BYTES Technology Group

Annual Report and Accounts 2023/24

Delivering progress through technology

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“As a creative and innovative business, we help our customers and our people get the most out of the transformative technologies that are shaping our world today.

Sam Mudd
CEO

Advising our customers

We build lasting, trust-based relationships with customers, providing them with the solutions they need.

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Partnering with our vendors

We work hand in hand with world-leading technology vendors to deliver the best results for our customers.

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Mentoring our people

We strive to continually develop our people and keep them engaged and fulfilled.

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Gross invoiced income (GII)[1]

£1,823.0m

(2023: £1,439.3m) **+26.7%**

Revenue[2]

£207.0m

(2023: £184.4m) **+12.3%**

Gross profit

£145.8m

(2023: £129.6m) **+12.5%**

Average gross profit per customer

£24,400

(2023: £21,800) **+11.9%**

Operating profit

£56.7m

(2023: £50.9m) **+11.4%**

Adjusted operating profit[3]

£63.3m

(2023: £56.4m) **+12.2%**

Employees

1,057

(up from 930)

Customers

5,978

(up from 5,941)

1 'Gross invoiced income' (GII) is a non-IFRS financial measure that reflects gross income billed to customers, adjusted for deferred and accrued revenue items. The reconciliation of GII to revenue is set out in note 3(b) to the consolidated financial statements.

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

3 'Adjusted operating profit' is a non-IFRS alternative performance measure that excludes from operating profit the effects of significant items of expenditure that are non-recurring events or do not reflect our underlying operations. Amortisation of acquired intangible assets and share-based payment charges are excluded. The reconciliation of adjusted operating profit to operating profit is set out in note 2(b) to the consolidated financial statements.

Bytes Technology Group plc (BTG) is one of the UK and Ireland's leading software, security, AI and cloud services specialists.

Strong history, strong prospects

We're made up of two companies with one shared culture: Bytes Software Services (Bytes), which supports corporate and public sector organisations, and Phoenix Software (Phoenix), focusing primarily on the public sector.

Our purpose is to empower and inspire our people to fulfil their potential, so they can help our customers make smarter buying decisions and meet their business objectives through technology.

Chair's statement

Patrick De Smedt
Chair

Our people's passion for our customers and for technology shone through in 2023/24, helping us achieve strong financial performance and setting us up well for the future under our new CEO, Sam Mudd.

Navigating a change of CEO

On 10 May 2024, BTG announced the appointment of new CEO Sam Mudd, whose wealth of experience in technology and senior leadership complements and enhances the existing skills and experience of the Board. Sam was initially appointed as Interim CEO following the resignation with immediate effect of former CEO, Neil Murphy, on 21 February 2024. While these circumstances brought considerable challenges, they have also been an opportunity to strengthen our Board and our governance processes, which will remain an area of the upmost importance for the Board over the coming year.

>> **You will find detailed disclosure on this and other related Board changes in my introduction to corporate governance on pages 68 to 71.**

Our thanks to the team

We achieved our aim of double-digit growth across our main metrics, gaining market share and demonstrating the resilience of our business model, despite the uncertainty in the business world, with concerns about high interest rates and global conflict stalling investment in many sectors. But there's another key factor that allowed us to achieve these financial results, and our impressive customer net promoter scores and vendor accreditations and awards. That factor is our people, whose commitment, hard work, passion and contribution to good causes are such important parts of our culture. I know I speak for my fellow directors in saying how very proud and grateful we are for what they accomplished during the year.

New Board members to support our growth

We welcomed two new directors to Board in the year. The promotion of Sam Mudd to the Board in July 2023 made her subsequent move into the role of CEO a natural evolution for BTG. Sam has an impressive track record. As Managing Director (MD) of Phoenix she led the tremendous growth of that business, and is a role model for women across BTG. On the Board, she has proved herself to be an inspiring fellow director.

Alison Vincent stepped down as a non-executive director at the end of her three-year term this year, so we were delighted to welcome Shruthi Chindalur as a non-executive director at the start of February 2024. Shruthi brings a wealth of commercial and operational experience in the technology sector to the role. She also takes on the role of designated non-executive director for employee engagement. We also announced the resignation with immediate effect of Mike Phillips as a non-executive director towards the end of March.

On 1 June 2024, we will also welcome Ross Paterson and Anna Vikström Persson as independent non-executive directors, adding even more to the skills and experience of the Board. Ross will become Chair of the Audit Committee, while Anna will become Chair of the newly constituted ESG Committee. You can find details about Ross and Anna's expertise at bytesplc.com.

Engaging and investing in people for the long term

Engaging with our stakeholders is an important cultural attribute of our company, and an example of how we take a long-term perspective. We listen closely to our customers and our employees, and I'm pleased that the respective net promoter scores of 82 and 71 remain high. We held a Board meeting in our City of London office this year, for example, and so had an opportunity to talk to our employees there, which was greatly insightful. Our most senior executives also spend a lot of time talking to investors. This all gives us confidence as we continue to invest in our systems, in developing new services and, especially, in our people.

To support our future growth, we've expanded our headcount by 13.7% this year. It is also important to make sure we increase the management capabilities as our workforce grows. Besides ongoing training and promotion, we have been assessing leadership skills this year to identify gaps, so we can implement the necessary development and coaching programmes. At the same time, Sam, in her previous role as MD Phoenix, set up a female leadership acceleration programme, which the Phoenix leadership team is continuing.

Shareholder dividends

BTG's dividend policy is to distribute 40% of post-tax pre-exceptional earnings to shareholders. The Board is pleased to propose a gross final dividend of 6.0 pence per share. The proposed dividend is £14.4 million. Given the company's continued strong performance and cash generation, we are also proposing a cash return to shareholders with a special dividend of 8.7 pence per share, equating to £20.9 million. If approved by shareholders, the final and special dividend will be paid on 2 August 2024.

Diversity on the Board

As of the date of this Annual Report, we are aligned to the FCA Listing Rules, with 60% women on the Board and at least one director from a minority ethnic background. We also have women in the roles of CEO and senior independent director.

Monitoring the opportunities and risks from AI products

Turning to Board activity, we've been focused on monitoring the vast potential of the emerging technologies around artificial intelligence (AI), both for our business internally and externally as we support our customers. This year we've been increasing the use of AI-enabled tools in our operations, to see how they can help us be more productive. The feedback we've had from people is promising. Our customers have also shown lots of interest in AI-supported products, especially Microsoft 365 Copilot.

For us, the emerging technology presents an opportunity – to help customers prepare for AI. We are positioned not just to provide licences to customers, but also to help them consider the potential of the technology and to put the requisite security and data management practices in place before deploying it.

Our commitment to sustainability

It takes more than great products and services to make a great company – you need a commitment to sustainability, which means looking after people, governance and, of course, the planet, given the considerable challenges of climate change. This is a focus area for the Board and, as noted earlier, we are setting up a Board-level ESG Committee, with effect from 1 June 2024. During the year, our Group sustainability manager helped guide our journey to net zero, and ensure a coordinated approach between our two businesses. We also submitted our carbon reduction targets to the Science Based Targets initiative and expanded our efforts to calculate all our Scope 3 emissions for the first time, both of which are important milestones.

A confident outlook

Looking ahead, we are confident about our prospects, and excited by the refreshed skills and experience on the executive team and the Board. We see encouraging growth opportunities in cloud migration and the hybrid cloud environment, in our security solutions business and in AI-enabled tools. Strong foundations, an excellent management team and a broad range of talent across the business mean the Board is looking forward to supporting and challenging the executive to achieve another year of success.

Patrick De Smedt
Chair
22 May 2024

CEO's review

Sam Mudd
CEO

This was a year in which we showed our resilience as a company. In a time of geopolitical and macroeconomic challenges, and Board and leadership changes, our business proved strong, dependable and agile, allowing us to extend our long run of double-digit growth.

By investing in our great people, our culture and the technical capability to deliver the solutions that our customers need, we are well placed for our growth to continue.

I'm very excited to be part of that growth, having been appointed as BTG's new CEO. What has become even clearer in the past few months is the strength of our relationships with customers and the depth of our vendor partnerships. All this is underpinned by the quality of our people, who I truly believe are some of the best in the industry. It's an honour to lead them and the wider company in its next chapter.

Robust demand drives strong financial year performance

BTG's performance this year was strong and in line with expectations, in keeping with our track record since listing in 2020. Though the broader business environment was at times challenging, the demand for the wide-ranging suite of products and services we provide, especially cloud services and cybersecurity, remained robust in both the corporate and public sectors. We saw double-digit growth in both operations of Bytes and Phoenix.

Gross invoiced income (GII) rose by 26.7% to £1.8 billion, and profit before tax increased by 22.2% to £61.6 million, as we continued to increase the share of our customers' business. These results are testament to the commitment of our people – their ongoing willingness to go above and beyond for our customers is a constant inspiration. I would like to take this opportunity to thank them for all their hard work.

Doing more for our customers

To maintain our edge in a competitive market, we aim to provide the highest level of service to our customers, offering the right, cost-effective advice for their needs and expert guidance when it comes to new technologies. This commitment to quality and our ability to get things done is crucial if we are to achieve our ultimate strategic goal each year, which is to do more business with our existing customers and to win new ones.

We increased our gross profit (GP) from existing customers by 109%, and added £5.1 million of GP from new customers, with our total customer base now being just short of 6,000. Besides continued success in the corporate sector, we won several long-term, large-value contracts in the public sector, including the NHS and HMRC. The new five-year agreement with the NHS, for example, has a sales value of £775 million over the life of the contract, supporting our longer-term growth ambitions. We have a track record of growing the profitability of these contracts over time, and opening up other software, hardware and service opportunities.

Even after our impressive GII growth of 26.7% this year, our share of the overall total addressable market in the UK is still less than 4%. This, along with our high customer net promoter score of 82, gives us a lot of confidence that we can keep winning new customers, while deepening relationships with those we already serve.

The potential of tools supported by AI

In our sector, agility is crucial: when new technologies emerge, we must be ready to help customers prepare for and adapt to them. We have already seen strong interest from our customers in AI-enabled software solutions, such as Microsoft 365 Copilot, which use the power of large language models and a user's data to help improve productivity. And while we understand their excitement, we're also urging caution. We believe that careful consideration and planning is essential before implementing AI products. This includes putting in place the right guidelines, frameworks and guard rails for data protection and security, and providing training for users. By doing things in the right sequence, the positive outcomes can be far greater.

We've been following this approach ourselves, which will help us provide even better support to our customers. During the last few months of the year, 100 people at BTG, including myself and many of our senior managers, enrolled in Microsoft's early access programme for Copilot. As we advance our understanding of these tools, we are very optimistic about the technology, and plan to gradually roll it out to the majority of our employees in line with the considered approach that we advise our customers to take. We believe that, over time, adopting AI in this measured, careful way will make our organisation more productive, help us respond more quickly to our customers and other stakeholders, free up time for creativity and innovation, and give us a head start in advising customers on how to implement Copilot. Ultimately, then, our approach positions us well to be a leader in the implementation of AI and so drive our growth for the rest of the decade, and beyond. When we look back at this pivotal moment in years to come, we will have played our role in helping our customers to benefit from this new wave of technology.

Investment case

01

Proven track record and growth strategy

We have a long track record of delivering strong financial performance, enabled by highly motivated employees delivering the latest technology to a diverse and loyal customer base. Our strategy is to grow organically by doing more with existing customers and winning new customers – this supports strong free cash flow that allows us to invest in our businesses.

6-year GP compound average growth rate

18%

Customers served in 2023/24

5,978

02

Attractive market positioning

We have strategic relationships and partnerships with many of the world's leading software vendors and distribution channels. This includes a long and deeply embedded relationship with Microsoft, as one of its largest partners in the UK by revenue.

Number of vendors and distributors

>800

One of the biggest UK partners with Microsoft by revenue

03

Compelling growth opportunity

We operate in a vast, growing market, boosted by technological tailwinds from digital transformation agendas, cloud products, cybersecurity and AI-enabled tools. Our share of our total addressable market is less than 4%, so we have plenty of room to grow.

Strong GII growth

26.7%

04

Strong team culture

Our dynamic culture drives our operational excellence and high employee retention rates. Our culture also increases sales productivity, customer satisfaction and repeat business.

Employee net promoter score

71

CEO's review continued

Staying true to our culture

Driving growth is only possible with a brilliant, highly engaged team with a can-do attitude. When BTG was formed at our IPO in December 2020 we were 650 people; this year we celebrated passing the 1,000-employee mark, attracting great talent in a competitive market for skills. During the year, our headcount grew by 13.7% as we looked to make sure we have the right number of people with the right technical and commercial skills for where the market will be in the coming years.

Though we have grown significantly over the years, we're always mindful of the importance of maintaining the 'family' culture that has brought us so much success. That means recognising every employee as an individual who needs to be guided, motivated, challenged and offered a clear career path. We encourage a workplace culture where employees gain value and personal satisfaction from their work. This can lead to substantial benefits for both individual and organisation, and promote wellbeing and productivity. We continually aim to create an environment where these outcomes can be achieved and where people can thrive and be fulfilled.

Our approach to flexible working is one example of how we do this. Some companies, including in the technology sector, prefer their staff back in the office full time. In contrast, we believe that face-to-face interaction and collaboration is important to maintain our culture, and we have plenty of people who are in the office five days a week, because they like the environment and work well that way. But we have others who prefer to work from home for part of the week, because it suits their personality and circumstances or the type of work they do. We learnt during the pandemic that everyone will find their own best way of working, and of being productive. As long as it continues to deliver the right results, then we're happy.

Deepening ties with our vendors

Just like with our people, building lasting relationships is crucial when it comes to our many vendors, including our largest and longest-standing partner, Microsoft, with which we continued to deepen our relationship this year. I was really pleased to get the opportunity to meet Microsoft's CEO, Satya Nadella, and many senior Microsoft executives when I went to Seattle for the awards ceremony for Phoenix winning Microsoft Global Modern Endpoint Management Partner of the Year for 2023. By working closely with our vendors over many years, and investing in our capabilities to stay ahead of the technology curve, we benefit from early access to new product development, such as Copilot. We also get to take part in high-level discussions that help influence our strategic thinking and awareness of market opportunities.

This year, we strengthened our partnership with Cloud Bridge Technologies, an Amazon Web Services (AWS) partner. In April 2023, we acquired an interest in Cloud Bridge, and this investment gives us access to resources that will help underpin our multicloud strategy in the coming years.

Strengthening our commitment to the environment

Another area in which we look to the outside world, and the expectations of businesses today, is sustainability. The environment, and climate change in particular, is becoming an ever-bigger issue for all businesses – and rightly so, as the world looks for a manageable transition to net zero. We're particularly mindful of the impact on the environment of growth in technologies like AI, which require vast computing power and cloud storage and consume a lot of energy. And so, while as a company we're not a big carbon emitter, we're doing everything we can to mitigate our impact. I'm pleased with our progress this year: we expanded our Scope 3 reporting, and submitted our carbon reduction targets to the Science Based Targets initiative for validation.

The road ahead

I'm excited about the prospects for 2024/25 as we continue to work with our customers to be more productive through advancements in technology. We believe that tailwinds will continue to favour our industry, as companies look to the latest technologies, including AI, to become more efficient, and as the cybersecurity threat continues to grow. More important to us, however, are the investments and innovations we're making to support that growth: increasing our technical skills, expanding our teams while maintaining our strong culture, strengthening our vendor relationships and building new services and solutions. Together, these investments are setting us up strongly for the years to come, and I look forward to the future with great optimism.

Sam Mudd
CEO
22 May 2024

Our business model

What we do

We're a value-added IT reseller, focusing on cloud and security software developed by leading vendors.
We also provide professional and managed IT services, and hardware, to deliver complete tailored solutions.

Bytes Technology Group

comprises two independent and complementary operating companies.

Bytes Software Services

focuses on corporate enterprise clients, small to medium-sized businesses and public sector customers.

Phoenix Software

serves mainly public sector customers.

Our corporate centre drives strategy and provides guidance and support on finance, governance, legal compliance, and sustainability, ensuring our organisation's smooth operation and success.

Why we're different

We build lasting, mutually beneficial partnerships with our employees, customers and vendors – this enables us to achieve consistent growth.

Our people

We employ people who are passionate about technology and our customers, including many who are long serving and have a high level of technical skills.

Our experience and expertise

With more than 30 years of serving the UK IT market, we have accumulated vast knowledge and expertise. Our leadership team is highly experienced.

Our vendors and broad product portfolio

We have deep relationships with many of the world's biggest software companies. We were one of Microsoft's first resellers in the UK, and are one of its largest UK partners by revenue.

Our trusted relationships with a broad base of customers

We serve customers across the corporate and public sectors, many of whom have been with us for a long time. Our strategy is to grow by doing more with our existing customers each year, and to win new ones.

How we do it differently

We live by our values in all we do: be passionate, act with integrity, work together, be kind and respectful, get business done and have fun doing it.

Putting customers first

We're trusted because we understand our customers and always act in their best interest. We work with them to provide the right advice for their needs so they can make smarter buying decisions and meet their business objectives through technology.

Unique team culture

We're proud of our dynamic, enjoyable and supportive culture. Our people foster talent, enthusiasm, confidence and team spirit.

Continual investment in our people and technology

We empower and inspire our employees to fulfil their potential, training them on the latest technologies and providing a clear career path. We strive to stay ahead of the technology curve by developing new solutions to meet customers' emerging needs.

Sustainable approach

Our commitment to sustainability goes beyond our concerted efforts to cut carbon emissions: volunteering and fundraising for good causes is an integral part of our culture.

How this creates value

Customers

Engaged partnerships, supporting customers' growth aspirations

NPS
82

Employees

Fulfilled, engaged employees in an enjoyable, healthy and ethical workplace

eNPS
71

Shareholders

Consistent dividends in line with policy and attractive returns from special dividends

18.5%
3-year CAGR

Communities

Contribution to local employment and communities

1,500
hours volunteered

Vendors

Trusted partnerships and shared knowledge

Our strategy

We aim to grow organically by **winning new customers and doing more for existing customers**. We will complement this approach, as appropriate, with carefully selected acquisitions that boost our value.

Our strategy is rooted firmly in our meaningful values and in our purpose, which is **to empower and inspire our people to fulfil their potential, so they can help our customers make smarter buying decisions and meet their business objectives through technology**.

Underpinning this foundation are our long-standing, trust-based relationships with our customers and vendors, our investment in our people, and our dynamic, customer-focused culture. Our strategy is linked to, and measured by, our key performance indicators.

Winning new customers

683

customers delivering £5.1m new gross profit

Doing more for existing customers

£11.1m

additional gross profit generated from existing customers

New customer wins include	Customers who asked us to do more include
Thames Valley Police	Costain
IPSA Independent Parliamentary Standards Authority	anglianwater
Newark & Sherwood District Council	cfc
OCS	Lancashire County Council
trainline	City of London
XPS Pensions Group	University of Essex

“From AI to cybersecurity, technology continues to advance rapidly. We invest in innovation to help our customers stay ahead of the pace of change, manage the risks and make the most of the benefits.

Sam Mudd
CEO

We pursue our strategy by focusing on three key areas: **putting customers first**, **investing in our people and our business** and **investing in innovation**.

Putting customers first

We focus relentlessly on our customers, helping them find innovative ways to use technology to improve the way they work, to control costs and to deliver a better service to their own clients.

This means we:

- Give them impartial, expert advice for their needs based on our knowledge of the leading products and services of hundreds of leading vendors
- Aim to exceed customer expectations, always – we see ourselves as part of their team
- Keep up with the latest technologies and standards to meet customers' evolving preferences.

This year:

We continued to win new customers and increase the amount of work we did for existing customers. Our customers' great experiences with us encouraged many to highly recommend our services, with our customer net promoter score (NPS) increasing from 77 to 82, high by industry standards.

Investing in our people and our business

Our people drive our success: we need to retain our exceptional employees to continue to sell effectively, and to meet our growth ambitions we need to keep increasing our headcount.

This means we:

- Work continually to develop, engage and fulfil our people
- Maintain a dynamic, supportive and fun culture
- Remain alert for potential acquisitions that would complement our offering and support our strategy.

This year:

We grew our headcount by almost 13.7% and expanded our training and development programmes. Employee satisfaction remained stable with an eNPS of 71, and staff turnover was low. We acquired a 25.1% interest in AWS partner Cloud Bridge Technologies, which will complement our multicloud business, offering both Microsoft and AWS cloud options according to what fits best with our customers.

Investing in innovation

From AI to cybersecurity, technology is advancing rapidly. We invest in innovation to help our customers stay ahead of the pace of change, manage the risks and make the most of the benefits.

This means we:

- Monitor market trends and develop innovative IT solutions that meet customers' evolving needs and help them update or supplement their technology
- Invest in our technical capabilities to be able to give the best advice and support
- Advance our knowledge and expertise by partnering with specialist providers, updating our training and hiring employees with specific skills.

This year:

We continued to invest in the multicloud environment, which enables organisations to use the cloud systems of more than one vendor, giving them more flexibility to control costs and optimise performance. By rolling out Microsoft's Copilot AI tool to a number of our employees, we improved our own ways of working and our understanding of the technology. And we enhanced our managed security services offerings, which have been in high demand with our customers.

Our strategy works because we focus relentlessly on:

- Providing – and being experts in – great value, innovative IT products and services that customers need
- Identifying and targeting those customers
- Being straightforward and enjoyable to do business with.

Our market environment

The resilience of the technology market was again on show in 2023/24. Despite the challenging macroeconomic environment, spending on IT continued to grow, as businesses looked to technology to make them more efficient, more productive and more secure. With the emergence of transformative technologies such as AI, that trend is set to persist.

The trends shaping UK technology today

Digitalisation
Organisations are choosing digital technology to improve their operations and create efficiencies.

Cybersecurity
As online attacks – and the risk of breaking privacy laws – increase, so does the need for multilayered protection.

The move to the cloud
Switching from on-premise to hosted software offers more flexibility, scope for analytics and sustainable credentials.

Cost optimisation
Inflation-linked vendor price rises and other economic pressures mean customers are looking for greater value.

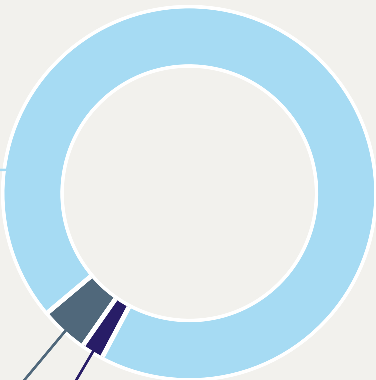
Artificial intelligence
Organisations are recognising the vast potential of AI-enabled tools to help their people become more productive and creative.

Our target segments

Software (94% of GII)
We sell both cloud-based software, which is hosted for our customers in third-party data centres, and on-premise software, which is installed on our customers' own networks. In both cases, the vast majority is licensed under subscription agreements, providing a high level of repeat (annuity) business.

IT services (4% of GII)
These include IT-managed services around a wide range of vendor technologies, including 24x7 support for critical security offerings, as well as software asset management services and project-oriented consulting services such as IT deployment assistance, cloud migrations and software cost optimisation.

Hardware (2% of GII)
We sell a wide range of hardware, including desktops, monitors, mobile phones, servers and networking equipment.



$5tn
forecast worldwide IT spending in 2024

$117.1bn
projected revenue in the UK IT services market in 2028

One in ten
organisations globally hit by attempted ransomware attacks in 2023

9.1%
projected compound annual growth rate in the UK public cloud sector from 2024 to 2028

Case study

How we fit into the UK technology sector

We're one of the UK's leading value-added resellers (VARs), providing IT products from a broad range of technology vendors to a large and diversified base of corporate and public sector organisations. Our potential market is large. UK business-to-business customers buy the majority of their technology products from VARs and other resellers and distributors. Currently, our share of the UK VAR business is still in single digits. And because no one company dominates the market, we have a lot of room to expand.

For vendors, there are several advantages to selling through companies like ours, rather than directly to customers. We can promote their products using our skilled salesforce, market to thousands of customers, advise on latest customer requirements and work on promotional campaigns with them. Our partnerships with vendors also benefit our customers because the discounts and rebates we receive from the vendors enable us to charge lower prices. This saves money for our customers and deepens our relationships with them.

Global IT spending forecast set to continue rising

Worldwide technology spending is expected to rise to $5 trillion in 2024, an increase of 8% from 2023, according to the research firm Gartner, as organisations invest in efficiency and optimisation projects.[1] For Europe, the picture is even more positive, with IT expenditure in the UK, Germany and France forecast to grow by 9.8% in 2024, to $588 million.[2] "IT spending in Europe continues to be recession-proof," a Gartner analyst noted.

Cloud and cybersecurity software and services to lead the way in 2024/25

In keeping with the trend in recent years, software and IT services – BTG's main business areas – will continue to be the two biggest areas of technology, with each expected to see robust growth. In the UK, revenue from enterprise software, which is mainly cloud-based, is projected to grow by 7.5%[3] annually, between 2024 and 2028, the research company Statista said. Over the same period, spending on IT services should increase by 8.8%.[4] Meanwhile, revenues in the public cloud and cybersecurity markets are expected to rise by 9.46% and 12.6% respectively.[5,6] The investment in security stems from the ever-increasing threat from cyberattacks, with one in ten organisations worldwide hit by attempted ransomware attacks in 2023, up from one in 13 in 2022, according to Check Point Research.[7]

AI to help drive longer-term growth

Interest in AI surged in 2023/24, and while it is not yet a major spending priority for many businesses, it is expected that it soon will be.[2] The usefulness of AI as a productivity tool is reasonably well known. But it is the more advanced 'generative AI' (GenAI), which has the power to create output that will be 'game-changing' and will 'disrupt business models and entire industries,' Gartner says.[8] The research company predicts that, by 2026, more than 80% of businesses will have used GenAI alongside their human workforce.[9] At BTG, we're already using Microsoft's Copilot AI tool internally, and we're determined to lead the way in helping customers to prepare for and implement the right AI solutions for their needs. We expect that this fast-evolving technology will help drive our growth for the next decade, and beyond.

A focus on cost, value and agility

While IT spending has persisted in the challenging economic environment, customers have increased their scrutiny of potential new projects, which can take longer to get approved. There is a strong focus on maximising value and, at the same time, controlling costs. This plays to our strengths, because we always focus on what organisations need, not what we want to sell. Customers are seeking flexibility, so they can quickly respond to changes in the business environment. Cloud computing, where the costs can be variable, is attractive for this reason, as is hybrid infrastructure, which offers a mix of on-site and cloud-based systems. Managed services, in particular security, are also becoming increasingly popular, as the expertise required to protect companies from cyberattacks continues to grow. All of this means we are being asked to provide more guidance and support to customers – which is why we keep growing our teams and investing in our technical capabilities.

1 gartner.com/en/newsroom/press-releases/2024-04-16-gartner-forecast-worldwide-it-spending-to-grow-8-percent-in-2024
2 gartner.com/en/newsroom/press-releases/2023-11-09-gartner-forecasts-it-spending-in-europe-to-record-9-percent-growth-in-2024
3 statista.com/outlook/tmo/software/enterprise-software/united-kingdom?currency=GBP
4 statista.com/outlook/tmo/it-services/united-kingdom
5 statista.com/outlook/tmo/public-cloud/united-kingdom
6 statista.com/outlook/tmo/cybersecurity/united-kingdom
7 blog.checkpoint.com/research/check-point-research-2023-the-year-of-mega-ransomware-attacks-with-unprecedented-impact-on-global-organizations/
8 gartner.com/en/newsroom/press-releases/2023-10-16-gartner-says-cios-must-prioritize-their-ai-ambition-and-ai-ready-scenarios-for-next-12-24-months
9 gartner.com/en/newsroom/press-releases/2023-10-11-gartner-says-more-than-80-percent-of-enterprises-will-have-used-generative-ai-apis-or-deployed-generative-ai-enabled-applications-by-2026

FEATURE

Advising our customers

BYTES

Helping CFC Underwriting boost its cybersecurity

> “It’s great working with Bytes. It feels like we are two companies that are closely aligned – they understand what we are trying to achieve and our goals over the next few years.
>
> **Andy Clarke,** Technology Operations Manager, CFC Underwriting

CFC Underwriting delivers specialist insurance products and is trusted by more than 130,000 businesses around the world. Like many businesses after the pandemic, CFC had embraced hybrid working, with employees operating from home and in the company’s offices in the UK and overseas. But the existing technology infrastructure did not adequately support this new way of working, especially when it came to security.

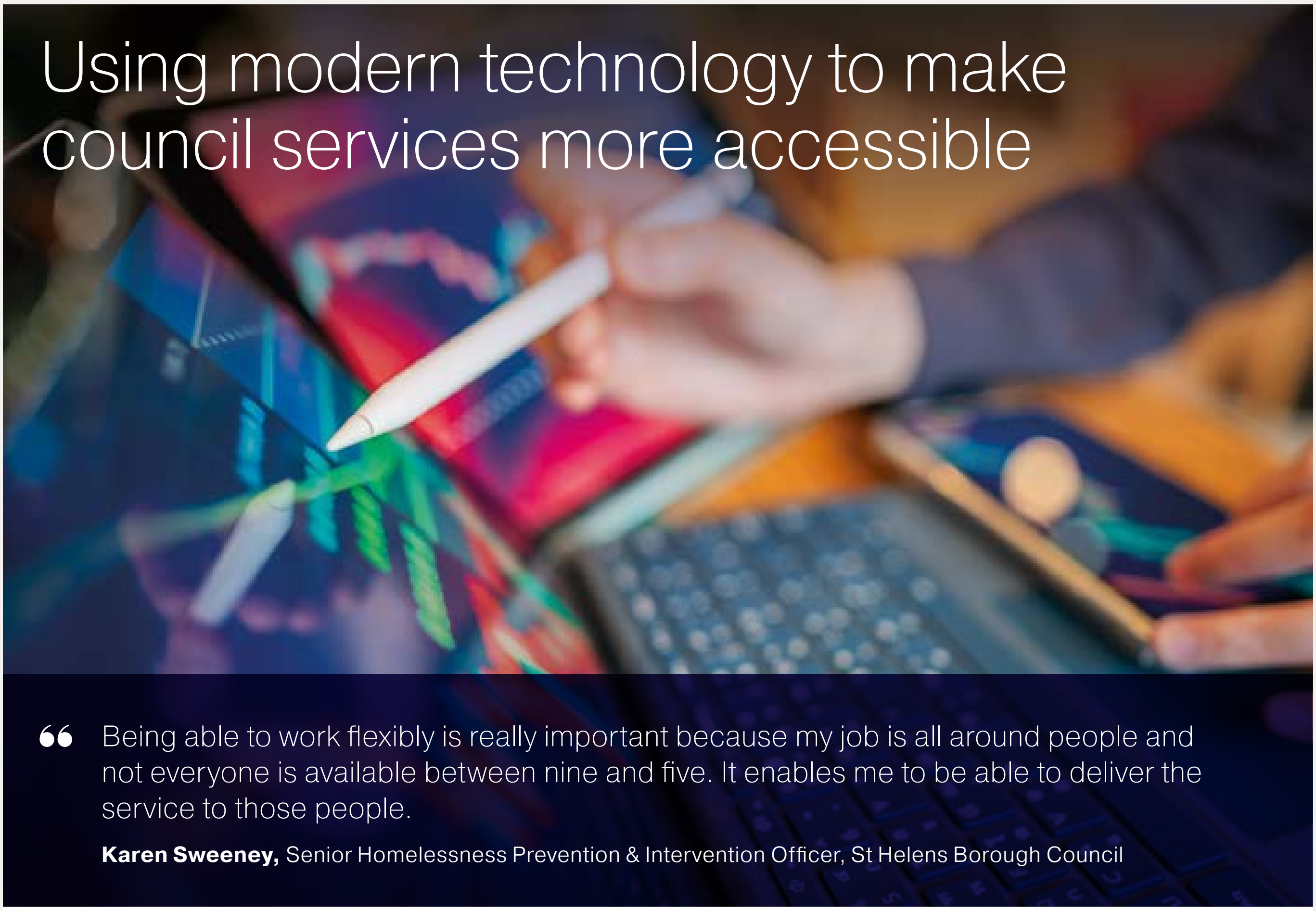
‘We did not have the resilience we needed for our business, and we wanted greater visibility of our network traffic,’ says Andy Clarke, Technology Operations Manager at CFC. ‘We needed something that would meet our current challenges and scale with us as we grow our business. That’s the reason we reached out to Bytes.’

The Bytes team set about understanding what was needed from a technical, commercial and time perspective. Together with CFC, they agreed that the best solution was a ‘Secure Access Service Edge’, or SASE, a cloud-based architecture that delivers network and security services to protect users, data and applications.

Guiseppe Damiano, pre-sales solution consultant at Bytes, said a second big consideration was ensuring the proposed technology ‘would not disrupt the existing environment, users and applications. You want to solve the problem at hand without introducing any new ones.’

Using their expertise and understanding of the business, the Bytes team was able to identify the suitable vendors before moving ahead with the implementation of the SASE. The result? Another highly satisfied customer that considers Bytes as ‘our trusted partner’.

Using modern technology to make council services more accessible



> Being able to work flexibly is really important because my job is all around people and not everyone is available between nine and five. It enables me to be able to deliver the service to those people.
>
> **Karen Sweeney,** Senior Homelessness Prevention & Intervention Officer, St Helens Borough Council

Phoenix has worked with St Helens Borough Council for years. When the council wanted to realise the benefits of using modern technology, Phoenix worked alongside it to implement the solutions it needed.

The council created a detailed 'ways of working' programme to highlight the areas it needed to focus on to improve processes and inclusivity. Phoenix supported this journey, ensuring the modernisation of St Helens Borough Council's infrastructure, devices and data platforms. With an alignment of Microsoft Power BI and SQL, the processes are now simpler and more effective, for the benefit of its employees and the residents they serve.

'Having Phoenix as a trusted partner from a strategic perspective is really important,' says Ste Sharples, Assistant Director, People Management, ICT and Digital, St Helens Borough Council. 'I can approach them on a technical level and that trusted relationship we have had over the years means I am guaranteed to get the right advice.'

Following the process improvements, Phoenix provided the council with a simple rollout of Microsoft Surface devices, Azure cloud infrastructure and Microsoft 365. Since implementation, these products have driven cost savings, improved sustainability practices and increased collaboration.

Craig Taylor, Director of Cloud Solutions at Phoenix, says the relationship between St Helens, Microsoft and Phoenix was critical to the success of the project. 'It's resulted in excellent staff and citizen engagement, and I think a lot of councils can learn from St Helens because they have done it with such conviction.'

Measuring progress

We track our progress against financial, strategic and sustainability KPIs.

Financial

Gross invoiced income (GII)[1] £1,823.0m +26.7%

2024	£1,823.0m
2023	£1,439.3m
2022	£1,208.1m
2021	£958.1m

Revenue[2, 3] £207.0m +12.3%

2024	£207.0m
2023	£184.4m
2022	£145.8m
2021	£393.6m

Adjusted operating profit (AOP)[4] £63.3m +12.2%

2024	£63.3m
2023	£56.4m
2022	£46.3m
2021	£37.5m

Gross profit (GP) £145.8m +12.5%

2024	£145.8m
2023	£129.6m
2022	£107.4m
2021	£89.6m

Operating profit £56.7m +11.4%

2024	£56.7m
2023	£50.9m
2022	£42.2m
2021	£26.8m

Cash £88.8m +21.6%

2024	£88.8m
2023	£73.0m
2022	£67.1m
2021	£20.7m

Gross margin[3] 70.4%

2024	70.4%
2023	70.3%
2022	73.7%
2021	22.8%

AOP as a percentage of gross profit 43.4%

2024	43.4%
2023	43.5%
2022	43.2%
2021	41.8%

Cash conversion[5] 104.3%

2024	104.3%
2023	84.3%
2022	131.9%
2021	130.7%

1 'Gross invoiced income' is a non-IFRS financial measure that reflects gross income billed to customers, adjusted for deferred and accrued revenue items. The reconciliation of gross invoiced income to revenue is set out in note 3(b) to the consolidated financial statements.

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

3 The 2022 figures for revenue and gross margin reflect the change in accounting policy under IFRS 15, which took effect from that year and has been applied in all subsequent periods.

4 'Adjusted operating profit' is a non-IFRS alternative performance measure that excludes from operating profit the effects of significant items of expenditure which are non-recurring events or do not reflect our underlying operations. IPO costs, (2020/21 only) amortisation of acquired intangible assets and share-based payment charges are all excluded. The reconciliation of adjusted operating profit to operating profit is set out in note 2(b) to the consolidated financial statements.

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

Strategic

Customer numbers — 5,978 +0.6%

2024	5,978
2023	5,941
2022	5,330
2021	5,147

Average gross profit per customer — £24,400 +11.9%

2024	£24,400
2023	£21,800
2022	£20,100
2021	£17,400

Renewal rate — 109%

2024	109%
2023	116%
2022	111%
2021	107%

Customer net promoter score — 82

2024	82
2023	77
2022	64
2021	63

% GP from existing customers — 97%

2024	97%
2023	96%
2022	93%
2021	95%

Sustainability

Employee numbers — 1,057 +13.7%

2024	1,057
2023	930
2022	773
2021	685

Employee net promoter score — 71

2024	71
2023	70
2022	69
2021	69

As part of our ongoing commitment to support positive change in our environment and communities where we operate, we continue to make contributions in various ways to corporate social responsibility activities.

Our people, customers and vendors helped us achieve another impressive year

Review of the year

CFO's introduction

During the year, we continued to focus on three areas that drive our business: providing quality service and doing more with our customers, staying close to our primary vendors and investing in our people. This allowed us to achieve good financial results, despite uncertainty in the broader market.

I am proud of the efforts of the team across BTG that allowed us to increase our gross profit by 12.5% to £145.8 million in 2023/24, and our gross invoiced income by 26.7% to £1.8 billion. We grew our adjusted operating profit by 12.2% to £63.3 million and ended the year with strong cash conversion at 104.3%.

Broadening our customer base with notable contract wins

Our track record of service excellence helped us achieve our goal of doing more business with each customer this year. Gross profit from existing customers increased by £11.1 million, these customers making up 97% of our total gross profit. The balance of our gross profit growth at £5.1 million came from new customers, supporting our overall strategy of doing more with existing customers and winning new ones.

One of the highlights this year was winning several major, multi-year contracts with government organisations, including the NHS and HMRC. This supports our long-term sales strategy and adds to our strong repeat (annuity) income. While these contracts are typically won at reduced margins due to the competitive nature of the tenders, we are confident that they will open up additional software, hardware and service opportunities over time.

The growth this year was spread across the business, with the gross invoiced income in software, services and hardware increasing by 27.9%, 8.6% and 8.1% respectively. We grew by 17.6% in the corporate sector, and by 32.8% in the public sector. Our continued disciplined approach to cost management and operating efficiency is evidenced by our adjusted operating profit (AOP) to gross profit (GP) ratio of 43.4% (2022/23 43.5%).

> Demand from corporate and public sector customers, across all sectors, remained robust as organisations sought to boost their efficiency and productivity through technology.

Continued robust demand in our market

The world in general this year was marked by uncertainty and unease. The war in Ukraine continued and conflict erupted in the Middle East. Inflation started to fall but interest rates did not. While these issues have had no material impact on our business so far, we continue to keep a close eye on the external environment while it remains so uncertain. We did see some reticence about committing to new investments in hardware, but because of our heavy focus on software, a largely subscription model that accounts for around 94% of our business, this did not noticeably affect us. Indeed, demand from public sector customers and corporate customers from all sectors remained robust, as organisations sought to boost their efficiency and productivity through technology.

Strong cash management

We are fortunate to operate in an environment where, for the most part, customers pay us before we are required to pay our suppliers. This means we don't have to borrow to fund our growth and carry a certain amount of cash on the balance sheet on a day-to-day basis. By actively managing our cash reserves on the money markets this year, when bank deposit rates rose to more than 5%, we earned £5.1 million in interest. This offset the increase in our tax charge which was due to both growth in profits and the rise in the corporate tax rate from 19% to 25% towards the start of our financial year. As a result, our EPS has grown by 15.8%.

Investing for future growth

Our biggest investment is in people. As a consistently growing business, we need to attract and retain the right people so we can maintain our high levels of service as our customer base expands. During 2023/24 we increased our headcount by 13.7%, from 930 to 1,057 across the business, including sales and support, which came on top of a 20.3% headcount increase in the previous financial year. We spent a lot of time and effort on integrating and training our new employees, making sure they understood our culture, which is integral to our business. It's about high performance and high reward as well as flexibility and enjoyment. We invested in our existing workforce too. Besides training, this included identifying and promoting talented people into leadership roles, to give us the right managers for the larger team.

We also invested in our workspaces and our cloud capabilities. In March 2023, we opened an office in the City of London, bringing us closer to prospective employees and customers, and in April 2023 we acquired a 25.1% interest in Cloud Bridge Technologies, an AWS partner, as part of our multicloud strategy.

Looking ahead

Thanks to all the investments in people and systems that we've made in recent years, as well as our strong culture and the positive trends in our sector, I'm confident we will be able to keep expanding our business in the coming year. However, we know that as we grow, processes and internal controls need to evolve too so that they keep in step with the larger business. Since we listed the company in 2020, we have been taking ongoing steps to strengthen our processes and internal controls, including around risk and governance, and embedding them into the new systems we are implementing in 2024/25. This will include increased automation and greater efficiency in a number of areas as we increase our volume of business.

Andrew Holden
CFO
22 May 2024

Operational review

Our two complementary businesses share one culture, and deep commitment to our people, our customers and our vendors. In 2023/24, this again proved to be a winning formula. Both Bytes and Phoenix expanded on all fronts as we increased our customer numbers, headcount, gross profit and our offerings.

Strong demand from the corporate and public sectors

Amid robust demand from existing and new customers, Bytes and Phoenix grew strongly across software, hardware and services, led by:

- **Security** – as cyberattacks and threats continue to mount, businesses continue to invest in a wide array of advanced tools and managed security services, to strengthen their defences
- **Subscription software** – most software contracts are now based on subscriptions, rather than one-off licences, providing a strong annuity-based revenue stream
- **Cloud-based solutions** – organisations continue to migrate their systems to the cloud while also seeking to manage costs and take advantage of the latest cloud-based technologies, including AI, which bolsters our annuity business given its repeat nature
- **Hybrid infrastructure** – to better manage their entire IT ecosystem, businesses combine the security and control of on-site data centres with the flexibility of cloud services
- **IT services** – increasingly advanced technology has led to greater demand for expert support, from security to compliance, both on a project basis and via annual support contracts.

Innovating to provide even better service and solutions

As our customer base expands, we need to be innovative to maintain our high level of service, and to create new solutions to help our clients get the most out of the latest technology. A good example of this is Bytes' Marketplace platforms. Extending this offering from the existing Microsoft CSP platform, both businesses have added Adobe Marketplace in 2023/24. These platforms offer a one-stop shop that allows customers to self-serve their Microsoft and Adobe subscriptions, giving them greater control and clarity over costs and a more personalised experience, while Bytes continues to manage the order processing and billing.

Phoenix, meanwhile, has boosted its technical capabilities and professional services. This includes the governance, risk and compliance service, which helps organisations to keep their users and their clients safe from the risk of data compromise and regulatory breaches.

Both Bytes and Phoenix continued to develop their strong managed security services, in partnership with leading vendors, as the risk of cyberattacks continues to increase.

Using AI tools to boost our productivity and help our customers boost theirs

As a Group, we were invited by Microsoft to form part of its early access programme for Copilot, the AI-supported tool that uses large language models and an organisation's data to boost productivity. One hundred of our employees – 50 each from Bytes and Phoenix – started using the premium version of Copilot during the year, learning how it could help them in their day-to-day tasks.

While this is good for us internally, it also gave us valuable experience and insights before rolling out the product to our customers, who have expressed great interest in the technology. Bytes and Phoenix each held webinars for existing and prospective customers about Copilot, with more than 2,000 people registering to attend. We believe AI products, including GenAI, which enables users to quickly create content, will be a big driver for our business in the years ahead.

What Bytes and Phoenix share:

- BTG's values, strategic ambitions, governance structures
- Insights and good practice
- Industry-leading skills
- Can-do culture
- Representation and engagement in Group Executive Committee and steering committees
- Comparable products and services.

The businesses have their own:

- Identities
- Management teams
- Individual but complementary routes to market
- Customer bases and markets
- Offices.

Expanding our teams and strengthening our culture

We've continued to invest in our teams to serve our ever-growing business, passing the 1,000-employee mark for the first time. The headcount at Bytes and Phoenix rose by 14% and 13% respectively, impressive numbers in a competitive job market. Our apprentice and sales academy schemes continue to grow and are creating a strong pipeline of talent.

We also recruited people with specialist skills, including AI, to ensure we stay ahead of the technology curve and ready to respond to customer demand. Both businesses have worked hard to ensure that our culture is protected and maintained as they grow, through their onboarding programmes, training and, in the case of Phoenix, the use of a specialist culture consultant, Craft Your Culture. Read more on pages 32 to 33.

BYTES

Key facts

Employees	Customers	HQ
631	3,344	Leatherhead, Surrey

Markets

Corporate and public sectors across a broad range of industries, including professional services, manufacturing, retail, central and local government, and technology, media and telecoms.

Vendors

Some of our partners – Microsoft, AWS, Check Point, Mimecast, Adobe, Darktrace, Palo Alto and Security HQ

> In the AI gold rush, we're selling the equivalent of picks and shovels. That means using our own experience with AI to provide advice and guidance on preparation – all the way through to implementation and deployment.

Jack Watson
MD Bytes

PHOENIX

Key facts

Employees	Customers	HQ
420	2,634	Pocklington, North Yorkshire

Markets

Mostly public sector, across a wide range of areas, including central and local government, charities, education, emergency services, healthcare and housing. Its own License Dashboard offering has clients in the US and Canada.

