change	Risk owner MD
	The risk Competition in the UK IT market, or the commoditisation of IT products, may result in the Company being unable to win or maintain market share. Mergers and acquisitions have consolidated our distribution network and absorbed specialist services companies. This has caused overlap with our own offerings. A move to direct vendor resale to end customers (disintermediation) could place more pressure on the market opportunity. Platforms, like marketplaces, with direct sales to customers, could also be seen as disintermediation. An increase in the use of marketplaces also heightens the risk of more transactions going through the same route. Frameworks, particularly in the public sector, are a procurement route of choice for some customers. We risk narrowing our route to customers if we are not part of these frameworks. AI risks becoming a partial competitor, if it becomes able to provide accurate and beneficial licensing and infrastructure advice direct to customers. The regulatory environment will change the competitive landscape too, as regulators look to decrease monopolies. **The impact** This risk could have a material, adverse impact on our business and profitability, potentially requiring a shift in business operations, including a strategic overhaul of the products, solutions and services that we offer to the market. More consolidation could lead to less competition between vendors and cause prices to value-added resellers, like us, to rise and service levels to fall. Direct resale to customers could also increase. This could erode reseller margins, given the purchase cost is less for the distributor than the reseller. This could reduce our market, margin and profits.	**How we manage it** We closely watch commercial and technological developments in our markets. The threat of disintermediation by vendors has always been present. We minimise this threat by continuing to increase the added value we bring to customers directly. This reduces clients' desire to deal directly with vendors. Equally, vendors cannot engage with myriad organisations globally without the sort of well-established network of intermediaries that we have. We currently work with the dominant marketplace providers and can sell from multiple vendors to our customers through their platforms. By matching customer requirements to the vendor's value proposition, we can better serve our customers' needs. We continue to develop and improve our systems and processes to make transactions easier for our customers, including expanding and improving our own self-service portals. AI/machine learning has been identified as a new emerging risk, so we will explore and monitor for risks and opportunities to our business. Currently, there is no sign of any commoditisation that would be a serious threat to our business model in the short or medium term. We are aware of the opportunities from regulatory changes and partnerships to expand our vendor, solution and services portfolio.

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Strategic report (continued)
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Our principal risks and uncertainties (continued)

	8 Relevance and emerging technology **No change**	Risk owner MD
	The risk As the technology and security markets evolve rapidly and become more complex, the risk exists that we might not keep pace and so fail to be considered for new opportunities by our customers. **The impact** 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 solutions providers, joining industry forums and sitting on new technology committees. We have expanded the number and range of our subject-matter experts, who stay ahead of developments in their areas and communicate this internally and externally. We are giving more focus to customer communications and marketing, to increase brand awareness. By identifying and developing bonds with emerging companies, we maintain good relationships with them as they grow and give our customers access to their technologies. This is core to our business, so the risk is relatively low.

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Strategic report (continued)
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Our principal risks and uncertainties (continued)

Processes and systems	**9 Cyberthreats – direct and indirect** **Increase focus**	Risk owner CTO
	The risk As the technology and security markets evolve rapidly and become more complex, the risk exists that we might not keep pace and so fail to be considered for new opportunities by our customers. **The impact** 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 use intelligence-driven analysis, including research by our internal digital forensics team and analysis generated by threat intelligence systems to protect ourselves. This work provides insights into vulnerable areas and the effects of any breaches, which allow us to strengthen our security controls. Internal IT policies and processes are in place to mitigate some of these risks, including regular training, working abroad procedures and the use of enterprise-level security software. 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 two subsidiaries share insights and examples of good practice on security controls with one another. Both businesses use a security operations centre and have internal specialists to provide up-to-date threat analysis. We maintain ISO 27001, CE and CE+ certifications to protect our and our customers' data.

Our principal risks and uncertainties (continued)

Operational	**10 Business continuity failure** **No change**	Risk owner CTO
	The risk Any failure or disruption of the Company's people, processes and IT infrastructure may negatively affect our ability to deliver to our customers, cause us reputational damage and lose us market share. **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. Increased automation means a heavier reliance on technology. Although it can reduce human error, it can also potentially increase our reliance on other vendors. People are a huge part of our operational success, and processes rely on people as much as technology to deliver effectively to our customers. Insider threats, intentional or otherwise, could compromise our ability to deliver and damage our reputation. Employee illness and absence – if in significant numbers, such as a communicable disease in a particular team – could make effective delivery difficult.	**How we manage it** Our CTO and heads of IT manage and oversee our IT infrastructure, network, systems and business applications. All our operational teams are focused on the latest vendor products and educate sales team appropriately. Regular IT audits have identified areas for improvement, while 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 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. Employees are encouraged to work from home or take time off when sick, to avoid transmitting illness within the workplace. We also have processes to make sure there isn't a single point of failure, and that resiliency is built into employees' skillsets. The risk is also mitigated through policies and process implementation, such as Bytes implementing an incident management policy. Our efforts to reduce the risk from insider threats are multifaceted and involve pre-employment screening, contracts, training, identifying higher-risk individuals and technology to reduce potential data loss. This risk is reviewed through frequent risk assessments and BCP testing.

Bytes Software Services Limited

Strategic report (continued)
For the year ended 28 February 2025

Our principal risks and uncertainties (continued)

	11 Attract and retain staff while keeping our culture **Increase focus**	**Risk owner MD**
	The risk The success of the Company'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. Several factors are affecting this: – Salary and benefit expectations – The Company's high rate of growth – Skills shortage in emerging, high-demand areas, such as AI and machine learning – With remote or hybrid working becoming the norm, potential employees in traditionally lower-paid geographical regions being able to work remotely in higher-paying areas like London. **The impact** The double impact of scarcity of appropriate candidates for new roles and salary expectations will challenge our ability to attract and retain the talent pool we need to deliver our planned growth. We may also lose talented employees to competitors.	**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. The Company also runs an extensive apprenticeship programme across multiple business divisions. We also review the time that management has to coach new staff. We've also organically grown and set up new geographical offices, to attract local talent. Maintaining our culture is important to retaining current staff. The Company regularly engages with employees through surveys, such as the eNPS and Great Places to Work. Feedback from these and elsewhere is used to review and develop our employee benefits. We maintain our small-company feel through regular communications, clubs, and charity and social events. We aim to absorb growth while keeping our culture.
	12 Supply chain management **No change**	**Risk owner MD**
	The risk Failure to understand suppliers may lead to regulatory, reputational and financial risks, if they expose our business to practices that we would not tolerate in our own operations. The time and effort to monitor and audit suppliers is considered a risk. There is a risk to our business if we engage with suppliers that: – Provide unethical working conditions and pay – Are involved in financial mismanagement and unethical behaviour – Cause environmental damage – Operate in sanctioned regions. **The impact** The impact to the business is across multiple streams, from legal, financial and reputational to ethical and environmental. Escalating conflicts could also affect our supply chain.	**How we manage it** Supplier set-up forms include questions to ask suppliers to disclose information relating to compliance and adherence to our Supplier Code of Conduct. Any unethical, illegal or corrupt behaviour that comes to light is escalated and appropriate action is taken. Onboarding questionnaires have been reviewed and improved. Bytes has appointed a third-party compliance officer focused on supply chain management. Bytes has also established a cross-disciplinary group to work on managing suppliers.