Vendors

Some of our partners – Microsoft, VMware, Dell, Adobe, Sophos, Citrix, Mimecast, Rubrik, ServiceNow, Tanium, Wasabi and Verkada

> Expanding our team while safeguarding our culture ensures we sustain the spirit of collaboration and excellence – something that truly defines Phoenix.

Clare Metcalfe
MD Phoenix

Operational review continued

Doing more with existing customers – and winning new ones

Our close customer relationships are crucial to our success. We monitor our progress using three key metrics: customer numbers, our share of their business and our customer net promoter score (NPS).

Growing our business in 2023/24

In keeping with our strategy of expanding our business with existing customers and winning new ones, we:

Total number of customers

5,978 This year | **5,941** Last year

We did business with a number of new customers this year including Trainline, RSS Global and OCS at Bytes and Thames Valley Police, Aberdeenshire Council and Northern Trains at Phoenix.

Maintained a high renewal rate

109% This year | **116%** Last year

This metric tracks the growth in gross profit from existing customers. Phoenix did more business with established customers such as Lancashire County Council, City of London and University of Essex, and Bytes with Costain, Anglian Water and CFC Underwriting.

Improved our NPS

82 This year | **77** Last year

The score measures the likelihood of our customers recommending us to others and can range from -100 to +100.

Increased gross profit per customer

11.9% Across the Group

We strive to create lasting relationships with our customers. However, the marketplace is competitive, and they are not tied to us. For that reason, we try not to depend too much on specific customers. In 2023/24, no single customer represented more than 1% of our gross profit.

A trusted partner to our customers

We're dedicated to helping our customers use the latest technology to improve their businesses. It's about much more than just greater productivity and efficiency; we also want to save them money, secure their systems and data as cyberattacks increase, and make them more sustainable in a world threatened by climate change. Our customers choose Bytes and Phoenix, and stay with us, because:

- **We always act in their best interest.** We don't sell to customers what we want – we provide what they need.
- **We understand their business.** Our people are experts in a broad range of the latest technology. They're also experts in their customers, because we give them the time to really understand each customer, and the customer's industry.
- **We provide continuity and a friendly, can-do culture.** Given our high staff retention rates, our customers often deal with the same account manager and team, year after year. We propose solutions to problems and bring a positive attitude.
- **We are committed to excellence and honesty.** We always aim to exceed our customers' expectations – but, if we don't or we make a mistake, we're honest about it and try to fix it quickly.
- **We support wider communities.** For many of our customers, especially in the public sector, we go beyond the scope of the project with social value offerings, for the benefit of local communities.

Strong partnerships with industry-leading vendors

We enjoy close relationships with the more than 100 vendors who make or distribute the software, hardware and other IT products that we provide to our customers. Some have been with us for several decades, including Microsoft, our biggest partner. Others are new companies, and work in cutting-edge areas such cybersecurity and AI.

In 2023/24, we saw robust demand for cloud services, including Microsoft Azure and AWS, and for cybersecurity solutions, where we did more with Sophos, Crowdstrike and Palo Alto. At Phoenix, our Microsoft business grew rapidly across all product areas. In addition to our other main vendors, we also strengthened our partnerships with ServiceNow, Tanium, Wasabi and Verkada.

Awards in 2023/24

Bytes

- Mimecast VAR Customer Excellence Partner of the Year 2023
- Forcepoint Partner Excellence Award 2023
- Tenable Growth Partner of the Year 2023
- Rubrik Top Growth Partner of the Year 2023
- Check Point Cloud Partner of the Year 2023

Phoenix

- Microsoft Global Modern Endpoint Management Partner of the Year Award 2023
- VMware Industry Award 2023 winner
- Sophos Public Sector Partner of the Year Award – EMEA North 2023
- Adobe Best Retention Program 2023
- Bitdefender Marketing Campaign of the Year Award 2023

Why our vendors partner with us

We're independent of the vendors whose products we sell, so we're impartial when making recommendations to our customers. At the same time, we consider the vendors to be our partners, and we work hand in hand with them to deliver the best results for our customers. Vendors choose to work with Bytes and Phoenix because we:

- **Continually invest in training and development.** That means we can promote our vendors' products with knowledge and skill. And if we don't have the right expertise in our business, we hire people who do.
- **Act with integrity.** Before committing to a partnership with a vendor, we do our due diligence and make sure that we have the technical delivery capability and the market to make it worthwhile. Then we deliver on time, against the plan.
- **Collaborate with them.** By hosting seminars and events that bring together representatives of leading vendors, we strengthen our mutual understanding of the challenges faced by customers, and the technologies that can help.
- **Have a strong record of growth.** Vendors can see where we've come from – and where we're going – and want to align with that.

Some of our top vendors:

Microsoft
aws
Verkada
servicenow
wasabi

> We have always considered ourselves to be a trusted advisor to our customers. And today, when customers have more choice than ever before in terms of vendor product solutions, they need our advice.

Jack Watson
MD Bytes

Financial review

How we performed in 2023/24

Income statement	Year ended 29 February 2024 £'m	Year ended 28 February 2023 £'m	Change %
Gross invoiced income (GII)	**1,823.0**	1,439.3	26.7%
GII split by product:			
Software	**1,722.0**	1,346.1	27.9%
Hardware	**41.4**	38.3	8.1%
Services internal[1]	**31.5**	28.5	10.5%
Services external[2]	**28.1**	26.4	6.4%
Netting adjustment	**(1,616.0)**	(1,254.9)	28.8%
Revenue	**207.0**	184.4	12.3%
Revenue split by product:			
Software	**130.4**	114.1	14.3%
Hardware	**41.4**	38.3	8.1%
Services internal[1]	**31.5**	28.5	10.5%
Services external[2]	**3.7**	3.5	5.7%
Gross profit (GP)	**145.8**	129.6	12.5%
GP/GII %	**8.0%**	9.0%	
Gross margin %	**70.4%**	70.3%	
Administrative expenses	**89.1**	78.7	13.2%
Administrative expenses split:			
Employee costs	**71.2**	63.3	12.5%
Other administrative expenses	**17.9**	15.4	16.2%
Operating profit	**56.7**	50.9	11.4%
Add back:			
Share-based payments	**5.7**	4.2	35.7%
Amortisation of acquired intangible assets	**0.9**	1.3	(30.8)%
Adjusted operating profit (AOP)	**63.3**	56.4	12.2%
Interest income	**5.1**	–	
Finance costs	**(0.4)**	(0.5)	
Share of profit of associate[3]	**0.2**	–	
Profit before tax	**61.6**	50.4	22.2%
Income tax expense	**(14.7)**	(10.0)	47.0%
Effective tax rate	**23.9%**	19.9%	
Profit after tax	**46.9**	40.4	16.1%

1 Provision of services to customers using the Group's own internal resources.
2 Provision of services to customers using third-party contractors.
3 Cloud Bridge Technologies 25.1% share of profits since April 2023.

Overview of 2023/24 results

2023/24 has seen continued double-digit growth across all our key performance measures. Customers have continued to engage with us to support their move into the cloud, or to extend their presence in it, with demand for more sophisticated and resilient security, support and managed service solutions.

This has resulted in operating profit increasing by 11.4% to £56.7 million (2022/23: £50.9 million) and AOP growing by 12.2% year on year from £56.4 million to £63.3 million. The adjusted operating profit excludes the impact of amortisation of acquired intangible assets and share-based payment charges, which do not reflect the underlying day-to-day performance of the Group.

Gross invoiced income (GII)

GII reflects gross income billed to our customers, with some small adjustments for deferred and accrued items (mainly relating to managed service contracts where the income is recognised over time). We believe that GII is the most useful measure to evaluate our sales performance, volume of transactions and rate of growth. GII has a direct influence on our movements in working capital, reflects our risks and demonstrates the performance of our sales teams. Therefore, it is the income measure that is most recognisable among our staff, and we believe most relevant to our customers, suppliers, investors and shareholders for them to understand our business.

GII has increased by 26.7% year on year, with growth spread across all the business's income streams, but most significantly for software, which remains the core focus, contributing 94% of the total GII for the year (2022/23: 94%). The Group's already substantial presence in the public sector has been bolstered by several very large strategic wins relating to government Microsoft Enterprise Agreements. The Group bids under highly competitive tenders, either for single contracts or for several public body contracts in aggregate, the latter enabling us to gain multiple new clients from a single bid process.

This continued high level of government investment in IT, and the Group's success in winning those new contracts, has resulted in our public sector GII increasing by £280.9 million, up 32.8%, to £1,137.5 million (2022/23: £856.6 million). Our corporate GII increased by £102.7 million to £685.5 million (2022/23: £582.7 million), representing a very pleasing rise of 17.6%.

This means that our overall GII mix has moved slightly compared to last year, with 62% in public sector (2022/23: 60%) against corporate of 38% (2022/23: 40%).

Revenue

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

Our judgements around this area are set out in notes 1.4 and 1.10 of the full-year financial statements for 2023/24 but in summary, software and external services revenue is treated on an agency basis while hardware and internal services revenue is treated as principal.

It should be noted that GII, gross profit, operating profit, and profit before and after taxes are not affected by these judgements, and neither are the consolidated statements of financial position, cash flows and changes in equity.

With the significant increase in software GII, as noted above, and a squeeze on software margin as noted below, its treatment on a net, or agency, basis, means that the 12.3% increase in revenue in the year is therefore lower than the rise in GII.

Gross profit (GP)

Gross profit increased by 12.5% to £145.8 million (2022/23: £129.6 million).

This growth is less than that for GII given the high level of new or renewed GII derived from the public sector and the highly competitive nature of the tendering process, governed under the Crown Commercial Services framework agreements. This has meant that large software contracts, most notably with Microsoft, have been won or renewed at reduced margins. This tends to be particularly prevalent in the first year of new agreements with public sector entities and, as a result, we have seen a reduction on our GP/GII% in the year to 8.0% (2022/23: 9.0%). That said, if the impact of the two largest new contracts is removed from the calculation, the percentage rises to 8.9%, virtually in line with last year and demonstrating the continued strong performance of the business in maintaining its margins.

Deals such as these are consistent with the Group's strategy of winning new customers and then expanding share of wallet. Our objective is to ensure we build our profitability within each contract over its term, typically three to five years, by adding additional higher-margin products into the original agreement as the customers' requirements grow and become more advanced. Adding AI products such as Copilot will become part of these contract expansions going forward. This is further enhanced by focusing on selling our wide range of solutions offerings and higher-margin security products, while maximising our vendor incentives through achievement of technical certifications. We track these customers individually to ensure that the strategy delivers value for the business, and our other stakeholders, over the duration of the contracts.

Our long-standing relationships with our customers and high levels of repeat business was again demonstrated in 2023/24 with 97% of our GP coming from customers that we also traded with last year (2022/23: 96%), at a renewal rate of 109% (which measures the GP from existing customers this period compared to total GP in the prior period). This demonstrates our ability to increase our share of wallet with average GP per customer growing from £21,800 in 2022/23 to £24,400 in 2023/24.

Financial review continued

Administrative expenses

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

Employee costs

Our success in growing GII and GP continues to be as a direct result of the investments we have made over years in our front-line sales teams, vendor and technology specialists, service delivery staff and technical support personnel, backed up by our marketing, operations, and finance teams. It has been, and will remain, a carefully managed aspect of our business.

In addition to continuing to hire in line with growth and to ensure we have the expertise required to provide our clients with the best service, our commitment to develop, promote and expand from within the existing employee base, giving our people careers rather than just employment, is at the heart of our progress as a business. This has contributed to long tenure from our employees which in turn supports the long relationships we have established with our customers, vendors, and partners. This is at the very heart of our low employee churn rate, the growth in gross profit per customer and our high customer retention rate.

During the year we have seen total staff numbers rise above 1,000 for the first time, to 1,057 on our February 2024 payroll, up by 13.7% from the year-end position of 930 on 28 February 2023. Employee costs included in administrative expenses rose by 12.5% to £71.2 million (2022/23: £63.3 million), in line with our GP growth and reflecting the balanced and proportional way in which staff investments are made. Indeed, after excluding share-based payments of £5.7 million (2022/23: £4.2 million), the rise was lower at 10.8%.

Other administrative expenses

Other administrative expenses increased by 16.2% to £17.9 million (2022/23: £15.4 million). This increase included additional spend on internal systems, professional fees, staff welfare and travel costs. This reflects the costs of running, and investing in, a growing organisation and in operating a listed Group, including evolving our governance structure, controls, and processes with the support of our professional advisors.

Adjusted operating profit and operating profit

Adjusted operating profit excludes, from operating profit, the effects of:

- Share-based payment charges because, while new employee share schemes are being launched, the charge to the income statement will increase each year. Accordingly, the charge for the current year has risen to £5.7 million, compared to £4.2 million last year.
- Amortisation of acquired intangibles because this cost only appears as a consolidation item and does not arise from ordinary operating activities.

We believe that adjusted operating profit is a meaningful measure that the Board can use to effectively evaluate our profitability, performance, and ongoing quality of earnings. Adjusted operating profit in 2023/24 increased to £63.3 million (2022/23: £56.4 million), representing growth of 12.2%. Our operating profit increased from £50.9 million to £56.7 million, equating to an increase of 11.4%.

Adjusted operating profit as a percentage of GP is one of the Group's key alternative performance indicators, being a measure of the Group's operational effectiveness in running day-to-day operations. We aim to sustain it in excess of 40% and have achieved this, with a ratio of 43.4% (2022/23: 43.5%).

Interest receivable and finance costs

This year has seen significant interest being earned from money market deposits, totalling £5.1 million (2022/23: nil).

Our finance costs largely comprise arrangement and commitment fees associated to our revolving credit facility (RCF), noting that to date the Group has not drawn down any amount. This balance also includes a small amount of finance lease interest on our right-of-use assets, including the introduction of a staff electric vehicle (EV) scheme.

Share of profit in associate

Following the acquisition of a 25.1% interest in Cloud Bridge Technologies in April 2023, in accordance with IAS 28 Investments in Associates we have accounted for the Group's share of its profits since the date of our investment, £0.2 million for the 11-month period.

Profit before tax

The combined impact of increased operating profits and high levels of interest received has seen our profit before tax increasing by an impressive 22.2% to £61.6 million (2022/23: £50.4 million).

Income tax expense

The £4.7 million (47.0%) rise in our income tax expense to £14.7 million (2022/23: £10.0 million) reflects the growth in profits described above and the increase in the UK corporate tax rate from 19% to 25% effective from 1 April 2023.

Nevertheless, our effective rate of tax at 23.9% is lower than the tax charge would be at the standard rate, primarily because of deductions available in relation to the share options exercised by staff during the year. The reconciliation is set out in note 8 to the financial statements.

Profit after tax

Profit after tax increased by 16.1% to £46.9 million (2022/23: £40.4 million), underlining our growth in operating profits and with the impact of higher taxes more than offset by the increase in interest income.

Earnings per share

As a result of this strong growth in profits attributable to owners of the company (post tax), our earnings per share have risen accordingly. Basic earnings per share are up 15.8% from 16.88 pence to 19.55 pence, while adjusted earnings per share have risen 15.7% to 21.78 pence (2022/23: 18.83 pence). The adjusted figure removes the effects of share-based payment charges and amortisation of intangible assets.

Balance sheet and cash flow

Balance sheet	As at 29 February 2024 £'m	As at 28 February 2023 £'m
Investment in associate	**3.2**	–
Property plant and equipment	**8.5**	8.4
Intangible assets	**40.6**	41.5
Other non-current assets	**4.9**	1.2
Non-current assets	**57.2**	51.1
Trade and other receivables	**221.8**	185.9
Cash	**88.8**	73.0
Other current assets	**11.8**	10.7
Current assets	**322.4**	269.6
Trade and other payables	**277.9**	231.7
Lease liabilities	**0.4**	0.1
Other current liabilities	**19.6**	23.9
Current liabilities	**297.9**	255.7
Lease liabilities	**1.3**	0.9
Other non-current liabilities	**2.1**	2.6
Non-current liabilities	**3.4**	3.5
Net assets	**78.3**	61.5
Share capital	**2.4**	2.4
Share premium	**633.7**	633.6
Share-based payment reserve	**11.0**	7.2
Merger reserve	**(644.4)**	(644.4)
Retained earnings	**75.6**	62.7
Total equity	**78.3**	61.5

Closing net assets stood at £78.3 million (2022/23: £61.5 million) including the Group's £3.2 million interest (25.1%) in Cloud Bridge Technologies (which includes our £0.2 million share of profits since it was acquired in April 2023).

Net current assets closed at £24.5 million (2022/23: £13.9 million). This includes growth in the trade and other receivables of 19.3%, and similar growth in trade and other payables of 19.9%, both reflecting the increase in our GII.

Our debtor days at the end of the year stood at 34, down from 37 at 28 February 2023, and our average debtor days for the year also reduced to 37 (2022/23: 39). While we have increased our closing loss allowance provision to £2.5 million (2022/23: £1.5 million), this is a prudent position given the £35.0 million increase in our gross trade receivables and, in fact, we have come through the year with only £0.3 million in bad debt write-offs against total GII of £1.8 billion.

This strong performance in respect of collecting customer receivables has contributed to the positive cash conversion figures described below.

The Group has paid its suppliers on schedule through the year, with its average creditor days remaining in line with prior year at 47 and standing at 44 at the end of the year (2022/23: 42).

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

Cash flow	Year ended 29 February 2024 £'m	Year ended 28 February 2023 £'m
Cash generated from operations	**67.3**	48.9
Payments for fixed assets	**(1.3)**	(1.3)
Free cash flow	**66.0**	47.6
Net interest received/(paid)	**4.7**	(0.5)
Taxes paid	**(15.1)**	(10.3)
Lease payments	**(0.2)**	(0.2)
Dividends	**(36.6)**	(30.7)
Investment in associate	**(3.0)**	0.0
Net increase in cash	**15.8**	5.9
Cash at the beginning of the year	**73.0**	67.1
Cash at the end of the year	**88.8**	73.0
AOP	**63.3**	56.4
Cash conversion (annual)	**104.3%**	84.3%
Cash conversion (since IPO)	**109.9%**	112.4%

Cash at the end of the period was £88.8 million (2022/23: £73.0 million), which is after the payment of dividends totalling £36.6 million during the year – being the final and special dividends for 2022/23 and the interim dividend for 2023/24 – and after making the £3.0 million investment in Cloud Bridge.

Cash flow from operations after payments for fixed assets (free cash flow) generated a positive cash flow of £66.0 million (2022/23: £47.6 million). Consequently, the Group's cash conversion ratio for the year (free cash flow divided by AOP) was 104.3% (2022/23: 84.3%). Our cumulative cash conversion since we first reported as a PLC in 2020/21 stands at 109.9% over the four years, which is ahead of our sustainable cash conversion target of 100% and reflects the Group's longer-term performance against this measure.

If required, the Group has access to a committed revolving credit facility (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, with an optional one year extension to 17 May 2027. To date, the Group has not utilised the facility.

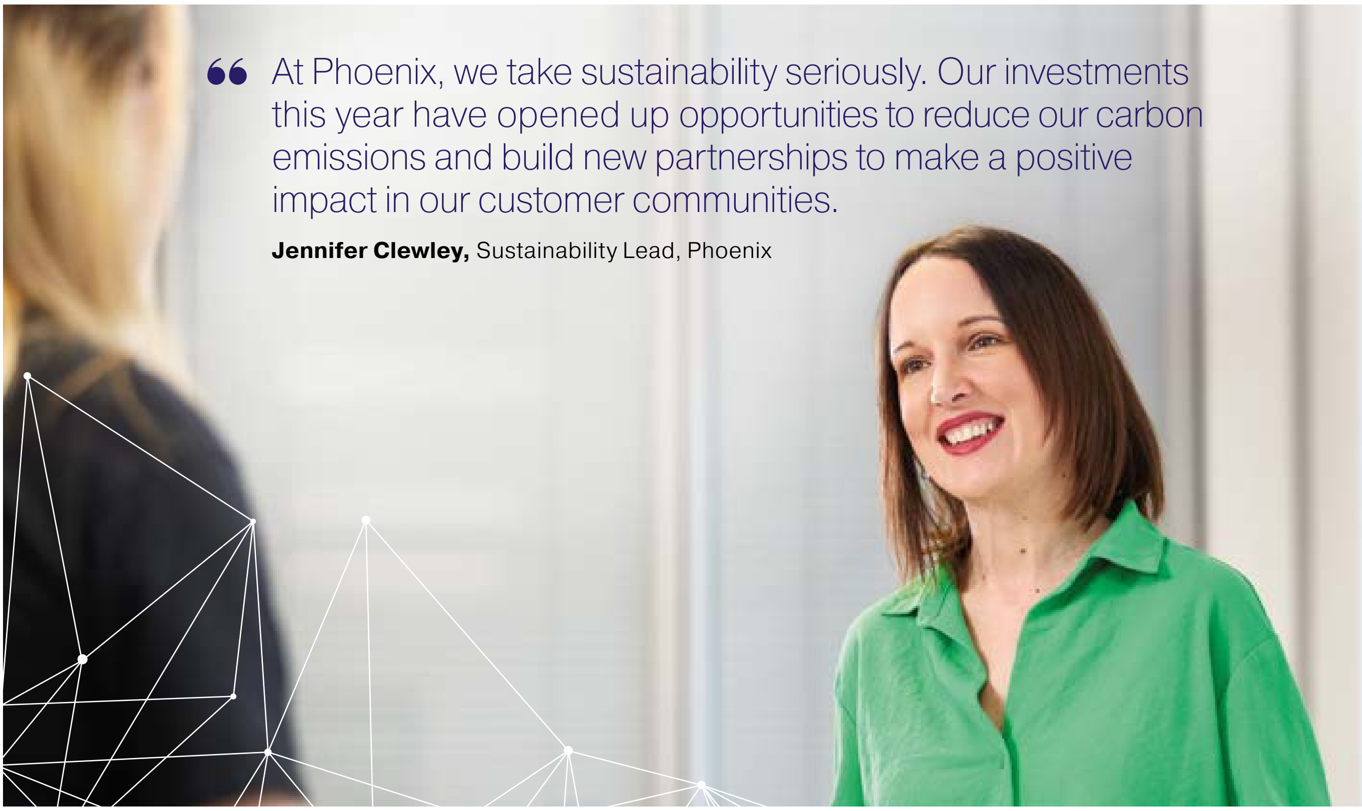
Proposed dividends

As stated above, the Group's dividend policy is to distribute 40% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to propose a gross final dividend of 6.0 pence per share. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 29 February 2024, but not recognised as a liability at the end of the financial year, is £14.4 million. In light of the company's continued strong performance and cash generation, the Board also considers it appropriate to propose a cash return to ordinary shareholders with a special dividend of 8.7 pence per share, equating to £20.9 million. If approved by shareholders, the final and special dividend will be payable on Friday, 2 August 2024 to all ordinary shareholders who are registered as such at the close of business on the record date of Friday, 19 July 2024.

Sustainability review

“This has been an excellent year for progress in environmental and social goals. In fully understanding and quantifying our carbon emissions across Scope 3 and submitting our targets to SBTi, we have achieved two big milestones.

Lisa Prickett, Group Sustainability Manager



“At Phoenix, we take sustainability seriously. Our investments this year have opened up opportunities to reduce our carbon emissions and build new partnerships to make a positive impact in our customer communities.

Jennifer Clewley, Sustainability Lead, Phoenix

We're a responsible business, with a duty to everyone who works for us, with us and around us. This philosophy is underpinned by our core values of integrity, respect and kindness. We strive to do the right thing by **our people**, **our communities** and **our planet**.

Our people

We aim to attract, engage and retain employees, helping them build fulfilling and rewarding careers in a supportive and fun environment.

- Our headcount rose from 930 to 1,057.
- Our employee net promoter score reached 71.

>> **Read more on pages 32 to 35**

Our communities

By extending our long track record of volunteering our time and giving money in the areas where we work, we're creating stronger communities.

- Our people devoted more than 1,500 hours to voluntary work.
- We donated money and goods to numerous good causes, from the Turkey–Syria earthquake appeal to charities supporting young people from marginalised communities.

>> **Read more on pages 36 to 37**

Our planet

In our own actions, and by supporting our customers to use IT more sustainably, we're helping to protect the planet for future generations.

- We made major progress in more fully measuring our Scope 3 emissions – the indirect emissions across our value chain.
- We submitted our carbon reduction targets to the Science Based Targets initiative for validation.

>> **Read more on pages 38 to 43**

Our Sustainability Framework

Our Sustainability Framework is published as a separate document and is available at bytesplc.com.

We support all the UN Sustainable Development Goals, but focus on the seven where we can have the most impact:

Our people

Our talented people drive our success as a business, and we strive to help them build fulfilling careers, with clear progression paths. In 2023/24, for the first time, we had more than 1,000 employees, as we continued to expand our teams to serve our growing customer base.

Two leading brands, one set of values

Our two businesses, Bytes and Phoenix, have 631 and 420 people respectively. Each business operates autonomously and has its own identity, headquarters and management team, but they have many commonalities. These include similar employment policies, industry-leading knowledge and, most importantly, the same values and culture. The businesses also look for opportunities to share good practice and insights, for the benefit of BTG.

Communicating with our employees

Along with the regulatory announcement to the market, communicating with employees was one of our primary concerns after the former CEO's resignation. New CEO, and former MD Phoenix, Sam Mudd communicated with all staff to introduce herself to those at Bytes and reassure employees that Neil's resignation would have minimal impact on the continuity of the business. We also prepared an interview piece about Sam that went out to all employees. Throughout this period, Sam led by example with her honest, open approach, which helped all managers and employees do the same.

We were pleased to hear that people generally felt that the situation was, as we characterised it, the actions of one individual and was in no way a reflection on the company or the rest of the BTG team.

Growing our great team

Every year our customer base grows and the technology powering the products we provide evolves. To keep offering the high levels of service and expertise for which we are renowned, we also need to expand and adapt. That means recruiting new people with a passion for technology, as well as training and retaining our existing employees.

> Apprenticeships are an important and successful part of our efforts to develop our talent from within. This year, for the first time within Bytes, we had people doing degree apprenticeships – gaining valuable work experience while they study – a development that we are really pleased with.

Clare Wicks, Career Pathway Manager, Bytes

>50%

of our people participate in our Sharesave schemes

Impressive outcomes from our Great Place to Work surveys

Based on staff surveys, Phoenix was certified as a Great Place to Work in the 2021/22 financial year, and Bytes followed a year later. We continued to generate impressive survey results this year, with 94% of employees at Phoenix and 87% at Bytes agreeing that they work at a 'great place', compared to 54% of employees at a typical UK-based company. Both businesses featured in the following Best Workplaces lists this year too: women, wellbeing and tech. In addition, Phoenix was ranked seventh in the UK's Best Workplaces among large organisations, and Bytes moved up ten places in the same overall rankings during the year.

This year, we increased our headcount by almost 14%, to 1,057. We're proud of the loyalty of our people, many of whom have been with us for a long time. We ran new apprenticeships in HR, marketing, sustainability, governance and business analysis in 2023/24 and, across the Group, doubled the degree-level apprenticeships we offer. Apprenticeships are an important and successful part of our efforts to develop our talent from within, and our new employees included 15 sales and technical apprentices across our two businesses. This year, and for the first time within Bytes, we had four people doing degree-level apprenticeships – gaining valuable work experience while they study – a development that we are really pleased with.

With many new people joining us, it was important to make sure we had the capacity to integrate them, to offer support and to help them understand our culture. Our induction programmes, which run over several weeks, are designed to get people quickly up to speed with our way of working. All our managers receive training on how to onboard employees, and this year we appointed leaders in the various departments to provide additional support. Other measures include pairing new staff with an experienced 'buddy', introductory meetings with department heads and directors, and a check-in from the welfare manager after a few months.

Rewarding our people, whatever their roles

We pay our people fairly, but we also reward high achievers and those who go the extra mile for our customers and colleagues. Our employee recognition programmes, based on the achievement of business objectives, both for sales and non-sales staff, include prizes such as a scuba-diving trip to Malta. We also offer awards for employees of the month and people who are seen to be 'living our values' in all they do at work. At Bytes this year, eight people recognised for supporting their colleagues' wellbeing were rewarded with a stay at a wellness spa near Lake Garda in Italy.

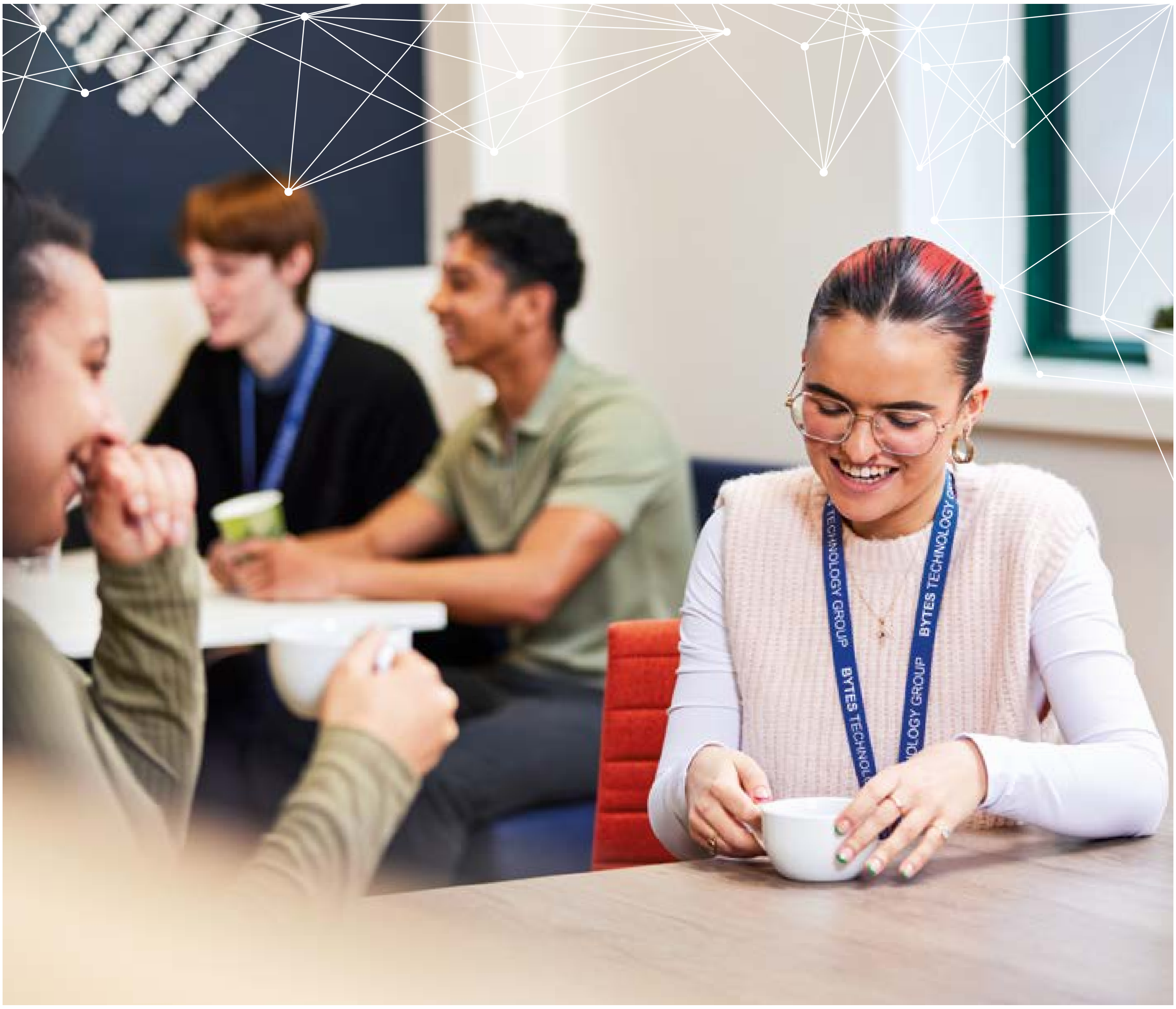
We also recognise and reward long service. This year, Phoenix aligned its policy with Bytes, to give an additional day of annual leave for anyone who has been with us for five years, rising to an extra five days' paid holiday for those with 25 years of service.

Our values

- Be passionate about our employees, vendors and customers
- Act with integrity at all times
- Work together and collaborate across teams
- Be kind and respectful to all people, all of the time
- Get business done and have fun doing it

In June 2023, we launched our third Sharesave scheme, which was again well received. More than half our staff have participated in one or more of these plans. Taken together, all these initiatives contribute to our high employee net promoter score (eNPS) of 71, which measures the likelihood of people recommending their employer to others.

Sustainability review continued



Supporting wellbeing and promoting good mental health

We do all we can to support the health and happiness of our people. They can, for example, use the free or subsidised gyms at or near our offices, and buy reduced-price bicycles through our cycle-to-work programme. In our offices we provide free fruit and healthy meal options.

We take mental health seriously, encouraging openness and providing support for anyone who needs it. We have a 24/7 employee assistance programme, offer up to two extra days of discretionary paid leave for people in difficulty, and our designated wellness ambassadors are always available for a chat. This year we held informative sessions for staff about men's mental health, menopause and, given the high cost of living, financial wellbeing. Our managers also received training on mental health issues, and an introduction to neurodiversity.

Our hybrid-working policy – which, with their manager, lets people determine the best approach for them and the business – contributes to wellbeing. People whose role doesn't require them to be fully office-based can spend around half their hours working remotely. We believe this gives us and our people the best of both worlds: the benefits of collaboration, innovation and social interaction in the office, with the flexibility and positive work-life balance that comes from being at home.

282

new BTG employees this year

1,057
BTG total headcount

Helping our people fulfil their potential

We want all our people to reach their potential. Every employee, whatever their role, is given an opportunity to be supported on a personal development plan. We provide regular opportunities for training, which not only benefits our employees, but also the business, since we can offer our customers greater expertise. In addition, public sector tender frameworks require us to have certain accreditations, and vendors pay us higher rebates if we are well accredited. At Phoenix, for example, we focused heavily on digital training this year, so all our staff can operate at a high level using Microsoft applications.

Identifying and developing future leaders is a strong priority for us. At Bytes, we selected 12 people, most aged under 30, to participate in a programme run by an external consultant to help develop their leadership skills and style, and we will extend that programme in the coming year.

Working towards greater gender and ethnic diversity

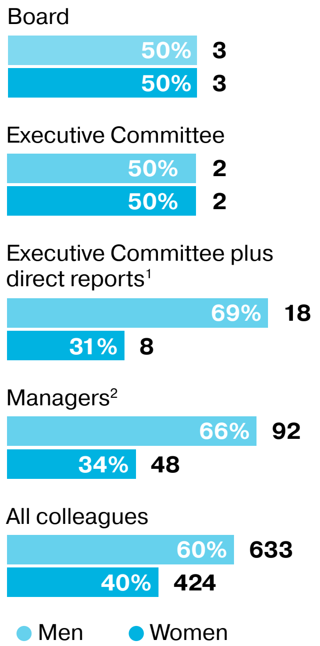
Providing equal opportunities to people of all genders and ethnicities is not just something we believe in – we see it as our responsibility. In recent years we've made good progress in gender parity. Sam Mudd is our CEO, and Clare Metcalfe the new MD Phoenix. Women now represent 34% of the combined managers at Bytes and Phoenix, and around 40% of our total workforce. By comparison, across the UK, less than a third of people in the technology sector are women.[1] At a Board level, our gender balance was 50% at year end, compared with 29% at the end of 2022/23.

We've also seen progression in the types of roles women hold at BTG – for example, we have more women entering technology sales positions, which are typically better paid. As part of our commitment to encourage more women to enter the technology sector, we work with local schools and attend events that promote women in IT.

We are also trying to become more ethnically diverse, though progress has been slower than with gender. Our workforce has a higher proportion of people from a White British ethnicity than reflects UK society as a whole, but it does reflect the demographics of the locations of our head offices, in Surrey and East Yorkshire. As part of our efforts to actively encourage more diverse hiring, we provided training this year to our hiring managers on how to avoid unconscious bias when recruiting. We also work with a specialist agency that helps companies hire people from minority groups. We've continued to collect data on our ethnicity breakdown, based on voluntary self-reporting from our some of our employees and, in 2024/25, aim to have a self-reporting ethnicity option for all employees.

We have held awareness activities to promote understanding and inclusion. Our employees created a Ramadan awareness session, for example, with people taking on a day of Ramadan fasting.

BTG gender balance
as at 29 February 2024



1 The Executive Committee plus direct reports include executive directors, our managing directors and their direct reports, comprising individuals for whom they have direct line management responsibility, excluding administrative and support roles.
2 Managers refers to leaders in BTG, including Executive Committee and senior leadership members.

1 womenintech.co.uk/women-in-tech-survey-2023

Sustainability review continued

Our communities

One of the things we are most proud of about our people is their passion for making a real difference in the communities in which we work.

432
hours of volunteering by Phoenix staff

Volunteering enriches our local areas, aligns with our goal of supporting social causes and builds the reputation of our businesses. It's also really enjoyable and rewarding for our employees and enhances their wellbeing.

In addition, as part of BTG's commitment to support positive change in our environment and communities where we operate, we continue to make financial contributions in various ways to corporate social responsibility activities.

Giving our time to help others

Volunteering is at the heart of our community work. We give everyone one fully paid volunteering day a year to help causes that are close to their hearts. And many of them use this opportunity to do a wide range of wonderful work. At Bytes, for example, more than 100 people spent time helping at an animal charity close to our office in Surrey. The Wildlife Aid Foundation, which is one of the UK's busiest wildlife rescue and rehabilitation centres, needed assistance in moving to a bigger site, so over the summer our staff got their hands dirty planting trees and hedgerows and building ponds and pathways.

The work was greatly appreciated and, besides the satisfaction of a job well done, our employees also benefited from getting to know each other better. In all, BTG employees contributed more than 1,500 hours to supporting our local communities.

We know how much our staff like helping other people so, to make it easier to find ways to do that, we partner with the onHand volunteering platform. This enables people to sign up for 'missions' that take as little as an hour. Among the local causes supported this way in 2023/24 was the Wetherby Foodbank, and two swimming clubs: East Riding Leisure Driffield and Pocklington Dolphins.

Case study

Partnering with the Rio Ferdinand Foundation to promote IT to girls

At Phoenix, we're delighted to have built a partnership with the Rio Ferdinand Foundation, which was set up by the former professional footballer to create opportunities for young people to tackle inequality, achieve their personal potential and drive social change. This year, the foundation ran a digital leadership programme for 50 high-school girls from deprived areas of Manchester. We provided a full day of career advice from two women in our cybersecurity team, who talked about what it was like being a woman in tech and what their jobs entailed, before leading some fun digital activities.

A few weeks later, the same students came to our offices in Salford, where they received a tour of Media City and took part in several immersive IT activities, including learning about sustainable cities and then putting their knowledge to the test using Minecraft, and experiencing virtual reality technology. In feedback, the girls said the workshops had really inspired them, and more than three quarters of them said they were thinking about careers in technology.

Community activities

1. Wildlife Aid Foundation
2. Dragon Boat racing
3. Thames River Kayak Challenge
4. Christmas fair at Leatherhead

1,110
hours of volunteering by Bytes staff

Raising and donating money for good causes

As a Group, and through our people, we donate money to charities and institutions that can use it to help others. At Phoenix, we again supported two great causes this year: St Leonard's Hospice and York Special Care Baby Unit. In total our people raised more than £11,000 for them, as well as other charities and causes, including Save the Children, Macmillan Cancer Support and the Turkey–Syria earthquake appeal. Fundraising activities included entering several teams to run the relay event at the Yorkshire Marathon, Christmas jumper day, an Easter raffle, a bake-off, and golf and horse-racing fun days. To further support our local communities, we also sponsored a girls' and a boys' football team, and held an autumn fair, where nearby businesses were invited to sell their wares.

Many of our employees raise money in their own time, and we're pleased to support their efforts. At Bytes, we match fundraising pound for pound up to £1,000 per employee per event. Bytes supports many good causes but focused on four in particular this year: the Wildlife Aid Foundation; the Change Foundation, which uses sport to help marginalised young people; the Rainbow Trust, which provides emotional and practical support to families who have a child with life-threatening or terminal illness; and Movember, which raises awareness of men's physical and mental health.

For the Change Foundation, we took part in the Thames River Kayak Challenge, along with one of our vendors, raising around £5,000, and also ran cybersecurity awareness and social media safety workshops for young people supported by the charity. To raise money for Movember, we organised a charity football tournament and set up a barbershop in our office so one of our employees – a former barber – could give people wet shaves. And for the Rainbow Trust we held various fundraising activities and promoted awareness among our staff of their amazing work. All four charities were supported through a Christmas fair, where handmade items, baked goods and other gifts were sold and proceeds of £330 split between the charities. We also supported the Macmillan Coffee Morning, which was held at Leatherhead, with the charity benefiting from the proceeds of £565. Bytes staff also took on the mighty Dragon Boat racing, supporting Playwise.

Bytes also made direct financial donations to causes that our staff really care about, including local sports clubs and schools. Because of a laptop refresh, Bytes was able to donate 140 laptops to employee-nominated non-profit organisations and charities. These laptops have supported Lifeshare, a homeless charity in Manchester, schools and nurseries, local youth groups and a wildlife rescue charity in East Sussex.

Delivering social value in areas where we work

Phoenix does business almost entirely in the public sector, and this comes with a commitment to deliver social value where the work is done. We take this responsibility seriously and are pleased to be able to use our skills to make a positive impact on people's lives around the country. Our social value projects this year included building a community directory for charities in Hull, and providing digital skills support for refugees who have been resettled in Lancashire. We held an event for the Sunderland and County Durham Royal Society for the Blind to demonstrate how technology can help visually impaired people – including Seeing AI, a Microsoft application that uses a phone camera to identify and then audibly describe people and objects.

We also love working with young people, and this year our education outreach programme involved nearly 2,000 school children and young adults. This included helping young people from disadvantaged backgrounds explore technology, using fun activities to encourage Year 8 girls to take IT as a GCSE subject, and supporting digital bootcamps for young people aged 19 and over from minority and disadvantaged backgrounds.

Our planet

We believe that everyone has a part to play in caring for our planet. As a responsible business, we are reducing our carbon footprint and helping our customers to do the same.

Although we haven't identified a material impact to our business through the scenario analyses in our TCFD (see pages 44 to 52), climate change is too important for us not to take action. It is our duty as a responsible business to measure our carbon emissions and undertake initiatives to reduce our impact. It is also expected of us by a wide range of stakeholders, from investors, employees and customers. Our aim is to reach net zero emissions by 2040 at the latest, ten years ahead of the UK goal of 2050.

This year, we made major progress in more fully measuring our Scope 3 emissions – the indirect emissions across our value chain. We are now able to report on all the Scope 3 categories relevant to our business, which makes a considerable difference to our overall footprint. This is because we are including purchased goods and services in full, which make up 93% of our total emissions, while Scope 3 overall now makes up over 99.9% of total emissions. This comprehensive Scope 3 reporting is a significant milestone for us and the culmination of several years of work. It is helping us to better understand the potential effects of climate change on our business – and the role we can play in collective efforts to achieve a net zero economy.

Our science-based targets

In 2021/22 we announced our ambition to be net zero by 2040, along with near-term Scope 1, 2 and 3 goals to help us get there. This year we went further, by submitting a set of targets to the Science Based Targets initiative (SBTi), the global organisation that helps businesses set emissions reduction targets in line with climate science. This step is vital to make sure we are in line with the Paris Agreement goal of limiting the global temperature rise above pre-industrial levels to 1.5°C, which would substantially limit the effects of climate change. To achieve this, global greenhouse gas emissions must halve by 2030 – and drop to net zero by 2050.

Adding to our targets and revising our Scope 3 baseline year

The 50% reduction targets for Scope 1 and 2 have been maintained and additional interim targets submitted to the SBTi. These are a 60% reduction in Scope 1 by 2030 and maintaining a 100% reduction in Scope 2 by 2028/29. These additional targets enable us to have near-term targets under validation by the SBTi, while also maintaining the targets we previously committed to.

For Scope 3, our previously stated aim was to reduce our emissions by half by 2030, but without articulating a baseline year. For our CDP submission in July 2023, we used different baseline years depending on when each category, or subset of a category, was first measured. While we've kept the same 2030 goal, we decided to adjust the base year to 2022/23 – the first year for which we had data for all the relevant Scope 3 categories. This change applies to all Scope 3 categories, even those we measured in previous years, to give us a baseline year that is consistent and realistic. Although we had hoped to maintain the challenging baseline year set during Covid for business travel, the changes to UK policy on the ban on sales of new petrol and diesel cars have made achieving reductions unreasonably difficult. The change to our baseline, however, has not affected our strong focus to reduce all our Scope 3 emissions as quickly as we can.

In our original low-carbon action plan in 2021/22, we had set interim targets for category 5 (waste), and a subset of category 1 (paper, water and wastewater), of a 50% reduction by 2025/26. These are now incorporated in the overall Scope 3 reduction targets for 2030 and 2040. As our sustainability strategy matures, we're developing specific waste and water policies, with targets based on a quantity reduction and lifecycle processes, which we hope to publish next financial year. We believe this is a more robust way to target efficient resource use. Having removed water and waste as separate targets, leaving paper, we will continue to monitor paper usage and make more reductions where possible. But, given paper alone is a tiny fraction* of our emissions, its impact on our footprint is minimal and not deemed to warrant a separate carbon reduction target.

Our targets

By 2025/26 (from 2020/21 baseline)	By 2028/29 (from 2020/21 baseline)	By 2030/31 (from 2022/23 baseline[2])	By 2040/41
Reduce Scope 1 emissions by 50% **Reduce Scope 2 emissions by**[1] 50%	**Maintain a reduction of Scope 2 emissions by** 100%	**Reduce Scope 1 emissions by** 60% **Reduce Scope 3 emissions by** 50%	**Reach** net zero **emissions across the value chain**

1 We achieved our Scope 2 target in 2021/22 by completing a Group-wide switch to renewable energy for all our electricity at our owned offices.

2 2022/23 baseline applies only to Scope 3 target. Both Scope 1 targets are from a 2020/21 baseline.

*Actual, 0.0000014%

A joined-up approach to net zero

Our carbon reduction efforts were overseen this year by our first Group Sustainability Manager, Lisa Prickett, who is coordinating the approach across our two businesses, Bytes and Phoenix. Lisa works with the senior leadership team, our Sustainability Steering Committee and the wider business to coordinate our activities, ensure progress against our targets and report performance. The role requires staying up to date on corporate and public sector expectations, and working with our customers and suppliers to make sure we are putting resources where we can have the biggest impact. For full details of how we oversee and manage environmental issues, see our TCFD report on pages 44 to 52.

How we contribute to the environment

We're a value-added IT reseller, focusing on cloud and security software developed by leading vendors, so don't manufacture or transport physical goods. While we have two big offices, many of our people work part of the week from home under our hybrid-working policy. This means that our direct impact on the environment is quite small, and mostly relates to carbon emissions.

It also means that the positive effect we can have through our direct emissions is limited, because what we do ourselves will only have a relatively small effect on overall greenhouse gas emissions. However, we must all play our role, because if everybody does what's within their power, the overall impact will be significant. As our expanded Scope 3 reporting shows, value-chain emissions are key to our commitment to get to net zero. This means we need to work with our suppliers to understand their emissions and carbon reduction plans, so we can prioritise low-carbon technologies and vendors that demonstrate the same commitment as ourselves. And although our own emissions that relate to our customers are minimal, we can make a positive contribution to a net zero future by supporting them to make more sustainable IT decisions.

The importance of collective action is reflected in the increasing expectations from all stakeholders, including regulators, that businesses take responsibility for minimising their own emissions. Under UK regulations, companies will soon be required to report on their net zero transition plans, alongside the existing requirement to report against the recommendations of TCFD (see pages 44 to 52).

The road to 2040 – our journey so far

2020/21
- ISO 14001 environmental management system attained
- Initial measurement of our carbon footprint
- Reported Scope 1, 2 and 3 (business travel) emissions under SECR guidelines

2021/22
- Launched low-carbon action plan
- Completed move to 100% renewable electricity
- Achieved carbon neutral operational emissions through offsetting
- Announced net zero by 2040 goal

2022/23
- Partnered with a specialist consultancy to help analyse Scope 3 emissions
- Expanded our Scope 3 reporting from two to six categories
- Moved to 100% green gas in our Phoenix operations
- Exceeded Scope 2 emissions target
- Made first submission to CDP (formerly Carbon Disclosure Project)

2023/24
- Appointed first Group sustainability manager
- Submitted carbon reduction targets to the SBTi
- Achieved our first CDP score
- Expanded measurement of Scope 3 categories, with all relevant categories now fully reported
- Maintained 100% renewable energy for our owned offices

2024/25
- Validation of our targets by the SBTi (anticipated)
- Developing transition plans to achieve our near-term and net zero emissions targets
- Continued focus on reducing emissions related to employee commuting and business travel
- Development of a carbon literacy and sustainability education programme

Sustainability review continued

Taking responsibility for our environmental footprint across the value chain

Since the start of the 2022/23 year, we've worked in partnership with a specialist carbon emissions consultancy to get a greater understanding of our Scope 3 emissions, and so broaden our reporting of the categories that apply to us (as defined by the Greenhouse Gas Protocol, which is used as the methodology for all our carbon reporting – see the appendix on page 195). Having comprehensive data has enabled us to become far more sophisticated in our analyses and reporting.

We have identified that ten of the 15 Scope 3 reporting categories are relevant to our business. This is a change from our expected nine categories last financial year, because we have moved our leased offices emissions into category 8, upstream leased assets. This was done because they are not required to be reported in Scope 2 under our use of financial control as our organisational boundary. In 2020/21, we reported on only one category: category 6, business travel, and only to the extent that it related to cars. By the end of 2022/23, we had measured five categories in full and one partially – a very small subset of category 1, purchased goods and services. These emissions were disclosed in our 2022/23 Annual Report, in our report to the CDP and in our individual operating company reports.

50%

targeted reduction in Scope 1 emissions by 2025/26

This year, we expanded our emissions data collection to cover in full all ten categories that are relevant to us, with effect from the 2022/23 year – having continued our journey from the mandatory SECR emissions reporting in 2020/21, to adding more categories as required by PPN06/21, to being able to fully report on all emissions in our third year of carbon reporting. We have been able to obtain data for and include four categories we had not previously reported on: capital goods, upstream leased assets, use of sold products and end-of-life treatment of sold products. Most significantly, we fully reported for the first time on purchased goods and services, which meant including all the emissions from our vendors that relate to the solutions and services we provide. As a result of this additional measurement, we have expanded the reporting of the emissions for 2022/23 that were published in last year's Annual Report, which we set out in the charts on these pages.

This additional data measurement means that Scope 3 emissions now account for 99.9% of our total emissions for 2022/23, up from 93.5% previously (before all categories were reported). The change is mostly due to purchased goods and services, which constituted 93% of our total emissions in 2022/23. For context, before completing our comprehensive reporting this year, our biggest Scope 3 category was employee commuting, accounting for 67% of Scope 3 emissions. This is now 1% of total Scope 3 emissions, as shown in the charts.

Our total carbon footprint (2023/24)

Description	
Scope 1 Direct emissions from our sites	45.5
Scope 2 Indirect emissions from the energy we buy	0
Scope 3 All other indirect emissions across our value chain	151,777.2

Category		
1	Purchased goods and services	141,420.9
2	Capital goods	914.9
3	Fuel and energy-related activities	78.9
4	Upstream transportation	3.7
5	Waste generated in operations	1.1
6	Business travel	258.9
7	Employee commuting (including working from home)	1,018.6
8	Upstream leased assets	39.2
11	Use of sold products	8,041.0
12	End-of-life treatment of sold products	negligible**

Restatements to our Scope 1, 2, and 3 reporting for the 2022/23 financial year

- Scope 1 and 2 have been amended to remove assumptions related to leased offices, because we don't have financial control. These emissions have been added into Scope 3, category 8, upstream leased assets.
- Scope 3, category 5, additional data was made available for a waste stream, which was not previously captured.

Additions and amendments to our Scope 1, 2 and 3 reporting for the 2022/23 financial year

- Scope 3, category 1 has been expanded to all purchases (except where covered in other categories, e.g. capital goods). Previously this only measured paper, water and wastewater. Category has been measured through analysing top vendors' emissions related to BTG spend.
- Scope 3, category 2, purchased capital goods, has been added.

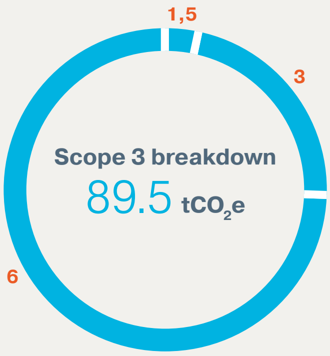
Our 2022/23 restated total carbon footprint (baseline for Scope 3)*

Description	
Scope 1 Direct emissions from our sites	73.2
Scope 2 Indirect emissions from the energy we buy	0
Scope 3 All other indirect emissions across our value chain	113,793.7

Category		
1	Purchased goods and services	105,537.9
2	Capital goods	880.1
3	Fuel and energy-related activities	58.0
4	Upstream transportation	4.3
5	Waste generated in operations	1.0
6	Business travel	214.5
7	Employee commuting (including working from home)	1,142.6
8	Upstream leased assets	33.8
11	Use of sold products	5,921.5
12	End-of-life treatment of sold products	negligible**

Our 2021/22 total carbon footprint

Description	
Scope 1 Direct emissions from our sites	62.1
Scope 2 Indirect emissions from the energy we buy	26.7
Scope 3 All other indirect emissions across our value chain	89.5



Category		
1	Purchased goods and services (paper, water and wastewater only)	1.0
3	Fuel and energy-related activities	19.9
5	Waste generated in operations	2.2
6	Business travel	66.4

Our 2020/21 total carbon footprint (baseline for Scope 1 and 2)

Description	
Scope 1 Direct emissions from our sites	54.5
Scope 2 Indirect emissions from the energy we buy	233.0
Scope 3 All other indirect emissions across our value chain	27.6

Category		
6	Business travel	27.6

- Scope 3, category 3, our well-to-tank emissions have been included in this category, which has been expanded across other areas, including business travel and upstream transportation and distribution.
- Scope 3, category 4, methodology for calculation was improved by using tonnes per kilometre.
- Scope 3, category 6, business travel calculations have been improved by using an activity (mileage) methodology rather than on a spend basis.
- Scope 3, category 7, employee commuting, has been expanded to include the 'optional' remote working criteria, because we offer hybrid working.
- Scope 3, category 8, upstream leased assets, has been added because we do not have financial control of leased offices. Last year, the category was identified as not relevant, with these estimated emissions reported in Scope 1 and 2.
- Scope 3, category 11 has been measured using data from our sold products, using the upper range of estimates, to give the 'worst case' scenario.
- Scope 3, category 12 has been measured using data on our sold hardware products, but the emissions are considered immaterial at 0.001%, based on fair use.

* Changes to 2022/23 reporting from the Annual Report 2022/23 (in tCO_2e):

Recalculated: upstream transportation = -248.2. Leased offices (using improved estimates) = -6.9 location-based, +16.8 market-based. Fuel and energy-related activities = +41.2. Waste = +0.81. Business travel = +1.6.

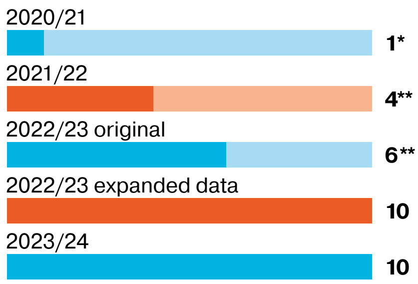
Expanded categories: Scope 3, categories 1 and 7 = +105,819.8.

New categories: Scope 3, categories 2 and 11 = +6801.6.

Moved: emissions in Scope 1 and 2 from leased offices moved to Scope 3, category 8. Scope 1 = -16.5. Scope 2 = -24.2 location-based, 0 market-based.

** Category 12 has been excluded because it is considered immaterial at 0.001% of our emissions and due to the assumptions necessary in the calculation.

Number of Scope 3 categories reported



* car only for category 6
** paper, water and wastewater only for category 1

Performance in 2023/24

Our total carbon emissions for 2023/24 were 151,822.7 tonnes carbon dioxide equivalent (tCO_2e), and our expanded 2022/23 emissions were 113,867.0 tCO_2e. These headline figures appear to represent a very big increase compared to the previous financial years. However, this is accounted for by the much broader reporting of our Scope 3 emissions this year, in particular the inclusion for the first time of purchased goods and services, as discussed above.

This year, we have been able to collate and measure emissions more accurately, with an improvement to the methodology for our expanded and recalculated 2022/23 emissions, with 2023/24 following the same methodologies. It has been a significant piece of work, but one which will ensure we have the most reliable baseline to compare future Scope 3 emissions. Our emissions increased in 2023/24, largely due to higher vendor spend and revenue. Our actions for this next year will be to create a transition plan for our route to net zero, which will include working with our vendors to understand their journeys and commitments to reduce emissions. Although our largest emissions are those not in our direct control, we will also focus on actions that we can take to influence a reduction in other areas.

In 2022/23, we reduced our market-based Scope 2 emissions to zero by moving to renewable electricity. We were able to maintain that this year through purchasing renewable energy for our owned offices. In 2023/24, our Scope 1 emissions reduced due to a move to green gas in York and having overcome the air-conditioning maintenance issues that increased our emissions in the prior year. We continue to embed sustainability in our decision making, which contributed to choosing our shared office space in London, which we moved into in March 2023. This office is run by a certified B Corp company and uses 100% renewable energy.

Government action on policy and infrastructure is crucial to enable the universal adoption of electric vehicles. This year the UK Government announced a five-year delay to the proposed ban on new petrol and diesel cars, from 2030 to 2035. However, we are continuing to play our role, through a scheme that allows employees to buy electric vehicles via salary sacrifice. It has proved more successful than we expected, with 29 people entering the scheme since we rolled it out in 2023/24. We will continue to promote the scheme in the coming year.

This year we expanded our approach to taking responsibility for emissions. The value of our Scope 1 and 2 emissions has been covered by investing in a carbon removal mangrove restoration project in Pakistan. This not only supports carbon sequestration but also provides biodiversity net gain and community benefits through reducing erosion and supporting fish nurseries.

We've offset our business emissions under Scope 3 (categories 2 to 8, inclusive). The carbon removal and offsetting are purchased through our partner Ecologi, which supports Gold Standard and Verra-approved carbon reduction, and community- and biodiversity-enhancing projects around the world. This year we are backing projects in Morocco, Pakistan and Peru, among others. Over the long term, however, we are committed to reduction rather than offsetting.

Energy and carbon data*

Showing expanded Scope 3 from prior year 2022/23

Energy and carbon emissions (kWh and tCO_2e)	2023/24		2022/23 (restated**)		
Group	kWh	tCO_2e	kWh	tCO_2e	Change
Energy consumption	**4,989,909**		**4,186,753**		+803,156 kWh
Scope 1 – Direct emissions from our sites	152,163	45.5	166,558	73.2	-27.7
Scope 2 – Indirect emissions from the energy we buy					
Location-based[1]	1,000,124	207.1	823,998	161.2	+45.9
Market-based[2]		0.0		0.0	0
Scope 3 – All other indirect emissions across our value chain	3,837,622	151,777.2	3,196,197	113,793.7	+37,983.4
Total emissions – location-based[1]		**152,029.8**		**114,028.1**	**+38.001.6**
Relative emissions – location-based tCO_2e/£m		**83.4**		**79.2**	**+4.2**
Taking our renewable energy into account					
Total emissions – market-based[2]		**151,822.7**		**113,867.0**	**+37,955.6**
Relative emissions – market-based tCO_2e/£m		**83.3**		**79.1**	**+4.2**

* Our methodologies for reporting energy and carbon data are set out in the appendix on page 195.
** 2022/23 emissions figures are restated for Scope 1, 2 and 3, categories 5 and 8. They include enhanced disclosures based on our comprehensive reporting in 2023/24.
1 Location-based emissions are calculated as the average emissions intensity of the electricity grid.
2 Market-based emissions take renewable energy purchasing into account.

Entrenching sustainability in our culture

Reducing emissions is an ongoing reality that must be lived in the choices we make every day. Across both our businesses, we focus on helping our people make sustainable choices, including:

- Reducing our business travel by encouraging our people to contact customers and vendors by phone or videoconference whenever possible
- Supporting hybrid working and efficient working practices to reduce commuting
- Encouraging our people to commute in a more efficient way by installing electric car charging points at our main locations, setting up a car sharing network and installing secure cycle parking
- Partnering with Octopus Energy to allow our people to buy electric vehicles under a salary sacrifice scheme
- Using materials, energy and water efficiently – for example, through PIR sensors, reduced printing, a request system for consumables and low-flow bathroom fittings
- Continuing to highlight the importance of good environmental management throughout BTG, including controlling office heating and cooling in a smart manner
- Working with suppliers and partners to reduce their carbon footprints
- Developing a carbon literacy programme for our employees, to raise understanding of environmental issues.

Supporting our customers to reduce their emissions

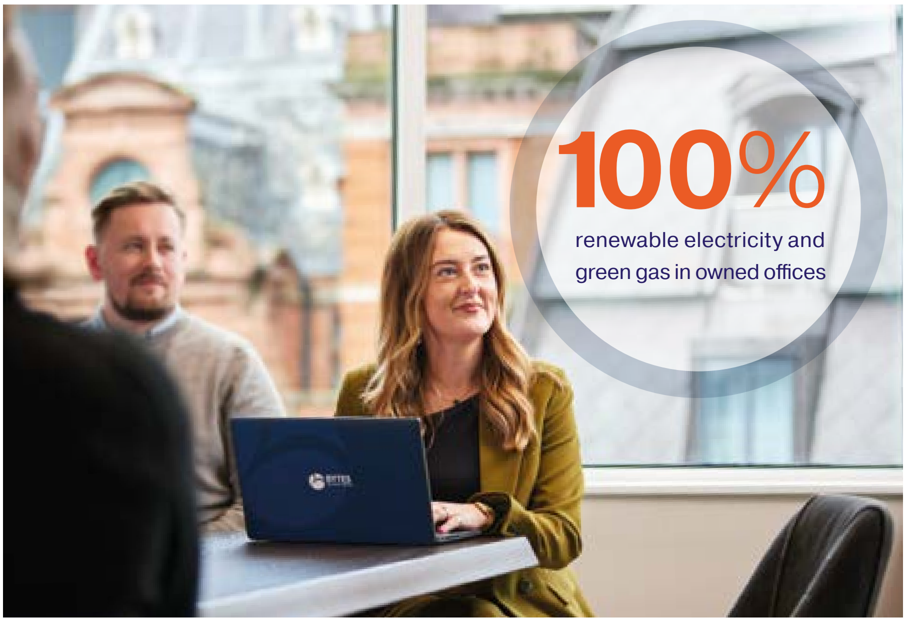
While reducing our own environmental impact is crucial, one of the biggest contributions we can make to hastening the UK's move to a low-carbon economy is through the software and technical solutions we sell to our customers. In particular, we do this by supporting them in moving their on-site servers, products and services to the cloud, which has the potential to be more energy efficient than customers hosting data centres themselves. We can also support in an advisory capacity, so customers are able to add sustainability into their decision making.

We support customers to become more sustainable by enabling them to hold online meetings, which reduces travel emissions, and through solutions such as Phoenix's sustainability app. The app – developed with Microsoft and winner of Sustainable Solution/Service of the Year 2022 at the CRN Tech Impact Awards – connects to energy, water and mileage data, allowing organisations to start measuring and understanding their emissions. However, we are also mindful of the environmental impact of new technologies such as AI-enabled tools, which require additional computing power and cloud storage, which consume a lot of energy. We will continue to monitor this in the coming year.

Looking ahead

We are clear on what we aim to achieve in the coming year. Once the SBTi validates our carbon reduction targets, we will develop our net zero transition plan to help us achieve them, and this will build on the low-carbon action plans we have used so far. This will include working even more closely with our top-tier vendors, which account for more than 80% of our Scope 3 emissions, to gain a greater understanding of their net zero plans.

We take confidence from the fact that many of them have well-publicised and ambitious carbon reduction programmes. Our biggest partner, Microsoft, for example, has an ambitious plan to be 'carbon negative' by 2030; this includes reducing Scope 1 and 2 emissions to near zero in 2025, and cutting Scope 3 emissions in half by 2030. And, of course, we will strive to keep reducing our own emissions, as a business and through the actions we take as individuals, to help protect the planet for future generations.



Task Force on Climate-related Financial Disclosures (TCFD)

As we discussed in Our planet on pages 38 to 43, we are a responsible business that is committed to protecting the environment by reducing our carbon emissions and helping our customers to do the same.

We are acutely aware of the impact climate change could have on our business and society, and the risks it brings to businesses and their supply chains. We support the broader adoption of TCFD reporting, because we believe that it will accelerate business efforts towards the net zero future we all need to achieve.

Climate change is one of the biggest challenges facing the world today, and the UK Government has made it a priority for all businesses by its focus on climate policy and regulation. This includes the upcoming requirement to publish net zero transition plans in support of the UK's overall net zero target.

We have made some changes to our TCFD this year to factor in the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (Regulations), new UK regulations that affect our reporting requirements for 2023/24 and our continued efforts to comply with TCFD recommendations. We have taken the step to evaluate our risks and opportunities against a number of physical climate and transition scenarios.

Our view in summary: we believe that the direct impact of climate change on BTG will be relatively low, given that our primary business is in software, security and cloud solutions and IT services, in which we work with large software companies. This is because, unlike many companies in other sectors, we do not have factories or operations outside the UK and, at present, we perceive the impact of extreme weather events in the UK to be relatively low. We do not require staff and customers to always attend our offices in person, and the hardware we sell, which is transported by third parties, represents a relatively small part of our business. Like all responsible companies, we will continue playing our part by reducing our environmental impacts. But it's possible that climate change may bring some opportunities for us, as companies look to technology to help them with the systems and services needed to manage and monitor its impacts.

Nonetheless, the world's understanding of climate change and its effects are constantly evolving, and we need to monitor this on an ongoing basis to make sure we can continue to withstand its impacts and support the transition to a low-carbon economy.

Compliance with TCFD

This is our third report against the recommendations of TCFD, which has been expanded to incorporate the requirements of the Regulations, which also aligns with the recommendations of TCFD. This year, we have complied with all 11 areas of TCFD and, in comments in the table that follows, explained where we were previously only partially compliant. To help readers, we have summarised our compliance in the table and, to avoid repetition, cross-referenced to relevant information elsewhere in the Annual Report – particularly the Our planet section on pages 38 to 43, which should be read in conjunction with this TCFD report.

TCFD recommendation	Compliance and cross reference	Comments/next steps
Governance see pages 45 to 46		
a. Describe the board's oversight of climate-related risks and opportunities.	Fully compliant – see pages 45 to 46	N/A
b. Describe management's role in assessing and managing climate-related risks and opportunities.	Fully compliant – see pages 45 to 46	N/A
Strategy see pages 46 to 51		
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Fully compliant – see pages 48 to 51	N/A
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Fully compliant – see pages 47 to 51	In 2023/24, we reviewed our risks against the latest climate science and external scenarios, incorporating physical and transition risks.

TCFD recommendation	Compliance and cross reference	Comments/next steps
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Fully compliant – see pages 47 to 51	In 2023/24, we reviewed our risks against the latest climate science and external scenarios, incorporating physical and transition risks – with scenarios ranging from 1.5°C to 3°C of warming.
Risk management see page 52		
a. Describe the organisation's processes for identifying and assessing climate-related risks.	Fully compliant – see page 52	N/A
b. Describe the organisation's processes for managing climate-related risks.	Fully compliant – see page 52	N/A
c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Fully compliant – see page 52	N/A
Metrics and targets see page 52		
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Fully compliant – see page 52	N/A
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.	Fully compliant – see page 52	N/A
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Fully compliant – see page 52	N/A

Governance

Given the importance of climate change, and that the issues are evolving constantly, we oversee climate change at the highest level of the Group, and our governance structure ensures that we factor climate-related issues into our thinking throughout the business. Since 1 March 2023, we have had a Group sustainability manager at BTG, responsible for ensuring a joined-up approach between our two businesses, Bytes and Phoenix. Our governance structure is shown below. A new Board-level ESG Committee was established with effect from 1 June 2024 to monitor the implementation of BTG's ESG and sustainability strategy (see page 77 for more detail).

The Board

- Overall responsibility for the effective delivery of our environmental targets
- Oversees climate-related risks and opportunities
- Considers climate change as part of our engagement with stakeholders
- Our CFO is BTG's executive director for sustainability
- The Board, with senior leadership, also oversees governance aspects of sustainability

Executive Committee, management and Group sustainability manager

- Operational management of environmental targets and stakeholder engagement
- Review and monitor climate-related risks and opportunities

Sustainability Steering Committee

- Sustainability Steering Committee (previously environmental and social steering committees) created in 2021/22
- Members drawn from senior leadership and across the business
- Considers progress against targets and assesses operations from a sustainability viewpoint
- Meets quarterly

Operational teams (Better Bytes team and Phoenix Sustainability Network)

- Champion practical environmental activity
- Raise awareness of local social and environment issues
- Meet regularly

Task Force on Climate-related Financial Disclosures (TCFD) continued

Focused oversight at Board and management levels

Our Board has overall responsibility and accountability for sustainability, including the achievement of our environmental targets, and for overseeing climate risks and opportunities. This is outlined within our Sustainability Framework, which includes our sustainability reporting methodology – which is available at bytesplc.com/sustainability. Relevant performance information is reported to the Board on a half-yearly basis, which includes progress against targets, significant actions taken and any changes to risk, with any material matters discussed and actions identified, as necessary.

In addition, sustainability strategies may also be discussed at the annual budget meeting to review any material projects with capital expenditure, such as on-site renewable energy generation projects and appointment of a Group sustainability manager. As part of our enterprise risk management framework, our principal and emerging Group risks, and any changes to these, are also presented to the Board twice a year for approval.

Beyond the Board, we have a tiered chain of responsibility within the business for driving, embedding and monitoring our approach to environmental issues, including consideration of the potential effects of climate change.

Our Executive Committee is responsible for the delivery of our environmental targets, and reviews and monitors climate risks and opportunities, reporting to the Board. Our CFO is the executive director responsible for overseeing climate change-related activities and, working with our Group sustainability manager and the MDs of our operations, leads the development of our climate change policies. Our CFO is also responsible for overseeing climate-related financial activities and reporting, including sponsoring the Sustainability Steering Committee, as well as the Group risk forum. The forum is made up of senior colleagues from across our governance and sustainability, risk management and finance functions. The Group risk updates are presented for review by the Board and Executive and Audit Committees in line with our risk review cycle.

At operational level, we have our Sustainability Steering Committee, which aims to meet quarterly, and at least twice a year. It monitors the impact of climate change through discussions and ensures we integrate environmental issues into our strategic planning. The Group sustainability manager keeps up to date with the latest science and regulations and works with other members of the committee to interpret the potential risks across the business. As well as the Group sustainability manager, the committee includes our CFO and other senior leadership members and colleagues with relevant functional roles or who have a particular interest in this area. Our CFO reports on the progress of our environmental initiatives and our risks and opportunities, as covered by the Sustainability Steering Committee, to the Executive Committee.

Also at operational level, we have two staff-led teams, one for each of our businesses, which promote initiatives, raise awareness of the importance of environmental issues and carry out local activity: the Better Bytes group and the Phoenix Sustainability Network. These teams form an integral part of our collective efforts and report into our Sustainability Steering Committee.

Strategy

Our strategy is to grow organically by doing more with existing customers and winning new ones. But we also want to grow while minimising our impact on the environment, which is why our commitment to achieving net zero by 2040 matters, since it enshrines that aim in our strategic plans. Depending on how the effects of climate change materialise, there could also be opportunities for us as more customers look to technology to mitigate its effects.

The Board is supported by our CEO, CFO and other senior leaders in ensuring that sustainability remains core to our strategy. It was again covered at our 2023/24 Board strategy session, and remains part of twice-yearly sustainability updates to the Board. During the year, the Board was briefed on the progress of our sustainability initiatives and our TCFD report, along with receiving standing updates on emerging external trends and developments, and stakeholder expectations around commitments to net zero.

Analysing our climate-related risks and opportunities

In 2023/24, we reassessed the climate-related risks and opportunities that we identified last year, alongside TCFD recommendations, and conducted scenario and financial analyses and financial risk assessment.

Scenario methodology

To incorporate the most realistic changes in temperature for the UK, where the Group's operations are located, we have selected three scenarios: two scenarios below 2°C of global warming above pre-industrial levels and one scenario of 3°C. Our analyses covered physical risks (acute and chronic threats relating to extreme weather) and transition risks (such as financial, political, social and reputational factors), which could have a negative impact on our business, supply chain and employees.

Given the difference in physical and transition risks, two different mechanisms have been used for the scenarios. For physical risk scenarios, we have selected three relevant categories from the eight identified in the Intergovernmental Panel on Climate Change (IPCC) AR6 Categories from Working Group III (IPCC AR6 WGIII). These eight categories range from C1 'limit warming to 1.5°C (>50%) with no or limited overshoot' up to C8 'exceed warming of 4°C (>50%)'. BTG has chosen to use C1, C3 and C6, as detailed in the physical risk scenarios table. For transition risks, we have chosen to use the International Energy Agency (IEA) World Energy Outlook 2023 scenarios, which relate to global policy decisions and the adherence to these. These range across three different trajectories, as detailed in the transition risk scenarios table.

Physical risk scenarios

Group notation	IPCC AR6 WGIII Category	Description
Low	C1	Limit warming to 1.5°C (>50%) with no or limited overshoot
Medium	C3	Limit warming to 2°C (>67%)
High	C6	Limit warming to 3°C (>50%)

Transition risk scenarios

Group notation	IEA	Description[1]
NZE	Net Zero Emissions by 2050 Scenario (NZE)	'maps out a transition pathway that would limit global warming to 1.5°C' 2050 surface temperature prediction under this scenario is 1.4°C above pre-industrial levels
APS	Announced Pledges Scenario (APS)	'gives governments the benefit of the doubt and explores what the full and timely implementation of national energy and climate goals, including net zero emissions targets, would mean for the energy sector' 2050 surface temperature prediction under this scenario is 1.7°C above pre-industrial levels
STEPS	Stated Policies Scenario (STEPS)	'based on current policy settings and also considers the implications of industrial policies that support clean energy supply chains as well as measures related to energy and climate' 2050 surface temperature prediction under this scenario is 2.4°C above pre-industrial levels

1 From the IEA World Energy Outlook 2023.

We considered these risk scenarios over a broad timeframe, from 2023/24:

- **Short term:** one to three years – the depreciation of the majority of our IT assets, which reflects the length of our typical customer software contracts
- **Medium term:** three to ten years – to 2030, the target date for our main emissions goal
- **Long term:** ten to 26 years – which covers our net zero goal of 2040, and the start of 2050, the UK's net zero target.

Some risks may arise in the shorter term; however many of the effects of climate change will arise in the longer term and therefore come with an inherent level of uncertainty. We have identified those – and potential opportunities – most likely to affect BTG, as set out in the tables on pages 48 to 51. The magnitude of our climate-related risks and opportunities not only depends on the physical impacts on our business operations; it is also shaped by regulatory developments in our markets, our goal to reduce our operational carbon footprint, and our efforts to understand and shape a culture of climate action.

While we acknowledge that some physical risks will be present well below the 2°C threshold set out by TCFD, given these risks are largely immaterial to our business we have deemed them to be a minor financial risk – except for under the C6 scenario, where more extreme weather events and heating might require capital investment. We have confidence that the business would be resilient against the physical risks of climate change under the scenarios assessed. Nonetheless, we will continue to monitor the potential impact of increases in global temperatures and will adapt our analyses as necessary.

Overall, our analyses showed no immediate material risks that would affect our strategy or performance, and so concluded that climate change remains an emerging risk for BTG. However, as the analyses demonstrate, the transition risk that suggests a moderate financial impact is about staying aligned with stakeholders' expectations and regulation relating to climate change. In 2022/23, we elevated the regulatory aspects of sustainability to a principal risk. This principal risk incorporates all aspects of sustainability and, in particular, relates to predicted and unforeseen future regulations, which may assess areas that we haven't measured with the same focus as climate, such as biodiversity and social aspects of sustainability. The risk from climate remains as an emerging risk (see our risk report for more details on pages 53 to 62).

Task Force on Climate-related Financial Disclosures (TCFD) continued

To analyse the materiality of the risks, we used the same process and financial impact categories to categorise the climate risks as we do for principal risks. An assessment has been made on the potential financial cost/benefit for each of those identified and this dictates the relevant materiality of each risk/opportunity. The materiality of the risks then informs whether the business needs to take into account the risk/opportunity in strategic or financial planning. At present, the materiality of the risks and opportunities to the business is considered low and our resilience to risks high. The following table shows these categories, which are also referenced in the risks and opportunities tables.

Risks and opportunities

Estimated financial impact	Risk category
<£2.5m	Minor
£2.5m to £5m	Moderate
£5m to £7.5m	Material
£7.5m to £12.5m	Severe

Focusing on Scope 3 opportunities

Developments this year have not changed our initial conclusions around the nature of climate change in itself as an emerging risk for BTG, as described above. We are therefore confident that it has had a limited effect on our accounting judgements and estimates this year, and have determined that it has had no material impact on our asset and liability valuations at 29 February 2024.

However, like other companies, we need to focus on our own impact on the environment through our emissions. We know that helping our customers reduce their emissions through technology is an opportunity for us, although this is still relatively difficult to measure. So, while keeping a watching brief on climate science and related policy, we've been working with an external partner to analyse our Scope 3 emissions more fully. For the first time, we were able to report on all the Scope 3 categories relevant to our business, which made a considerable difference to our overall footprint. Completing this work was an important milestone and has enabled us to better understand the potential effects of climate change on our business, and to set meaningful targets for reduction. We submitted our near-term and net zero targets to the Science Based Targets initiative (SBTi) for validation this year.

The data we collected is also helping us explore ways we can reduce emissions in partnership with our vendors and customers, and to determine whether we need to factor climate issues into our future financial planning. For more detail about this work, see Our planet on pages 38 to 43.

Summary of our key climate-related risks

Risk description	Risk category	Potential impact	Mitigation actions	Scenario and potential financial risk
Transition risks				
Increased pricing of carbon (or carbon-intensive materials, goods and services), carbon reporting obligations, regulation of products and services, and exposure to litigation S	Policy and legal	The most likely effect of any changes would be an increase in operating costs. For example, reporting criteria could involve additional time and expertise, or a mandatory reduction in carbon emissions could require extra capital expenditure. Failure to comply with this risk, which is relatively low, could result in damage to our reputation and possible regulatory fines in certain instances.	We have several internal groups in place to manage sustainability, including the effects of climate change on our business. We continually monitor the regulatory and legal environment and take external advice as required. A large percentage of our supply chain is with Microsoft, which has a 'carbon negative' date of 2030. If it achieves this, it will mitigate the majority of our supply chain Scope 3 emissions from 2030 onwards. We will continue to monitor our other vendors too, including new ones – we will be expanding our onboarding to include information around their carbon emissions and reduction targets.	NZE – minor APS – minor STEPS – minor

S Short term: one to three years
M Medium term: three to ten years
L Long term: ten to 26 years

Risk description	Risk category	Potential impact	Mitigation actions	Scenario and potential financial risk
Transition risks continued				
Changes in customer working behaviour and infrastructure requirements M L The move away from full-time, office-based working precipitated by Covid-19 could accelerate if climate change-related extreme weather events routinely made it difficult to reach centralised workplaces. This could further encourage employees to work from home or at other less formal locations.	Market	These changes could mean that customers no longer needed so much of the hardware infrastructure that we supply, such as desktop computers and telephones. However, hardware makes up less than 5% of our business, and the software side is unlikely to be affected. So, the impact on us would be relatively small and potentially feeds into some of the opportunities identified around increased cloud computing.	Given this risk is relatively insignificant, and within BTG's risk tolerance, we have not developed formal mitigation plans.	NZE – minor APS – minor STEPS – minor
Substitution of existing products and services that we currently sell, with new technologies that are not in our portfolio S M	Technology	On balance, we believe that most of the software we sell would not be affected by this situation, which presents both risks and opportunities to BTG. If our customers moved away from our existing products and services, and we did not have relationships with vendors that sold the new in-demand products and services, we would lose sales. However, if we had built those relationships and could offer those new products and services, we would benefit from additional revenue opportunities.	We analyse market trends to keep up with changes in technology and customer preferences and draw on assistance and guidance from external advisors as required. We also have internal groups that focus on managing sustainability, including the effects of climate change on our business.	NZE – minor APS – minor STEPS – minor
Concerned or negative perceptions from stakeholders that we have not responded appropriately to climate change S M L	Reputation	Damage to our reputation could affect all our stakeholders. Investors increasingly have a sustainability mandate – so a poor or damaged reputation could negatively affect our investment case. Customers often include a sustainability score when comparing suppliers. Reputational damage would lower our score, which, over time, would have a negative impact on our revenue. Our suppliers could also exert pressure on us if our reputation was tarnished. Any damage to our reputation could also affect our ability to attract and retain skilled staff, who now look to employers for more than just financial reward and advancement opportunities.	We monitor our external reputation through regular dialogue with our PR agency and external advisors and engagement with our institutional investors, our vendors' perception through periodic reviews, our customers' views through our customer net promoter score (NPS), and our people's views through our employee NPS and through briefings from our non-executive director with responsibility for employee engagement. We monitor investor-focused scoring through ISS, and act on areas where we can improve. Public disclosures through CDP and EcoVadis enable us to understand our position within our peer network and enable engagement with customers. We also create opportunities for engagement with all our stakeholders via our Annual Report and Annual General Meeting. We receive insights on our performance from our internal sustainability-focused groups. We take account of the feedback from these sources in the context of our public commitments.	NZE – moderate APS – moderate STEPS – minor

Task Force on Climate-related Financial Disclosures (TCFD) continued

Risk description	Risk category	Potential impact	Mitigation actions	Scenario and potential financial risk
Physical risks				
Increase in extreme weather events and variable weather patterns in the UK causing disruption to energy and related systems. M L Such physical risks could make it difficult for our people to get to work, or our vendors and subcontractors to deliver their products and services to us or our customers due, for example, to blocked roads or public transport failure.	Acute/chronic	Low-impact scenario (C1) will have a limited impact on the business, as coastal inundation and localised flooding is likely to be minimal. Under medium- and high-impact scenarios, this risk increases but is dependent on tipping points, such as that of the Greenland ice sheet, which could increase sea levels. However, none of our UK locations is at high risk of flooding – although, in extreme weather conditions, commuting to us from elsewhere could be challenging. Once-a-decade extreme events (pre-industrial) will become more frequent under each scenario as warming increases. Periods of extreme heat could affect productivity and increase emissions from offices through increased use of air conditioning. Prolonged heatwaves are still expected to be limited in the UK under 2°C or lower scenarios, with a relatively small impact to the business and energy use. Increased extreme weather could affect power lines. With the ability to work remotely and with employees distributed across the UK, as well as resilient cloud-based systems, the impact to business activities and productivity is considered limited.	If extreme weather events affect power lines, or flooding affects travel to offices, mobile connectivity and our network access means that our staff could work remotely during times of power interruption. Most of our IT requirements are hosted in the cloud, so we have limited physical connectivity to any one site. We have alternative power supply capabilities and multiple vendors can provide additional data connectivity, to serve locations with on-site computing needs. In a hotter climate and with more frequent heatwaves, the office environment would need to maintain comfortable working conditions for employees, which is currently serviced through the HVAC system. To manage emissions, we would look to use the most efficient and least polluting refrigerant gases and explore alternative options to ensure a comfortable working environment, while also maintaining carbon efficiency. This may include the addition of solar panels, to provide self-generated power in more extreme scenarios, and the UK may look to amend working hours to a working pattern similar to more southerly European countries today.	Low (C1) – minor Medium (C3) – minor High (C6) – moderate
Supply chain disruption from the physical impacts of climate change		Global supply chains could be affected by the locations of our suppliers in more severely affected parts of the globe and through disruptions to distribution channels.	Issues are most likely to affect the relatively small hardware and IT services parts of BTG. Software, which makes up more than 94% of our gross invoiced income, is unlikely to be affected, but we will work with our suppliers to understand their climate change-related risks. We perceive that the impact from this will be fairly small, given our top-tier suppliers will already be taking steps to ensure the sustainability of their own businesses.	Low (C1) – minor Medium (C3) – moderate High (C6) – moderate

S Short term: one to three years
M Medium term: three to ten years
L Long term: ten to 26 years

Summary of our key climate-related opportunities

Opportunity	Description	How we're responding	Scenario and potential financial risk
Expansion of cloud products and services S M	The desire to be more sustainable – and limit climate change – is already encouraging organisations to move their IT servers to the cloud. This is likely to continue, and may accelerate, as the climate change-related risks of accessibility and physical damage prompt entities to untether themselves from their physical locations.	Since we are specialists in cloud technology, this trend would have positive effects on our sales. We already actively promote the sustainability benefits of moving to the cloud, along with our expertise in this. Under the more progressive scenarios, such as NZE, our opportunity would be greater than under the slower mechanisms – but there are several reasons for shifting to the cloud, so this may continue increasing irrespective of global climate policies.	NZE – minor APS – minor STEPS – minor
Demand for resource and energy efficiency S M L	The growing demand for more energy efficiency, and for lower consumption of water and materials, presents opportunities for us, because customers are likely to need new technology to help them identify, monitor and manage risk and regulatory compliance of such climate-related matters. Factors linked to the drive for low-carbon energy – such as policy incentives, new technologies, participation in the carbon market and localised energy generation – could present more opportunities for us.	Given BTG's established relationships with leading vendors and our understanding of their software offerings, we are well positioned to provide appropriate solutions, as and when demand increases. This could enhance our product portfolios leading to additional revenues. Under the more progressive scenarios, customers might be more likely to request information about product sustainability, which could open up opportunities for other services.	NZE – moderate APS – moderate STEPS – minor
Demand for sustainable hardware S M L	Customers pursuing renewable energy programmes, energy-efficiency measures and resource replacements or diversification may need new, more sustainable hardware as well as associated software.	Although hardware sales are not our primary revenue stream, we can advise customers on the most environmentally friendly models, so this could positively affect our revenue streams. We can also support customers in advising on models that meet certain certifications such as TCO, ePEAT or EnergyStar. As with the 'demand for resource and energy efficiency' opportunity, under more progressive scenarios customers might be more likely to request information about hardware sustainability, and this could open up opportunities for other services.	NZE – minor APS – minor STEPS – minor
Keeping up with social change S M	Companies with a market-leading response to climate change could attract new suppliers, customers, investors, markets and assets. Some public sector frameworks already rate suppliers on their sustainability credentials. Being known for our sustainability credentials could help us to attract and retain talent. The IT jobs market is extremely competitive and increasing our headcount is essential for our growth.	We are raising our sustainability profile, for example by submitting our emissions targets this year to the SBTi for validation, through public disclosures such as CDP and by taking into account the expectations of sustainability ratings agencies with the aim of improving our scores. We are also proactive about our support for the environment and promote this to our employees. For example, we have: • Employee-led sustainability committees • An employee electric vehicle and cycle-to-work programme • Flexible working hours (enabling employees to travel out of peak hours, cutting journey time and carbon emissions) • Hybrid working (enabling staff to work from home some of the time, reducing carbon emissions) • Electric charging points in our staff car parks. Under the various scenarios, STEPS would provide us with the biggest opportunity to be leaders in our field. In comparison, however, it might be more difficult to achieve our goals if government policy lags behind.	NZE – minor APS – minor STEPS – moderate

Risk management

To reflect the importance of climate-related risks and our commitment to reporting against TCFD recommendations, climate assessments are integrated into our overall enterprise risk management (ERM) framework. This is set out in our risk report on pages 53 to 62 of this Annual Report. Here, we summarise the risk management process in relation to climate-related risk.

This year, we have added an additional physical risk relating to supply chains, which is part of a broader principal risk (see page 62). The remaining risks and opportunities remain the same, but we have worked to quantify the financial risk against potential climate scenarios.

Board responsibilities – Audit Committee

The authority for delivering the risk framework is delegated by our Board to the Audit Committee, which formally reviews our risk performance twice a year, using our ERM framework.

Since 2022/23, the Audit Committee has considered climate-related risks as a standing item on its agenda, underlying the importance of this area to our business.

Executive and operational management

Our CFO is the executive responsible for overseeing the implementation of our ERM framework, and compliance with it across the Group. Risk management, which includes a review of climate-related risks together with other risks faced by the business, is a standing item on the agenda of our Executive Committee meetings, and formal feedback on risk management is integral to our operating company board meetings. This ensures accountability at each level for identifying, monitoring and proactively managing risk and compliance issues. Reviewing climate risk also forms part of Bytes' and Phoenix's board agendas. This is set out in the risk management section of our risk report on pages 54 to 56.

Our business processes ensure that the policies, procedures and control environment set by the Board, and our commitments on topics such as climate risk, are understood and adhered to across BTG. The factors we consider in drafting policies and procedures include regulatory requirements, reputational and physical risks, and our opportunities to advise our customers on sustainable technology solutions. The evaluation criteria include relevance to our industry and sustainability, regulatory and legal risks, financial implications and the areas of our business affected.

We manage our environmental impacts through the framework of the ISO 14001 environmental management system. ISO 14001 also requires that risks and opportunities be identified, and processes put in place to mitigate and manage them. Both Bytes and Phoenix are certified to ISO 14001. For more about our principal risks and how we manage and mitigate them, see pages 56 to 62.

Metrics and targets

Given the nature of our business, and the risks and opportunities presented by climate change (as set out in the tables on pages 57 to 62), the most relevant climate-related metrics and targets for our business are in calculating and meeting our near-term and net zero carbon reduction targets. Below are the targets we have set for carbon emissions, which we submitted to the SBTi this year for validation (the targets for 2025/26 do not meet SBTi's criteria for validation because of their proximity in time, but we will maintain these as business targets):

- To reduce our Scope 1 greenhouse gas (GHG) emissions by 50% by 2025/26 and 60% by 2030/31 from a baseline of 2020/21
- To reduce our Scope 2 GHG emissions by 50% by 2025/26 and maintain a 100% reduction by 2028/29 from a baseline of 2020/21
- To reduce our Scope 3 GHG emissions by 50% by 2030/31 from a baseline of 2022/23
- To reach net zero GHG emissions across the value chain by 2040/41.

Our net zero target is based on absolute emissions, but we are measuring against a revenue-intensity metric so we can assess the impact should the business significantly change. To meet our Scope 2 targets, we also have a commitment to maintain the purchase of 100% renewable electricity for our owned offices.

Annual bonuses for executive directors are based on achieving financial and non-financial targets, including an external ESG quality assessment. While detailed performance targets aren't disclosed for the forthcoming year, the outcome of the 2023/24 ESG target, based on the achievement of an ISS Quality and Governance Score, is set out on page 118 of the directors' remuneration report, with more detail set out on page 126.

In March 2022, we achieved our goal to be carbon neutral by offsetting our operational emissions through reputable carbon credit schemes. We did this through a partnership with carbon-offsetting company Ecologi, and this year we invested in carbon removal projects as well as carbon reduction, carbon avoidance, nature and community projects.

For more on our carbon metrics and progress to reduce carbon emissions, see Our planet on pages 38 to 43.

Our methodologies for reporting environmental metrics are set out in the appendix on page 195.