Bytes Software Services Limited

Strategic report (continued)
For the year ended 28 February 2025

Our principal risks and uncertainties (continued)

Regulatory	**13 Sustainability/ESG** **No change**	**Risk owner Group Sustainability Manager**
	The risk The growing importance of sustainability and ESG for our customers, investors and employees means we need to stay at the forefront of reporting and disclosure, especially given that requirements and standards are continually updated. **The impact** Falling behind expectations or our peers may lead to challenges around: – Legal compliance, such as adhering to global standards – Retaining customers, as they push to reduce emissions – Investor relations, such as meeting criteria for ESG funds Attracting and retaining employees, as younger generations seek to work for more purpose-driven businesses.	**How we manage it** Our Board manages and monitors this risk closely, with oversight from the Group's ESG and Audit Committees. The Group Sustainability Manager continues to drive sustainability reporting and initiatives, and to work with an appointed third party to provide guidance and assurance on reported data. Environmental management systems are also in place and certified by ISO 14001. Our Sustainability Steering Committee enables decision makers from across the Group and our two operating companies to work towards a common goal and report on challenges. In June 2024, we enhanced the governance of ESG, by creating a Board-level ESG Committee. Disclosures are made through several channels, including ISS ESG ratings, CDP and EcoVadis. We had our near-term and net zero targets validated by the SBTi in June 2024, as part of our programme to drive sustainability through best practice approaches. Feedback from disclosures is used to guide changes in the business. So, as disclosure methodologies stay current, so should the business, where possible and relevant.

Our principal risks and uncertainties (continued)

	14 Regulatory and compliance **No change**	Risk owner MD
	The risk Our business faces inherent risks from evolving regulatory and compliance landscapes. Changes in laws, regulations and industry standards could significantly affect our operations, financial stability and reputation.	**How we manage it** We engage external experts. The Company works closely with external authorities, including through internal and external audits and paid-for consultancy, to advise on expected changes to regulations and the Company's response to them. We monitor regulatory developments. Individuals with responsibilities in the business stay up to date with changes in their field through professional memberships and trade publications, and through directly following regulatory and compliance bodies. We work to enhance internal controls. Our compliance teams hold a register of policies and organise reviews, updates and sign-offs with policy owners to make sure policies are kept current. Our steering committees and Board meetings are forums for raising and discussing changes that affect multiple areas of the business.
	The impact Operational teams and processes face administrative burdens and effects under rapidly changing regulations. Failing to keep up with regulatory, reporting and compliance changes could lead to fines, legal challenges and reputational damage. If regulatory compliance is not maintained, there are risks to the Company and to individuals, which could lead to expensive legal challenges and reputational damage to the business among all stakeholders.	

This report was approved by the Board on 29 July 2025 on its behalf.

Tina Sexton

Tina Sexton
Director

Bytes Software Services Limited

Directors' report
For the year ended 28 February 2025

The directors present their report together with the audited financial statements for the year ended 28 February 2025.

Business review

A review of the business and its principal risks and uncertainties is set out in the Strategic report on pages 1 - 18 of these financial statements.

Results and Dividends

The profit for the year, after taxation, amounted to £40.5 million (2023/24: £35.9 million). The net assets of the Company were £38.4 million (2023/24: £34.2 million).

The Company paid a dividend in the year of £36.3 million (2023/24: £32.1 million).

Directors

The directors who served during the year and up to the date of signing these financial statements were:

J M Watson
D Rawle
T E Sexton
A J Nicholson (resigned 1 March 2025)
P D Emms
S J Mudd (appointed 8 March 2024)

Financial risk management

The directors monitor the liquidity and cash flow risk of the Company carefully. Cash flow is monitored by the directors on a regular basis and any working capital requirement is funded by cash resources.

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

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

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

Future developments

The future developments are discussed within the Strategic Report (page 2).

Bytes Software Services Limited

Directors' report (continued)
For the year ended 28 February 2025

Qualifying indemnity provision

The Company maintains appropriate directors' and officers' liability insurance on behalf of the directors, general counsel and company secretary. In addition, individual qualifying third party indemnities are given to the directors, general counsel and company secretary which comply with the provisions of Section 234 of the Companies Act 2006 and were in force throughout the year and up to the date of signing the Directors' Report.

Engagement with employees

The Company places huge importance on engagement and communication with its employees and on their wellbeing. It provides regular updates on the performance of the business and changes happening within it direct from the directors and via the Company intranet and Teams site. Training is available for all staff to access through an online Learning Academy and covers a broad range of topics. The Company encourages the employees to submit ideas and feedback and also undertakes staff surveys to canvas views on significant matters.

Diversity and inclusion

The Company is committed to focus on diversity and create a culture of inclusivity within the business so that all staff feel they belong and can speak out. The Company also celebrates employee differences and drives internal conversations to gain a better understanding of the issues in order to develop a plan of action to address them. The Company values each employee and is committed to eradicating all discrimination in the workplace.

Employment of disabled employees

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The Company's HR procedures make clear that full and fair consideration must be given to applications made by, and the promotion of, disabled persons. Where an employee becomes disabled whilst employed by the Company, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the Company. Retraining of employees who become disabled whilst employed by the Company is offered where appropriate.

UK Streamlined Energy and Carbon Reporting (SECR)

The Company has complied with the UK Streamlined Energy and Carbon Reporting (SECR) requirements along with other UK entities that are part of Bytes Technology Group plc. The relevant information have been reported in the Annual Report and Accounts of Bytes Technology Group plc.

Post balance sheet events

There are no other significant events affecting the Company since the year end.

Going concern

The Company's business activities, financial position and cash flows, together with the factors likely to affect its future performance and position, are set out in the strategic report on pages 1 - 18. Details of its objectives and policies on financial risk management are set out above.