Maintaining a robust and agile approach to risk

In an uncertain year for global business, we closely monitored the risks to BTG, and the policies and procedures we have in place to manage them.

We're confident that our enterprise risk management (ERM) framework remains fit for purpose, keeping our business nimble and aligned to our cautious approach to risk.

The unsettled geopolitical and macroeconomic environment persisted this year, affecting business and people around the world. Russia's war in Ukraine continued unabated, contributing to higher energy prices and inflation. As tensions rose across the Middle East after the 7 October attack on Israel, strikes on commercial ships in the Red Sea forced companies to pay higher insurance rates or a higher cost to reroute goods around southern Africa. Meanwhile, interest rates remained high.

This all served as a strong reminder of the importance of having a robust, agile approach to managing risk. For us, risk management is a journey, requiring review throughout the year. It starts with defining our risk appetite, which was unchanged this year, as we maintained our cautious approach. Our ERM framework enables us to identify and manage risk, and we believe that it continues to serve us well. The changes we made in 2022/23, by including risk management as a standing agenda item at each of the subsidiary board meetings, have solidified the Group's bottom-up approach to risk.

Managing existing risks and identifying new ones

Through our ongoing risk monitoring process, we assess current and emerging risks. The evolving geopolitical and macroeconomic challenges this year increased the potential for economic disruption, especially as it affects our customers, which is one of our principal risks. While we remain vigilant, our business has performed strongly through various external crises in recent years, demonstrating its resilience.

Since our last Annual Report, we have added two new principal risks, reclassified an emerging risk as a principal risk and added one new emerging risk.

The first new principal risk relates to supply chain management, because a failure to monitor our suppliers could lead to reputational and financial damage. We also note that escalating conflicts could also affect our supply chain – although the risks from the Red Sea shipping disruptions are considered low because hardware is a comparatively small part of our business. The second new principal risk relates to the regulatory and compliance landscape, where changes in laws, regulations and industry standards could significantly affect our operations, financial stability and reputation.

In 2022/23, our primary emerging risk was climate change and sustainability. This year, the Group Risk Committee decided to elevate sustainability and ESG to a principal risk, given fast-changing regulatory requirements and enhanced scrutiny from stakeholders around reporting and disclosure requirements. The physical risk from climate change remains unchanged as an emerging risk, as does our second emerging risk from 2022/23, around keeping pace with social change.

This year we identified a third emerging risk, related to artificial intelligence (AI) and what it means for our customers. The potential AI risks include moral, legal and ethical issues relating to the information sources that the technology is trained on and extracting data from, and the social issues arising from the potential replacement of human roles in the workplace. However, for our business directly, we consider AI to be an opportunity, because we provide support and sell AI products to our customers.

Increasing the scope of internal audit

For nearly three years, we've been working closely with PwC as our internal audit partner. We have a good relationship and believe the partnership adds significant value to our risk management. This year, different PwC teams, outside the internal audit team, performed additional work documenting some of our key processes, including general IT controls, tax and governance, which maintains independence. Considering the growth of our business, we've asked PwC to increase its capacity by 15% to enhance assurance as we continue to grow.

While we will never be complacent, I'm confident that the steps we took this year, combined with our ongoing and careful risk management, mean we will remain resilient in the year ahead.

Andrew Holden
CFO
22 May 2024

Risk management

How we manage risk

BTG operates within the information and communications technology sector in the UK and Ireland. This means we are exposed to the risks that financial, political, regulatory, technological and legal events might bring – risks that could adversely affect how or whether we achieve our strategic, operational, compliance and reporting objectives.

Based on our ERM framework, our approach to risk identifies and addresses any potential barriers to achieving our strategic objectives and to making the most of opportunities for competitive advantage.

Our ERM-based approach

The purpose of ERM is to achieve three key objectives:

- Oversight – all critical risks are identified across BTG, and managed and monitored using a holistic approach that is consistent with our approved risk appetite
- Ownership and responsibility – the ownership of risk is assigned to individual senior managers, who are responsible for identifying, evaluating, mitigating and reporting our risk exposure
- Assurance – the Board, its committees, BTG's Executive Committee and operational management have reasonable assurance that we are managing risk appropriately within defined levels, and so that it brings value to our organisation.

This ERM framework is the foundation of our risk management approach. It's tailored to suit the way we operate – from functional management, up through our operating company boards to Group level. It's about managing risk across the organisation and enables us to deliver our strategy.

Our risk appetite

Our ERM framework reflects our risk appetite, which can be defined as cautious with a low inclination for taking risks that may result in significant disruption to the company's operations. Our appetite shapes how we make decisions about how best to manage each of our principal risks. We carefully evaluate the level of operational risk we are prepared to take.

Our risk governance structure

BTG

Board

Sets Group and operating company risk tolerance and sign-off levels

Owns Group risks, and those local operating company risks best managed centrally

Reviews risks using key performance indicators and seeks opportunities to reduce risk effects

Audit Committee

Reviews Group and operating company risks

Reviews effectiveness of risk management frameworks

Ensures operating company risk processes are aligned

Reviews decisions and KPI objectives to ensure the Board is controlling risks effectively

ERM framework

- **Financial risk**
- **Strategic risk**
- **Process and systems risk**
- **Operational risk**
- **Regulatory risk**

Operating companies

Operating company boards

Ensure that risks are managed appropriately, in line with Group guidance

Set operating company risk objectives, measure risk, authorise/support change for risk control and own board-level risks

Operating company risk committees

Including Cybersecurity Management Forum, Information Security Management Forum, Quality and Environment Forum, and Change Boards

Provide information and KPIs and ensure operational changes reflect risk objectives and corrective action is taken by owners

Operating company risk owners

Heads of department are responsible for ensuring risks are owned and operated according to board direction and oversight

Internal review

Using control standards to measure risk management and control effectiveness

External review

Provides assurance and counters any internal bias in evaluating risk management framework, techniques and control effectiveness

Internal experts

Provide expertise on risk management, tolerance, treatment and control; deliver objective advice to Group and operating companies; and ensure training increases knowledge and understanding

We seek to minimise the risks from unforeseen operational failures in our business and have suitable mechanisms in place to identify issues and take necessary actions to minimise losses.

Day to day, our ERM is about:

- Identifying negative and positive risk circumstances
- Assessing how likely or serious those risks could be
- Creating and monitoring a strategy to respond to those risks
- Creating value for our shareholders and other stakeholders
- Helping our businesses achieve their objectives by proactively minimising the risk in their business plans.

Our ERM framework helps the Board to identify risks directly, to own risks that are beyond the risk tolerance of our operating companies, and to collate a set of high-impact – or principal – risks relevant to our whole Group. In identifying risks, the Board is supported by our executives and managers across our business who are experts in their respective areas – for example, our cybersecurity specialists monitor cyberthreats.

BTG's directors have committed the organisation to a process of risk management that is aligned to the principles of the UK Corporate Governance Code, the Committee of Sponsoring Organizations of the Treadway Commission and the ISO 31000 Integrated Enterprise Risk Management Framework. The ERM methodologies are also defined through continued research and development, and are benchmarked against international best practice.

Although, through the Audit Committee, our Board has overall responsibility for risk – including establishing and maintaining our risk management framework and internal control systems, and setting our risk appetite – everyone at BTG plays a part in protecting our business from risk and making the most of our opportunities.

No matter how diligently we monitor our environment or scrutinise sophisticated global intelligence data, risks can appear and accelerate with little or no warning. We remain confident that the time, resources and effort we have invested, and will continue to invest, in managing risk have prepared and equipped us to manage threats effectively. We believe this means we can provide our business, people and customers with reasonable assurance of staying secure, and so continue to benefit from the opportunities in our sector.

Our primary emerging risk

In 2022/23, our primary emerging risk was climate change and sustainability. In October 2023, the Risk Committee agreed to elevate sustainability and ESG to a principal risk, given ever-evolving regulatory requirements, as well as enhanced and more in-depth reporting and disclosure requirements being expected by our stakeholders, including customers and investors (see page 62). The climate-related physical and transition risks remain as an emerging risk, because these risks are not yet materially affecting our business in the short to medium term (see pages 44 to 52).

Our Board manages and monitors emerging risks closely, with oversight from the Audit Committee. We put climate change and sustainability under particular scrutiny in 2023/24, fully calculating our Scope 3 emissions and submitting our near-term and net zero carbon reduction targets to the Science Based Targets initiative (SBTi).

Climate change

The physical impacts of climate change are a potential risk to our people and facilities, and to those of our customers and suppliers. Climate change's effects on the economic landscape, technology use and regulation could also be a threat.

While we're working to reduce our own impact on the climate, as a non-manufacturing business the greatest contribution we can make to alleviating climate change is by supporting our customers to use technology in a sustainable way – particularly by moving their IT products and services to the cloud.

To reduce our own environmental impact, in 2022/23 we relaunched our Sustainability Framework. This sets out our sustainability governance and targets, and how we will monitor and measure our progress. During 2022/23, as well as submitting our targets to the SBTi, we submitted our first scoring disclosure to CDP. We also remain certified by the ISO 14001 environmental operating system. Our approach supports organisations that are committed to working with sustainable suppliers, in line with our strategy of delivering high-net-value solutions.

Our Board continues to analyse what challenges could emerge from more climate change-related legislation or commitments by government, and their impacts on this emerging risk.

Our secondary emerging risk

In 2022/23, we identified a second emerging risk around social change, which we reviewed in the second half of 2023/24 and still consider to be emerging. Younger generations and post-pandemic attitudes could change the way we work and how we need to respond to our people. To identify changes, we are closely monitoring our recruitment, attrition rate and insights from staff, and we review this risk at every opportunity.

Keeping pace with social change

Our customer and talent pool might be limited if we are not seen as a progressive organisation. People, particularly of a younger age, are looking to engage with companies that do the right thing when it comes to being a responsible part of society. As younger generations join the workforce, we are starting to see changes in expectations around work-life balance. This is seen through generational and wider cultural change, as well as since the Covid-19 pandemic, and has led some to reconsider their life goals.

Risk management continued

We have long identified that our staff need more than just to be well paid: they need opportunities to develop, flexibility in their working arrangements and for the business to feel like a cultural fit. We continue to take steps to meet these expectations, and to build on the actions already taken – such as increasing the initial annual leave allowance, introducing company-wide personal development plans for all staff and increasing maternity pay. We have also introduced the option for staff to take two additional wellness days each year, plus a volunteering day. We regularly listen to our employees through Insights submissions and forums, and we encourage a culture of openness.

Generational changes have also brought more open minds, particularly in relation to gender, race, religion, sexual orientation and a desire to treat everyone equally – as well as to accommodating and celebrating difference. We already hold these values at our core, but need to continually monitor and keep pace with these changes. Not doing so could affect our ability to attract and retain not only employees but customers, when they also start to reflect new social values and require their supply chain to do the same.

Our tertiary emerging risk

In October 2023, we identified a third emerging risk from AI and the impact this might have on our customers and their employees. At the moment, we 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.

However, as well as opportunities, AI brings several inherent risks. These potential risks come from moral, legal and ethical issues, relating to the information sources that the AI technology is trained on and extracting data from, with potential copyright and other legal issues, and the potential replacement of many roles in the workplace in the longer term. We will discuss and review these through our ERM approach to risk management as the technology develops and its wider impact is better understood.

Right now, having fewer users within our customer base would negatively affect our profitability. And those most likely to be replaced with AI in the future are people who work with technology, rather than those who do manual work.

GenAI may also present a cybersecurity risk because, as it develops, the tool will allow for more sophisticated impersonation, such as deepfakes. These could be used in several ways to cause financial and reputational damage, including more convincing phishing attacks or 'fake' videos conveying incorrect information.

There is uncertainty about how, where and to what extent AI will affect society too. As such, our business will continue to review the risks and opportunities presented by this and other emerging technologies.

Our principal risks and uncertainties

In 2023/24, the economic situation remained as uncertain as last financial year, with the crisis continuing in Ukraine, increased inflation and uncertain geopolitics. Although we performed strongly and managed risks well last year, we have amended our principal and emerging risks to account for changes in the market and society, and with our vendors. We now have 14 rather than 11 principal risks, taking into account the following changes.

- The risks called Economic disruption and Inflation have been amended. Economic disruption now focuses on economic impacts affecting our customers, while Inflation now focuses on the internal effect on our employees.
- The risk called Increasing debtor risk has expanded and been renamed Working capital. It now includes the financial risk of an increased aged debt profile, as well as creditors and the risk of vendors changing their payment terms.
- We have expanded our definition of the risk called Competition to include the evolving competitor landscape, such as through AI and marketplaces.
- The risk called Relevance and emerging technology now incorporates the cost of staying current, and includes the cost of additional resources as well as upgrading the technologies we use and sell.
- We have expanded the risk called Business continuity failure to include risk to and from people – like insider threats.
- Under the risk called Attract and retain staff while keeping our culture, we have amended a widespread IT shortage to a shortage in emerging areas, such as AI, where expertise is in high demand.
- The risk called Climate change and sustainability has risen from being an emerging risk to a principal risk called Sustainability/ESG. The physical threats from climate change will remain as emerging, but the elevated principal risk is about keeping up with regulatory requirement changes and staying ahead of expectations from stakeholders.
- We have added a new principal risk called Supply chain management. The risk is based on the time and effort needed to manage the supply chain given increasing focus on compliance, audits, sustainability and reporting.
- We have added another new principal risk called Regulatory and compliance, which relates to the inherent risks from evolving regulatory and compliance landscapes.
- We are monitoring our new emerging risk around the impact of AI and machine learning. This technology has the potential to change the internal IT and working landscape and to present risks from moral, legal and ethical standpoints.

Financial

1 Economic disruption (Increase)	Risk owner CEO
The risk This risk includes the impact of the crises in Palestine and the Red Sea and the continuing conflict in Ukraine. It encompasses the uncertainties caused by global economic pressures and geopolitical risk within the UK. **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. Increased costs from shipping diversions away from the Red Sea could have time and cost implications for imported goods. Economic disruption could also affect the major financial markets, including currencies, interest rates and the cost of borrowing. The high inflation rates seen in 2022 and 2023 have decreased but are still above target rates. Economic deterioration like this could have an impact on 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.	**How we manage it** We have so far continued to perform well during high inflation, the conflict in Ukraine and the UK leaving the EU, as well as during the current cost-of-living crisis, disruption to shipping through the Red Sea and the Israel–Palestine conflict. These real-life experiences of high inflation, rising cost of living, Covid-19, exchange rate fluctuations and the UK leaving the EU 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. 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 through outsourcing their IT to managed services. This may create an opportunity to accelerate our service offerings.
2 Margin pressure (No change)	**Risk owner** MDs of subsidiary businesses
The risk BTG faces pressure on profit margins from myriad directions, including increased competition, changes in vendors' commercial behaviour, certain offerings being commoditised and changes in customer mix or preferences. **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 again sought to increase margins where possible, while cost increases from vendors have grown our margins organically. 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. We aim to agree acceptable profit margins with customers upfront. Keeping the correct level of certification by vendor, early deal registration and rebate management are 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.

Changes since last financial year

- Increase
- No change
- Decrease

Our principal risks and uncertainties continued

Financial

3 Changes to vendors' commercial model

Risk owner CEO

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 the commercial models are changed significantly.

The impact

These incentives are very valuable and contribute to our operational profits. Significant changes to the commercial models 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. Where vendors have changed, such as Broadcom purchasing VMware, we have also seen AWS and Dell increasingly embrace the reseller community. So, overall, for BTG the severity of this risk is unchanged.

We closely monitor incentive income and make sure staff are aligned to meet vendors' goals so that we don't lose out on 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.

The materiality of this risk has not been realised yet, but it remains a risk.

4 Inflation

Risk owner CFO

The risk

Inflation in the UK, as measured by the Consumer Price Index (CPI), was 10.1% in March 2023 and more than halved to 3.2% by March 2024. This rate is above the Bank of England's target of 2%, although expectations suggest it could be 2% by the second half of 2024.

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 have a risk for retaining and attracting employees and customers.

How we manage it

Staffing costs make up most of our overheads, so our attention has been focused on our employees and their ability to cope with the rising cost of living.

At the start of 2023/24, varying levels of wage increases were rolled out for our employees, with a greater percentage increase for lower-paid staff. This was to help our employees maintain their standard of living and be able to keep up with essentials such as rent and mortgage payments, and energy and food bills.

5 Working capital

Risk owner CFO

The risk

As customers face the challenges of inflation and elevated interest rates in the current economic environment, there is a greater risk of an increasing aged debt profile, with customers slower to pay and the possibility of bad debts.

Vendors' changing payment terms could also have a significant impact.

In 2023/24, we have seen debtor days stabilise as inflation has reduced, but the number of days is yet to return to base level.

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. In the past financial year, BTG hasn't had any significant bad debt or write-offs.

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.

Strategic

6 Vendor concentration

Risk owner CEO

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.

Geopolitically, global shortages of computer hardware, components and chips could occur, which might limit our and our customers' ability to purchase hardware for internal use. This could lead to delays in customers purchasing software that is linked to, or dependent on, the hardware being available. Reduced access to computer chips could also slow down vendor innovation, leading to delays in creating new technology to resell to customers.

Uptake of AI is expected to increase rapidly. While this represents an opportunity, the development of AI by a handful of companies, including Microsoft, has the potential to further concentrate revenue and profit across fewer vendors.

This risk is also heightened by changes to shipping routes, if certain channels are made unsafe.

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.

Hardware is not a core element of our business but is a steady sector, so we monitor supply closely. We also monitor the geopolitical situation continually and work closely with suppliers to stay fully informed, so that we can respond quickly should the landscape change. With a diverse portfolio of suppliers and vendors, we are able to offer alternatives to customers if there is a particular vendor with a supply issue. Given this risk is largely driven by geopolitical and macroeconomic factors, we maintain a watching brief so that we can react swiftly if we need to.

7 Competition

Risk owner CEO

The risk

Competition in the UK IT market, or the commoditisation of IT products, may result in BTG being unable to win or maintain market share.

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.

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 impact

This risk could have a material, adverse impact on our business and profitability, potentially needing 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 AWS Marketplace and can sell to our vendors through its platform, which gives discounts to the customer versus buying directly.

AI/machine learning has been identified as a new emerging risk, and so will be explored and monitored 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.

Our principal risks and uncertainties continued

Strategic

8 Relevance and emerging technology

Risk owner CEO

The risk

As the technology and security markets evolve rapidly and become more complex, the risk exists that we might not keep pace and so fail to be considered for new opportunities 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 solution 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.

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 from this is relatively low.

Processes and systems

9 Cyberthreats – direct and indirect

Risk owner Chief Information Security Officer

The risk

Breaches in the security of electronic and other confidential information that BTG collects, processes, stores and transmits may give rise to significant liabilities and reputational damage.

The impact

If a hacker accessed our IT systems, they might infiltrate one or more of our customer areas. This could provide indirect access, or the intelligence required to compromise or access a customer environment.

This would increase the chance of first- and third-party risk liability, with the possible effects of regulatory breaches, loss of confidence in our business, reputational damage and potential financial penalties.

How we manage it

We use intelligence-driven analysis, including research by our internal digital forensics team, to protect ourselves.

This work provides insights into vulnerable areas and the effects of any breaches, which allow us to strengthen our security controls.

We have established controls that separate customer systems and mitigate cross-breaches. Our cyberthreat-level system also lets us tailor our approach and controls in line with any intelligence we receive. Our two subsidiaries share insights and examples of good practice on security controls with one another – and the security operations centre located at Phoenix's offices provides the whole business with up-to-date threat analysis.

Operational

10 Business continuity failure	Risk owner CFO
The risk Any failure or disruption of BTG's people, processes and IT infrastructure may negatively affect our ability to deliver to our customers, cause 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. 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 Chief Technology Officer and Head 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 teams 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. Increased automation means a heavier reliance on technology. Although it can reduce human error, it can also potentially increase our reliance on other vendors. 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 vulnerability assessments.
11 Attract and retain staff while keeping our culture	**Risk owner CEO**
The risk The success of BTG's business and growth strategy depends on our ability to attract, recruit and retain a talented employee base. Being able to offer competitive remuneration is an important part of this. Three factors are affecting this: – Inflation, which is still influencing salary expectations and wage 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. Maintaining our BTG culture also affects how we attract and retain staff, which might be affected by growth. **The impact** Excessive wage inflation could either drive up costs or mean we are unable to attract or retain the talent pool we need to continue to deliver our planned growth.	**How we manage it** We continually strive to be the best company to work for in our sector. One of the ways we manage this risk is by growing our own talent pools. We've used this approach successfully in our graduate intakes for sales, for example. BTG also runs an extensive apprenticeship programme across multiple business divisions. We also review the time that management has to coach new staff. Maintaining our culture is important to retaining current staff. We maintain our small-company feel through regular communications, clubs, charity events and social events. We aim to absorb growth while keeping our culture.

Our principal risks and uncertainties continued

Operational

12 Supply chain management

Risk owner CEO

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.

The impact

Managing supply chains is important to the sustainability of the business from a legal, financial, reputational, ethical and environmental viewpoint.

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.

Escalating conflicts could also affect our supply chain – for example, rerouting shipping around southern Africa adds journey time and increases carbon emissions.

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.

Phoenix has appointed a procurement manager and Bytes has established a cross-disciplinary group to work on managing suppliers.

We consider the impact from shipping risks to be lower, given that only a small part of our profit and revenue come from hardware.

Regulatory

13 Sustainability/ESG

Risk owner CEO

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 Audit Committee.

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.

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.

Disclosures are made through several channels, including CDP. We submitted our carbon reduction targets to the SBTi in December 2023, 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.

14 Regulatory and compliance

Risk owner CEO

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.

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.

How we manage it

We engage external experts. BTG works closely with external authorities, including through internal and external audits and paid-for consultancy, to advise on expected changes to regulations and the Group'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. Compliance teams in each operating company 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, operating company board meetings and BTG Board meetings are forums for raising and discussing changes that affect multiple areas of the business.

Non-financial and sustainability information statement

We are required to include a non-financial information statement in our strategic report, under Sections 414CA and 414CB of the Companies Act 2006, as amended by The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. We cover the information required by these regulations in Our business model page 9, Sustainability review (pages 30 to 43), and our risk report and viability statement (pages 53 to 62 and pages 64 to 65).

More about us

Here we summarise where you can find more information – in this Annual Report and on the websites of BTG, Bytes and Phoenix – for each of the key areas of disclosure that the Companies Act 2006 requires.

	Relevant policies
Environmental and social matters	
This year, we provided more disclosure on BTG's environmental and social commitments, including again reporting on the Task Force on Climate-related Financial Disclosures (TCFD). We reported progress on our environmental and social approach, including expanding our emissions reporting to all relevant ten categories of Scope 3 and exceeding our target on Scope 2 by switching to renewable electricity. This year, BTG employees spent more than 1,500 hours volunteering for local charities and in their communities. For more information, see our sustainability review from pages 30 to 43 and the TCFD section on pages 44 to 52.	**BTG:** Sustainability Framework; CSR policy statement; Low-carbon action plan **Bytes and Phoenix:** Environmental matters; CSR/Sustainability
Our employees	
Our positive and inclusive culture, good employee engagement, and commitment to diversity, equality and inclusion are integral to BTG's success. We support initiatives to help improve diversity, equality and inclusion, with progress monitored by senior management and the Board. Our Board acknowledges there is more we need to do to improve diversity and we will continue with our efforts. Employees can report whistleblowing concerns directly to the CEO or through an independent charity offering a confidential helpline. We have a process for investigating whistleblowing reports and our whistleblowing policy is available at bytesplc.com. There were no whistleblowing reports this financial year. Encouraging outcomes of our employee engagement included achieving a 71 employee net promoter score, and Bytes and Phoenix being again Great Place to Work-certified in 2023. For more information, see our people section on pages 32 to 35 the Board's year on page 77, stakeholder engagement on page 79, and the Nomination Committee report on pages 94 to 97.	**Bytes and Phoenix:** Health and safety; Diversity, equality and inclusion; Gender pay gap report
Respect for human life	
We believe that modern slavery and human trafficking are the key human rights areas that our operations could be affected by. Given, though, that we operate predominantly in the UK and Ireland, where established legislation and systems protect human rights, we believe that this is not a material issue for BTG.	**BTG:** Modern slavery and human trafficking; Supplier code of conduct **Bytes and Phoenix:** Modern slavery and human trafficking
Anti-corruption and anti-bribery	
We operate anti-corruption and anti-bribery procedures that support compliance with the UK Bribery Act and other legislation.	**Bytes and Phoenix:** Fraud, bribery and money laundering
Business model and KPIs	
Our business model includes non-financial inputs and outputs. Our Board regularly reviews both financial and non-financial KPIs, which are relevant for monitoring the performance of the business and have a clear link to delivering against our strategy. We disclose performance against our KPIs. For more information, see our business model on page 9 and our KPIs on pages 16 to 17.	

Our policies are subject to periodic review, with updates made as and when required. To find out more about our policies visit bytesplc.com/sustainability/governance, bytes.co.uk/company/corporate-policies and phoenixs.co.uk/about-us/corporate-policies.

Our viability statement

Our Board of directors has evaluated BTG's prospects over a three-year period from the end of the financial year, in line with provision 31 of the UK Corporate Governance Code.

The directors have chosen a viability assessment covering a period of three years to February 2027. They believe this is the most appropriate and realistic time over which they can anticipate events and assess how existing risks are developing and new risks emerging.

Operationally, this is the time over which BTG has a view of:

- Major customer contracts, typically Microsoft Enterprise Agreements, which run for three years
- The extension of our main public sector framework agreement with Crown Commercial Services (RM6098 Technology Products & Associated Services 2 (TePAS 2)) to 7 October 2027
- The availability of external funding from our HSBC revolving credit facility, which runs until May 2026 and includes an optional one-year extension to 17 May 2027, so covering the whole of the viability period, if required. This facility has never been drawn against to date and our cash flow forecasts for the next three years show that it is unlikely to be so in that period. BTG will consider extending the facility if required closer to its end date, and currently does not foresee this being an issue.

The Board has performed a robust risk assessment of the principal risks and uncertainties facing BTG, as outlined on pages 53 to 62. These are risks that may pose a threat to our future financial performance, our ability to meet future commitments and liabilities as they fall due, and the ongoing viability of our business model.

Most recently, in light of the changes within the Board itself, notably the resignation of the former CEO at the end of 2023/24 and the appointment of the new CEO in May 2024, the Board has further assessed if there could be an associated potential loss of revenues, if relationships with customers or suppliers are affected, or if there could be an adverse effect on staff and culture more generally, which could make it harder to retain and recruit. Having passed the initial phase of change and publicity around it, at an operational level we have seen no adverse reaction from customers, vendors, suppliers or staff to date, and any potential negative impact is likely to diminish as we move through the viability period. We believe our stress tests, detailed below, consider downsides around reducing income that are sufficiently severe to cater for any adverse impacts from these Board changes, should they arise.

BTG's gross invoiced income, gross profit and adjusted operating profit increased by 26.7%, 12.5% and 12.2% respectively in 2023/24. The strong growth in gross invoiced income reflects the success of the business in winning large public-sector Microsoft contracts, demonstrating our strength and credibility when bidding for substantial government software opportunities under the Crown Commercial Services framework agreements. Given the competitive tendering process involved, these sales are typically won at reduced initial margins.

As a result, the growth in gross profit and adjusted operating profit is lower, although still comfortably double-digit. Over the course of the contracts, typically three to five years, we have a strategy and track record of growing the profitability of those contracts and opening up other software, hardware or services opportunities within those accounts. This reinforces the ongoing viability of our business model, because new accounts such as these grow over the viability period.

More generally, the 2023/24 results demonstrate our ability to grow our key performance metrics while remaining resilient to the impact of external disruptions. The directors believe this is due to our mix of customers in the corporate and public sectors, strong relationships with our primary vendors, the demonstrable value we add to our customers and our highly skilled employees establishing competitive advantage in an increasingly digital age.

The Board reconfirmed BTG's strategy in November 2023 and central to its conclusion that BTG and our operating companies will continue to operate and meet our future commitments and liabilities over the next three years are:

- The relatively limited impact of external factors on customer expenditure
- Our proven ability to secure strong levels of customer renewals and to grow the business by winning new customers.

We carried out the stress tests detailed below, which helped us make sure that our assessment accurately reflected the changes to our business in the past year – such as our evolving risk management process, and the overall industry and economic climate.

How we stress-tested our business

In our stress-testing, we evaluated our viability by reconsidering:

- The market forecast models for our industry
- Our current and future strategies
- The potential financial impacts of our stated principal risks.

The principal risks were considered individually and collectively, in the context of global political and economic factors and continued uncertainty around the crises in Ukraine and the Middle East.

In assessing our viability, we applied potential downside changes to three key financial measures – gross invoiced income, gross profit and debtor collections – to see how their performance would alter if our principal risks and uncertainties were realised. Such a realisation is considered remote, given the robust nature of our business model combined with the effectiveness of our risk management and control systems and our current risk appetite.

However, we focused on these three financial measures because we believe they're the most likely to be adversely affected – and to create a progressively negative impact if they deteriorate continually over the viability assessment period.

We also set out our operational mitigations below by considering the extent to which negative impacts on the three financial measures could be offset by freezing future pay and recruitment of new heads and by making savings in discretionary spend. More automatic and immediate mitigation is 'built in' because commission payments would fall in line with the reduced gross profit, 'natural' leavers would not be replaced and lower dividend payments would result from the reduced profits.

Our most extreme downside scenario, case two below, is set within the context of uncertainty around the current economic conditions and geopolitical environment. In this scenario, we considered the potential effect of a generalised economic downturn on our customers' spending patterns. We also took the most extreme considered downside for each of the three financial measures and considered that only partial mitigation would be possible.

Details of our stress-testing

BTG compared a base case scenario and two downside scenarios. In each of the downside cases, we considered two levels of mitigation, full and partial:

- Base case – this was forecast using the growth rates included in the Board-approved budget for the year ending 28 February 2025, extended until 28 February 2027
- Downside case one – this severe but plausible scenario modelled gross invoiced income reducing by 10% year on year, gross profit reducing by 15% in the same period, and debtor collection periods extending by five days (all from June 2024)
- Downside case two – this stress scenario modelled both gross invoiced income and gross profit reducing by 30% year on year, with debtor collection periods extending by 10 days (again, all from June 2024)
- Partial mitigation measures – with the onset of both downside cases, we modelled immediate 'built-in' reduction of commission in line with falling gross profit, freezing recruitment of new heads and not replacing natural leavers from September 2024, freezing future pay from March 2025 (given current year rises are already committed) and freezing rises in general overheads from March 2025
- Full mitigation measures – in addition to all the partial measures, these modelled additional headcount reductions from March 2025, in line with falling gross profit.

The impacts of climate change were considered but, because the Board and management consider that the impacts will be immaterial, they fall within the current (base case) scenario.

The pay and headcount mitigations applied in the downside scenarios are within BTG's control and, depending on how severe the impacts of the modelled downside scenarios are, the Group could activate additional 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 because, 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 action. We would also be able to take more action to lower our operating cost base, given the flexibility of our business model.

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

So the Board believes that all mitigations have been applied prudently and are within BTG's control.

Our confirmation of viability

Having assessed the financial impact on our results of these stress-tested models, the Board concluded that our reserves of cash, our ability to reduce spending and to extend our revolving credit facility up to May 2027 – along with our projected revenue and profitably over the review period – would mean we could continue trading over the next three years.

Section 172 statement

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 Group's investors, customers, suppliers and vendors, and communities and the environment in our decision making and in how we deliver our strategy to achieve long-term, sustainable success.

The Board continues to ensure it acts in good faith and to promote the success of the Group for the benefit of shareholders and, in doing so, having regard for the Group's key stakeholders and other matters set out in Section 172(1) (a) to (f) of the Companies Act 2006.

More information on how we, as a Board, have fulfilled our duties to our stakeholders under Section 172 of the Companies Act 2006 can be found on pages 78 to 82.

The Board approved the strategic report on pages 1 to 65 of this Annual Report on 22 May 2024.

Patrick De Smedt
22 May 2024

An ongoing focus on enhancing our governance processes

Governance report

Chair's introduction to corporate governance

Our ongoing focus on strengthening the Board and enhancing our governance processes meant we were well placed for the unexpected challenges we faced this year.

As a Board, we embrace the principles of the UK Corporate Governance Code (the code). We're committed to making sure that we comply with the code and that we continually look to improve our systems of governance. We were therefore particularly shocked by the actions of former CEO, Neil Murphy, who resigned in February over undisclosed share dealing, not least because this came in the wake of the discovery in July 2023 that non-executive director, Alison Vincent, had not disclosed a purchase of shares by a person closely associated (PCA) with her. I discuss these fully in the highlighted section of this statement on pages 69 to 70.

Here, I'd like to focus on the hard work the Board has done throughout the year to improve our systems of governance, and to support and welcome new Board members. I am confident that our work, which has resulted in stronger governance, will help us all to support and constructively challenge our new executive team as they continue to deliver BTG's impressive growth record.

Welcoming new directors to the Board

The composition of the Board was a key priority for us during the year, as we continued to broaden our skills and diversity. We were delighted to welcome Sam Mudd, then MD Phoenix, to the Board as an executive director in July at the 2023 Annual General Meeting, with her extensive knowledge of the business and our culture. In February 2024, Sam was appointed Interim CEO, and then CEO in May 2024.

Following Alison Vincent stepping down from her position as a non-executive director at the end of her three-year term, in October 2023, we moved swiftly to identify a suitable replacement. After a thorough recruitment process, we arrived at a shortlist of three impressive candidates, and I'm pleased that all were women from ethnic minority backgrounds. We welcomed Shruthi Chindalur as a non-executive director in February 2024. She is highly experienced in the technology industry, with a proven track record in commercial and operational leadership. After the year end, we also announced the resignation, with immediate effect, of Mike Phillips as a non-executive director.

We are now looking forward to welcoming two new independent non-executive directors on 1 June 2024: Ross Paterson and Anna Vikström Persson. Ross will take up the role of Chair of the Audit Committee, with Erika Schraner stepping down from her current role as Interim Audit Committee Chair, although she will remain a member of the committee. Ross will also join the Nomination, Remuneration and new ESG Committees. Anna will join the Audit, Nomination and Remuneration Committees, and will also become Chair of the ESG Committee, which, from 1 June, will monitor the implementation of BTG's ESG and sustainability strategy (see page 77 for more details).

Patrick De Smedt
Chair

Addressing undisclosed share dealings

Resignation of CEO

Former CEO Neil Murphy's resignation followed a voluntary request for information (RFI) from the Financial Conduct Authority (FCA) on 14 February 2024. The RFI indicated that Neil may have conducted additional transactions in the company's shares that were not disclosed to the market or the FCA since the company's IPO. Following this, on 21 February 2024 Neil resigned with immediate effect, indicating that he had failed to make disclosures related to his share dealings. The company announced this on the same day.

It transpired that Neil had engaged in unauthorised and undisclosed trading in the company's shares between January 2021 and November 2023, which the company was notified of and announced on 23 February 2024. This revelation came as a shock to the other Board members, especially considering the company's previous investigation during 2023 into an unrelated share dealing disclosure matter as set out below, which had clearly highlighted to all Board members the importance of accuracy and transparency in all matters related to share dealings by persons discharging managerial responsibilities (PDMRs) (which includes the directors) and persons closely associated (PCAs) with them.

Subsequently, on 12 March 2024, Neil's lawyers provided the company with more information outlining additional transactions between December 2021 and November 2023, which were undertaken in the name of his wife (a PCA). The company announced this on 13 March 2024. Neil, through his legal representatives, reiterated that there were no other relevant transactions.

Given Neil's longstanding leadership position at the company, the Board was saddened as well as shocked by his actions, which were entirely at odds with the values of openness, honesty and transparency that have been, and remain central, to the Group's culture and its ongoing success.

Revised directors' shareholding information

As a result of these undisclosed trades, the company is aware that each Annual Report and Accounts for the three years ended 28 February 2021 (2020/21), 28 February 2022 (2021/22) and 28 February 2023 (2022/23) show incorrect directors' shareholding disclosures for Neil, despite him having confirmed to the company and to the Group's auditors, Ernst & Young LLP (EY), as part of the external audit, that these disclosures were correct.

Taking all the disclosed and undisclosed transactions known by the company to date into account, the company has produced reconciliations to its previously announced PDMR notifications in respect of Neil and the disclosed positions in the 2020/21, 2021/22 and 2022/23 Annual Report and Accounts (see pages 121 to 122). Through his lawyers, Neil has been provided with those reconciliations and has confirmed that the information is correct and there are no other transactions that need to be considered. None of these matters had any impact on the financial position and performance of the company as presented in those annual reports.

The company is cooperating fully with the FCA, and will continue to do so, and provided a response to its RFI on 8 March 2024 that pertains to the company's processes and procedures.

Previous investigation during year ended 29 February 2024 (2023/24)

Earlier in 2023/24, the Board, through an appointed subcommittee, undertook an externally facilitated review of the circumstances relating to a share purchase by a PCA of Alison Vincent, a now former non-executive director of the company, not being notified to the company. The Board has since implemented the recommendations from that investigation.

On 14 July 2023, the company notified the market of a purchase of shares by a PCA of Alison Vincent that had taken place on 29 March 2022. The company was not duly notified of the full details of this trade until 30 May 2023. At that time, the company did not issue a notification to the market regarding this trade, because the value of this PCA transaction fell below the de minimis threshold of EUR 5,000 under Article 19(8) of the Market Abuse Regulation (EU) 596/2014 (UK MAR), which is part of English law by virtue of the European Union (Withdrawal) Act 2018. At the company's Board meeting on 11 July 2023, the Board confirmed that the company's Securities Dealing Code did not include this de minimis exclusion and its policy was to disclose all PDMR dealings notified to the company to the market via RNS. The company then issued an RNS on 14 July 2023 setting out details of this transaction.

As a result, the directors' shareholding information in the 2021/22 and 2022/23 Annual Report and Accounts was incorrect by 608 shares with respect to the shareholdings of Alison and her PCA.

Chair's introduction continued

Addressing undisclosed share dealings continued

To establish the root cause of these issues and make recommendations for improvement, the Board appointed a subcommittee of the Board. The subcommittee engaged PwC to undertake independent investigative work to establish the facts of what had happened and to advise whether the 2021/22 or 2022/23 Annual Report and Accounts would need to be revised. In addition, Travers Smith LLP, the company's external legal counsel, provided advice as to whether certain regulations had been breached. Both firms were asked to make recommendations for improvements to the company's corporate governance around continued training and awareness, annual reviews of governance controls and PDMR share dealing processes. The subcommittee also engaged with EY in respect of the incorrect disclosure in the directors' remuneration report about directors' shareholdings in the 2021/22 and 2022/23 Annual Report and Accounts.

The subcommittee completed its work in early October 2023. The conclusion of its investigation was that the 2021/22 and 2022/23 Annual Report and Accounts did not need to be reissued. There is, however, a prior-year adjustment to the directors' shareholding table in this year's directors' remuneration report (see page 121). At the same time, recommendations from the subcommittee provided by PwC and Travers Smith have been implemented, and the company is maintaining records of ongoing activities to monitor progress.

Throughout this investigation, it was emphasised with clarity to all directors and PDMRs that any share dealings involving the company's shares must be reported to the company and the FCA, and that clearance to deal must be sought in advance of any trades. At no relevant time during the above investigation did Neil Murphy disclose to the Board his own or his PCA's incorrect shareholding position in the 2020/21, 2021/22 and 2022/23 Annual Report and Accounts.

Outcome of investigation

Further to the announcement on 18 March 2024, the investigation overseen by a second subcommittee of the Board, with advice from PwC and Travers Smith, has now been completed. The conclusions from the investigation have been reviewed by the Board. In summary, the investigation has found no evidence that Neil's share dealing involved any other parties, nor any evidence of a wider pattern of misconduct by Neil, affecting or implicating any of BTG's staff, customers or suppliers. Neil has expressed profound regret for his failure to comply with regulations and the impact of his actions on both BTG and his former colleagues.

BTG has reached a settlement with Neil whereby he has agreed to forfeit his entitlements under the Company's Performance Share Plan and Deferred Bonus Plan in their entirety, meaning that no further amounts will be received by Neil under these schemes, and that he will repay his after-tax bonuses since IPO to the company, through BTG's clawback provisions. More details are set out in the Companies Act 2006, Section 430(2B) statement published on our website at bytesplc.com.

The investigation also carefully considered the company's procedures for monitoring and reporting the shareholdings of directors, PDMRs and their PCAs, and has undertaken a detailed review and reconciliation of the shareholdings of current and former PDMRs. This exercise identified minor discrepancies that have been correctly disclosed in the directors' remuneration report on page 121, with restatement of the prior period comparators where necessary. Following this review, the opportunity has been taken to implement additional measures to strengthen these processes across the company.

In the Board's opinion, this has been a thorough and robust review of the circumstances surrounding Neil's resignation and his undisclosed share transactions. The Board has sought to balance the extent and depth of this work with the need to draw conclusions in a timely way.

Settlement arrangement for the former CEO

Settlement arrangements for Neil can be found on bytesplc.com and in this year's directors' remuneration report on page 122.

The appointments of Sam, Shruthi and, soon, Anna mean we are aligned with the FCA Listing Rules of having women represent at least 40% of the Board, and of having at least one director from an ethnic minority background. We also exceed the requirement to have at least one senior role held by a woman, with Sam as CEO and Erika as senior independent director. Meeting or exceeding these targets is an important milestone, but what matters more is that we continue to focus on diversity as we expand the Board. Diversity is about more than ethnicity and gender, of course, but these attributes tend to bring with them the diversity of thought and mindset that's so important to a healthy debate around the Board table.

Training and development for our directors

Developing our people through learning is an important factor in our company's success, and I was pleased to note the emphasis on managerial training this year, especially given the number of new joiners. The company's culture of continual learning extends to the Board too and, during the year, we put a lot of time and effort into training and development for our members.

As part of the audit process, our external auditor, EY, provided the Board with an update on the UK corporate governance landscape. Our Board members also enrolled in the Deloitte Academy programme, which provides support and guidance to directors through webinars, seminars and discussions. Meanwhile, the chairs of our Audit, Remuneration and Nomination Committees attended sessions with a governance specialist to help them further develop in their role. This focus on ongoing training and development has continued into the new financial year, including re-emphasising the company's internal share dealing processes and reporting.

Monitoring and strengthening governance

As directors, we're always looking for ways in which we can carry out our duties better when it comes to governance (see pages 76 to 77 and 94 to 97). At BTG we have two operating businesses: Bytes Software Services and Phoenix Software, with their own unique business plans appropriate for their unique customer bases. But we are still one company, and our governance needs to reflect that. Andrew Holden, our CFO, makes sure that where we have functional areas that relate to both operations – for example, technology, software development and security – we have committees with representatives from both businesses. We also aim to share relevant best practice in these areas across Bytes and Phoenix.

This year, we established a legal forum at Group level, with relevant input from our businesses. This is an important development from a governance perspective and will help us to better understand and review the regulatory and compliance risks in both parts of the organisation.

The Board is also focused on ensuring the effectiveness of our internal controls framework. We work on this with our internal auditor, PwC, which has all the necessary skills to do the internal audit work for us, and we will continue working with its team in the next financial year.

As in previous years, sustainability has continued to be a strong priority for the Board. BTG has a sustainability framework and we closely monitor the KPIs to make sure we're on the right track. This year, our Group sustainability manager helped drive and coordinate efforts across the Group. We met two important milestones in reporting on all emissions and submitting our carbon reduction targets to the Science Based Targets initiative.

Supporting and challenging BTG's strategy

One of the Board's key duties is to support and challenge the executive on defining and pursuing a strategy that will deliver long-term sustainable success and shareholder value. As is our custom, we held a strategy day this year with the executive team to monitor our progress and to assess whether we are focusing on the most important areas. Among the issues we focused on during the year was taking steps to address ongoing margin pressures amid increasing competition for contracts, particularly in the public sector, as well as expanding our mix of products and services,including strongly positioning us within the emerging area of AI-enabled tools.

Our priorities for the coming year

Continuing to strengthen our governance processes will be top of our agenda, along with supporting and challenging our new executive team in their work to keep delivering double-digit growth while protecting gross margins. We will also keep a close watch on our customer service metrics, the use of AI-enabled tools internally and among our customers, and our progress on ESG and sustainability. And, as always, we'll continue to focus on supporting our people and the culture that is so critical to our success.

Patrick De Smedt
Chair
22 May 2024

Board of directors

Our directors draw on a rich pool of collective industry knowledge and skills and experience of UK and international business, gained from senior roles both within BTG and in other leading companies.

Patrick De Smedt
Chair

Nationality Belgian, British
Age 68
Appointed 15 October 2020

Patrick is Chair of the BTG Board and our Nomination Committee and is a member of our Remuneration Committee.

Patrick has a strong track record in international business, including 23 years in senior roles at Microsoft. During his two decades at Microsoft, he founded the company's Benelux subsidiaries, led the development of its Western European business and served as chairman of its Europe, Middle East and Africa region.

Since leaving Microsoft in 2006, Patrick has served as chair and non-executive director on the boards of a diverse range of European public and private equity-backed companies. He was previously chair of EMIS Group plc and non-executive director and chair of the remuneration committee of Victrex plc, senior independent director and chair of the remuneration committee of Morgan Sindall plc and Anite plc, senior independent director of Page Group plc and interim chair of KCOM Group plc.

External board appointments
None

Committees
Nomination
Remuneration

Attends by invitation
Audit

Sam Mudd
Chief Executive Officer

Nationality British
Age 55
Appointed 12 July 2023

Sam brings more than 20 years' experience in leadership positions to the Board. Sam joined Phoenix in November 2003, having previously held senior roles at WordPerfect, Novell Inc. and Trustmarque Solutions. Sam became MD Phoenix in 2014, overseeing a period of significant growth during which Phoenix won numerous awards, including Microsoft UK Partner of the Year 2021. She joined the Board on 12 July 2023 and was appointed as CEO on 10 May 2024.