The Company's going concern analysis reflects the actual trading experience through the financial year to date, as well as detailed financial forecasts for the period up to 31 August 2026.

In making their assessment of going concern, the directors have considered the potential impact of a generalised economic downturn which may result from a combination of factors including general inflation, wage inflation, the conflicts in Ukraine and the Middle East, and climate change. If any of these factors leads to a reduction in spending by the Company's customers, there may be an adverse effect on the Company's future turnover, gross profit, operating profit, and debtor collection periods. Under such downsides the directors have factored in the extent to which they might be offset by savings in headcount, salaries, commissions and bonuses and discretionary areas of spend. Full details of the assessment and stress testing undertaken are set out in note 2.4 to the financial statements.

The assessment has also considered the cashflow impact on the Company of being part of the Bytes Technology Group plc, whereby it is required to support other entities in the Group in meeting their financial commitments, most notably in paying dividends to external shareholders and hence having consideration for the going concern position of the Group as a whole. The latter has already been assessed in detail for the same period to 31 August 2026 in the preparation of the Annual Report and Accounts of the Group for the year ended 28 February 2025 and whereby the directors of the Group concluded it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

As a result of the above assessments the directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future, which comprises the period of at least 12 months from the date of approval of the financial statements, that is 31 August 2026. There are no material uncertainties that would prevent the directors from being unable to make this statement. Accordingly, the directors continue to adopt the going concern basis in preparing the Company's financial statements.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the companies act 2006.

Auditor

The auditor, Ernst and Young LLP, was reappointed at the Annual General Meeting held on 2nd July 2025 in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 July 2025 and signed on its behalf.

DocuSigned by:
Tina Sexton
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Tina Sexton
Director

Bytes Software Services Limited

Directors' responsibilities statement
For the year ended 28 February 2025

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion

We have audited the financial statements of Bytes Software Services Limited for the year ended 28 February 2025 which comprise the Statement of Profit and Loss, the Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 28 February 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period up to 31 August 2026.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice, FRS 102), the Companies Act 2006 and the relevant tax compliance regulations in the UK.

- We understood how Bytes Software Services Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We corroborated our enquiries through our review of board minutes and discussions with those charged with governance.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility of fraud and by assessing key assumptions over significant estimates made by management for evidence of bias. We also considered performance targets and their propensity to influence efforts made by management to manage revenue and earnings. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.

- Where the risk was considered to be higher, including areas impacting the Company's key performance indicators or management remuneration, we performed audit procedures to address each identified fraud or other risk of material misstatement. These procedures included those on revenue recognition as well as testing manual journals; and were designed to provide reasonable assurance that the financial statements were free from fraud and error.

- We addressed the risk of improper revenue recognition by testing transactions recorded before and after the year end on a sample basis by vouching to evidence that the performance obligations are satisfied, and revenue has been recorded in the correct period. We tested a sample of deferred transactions at the year end and credit notes issued subsequent to the year-end. We also utilised data analytics tools to analyse a full population of sales-related journal entry data to track sales from revenue through to accounts receivable through to cash collection. We used this analysis to validate the appropriateness of transaction flows and tested a sample of transactions to determine if the journals accurately reflected the substance of transactions recorded.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a focus on compliance with the accounting and regulatory frameworks and other relevant legislations through obtaining sufficient audit evidence in line with the level of risk identified, in conjunction with compliance with relevant legislation including tax computations and returns and corroborated that dividend payments complied with the relevant legal requirements.

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

Use of our report

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

DocuSigned by:

Ernst & Young LLP

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

29 July 2025

Bytes Software Services Limited

Statement of profit or loss
For the year ended 28 February 2025

	Note	2025 £000	2024 £000
Turnover	4	**1,230,754**	1,115,443
Cost of sales		**(1,110,873)**	(1,006,353)
Gross profit		**119,881**	109,090
Administrative expenses		**(68,190)**	(64,317)
Operating profit	5	**51,691**	44,773
Interest receivable and similar income	8	**3,273**	2,283
Interest paid and similar charges	8	**-**	(1)
Profit before tax		**54,964**	47,055
Tax on profit	9	**(14,456)**	(11,116)
Profit and total comprehensive income for the financial year		**40,508**	35,939

There was no other comprehensive income for the 2025 or 2024 and therefore no separate statement of comprehensive income has been prepared.

The notes on pages 31 to 60 form part of these financial statements.

Bytes Software Services Limited

Statement of financial position
As at 28 February 2025

	Note	2025 £000	2024 £000
Non-current assets			
Intangible assets	10	**3,709**	-
Tangible assets	11	**10,792**	5,540
Deferred tax	18	**-**	410
		14,501	5,950
Current assets			
Stocks	13	**1,913**	2,524
Debtors: amounts falling due within one year	14	**189,956**	180,771
Cash at bank and in hand	15	**27,977**	26,364
		219,846	209,659
Creditors: amounts falling due within one year	16	**(193,825)**	(180,061)
Net current assets		**26,021**	29,598
Total assets less current liabilities		**40,522**	35,548
Creditors: amounts falling due after more than one year	17	**(1,406)**	(1,371)
Provisions for liabilities			
Deferred tax	18	**(681)**	-
Net assets		**38,435**	34,177
Capital and reserves			
Called up share capital	19	**30**	30
Share premium account	21	**556**	556
Profit and loss account	21	**37,849**	33,591
Total equity		**38,435**	34,177

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 July 2025.

DocuSigned by:
Tina Sexton
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Tina Sexton
Director

The notes on pages 31 to 60 form part of these financial statements.

Bytes Software Services Limited

Statement of changes in equity
For the year ended 28 February 2025

	Called up share capital	Share premium account	Profit or loss account	Total equity
	£000	£000	£000	£000
At 1 March 2024	30	556	33,591	34,177
Comprehensive income for the year				
Profit for the year	-	-	40,508	40,508
Total comprehensive income for the year	-	-	35,939	35,939
Contributions by and distributions to owners				
Dividends paid or payable	-	-	(36,250)	(36,250)
Total transactions with owners	-	-	4,258	4,258
At 28 February 2025	30	556	37,849	38,435

The notes on pages 31 to 60 form part of these financial statements.

Bytes Software Services Limited

Statement of changes in equity
For the year ended 29 February 2024

	Called up share capital	Share premium account	Profit or loss account	Total equity
	£000	£000	£000	£000
At 1 March 2023	30	556	29,786	30,372
Comprehensive income for the year				
Profit for the year	-	-	35,939	35,939
Total comprehensive income for the year	-	-	35,939	35,939
Contributions by and distributions to owners				
Dividends paid or payable	-	-	(32,134)	(32,134)
Total transactions with owners	-	-	3,805	3,805
At 29 February 2024	30	556	33,591	34,177

The notes on pages 31 to 60 form part of these financial statements.

Bytes Software Services Limited

Notes to the financial statements
For the year ended 28 February 2025

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1. General information

Bytes Software Services Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest thousand.

The comparatives are for the year ended 29 February 2024.

2.2 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of its ultimate parent undertaking established under UK law and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.3 Financial reporting standard 102

Reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Basic Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments Issues paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Bytes Technology Group Plc for the year ended 28 February 2025 and these financial statements may be obtained from Bytes House, Randalls Way, Leatherhead, Surrey, United Kingdom, KT22 7TW.

2. Accounting policies (continued)

2.3 Financial reporting standard 102 (continued)

New standards and interpretations not yet adopted

On 27 March 2024, the FRC issued amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review 2024. The effective date of these amendments is 1 January 2026, this is applicable to the Company for year ending 28 February 2027, with early adoption permitted. The two significant changes will be the new five-step model for revenue recognition more closely aligned with IFRS 15 Revenue from Contracts with Customers (IFRS 15) and alignment with IFRS 16 Leases (IFRS 16) with certain practical expedients.

The Company has not early adopted any standard or amendment that has been issued but is not yet effective. The Company will assess the impact of any standard or amendment in the Company's financial statements in the future reporting periods.

2.4 Going concern

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

When assessing the going concern of the Company, the directors have reviewed the year-to-date financial actuals, as well as detailed financial forecasts for the period up to 31 August 2026, being the going concern assessment period. This represents 18 months from the end of the reporting period to reflect the possible effect of events occurring after the end of the reporting period up to the date that the financial statements are authorised for issue.

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

Operational performance and operating model
In the current year of reporting, the Company has achieved double-digit growth in turnover, gross profit (GP) and operating profit and finished the year with £28.0 million of cash compared to the prior year £26.4 million.

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

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

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

2. Accounting policies (continued)

2.4 Going concern (continued)

Wide ranging customer base - The Company's income includes a large volume of non-discretionary spend from UK corporates because IT is vital to run their day-to-day operations and to establish competitive advantage in an increasingly digital age. Public sector organisations have similarly sought efficiencies, resilience, and security within their IT infrastructures. This is evident from the 10.3% increase in turnover during the year, and our mix of private and public customers, across multiple sectors means that a downturn in one area can be compensated by upturns in others.

Sales risk is further mitigated by the fact that none of the Company's wide range of customers contributes more than 1.1% of GP. Indeed, during the year only four customers generated GP in excess of £1 million out of a total Company GP of £119.8 million, the largest £1.4 million and the four combined at £4.6 million (3.8% of total GP). While we have some significant contributions to our turnover by individual customers, these are primarily long-term (three-year) contracts within the public sector, which makes our income even more secure and provides the opportunity to develop and monetise those accounts further. Even then, the largest customer has provided only 15% of our total turnover of £1.2 billion during the year.

- High levels of repeat business - Due to the nature of licensing schemes and service contracts, a high proportion of business is repeatable in nature, with subscriptions needing to be renewed for the customer to continue to enjoy the benefit of the product or service. Indeed, excluding sales of hardware and services, the remaining dominant balance of our turnover - some £1.2 billion (97%) of software - falls into this bracket. The largest software contracts, Microsoft enterprise agreements (EAs), run for three years and it is rare to lose a contract mid-term, which mitigates the risk of income reducing rapidly. The Company has a high success rate in securing renewals of existing EA agreements and winning new ones.

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

The high level of customer retention and growth is illustrated by the renewal rate for the year of 107%, a measure of the rate of growth in GP from existing customers, who also contributed 97% of total GP in the year. The Company will continue to focus on increasing its customer base and spend per customer during the going concern period.

- Microsoft relationship strength - With around 60% of the Company's turnover and around 50% of GP generated from sales of Microsoft products and associated service solutions, this continues to be a very important partnership for both sides. These contributions from Microsoft remain in line with previous years in percentage terms; in absolute terms, as our largest vendor, we have now seen their contribution to turnover and GP exceed £765 million and £59 million respectively.

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

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

2. Accounting policies (continued)

2.4 Going concern (continued)

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

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

2.4 Going concern (continued)

Macroeconomic risks

- Cost of sales inflation and competition leading to margin pressure – While pricing from our suppliers may be at risk of increasing, as they too face the same macroeconomic pressures as ourselves, our commercial model is based on passing on supplier price increases to our customers. We also see pressure from our customers, notably in the public sector space where new business must often be won under highly competitive tendering processes. So, while there has been a small reduction in our margin from 9.8% last year to 9.7% this year, it has been substantially contained and remains one of the biggest focus areas in our business.

- Wage inflation – The business has been facing pressure from wage inflation over the past two to three years. Where strategically required, we have increased salaries to retain key staff in the light of approaches from competitors, especially where staff have specialist or technical skills. We monitor our staff attrition rate and have maintained a level around 15%, which is down on last year's 17%. We do not believe there has been any significant outflow of staff due to being uncompetitive with salaries. We have a strong, collaborative and supportive culture and offer our staff employment in a business that is robust and they are proud of. This is a key part of our attraction and retention strategy.

  In addition, when we look at our key operational efficiency ratio of operating profit/GP, we have achieved 43% which is in line with last year, demonstrating the control over rising staff costs in response to the growth of the business. While we have already aligned staff salaries to market rates, further expected rises have been factored into the financial forecasts in line with those awarded in the past year.

- Interest rates – While interest rates have been high in the past two years, they have now appeared to stabilise and started to fall. The Company has no debt exposure, nor has it ever needed to call on its Group's revolving credit facility (RCF). Due to the timing difference we see in our cash flow model between customer receipts and supplier payments, we place cash on the money markets through our monthly cash cycle. While interest rates may fall further in the coming months we still see substantial interest income opportunity over the going concern period. We take have taken advantage of the recent higher interest rates to generate a significant £3.3 million of interest income in the reporting period and with projected growth in profits and cash we should be able to offset rate reductions.

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

- Economic conditions impacting on customer payments – Across the year we have seen our average debtor days of 40 remaining close to that in the previous year of 41 respectively and with our closing debtor days standing at just 34. There is limited evidence that customers ultimately do not pay and we have only suffered £0.7 million bad debt during the year against turnover of £1,2 billion. We were carrying sufficient loss allowance to cover this.