In October 2020, Sam won the Industry Achievement Award at IT reseller magazine CRN's Women in Channel Awards. Two years earlier, she was named 2018 Business Leader of the Year at the Women in IT Awards.

Outside her work with the Group, Sam is a member of the Board of Trustees of Scarborough's Saint Catherine's Hospice.

External board appointments
Saint Catherine's Hospice Trust

Committees
Attends by invitation
Audit
Nomination
Remuneration

Andrew Holden
Chief Financial Officer

Nationality British
Age 57
Appointed 21 October 2021

Andrew brings strong financial and commercial acumen to the Board, and has a proven record of delivering insights into strategy implementation and executive decision making. In his role as CFO, he has guided the Group, as it continues to pursue its double-digit growth strategy.

He joined BTG as COO on 1 June 2021 from JSE-listed technology company Altron Limited, BTG's former parent company, from which it demerged in 2020. He was subsequently appointed as BTG's CFO and a Board member on 21 October 2021.

Andrew has extensive financial and operational experience in the information and communications technology sector, having spent more than 27 years at Altron, the last 15 years in senior leadership roles. His most recent Altron position was that of COO, which he held for five years, including a period when he was also acting CFO.

External board appointments
None

Committees
Attends by invitation
Audit
Nomination
Remuneration

Chair

Dr Erika Schraner
Senior independent director

Nationality British, American, Swiss
Age 56
Appointed 1 September 2021

Erika brings more than 25 years' experience in senior leadership positions to the Board of BTG. During her executive career, she spent more than 18 years working in Silicon Valley and held senior professional services roles with Ernst & Young and PricewaterhouseCoopers. Erika earned a PhD in management science and engineering at Stanford University.

In 1994, she began her executive career with IBM, going on to hold roles at REL Consultancy Group, Computer Science Corporation and Symantec Corporation. During her tenure at Symantec, Erika led the team responsible for M&A in its sales and services division, completing 16 acquisitions including the $13.5-billion merger between Symantec and Veritas.

Erika continued to build her transaction experience at Ernst & Young, where she led the firm's technology M&A advisory services for the Americas, and more recently with PwC, where she was the UK leader for M&A integration services and for technology, media and telecommunications M&A advisory services.

External board appointments
JTC plc, Pod Point Group Holdings plc, HgCapital Trust plc, Videndum plc (until 19 June 2024)

Committees
Audit
Nomination
Remuneration

Shruthi Chindalur
Independent non-executive director

Nationality Indian
Age 46
Appointed 1 February 2024

Shruthi has more than 20 years' experience across the technology, software as a service and advertising technology industries. She was most recently an executive managing director at the advertising group Criteo, where she led EMEA and Global Indirect Channels. Shruthi has also held a number of senior commercial roles at Oracle and LinkedIn, with responsibility for markets across APAC, EMEA and the Americas.

She is currently a non-executive director of The Access Group, a leading provider of business management software to small and mid-sized organisations in the UK, Ireland and APAC.

External board appointments
The Access Group

Committees
Audit
Nomination
Remuneration

Board changes

- Ross Paterson has been appointed as an independent non-executive director from 1 June 2024.
- Anna Vikström Persson has been appointed as an independent non-executive director from 1 June 2024.
- Mike Phillips resigned from the Board and as senior independent director on 24 March 2024.
- Neil Murphy resigned as CEO and from the Board on 21 February 2024.
- Dr Alison Vincent stepped down from the Board and as an independent non-executive director at the end of her three-year term on 31 October 2023.
- David Maw retired from the Board at the conclusion of the Annual General Meeting on 12 July 2023, having been a non-executive director with the Bytes Group since 2000.

Board of directors continued

Board attendance

Board member	For the financial year to 29 February 2024
Patrick De Smedt	13/13
Andrew Holden	13/13
Sam Mudd[1] – appointed 12 July 2023	11/11
Erika Schraner	13/13
Shruthi Chindalur – appointed 1 February 2024	2/2
Former directors	
Mike Phillips – resigned 24 March 2024	12/13
Neil Murphy – resigned with immediate effect 21 February 2024	11/11
Alison Vincent – stepped down 31 October 2023	6/9
David Maw – retired 12 July 2023	3/3

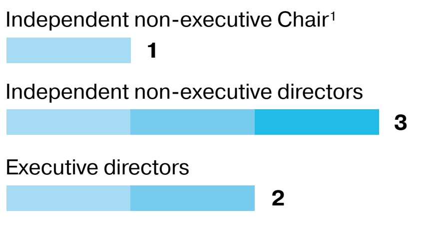
1 Sam Mudd was appointed as Interim CEO on 21 February 2024 and as CEO on 10 May 2024.

Board independence and diversity

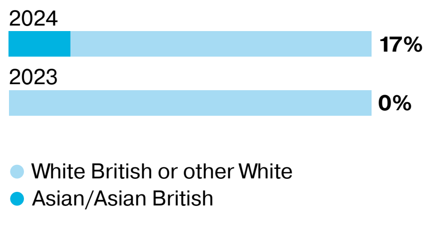
During the year, we continued to focus on independence and diversity, as illustrated in the charts below and set out in more detail in this governance report.

The data here reflects the position at year end. We set out more detail about changes to the Board during the year in the Nomination Committee report on pages 94 to 97.

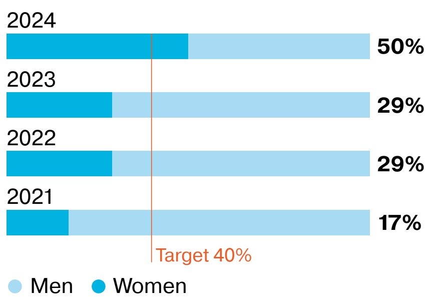
Board composition at 29 February 2024



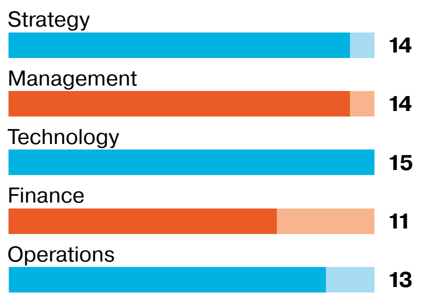
Ethnic diversity of directors at 28/29 February



Gender split of directors at 28/29 February



Directors' collective skills scored out of 15



1 At the time of appointment.

Directors scored themselves out of three for each skill.

Executive Committee

The committee meets monthly and helps to develop and deliver BTG's strategy. Individual Executive Committee members are responsible for leading their directorates and ensuring they are run effectively and efficiently.

Sam Mudd
Chief Executive Officer

Andrew Holden
Chief Financial Officer

Until 21 February 2024, our Executive Committee comprised Neil Murphy, former CEO, Andrew Holden, our CFO, Sam Mudd, MD Phoenix and Jack Watson, MD Bytes Software Services. Sam was appointed as Interim CEO and Clare Metcalfe as Interim MD Phoenix on Neil's resignation on that date. Sam was confirmed as CEO and Clare as MD Phoenix on 10 May 2024.

Biographies for Sam and Andrew can be found on page 72.

Jack Watson
MD Bytes Software Services

Nationality British
Age 40
Appointed as MD 1 March 2021

Jack joined Bytes as a new business account executive in November 2006. He was promoted to sales manager in 2012 and grew his team's sales profit by more than 200% in less than four years. He developed the '7 steps' sales programme, which boosted individual sales performance and accelerates new talent in the organisation.

Bytes's sales profitability doubled during Jack's five years as Sales Director, from 2016 to 2021. During this time, he oversaw the rollout of a new CRM system, launched a sales management competency framework and coaching programme, and integrated the sales teams from Bytes Security Partnerships, when the previously separate business was merged with Bytes in 2020. Jack was promoted to MD Bytes in March 2021.

Clare Metcalfe
MD Phoenix Software

Nationality British
Age 55
Appointed as MD 10 May 2024

Clare joined Phoenix in 1997, following a decade of experience in sales and procurement roles in the IT industry. Having held a number of senior management positions within the company, she was appointed as Operations Director and to the Phoenix Board in 2018. Clare has overseen a wide range of responsibilities, including risk, governance, operations and systems development.

She stepped up to be Interim MD Phoenix on 21 February 2024 and MD Phoenix on 10 May 2024, where her passion for innovation and transformation continues, alongside a commitment to supporting customers to transform digitally and deliver on their business objectives.

The Board's year

Aside from the Board changes around year end, 2023 was another busy year for the Board, with ongoing work to strengthen our governance processes, our annual internal review of the Board and its committees' effectiveness, and work to deepen our knowledge of the fast-moving developments in AI technology.

Strengthening our governance processes

An important focus for the Board this year was the externally facilitated investigations related to the share dealings of the former CEO and a PCA of a former non-executive director. We set out more details on pages 69 to 70.

Following the outcome of the investigations about the share dealings, the Board has reviewed and strengthened a series of governance processes, including around continued training and awareness and annual reviews of governance controls. We take any compliance failures very seriously, and the ongoing improvement of our governance processes will remain an area of the utmost importance for the Board over the coming year.

Ongoing discussions at our strategy day

A significant proportion of the Board's time each year is spent on strategy. In November 2023, the Board held its annual strategy day, during which it discussed a range of key issues, including ongoing conversations about opportunities and risks around AI, our strategic partnerships, and ongoing training and development. Once again, the discussion reassured the Board that we have good consensus around our top strategic priorities and are aligned in our purpose and values.

Continuing to assess Board and committee effectiveness

An effective Board is essential to BTG's success. The Board conducts a formal internal review of its performance, as well as that of its committees and the Chair, each year. We are supported in this by Lintstock, with which we have a three-year Board effectiveness programme in place.

For this year's review, our Chair, Patrick De Smedt, held one-to-one meetings with each of his fellow Board members to hear their thoughts on how the Board is performing. We then asked each Board member to complete a survey sharing their views on the Board's effectiveness. The survey covered a range of questions on issues like Board interactions and its remit. We also asked members of our Audit, Nomination and Remuneration Committees to provide specific committee feedback. A review of our Chair's performance for the year ended 29 February 2024 was carried out by Erika Schraner as our senior independent director, and its outcome reported to the Board in April 2024.

The Board review, which took place in December 2023, concluded at the time that the Board and its committees continued to operate effectively. Given the Board changes that have taken place since that review was carried out, we will pay particular attention to its recommendations and ensure that we carry out another thorough evaluation in the coming year.

Key recommendations for 2024/25

In terms of areas for improvement, recommendations included:

- Maintaining the Board's focus on reviewing composition, diversity, skills and experience
- Continuing to expand its knowledge of topics that matter most to our customers and vendors, such as emerging technology
- Continuing to focus on strategy and future direction, particularly around customer requirements, emerging technologies like generative AI (GenAI), vendor offerings and strategies, and outcomes from the annual strategy session
- Providing ongoing opportunities for the Board to hear from external experts to challenge our thinking
- Maintaining the company's identity and culture, particularly as we grow, through succession planning, leadership development and talent recruitment.

The Board also spent time addressing recommendations from last year's external evaluation with Lintstock. We made good progress through the work of our executive team and Board committees on Lintstock's recommendations for the Board, and the Audit and Nomination Committees for 2023/24, by:

- Continuing to consider the Group strategy and organisational structure to help at our November 2023 Board strategy day (as set out on the left)
- Considering how to accurately define and consider practical elements to maintain and strengthen our culture across the Group and within our two subsidiaries (see pages 32 to 37)
- Providing ongoing opportunities for the Board to hear from external experts invited to present at Board sessions to challenge our thinking
- Continuing to focus on ensuring diversity at all levels of the Group (see pages 94 to 97)
- Creating more opportunities for our employees to engage with our experienced female leaders in technology at a Board level (see page 77) and succession planning to the next level of senior management (see page 95)
- Continuing embedding enterprise risk management in our operations (see pages 53 to 62)
- Continuing to strengthen the way that we monitor documentation of controls and actions following internal audits (see page 87).

> The ongoing improvement of our governance processes will remain an area of the upmost importance for the Board over the coming year.
>
> **Patrick De Smedt**
> Chair

Enhancing the Board's knowledge of AI

We've seen a lot of external discussion this year about the merits and risks associated with the use of AI. While AI isn't a new concept, the speed of its development, particularly in large language models like ChatGPT, is increasing rapidly.

This emerging technology presents us with a new opportunity to support customers – not just in providing licences, but in helping them adopt the right security and data management practices to use the technology securely. There are also opportunities for our own business to adopt AI tools in future, and we will need to manage the same risks as our customers.

Given all this, and the recommendation from our internal effectiveness review to continue strengthening the Board's knowledge of fast-moving technologies like AI, the Board asked our Chief Technology Officer, Dave Rawle, to give a presentation on AI in November 2023. This was a useful opportunity to discuss some of the drivers behind the rapid rise in AI development, as well as the opportunities and risks. It was also an example of the way that the Board draws on internal expertise from our senior leaders to understand key issues.

AI is a regular item at Board meetings. This helps our directors work with the executive team to ensure that we have the right resources and skills in place so that we are fully prepared to help our customers – and ourselves – make the most of the opportunities while mitigating the risks.

Hearing from our employees

For many years, David Maw played an integral role in helping the Board hear the views of our employees. That role was formalised after our IPO in December 2020, when he became our designated non-executive director for employee engagement. The role passed to Erika Schraner after David retired from the Board at our Annual General Meeting in July 2023. Since taking on the role, Erika has met with employees at our City of London office and worked even more closely with Sam Mudd on the female leadership development initiative. She has also spent time with Jack Watson understanding employee feedback and the employee net promoter score. With Erika taking on additional Board responsibilities, the role moved to Shruthi Chindalur in March 2024. She will continue to build on the work done by both David and Erika in bringing the views and perspectives of our employees to the boardroom.

In July 2023, the Board also visited our City of London office, which was a great opportunity to meet the London-based team and understand their plans to support even greater growth of the business.

A maturing sustainability agenda

The Board has continued to increase its focus on sustainability and is pleased to see our agenda maturing with the help of our Group Sustainability Manager, Lisa Prickett. She has made good progress in helping to drive and coordinate work across our two businesses. The Board is particularly pleased that we have now submitted our carbon reduction targets to the Science Based Targets initiative, and that, for the first time, we have been able to calculate our Scope 3 emissions across all categories relevant to the business (as defined by the Greenhouse Gas Protocol). These are both important steps on our sustainability journey. For more detail see our sustainability review on pages 30 to 43.

Like AI, ESG and sustainability are regular discussions points at each Board meeting and the Board continues to monitor BTG's sustainability KPIs, which now form a greater part of our senior executives' performance measures. We have now formalised this work through a Board-level ESG Committee, with effect from 1 June 2024. Chaired by new independent non-executive director Anna Vikström Persson, the ESG Committee will monitor the implementation of BTG's ESG and sustainability strategy and provide input to the Board and other Board committees on those matters.

Establishing an ESG Committee is a natural evolution of the company's governance arrangements, given our ongoing focus on our climate transition strategy and our commitment to achieving net zero emissions. But this committee also allows us to address matters concerning employees – including diversity, equity and inclusion at all levels of BTG – as well as customers, partners and communities, and to oversee BTG's business conduct, including corporate and commercial governance, business ethics, anti-bribery and corruption measures, and data privacy and security.

Stakeholder engagement (s.172 compliance)

Customers, suppliers and vendors, employees and investors are core members of the BTG team, while support for our communities and the environment – which is also a stakeholder – underpins the company's values and purpose.

Our approach to s.172

Section 172 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.

In our decisions and actions during the year, we, the Board, believe we promoted the success of BTG for the benefit of its members as a whole, while also considering stakeholders and the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006. 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 BTG'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.

Principal decisions in 2023/24

This was another busy year for the Board. Here we set out two examples of principal decisions we took in 2023/24 and how we considered Section 172 matters in the process.

Upskilling our people to use AI

E Cu

During the year, the Board approved continued investment into emerging technologies, supporting the rollout of Copilot, Microsoft's AI tool, to a group of BTG employees. This empowers our employees to build on their understanding of the benefits and efficiencies that AI brings and, in turn, enables them to have appropriate-level discussions with our customers.

How the Board made its decision

As a Board, we have been monitoring the potential of emerging technologies around AI, which present an opportunity for BTG – to provide ongoing expertise to customers, help them consider the potential of the technology, set up the right security and data management practices, and drive efficiencies within their businesses. We considered a proposal from management on the company's readiness to help customers prepare for AI, in particular through Copilot.

We discussed how upskilling our people, including our two MDs, in the use of this new technology – and keeping them up to date with emerging technologies generally – was key to us offering the best service and advice to our customers. We also considered that, in helping customers use new technology to boost their productivity, we would boost our own. A training programme was delivered using internal expertise to upskill employees in the Copilot functionality that is embedded into Microsoft Bing – which aids productivity and finds internal and external information more quickly.

We agreed to roll out Copilot to a group of employees across Bytes and Phoenix, to improve our own ways of working and our understanding of the technology. We believe AI products will be a big driver for our business in the years ahead, and considered this decision to invest in skills internally to be in our employees' and our customers' best interests.

Continuing to pay a special dividend

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In May 2023, the Board decided to recommend paying another special dividend, in light of our continued strong performance and cash generation.

How the Board made its decision

BTG's dividend policy is to distribute 40% of post-tax pre-exceptional earnings to shareholders. Given the company's continued strong performance in the year, we considered the option of recommending a further cash return to shareholders in the form of a special dividend, over and above the full-year dividend.

As a Board, we took account of the company's cash position at the end of the year and considered it above the level required for the ongoing running the business. So, as we do with a normal dividend, we considered the views of our investors about whether they would support an ongoing special dividend or would like to see us put that capital to work in a different way – for example, towards an acquisition, share buyback or investment in the business. We also discussed whether continuing to pay special dividends may result in normalising the practice and reducing flexibility in this regard going forward.

On balance, we felt that recommending paying another special dividend was in the best interests of shareholders because, in its current form, using capital like this is an efficient way for the company to create value for shareholders. We agreed to recommend a special dividend of 7.5 pence per share, which was paid to our shareholders in August 2023.

Stakeholder engagement

Here we set out how, as the Board, we have engaged with and been influenced by the interests of different stakeholders, as well as by the macroeconomic and environmental factors that affect them. Our engagement activities are well established, as is our investor community as a stakeholder group since the company's listing in December 2020. This year, in light of Neil Murphy's resignation, communicating with employees was one of our first concerns.

Stakeholder groups	How the Board stays informed	What the Board has learnt is important to our stakeholders
Employees E People are at the heart of BTG's business and are instrumental to its continued growth and success	**Indirectly** • Regular updates from the managing directors and HR about talent and succession planning, and employee remuneration and benefits, including pensions. • Updates from management about career development and BTG's leadership coaching programme, online staff feedback platforms, quarterly whole-company meetings, employee net promoter score (eNPS) surveys and engagement with the leadership team. • Feedback from the Better Bytes team and the Phoenix Sustainability Network, which lets BTG's people share insights, feedback and ideas, and to constructively challenge management about how it can improve. As a result of feedback, in 2023/24, Bytes now includes dental health as part of its optional employee health care plan. **Directly** • Town halls at both Phoenix and Bytes, where then Interim CEO Sam Mudd, CFO Andrew Holden and other members of the leadership team discussed the resignation of the former CEO and took questions to reassure colleagues. We also prepared an interview piece about Sam that went out to all employees. For more details, see page 32. • The whole Board met with senior managers at the company's City of London office to understand the views of staff. • Engagement through the Remuneration Committee, with Alison Vincent, its Chair until October 2023, reporting on her conversations with employees about the effect on them of the cost-of-living crisis. This helped inform the Board's thinking around this year's salary levels. • Monitoring the all-employee Sharesave scheme, which has been in place annually from June 2021 to June 2023. As a Board, we are pleased with the continued strong uptake of the scheme, with participation by more than half our employees. • The views of our employees, particularly around the ongoing pressure from the cost-of-living crisis, being shared with the Board through our Board-appointed non-executive director with responsibility for employee engagement.	Sam and Andrew's honest, open approach to the former CEO's resignation was much appreciated by employees, who felt the situation was no reflection on the company or on the rest of the BTG team. As far as we know, we've lost no other employees except the former CEO as a result of this difficult situation. We know that BTG's people prioritise: • Opportunities for professional development and career progression • A safe, diverse and inclusive working culture • The ability to deliver market-leading solutions to our customers. Our discussions with employees at the London office reinforced our understanding of their desire to stay updated about the company's overall and M&A strategies, its risk management and growth plans, and actions to maintain the strong culture as the business grows. Employees' physical and mental health and safety is a top priority for us as a Board. We support the culture of openness promoted by the leadership team, particularly how they create opportunities for employees to talk directly to them. We support the company's continued programme offering employees health support through qualified internal teams and by partnering with an independent health and wellbeing specialist – as well as the direct confidential channels for anyone to raise personal concerns. In 2023/24, for example, the company invited all employees to a series of sessions about menopause with an external speaker. The Board and management received feedback on these activities, which enabled us to improve employee engagement and take action where required. We continued to encourage employees to use their annual volunteering day and have been pleased with the uptake of the EV scheme.

Stakeholder engagement (s.172 compliance) continued

Stakeholder groups	How the Board stays informed	What the Board has learnt is important to our stakeholders
Customers Cu Building trusted relationships with customers, based on a deep understanding of their needs, is critical to BTG's strategy	**Indirectly** • Feedback from BTG's 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 BTG's 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. **Directly** • 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 the CEO and customers about what they want to see from BTG's products and services from an operational and sustainability perspective. Major feedback is discussed with management and the Board. • Erika Schraner met with several Phoenix customers to hear about their AI strategy and needs.	Based on the feedback we receive, customers look to BTG for: • 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 generative AI. Numerous customer events were held during the year, in person or virtually, which helps BTG keep up to date with what is most important to customers. BTG often screens 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. As with employees, our customers really valued the open and honest way that Sam discussed the former CEO's resignation with them, and, as far as we are aware, we have lost no business as a consequence.
Suppliers and vendors S V BTG's well-established relationships with suppliers and vendors helps it to provide the best solutions and support for employees and customers	**Indirectly** • Updates from management keep us informed about the major third parties with which the company does business, including its suppliers, banks and regulators. The integrity of supplier arrangements – particularly robustness of supply – is a key consideration. The company screens all major third parties for reputational and financial risks to make sure there are no apparent issues that could damage its reputation or finances. BTG clearly documents terms and conditions, including service levels, payment terms and working practices. **Directly** • This year, executive directors continued to engage directly with vendors and partners at industry events, through specific company-directed engagements and in interactions around solutions and services. The CEO gave the Board updates on these engagements. • BTG also held 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. Our non-executive directors have long-standing relationships within the industry, which includes material vendors and partners that the Group 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 BTG is. Equally, the Board's strategy and decision making are informed by developments in technology, which highlight the importance of maintaining strategic and trusted partnerships with the world's most successful software companies.

Stakeholder groups	How the Board stays informed	What the Board has learnt is important to our stakeholders
Investors I BTG's investors own the company and have made a financial commitment to its success	**Indirectly** • Insights from the regular engagement between the CEO, CFO or members of the senior leadership team with the company's larger shareholders and potential investors. • Regular market announcements and presentations from the company's investor relations team, as well as feedback from its discussions with investors and through the investor relations section on BTG's website. • Feedback from the executive directors' in-person and virtual roadshows that they hold following key announcements, including the company's full-year and half-year results. • Insights from the follow-up one-to-one conversations the executive directors hold with investors and analysts following these announcements. • Regular analysis of shareholder and analyst sentiment and of peers. **Directly** • Our Board Chair, Patrick De Smedt, met this year with several institutional investors with a particular interest in governance and sustainability matters. They discussed BTG's long-term sustainability goals and developments in governance. Towards the end of the year, a number of discussions were also held by Patrick with investors around the circumstances surrounding the resignation of the former CEO and the number of trades in the BTG's shares that had not been disclosed to the company or the market in compliance with the PDMR disclosure requirements, and the subsequent appointment of Sam Mudd as interim CEO at the time. • As our new Remuneration Committee Chair, Erika Schraner led the engagement around our revised remuneration policy. This included writing to our largest investors and to proxy agencies, letting them know the highlights of the proposed updated policy and seeking their input, which led to individual discussions where requested. We also consulted with our external remuneration specialists on the revised policy. This policy, relevant for the next three-year cycle, will be presented for shareholder approval at our Annual General Meeting (AGM) in July 2024. Our Chair, senior independent director and committee chairs are available to meet with shareholders during the year. The AGM is a key opportunity for shareholders and Board members to meet face to face to discuss the company's annual performance, strategy and any other matters shareholders wish to raise. We look forward to welcoming and meeting shareholders at this year's meeting.	As a Board, we understand that investors are interested in a wide range of issues about BTG, 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 members as a whole fairly, with Board decisions taken with all members' long-term interests in mind. We maintained strong engagement with our shareholders in 2023/24, particularly in light of the unexpected change in our leadership team.

Stakeholder engagement (s.172 compliance) continued

Stakeholder groups	How the Board stays informed	What the Board has learnt is important to our stakeholders
Community and environment Co En BTG recognises that it is part of the communities in which it operates and strives to make a meaningful contribution to sustainable environments	**Indirectly** • Briefings from management keep Board members informed that BTG's operations, products and services are aimed at not adversely affecting the environment and should positively contribute to the communities in which the company operates. As part of its social responsibility, the company continues to develop a more diverse workforce and partner with organisations that share its values. BTG provides engaging and well-paid local employment, minimises its impact on the environment by using raw materials, natural resources and energy responsibly, and works to reduce waste and harmful emissions, components and by-products. A corporate social responsibility programme, with clear objectives, is in place across both BTG's operating companies. In 2023/24, for example, one of its actions was to donate 140 BTG pre-owned laptops to Lifeshare, the largest homeless charity in Manchester. BTG's Manchester team then donated their time to set them up for the charity. Some of the key developments reported to the Board in 2023/24 included our second disclosure to the CDP and continuing disclosures through the ISS ESG framework. We also hit a milestone by submitting our carbon reduction targets to the SBTi. **Directly** As a Board, we continued to support fundraising events, employee fundraising matching and volunteering days. Such days are initiated within the business to benefit various charities and causes. Our CFO, Andrew Holden, led by example this year, using his annual volunteer day to support one of the company's local charity partners. We also continued to support management's carbon reduction efforts, supporting a salary sacrifice scheme to help employees participate in an electric vehicle programme.	We support the company to encourage employees to volunteer for charities and provide support for various social and environmental causes. The company supports employees' efforts by making charitable donations and by giving them paid time off to volunteer.

Audit Committee report
Introduction from our Interim Chair

In BTG's third year as a FTSE 250 company, we have witnessed exceptional business performance alongside unforeseen events.

Throughout this period, the Committee has remained vigilant in overseeing the integrity of financial and narrative reporting, and the efficacy of risk management and internal control procedures, while also providing support to the Board in governance and compliance matters.

I assumed the role of Interim Audit Committee Chair on 25 March 2024 following Mike Phillips' resignation from the Board. I wish to express my gratitude to Mike for his valuable contributions to the Audit Committee during his tenure at BTG. I also extend a warm welcome to Ross Paterson, who will be joining us as the new Audit Committee Chair, and Anna Vikström Persson, who will be joining us as a new committee member, both from 1 June 2024.

Much of the Audit Committee's work this year has revolved around our duties to oversee BTG's financial and narrative reporting, as well as internal control and risk management systems, compliance and fraud, and internal and external audits. In May 2023, we oversaw the renewal of BTG's revolving credit facility with HSBC. In October 2023 and February 2024, the committee considered the process by which management evaluates internal controls across the business. We were satisfied that the process meets the requirements of the Group in ensuring that internal control and risk management procedures operated effectively throughout 2023/24 and, where control compliance weaknesses were identified in respect of undisclosed share dealings, we mandated improved controls be implemented. IT security risk, in respect of data security breaches around the Group's own data and that held on behalf of third parties, remained a key theme.

We provided assistance to the two subcommittees appointed by the Board to investigate compliance with regulatory standards (see pages 69 to 70 for more details). In this capacity, we reviewed the subcommittees' recommendations relating to the Annual Report and Accounts 2023/24 and, with Travers Smith, our external general counsel, assessed the potential non-compliance with the regulations. The committee remains steadfast in its commitment to helping the company to achieve ongoing improvements in governance practices aligned with our shareholders' expectations.

As a committee, we were encouraged by the Financial Reporting Council's (FRC) approach to the UK Corporate Governance Code (the code), as reflected in the updated 2024 code released in January 2024. The 2024 code will now come into effect for us in the year ending 28 February 2026, with the Board's declaration on the effectiveness of material controls applied in the year ending 28 February 2027. As detailed in this report, we have already initiated preparations for anticipated changes in the code, and we will continue to work to address the provisions outlined in the 2024 code.

Reflecting on our 2022/23 reporting, the Board, Audit Committee and BTG finance team were pleased that the FRC, in its Review of Corporate Governance Reporting published in November 2023, positively recognised aspects of the Group's reporting.

Committee composition

At year end, the Audit Committee comprised Mike Phillips (then as Chair), Shruthi Chindalur and me. Post-period, following Mike's resignation, the committee comprises Shruthi Chindalur and me as Interim Audit Committee Chair, until Ross Paterson joins as permanent Audit Committee Chair on 1 June 2024. From that date, I will revert to my role as a member of the committee. Anna Vikström Persson will also join us as a new committee member from 1 June 2024.

A strong collaborative approach to internal audit

The committee continued to be impressed with the open, collaborative relationship between the BTG team and our internal auditor, PwC, during their second full year working together. PwC has continued with its systematic, disciplined approach to evaluating and improving the effectiveness of our risk management, internal controls and governance processes. Accordingly, PwC delivered its 2023/24 plan as agreed, and the committee approved its new plan for 2024/25.

PwC's scope of work has continued to develop, broadening the range of risks and controls that it reviews and taking a deeper dive into more specific business areas. All internal audit work is initially reviewed by the relevant operational teams to verify accuracy and completeness before it is shared with the Board and findings presented to our committee. While the composition of PwC's engagement team changed towards the end of the year, we retained continuity with our engagement lead partner, who reports directly to the committee and will continue to have direct access to me whenever required.

Audit Committee report continued

Relationship with our external auditor

EY was appointed as our external auditor at IPO and this is the fourth year that EY's audit partner, James Harris, has signed the auditor's report. We are satisfied that EY remains independent and objective in its work and happy with the quality of the audit plan and related reports for the 2023/24 audit. We are pleased with the quality of service, the competence of staff, and their understanding of the business and related financial risks.

James has direct access to me, as Interim Chair, whenever required, as he did during the year to the former Chair. We have held regular and transparent communication to foster trust, alignment on objectives and expectations, and solid and timely discussion of audit findings. The Audit Committee continues to have an open, collaborative relationship with James and his team. On several occasions, the committee as a whole met EY, without management present, to discuss matters.

Given we have not reached the 10-year threshold with EY, there is no requirement to retender the external audit for 2025/26. We have recommended to the Board that it presents a resolution to shareholders to reappoint EY for 2024/25 because of the benefits we see in continuity, especially given the change of Audit Chair, and because we are satisfied with the quality and efficiency of the audit.

2024/25 will be James's fifth year as lead audit partner on BTG, his last permissible year under the FRC Revised Ethical Standard 2019, so will be standing down after next year's audit. In the coming months, under the guidance of the new permanent Audit Chair, the committee will assess 2025/26 options to either maintain EY as our external audit provider with a replacement audit partner or to invite proposals for the appointment of a new external auditor.

We are committed to a high-quality external audit and, ahead of the 2023/24 audit, we approved EY's work plans and estimated fees for 2023/24. A full breakdown of EY's fees, for audit and non-audit services, for 2022/23 and 2023/24 can be found on page 89.

We remain open to suggestions and recommendations to improve our financial and business reporting, financial processes and internal controls, and to consider the regulatory and reporting insights shared by the EY team on relevant topics from time to time.

Governance

The Board takes its governance responsibilities very seriously and leverages the help from PwC's internal audit team as well. For the two compliance investigations, separate PwC teams were retained to do independent fact-finding, and to provide an assessment of governance robustness and advice on improvement opportunities. These investigations were governed by two subcommittees reporting to the Board and separate from the Audit Committee. For more information on the investigations and their outcomes, see pages 69 to 70. The Audit Committee, with Travers Smith, our external general counsel, reviewed the subcommittees' recommendations relating to the Annual Report and Accounts 2023/24 and the associated prior year restatements made in the directors' remuneration report.

During the year, the committee underwent a performance assessment as an integral component of the Board's annual evaluation process (see page 76 for more details). Overall, the feedback was positive, with the work with the internal and external auditors receiving the highest ratings. Having reviewed the results of the committee's performance assessment, the Board affirms the effective functioning of the committee.

The committee also oversaw the evaluation of the external auditor. The questionnaire reflected the requirements of the FRC's Minimum Standard for Audit Committees. The Minimum Standard, while not yet mandatory, does ask audit committees to consider the culture of the auditor (among all other usual matters, such as skill, quality and robustness of the audit). In summary, the committee continues to be confident in the external auditor's independence, effectiveness and ability to provide rigorous review and challenge. Consequently, we believe EY is well suited to perform the company's audit for 2024/25.

Preparing for regulatory change

While the UK Government's decision to withdraw many of the proposed reforms surprised us, as it did the rest of the market, the committee welcomes these developments. Additionally, we appreciate the FRC's decision to maintain a principle-based approach and its comply-or-explain framework in the 2024 code.

Although we are not required to declare the effectiveness of the Group's material controls under the 2024 code until 2026/27, the committee is already considering this aspect. Over the coming year, both our primary subsidiary companies will implement new accounting systems. Consequently, the committee will collaborate with management to ensure that the scoping and development process is mindful of our future reporting obligations.

During 2022/23, PwC undertook efforts to document controls pertaining to all major transactional workflows. In 2023/24, we expanded this initiative by conducting a separate review to document controls concerning general IT systems tax and governance. Management has adopted PwC's associated documentation and continues to implement remedial actions. The documentation on general IT controls is reviewed by EY as part of its external audit work relating to ISA 315 (Revised) Identifying and Assessing the Risks of Material Misstatement.

Focusing on continual improvement as we grow

BTG continues to mature and grow, delivering an excellent set of results this year. Its position in the market means we remain confident in the company's ability and business strength. As it continues to mature, we will stay focused and ensure we keep improving our governance, processes and controls, so they continue to support greater efficiency and oversight across the entire Group. The Audit Committee has a key role to play in this and we look forward to continuing our work over the next 12 months.

E. Schraner

Erika Schraner
Interim Audit Committee Chair
22 May 2024

Significant issues considered in relation to the accounts

Accounting judgements

Issue	Key uncertainties and judgements	Review and challenge by the committee	Conclusion
Revenue recognition Misstatement of revenue recognised at or near the year end	The Group transacts high volumes of customer orders across multiple vendor products and many software licensing programmes. Within each income stream, management has made judgements focused on determining when the Group's performance obligations are satisfied and the point at which revenue should be recognised, including the accounting for accrued and deferred revenue. This is most sensitive at or near the year end.	As new product areas and licensing programmes are introduced by vendors, the Group reviews its revenue recognition policy at least annually to ensure that it is being applied appropriately and consistently across the Group. During the year, the committee engaged with management in its assessment of the policy, and received detailed monthly reports from management on business performance, which include revenue and gross profit trends against budget and previous periods, to help identify anomalies that may indicate a mismatch of revenue and costs.	The committee concluded that there is a consistent understanding and application of the revenue recognition policy across the Group, with processes in place to minimise cut-off errors that may result in revenue being reported in the wrong period.
Rebate receivable Misstatement of rebate receivable in the reported results	The Group has significant rebate income across multiple vendors and different rebate schemes, which gives rise to large rebates receivable balances at year end. This is because rebates are collated and paid by vendors and suppliers up to 90 days following the year end. Judgement is therefore required by management to estimate the Group's rebate receivable at the end of the financial year.	The committee reviewed the Group's policy and procedures in relation to recognising supplier and vendor rebates at the year end and discussed with the management team any significant changes to rebate schemes during the year.	The committee concluded that the Group has appropriate knowledge and processes in place to ensure rebates are accurately and completely accounted for in the correct period, including materially accurate estimates of the rebate receivable at the year end.

Audit Committee report continued

Accounting judgements continued

Issue	Key uncertainties and judgements	Review and challenge by the committee	Conclusion
Going concern and viability Assessment of appropriateness of the going concern basis for preparing and presenting the financial statements Assessment of the basis for confirming our longer-term viability and appropriateness of the period chosen	In continuing to adopt a going concern basis for preparing the financial statements for the period ended 29 February 2024, the directors have reviewed and made judgements around a range of factors that could affect future trading and cash flows. This included considering the Group's exposure to its principal risks were they to materialise, especially in the context of the wider challenging economic conditions and geopolitical environment. The directors have also reviewed the extension of cash forecasts beyond the going concern period to confirm the Group's viability over a longer term.	The committee considered the appropriateness of the key assumptions underpinning the Group's going concern assessment, in particular around economic factors such as high inflation and interest rates during the year, along with any wider affects from the invasion of Ukraine and conflict in the Middle East, and the impact of these on the business and the businesses of its customers. Most recently, the committee assessed possible adverse impacts on relationships with customers, vendors and staff arising from the governance investigations that have taken place. The committee also considered the sensitivities modelled under a range of downside scenarios to reflect increasing risks and the associated mitigations to offset them. In one aspect of mitigation, the committee oversaw work in May 2023 to cancel and replace BTG's revolving credit facility (RCF) with HSBC, which was due to expire in December 2023. Following discussions with HSBC, we entered a new three-year RCF on similar terms running to May 2026, with the option for a one-year extension to May 2027. The availability of the new RCF up to this later date supported the committee and management in choosing to assess future viability over a three-year period, and also aligned to many major customer and framework agreements running over a similar term. The committee considered the appropriateness of the key assumptions used by management to produce the extended forecasts as the basis for preparing the Group's viability statement.	The committee concluded that management had considered a wide range of potential adverse impacts to future trading and cash flows and applied these in a reasonable range of downside scenarios across both the going concern and viability assessment periods. The committee also noted, in respect of the recent governance issues, that the key relationships with customers, vendors and staff exist at the operating company levels, where, to date, there has been no visible impact. It also expects the possible risk of there being any impact diminishing as we progress through the going concern and viability periods. It also reviewed the associated disclosures in the year-end financial statements and annual report and the outputs of the external auditor's review to satisfy itself that the going concern and viability conclusions were both appropriate.

Financial statements and reporting

Issue	Key matter	Review and challenge by the committee	Conclusion
Directors' remuneration report During the year, a number of issues came to light regarding shares held by executive and non-executive directors having been misstated in the prior-year Annual Report and Accounts	A key responsibility of the committee is to ensure the integrity of BTG's financial reporting as a whole across all areas of the Annual Report and Accounts. Where necessary, this includes restating information previously reported in the prior period if it transpires that it was not correct at the time. Such errors in the prior-year reporting for 2022/23 were identified in respect of the holdings in BTG shares at 28 February 2023 by the former CEO and two non-executive directors. See background on pages 69 to 70 and details in the tables on pages 121 to 122.	During the year, the committee engaged with the two Board subcommittees to understand the background to the prior-year misreporting, the reasons this had arisen and to satisfy itself that the full extent of the misstatements had been identified and challenged. With these facts established, the committee worked with management, the Board and other Board committees to ensure that full and comprehensive disclosures were made relating to the matters across all relevant sections of the governance report for 2023/24, including updating any incorrect shareholding figures in the directors' remuneration report (DRR) in respect of the prior year and noting that these had been restated. For the largest differences, relating to the former CEO, the committee ensured the fullest available disclosure was shown in the DRR by providing reconciliations of the reported (incorrect) holdings to the revised (correct) ones, and checking that this information provided in the DRR was consistent with that previously released to the market via RNS (see pages 69 to 70).	The committee concluded that the matters had been satisfactorily, and independently, investigated by the Board, that the facts had been gathered and explained, and that the financial reporting for 2023/24 within the Annual Report and Accounts reflected the details of the matter. This included restatement of prior-year figures where necessary to enable the integrity, accuracy and completeness of BTGs financial reporting for the 2023/24 financial year.

Strengthening our financial reporting and internal controls

This year, the committee focused on several significant areas of financial reporting and internal control, including financial, operational and compliance controls. For example, we:

- Reviewed BTG's financial statements and assessed whether suitable accounting policies were adopted and whether management made appropriate estimates and judgements
- Reviewed the detailed scenarios and assumptions behind the going concern basis of accounting and longer-term viability
- Monitored the effectiveness of BTG's enterprise risk management (ERM) and internal control systems, and received detailed reports and presentations on principal risk tolerance levels and management
- Oversaw the implementation of the internal audit plan for 2023/24 and approved the new plan for 2024/25
- Continued to support the strong finance leadership team with insights from PwC's experience within BTG and from other organisations
- Reviewed and approved the selection process for the new order processing and accounting system in Bytes and upgraded accounting system in Phoenix
- Reviewed the Annual Report and Accounts 2023/24 and half-year results for the six months to 31 August 2023
- Approved PwC's support for management in documenting key controls in financial processes
- Reviewed recommendations from the separate investigations pertaining to financial controls and monitored the implementation of improved controls for share dealings and share register analysis, with continued monitoring planned as an ongoing process.

Membership

At the year end, the Audit Committee comprised three independent non-executive directors who have a combination of recent and relevant financial experience and competence in accounting, risk management and governance. As a whole, the committee has expertise that is relevant to the technology sector in which BTG operates.

Mike Phillips is a qualified chartered accountant and has previous experience as CFO of a number of UK-listed companies. Erika Schraner has recent relevant financial experience as a result of her previous executive work and her roles as chair of the audit committee of UK-listed companies, and considerable technology sector experience. Shruthi Chindalur, who joined the Board and the committee on 1 February 2024, also has considerable expertise in the technology sector.

For the purposes of the code, Erika is currently the designated financial expert.

Biographies for all the committee members are set on out pages 72 to 73.

As explained on page 100, changes among our directors meant we did not comply with provision 24 of the code during the period from Alison Vincent stepping down from the Board on 31 October 2023 until Shruthi Chindalur's appointment on 1 February 2024 because, during that time, the Audit Committee only comprised two independent non-executive directors (Mike Phillips and Erika Schraner). Following Mike's resignation from the Board as an independent non-executive director on 24 March 2024, we are not compliant with provision 24. However, this will be resolved on 1 June 2024 when two new independent non-executive directors join us: Ross Paterson as Audit Committee Chair and Anna Vikström Persson as a member of the Audit Committee.

Committee attendance

Committee member	For the financial year to 29 February 2024
Mike Phillips, Chair[1] (in-period)	9/9
Erika Schraner, Interim Chair[2] (post-period)	9/9
Shruthi Chindalur, appointed 1 February 2024	2/2
Alison Vincent, stepped down 31 October 2023	4/6

1 Chair until 24 March 2024 and throughout the reporting period.
2 Interim Chair since 25 March 2024, post-reporting period.

How the committee operates

Our committee generally meets on the same day as Board meetings, to make interacting with the other directors as efficient and effective as possible. Our external auditor, EY, and internal auditor, PwC, are invited to attend our meetings, as are the other members of the Board and the Group Company Secretary. Depending on the agenda, other members of senior management are also invited.

During 2023/24, we met nine times.

These meetings include those held one week before our main half-year and year-end results meetings to consider reports from the auditors and management teams. This ensures that any material aspects relating to the results are raised and addressed by the committee in an efficient way.

The Board receives monthly financial reports for BTG and, at each Board meeting, the CFO provides a written and verbal report on our financial performance and outlook. This gives members a good understanding of the Group's financial performance and a platform to ask questions and challenge management. Additional financial information and management reports are provided around financial reporting periods.

Audit Committee report continued

This year we benefited from a series of meetings with key members of the management teams of Bytes and Phoenix, as part of Board engagement sessions.

Our committee has reviewed and approved its terms of reference, which were set on 30 November 2020 as part of our IPO process, and these were last updated on 21 February 2024. We have also agreed a schedule of items for each of our planned meetings for the 2024/25 financial year, with two of these dedicated to risk management.

Responsibilities

The Audit Committee's principal responsibilities, as delegated by the Board, remained unchanged this year. They include oversight, assessment and review of:

Financial statements and reporting

- The integrity of BTG's financial reporting as a whole and any formal announcements relating to its financial performance, including any significant judgements contained in them
- BTG's assessment of its going concern and longer-term prospects and viability.

External auditor

- The effectiveness of the external audit process, with consideration of relevant UK professional and regulatory requirements
- Developing and implementing policy on the supply of non-audit services by the external auditor and approving relevant work
- Obtaining comfort that the external auditor is independent and objective.

Internal auditor

- The relationship with the internal auditor, advising on its effectiveness
- Considering and approving the internal audit review plan, the outcome of audit reviews and associated actions.

Risk management and internal controls

- The effectiveness of BTG's internal financial controls, risk management and internal control systems, including the activities of the internal audit function, and supporting an agenda of continuous improvement
- Reviewing BTG's finance and risk management policies for ensuring regulatory and legal compliance
- Identifying and assessing principal and emerging risks and risk exposures
- The effectiveness of anti-fraud and bribery systems, and whistleblowing arrangements where employees and third parties can raise concerns in confidence.

Other responsibilities

As well as these responsibilities, the committee:

- Supports the Board in discharging its responsibilities to comply with the code
- Advises the Board on proposed full-year and half-year financial results and periodic reporting, and related announcements
- Reviews the annual and half-year financial statements and accounting policies, and internal and external audits and controls
- Recommends to the Board the payment of final, interim and special dividends
- Assesses the effectiveness of financial reporting procedures
- Advises the Board on the outcome of the external audit and whether it considers the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess BTG's position and performance, business model and strategy
- Makes recommendations to the Board on the appointment, reappointment or removal of the external or internal auditors
- Approves both the external and internal auditors' fees and terms of engagement
- Maintains strong relationships with the Board, executive management and the external and internal auditors in the execution of their respective responsibilities
- Reports to the Board on how the committee has discharged its responsibilities during the year.