2. Accounting policies (continued)

2.4 Going concern (continued)

Macroeconomic risks (continued)

- As in previous years, around 40% of turnover came from the public sector, traditionally very safe and with low credit risk, while our corporate customer base includes a wide range of blue-chip organisations and with no material reliance on any single customer.

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

Geopolitical risks

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

- In terms of supply chain, we are not significantly or materially dependent on the movement of goods, so physical trade obstacles are not likely to affect us directly, with hardware only making up 1% of our turnover during the year. Nevertheless, we have ensured that we have a number of suppliers with substitute, or alternative, technologies that we can rely on if one supplier cannot meet our requirements or timescales. This indicates that we have managed the supply chain well.

- Software sales, though, continue to be the dominant element of our overall turnover and so are not inherently affected by cross-border issues.

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

Liquidity and financing position
At 28 February 2025, the Company held instantly accessible cash and cash equivalents of £28.0 million.

The balance sheet shows net current assets of £26.0 million at year end, this amount is after the Company paid or declared dividends to its parent company of £36.3 million during the year. Post year end the Company has remained cash positive, and this is expected to remain the case with continued profitable operations in the future and customer receipts collected ahead of making the associated supplier payments.

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

2. Accounting policies (continued)

2.4 Going concern (continued)

Approach to cash flow forecasts and downside testing (continued)

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

In its assessment of going concern, the Board has considered the potential impact of the current economic conditions and geopolitical environment as described above. If any of these factors leads to a reduction in spending by the Company's customers, there may be an adverse effect on the Company's future turnover, GP, operating profit, and debtor collection periods. Under such downsides, the Board has factored in the extent to which they might be offset by reductions in headcount, recruitment freezes and savings in pay costs (including commissions and bonuses). As part of the stressed scenario, where only partial mitigation of downsides is possible, the Board confirmed that the RCF may need to be used during the going concern period up to 31 August 2026.

Details of downside testing

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

- Base case was forecast using the Board-approved budget for the year ending 28 February 2026 and extended across the first six months of the following year to 31 August 2026.
- Downside case 1, Severe but plausible, modelled turnover reducing by 10% year on year, GP reducing by 15% year on year from June 2025 and debtor collection periods extending by five days from September 2025.
- Downside case 2, Stressed, modelled both turnover and GP reducing by 30% year on year from June 2025 and debtor collection periods extending by ten days from September 2025.
- Partial mitigation measure modelled immediate 'self-mitigating' reduction of commission in line with falling GP, freezing recruitment of new heads and not replacing natural leavers from September 2025, freezing future pay from March 2026 (as current year rises are already committed) and freezing rises in general overheads from March 2026.
- Full mitigation measures modelled additional headcount reductions from March 2026, in line with falling GP.

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

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

2. Accounting policies (continued)

2.4 Going concern (continued)

Details of downside testing (continued)

- A natural reduction in the level of dividends would follow, in line with the modelled reductions in profit after tax.

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

Details of downside testing
Under the downside case 2 stressed scenario, the Company becomes overdrawn at various points. However, the company would be able to utilise the RCF facility and remain compliant with the facility covenants. Dividends are forecast to continue to be paid in line with the Company's dividend policy to distribute 40%-50% of the post-tax pre-exceptional earnings to shareholders.

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

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

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The Company generates turnover from both the sale of goods and the rendering of services.

Sale of goods

Turnover from the sale of goods is recognised at the point in time when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover arising from sale of goods comprises the following revenue streams:

- Direct software licence sales;
- Indirect software licence sales; and
- Hardware sales.

2. Accounting policies (continued)

2.5 Turnover (continued)

Rendering of services

Turnover from a contract to provide services is recognised over the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Turnover arising from rendering of services comprises the following revenue streams:

- Internally provided consulting services; and
- Externally provided consulting services.

Presentation of turnover

The Company generates turnover in the capacity of both principal and agent. Determining whether an entity is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances.

Turnover generated in the capacity of principal

When acting as principal, the Company recognises turnover at the gross amount of consideration to which it expects to be entitled in exchange for its sale of goods or rendering of services to a customer.

The Company is acting as principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that the Company has such exposure and is, therefore, acting as principal include:

- the Company has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;
- the Company has inventory risk before or after the customer order, during shipping or on return;
- the Company has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and
- the Company bears the customer's credit risk for the amount receivable from the customer.

The directors have determined that the Company is acting as principal for the following revenue streams:

- Indirect software licence sales;
- Internally provided consulting services; and
- Hardware sales.

The judgements made by the directors in concluding that the Company acts as principal for the above revenue streams are disclosed in note 3.

2. Accounting policies (continued)

2.5 Turnover (continued)

Turnover generated in the capacity of agent

When acting as agent, in exchange for arranging for the sale of goods or rendering of services to a customer by another party, the Company recognises turnover 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.

The Company is acting as agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that an entity is acting as agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

The directors have determined that the Company is acting as agent for the following revenue streams:

- Direct software licence sales; and
- Externally provided consulting services.

The judgements made by the directors in concluding that the Company acts as agent for the above revenue streams are disclosed in note 3.

2.6 Intangible and tangible fixed assets

Software
Software costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets where the following criteria are met:
• It is technically feasible to complete the software so that it will be available for use
• Management intends to complete the software and use or sell it
• There is an ability to use or sell the software
• It can be demonstrated how the software will generate probable future economic benefits
• Adequate technical, financial and other resources to complete the development and to use or sell the software are available
• The expenditure attributable to the software during its development can be reliably measured.
The useful life for software is 2 to 8 years.

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

2. Accounting policies (continued)

2.6 Intangible and tangible fixed assets (continued)

Owned assets

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. Property acquired and held for future use and development as owner-occupied property is included in owned property.

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

Subsequent costs

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

Depreciation

Depreciation is recognised in profit or loss for each category of assets on a straight-line basis over their expected useful lives up to their respective estimated residual values.
Land is not depreciated.
The estimated useful lives for the current and comparative periods are as follows:
• Buildings, 20 to 50 years
• Leasehold improvements (included in land and buildings), shorter of lease period or useful life of asset
• Plant and machinery, 3 to 20 years
• Motor vehicles, 4 to 8 years
• Furniture and equipment, 5 to 20 years
• IT equipment and software, 2 to 8 years

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

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

2.8 Stock

Stock is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Finished goods includes asset management subscription licences purchased in advance for specific customers to provide managed services that as yet haven't been consumed.

At each reporting date, stock is assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the profit and loss account.

2. Accounting policies (continued)

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

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

2.11 Financial instruments

The Company primarily enters into basic financial instruments transactions but occasionally enters into certain derivative transactions, such as forward foreign exchange contracts.

The basic transactions result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

The derivative transactions are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss account in finance costs or income as appropriate. The Company does not currently apply hedge accounting for foreign exchange derivatives.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other trade debtors and creditors, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of profit and loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Accounting policies (continued)

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to monetary items are presented in the statement of profit and loss within 'administrative expenses'.

2.14 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Dividends

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

2.16 Employee share options

Share options are granted to employees under the share option plans of its ultimate parent company, Bytes Technology Group plc. As the grants relate to qualifying service in the Company, the fair values of options granted are recognised as an employee benefit expense in the Company.

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates of the number of options granted that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit and loss.

The Company has a recharge arrangement whereby Bytes Technology Group plc recharges the amount equal to the share-based payment charge to its subsidiaries (which is allocated based on the number of share options granted to the Company's employees) according to the vesting schedule.

2. Accounting policies (continued)

2.17 Operating leases:

The Company as a lessee

Rentals paid under operating leases are charged to the statement of profit and loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company as a lessor

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

2.18 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of profit and loss when they fall due. Amounts not paid are shown in creditors as a liability in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.19 Interest income

Interest income is recognised in the statement of profit and loss using the effective interest method.

2.20 Asset and liability transfers

Assets and liabilities of fellow group companies that are transferred to the Company where there is already common control, are transferred using predecessor accounting which ordinarily utilises the book values recorded in the fellow group company at the date of transfer.

2.21 Rebates and incentives

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

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

2. Accounting policies (continued)

2.21 Rebates and incentives (continued)

Fees from software sales
Where the Company sells on behalf of a vendor who invoices the customer directly, the Company is paid a fee from the vendor for our service in managing the customer relationship and providing licensing advice and support to them. Fees recognised but not yet received are included within trade and other receivables in the statement of financial position.

Fees from service engagements
Where the Group provides internal services in relation to certain vendor technologies, the activity may be funded by the vendor themself rather than by the customer, for example where the vendor is seeking to increase awareness and/or uptake in certain technical solution areas.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates
In preparing these financial statements, the directors have had to make the following estimates that are not critical:

- Taxation (see note 9)

  The Company provides for the future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures.

  Deferred tax liabilities are generally provided for in full and deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised.

- Recoverable value of recognised receivables (see note 13)

  The recoverability of trade receivables is regularly reviewed in the light of the available economic information specific to each receivable and specific provisions are recognised for balances considered to be irrecoverable.

Judgements

In preparing these financial statements, the directors have had to make judgements when determining whether the Company is acting as a principal or as an agent in presenting revenue for its revenue streams, as set out below:

The directors have determined that the Company is acting as principal for the following revenue streams:

- Indirect software licence sales;
- Hardware sales; and
- Internally provided consulting services.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Judgements (continued)

The key determinants in forming the judgement that the Company acts as principal for the above revenue streams were as follows:

- The Company's exposure to credit risk – for all of the above revenue streams, the Company is responsible for invoicing the customer and for collecting the resulting amounts due. Any loss resulting from the customer's failure to pay rests with the Company;
- The Company's ability to set the selling price in the transaction – for all of the above revenue streams, the Company has full latitude in determining an appropriate margin to apply to the amount charged by the vendor;
- The holding of inventory risk by the Company – for all of the above revenue streams, the Company has inventory risk and is exposed if products are acquired from vendors that cannot be onwards sold to customers; and
- The manner of the Company's remuneration – for all of the above revenue streams, the Company is remunerated through the margin it freely applies to amounts charged by the vendor and not in the form of a fixed percentage or a commission paid by the vendor.
- Primary responsibility for providing the goods or services and for their acceptability by the customer:
    - for internally provided consulting services, this lies with the Company as there are no other parties involved in the process.
    - for hardware, this lies with the Company as it configures the technical specifications for the customer requirements and, due to its physical nature, has responsibility for it's safe delivery and bears the exposure for any associated losses.
    - for indirect software sales, due to their intangible nature and the licensing agreement being between the vendor and customer, this responsibility rests more with the vendor, However the director's judgement is that, on balance, the other features listed above result in the Company acting as principal.

For the following revenue streams, the directors have determined that the Company is acting as agent:

- Direct software licence sales; and
- Externally provided consulting services.

The key determinants in forming the judgement that the Company acts as agent for the above revenue streams were as follows:

For direct software licence sales:

Primary responsibility for providing the goods, and for their acceptability by the customer, lies with the software vendor as the licensing agreement is between the vendor and customer. The Company does not bear any credit risk as it is the vendor rather than the Company that is responsible for invoicing the customer and for collecting the resulting amounts due. As the transaction is direct between the vendor and customer, the Company does not have latitude in establishing prices and has no inventory risk. The basis of the Company's remuneration is in the form of a fixed percentage applied to amounts charged by the vendor to the customer.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Judgements (continued)

For externally provided consulting services:

The supplier has significant involvement in pre-sale activity and has the primary responsibility for providing the services to, and for their acceptability by, the customer. Whilst the Company has latitude in establishing prices and bears the customer's credit risk, if the customer is not satisfied with the supplier's performance, the supplier will assume responsibility for making good the service and obtaining customer sign off. The Company will not pay the supplier until customer sign off has been received, hence removing the significant risks associated with the rendering of the service. Therefore, the director's judgement is that, on balance, the primary responsibility lying with the supplier results in the Company acting as agent.

Property, plant and equipment
The Company classifies owner occupied properties as property, plant and equipment. Where tenancies were assumed upon acquisition of the properties and rental income are earned, this requires judgement as to whether the properties are property, plant and equipment or investment property taking into account the evaluation of terms and conditions of the arrangement and intention of future use.