External auditor

The external auditor is a key stakeholder in helping the committee fulfil its oversight role for the Board. This year, in addition to its core audit work and as highlighted already, the external auditor also reviewed the results of the investigations relating to the undisclosed share trades as part of its overall audit process.

For its core audit work, during the year EY presented to the committee its detailed audit plan for 2023/24, which outlined its audit scope, planning materiality and assessment of key audit risks. The committee also received reports from EY on its assessment of the accounting and disclosures in the financial statements, including observations around financial controls where identified, and was satisfied that the audit work remained appropriate to BTG's business.

EY attends each committee meeting, receiving all committee papers in advance and, during the year, the committee met with EY without management present. Outside formal meetings, EY's audit partner, James Harris, had direct access to the committee Chair throughout the year and continues to do so, to raise any matters of concern or clarification.

The committee and auditor have been able to spend more time working together face to face this year, which has enabled more proactive teamwork and efficient engagement. Two workshop sessions were held during the year between BTG's finance team and the external auditor. Both workshops included sessions with our EY external audit team, which was a good opportunity to keep sharing knowledge of our business, processes, policies and lessons from previous audits, and to support an efficient 2023/24 audit.

Our committee approved EY's fees for the external audit with the total recurring fee element increasing from £718,700 in 2022/23 to £766,822 in 2023/24, representing an increase of 6.7% and reflecting an inflationary increase in EY's underlying costs.

Both years also included an element of non-recurring fees. The higher amount in 2023/24 was substantially in connection with the two investigations into unreported share dealings and associated governance matters (see pages 69 to 70) and totalled £415,000. The costs of the investigations were approved by the subcommittees reporting directly to the Board, reflecting EY's work in reviewing the outputs of the investigations and potential impacts, including the incorrect disclosures of directors' shareholdings in previous annual reports and the consequent prior-year adjustment in the directors' remuneration report for 2023/24.

The rest of the non-recurring fees in 2023/24 covered EY's review of the minority interest investment in technology company Cloud Bridge.

The committee assesses the quality, effectiveness, objectivity and independence of EY's annual audit, and seeks feedback from the Board. The committee concluded that EY had provided appropriate focus and challenge throughout the audit and had remained objective and independent. The committee once again recommended EY's reappointment as BTG's auditor and that the directors determine its remuneration. This will be proposed at the 2024 Annual General Meeting.

External auditor fees

	2023/24	2022/23
Consolidated Group and parent company	£268,281	£251,114
Subsidiary audits	£397,417	£372,186
Half-year review (non-audit services)	£101,124	£95,400
Total recurring fees	£766,822	£718,700
Non-recurring (investigation reviews)	£415,000	£–
Non-recurring (other)	£5,000	£29,500
Total non-recurring fees	**£420,000**	**£29,500**
Total fees	**£1,186,822**	**£748,200**

Non-audit services

It is the Board's policy that all proposals from EY for any non-audit services must be approved in advance by the committee and must not be prohibited by the FRC Revised Ethical Standard 2019. EY may only provide such services if its advice does not conflict with its statutory responsibilities and ethical guidance. The committee is aware of the requirements of the Statutory Auditors and Third Country Auditors Regulations 2016. The regulations cap non-audit services in any financial year at less than 70% of the average audit fees paid on a rolling three-year basis.

The ratio between audit and non-audit services performed by EY during the year was 10.7:1 (2022/23: 6.8:1) and non-audit services in the year were 8.5% compared with the cap of 70%.

Audit risks and areas of focus

As part of its audit planning process, EY advised our committee of the key audit risks and other areas of audit focus.

Key audit risks

- Misstatement of revenue recognised at or near year end
- Management override of controls
- IFRS 15 revenue presentation and disclosure
- Misstatement of rebate receivable to overstate reported results at or near the period end.

Other areas of audit focus

- Going concern and viability
- Accounting for share-based payments
- Impairment of goodwill
- Group consolidation and presentation
- Accounting for the Cloud Bridge acquisition
- Risk arising from the investigation on unauthorised and undisclosed share trading.

Our committee has the authority to request that additional areas are reviewed should the need arise.

Audit Committee report continued

Working with the external auditor

The committee approved EY's terms of engagement and reviewed the effectiveness of the external audit through the year-end reporting period. We assessed the auditor's performance, based on our evaluation and feedback from senior members of BTG's finance team, across a range of relevant topics.

We concluded that the auditor showed appropriate focus, critical analysis and challenge on the key audit areas and applied robust challenge and scepticism throughout the audit. We recommended to the Board, which, in turn will recommend to shareholders in a resolution at our 2024 Annual General Meeting, that EY should continue as external auditor.

The external auditor reported to the committee on its independence from BTG, in line with all UK regulatory and professional requirements, and confirmed that the objectivity of the audit partner and staff is not impaired. The committee also confirmed that BTG has adequate policies and safeguards to ensure EY remains objective and independent.

Internal controls and risk management systems

The management of risk is treated as a critical and core aspect of our business activities. Although the Board has ultimate responsibility for establishing and maintaining BTG's internal control and risk management systems, ensuring the Group has robust risk identification and management procedures in place, certain risk management activities are delegated to the level that is most capable of overseeing and managing the risks. On behalf of the Board, the committee keeps the adequacy and effectiveness of the company's internal financial controls and risk management systems under review, and assesses and approves the Annual Report statement concerning internal control and risk management. This includes assessing principal and emerging risks and the viability statement. As part of its internal audit this year, PwC confirmed to the committee that BTG's internal controls have been appropriately documented for the areas reviewed.

For more on our risks and mitigation and our risk management framework, see the risk report on pages 53 to 62. To gain a comprehensive understanding of the risks facing the business and management, the committee periodically receives presentations from senior managers and external advisors.

We have also followed the code's key requirements on risk management and control. For example, this year, as the code requires, the Board has:

- Continued to implement our ERM framework and policy
- Carried out a robust assessment of our risk appetite, and principal and emerging risks
- Confirmed that we have completed this assessment in our Annual Report, along with describing our principal risks and indicating how we identify emerging risks and manage or mitigate risks
- Monitored and reviewed the effectiveness of our material risk management and internal control systems and summarised this effectiveness review in our Annual Report.

Assessing our principal risks twice a year

The Board carries out a robust assessment of BTG's principal risks twice a year. This considers the risks that could threaten our business model, future performance, solvency or liquidity, and the Group's strategic objectives over the short to medium term. Our principal risks are documented in a schedule that includes a comprehensive overview of the key controls in place to mitigate the risk and the potential impact on our strategic objectives, KPIs and business model.

Given its importance, changes to BTG's risk register can only be made following approval from the committee or the Board. We outline changes to the principal risks during the year on page 56.

Risks that are not principal to BTG are documented within the risk registers of our two primary subsidiaries, which are overseen by the Executive Committee.

The Audit Committee received updates on material aspects relating to these risk registers at intervals during the year. In addition, risks that are considered key indicators of changes in BTG's risk profile, or deviation from the Board's risk tolerance level, are identified and reported to the committee.

Following our review – and with the exception of controls over share dealings and share register analysis, for which improvements have already been made and are otherwise ongoing – the committee confirmed to the Board that it is satisfied BTG's internal control and risk management procedures operated effectively throughout the period and are in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The committee continues to use the Group's ERM framework and policy and our risk appetite framework. Our ERM approach determines our overall principles, requirements and responsibilities for a sound approach to risk management and an effective and continual internal control assurance framework within the business.

The committee also assessed the Group risk register – which consolidated the risk registers of BTG, Bytes and Phoenix – during the year. This included the underlying methodologies, inherent risk scores (IRS) of the identified risks and what mitigation, if any, could be applied to the IRS depending on the classification of green, amber and red. Green (low) risks can be accepted without mitigation, amber (medium) risks should be mitigated where possible and red (high) risks must be mitigated as much as possible. Once mitigations are taken into account, management scrutinises the net red risks to determine if they are compatible with the Group's risk appetite.

Our committee formally reviews the Group risk register twice a year, using a consistent process, to identify the likelihood and business impact of any material or emerging risk, as well as any mitigating factors or controls. A robust assessment of the principal and emerging risks facing the Group was carried out by management – and reviewed and incorporated into the register by the committee – during the year.

The boards of directors of Bytes and Phoenix have implemented internal controls and processes to deliver financial control and reporting, including controls incorporated into their underlying systems. On a day-to-day basis, the Group system of internal control is managed and coordinated by our CFO.

At our meetings in October 2023 and February 2024, the committee considered the process by which management evaluates internal controls across the business. IT security risk, in respect of data security breaches around the Group's own data and that held on behalf of third parties, remained a key theme. So too were the broader challenges in the macroeconomic environment, caused by issues such as the conflicts in Ukraine and the Middle East and the cost-of-living crisis.

Our business continuity plans (BCPs) for Bytes and Phoenix remain robust and we continue to embed an annual BCP management cycle as part of our overall risk management process, to continually track, review and evolve our plans.

For 2024/25, the Board at the recommendation of the Audit Committee agreed that the following areas of risk remain relevant and should be reviewed and assessed:

- Cybersecurity risk of breaches of BTG's own data and that held on behalf of third parties
- Factors linked to high interest rates, supply chain constraints and geopolitical uncertainty – given their significant impact on the global economy, customer behaviours and associated cash flows, and the carrying amount of assets and projected future cash flows in the context of going concern and impairment assessments
- People- and culture-related risks, in particular the ability to continue to attract and retain talented people or to maintain the unique nature of our culture
- Increasingly competitive environment and evolving vendor landscape leading to pressure on margins
- Non-compliance- and governance-related risks.

Going concern and viability statements

The committee considered BTG's going concern and viability statements at our meeting in May 2024. We also challenged the nature, quantum and combination of the unlikely but significant risks to our business model, future performance, solvency and liquidity, which were modelled as part of the scenarios and stress-testing for our viability statement.

As part of this review, we considered our financial forecasts position to the end of August 2025 for going concern and, over the next three years for viability, conducted a principal risk assessment and analysed the impact of sensitivities on cash and available funding, individually and collectively, in a reasonable worst-case scenario. These scenarios considered the mitigating actions we could take.

We are satisfied that our going concern statement, on page 131 of the directors' report, and Our viability statement, on pages 64 to 65 of the strategic report, have been prepared appropriately.

Internal audit

Our internal audit function's main task is to support the Board to protect BTG's assets, reputation and sustainability. The internal auditor provides independent assurance about the adequacy and effectiveness of the Group's internal controls and risk management systems.

This year marked PwC's second full year as BTG's internal auditor and once again the committee reviewed and approved the internal audit charter. This provides the framework for how internal audit is conducted in BTG and was created to formally establish its purpose, authority and responsibilities. The committee approved the internal audit plan for 2023/24, which is designed to support BTG's organisational objectives and priorities and identify the risks that could prevent the Group from meeting those objectives.

In all, PwC carried out five audit reviews across both our two primary subsidiaries and, while these identified several areas for continued improvement, found no material issues or areas of concern. Before each review, PwC holds a planning meeting to understand the context, key stakeholders, audit objectives and timeframes. Together with our CFO, it also reviews areas of particular importance to the committee to ensure the scope of the audit meets the committee's expectations.

So that we can continually improve our internal audit processes, PwC considers a range of feedback and issues as part of its planning process each year. This includes gathering views from our senior executives and managing directors of our two primary subsidiaries, as well as considering previous areas of internal audit focus and their results, and the most significant risks that we face as an organisation.

Audit Committee report continued

Following up on internal audit reviews

The committee receives a report on internal audit activity at each scheduled meeting and monitors the status of internal audit recommendations and management's responsiveness to their implementation. The committee keeps other Board committees updated on the outcome of any reviews that fall within their areas of responsibility. To ensure management completes actions from internal audit reviews in a timely manner, PwC follows up on the completion and implementation of critical, high and medium findings after their nominated completion date and examines supporting data to validate the information provided. PwC also carries out follow-up reviews with management if unsatisfactory conclusions are reached. We will continue to strengthen the way we monitor actions following internal audits.

The committee approved the internal audit plan for 2024/25 at our meeting in December 2023. It includes six planned reviews instead of five, which includes reviews of cybersecurity, budgeting and forecasting, and payroll for both operating companies.

As mentioned, a separate PwC team assisted BTG with the two investigations, with their recommendations addressed directly by the Board.

Effectiveness review of the internal auditor

As planned, we conducted a formal review of the effectiveness of the internal auditor and internal audit process following year end. The review looked at several areas, including the qualifications and expertise of PwC's team, the depth and breadth of our internal audits, and the quality of planning.

Overall, the committee is satisfied with the way PwC manages our internal audit function. The team's extensive combined experience means it can draw on subject matter expertise from within the wider PwC ecosystem. It also meets with the senior BTG team each month to understand the changes and challenges in the business and engages with the committee Chair in advance of committee meetings. PwC also meets regularly with our external auditor to exchange knowledge on the risk and control environment and to coordinate plans where appropriate.

At the start of any review, PwC holds scoping meetings with key stakeholders to agree the depth and breadth of the internal audit, and to ensure the scope covers the risks identified during the planning stage while focusing on the most relevant areas. All significant audit findings remain 'open' until approved by our CFO with input from the committee.

Reporting

As part of BTG's financial reporting cycle, it is the committee's primary responsibility to review the quality and appropriateness of the annual and half-year financial statements with the management team and external auditor. For the period under review, we focused on:

- The quality, appropriateness and completeness of our significant accounting policies and practices and any resulting revisions
- The reliability of processes underlying the integrity of our financial reporting
- The clarity, consistency and completeness of our disclosures, including compliance with relevant financial reporting standards and other reporting requirements
- Significant issues where management judgements and/or estimates were material to our reporting, or where discussions took place with the external auditor to reach a judgement or estimate
- The committee's advice to the Board on the long-term viability statement
- Ensuring that full and comprehensive financial and narrative disclosures were made relating to the undisclosed share dealings across all relevant sections of the governance report for 2023/24, including updating any incorrect shareholding figures in the directors' remuneration report in respect of the prior year.

The committee received reports from management on the identification of critical accounting judgements, significant accounting policies and the ongoing application of accounting standards in financial year-end reporting.

Dividends and distributable reserves

During the year, we took steps to ensure that our distributable reserves within the Group and company are appropriate for the declaration of dividends. The committee reviewed BTG's dividend policy and confirmed that 40% of post-tax but pre-exceptional earnings would be distributed to shareholders as normal dividends.

We declared an interim dividend of 2.7 pence per share paid to shareholders and are pleased to announce a proposed final dividend for the year ended 29 February 2024 of 6.0 pence per share.

Considering the cash position at the year end against our forecasted capital requirements for 2024/25, we have also proposed a special dividend of 8.7 pence per share.

Both dividends are subject to shareholder approval at our Annual General Meeting on 11 July 2024. If approved, these would both be payable on 2 August 2024 to shareholders who were on the register on 19 July 2024.

Fair, balanced and understandable statement

The committee considered this Annual Report as a whole, and the processes and controls underlying its production, in light of the requirement that it must be fair, balanced and understandable. This included making sure that we addressed the areas listed below.

Process

- All team members involved in the process were properly briefed on the fair, balanced and understandable requirement.
- The core team responsible for coordinating content submissions, verification, detailed review and challenge had the necessary experience to carry out their work well.
- The committee received drafts early enough to review and comment in a timely manner.

Content

- The report includes accurate key messages, market and performance reviews, principal risks and all other financial and narrative disclosures required for good corporate governance.
- The report is balanced in describing potential challenges and opportunities and includes relevant forward-looking information.
- Information in the different parts of the report is consistent.
- The report is written concisely, without unnecessary verbiage, and avoids jargon as far as possible.
- Senior management confirmed that they believe that the information included about their respective areas of responsibility is fair, balanced and understandable.

On the basis of this review, we recommended to the Board that this Annual Report is indeed fair, balanced and understandable, and gives readers the information they need to assess the Group's position and performance, business model and strategy.

Looking forward

During 2024/25, our committee will remain focused on the key areas of responsibility delegated to it by the Board, which include:

- Onboarding our new Audit Committee Chair and our other new committee member
- Continuing to seek appropriate assurance across all areas of the business, with a particular focus on BTG's principal risks, control environment and approach to financial reporting, taking into account developments in reporting responsibilities and the ongoing consideration of TCFD and other climate-related reporting requirements
- Monitoring progress on the implementation of the new systems in Bytes and Phoenix
- Reviewing the external audit strategy coming into EY's fifth year as BTG auditor
- Conducting an analysis between current practice and the new Minimum Standard for Audit Committees
- Supporting BTG's continuing governance improvement initiatives.

We welcome questions from shareholders about the committee's activities. If you wish to discuss any aspect of this report, please contact us through our Group Company Secretary at wk.groenewald@bytes.co.uk.

Nomination Committee report
Introduction from our Chair

We have worked hard to ensure that this year's Board changes support growth while enhancing diversity.

On former CEO Neil Murphy's resignation on 21 February 2024, we put in place our succession plans, with Sam Mudd immediately stepping in as Interim CEO. Following a diligent selection process, we then appointed Sam to the permanent role of CEO on 10 May 2024.

When Alison Vincent stepped down in October 2023, Dr Erika Schraner became Chair of our Remuneration Committee. Erika has been a member of the committee since September 2021, so has played an active role in our remuneration approach for more than two years. After Mike Phillips' resignation with immediate effect in March 2024, Erika assumed the role of senior independent director. She also stepped in as Interim Audit Committee Chair, for which I extend my thanks and appreciation. During the year, Erika also took on the role of non-executive director designate for employee engagement, after David Maw retired from the Board at our Annual General Meeting (AGM) in July 2023 – a role that, following Erika taking on additional Board responsibilities, moved to non-executive director Shruthi Chindalur in March 2024.

Appointing new directors

I was delighted to welcome Shruthi, who joined the Board in February 2024 and is also a member of our Audit, Nomination and Remuneration Committees. She brings a wealth of commercial and operational experience in the technology sector to the role.

Her appointment followed a thorough recruitment process, including recommendations from Women on Boards and The 350 Club, which are otherwise independent of BTG, and from our individual Board members. We also considered references from our Board members, as part of our longlist of applicants. We then narrowed that to seven final candidates – all women and all from ethnic minority backgrounds, and with a variety of skills and experience in areas like strategy, IT services and HR. The Board debated the merits of each candidate and the committee interviewed all seven.

The committee prepared a comprehensive induction programme for Shruthi, in line with guidance from The Chartered Governance Institute UK & Ireland. It included:

- Meetings with management, the Chair and directors, and external advisors
- Visits to key sites
- Information to understand the business and its strategy, its governance processes and the year ahead.

We also welcomed Sam Mudd as an executive director in July 2023, with her extensive knowledge of the business and our culture. Having the right skills at executive level means that we have natural succession plans in place, an approach that was invaluable to ultimately appointing Sam as CEO in May 2024.

Meanwhile, we are looking forward to welcoming two more independent non-executive directors on 1 June 2024: Ross Paterson and Anna Vikström Persson. Ross will take up the permanent role of Chair of the Audit Committee, and join the Nomination, Remuneration and new ESG Committees. Anna will join the Audit, Nomination and Remuneration Committees, and also become Chair of our ESG Committee (see page 77 for more details).

Reviewing Board composition to support growth

Board changes provide a good opportunity to discuss overall composition and ensure that we have the right balance of skills to provide the necessary support and challenge to help our senior executives and wider management team successfully deliver our strategy.

While that strategy has supported our rapid growth and significantly increased the market value of our business in just three years, our focus has naturally been on establishing BTG as a listed company, putting the policies, processes and culture in place to set us up for continued growth. We see lots of opportunities to keep growing but, to do that successfully, we are now starting to shift that focus out to the next three to five years.

On Sam's appointment, we had three executive directors on our Board, which was a deliberate choice on our part, even if somewhat uncommon. It was designed to support our broader work in executive development and succession planning – which remain standing items at every committee meeting. The combination of three executive directors on our Board and Alison's departure meant that, for the year ended 29 February 2024, we did not comply with provisions 11, 24 and 32 of the UK Corporate Governance Code (code) for three months, although we resolved this with Shruthi's appointment.

As we set out in the Compliance with the UK Corporate Governance Code section on page 98, the resignation of Mike Phillips after year end means that, at the date of this report, we do not comply with the code provisions 24 and 32. Our appointment on 1 June 2024 of Ross as Audit Committee Chair and Anna as a member of the Audit Committee, with both also appointed as members of the Remuneration Committee, will however, resolve this.

Selecting our new Board members

In considering a candidate's potential as a new Board member, the Nomination Committee considers a number of matters:

Skills gaps
What **skills gaps** do we want to fill as a priority with our new appointment?

Internal/ external
Should our new Board member be **internal or external**?

Diversity goals
How can we make progress in our **diversity goals**?

Broad perspective
Will our new candidate bring a **broad perspective** to the Board?

Career potential
Can we demonstrate **career potential** to Board level from within the company?

Ongoing focus on diversity

So far, I've only talked about diversity in terms of skills, but the committee considers many aspects of this important topic – including gender and ethnicity. It is one of the most common questions among our shareholders and another area that the committee discusses at meetings. This year, that included reviewing and discussing the recommendations of the new FTSE Women Leaders Review (the successor to the Hampton-Alexander and Davies Reviews) and the Financial Conduct Authority's (FCA) new Listing Rules.

Given the changes to our Board this year, women represented 60% of our Board at the date of this report, meaning we are aligned to the FCA Listing Rules to have women represent at least 40% of the Board and to have at least one director who is from a minority ethnic background. We also have women in the roles of CEO and senior independent director. While our priority will always be on making sure we have the right person with the right skills in the right role, our decisions on future appointments will, of course, be informed by the Listing Rules. This year we also reviewed and updated our diversity policy to ensure it is aligned with the regulatory changes.

Meanwhile, women now represent 50% of our Executive Committee. We want to do more to maintain that percentage, so I'm pleased that Sam launched a new female leadership acceleration programme, initially within Phoenix. She also introduced a coaching programme for younger women in the team, which her successor Clare Metcalfe, as MD Phoenix, will continue, and had put enhancing flexible working benefits on the agenda.

Supporting ongoing Board development and reinforcing governance requirements

Board and executive-level development has continued to be a key area for the committee. This year, that included a good session with our external auditor, EY, on the evolving corporate governance landscape, and a session with EY's economist to discuss broader economic trends.

The Board held a session in April 2024 with our legal counsel to refresh our members' knowledge of the regulations and requirements around share dealing and directors' duties. During the year, we also introduced a new share dealing portal, and set up an online training platform via the Deloitte Academy to help our Board members strengthen their knowledge in areas such as governance and regulatory processes and developments.

Staying focused on our priorities to support future growth

Looking forward, I would like to see the committee sharpen its focus on developing our senior management team, supporting the new executive team in developing our senior managers, to ensure we have the skills in place to continue BTG's growth. The committee had a good discussion with the executive directors on this subject, looking at our opportunities to drive this initiative in line with BTG's growth aspirations and how we might work with Bytes and Phoenix's external training specialists to create a suitable programme in this area.

Everything that the committee has done this year has been in service of that longer-term outlook that I mentioned. And I expect Board composition and executive development to remain our primary focus in the coming 12 months. I look forward to continuing these discussions with my fellow committee members over the next year.

Patrick De Smedt
Chair
22 May 2024

Nomination Committee report continued

Committee attendance

Committee member	For the financial year to 29 February 2024
Patrick De Smedt	7/7
Alison Vincent[1]	3/4
Mike Phillips[2]	7/7
Erika Schraner	6/7
Shruthi Chindalur[3]	N/A

1 Alison Vincent stepped down from the committee on 31 October 2023.
2 Mike Phillips resigned from the committee on 24 March 2024, following the financial year end.
3 Shruthi Chindalur was appointed to the committee on 1 February 2024. There were no meetings held from the date of appointment until the end of February 2024.

Our Nomination Committee works to ensure that we have the right executive and non-executive leaders to deliver our strategic plans and maximise our business potential – now and in the future.

As part of this, we focus on three complementary elements: ensuring appropriate leadership and succession planning for our Board and senior management, overseeing the development of a diverse and inclusive succession pipeline, and promoting BTG's long-term sustainable success in the interests of our stakeholders.

Each year, we review and approve our committee terms of reference, which are available at bytesplc.com.

Our responsibilities

Our committee's main responsibilities are to:

- Regularly reassess the composition of the Board and committees – including size, skills, knowledge, experience and diversity – to ensure they remain appropriate, and to make recommendations for changes, as necessary, to the Board
- Review the criteria for identifying and nominating candidates for appointment to the Board, based on the specification for a prospective appointment, including the required skills and capabilities
- Identify and nominate candidates for Board approval to fill Board vacancies when they arise, considering other demands on directors' time
- Lead the process regarding appointments to the Board, including that of the Chair
- Review the time commitment and independence of the non-executive directors, including potential conflicts of interest
- Deliver succession planning for the Board and senior executives, including recruitment, talent development, identifying potential internal or external candidates, and making recommendations to the Board
- Ensure that all new Board members have an appropriate and tailored induction, and that training and development is available to existing members.

This year, we focused again on the composition and diversity of our Board and succession planning, which we discuss in this report.

Becoming more diverse

As well as being the right thing to do, establishing a truly diverse leadership team ultimately benefits our stakeholders by enabling us to perform better. On our committee's recommendation, the Board has a Board and Senior Management Diversity Policy, which was reviewed in March 2024. In that review, we updated the policy to set a percentage target for senior management positions that will be occupied by ethnic minority executives by December 2027, as in line with the Parker Review.

This target now sits alongside the policy revisions we made in 2021/22 to meet the recommendations from the FTSE Women Leaders Review to:

- Aspire to having at least 40% female directors on the Board and senior leadership team by the end of the 2025/26 financial year
- Consider appointing at least one woman in the Chair, senior independent director, CEO or CFO role by the end of 2025/26
- Consider candidates for non-executive director roles from diverse gender and ethnic backgrounds
- Develop a pipeline of diverse, high-calibre candidates by encouraging a range of employees with different ethnic, gender and experiential backgrounds to take on additional responsibilities and roles.

The policy was updated and approved by the Board and is available at bytesplc.com.

With the changes to the Board this year, women represented 60% of our Board at the date of this report. That means we are aligned with the FCA Listing Rules to have women represent at least 40% of the Board and to have at least one director from a minority ethnic background.

We now also have women in the roles of CEO (Sam) and senior independent director (Erika). This is a significant milestone, because they contribute to the diversity of thought and mindset that we value so highly at BTG. Our priority, of course, will always be to ensure we have the right person in the right role, and the requirements will continue to inform our future appointments.

Focus areas for 2024/25

In the coming year, our committee will continue to monitor its compliance with the code and, with the Board, review succession plans to continue to enhance the cultural diversity and skills balance across the business.

This will include:

- Building on our directors' skills matrix to ensure they continue to support BTG's growth strategy and will maximise the potential of the business
- Considering and recommending the election and re-election of directors at our AGM in July 2024
- Continuing our succession planning process at Board and senior management levels
- Supporting the ongoing development of the Board, in particular Sam in her role as CEO
- Overseeing the appointment of the new Audit Committee Chair and the new ESG Committee Chair
- Continuing to develop the leadership capabilities of the wider senior management team and to promote diversity across the business.

Our Board and executive diversity data

The following tables provide data on gender and ethnicity across our Board and senior management team as at the date of this report. The information was collected on a self-reporting basis.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, SID, CEO, CFO)	Number in the Executive Committee	Percentage of senior management team
Gender					
Men	2	40%	2	2	50%
Women	3	60%	2	2	50%
Not specified/prefer not to say	–	–	–	–	–
Ethnicity					
White British or other White (including minority-white groups)	4	80%	4	4	100%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	20%	–	–	–
Black/African/Caribbean/ Black British	–	–	–	–	–
Other ethnic group, including Arab					
Not specified/prefer not to say	–	–	–	–	–

Independence of non-executive directors and potential conflicts of interests

Our committee reviewed the independence and potential conflicts of interests of the non-executive directors in line with the UK Corporate Governance Code (code). On 7 March 2024, we concluded that Patrick De Smedt, Erika Schraner and Shruthi Chindalur are independent and continue to make independent contributions and effectively challenge management.

Following changes to the Board's composition during the year, we did not comply with provisions 11 and 24 of the code for three months. This was addressed in February 2024 when we appointed Shruthi Chindalur as an independent non-executive director. Shruthi is also a member of our Audit, Nomination and Remuneration Committees.

The Board's immediate focus is now on bringing together the skills and experience of all the new members of the Board and ensuring we work together for the benefit of the company. This will help us ensure we strike the right balance between our deliberate approach to supporting executive development and succession planning and to complying with regulatory expectations, as set out in our policy.

Managing succession planning

We manage succession planning in line with the Group's relevant policies. These are aligned with regulatory requirements around diversity targets and with the company's growth aspirations, which we consider in relation to the skills and expertise that we need or will need in future at Board level.

During 2023/24, we continued to evaluate BTG's succession planning for senior executive roles. This included assessing the strengths of senior managers, areas that need improvement and plans to address those areas. We identified immediate and long-term candidates among internal leaders who would be ready to take on an enhanced role if needed, and whether more training and development would be required. We also dedicated specific time to our female leadership initiatives, to provide more momentum to diversifying our manager positions.

We also again assessed the existing succession planning for our executive Board member roles, and continued our efforts to establish formal succession plans for each of our non-executive positions.

Reviewing our Board and committees' performance

After carrying out our first external Board evaluation in 2022/23, using external consultancy Lintstock, this year we ran an internal evaluation. Our Chair had one-to-one discussions with each Board member and Lintstock helped us to develop a Board evaluation survey, with which we sought feedback from the Board and each committee. A separate survey was developed for the Chair. Lintstock took the survey feedback and prepared a report for us, as it did last year.

For more information on the overall findings and recommendations of the evaluation, see page 76 and our regular areas of focus on page 96.

The Chair, with support from the Group Company Secretary, monitors progress – made during Nomination Committee meetings and one-to-one sessions between the Chair and executive and non-executive directors – on implementing the recommendations, which is then reported to the Board through feedback from the Chair and CEO.

We will hold another internal evaluation this financial year, completing Lintstock's three-year Board Development Programme.

At the same time, our committee is always working on its regular areas of focus (see page 96), which is managed through its workplan activities during the year.

Reviewing our Chair's performance

Working with Lintstock, our senior independent director – with input from Board colleagues – appraised Patrick De Smedt's performance as Chair during the year. The findings of this review were shared with the Board, and concluded that the Chair continues to guide the Board effectively.

Compliance with the UK Corporate Governance Code

For the year ended 29 February 2024, we applied the principles of the 2018 UK Corporate Governance Code.

We complied with all the provisions of the 2018 UK Corporate Governance Code (code) during the financial year and up to the date of this report, with three exceptions:

- Following Alison Vincent stepping down from the Board as an independent non-executive director on 31 October 2023, we were not compliant with provisions 11, 24 and 32 for three months until the appointment of Shruthi Chindalur as an additional independent non-executive director on 1 February 2024.
- Following Mike Phillips' resignation with immediate effect from the Board as an independent non-executive director on 24 March 2024, we are not compliant with provisions 24 and 32. However, this will be resolved on 1 June 2024 when two new independent non-executive directors join us: Ross Paterson as Audit Committee Chair and a member of the Remuneration Committee, and Anna Vikström Persson as a member of the Audit and Remuneration Committees.

The code is available in full on the FRC's website at frc.org.uk.

1. Board leadership and company purpose

A. The Board's role	Our Board's objective is to create and deliver BTG's long-term sustainable success, supported by the right culture and behaviours, to generate value for shareholders and contribute to wider society. Our governance framework ensures that we have a robust decision-making process and a clear structure within which decisions can be made and strategy delivered. Our delegation of authority matrix ensures that decisions are taken by the right people at the right level with accountability up to the Board. This enables an appropriate level of debate, challenge and support in the decision-making process. We continue to be led by an effective Board, which ensures that the most relevant topics are discussed at meetings throughout the year. The Board's main activities are detailed on pages 76 to 77.
B. Purpose, culture and strategy	The Board has overall responsibility for establishing BTG's purpose, culture and strategy and, in doing so, delivering our long-term sustainable success and generating value for shareholders. Central to this role is the need for the Board collectively to set the right 'tone from the top', in living and upholding our values, encouraging open and honest debate, and behaving ethically. The Board places great importance on ensuring that its conduct and decision making are appropriate for the businesses and sector in which we operate, and in line with our culture. Our Board is committed to delivering our strategy and to advancing our purpose: empowering and inspiring our people to fulfil their potential, so they can help our customers make smarter buying decisions and meet their business objectives through technology. The Board discusses company culture during its meetings and regularly reviews reports from the CEO, CFO and senior management that provide insight into the culture across the organisation. The Chair also receives regular updates from management around culture. Together, this helps to promote behaviours throughout the business to align with BTG's purpose, culture and strategy.
C. Resources and controls	The Board ensures that BTG has the necessary resources to meet its objectives and to continually measure its performance against them. Through the Audit Committee, it oversees BTG's control environment and risk management frameworks. The Board's agenda is set to deal with those matters relating to BTG's strategic plan, risk management and systems of internal control, and corporate governance policies.
D. Stakeholder engagement	Our key stakeholders play an important role in the successful operation of our business. Our Board is fully aware of, and takes seriously, its responsibilities to them under Section 172(1) of the Companies Act 2006. Our Board members are mindful of the potential effect on our stakeholders when considering the company's strategy or other activities. Board members take an active role in engaging with shareholders and wider stakeholders. Non-executive directors are available to meet shareholders and discuss their concerns in person at the Annual General Meeting (AGM). They also attend investor calls when requested and are invited to attend relevant industry events. We have a designated non-executive director who takes responsibility for employee engagement. This role engages with staff, including operational managers. Senior managers are also given opportunities to present at Board meetings and so engage with Board members in a different setting. This work contributes to our strong employee net promoter score (eNPS), which was 71 this year. We provide more information about how we consider all stakeholders' views in our decision making on pages 78 to 82.

E.	**Workforce engagement**	Former non-executive director David Maw was our designated non-executive director for employee engagement for the first half of the financial year. He engaged with staff at scheduled intervals, set up specific discussions for the Board and reported back on his engagement activities. Retiring from the Board in July 2023, he handed over to Erika Schraner. As part of her transition, Erika visited our London office twice during the year to meet with employees, and had an opportunity to engage with employees at Phoenix Software. Shruthi Chindalur then took on the role in March 2024, as Erika assumed more Board responsibilities, and will continue the positive work done by David and Erika. As part of our actions to advance employee engagement, the Board will also conduct an All Hands session at our Bytes office in Leatherhead during this financial year. Our whistleblowing policy sets out means for employees and third parties to raise concerns in confidence, either to one of our whistleblowing officers or directly to our independent Chair. We offer whistleblowing guidance through an independent charity, offering a confidential helpline, and have a process for investigating whistleblowing reports and our whistleblowing policy is available at bytesplc.com. There were no whistleblowing reports this financial year.

2. Division of responsibilities

F.	**Role of the Chair**	Our Chair, Patrick De Smedt, leads the Board. He determines the agendas for meetings, manages the meeting timetable and encourages open and constructive dialogue during meetings, inviting the views of all Board members. Patrick was considered independent when he was appointed. We review the status of all our independent non-executive directors each year and confirm that each continues to be independent.
G.	**Composition of the Board**	Provision 11 of the code recommends that for companies within the FTSE 350 at least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent. The company was not compliant with provision 11 during the period from Alison Vincent stepping down on 31 October 2023 until Shruthi Chindalur's appointment on 1 February 2024 because, during this time, the Board comprised the Chair, three executive directors and two independent non-executive directors. With Shruthi's appointment, at year end the Board consisted of three independent non-executive directors and three executive directors, as well as an independent non-executive Chair. The roles of the Chair and CEO are clearly defined, with their role profiles being reviewed as part of the Board's annual governance review. The Chair is responsible for effective leadership of the Board and for maintaining a culture of openness and transparency at its meetings. The CEO has day-to-day responsibility for the effective management of BTG's business and for ensuring that Board decisions are implemented. Our Board has agreed a clear division of responsibilities between its leadership function – supported by our corporate governance framework – and the executive leadership of the business. To ensure that no individual has unrestricted powers of decision making and no sub-group of directors can dominate the Board, we have defined responsibilities clearly in our role statements and in the matters reserved for the Board. Committee terms of reference determine the authority given to each Board committee. For more on our Board composition, leadership and role statements see pages 72 to 73. The responsibilities of our Chair, CEO and senior independent director, and our Board and committees, are set out on page 132 and at bytesplc.com.
H.	**Non-executive directors' role and time commitment**	Our non-executive directors scrutinise the performance of the executive management team and hold it to account against agreed objectives. Our Chair holds discussions with the non-executive directors without the executive directors being present, a practice that continued in the past year. Our senior independent director serves as a sounding board for the Chair and is available as an intermediary for our other directors and shareholders. For the year ended 29 February 2024, our Chair's performance appraisal was done through our senior independent director, with input from external advisor Lintstock, and was concluded in May 2024. Regular Board and committee meetings are scheduled throughout the year to ensure directors allocate sufficient time to discharge their duties effectively. A non-executive director role generally takes up at least 24 days a year, after the induction phase, plus additional time to prepare for each meeting. Directors are also required to regularly update and refresh their skills, knowledge and familiarity with the company, and attend additional Board, committee or shareholder meetings at certain times. Before appointing a candidate, the Nomination Committee assesses that person's commitments, including other directorships, to ensure they have enough time for the role. The committee reassesses the directors' time commitments every year to ensure they each still have time for their role; the Chair also does this periodically as part of his role. Our directors must obtain approval before taking on additional external appointments.
I.	**Role of the Company Secretary**	The Group Company Secretary is secretary to the Board and also oversees BTG's legal function. Their responsibilities include ensuring the Board has the information, time and resources to discharge its duties and to function effectively and efficiently. They provide briefings and guidance to the Board on governance, legal and regulatory matters and facilitates induction programmes for new directors.

Compliance with the UK Corporate Governance Code continued

3. Composition, succession and evaluation

J. Appointments to the Board and succession planning	The Board, with the Nomination Committee's support, continually reviews its own composition and that of its committees, and considers succession planning, diversity, inclusion and governance-related matters. The Nomination Committee has overall responsibility for leading the process for new Board appointments. It also ensures that these appointments bring the required skills and experience to the Board to assist in developing and overseeing BTG's strategy. The committee makes sure all appointments are made on merit, having evaluated the capabilities of all potential candidates against the requirements of the Board and considered all types of diversity, including gender. For more details, see our Nomination Committee report which can be found on pages 94 to 97.
K. Skills, experience and knowledge of the Board	As part of our succession planning, the Nomination Committee considers the balance of skills, experience and knowledge our Board needs to work effectively and help BTG deliver its strategic goals. Find all the details of our directors' tenure, skills and experience on pages 72 to 74.
L. Board evaluation	In line with the need to undertake an externally facilitated evaluation every three years, we have committed to a three-year Board effectiveness programme with external advisor Lintstock. The programme includes one Board review with interviews followed by two survey-based reviews. During the year, BTG again worked with Lintstock around its Board evaluation process, which consisted of tailored surveys and one-on-one discussion by the Chair with Board members. Lintstock provided feedback to the Chair and the senior independent director in January 2024, followed by its report to the Board in February 2024. The Board then agreed actions for 2024/25 to further strengthen the way it operates. The Chair and Group Company Secretary are managing these actions, which we set out on pages 76 to 77.

4. Audit, risk and internal control

M. Internal and external audit	The Board receives regular updates on audit, risk and internal control matters, with the Audit Committee having detailed oversight and reporting its findings to the Board. Provision 24 of the code recommends that the audit committees of companies within the FTSE 350 should comprise a minimum of three members, all of whom should be independent non-executive directors. The company was not compliant with provision 24 during the period from Alison Vincent stepping down from the Board on 31 October 2023 until Shruthi Chindalur's appointment on 1 February 2024 because, during that time, the Board excluding the Chair, only comprised two independent non-executive directors (Mike Phillips and Erika Schraner) and so the committee only comprised two independent non-executive directors. Following Mike Phillips' resignation from the Board as an independent non-executive director on 24 March 2024, the company is again not compliant with provision 24. However, this will be resolved on 1 June 2024 when two new independent non-executive directors join us: Ross Paterson as Audit Committee Chair and Anna Vikström Persson as a member of the Audit Committee. The Audit Committee report on pages 83 to 93 sets out more about audit, risk management and internal control, and the committee's work. The report also includes details about how the committee assesses the effectiveness and independence of EY – our external auditor – and PwC, our internal auditor, which reports to the Audit Committee about progress against audit reviews and identifies areas of our control environment for review.
N. Fair, balanced and understandable assessment	In light of the context in which we are reporting this year, the Board has undertaken a broader review of the narrative in this Annual Report to ensure the proper disclosures and prior-year adjustments in relation to the previously undisclosed directors share transactions have been made and that the report, taken as a whole, is fair, balanced and understandable. The Board considers this report to be fair, balanced and understandable and to provide the information necessary for shareholders to assess BTG's position and performance, business model and strategy. The Board's assessment is described on pages 132 to 133.
O. Risk management and internal control framework	Our Board is accountable to our stakeholders for ensuring BTG is managed appropriately. It sets the Group's risk appetite, satisfies itself that its financial controls and risk management systems are robust, and ensures that it is adequately resourced. A description of the principal risks facing the Group is set out on pages 56 to 62. This shows how the directors have assessed the prospects of the company, over what period and why they consider that period to be appropriate (our viability statement on pages 64 to 65).

5. Remuneration

P.	**Remuneration policies and practices**	Provision 32 of the code recommends that the remuneration committees of companies within the FTSE 350 should establish a remuneration committee of independent non-executive directors with a minimum membership of three. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. The company was not compliant with provision 32 during the period from Alison Vincent stepping down from the Board on 31 October 2023 until Shruthi Chindalur's appointment on 1 February 2024 because, in that time, although the committee comprised three independent non-executive directors – Mike Phillips, Erika Schraner and Patrick De Smedt – Patrick is also the Board Chair and so excluded from the membership composition for purposes of compliance with the code. Following Mike Phillips' resignation from the Board as an independent non-executive director on 24 March 2024, the company is again not compliant with provision 32. However, this will be resolved on 1 June 2024 when two new independent non-executive directors join us: Ross Paterson and Anna Vikström Persson, both as new members of the Remuneration Committee. Our Board, supported by the Remuneration Committee, ensures that our remuneration policies support BTG's strategy and promote long-term sustainable success. Executive remuneration is aligned to the successful delivery of our long-term strategy and considers overall BTG remuneration policies and practices. This includes linking executive remuneration ever-more closely with the achievement of our sustainability targets for 2024/25. Our proposed updated directors' remuneration policy will be submitted for a binding shareholder vote at our upcoming AGM in July 2024. It will take formal effect from the date of the AGM, subject to shareholder approval. The policy will replace the one most recently approved by shareholders at the AGM in July 2021. It will apply for three years from the date of approval, unless a new policy is presented to shareholders before then. The updated directors' remuneration policy can be found in full on pages 108 to 115 of this Annual Report.
Q.	**Executive remuneration**	The Remuneration Committee is responsible for setting the remuneration for executive directors. No director is involved in deciding their own remuneration. See our directors' remuneration report for more on our remuneration policy and how it is implemented.
R.	**Remuneration outcomes and independent judgement**	Details of the composition and work of the Remuneration Committee are set out in the directors' remuneration report on pages 116 to 127.

Directors' remuneration report
Introduction from our Chair

With another year of strong business growth and high employee and customer satisfaction, the main priority for the committee in 2023/24 was to review and ensure that BTG's remuneration policy, practices and outcomes fully support the company's strategy and culture.

> The executive team and Board care deeply about fairness, meritocracy and aligning executive remuneration with that of our employees. The new remuneration policy aims to future-proof BTG for continued growth.

Dr Erika Schraner
Remuneration Committee Chair

On behalf of the Board, I am pleased to present the directors' remuneration report for the year ended 29 February 2024. Having been a member of the committee since 1 September 2021, I was delighted to assume the role of Remuneration Committee Chair from 1 November 2023.

During my first months as Chair, the committee worked diligently, resiliently and at pace. We undertook a review of the remuneration policy for the executive director team to ensure that BTG's remuneration policy, practices and outcomes fully support the company's strategy and culture. This review was completed in the context of market and governance best practice. The committee also consulted with our largest shareholders, obtaining a coverage of more than 55% of our issued share capital. In line with regulations, we are seeking shareholder support and approval for this revised policy at the 2024 Annual General Meeting (AGM). A summary of the proposed changes to the directors' remuneration policy is set out below and on pages 108 to 115.

With the sudden resignation of Neil Murphy in February 2024, the committee put in place a remuneration package for Sam Mudd as our Interim CEO and established proposed settlement terms for Neil. We also reviewed and approved the reconciliations relating to the previously announced persons discharging managerial responsibility (PDMR) and persons closely associated (PCA) notifications that the company issued about Neil and former non-executive director Alison Vincent, and those relating to the disclosed position in previous annual reports and accounts. Details of these issues were released to the market by RNS on 18 March 2024 and are set out and explained further on pages 69 to 70.

Despite the complexities we have faced in the past months, we have remained steadfast in adhering to the policy approved by our shareholders at the 2021 AGM. Our unwavering commitment has always been to act in the best interests of our shareholders and other business stakeholders.

Board changes

As outlined on pages 69 to 70, Neil resigned as CEO and from the Board with immediate effect on 21 February 2024. The same day, the Board announced that Sam Mudd, MD Phoenix and already an executive director, would become Interim CEO. Subsequently, on 10 May 2024, I was delighted that we, as a Board, appointed Sam as CEO.

All remuneration-related aspects of these Board changes are in line with our approved policy and are set out in detail on pages 108 to 115. Neil received no further remuneration following his resignation and all his share awards were forfeited immediately. We have reached agreement to claw back the cash bonuses paid to Neil since our IPO. Find more details on pages 121 to 122.

The package for Sam as our Interim CEO and then as CEO is explained on page 126.

Future-proofing our remuneration policy

As I mentioned, we will seek to renew our shareholder-approved three-year directors' remuneration policy at our 2024 AGM.

BTG has taken a balanced, considered approach to reviewing its remuneration framework to ensure it continues to attract, incentivise, reward and retain the top-tier talent essential for the sustained and profitable growth of the business. We remain committed to BTG's ethos of rewarding performance and to carefully benchmarking executive director compensation against other senior management roles within both the company and the broader workforce.

For our executive directors, incentive opportunities have remained unchanged since the IPO. Given this, total remuneration – looking at our fixed and variable pay opportunities together – is low for what is now an established FTSE 250 company. Since IPO, the company performance has been strong, and its market cap has broadly doubled in the period.

The dichotomy between current executive director remuneration levels and company size, complexity and performance prompted healthy discussions among committee members when we reviewed our directors' remuneration policy. All members of the Board agreed at the end of these discussions that preserving BTG's culture and values remained of paramount importance. The committee therefore proposes to keep the pay structure of the remuneration framework intact. Our proposed changes for executive directors within our revised policy are accordingly limited and intended to better align remuneration levels with the growth, size and complexity of the company – and the broader industry.

Bar exceptional events, we anticipate that we will continue to raise our executive directors' salaries only in line with, or below, the annual salary review increases awarded to our salaried staff over the next three-year policy period.

The committee, however, considers it appropriate to increase the maximum opportunities for the variable elements of remuneration. Aligning with our core principles, which emphasise performance and meritocracy, our proposed new policy increases the maximum award opportunity in the annual bonus from 100% to 150% of base salary for our CEO and CFO roles. However, we advocate taking a disciplined, step-by-step approach to implementing this increase. In 2024/25, the committee intends to cap the maximum annual bonus opportunity at 125% of base salary for the CEO, CFO and for the Interim CEO roles (see page 106 and page 126).

We are taking the same approach to the Performance Share Plan (PSP) for our CEO and CFO roles, raising the policy maximum to 200% of base salary (from 150%), which is aligned with market benchmarks, but implementing any changes in practice on a phased basis. Accordingly, in 2024/25, PSP awards will be held at prior-year levels of 150% of base salary for the CEO and the CFO roles and 100% of base salary for the Interim CEO role. For Sam this means that her PSP will be pro-rated between the Interim CEO and CEO roles for the year.

Together, these changes provide an overall incentive potential that we consider to be more appropriate for executive directors of a company of BTG's scale and ambition, that is aligned with other FTSE 250 companies and that will be more competitive in the market.

Seeking shareholder feedback on our policy

The Board approved the committee's remuneration policy recommendations in January 2024 and, in the same month, we shared our plans in a letter to our top 15 shareholders representing more than 55% of our issued share capital.

After Neil's resignation, the committee deliberated the proposed policy changes in the context of this development – which occurred after discussions about those policy changes had happened at the committee and the Board, and after they had been communicated to our top shareholders. We concluded that the proposed changes were largely unaffected by the change in CEO and were, in fact, now even more crucial to enable the company to pay appropriately in the next three-year policy period. These proposed changes remain advantageous in both the short and long term, aligning with the long-term trajectory of the business.

As Chair of the Remuneration Committee, I would like to thank our shareholders for their feedback during the consultation process and reassure them that the committee remains committed to listening to their views on all remuneration matters.

Remuneration outcomes for 2023/24

For 2023/24, the CFO and former CEO were eligible for a maximum annual bonus opportunity of 100% of their base salary, while the MD Phoenix was eligible for a maximum annual bonus of 85% of salary (pro rata from appointment to the Board). While Sam was appointed as Interim CEO on 21 February 2024, her remuneration in this role only started on 1 March 2024, at the start of the new financial year.

The 2023/24 performance for all three executives was assessed based on a balanced scorecard of financial and non-financial metrics, which for the CFO and former CEO was 80% based on adjusted operating profit and 20% based on key strategic objectives.

The MD Phoenix's bonus had similar weightings between financial and non-financial metrics, but with the majority of the maximum bonus potential for 2023/24 weighted to Phoenix performance – 65% of salary out of the total 85% of salary possible – and with the balance of 20% of salary subject to the same BTG Group-level scorecard as applied to the CFO and former CEO.

Following his resignation on 21 February 2024, Neil was not eligible for a 2023/24 annual bonus.

As a result of this year's performance, our CFO received an annual bonus payout of 55% of salary (also 55% of the maximum bonus) and the MD Phoenix received a payout of 54% of salary from appointment (63% of the maximum bonus). More details of performance against the targets are set out on page 118. In line with our Deferred Bonus Plan, these bonuses will be paid two-thirds in cash and one-third in shares, deferred for two years.

Directors' remuneration report continued

The committee considered the appropriateness of these outcomes following the end of 2023/24. While we noted that the adjusted operating profit had been reduced because of the non-operational costs associated with the investigations, we determined that this impact should still be included in calculating the annual bonuses, without any adjustment. The bonuses therefore reflect our reported performance against target by our continuing executive directors.

For the executive directors, no PSP awards were due to vest for performance in 2023/24, with the first such vesting due in 2024/25. We will report on this for our continuing executive directors next year.

To recognise the contribution of certain employees to our success and to ensure key employees are retained and motivated, restricted share awards were made to 280 of our people on listing in December 2020. This was followed by more awards of market value share options under our Company Share Option Plan (CSOP) in June 2021 and June 2022. The committee was pleased to see that 90% of employees who were granted restricted share awards at the point of IPO three years ago were still with BTG at the date of vesting in December 2023 and able to exercise their awards.

Pay arrangements for 2024/25

The executive directors' salaries increased by 4.5% from 1 March 2024 in line with increases for our salaried employees. Following these increases, the salaries of Andrew as CFO and Sam as CEO are £348,926 and £308,275 respectively. In addition, Sam, for the period she was Interim CEO only, was paid a salary supplement of £91,725 a year, starting on 1 March 2024, increasing her salary to £400,000 in total. Sam's salary from her appointment as CEO on 10 May 2024 is set as £421,000, reflecting the substantial responsibilities of her role within the organisation's strategic priorities, while still being below the FTSE 250 median.

Pension contributions for our executive directors will be up to 4.0% of salary, remaining in line with the level provided to the majority of our employees.

Subject to approval of the new policy, the annual bonus opportunity will be 125% of salary for the CEO and CFO for 2024/25. This will continue to be based on adjusted operating profit (80% weighting) and ESG-related and other key strategic objectives (20% weighting). For the period Sam was Interim CEO during 2024/25 up to 9 May 2024, her annual bonus will be calculated from the total of her continuing base salary as MD Phoenix and the Interim CEO salary supplement (£400,000 in total). From 10 May 2024, Sam's bonus will be calculated against her new salary of £421,000 as CEO from that date.

The award level under the PSP in 2024/25 will be 150% of salary for the CEO and CFO. Sam's 2024/25 PSP award will be calculated based on 100% of her continuing salary as MD Phoenix in 2024/25 (£308,275 a year) up to 9 May 2024 only, and then 150% of her CEO salary from 10 May 2024. As for previous awards, vesting will be subject to performance conditions based on earnings per share (75% weighting) and relative total shareholder return (TSR) (25% weighting), measured over three years, and will be subject to a two-year post-vesting holding period.

Alongside the executive director reviews, the policy for non-executive director fees was reviewed by the Board in consultation with FIT Remuneration Consultants LLP (FIT), its independent remuneration advisor, to ensure the policy remains appropriate and reflects the increase in responsibilities and FTSE 250 market practice. Our company Chair's fees and the fees of our non-executive directors were reviewed and increased for 2024/25 and are set out on page 127.

Additionally, the actions taken by the non-executive directors in recent months have involved work beyond their normal duties in leading specially established Board subcommittees investigating undisclosed share dealings by former directors (see pages 69 to 70). We have paid additional non-executive directors' fees in accordance with our remuneration policy – calculated on an equivalent pro rata day rate for continuing non-executive director work – for this additional work. The Board regards the payment of these fees as appropriate and fully in shareholders' best interests.

Looking ahead to 2024/25

Over the next 12 months, the committee will focus on:

- Securing shareholder approval at the 2024 AGM for our new remuneration policy
- Ensuring that the 2024/25 annual bonus plan continues to drive performance and reward sustainable growth and is set against appropriate financial and non-financial targets
- Granting PSP awards in 2024 with stretching EPS and TSR performance conditions
- Reviewing updates to the UK Corporate Governance Code 2024 and addressing gaps as appropriate.

As BTG continues to grow, the committee will focus on ensuring that the remuneration structure and packages remain fit for purpose and guided by our company strategy and values.
We will continue to take a disciplined, performance-driven approach to compensation, and I look forward to continuing that discussion with my committee colleagues over the coming year and listening to stakeholders' input.

At the 2024 AGM, shareholders will be asked to approve two resolutions related to remuneration matters:

- A resolution to approve the directors' remuneration report, which is the normal annual advisory vote on this report
- A resolution to approve the updated directors' remuneration policy, which, as explained earlier, is the normal binding three-year vote on this matter.

The committee welcomes all input on remuneration matters. If you have any comments or questions on any element of the directors' remuneration report or on the proposed changes to our directors' remuneration policy, please email me through our Group Company Secretary at wk.groenewald@bytes.co.uk. We are grateful for the guidance and support we have received from our shareholders on remuneration matters in the past year.

In closing, I would like to thank our shareholders for their continued support and engagement during the year. I hope you will join the Board in supporting our directors' remuneration policy and directors' remuneration report at the AGM on Thursday, 11 July 2024.

Erika Schraner
Remuneration Committee Chair
22 May 2024

Remuneration at a glance

Our pay principles

- Clear and simple
- Aligned with the interests of shareholders and other stakeholders
- Performance-related and linked to our KPIs
- Competitive but not excessive
- Aligned with our culture and values.

Implementing our policy in 2024/25

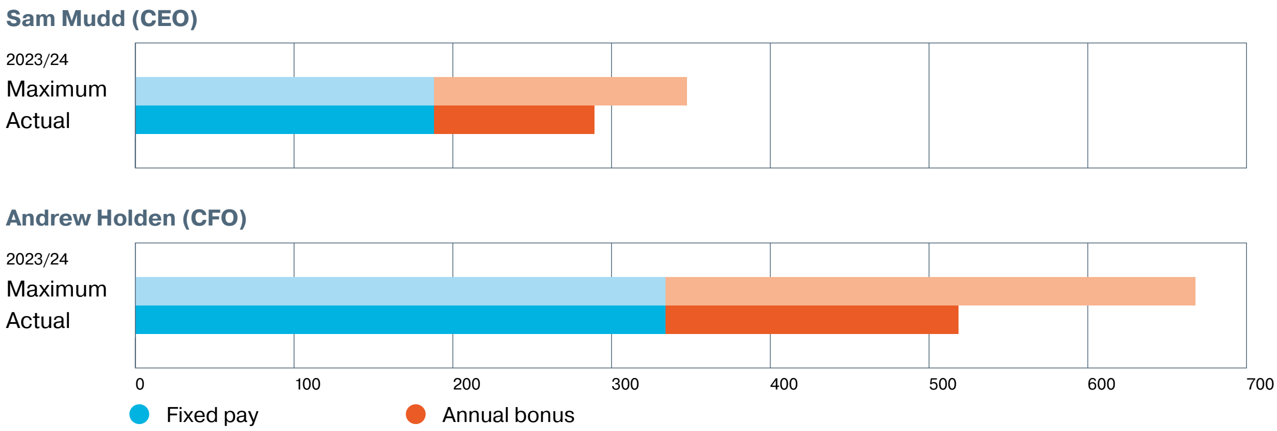
The following table shows how we intend to apply the policy for 2024/25 for our two executive directors, including Sam's remuneration for both Interim CEO role to 9 May 2024 and CEO role from 10 May 2024, subject to approval at the 2024 AGM.

Fixed pay	Salary	– Interim CEO: combined salary of £400,000, including a salary supplement of £91,725 a year payable to Sam Mudd for the period of acting as Interim CEO during 2024/25 up to 9 May 2024 – CEO: £421,000 from 10 May 2024 – CFO: £348,926 (increased by 4.5%, from 1 March 2024)
	Pension	– Interim CEO, CEO and CFO: 4% of salary (for the Interim CEO, calculated including salary supplement for the period of acting as Interim CEO)
	Benefits	– Medical and life insurance
Annual bonus	Maximum	– Interim CEO, CEO and CFO: 125% of salary (for the Interim CEO, calculated including salary supplement for the period of acting as Interim CEO)
	Performance measures	– Adjusted operating profit (80%) – Key ESG-related and other strategic objectives (20%)
	Operation	– One-third deferred into shares for two years – Recovery and withholding provisions operate
Performance share plan	Award level	– CEO and CFO: 150% of salary – Interim CEO: 100% of salary (calculated excluding salary supplement)
	Performance measures	– Adjusted earnings per share (75%) – Relative total shareholder return (25%)
	Operation	– Performance measured over three years – Two-year additional holding period applies to vested awards – Recovery and withholding provisions apply
Share ownership guidelines	In-employment guideline	– 200% of salary
	Post-cessation guideline	– 200% of salary to be held for two years post-employment
	Current shareholding (based on 2023/24 salary)	– CEO: 2.42 times salary – CFO: 1.22 times salary

Implementing our policy in 2023/24

The following charts show the actual levels of remuneration earned by the executive directors for 2023/24 relative to the maximum potential remuneration that was available.

2023/24 remuneration outcomes versus policy maximum



Proposed new remuneration policy

In this section, we present our proposed updated directors' remuneration policy, which will be submitted for a binding shareholder vote at our upcoming AGM scheduled for Thursday, 11 July 2024. It will take formal effect from that date, subject to shareholder approval. The policy will replace the one most recently approved by shareholders at the AGM on 22 July 2021. It will apply for three years from the date of approval, unless a new policy is presented to shareholders before then. On approval, all payments to directors will be consistent with the approved policy.

What we considered in determining our policy

The main goal of our remuneration policy is to promote the Group's long-term success. To do this, our Remuneration Committee adheres to the following principles:

- Remuneration packages should be clear and simple
- Arrangements should be closely aligned with the interests of shareholders and other key stakeholders and should conform to high standards of corporate governance – with the UK Corporate Governance Code (code) a core source
- Remuneration should align with, and support, our values and entrepreneurial culture
- A significant proportion of remuneration should be based on performance-related components
- Rewards should be subject to achieving challenging performance targets based on measures linked to the Group's KPIs and the best interests of stakeholders
- Salaries, and the overall level of potential remuneration, should be competitive but not excessive when compared with companies of a similar size, scale and geographical reach. They should be sufficient to recruit, retain and motivate individuals of the calibre needed to deliver long-term success.

Aligning with the code

In designing our policy, and planning how to implement it, the committee has sought to meet the highest standards of corporate governance. Our approach has been particularly informed by the code, and we have taken full account of its remuneration-related provisions when reviewing and amending this policy. We illustrate this below, where we describe how we sought to comply with the six factors in provision 40:

1. Clarity – Our remuneration framework supports financial delivery and the achievement of strategic objectives, aligning the interests of our executive directors and shareholders. Our proposed new policy is transparent and has been well communicated to our senior executive team. It will also be clearly articulated to our shareholders and representative bodies – both on an ongoing basis and during consultation, if any changes are considered necessary.
2. Simplicity – Our framework has been designed to be straightforward to communicate and operate.
3. Risk – Our incentives have been structured to align with the Board's system of risk management and risk appetite. Inappropriate risk-taking is discouraged and mitigated by, for example:
   - A balance of fixed pay to performance-related incentive pay and through multiple performance measures based on a blend of financial and non-financial targets
   - Deferring a proportion of annual bonus into shares and operating a post-vesting holding period for the Performance Share Plan (PSP)
   - Significant in-employment and post-employment shareholding guidelines
   - Robust recovery and withholding provisions.
4. Predictability – Our incentive plans have individual caps, with share plans also subject to market-standard dilution limits. The committee has full discretion to alter the payout level or vesting outcome to ensure payments are aligned with our underlying performance.
5. Proportionality – Our approach is underpinned by the principle that failure should not be rewarded. There is a clear link between individual awards, strategic delivery and our long-term performance. This is demonstrated, for example, by the connection between executive directors' arrangements and their building and maintaining meaningful levels of shareholding; through linking our incentive measures and our KPIs; by our ability for, and openness to, using discretion to ensure appropriate outcomes; and through the structure of our executive directors' contracts. As mentioned, our committee reviews formulaic incentive outcomes and may adjust them in light of overall Group performance and our wider employee remuneration policies and practices.
6. Alignment to culture – Our policy is aligned to our dynamic, can-do culture and strongly held values. The committee strives to embed a sustainable performance culture at management level that can cascade throughout our business. The Board sets the framework of KPIs against which we monitor the company's performance, and the committee links the performance metrics of our incentive arrangements to those indicators. We are also keen to foster a culture of share ownership, so operate employee share schemes across the Group.

Considering shareholders' views

As a committee we are committed to ongoing dialogue with shareholders, and we welcome feedback on our directors' remuneration. We have and will continue to seek to engage with major shareholders and their representative bodies about changes to the policy. We will also consider shareholder feedback on remuneration-related resolutions following each year's AGM. This, along with any additional feedback we receive – including about any updates to shareholders' remuneration guidelines – will be considered as part of our annual review and implementation of our remuneration policy.

The committee also actively monitors changes in the expectations of institutional investors and considers good practice guidelines from institutional shareholders and shareholder bodies.

As part of our review of the current policy, the committee conducted a comprehensive shareholder consultation exercise. Feedback was sought from shareholders holding more than 55% of shares in issue, as well as from the main shareholder representative bodies. The feedback, which was largely positive, was invaluable in informing our final proposals.

Assessing the Group-wide employment environment

Our committee closely monitors the pay and conditions of the wider workforce and has drawn on the Group-wide policy for staff in designing the directors' remuneration policy. While employees are not formally consulted directly on the design of the policy, the Board engages with our people more broadly through CEO townhall sessions and the like, and through the non-executive director for employee engagement, Shruthi Chindalur. We also receive regular updates on remuneration arrangements and employment conditions across the Group from our HR functions.

Differences in pay policy between executive directors and employees

The overall approach to employee reward is a key reference point when setting executive directors' remuneration. As with the executive directors, to attract and retain employees our general practice is to recruit staff at competitive market levels of remuneration, incentives and benefits, in line with national and regional talent pools. When reviewing our executive directors' salaries, our committee pays close attention to pay and employment conditions across the wider workforce. Our current expectation is that we will continue to raise our executive directors' salaries only in line with or below our annual salary review levels for our salaried staff over the three-year policy period. The pension contribution for current and future executive directors will be no higher than for most of our people. All employees can earn commissions and/or annual bonuses. Commissions are earned against challenging monthly targets, while bonuses are paid for exceptional performance against personal, team or company objectives.

We intend to continue fostering a culture of share ownership across the Group: all employees, including executive directors, will have the opportunity to participate in the UK HMRC-approved Save As You Earn (SAYE) share incentive plan that we operate. We also make discretionary share awards to selected employees.

The key difference between executive directors' and employees' reward is that, at senior levels, remuneration is increasingly long term and 'at risk', with an emphasis on performance-related pay linked to business results and share-based remuneration. This ensures that senior-level remuneration will increase or decrease in line with business performance and aligns the interests of executive directors and shareholders. In particular, performance-based long-term incentives only go to the most senior executives, because they are considered to have the greatest potential to influence overall performance levels.

Changes to our remuneration policy

Our proposed new policy intends to retain the overall structure of our remuneration framework.

Details of the substantive changes proposed in the new policy, along with supporting rationale, are set out in the introduction from our committee Chair on pages 102 to 103. In summary, the material changes we are proposing are:

- Increase in annual bonus maximum policy limit – The policy limit to date has been 100% of salary. We are proposing to increase this to 150% of salary for the CEO and CFO. However, in the first financial year of the new policy period (2024/25), the maximum will be lower than the policy limit, at: 125% of salary for the CEO and CFO.
- Increase in PSP policy limit – To date, the policy limit in normal circumstances has been 150% of salary. We propose to increase this to 200% of salary for the CEO and CFO. However, in the first financial year of the proposed new policy period (2024/25), the maximum award will be lower than the policy limit and will be maintained at 150% of salary for the CEO and CFO.

All other elements of the new policy are materially unchanged from the prior policy.

Policy table for directors

The table below sets out the main components of the proposed new policy, together with information on how they will operate, subject to shareholders' approval at our 2024 AGM. The committee has the discretion to amend remuneration to the extent described in the table and text below.

Policy table for executive directors

Base salary

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To provide competitive fixed remuneration. To attract and retain high-calibre executives.	Salaries are usually reviewed annually, with any increases typically effective on 1 March. Salaries are generally set after considering: • Pay and conditions elsewhere in the Group • Overall Group performance • Individual performance and experience • Progression within the role • Competitive salary levels in companies of a broadly similar size, scale and complexity.	While there is no prescribed maximum salary or increase, rises will normally be in line with the typical range awarded (in percentage of salary terms) to employees generally. Larger salary increases may be awarded to take account of individual circumstances, such as where: • An executive director has been promoted or had a change in scope or responsibility • The committee sets the salary of a new hire at a discount to the market level, and a series of planned increases can be implemented in the next few years to raise it to the appropriate market position, subject to individual performance • The committee considers it fitting to adjust salaries to reflect a significant increase in the size or complexity of the Group. Increases may be implemented over a time period that the committee deems appropriate.	Although there are no formal performance conditions, any increase in base salary is only implemented after carefully considering an individual's contribution and performance, as well as factors in this table's Operation column.

Benefits

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To provide competitive fixed remuneration. To attract and retain high-calibre executives.	Executive directors are entitled to benefits, including medical and life insurance. Executive directors will be eligible for any other benefits that are introduced for employees generally on broadly similar terms, and for other benefits that might be provided based on individual circumstances, if the committee decides it is appropriate. For external and internal appointments or relocations, BTG may pay certain relocation or incidental expenses as appropriate (for up to two years from recruitment). Any reasonable business-related expenses can be reimbursed (and any related tax met if determined to be a taxable benefit). Executive directors can also participate in all-employee share plans on the same basis as other employees.	Given it is not possible to calculate in advance the cost of all benefits, a maximum is not predetermined. The maximum level of participation in all-employee share plans is subject to the limits imposed by the relevant tax authority.	Not applicable.

Pension

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To provide employees with long-term savings to allow for retirement planning.	The Group may offer participation in a defined contribution pension plan or permit executive directors to take a cash supplement in lieu of pension up to the same value.	The maximum defined contribution or cash allowance in lieu of pension is limited to the contribution level available to most other employees (in percentage-of-salary terms, currently 4% of salary).	Not applicable.

Annual bonus

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Rewards achievement of annual financial and business targets aligned with the Group's KPIs. Bonus deferral encourages long-term shareholding, supports retention and discourages excessive risk-taking.	Awards are based on performance, typically measured over one year. Any payment is discretionary and payout levels are determined by the committee after the year end based on performance against pre-set targets. Bonuses are normally paid in cash except one-third of any bonus, which is deferred into shares, typically for a two-year period. Dividends or dividend equivalents may accrue on deferred shares. The vesting of deferred shares is not subject to additional performance conditions. The annual bonus plan includes provisions that enable the committee (in respect of both the cash and the deferred elements of bonuses) to recover or withhold value in the event of certain defined circumstances – that is, in cases such as misconduct, material misstatement of financial results, error in calculation of a bonus and reputational damage.	The maximum annual bonus opportunity for the CEO and CFO is 150% of salary. For the first financial year of the policy period (2024/25), the maximum opportunity for incumbents will be 125% of salary for the Interim CEO, CEO and CFO roles.	Targets are set annually with measures linked to our strategy and aligned with key financial, strategic, ESG-related and individual targets. The performance measures applied may be financial or non-financial, corporate, divisional or individual, and in such proportions as the committee considers appropriate. The committee would, however, expect to consult with its major shareholders if it proposed materially changing the current performance measures applied for the annual bonus (or the relative weightings between such measures) in subsequent financial years. A graduated scale of targets is set for each measure, with no payout for performance below the threshold level. For our main profit measure in a year, 25% of the amount available for that measure can be payable at threshold level. The committee has the discretion to amend the payout should any formulaic outcome not reflect its assessment of overall business performance.

Performance share plan

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To incentivise executive directors and deliver long-term performance-related pay, with a clear line of sight for executives and direct alignment with shareholders' interests.	Awards will be in the form of share options, conditional shares or other forms that have the same economic effect. Awards will be granted with vesting based on achieving performance conditions set by the committee, with performance normally measured over at least three years. Awards will be subject to a two-year holding period following the end of the performance term, with shares typically not being released to participants until the end of the holding period. Dividends or dividend equivalents may accrue on awards to the extent they vest. The PSP includes provisions that enable the committee to recover or withhold value in the event of certain defined circumstances – that is, in cases such as misconduct, material misstatement of financial results, error in calculation of a performance outcome and reputational damage.	The normal maximum PSP award for the CEO and CFO is 200% of salary in a financial year. For the first financial year of the policy period (2024/25), the maximum PSP award for incumbents will be 150% of salary for the CFO and CEO roles and 100% of salary for the Interim CEO role. The normal maximum will only be exceeded in exceptional circumstances, such as when a new executive director is recruited, and is subject to an overall limit of 300% of salary in a financial year.	PSP performance measures may include, but are not limited to, financial, TSR, strategic and ESG-related objectives. The committee retains the discretion to set alternative measures and weightings for awards over the life of the policy. Targets are set and assessed by the committee at its discretion. A maximum of 20% of any element vests for achieving the threshold target, with 100% for maximum performance. The committee has the discretion to amend the vesting level should any formulaic outcome not reflect its assessment of overall business performance.

Policy table for non-executive directors

Non-executive directors' fees

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To attract high-calibre individuals and appropriately reflect knowledge, skills and experience.	Fees are normally reviewed annually, considering factors such as the time commitment and contribution of the role and market levels in companies of comparable size and complexity. The Chair is paid an all-inclusive fee for all Board responsibilities. Fees for the other non-executive directors may include a basic fee and additional fees for other responsibilities – for example, chairing Board committees or holding the office of senior independent director. BTG repays any reasonable expenses that a non-executive director incurs in carrying out their duties, including travel, hospitality-related and other modest benefits, and related tax liabilities, if appropriate. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for non-executive directors, the Board may pay extra fees on a pro rata basis to recognise the additional workload. Non-executive directors cannot participate in any of the Group's incentive arrangements.	There is no prescribed maximum fee or maximum fee increase. Increases will be informed by internal benchmarks such as the salary increase for employees generally, with, in addition, due regard to the factors in this table's Operation column.	Not applicable.

Understanding performance measures

Annual bonus performance measures are selected annually to align with the Group's KPIs and strategic imperatives, and with the interests of our shareholders and other stakeholders. Financial measures – for example, operating profit levels, gross margin increase and year-on-year growth – will normally influence most of the bonus, with any remainder based on strategic, ESG-related and/or personal objectives designed to ensure executive directors are incentivised across a range of KPIs.

Target performance is typically set in line with the year's business plan, with the threshold to stretch targets set around the plan, based on a sliding scale that reflects relevant commercial factors. Only modest rewards are available at threshold performance levels, with rewards at stretch requiring material outperformance of the business plan. Details of the specific measures used for the annual bonus for 2023/24 are set out in the annual report on remuneration on page 118.

PSP performance measures will be selected to:

- Provide a robust and transparent basis on which to measure the Group's performance
- Link remuneration outcomes to delivery of the business strategy over the longer term
- Provide strong alignment between senior management and shareholders.

The policy provides for committee discretion to alter the PSP measures and weightings from year to year. This is to ensure that it can continue to measure performance appropriately, if the Group's strategic ambitions evolve over the life of the policy.

When setting performance targets for the bonus and PSP, the committee will consider a number of different factors. These may include the Group's business plans and strategy, external forecasts and the wider economic environment.

The committee retains the discretion to amend the bonus payout and to reduce the PSP vesting level, if any formulaic outcome does not reflect its assessment of overall business performance over the relevant period.

Flexibility, discretion and judgement

The committee operates the annual bonus and PSP according to the rules of each respective plan. Consistent with market practice, this includes discretion around how certain parts of each plan operate, including:

- Who participates in the plan, and the quantum and timing of awards and payments
- Determining the extent of vesting
- Treatment of awards and payments on a change of control or restructuring of the Group
- Whether an executive director or senior manager is a good/bad leaver for incentive plan purposes and if the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s)
- How and whether an award may be adjusted in certain circumstances – for example, for a rights issue, a corporate restructuring or special dividends

- What the weighting, measures and targets should be for the annual bonus plan and PSP awards from year to year
- The ability, within the policy, to adjust targets and set different measures or weightings for the applicable annual bonus plan and PSP awards, if the committee determines that the original conditions are no longer appropriate or do not fulfil their initial purpose. Such changes would be explained in the subsequent directors' remuneration report and, if appropriate, be discussed with our major shareholders
- The ability to override formulaic outcomes in line with policy.

All assessments of performance are ultimately subject to the committee's judgement. Any discretion exercised, and the rationale, will be disclosed in the annual report on remuneration.

Legacy arrangements

If this proposed new remuneration policy is approved, BTG has the authority to honour any previous commitments entered into with current or former directors – such as paying a pension or unwinding legacy share schemes or historic share awards – that remain outstanding.

Shareholding guidelines

To continue to align executive directors' and shareholders' long-term interests, the Group operates share ownership guidelines. These require executive directors to build up and maintain (as relevant) a level of shareholding in the Group equivalent to 200% of salary. This guideline will apply while the executive directors are in post and for two years afterwards.

Illustrative applications of our policy

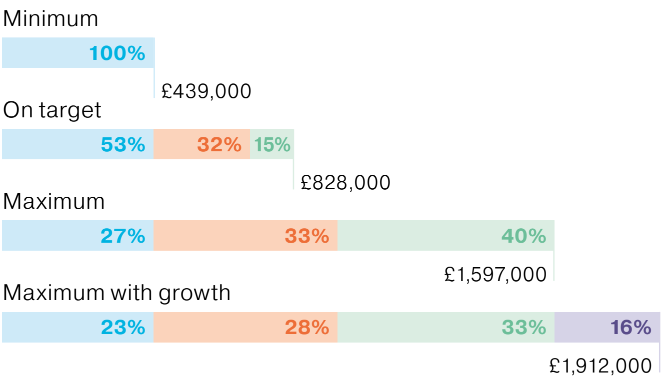
The following table and graphs illustrate the application of the proposed new policy in the first year of the three-year policy period for our executive directors for 2024/25 on an annualised basis. It shows the split of remuneration between fixed pay, annual bonus and PSP on the basis of minimum remuneration, remuneration for performance in line with the Group's expectations and maximum remuneration – with both no share price appreciation and with 50% share price growth.

In illustrating the potential reward, the following assumptions have been made:

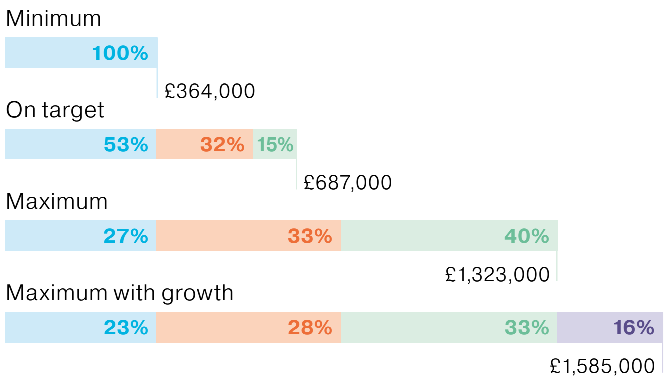
	Fixed pay	Annual bonus (including any amount deferred)	PSP (normal policy level)
Minimum performance	Fixed elements of remuneration only – base salary (being the salary effective from 1 March 2024), estimate of benefits payable for 2024/25 and pension contributions for 2024/25 of 4% of salary.	No annual bonus awards	No vesting
Performance in line with expectations		50% of maximum opportunity awarded for achieving target performance – that is, 62.5% of salary.	20% of maximum award vesting for achieving target performance – that is, equivalent of 30% of salary.
Maximum performance		100% of maximum opportunity awarded for achieving maximum performance – that is, 125% of salary.	100% of maximum award vesting for achieving maximum performance – that is, equivalent of 150% of salary.
Maximum performance plus 50% share price growth			100% of maximum award vesting for achieving maximum performance plus hypothetical share price growth of 50%.

Notes to the methodology:
- Annual bonus includes amounts deferred into shares
- PSP is measured at face value – that is, with no assumption of dividends or share price growth (other than in the fourth scenario)
- Any potential amounts relating to all-employee share schemes have been excluded.

Chief Executive Officer



Chief Financial Officer



Fixed pay   Annual bonus   PSP   Share price growth

Recruitment remuneration

The policy aims to attract individuals of sufficient calibre to lead the business, deliver BTG's strategy effectively and promote our long-term success for the benefit of our shareholders and other stakeholders. When appointing a new executive director, the committee seeks to ensure that arrangements are in the best interests of the Group and to not pay more than is appropriate.

The committee will consider several relevant factors. These may include the calibre and experience of the candidate, their existing remuneration package and their specific circumstances, including from where they are recruited.

When hiring a new executive director, the committee will typically align the remuneration package with the policy outlined. It may include other elements of pay that it considers are appropriate; however, this discretion is capped and subject to the following principles and limits:

- New executive directors will be offered a basic salary in line with the policy. This will consider such factors as external market forces, the individual's expertise, experience and calibre, and their current level of pay. Where the committee has set the salary of a new appointment at a discount to the market level until proven, the individual may receive an uplift or a series of planned increases to raise the salary to the appropriate market position over time.
- For both external and internal appointments, the committee may agree that we will meet relocation and incidental expenses as appropriate.
- Annual bonus awards, PSP awards and pension contributions would not be above the levels stated in the policy table on pages 110 to 112.
- Depending on the appointment's timing, the committee may set different annual bonus performance conditions for the first year of performance. A PSP award can be made following an appointment (assuming BTG is not in a close period).
- Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements will be allowed to continue according to the original terms, adjusted as relevant to the appointment.
- The committee may also offer additional cash or share-based buy-out awards when it considers it is in the best interests of BTG (and therefore shareholders) to take account of remuneration given up at the individual's former employer. This includes the use of awards made under 9.4.2 of the Listing Rules. Such awards would represent a reasonable estimate of the value foregone and reflect, as far as possible, the delivery mechanism and time horizons and whether performance requirements are attached to that remuneration. Shareholders will be informed of any such payments at the time of appointment or in the next Annual Report. The value of buy-out awards is not capped.
- For the appointment of a new Chair or non-executive director, the fee arrangement would be set according to the approved remuneration policy.

Service contracts and letters of appointment

BTG's policy is that executive directors should normally be employed under rolling service contracts with notice periods of no more than 12 months (from each party).

All non-executive directors have letters of appointment on a rolling annual basis, which may be terminated with one month's notice by either party. All director appointments are subject to Board approval and election and re-election by shareholders at each AGM.

Key details of the service contracts and letters of appointment of the current directors can be found in the annual report on remuneration, and copies of executive directors' service contracts and non-executive directors' letters of appointment are available for inspection at our registered office during normal business hours.

Payments for loss of office
The principles underpinning how we determine payments for loss of office are set out below:

Payment in lieu of notice	BTG may terminate a contract with immediate effect with or without cause by making a payment, in lieu of notice, of base salary. The default approach will be to make the payment in lieu of notice by monthly instalments, with reductions for any amounts received from providing services to others during this period. However, the committee retains the discretion to make the payment as a lump sum. There are no obligations to make payments beyond those disclosed in this report.
Annual bonus	This will be at the discretion of the committee on an individual basis. The decision as to whether to award an annual bonus in full or in part will depend on a number of factors, including the circumstances of the individual's departure and their contribution to the business during the relevant annual bonus period. Any amounts paid will be prorated for time in service during the annual bonus period and will, subject to performance, be paid at the usual time (although the committee retains the discretion to pay the annual bonus award earlier). Any bonus earned for the year of departure and, if relevant, for the prior year, may be paid wholly in cash at the committee's discretion. On a change of control, annual bonuses will either continue for the full year or be paid to the time of completion on a pro rata basis.
Deferred bonus awards	The extent to which any unvested deferred bonus award will vest will be determined according to the rules of the deferred bonus plan. If a participant leaves BTG for any reason (other than summary dismissal, in which case the award will lapse), the award will usually continue until the normal vesting date. The committee retains the discretion to remove awards when the participant leaves. On a change of control, awards will generally vest on the date that control changes, unless the committee permits (or requires) awards to roll over into equivalent shares in the acquirer.
Performance Share Plan	The extent to which any unvested award will vest will be determined according to the rules of the PSP. Any outstanding awards will ordinarily lapse. However, in good leaver cases, awards will generally vest subject to the original performance condition and time proration and the holding period will continue to apply. For added flexibility, the policy allows the committee to decide not to prorate (or to prorate to a different extent) if it decides it is appropriate, and to allow vesting to be triggered at the point of leaving, rather than waiting until the end of the performance period. On a change of control, any vesting of awards will be subject to assessment of performance against the performance conditions and will normally be prorated.
Mitigation	The committee strongly endorses the obligation on an executive director to mitigate any loss on early termination and will seek to reduce the amount payable on termination where appropriate. The committee will also take care to ensure that, while meeting its contractual obligations, poor performance is not rewarded.
Buy-out awards	Where a buy-out award is made under the Listing Rules, the leaver provisions would be determined at the time of the award.
Other payments	BTG may pay outplacement and professional legal fees incurred by executives in finalising their termination arrangements, where appropriate. It may also pay any statutory entitlements or settle compromise claims in connection with a termination of employment, in the best interests of the company. Outstanding savings/shares under all-employee share plans would be transferred in accordance with the terms of the plans.

External appointments

BTG recognises that its executive directors may be invited to become non-executive directors of other companies, and that such appointments can broaden a director's experience and knowledge to the Group's benefit. Subject to approval by the Board, executive directors are allowed to accept non-executive appointments, provided that they are not likely to lead to conflicts of interest. The committee will consider its approach to fees received by executive directors for external non-executive roles as they arise.

Annual report on remuneration

Committee attendance

Committee member	For the financial year to 29 February 2024
Erika Schraner	7/7
Patrick De Smedt	7/7
Alison Vincent[1]	2/2
Shruthi Chindalur[2]	2/2
Mike Phillips[3]	7/7

1 Alison Vincent stepped down from the committee on 31 October 2023.
2 Shruthi Chindalur was appointed to the committee on 1 February 2024.
3 Mike Phillips resigned from the committee on 24 March 2024, after the end of the financial year.

The committee's role and composition

The Board is ultimately accountable for executive remuneration and delegates this responsibility to the Remuneration Committee. The committee is responsible for developing and implementing a remuneration policy that supports BTG's strategy and for determining executive directors' individual packages and terms of service, together with those of other members of senior management (including the Group Company Secretary).

When setting the remuneration terms for executive directors, the committee reviews and considers wider employee reward and related policies. It also takes close account of the remuneration-related provisions of the UK Corporate Governance Code (code).

The committee is formally constituted and operates with written terms of reference, which are available at bytesplc.com.

In the year, the committee comprised Erika Schraner (Chair), Patrick De Smedt, Mike Phillips and Shruthi Chindalur. As announced during the year, Alison Vincent stepped down from the Board and as Chair of the committee on 31 October 2023, while Shruthi Chindalur joined the Board and the committee on 1 February 2024. All the other members of the committee were members throughout the year ended 29 February 2024. The committee met seven times during the year, with full attendance at all meetings.

Provision 32 of the code recommends that a board should establish a remuneration committee of independent non-executive directors with a minimum membership of three. In addition, the chair of a board can only be a member if they were independent on appointment and cannot chair the committee. During the period, the company was not compliant with provision 32 from Alison Vincent stepping down from the Board on 31 October 2023 until Shruthi Chindalur's appointment on 1 February 2024 because, in that time, the Board only comprised two independent non-executive directors, excluding Patrick De Smedt as Board Chair.

Post-period, Mike Philips resigned from the Board and committee on 24 March 2024. Ross Paterson and Anna Vikström Persson will join the committee as new members from 1 June 2024.

At the committee's invitation, the Group's executive directors, the Group Company Secretary (who acts as committee secretary) and FIT, BTG's retained remuneration consultants, also attend its meetings. The executive directors are consulted on matters discussed by the committee unless these relate to their own remuneration. Advice or information is sought from other employees and from FIT where the committee feels it would assist its decision making.

The committee is authorised to take such internal and external advice as it considers appropriate in carrying out its duties, including appointing external remuneration advisors. During the year, it was assisted by FIT. FIT was appointed by the Board in September 2020 and provided advice during the year on general remuneration matters, and on the design and implementation of the policy. Fees paid to FIT for advising the committee during the year to 29 February 2024 were £69,365 (excluding VAT), charged on a time/cost basis. FIT did not provide any other services to BTG during the year to 29 February 2024. FIT is a member of the Remuneration Consultants Group and, as such, voluntarily operates under its code of conduct on executive remuneration consulting in the UK. The committee is satisfied that FIT's advice was objective and independent.

The committee carried out the following significant activities during the 2023/24 financial year:

- Undertook a comprehensive review of the executive directors' remuneration arrangements and prepared a revised directors' remuneration policy, which will be put to shareholders for approval at the 2024 AGM
- Sought the views of our major shareholders and the main voting agencies on our proposals for the revised policy as part of a comprehensive consultation exercise
- Reviewed and approved remuneration packages for the current executive directors
- Determined the terms of the MD Phoenix's package on her promotion to the Board
- Approved the annual bonus outcomes for the 2022/23 financial period
- Reviewed and approved the terms of the 2023 PSP awards
- Oversaw the PSP, CSOP and SAYE plans, including the vesting of the IPO-related PSP awards in December 2023
- Monitored corporate governance developments, in particular the publication of the new code
- Monitored external market practice, and developments in the governance expectations of institutional shareholders and shareholder representative bodies
- Determined the treatment of remuneration for the former CEO following his resignation
- Established the remuneration package for the Interim CEO and CEO following the resignation of the former CEO
- Reviewed and approved the reconciliations relating to the previously announced PDMR and PCA notifications that the company issued about Neil Murphy
- Reviewed and approved the reconciliations relating to the disclosed position in previous annual reports and accounts.

Since the end of the 2023/24 financial year, the committee has:

- Determined the outcomes under the annual bonus plan for the year ended 29 February 2024
- Agreed the annual bonus structure for the year ending 28 February 2025
- Agreed the award levels and performance targets for the PSP grants to be made to eligible participants in 2024.

The information that follows has been audited (where indicated) by BTG's auditor, EY.

Single total figure of remuneration for each director (audited)

The table below reports the total remuneration for BTG directors during the year ended 29 February 2024.

Directors' total remuneration

£		Base salary/ fees	Benefits[1]	Annual bonus	Long-term incentives[2]	Pension[3]	Total	Total fixed	Total variable
Executive directors									
Sam Mudd[4]	2023/24	187,957	530	101,114	–	6,368	295,969	194,855	101,114
	2022/23	–	–	–	–	–	–	–	–
Andrew Holden	2023/24	333,900	816	184,544	–	13,356	532,616	348,072	184,544
	2022/23	318,000	675	298,920	–	12,720	630,315	331,395	298,920
Neil Murphy[5]	2023/24	406,000	5,658	–	–	4,017	415,675	415,675	–
	2022/23	390,000	15,684	366,600	–	4,017	776,301	409,701	366,600
Non-executive directors									
Patrick De Smedt	2023/24	187,200	–	–	–	–	187,200	187,200	–
	2022/23	187,200	–	–	–	–	187,200	187,200	–
Shruthi Chindalur[6,7]	2023/24	6,233	–	–	–	–	6,233	6,233	–
	2022/23	–	–	–	–	–	–	–	–
David Maw[8,9]	2023/24	21,672	–	–	–	–	21,672	21,672	–
	2022/23	59,280	–	–	–	–	59,280	59,280	–
Mike Phillips[7,10]	2023/24	86,050	–	–	–	–	86,050	86,050	–
	2022/23	72,800	–	–	–	–	72,800	72,800	–
Erika Schraner[7,9]	2023/24	92,133	–	–	–	–	92,133	92,133	–
	2022/23	52,000	–	–	–	–	52,000	52,000	–
Alison Vincent[11]	2023/24	41,600	–	–	–	–	41,600	41,600	–
	2022/23	62,400	–	–	–	–	62,400	62,400	–
Total	**2023/24**	**1,362,745**	**7,004**	**285,658**	**–**	**23,741**	**1,679,148**	**1,393,490**	**285,658**
	2022/23	1,141,680	16,360	665,520	–	16,737	1,840,297	1,174,777	665,520

1 Non-salary benefits include the provision of private medical insurance, life insurance and long-service awards.
2 No performance-related PSPs were capable of vesting for performance ending in the period.
3 The amount of employer contribution based on a percentage of base salary.
4 Joined the Board on 12 July 2023. All remuneration amounts for 2023/24 are prorated over the period from this date.
5 Resigned from the Board on 21 February 2024 and received no further remuneration from that date. The base salary for 2023/24 includes £7,875 holiday pay. On 9 May 2024 the Company entered into a settlement agreement with Neil Murphy, under which the cash portion of his bonus since IPO (net of tax) amounting to £274,825, will be clawed back. The figures included in the table do not include this clawback as a deduction. The portion of Neil's post- IPO bonus which had been deferred into share options, none of which had vested at the time of his resignation, was forfeited. Further details on the settlement agreement are included on page 122.
6 Joined the Board on 1 February 2024.
7 Includes additional fees (Shruthi Chindalur £1,900, Mike Phillips £13,250, Erika Schraner £32,000) for work on specially established Board subcommittees investigating undisclosed share dealings by former directors – see more detail on pages 69 to 70.
8 Retired from the Board on 12 July 2023.
9 Includes prorated annual fee for role as designated non-executive director for employee engagement.
10 Resigned from the Board on 24 March 2024.
11 Stepped down from the Board on 31 October 2023.