4. Turnover

An analysis of turnover by class of business is as follows:

	2025 £000	2024 £000
Software	**1,192,189**	1,070,758
Hardware	**18,221**	25,308
Services internal 1	**17,173**	16,255
Services external 2	**3,171**	3,122
	1,230,754	1,115,443

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

Analysis of turnover by country of destination:

	2025 £000	2024 £000
United Kingdom	**1,172,837**	1,063,286
Rest of Europe	**33,422**	32,595
Rest of the world	**24,495**	19,562
	1,230,754	1,115,443

5. Operating profit

The operating profit is stated after charging:

	2025 £000	2024 £000
Depreciation of tangible fixed assets	**791**	739
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	**271**	250
Share based payment (note 20)	**2,448**	3,206
System support and maintenance	**3,318**	2,900
Defined contribution pension cost	**1,171**	1,065
Rental income	**(105)**	-
Hire of other assets - operating leases	**745**	536

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2025 £000	2024 £000
Wages and salaries	**50,691**	46,704
Social security costs	**6,260**	6,250
Cost of defined contribution scheme	**1,171**	1,065
Share based payment cost	**2,448**	3,206
	60,570	57,225

Classified as follows;		
Cost of sales	**8,812**	7,728
Administrative expenses	**51,758**	49,497
	60,570	57,225

The average monthly number of employees, including the directors, during the year was as follows:

	2025 No.	2024 No.
Sales – account management	**276**	240
Sales – support and specialists	**148**	137
Service delivery	**120**	108
Administration	**152**	134
	696	619

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

7. Directors' remuneration

	2025 £000	2024 £000
Directors' emoluments	**1,228**	1,148
Directors' pension costs	**23**	25
	1,251	1,173

During the year benefits were accruing to 4 directors (2024: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £426,684 (2024: £404,847).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,000 (2024: £4,000).

8. Bank interest

	2025 £000	2024 £000
Bank interest received[1]	**3,273**	2,283
Bank interest paid	**-**	(1)
	3,273	2,282

[1]Interest received on cash deposited on money market.

Bytes Software Services Limited

9. Taxation

	2025 £000	2024 £000
Corporation tax		
Current tax on profits for the year	**13,367**	11,628
Adjustments in respect of previous periods	**(2)**	(84)
	13,365	11,544
Total current tax	**13,365**	11,544

Deferred tax		
Origination and reversal of timing differences	**1,093**	(488)
Adjustments in respect of prior periods	**(2)**	70
Effect of tax rate change on opening balance	**-**	(10)
Total deferred tax	**1,091**	(428)
Taxation on profit on ordinary activities	**14,456**	11,116

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2024 - lower than) the standard rate of corporation tax in the UK of 25% (2024 - 25%). The differences are explained below:

	2025 £000	2024 £000
Profit on ordinary activities before tax	**54,964**	47,055
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2024 – 24.49%)[1]	**13,741**	11,525
Effects of:		
Non-deductible expenses	**719**	(385)
Adjustments to previous periods	**(4)**	(14)
Effect on changes in tax rate	**-**	(10)
Total tax charge for the year	**14,456**	11,116

Factors that may affect future tax charges

On 23 May 2023, the International Accounting Standards Board issued International Tax Reform – Pillar Two Model Rules – Amendments to IAS12. These rules are not expected to affect the Company.

[1] Prorated rate for change in tax rate from 19% to 25% on 1 April 2023

Bytes Software Services Limited

Notes to the financial statements
For the year ended 28 February 2025

10. Intangible fixed assets

	Software	Total
	£000	£000
Cost or valuation		
At 1 March 2024	-	-
Additions	3,709	3,709
Disposals		
At 28 February 2025	**3,709**	**3,709**
Depreciation		
At 1 March 2024	-	-
Charge for the year	-	-
Disposals	-	-
At 28 February 2025	-	-
Net book value		
At 28 February 2025	**3,709**	**3,709**
At 29 February 2024	-	-

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

Bytes Software Services Limited

Notes to the financial statements
For the year ended 28 February 2025

11. Tangible fixed assets

	Freehold land and buildings	Office furniture, office fit out costs and equipment	Computer equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 March 2024	4,470	2,709	2,800	9,979
Additions	5,379	281	383	6,043
Disposals	-	(24)	(1)	(25)
At 28 February 2025	9,849	2,966	3,182	15,997
Depreciation				
At 1 March 2024	629	1,935	1,875	4,439
Charge for the year	74	145	572	791
Disposals	-	(24)	(1)	(25)
At 28 February 2025	703	2,056	2,446	5,205
Net book value				
At 28 February 2025	9,146	910	736	10,792
At 29 February 2024	3,841	774	925	5,540

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

Bytes Software Services Limited

12. Investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Nature of business	Class of shares	Holding
Bytes Technology Group Holdings Limited	Dormant	Ordinary	100%
Bytes Technology Training Limited	Dormant	Ordinary	100%

The registered office address of all the above subsidiary undertakings is Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW.
The net book value of the investments in the current and prior year was £1.

13. Stock

	2025 £000	2024 £000
Finished goods and goods for resale	**1,913**	2,524

Finished goods includes asset management subscription licence purchased in advance for specific customers that as yet haven't been consumed.

14. Debtors: amounts falling due within one year

	2025 £000	2024 £000
Trade debtors	**130,806**	113,419
Amounts owed by group undertakings	**45,691**	51,338
Other debtors	**353**	303
Prepayments and accrued income	**13,106**	15,711
	189,956	180,771

The loss allowance against trade debtors was reduced in the year by £0.8 million, £0.7 million to cover write off of bad debts and £0.1 million released through the profit and loss for the year (2024: £1.2 million increase in loss allowance).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Prepayments and accrued income includes accrued rebates and other vendor incentive income of £3.6 million (2024: £3.4 million).

15. Cash at bank and in hand

	2025 £000	2024 £000
Cash at bank and in hand	**4,477**	26,364
Short-term deposits	**23,500**	-
	27,977	26,364

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

16. Creditors: amounts falling due within one year

	2025 £000	2024 £000
Trade creditors	**127,692**	111,865
Amounts owed to group undertakings	**341**	10,341
Corporation tax	**172**	39
Other taxation and social security	**7,940**	6,120
Other creditors	**11,471**	14,587
Accruals and deferred income	**46,209**	37,109
	193,825	180,061

16. Creditors: amounts falling due within one year (continued)

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The Company has provided a guarantee against a revolving credit facility (RCF) held by its ultimate parent company but which all entities within the group have access to. The Group has so far not drawn down any amount on this facility. Full details on the RCF are provided in note 23 to the financial statements in the Annual Report and accounts of Bytes Technology Group plc for the year ended 28 February 2025.

17. Creditors: Amounts falling due after more than one year

	2025 £000	2024 £000
Accruals and deferred income	1,406	1,371

18. Deferred taxation

	2025 £000	2024 £000
Asset / (liability) at beginning of year	**410**	(17)
Credited / (charged) to the profit and loss account	**(1,091)**	427
Asset / (liability) at end of year	**(681)**	410

The deferred taxation (liability) / asset is made up as follows:

	2025 £000	2024 £000
Fixed asset timing differences	**(1,755)**	(719)
Short term timing differences	**1,074**	1,129
	(681)	410

19. Share capital

Allotted, called up and fully paid	2025 £000	2024 £000
2,992,126 ordinary shares of £0.01 each (2024: 2,992,126)	**30**	30

20. Dividends

	2025 £000	2024 £000
Interim declared of £0.75 (2024: £0.63) per share	**2,250**	1,875
Final dividend of £11.36 (2024: £10.11) per share	**34,000**	30,259
	36,250	32,134

During the year the Company paid a total of £36.3 million of dividends to its shareholders, of which £36.3 million was paid in the financial year (2024: £32.1 million).

21. Reserves

The Company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Share based payment account

The share based payment account represents the cumulative value of share based payment charges.

Profit or loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

22. Share based payments

Bytes Technology Group plc Schemes

The Company's ultimate parent company, Bytes Technology Group plc, established several new equity settled share-based payment incentive schemes with effect from its Admission Date to the London Stock Exchange in December 2020. These awards have been accounted for as equity settled share-based payments with the fair value of the awards granted being recognised as an expense over the vesting period. As the schemes relate to employees qualifying service in the Company, the associated charge is also recognised in the Company. The schemes are:

Performance Incentive Share Plan
Options granted in the scheme are for shares in Bytes Technology Group plc. The exercise price of the options is a nominal amount of £0.01. Performance conditions attached to the awards granted in the current year are employee specific, in addition to which, options will only vest if certain employment conditions are met. The fair value of the share options is estimated at the grant date using Monte Carlo pricing model for the element with market conditions and Black Scholes option-pricing model for non-market conditions.
The normal vesting date shall be no earlier than the third anniversary of the grant date and not later than the day before the tenth anniversary of the grant date. There is no cash settlement of the options available under the scheme. During the year the Company granted 476,169 (2024: 580,800) options. For the year ended 28 February 2025, 29,647 (2024: 7,390) options were forfeited, 51,665 (2024: 403,682) options were exercised and no options expired.

Company Share Option Plan
Options granted in the scheme are for shares in Bytes Technology Group plc. The exercise price of the options granted in the current year was determined by the average of the last three dealing days prior to the date of grant. There are no performance conditions attached to the awards, but options will only vest if certain employment conditions are met. The fair value is estimated at the grant date using a Black-Scholes option-pricing model. The normal vesting date shall be no earlier than the third anniversary of the grant date and not later than the day before the tenth anniversary of the grant date. There is no cash settlement of the options available under the scheme. During the year the Company granted no (2024: nil) options. For the year ended 28 February 2025, 173,162 (2024: 121,300) options were forfeited, and 105,000 (2024: nil) options were exercised and no options expired.

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22. Share based payments (continued)

Save as You Earn Scheme
Share options were granted to eligible employees under the Save As You Earn Scheme (SAYE). Under the SAYE scheme, employees enter a three-year savings contract in which they save a fixed amount each month in return for their SAYE options. At the end of the three-year period, employees can either exercise their options in exchange for shares in Bytes Technology Group plc or have their savings returned to them in full. The exercise price of the options represents a 20% discount to the exercise price of the CSOP awards. The fair value at grant date is estimated using a Black-Scholes option-pricing model. There is no cash settlement of the options. During the year the Company granted 275,577 (2024: 245,661) options. For the year ended 28 February 2025, 147,029 (2024: 130,373) options were forfeited, 279,465 (2024: 3,625) options were exercised and 25,665 (2024: nil) options expired.

Share-based payment employee expenses

	2025	2024
	£000	£000
Equity settled share-based payment expenses	**2,448**	3,206

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

	2025 Number	**2025 WAEP**	2024 Number	2024 WAEP
Outstanding at 1 March	**5,298,753**	**£3.80**	5,160,060	£3.93
Granted during the year	**751,746**	**£1.68**	865,722	£1.12
Forfeited during the year	**(349,838)**	**£4.14**	(294,363)	£3.72
Exercised during the year	**(436,130)**[1]	**£3.77**	(432,666)[1]	£0.04
Expired during the year	**(25,665)**	**£4.00**		
Outstanding at 28 February	**5,238,866**	**£3.47**	5,298,753	£3.80
Exercisable at 28 February	**1,648,264**	**£4.45**	234,929	£0.01

[1] The weighted average share price at date of exercise was £5.09 (2024: £5.85)

The weighted average expected remaining contractual life for the share options outstanding at 28 February 2025 was 1.60 years (2024: 2.31 years). The weighted average fair value of options granted during the year was £3.81 (2024: £3.98). The range of exercise prices for options outstanding at the end of the year was £0.01 to £5.00 (2024: £0.01 to £5.00).

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

Assumptions	**2025 PSP**	**2025 SAYE**
Weighted average fair value at measurement date	£5.11	£1.33
Expected dividend yield	1.56%	1.76%
Expected volatility	34%	34%
Risk-free interest rate	4.31%	3.74%
Expected life of options	3 years	3 years
Weighted average share price	£5.59	£4.94
Model used	Black-Scholes & Monte Carlo	Black-Scholes

22. Share based payments (continued)

Assumptions	2024 PSP	2024 SAYE
Weighted average fair value at measurement date	£4.86	£1.79
Expected dividend yield	1.53%	1.53%
Expected volatility	31%	30%
Risk-free interest rate	4.29%	4.79%
Expected life of options	3 years	3 years
Weighted average share price	£5.16	£5.11
Model used	Black-Scholes & Monte Carlo	Black-Scholes

The expected volatility reflects the assumption that the historical volatility of the Company and publicly quoted companies in a similar sector to the Company over a period similar to the life of the options is indicative of future trends.

23. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge for the year amounts to £1.2 million (2024: £1.1 million). There were no outstanding or repaid contributions at either the beginning or end of the financial year.

24. Commitments under operating leases

As the lessee
The operating lease commitments relate to lease payments for a leasehold property under a non-cancellable operating lease. At 28 February 2025, the Company had minimum lease payments as follows:

	2025 £000	2024 £000
Not later than 1 year	**194**	194
Within 2 - 5 years	**566**	760
Later than 5 years	**0**	0

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

	2025 £000	2024 £000
Not later than 1 year	**464**	0
Within 2 – 5 years	**1,259**	0
Later than 5 years	**159**	0

Related party transactions

The Company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

25. Controlling party

The Company's immediate parent company is Bytes Technology Limited, a company incorporated in the United Kingdom.

The consolidated financial statements are available to the public and may be obtained from Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW. They are also available to view and download on the Bytes website at www.bytesplc.com/investors.

26. Post balance sheet events

There are no significant events affecting the Company since the year end.