Directors' remuneration report continued

Annual bonus for the year ended 29 February 2024 (audited)

For the 2023/24 financial year, executive directors were eligible for an annual discretionary bonus, for which performance objectives with suitably challenging 12-month goals were set at the beginning of the period. These comprised measures based 80% on operating profit (adjusted for amortisation and share-based payment charges) and 20% on key strategic objectives composed of three ESG-related metrics, each weighted at 5%, and a cash conversion metric, also weighted at 5%. Each of the key strategic objectives had a straightforward stretch target. This was considered appropriate because the objectives were quantitative measures and their weightings not material in isolation. The committee also evaluated each objective with consideration to industry standards and the company's specific context. No discretionary adjustments were made to the annual bonus outcome for the year.

The maximum annual bonus payable for the CFO and former CEO was 100% of salary, against which:

- the CFO earned a bonus of 55% of maximum (see the BTG Group-level scorecard)
- the former CEO was not eligible for a 2023/24 annual bonus following his resignation on 21 February 2024.

The MD Phoenix was eligible for a maximum bonus of 85% of salary in the role of executive director (pro rata from appointment to the Board), with the majority of the maximum bonus potential for 2023/24 weighted to Phoenix Software's performance – 65% of salary out of the total 85% of salary possible – and with the balance of 20% of salary subject to the same BTG Group-level scorecard as applied to the CFO and former CEO.

The MD Phoenix earned a bonus of 54% of salary and 63% of the maximum 85% of salary available, split as follows:

- 55% of the 20% of salary available under the BTG Group-level scorecard (11% of salary)
- 66% of the 65% of salary available under the Phoenix entity-level scorecard (43% of salary)

The metrics within the BTG Group-level annual bonus scorecard and the related performance outcomes were as follows:

Performance metric	Proportion of bonus determined by metric	Threshold performance (25% of max payable)	Target performance (50% of max payable)	Stretch performance (100% of max payable)	Actual performance	Bonus earned (% of max for this element)	Bonus earned (% of salary)
Adjusted operating profit (£m)	80%	58,350	64,834	68,075	63,300	44%	35%
Key strategic objectives	Proportion of bonus determined by metric	N/A	N/A	Target	Actual performance	Bonus earned (% of max)	Bonus earned (% of salary)
Cash conversion	5%	–	–	> 100%	104.3%	100%	5%
Employee satisfaction (eNPS)	5%	–	–	> 60	71	100%	5%
Customer satisfaction (NPS)	5%	–	–	> 60	82	100%	5%
ESG rating (ISS Quality Score)[1]	5%	–	–	⩽ 3	3	100%	5%
Strategic objectives total	**20%**					**100%**	**20%**
Total	**100%**					**55%**	**55%**

1 As per ISS Quality Score methodology, where 1/10 equates to a higher level of environmental and social disclosure, and to a lower level of governance risk.

The metrics within the Phoenix entity-level annual bonus scorecard, in which only the MD Phoenix participated in 2023/24, were:

- Phoenix adjusted operating profit (85% weighting)
- Key strategic objectives for Phoenix (15% weighting), comprising two Phoenix-level financial objectives and two Phoenix-level NPS measures.

The targets and related performance levels attained for 2023/24 on the Phoenix bonus scorecard remain commercially sensitive at the time of publication of this report, but the combined outcome across all metrics was equivalent to 66% of the maximum amount available to the MD Phoenix.

For all executive directors, two-thirds of the bonus is paid in cash and one-third will be deferred in shares, which will vest after a two-year period.

PSP awards vesting in the year (audited)

There were no long-term incentive awards capable of vesting in relation to performance during the year.

PSP awards granted in the year (audited)

The table below provides details of share awards made to the executive directors on 1 June 2023. The awards made to Neil Murphy on 1 June 2023 were forfeited immediately on his resignation on 21 February 2024:

	Date of award	Type of award	Basis of award (% of salary)	Number of shares under award[1]	Face value of award (£'000)	% vesting at threshold	End of vesting period
Sam Mudd[2]	1 June 2023	Nil cost option	100%	60,300	295	20%	31 May 2026
Andrew Holden	1 June 2023	Nil cost option	150%	102,400	501	20%	31 May 2026
Neil Murphy[3]	1 June 2023	Nil cost option	150%	125,600	614	20%	31 May 2026

1 The number of awards was calculated using a share price of £4.89, which was based on the company's average closing share price on 26, 30 and 31 May 2023.
2 Awarded prior to appointment as executive director on 12 July 2023.
3 Awards were made on 1 June 2023 but were forfeited immediately on resignation on 21 February 2024.

The PSP awards granted on 1 June 2023 are subject to a combination of performance conditions, being adjusted earnings per share (EPS) and relative total shareholder return (TSR) compared with the constituents of the FTSE 250 (excluding real estate and equity investment trusts) measured over a three-year performance period. The targets are set out here:

Measure	Weighting	Performance period	Targets
Adjusted EPS	75%	Three financial years to 28 February 2026[1]	Adjusted EPS of 22.43 pence (20% vests) rising on a straight-line basis to 50% vesting for 26.45 pence and on a straight-line basis again to full vesting for achievement of 29.39 pence
Relative TSR versus constituents of the FTSE 250 (excluding real estate and equity investment trusts)	25%	Three financial years to 28 February 2026	Median (20% vests) rising on a straight-line basis to full vesting for upper-quartile performance

1 The adjusted EPS target is based on performance in the final year of the performance period.

In addition, the committee retains discretion to reduce the overall PSP vesting level (potentially to zero) if it considers that the underlying business performance of the company does not justify it.

A two-year holding period will apply to any awards vesting, and recovery and withholding provisions will apply in line with our approved policy.

Directors' remuneration report continued

Executive directors' share options outstanding at the year end (audited)

Details of share options outstanding at the financial year end are shown in the following table.

Scheme	No. of options at 28 February 2023/date of joining	Options granted in year	Options forfeited in year	Options exercised in year	No. of options at 29 February 2024	Date of grant	Share price at date of grant	Exercise price	Date from which exercisable	Expiry date
Sam Mudd[1]										
PSP	133,851	4,004	0	0	137,855	17 December 2020	£3.43	£0.01	17 December 2023	16 December 2030
CSOP[2]	50,000	0	0	0	50,000	1 June 2021	£5.00	£5.00	1 June 2024	31 May 2031
SAYE[2]	4,500	0	0	0	4,500	22 June 2021	£4.53	£4.00	1 August 2024	1 February 2025
PSP	52,230	0	0	0	52,230	1 June 2022	£4.53	£0.01	1 June 2025	31 May 2032
PSP	0	60,300	0	0	60,300	1 June 2023	£5.16	£0.01	1 June 2026	31 May 2033
Andrew Holden										
CSOP[3]	45,000	0	0	0	45,000	1 June 2021	£5.00	£5.00	1 June 2024	31 May 2031
SAYE[3]	4,500	0	0	0	4,500	22 June 2021	£4.53	£4.00	1 August 2024	1 February 2025
DBP[4]	10,305	0	0	0	10,305	1 June 2022	£4.53	£0.01	1 June 2024	1 December 2024
PSP	102,580	0	0	0	102,580	1 June 2022	£4.53	£0.01	1 June 2025	31 May 2032
DBP[5]	0	20,376	0	0	20,376	1 June 2023	£5.16	£0.01	1 June 2025	1 December 2025
PSP	0	102,400	0	0	102,400	1 June 2023	£5.16	£0.01	1 June 2026	31 May 2033
Neil Murphy[6]										
DBP[4]	25,537	0	25,537	0	0	1 June 2022	£4.53	£0.01	N/A	N/A
PSP	125,800	0	125,800	0	0	1 June 2022	£4.53	£0.01	N/A	N/A
DBP[5]	0	24,989	24,989	0	0	1 June 2023	£5.16	£0.01	N/A	N/A
PSP	0	125,600	125,600	0	0	1 June 2023	£5.16	£0.01	N/A	N/A

Key:
PSP: Performance Share Plan
DBP: Deferred Bonus Plan
CSOP: Company Share Option Plan
SAYE: Save As You Earn Plan (Sharesave)

1 Sam Mudd was promoted to the Board on 12 July 2023. All PSP, CSOP and SAYE awards were made before she joined the Board. The share options shown under the 17 December 2020 PSP at 29 February 2024 include 8,225 dividend equivalent options of which 3,326 were granted on 4 August 2023 and 678 were granted on 1 December 2023. The closing awards vested during the year but have not yet been exercised.

2 The face value of the CSOP award granted was £250,000 based on the share price at the date of grant. The face value of the SAYE was £20,385 based on the share price at the effective date of 22 June 2021.

3 The face value of the CSOP award granted was £225,000 based on the share price at the date of grant. The face value of the SAYE was £20,385 based on the share price at the effective date on 22 June 2021.

4 The face value of the DBP awards granted to Neil Murphy and Andrew Holden on the date of the grants was £115,683 and £46,682, respectively. These grants are not subject to any other performance conditions.

5 The face value of the DBP awards granted to Neil Murphy and Andrew Holden on the date of grant was £128,943 and £105,140 respectively. These grants are not subject to any other performance conditions.

6 All the share awards held by Neil Murphy were forfeited immediately on his resignation on 21 February 2024.

The closing share price of the company's ordinary shares at 29 February 2024 was 557.5 pence, and the closing price range during the year ended 29 February 2024 was 360.6 pence to 657.0 pence.

Statement of directors' shareholding and share interests (audited)

The following table shows the interests of directors and those connected to them in BTG's ordinary shares at 29 February 2024. All the share options held by Neil Murphy were forfeited immediately on his resignation on 21 February 2024.

	No. of shares owned outright (restated)	No. shares owned outright	No. options vested, unexercised, and not subject to performance[1]	No. options unvested and not subject to performance	No. options unvested and subject to performance	Shareholding as % of salary at 29 February 2024	Shareholding guideline as % of salary	Company shareholding guideline met
Current directors	28 February 2023/ date of joining	29 February 2024/ date of leaving						
Sam Mudd[2]	76,958	81,548	137,855	54,500	112,530	242%	200%	Yes
Andrew Holden	72,990	72,990	0	80,181	204,980	122%	200%	No
Patrick De Smedt[3]	92,592	102,592	0	0	0	N/A	N/A	N/A
Mike Phillips	74,074	20,000	0	0	0	N/A	N/A	N/A
Erika Schraner	10,037	10,037	0	0	0	N/A	N/A	N/A
Shruthi Chindalur	0	0	0	0	0	N/A	N/A	N/A
Former directors								
David Maw[4]	17,865	17,865	0	0	0	N/A	N/A	N/A
Alison Vincent[5]	6,686	6,686	0	0	0	N/A	N/A	N/A
Neil Murphy[6,7]	4,051,036	2,890,369	0	0	0	3,969%	200%	Yes

1 PSP awards granted at IPO on 17 December 2020 (including 8,225 dividend equivalent options).
2 Sam Mudd joined the Board with effect from 12 July 2023. The opening number of shares is stated at the date of appointment to the Board.
3 Patrick De Smedt's shareholding has been restated for one fewer share at 28 February 2023 for a misstatement on the prior-year disclosed amount.
4 David Maw retired from the Board with effect from 12 July 2023 – the number of shares and share interests is at the date of retiring from the Board.
5 Alison Vincent stepped down from the Board with effect from 31 October 2023 – the number of shares and share interests is at the date of stepping down from the Board. As disclosed on 14 July 2023, persons closely associated (PCA) with Alison Vincent bought 608 ordinary shares in the company. This purchase was not previously disclosed at the time because of an administrative error, so the amount shown for 28 February 2023 has been restated to include these 608 shares. Her shareholding has also been restated for one fewer share at 28 February 2023 for a misstatement on the prior-year disclosed amount.
6 On 21 February 2024, the company announced that Neil Murphy had resigned with immediate effect because of undisclosed share dealings. The number of shares and share interests is at the date of resigning from the Board. His undisclosed share dealings were released to the market by RNS on 23 February 2024 and undisclosed dealings in the name of a PCA of Neil Murphy were released to the market by RNS on 13 March 2024. His shareholding as at 28 February 2023 has been restated in the table above to reflect the undisclosed 264,667 shares.
7 Subsequent to the RNS releases noted above for Neil Murphy, it has also come to our attention that the initial notification of shareholding for Neil Murphy on 18 December 2020, at the time of the BTG IPO, was understated by 151 shares. This comprised one share allocated to him on the incorporation of BTG plc, and 150 shares being the conversion of his shares in Altron (the Group's previous owner) to BTG plc shares after redemption of the minimum 25% required under the terms of the demerger. His shareholding as at 28 February 2023 has been restated in the table above to reflect the 151 shares previously excluded at that date.

The interests of those directors holding a position on the Board at the year end did not change between 29 February 2024 and the date of signing the Annual Report and Accounts for 2023/24, except that this has not been confirmed in relation to Mike Phillips, since his resignation on 24 March 2024.

Neil Murphy's shareholdings

As explained on pages 69 to 70 and in the footnotes above, Neil Murphy's undisclosed share dealings mean that the directors' shareholding information in each of the company's annual reports for the three years ended 28 February 2023 were incorrect, and that the declarations Neil provided to our external auditors, EY, in relation to his shareholding were misrepresented.

Taking into account all the disclosed and undisclosed transactions known by the company to date in respect of Neil Murphy and his PCA, and the omission of the initial 151 shares allocated at IPO, the company has produced the following reconciliations:

- From the previously announced PDMR notifications issued by the company in respect of Neil to the correct position at each date
- From the disclosed positions in the Annual Report and Accounts 2020/21, 2021/22 and 2022/23 to the correct position at each date.

Directors' remuneration report continued

Neil Murphy's PDMR announcements

This presents the shareholding announced at each date and the correct revised holding that should have been reported, so at all dates the announced holding was less than the actual holding.

Date	Announced new PDMR holding at this date	Announced change in holding at this date	Unannounced initial notification correction	Unannounced trades since last PDMR notification	Unannounced revised correct holding at this date	Note	Announced holding versus revised correct holding at this date
18 December 2020	4,190,941	–	151	–	4,191,092		(151)
17 January 2022	3,690,941	(500,000)	–	235,085	3,926,177	1	(235,236)
9 January 2023	3,735,424	44,483	–	93,322	4,063,982	2	(328,558)
2 February 2023	3,786,218	50,794	–	(63,740)	4,051,036	3	(264,818)
23 June 2023	2,836,218	(950,000)	–	326	3,101,362	3	(265,144)
28 November 2023	2,890,218	54,000	–	(264,993)	2,890,369	3	(151)

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Financial year	Disclosure date	Disclosed holding	Initial notification correction	Cumulative undisclosed trades correction	Revised correct holding	Note	Disclosed holding versus revised correct holding
2020/21	28 February 2021	4,190,941	151	8,852	4,199,944		(9,003)
2021/22	28 February 2022	3,690,941	151	267,421	3,958,513	1	(267,572)
2022/23	28 February 2023	3,786,218	151	264,667	4,051,036	2	(264,818)

Of Neil Murphy's revised holding:
1 As at this date, 6,556 ordinary shares were beneficially owned by his wife, Alison Murphy.
2 As at this date, 14,992 ordinary shares were beneficially owned by his wife, Alison Murphy.

Alison Vincent's shareholdings

As also explained on pages 69 to 70, an undisclosed purchase of 608 BTG shares by a PCA of Alison Vincent means that the directors' shareholding information in the Annual Report and Accounts 2021/22 and 2022/23 was incorrect with respect to the shareholdings of Alison Vincent and her PCAs.

There is a prior-year adjustment to the statement of directors' shareholding and share interests table (see previous footnote 5) in respect of this undisclosed shareholding.

Payments for loss of office and to past directors (audited)

There were no payments for loss of office to past directors during the year.

As announced on 21 February 2024, Neil Murphy resigned as CEO of BTG with immediate effect from that date.

In accordance with Neil's service contract and the directors' remuneration policy, each of the elements of remuneration has been treated as follows and approved under the terms of a settlement agreement reached between the company and Neil on 9 May 2024:

Fixed pay	• Paid until date of resignation. Neil Murphy has not received, nor will receive, any further salary, pension or benefits for the period after the date of his resignation.
Annual bonus	• Ineligible for any payment in respect of the 2023/24 financial year. • In addition, the committee exercised its powers to pursue clawback for the full amount of the cash portion of all annual bonuses awarded to Neil Murphy since IPO (on a net-of-tax basis reflecting the actual amounts received). The total agreed is £274,825, payable to the company within 28 days from the date of the agreement. To the extent that he obtains a refund from HMRC of income tax previously paid on any or all of the bonus payments, Neil will immediately notify the Company of such refund and shall pay any such refund to the Company within 14 days of receiving the refund.
Share-based awards	• On the date of his resignation, all Neil Murphy's unvested deferred bonus plan awards and unvested PSP awards were forfeited in full. There were no vested options at this date, exercised or unexercised.
Shareholding guidelines	• 200% of salary shareholding guideline applies for two years from resignation, being not less than ordinary shares to the value of at least £819,000 for a minimum period of up to 21 February 2026, provided always that he shall not be obliged to hold more than 136,673 shares. • Any sales in this period to be conducted via the company broker in the first instance. • Notwithstanding the statement made by Neil Murphy on 22 June 2023 at the time of the sale of 950,000 ordinary shares in the company to not sell any shares in the company in the 12 months following that date, it is agreed between the parties that Neil is permitted as of the date of the Settlement Agreement to sell ordinary shares up to a maximum value of £500,000 before 22 June 2024.

Non-executive directors' fees (audited)

As a consequence of the undisclosed share dealings by Neil Murphy and Alison Vincent's PCA in 2023/24, it was necessary for the Board to establish specifically constituted additional subcommittees of the Board to investigate these matters, and to oversee and direct the work of both internal teams and external professional advisors who were appointed to support these processes. In recognition of the complexity of such additional responsibilities and the additional time commitment, which extended beyond the normal responsibilities of non-executive directors, during 2023/24 additional remuneration was considered for those non-executives serving on and leading these subcommittees.

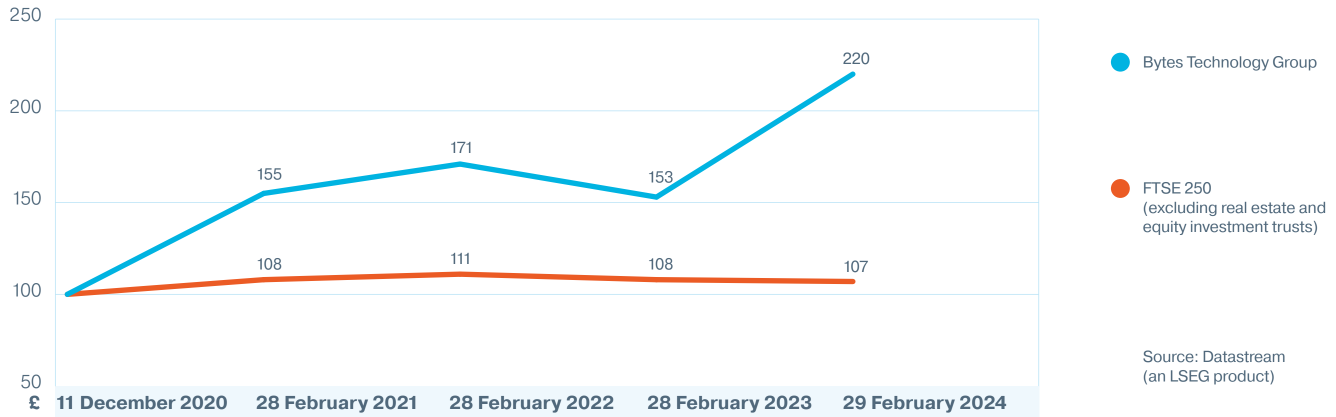
It was agreed by the Board that it was appropriate and in shareholders' best interests that BTG non-executive directors should receive additional fees per additional day worked on these matters and that the levels of such fees should reflect an equivalent day rate set by reference to continuing normal BTG non-executive director fees for roles fulfilled (non-executive base fees and additional fees for chairing Board subcommittees).

In 2023/24, such additional fees comprised £32,000 to Erika Schraner, £13,250 to Mike Phillips and £1,900 to Shruthi Chindalur. All these amounts are reflected in the single total figure of remuneration for each director table on page 117. With this work continuing into 2024/25, there will be further amounts for the work on these subcommittees included in the single total figure of remuneration for each director table in the directors' remuneration report for 2024/25, with the values calculated on the same basis of equivalent day rates related to continuing non-executive director fees.

Total shareholder return performance

The graph below shows the value at 29 February 2024 of £100 invested in BTG on 11 December 2020, the date of commencement of conditional trading on the London Stock Exchange, compared with £100 invested in the FTSE 250 Index (excluding real estate and equity investment trusts) on the same date, on the assumption that dividends are reinvested for additional equity.

The FTSE 250 Index (excluding real estate and equity investment trusts) was selected as a comparator because BTG is a constituent. This allows our performance to be compared against the index as a whole.



Directors' remuneration report continued

CEO and Interim CEO remuneration

The total remuneration figure for the CEO in 2023/24 is shown in the table below, along with the value of bonuses paid, and PSP vesting, as a percentage of the maximum opportunity. This table will build to show a rolling 10 years' worth of data over time.

Year	CEO or Interim CEO	CEO single total figure of remuneration	Annual bonus payout % of maximum	PSP vesting % of maximum
2023/24	Sam Mudd[1,2]	£11,412	63%	N/A
2023/24	Neil Murphy[1,2]	£415,675	0%	N/A
2022/23	Neil Murphy[1]	£776,301	94%	N/A
2021/22	Neil Murphy[1]	£739,364	95%	N/A
2020/21	Neil Murphy[1,3]	£92,025	100%	N/A

1 No PSP awards vested during the period.
2 Sam Mudd was appointed Interim CEO on 21 February 2024 and her total remuneration is the prorated figure for nine days from that date to 29 February 2024. Neil Murphy's total remuneration covers the period until his resignation on 21 February 2024.
3 Total remuneration is the prorated, post-IPO figure (for the period from admission to the London Stock Exchange to 28 February 2021).

Change in directors' remuneration compared with other employees

The following table shows the percentage change in the remuneration of the executive directors and non-executive directors compared with the average change for all employees of the parent company for the year ended 29 February 2024. 2022/23 was the first year in which this table was included, because it represented the first time where two full years of data had been available since IPO. This table will build up over time to ultimately cover a rolling five-year period.

Current directors		Salary and fees (% change)	Taxable benefits (% change)	Annual bonus (% change)
Sam Mudd	2023/24	N/A	N/A	N/A
Andrew Holden[1]	2023/24	5%	20.9%	(-38.3%)
	2022/23	198.6%	N/A	195.4%
Patrick De Smedt	2023/24	0%	N/A	N/A
	2022/23	4%	N/A	N/A
Mike Phillips[2]	2023/24	18.2%	N/A	N/A
	2022/23	4%	N/A	N/A
Erika Schraner[3]	2023/24	77.2%	N/A	N/A
	2022/23	108.0%	N/A	N/A
Shruthi Chindalur	2023/24	N/A	N/A	N/A
	2022/23	N/A	N/A	N/A
Former directors				
David Maw	2023/24	(-63.4%)	N/A	N/A
	2022/23	14.6%	N/A	N/A
Alison Vincent	2023/24	(-33.3%)	N/A	N/A
	2022/23	4%	N/A	N/A
Neil Murphy[4]	2023/24	4.1%	(-63.9%)	(-100%)
	2022/23	4%	282.8%	2.9%
All employees[5]	2023/24	6.7%	24.2%	(-6.3%)
	2022/23	5.7%	6.2%	21.7%

1 Salary and annual bonus percentage increase in 2022/23 were in relation to pro rata salary and bonus earned in 2021/22 since date of appointment to the Board on 21 October 2021. The reduction in annual bonus in 2023/24 reflects the Group not achieving it's adjusted operating profit stretch target in the year.
2 Fee increase in 2023/24 relates to amounts received for additional work on Board subcommittees established to investigate undisclosed share dealings.
3 Fee increase in 2022/23 was in relation to pro rata fees earned in 2021/22 since date of appointment to the Board on 1 September 2021. Fee increase in 2023/24 relates to amounts received for additional work on Board subcommittees established to investigate undisclosed share dealings.
4 2023/24 figures for Neil Murphy reflect nil bonus for 2023/24 as a result of his resignation and lower benefits given he received a long service award in 2022/23 of £9,777.
5 Reflects the average percentage change in salary, benefits and bonus for employees of the parent company (excluding the Board). To aid comparison, the employees of the parent company are those full-time employees who were employed over the complete two-year period.

Relative importance of spend on pay

The following table shows the actual spend on pay for all BTG employees relative to dividends:

Year	Staff costs	Dividends
2023/24	£88.4m	£36.6m
2022/23	£76.8m	£30.7m
% increase	15%	19%

CEO-to-employee pay ratio

The table below sets out the ratio between the total pay of the CEO and that of employees at the 25th, 50th (median) and 75th percentiles of BTG's UK employees. This table will expand to show a rolling 10 years' worth of data over time.

Year	Method	25th percentile	50th percentile	75th percentile
2023/24	A	12:1	8:1	5:1
2022/23	A	22:1	15:1	8:1
2021/22	A	24:1	15:1	8:1
2020/21	A	14:1	9:1	5:1

The 25th, 50th and 75th percentile-ranked individuals were identified using 'option A' in the reporting regulations, selected on the basis that this is the most robust and statistically accurate means of identifying the relevant people. Given ratios could be unduly affected by joiners and leavers who may not participate in all remuneration arrangements in the year of joining and leaving, the committee has modified the statutory basis slightly to exclude anyone not employed throughout the entire financial year. The 25th, 50th and 75th percentile employees were identified as at 29 February 2024.

The CEO pay figure is derived from the total remuneration set out in the single total figure of remuneration for each director table on page 117. Given that more than one person has undertaken the role of the CEO in the year ended 29 February 2024, the calculation of the ratio uses the total remuneration in the table paid in relation to the period those persons were undertaking the role of CEO during the year.

Pay in respect of the CEO and employees is shown in the table below (the employee pay includes the same pay elements as for the CEO, and so excludes LTIPS).

	CEO	All employees		
Year	See CEO and Interim CEO remuneration table on page 124[1]	25th percentile	50th percentile	75th percentile
2023/24 salary	£413,260	£31,800	£30,000	£65,000
2023/24 total pay	£427,087	£36,385	£55,647	£91,713

1 Total pay for the former CEO to date of resignation on 21 February 2024 plus prorated pay for the Interim CEO from 21 February 2024 to 29 February 2024.

The decrease in the ratio from 2022/23 to 2023/24 primarily reflects the removal of any bonus to Neil Murphy for the year ended 29 February 2024 as a result of his resignation on 21 February 2024. The pay for the Interim CEO was included only from appointment on 21 February 2024, so there is only a small pro rata bonus included for the subsequent nine days. This accounts for the relatively small difference between salary for the CEO role and total pay for that role. Given this impact, there is not yet any clear trend in the median pay ratio over the period of financial years covered by the pay ratio table. After taking this into account, the committee is satisfied that the ratio is reasonable and consistent with our wider policies on employee pay, reward and progression.

External appointments

At the date of this report, no executive directors are currently non-executive directors of any company outside BTG.

Executive directors' service contracts

The table below summarises key details of the executive directors' contracts:

	Date of joining BTG	Date of service contract	Notice period (from either party)
Neil Murphy	1997[1]	30 October 2020	12 months
Andrew Holden	2021[2]	1 November 2021	6 months
Sam Mudd	2003[3]	12 July 2023	6 months

1 Neil Murphy, appointed as CEO in 2020. Previously MD of Group subsidiary Bytes Software Services Limited since 2000, before which he was sales director for three years. Resigned from BTG on 21 February 2024.
2 Andrew Holden joined BTG as COO on 1 June 2021 and joined the Board as CFO on 21 October 2021.
3 Sam Mudd, appointed to the BTG Board on 12 July 2023 and then as Interim CEO on 21 February 2024 and CEO on 10 May 2024. Previously MD of Group subsidiary Phoenix Software Limited since 2014, before which she was a director for five years and associate director for six years.

Non-executive directors' letters of appointment

The table below summarises key details of the non-executive directors' contracts:

	Date of joining BTG	Date of letter of appointment	Date of last re-election	Notice period (from either party)
Patrick De Smedt	27 July 2020	27 July 2020	12 July 2023	1 month
Mike Phillips[1]	6 November 2020	19 October 2020	12 July 2023	1 month
Erika Schraner	1 September 2021	1 September 2021	12 July 2023	1 month
Shruthi Chindalur	1 February 2024	30 January 2024	N/A	1 month

1 Resigned from the Board effective 24 March 2024.

Directors' remuneration report continued

Implementation of policy for the year ending 28 February 2025

Basic salary

The committee reviews the executive directors' base salaries annually, with any increases taking effect from 1 March each year. Base salaries effective from 1 March 2024 are:

	Base salary 2023/24	Base salary 2024/25	Increase
Sam Mudd (MD Phoenix to 9 May 2024)	£295,000	£308,275	4.5%
Sam Mudd (CEO from 10 May 2024)	N/A	£421,000	N/A
Andrew Holden	£333,900	£348,926	4.5%

Up to 9 May 2024, the table above shows Sam Mudd's salary for her substantive role as MD Phoenix. In addition, Sam, for this period of acting as Interim CEO, was paid a salary supplement of £91,725 per annum (increasing her salary to £400,000 in total). From 10 May 2024, Sam will be paid her CEO salary.

Benefits and pension

No changes are proposed to pension and benefits for 2024/25. Executive directors will continue to receive benefits that include private medical and life insurance, and pension contributions of up to 4% for the CEO, CFO and Interim CEO, in line with the policy.

For the period Sam Mudd holds the role of Interim CEO during 2024/25, her pension contribution will be calculated from the total of her continuing base salary as MD Phoenix and the Interim CEO salary supplement (£400,000 in total).

Annual bonus

Subject to approval of the new policy, the maximum opportunity under the annual bonus plan will be 125% of salary for the Interim CEO, CEO and CFO. One-third of the total bonus payment will be deferred into shares for two years, and recovery and withholding provisions will apply in line with our approved policy.

For the period Sam Mudd held the role of Interim CEO during 2024/25 up to 9 May 2024, her annual bonus will be calculated from the total of her continuing base salary as MD Phoenix and the Interim CEO salary supplement (£400,000 in total) and, subject to approval of the new policy, her maximum annual bonus for the period while Interim CEO will be 125% of this total amount. From 10 May 2024, Sam's bonus will be calculated as 125% against her new salary of £421,000 as CEO.

Bonuses will be based on targets relating to adjusted operating profit (80%) and a number of key strategic objectives (20%). The strategic objectives will include metrics relating to maintenance of financial efficiency and ESG (including employee and customer NPS and an external ESG quality assessment). The committee has not disclosed the detailed performance targets for the forthcoming year in advance, because it considers that they include commercially sensitive matters. Retrospective disclosure of the performance against targets will be made in next year's annual report on remuneration, if the targets are no longer considered commercially sensitive at that time.

Performance Share Plan

The executive directors will participate in the PSP in 2024/25. Andrew Holden will receive awards of 150% of salary, while Sam Mudd as Interim CEO will receive awards of 100% of salary (with her salary for this purpose excluding her Interim CEO salary supplement) and then as CEO will receive awards of 150% of salary. Vesting will be subject to the following performance conditions:

Measure	Weighting	Performance period	Targets
Adjusted EPS	75%	Three financial years to 28 February 2027[1]	Adjusted EPS of 23.6 pence (20% vests) rising on a straight-line basis to 50% vesting for 27.7 pence and on a straight-line basis again to full vesting for achievement of 30.6 pence
Relative TSR versus constituents of the FTSE 250 (excluding real estate and equity investment trusts)	25%	Three financial years to 28 February 2027	Median (20% vests) rising on a straight-line basis to full vesting for upper-quartile performance

1 The adjusted EPS target is based on performance in the final year of the performance period.

In addition, the committee retains discretion to reduce the overall PSP vesting level (potentially to zero) if it considers that the underlying business performance of the company does not justify it.

A two-year holding period will apply to any awards vesting, and recovery and withholding provisions will apply in line with our approved policy.

Non-executive directors' fees

For 2024/25, the regular non-executive directors' fees are:

	Fee 2023/24	Fee 2024/25	% increase
Chair	£187,200	£205,000	9.5%
Base fee	£52,000	£57,000	9.6%
Senior independent director fee	£10,400	£11,000	5.7%
Audit Committee Chair fee	£10,400	£11,000	5.7%
Remuneration Committee Chair fee	£10,400	£11,000	5.7%
ESG Committee Chair fee	N/A	£11,000	N/A
Designated non-executive director for employee engagement	£7,280	£8,000	9%

Additionally, as explained on page 104, in 2024/25 there are continuing actions being taken by the non-executive directors in leading specially established Board subcommittees investigating undisclosed share dealings. BTG will pay additional non-executive directors' fees (calculated on an equivalent pro rata day rate for continuing non-executive director work) for this additional work. The Board regards the payment of these fees as appropriate and fully in shareholders' best interests.

Remuneration voting outcomes

At our 2023 AGM, our remuneration report was approved with 98.85% of votes cast in favour, 1.15% of votes against and 33,552 votes withheld. At our 2021 AGM, our remuneration policy was approved with 94.29% of votes cast in favour, 5.71% of votes against and 18,603 votes withheld.

On behalf of the Board.

E. Schraner

Erika Schraner
Remuneration Committee Chair
22 May 2024

Directors' report

This report summarises other useful information, from our Companies Act disclosures and going concern statement, to the details of our main shareholders and our forthcoming Annual General Meeting.

BTG's directors present this report together with the audited consolidated financial statements for the year ended 29 February 2024.

The report has been prepared in accordance with the requirements outlined in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and forms part of the management report as required under Disclosure Guidance and Transparency Rule (DTR) 4. Certain information that fulfils the requirements of the directors' report can be found elsewhere in this report and is referred to below. The information is incorporated into this directors' report by reference.

The directors' report is made up of the governance report and this report. Other relevant information that is incorporated by reference can be found in the strategic report, including:

- An outline of the important events that occurred during the year, on pages 4 to 8
- An indication of likely future developments in the business of BTG and its subsidiaries, Bytes Software Services and Phoenix Software, on pages 6 to 8
- Financial performance, on pages 26 to 29
- Business environment, on pages 12 to 13
- Outlook and financial management strategies, including particulars of any important events affecting the company since the year end (with subsidiary undertakings included in consolidated statements), on pages 6 to 13
- Internal controls, principal risks and risk management framework, on pages 53 to 62
- Stakeholder engagement, including employee engagement, on pages 78 to 82
- Directors' biographies, on pages 72 to 73
- Section 172 statement, on page 65.

Requirements of Listing Rule 9.8.4

Information to be included in the Annual Report and Accounts under Listing Rule 9.8.4 may be found as follows:

Relevant Listing Rule	Pages
LR 9.8.4R (4): details of any long-term incentive schemes and directors' interests	116 to 127
LR 9.8.4R (5): details of any arrangements under which a director has waived emoluments, or agreed to waive any future emoluments, from the company	116 to 127

The strategic report and the directors' report together form the management report for the purposes of the DTR 4.1.8R. Information relating to financial instruments can be found on page 172 and is incorporated by reference. For information on our approach to social, environmental and ethical matters, please refer to our strategic report, including our Task Force on Climate-related Financial Disclosures (TCFD) statement on pages 44 to 52.

Financial risk management instruments

The company's exposure to financial risks and how these risks affect the company's future financial performance is disclosed in notes 23 and 24 to the financial statements.

Research and development

The company did not carry out any research and development activities during the year (2022/23: none).

Directors

The directors who held office at 29 February 2024, and up to the date of this report, are set out below and on pages 72 to 73 with their biographies. Changes to the composition of the Board or committees during the year ended 29 February 2024, and up to the date of approval of the financial statements, were:

- David Maw, who retired as a non-executive director on 12 July 2023
- Alison Vincent, who stepped down as an independent non-executive director on 31 October 2023
- Shruthi Chindalur, who was appointed as an independent non-executive director on 1 February 2024
- Neil Murphy, who resigned as CEO and as a member of the Board with immediate effect on 21 February 2024
- Sam Mudd, who was appointed to the Board as an executive director on 12 July 2023, as Interim CEO on 21 February 2024 and as CEO on 10 May 2024
- Mike Phillips, who resigned with immediate effect as an independent non-executive director on 24 March 2024.

Directors
as at 29 February 2024

Name	Effective date of joining BTG Board	Position
Patrick De Smedt	15 October 2020	Independent non-executive Chair
Sam Mudd	12 July 2023	Interim CEO (appointed as CEO on 10 May 2024)
Andrew Holden	21 October 2021	CFO
Erika Schraner	1 September 2021	Independent non-executive director
Shruthi Chindalur	1 February 2024	Independent non-executive director

The company's Articles of Association govern the appointment, removal and replacement of directors and explain the powers given to them. Sam and Shruthi will stand for election as directors at the AGM on 11 July 2024, while all remaining directors will stand for re-election. The remuneration of the directors, including their respective shareholdings in the company, is set out in the directors' remuneration report on pages 116 to 127.

Avoiding conflicts of interest

Since their respective dates of appointment, and up to the date of this report, no director held any beneficial interest in any contract significant to the company's business, other than a contract of employment.

The Board regularly reviews each director's interests outside BTG and considers how the Chair ensures they are applying objective judgement in their role, as required by the UK Corporate Governance Code. To help directors avoid conflicts, or possible conflicts, of interest, the Board must first give clearance to any potential conflicts, including directorships or other interests in outside companies and organisations. This is recorded in the company's statutory records.

Should a director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board or the Group Company Secretary as soon as reasonably possible. In such an instance, unless allowed by the company's Articles of Association, the director cannot take part in any decisions about the contract or arrangement.

Directors' and officers' liability insurance and indemnification of directors

The company maintains directors' and officers' liability insurance, which gives appropriate cover should legal action be brought against its directors. The company has also provided an indemnity for its directors, which is a qualifying third-party indemnity provision, for the purposes of Section 234 of the Companies Act 2006. This was in place for the duration of the financial year ended 29 February 2024 and up to the date of approval of the financial statements.

Share capital

The issued share capital of the company at 29 February 2024 was 240,356,898 ordinary shares of £0.01 nominal value, with no shares held in treasury. A total of 4,345 additional shares were issued after the year ended 29 February 2024, relating to the company's long-term incentive plans. Note 20 to the consolidated financial statements on page 174 contains full details of the issued share capital. As far as the company is aware, there are no restrictions on the voting rights attached to its ordinary shares and there are no agreements that may result in restrictions in the transfer of securities or voting rights. No securities carry any special rights.

An analysis of shareholdings is shown on page 130. The closing mid-market price of a share of the company on 29 February 2024, together with the range since admission to the London Stock Exchange, is also shown on page 123.

Directors' report continued

Dividends and dividend policy

Our dividend policy remains a progressive one, which targets an annual dividend of 40% of the company's profits after tax before any exceptional items in each financial year. Subject to any cash requirements for ongoing investment, the Board considers returning excess cash to shareholders, as and when appropriate.

We recommend a final dividend of 6.0 pence per ordinary share, taking the total full year dividend to 8.7 pence per ordinary share. In addition, we recommend a special dividend of 8.7 pence per ordinary share is paid at the same time as the final dividend. Shareholders will be asked to approve the final and special dividends at the AGM on 11 July 2024.

Substantial shareholdings

At 30 April 2024, the company had been notified under the DTRs, or had ascertained from its own analysis, that the following held notifiable interests in the voting rights in the company's issued share capital of 3% or more of its ordinary share capital:

Shareholder	Number of voting rights	% of voting rights
JPMorgan Asset Management	21,343,150	8.88%
Biltron	18,262,478	7.60%
Coronation Fund Managers	13,399,067	5.57%
BlackRock, Inc.	12,646,568	5.26%
abrdn	12,300,625	5.12%
Capital Group	11,281,669	4.69%
Vanguard Group	9,744,760	4.05%

Committees of the Board

The Board has established Audit, Nomination and Remuneration Committees. The Audit Committee has been mandated to also oversee and monitor BTG's enterprise risk management. For more details of these committees, including membership and key focus areas for 2023/24, see their respective reports in the governance report. During the year, the Board set up two subcommittees to investigate share dealing-related disclosure aspects (see pages 69 to 70).

Remuneration voting outcomes

At our 2023 AGM our remuneration report was approved, with 98.85% of votes cast in favour, 1.15% of votes against and 33,552 votes withheld. Our current remuneration policy was approved by shareholders at our 2021 AGM and will soon come to the end of its initial three-year period. We will present a revised policy to shareholders for approval at the AGM on 11 July 2024. Subject to shareholders' approval, the policy will formally apply until the 2027 AGM, unless a new or revised policy is presented before then.

Companies Act 2006 disclosures

In accordance with Section 992 of the Companies Act 2006, the directors disclose the following information:

- The company's capital structure and voting rights are summarised in note 20, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights
- The company does not hold any shares in treasury
- No securities exist that carry special rights with regard to the control of the company
- Details of the substantial shareholders and their shareholdings in the company are listed in the previous table
- The Deferred Bonus Plan has been implemented from 1 June 2022. The number of shares awarded under the company's Deferred Bonus Plan for the year ended 29 February 2024 is set out in note 27 and shown on page 178
- The appointment and replacement of directors, amendment to the Articles of Association and powers to issue or buy back the company's shares are contained in the Articles of Association of the company and the Companies Act 2006
- There exist no agreements to which the company is party that may affect its control following a takeover bid
- No agreements exist between the company and its directors providing for compensation for loss of office that may occur because of a takeover bid.

Articles of Association

The company's Articles of Association set out the rights of shareholders, including voting rights, distribution rights, attendance at general meetings, powers of directors, proceedings of directors, borrowing limits and other governance controls. A copy of the Articles of Association can be requested from the Group Company Secretary or found on our website.

Political donations

No donations were made for the year ended 29 February 2024 and up to the date of this report (2022/23: £nil). Generally, the company's policy remains to not make political donations, either directly or through a subsidiary. However, authority will again be sought at the 2024 AGM to authorise the company to make political donations provided that the aggregate amount is not more than £50,000. This resolution has been proposed to ensure BTG and its subsidiaries do not, because of the wide-reaching definition in the Companies Act 2006, unintentionally breach the act.

Equality and diversity

The company has an equal opportunities philosophy that endeavours to treat individuals fairly and not to discriminate on the basis of gender, disability, race, national or ethnic origin, sexual orientation or marital status. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.

The company is committed to ensuring that adequate policies and procedures are in place to give disabled applicants training to perform safely and effectively, and to provide development opportunities to ensure they reach their full potential. If someone becomes disabled during their employment with the company, the company will seek to provide, wherever possible, continued employment on normal terms and conditions. Adjustments will be made to the environment and duties or, alternatively, suitable new roles within the company will be secured with additional training where necessary.

The company values involving its people and continues to keep them informed about what affects them as employees. This is done using a variety of methods, including whole-company meetings, team briefings, company days, emails and the intranet. Dr Erika Schraner assumed the role of designated non-executive director for employee engagement, after David Maw retired from the Board at the AGM in July 2023, with this role now held by Shruthi Chindalur. At team meetings, managers are responsible for ensuring that information sharing, discussion and feedback take place on a regular basis. As a result of these meetings, management can communicate the financial and economic factors affecting the company and make sure that the views of employees are considered in company decisions that are likely to affect their interests.

Going concern

BTG'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 9 to 11 and 26 to 29. Details of its objectives and policies on financial risk management are set out in note 23 to the financial statements on pages 175 to 177.

The directors have made appropriate enquiries and consider that BTG has adequate resources to continue to operate for the foreseeable future, which comprises the period of at least 12 months from the date of approval of the financial statements, that is 22 May 2024. 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 BTG's financial statements.

Events after the reporting period

On 9 May 2024, a settlement agreement was reached between the company and Neil Murphy, its former CEO, following his resignation on 21 February 2024, in accordance with the terms of his service contract and the directors' remuneration policy. Full details can be found on page 122 of the directors' remuneration report.

Auditor and disclosure of information

The directors who held office at the date of approval of this directors' report confirm that, as far as they are each aware:

- There is no relevant audit information of which the company's auditor is unaware
- Each director has taken all the steps they ought to have taken as a director to make themselves 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. Separate resolutions will be proposed at the forthcoming AGM concerning its appointment and to authorise the Board to agree its remuneration.

Annual General Meeting

The 2024 AGM will be held at 14:00 (BST) on Thursday, 11 July 2024, at Bytes House, Randalls Way, Leatherhead, Surrey KT22 7TW, UK.

The company will make use of the electronic voting facility provided by its registrars, Computershare Limited. The facility includes CREST voting for members holding their shares in uncertificated form. For more information, please refer to the section on online services and electronic voting in the notes to the notice of meeting.

The notice of AGM and an explanation of the resolutions being put to the meeting are set out in the notice of meeting accompanying this Annual Report. The directors fully support all the resolutions set out in the notice and encourage shareholders to vote in favour of each of them, as they intend to in respect of their own shareholdings.

The directors' report was approved by the Board of directors on 22 May 2024 and is signed on its behalf.

WK Groenewald FCG
Group Company Secretary
22 May 2024

Statement of directors' responsibilities

This report outlines our directors' responsibilities for ensuring that our Annual Report and financial statements comply with regulation.

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards (IAS), and the parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 Group and the company and of the profit or loss of the Group and 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
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRS (and in respect of the parent company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and company financial position and financial performance
- In respect of the Group financial statements, state whether UK-adopted IAS have been followed, subject to any material departures disclosed and explained in the financial statements
- In respect of the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/or the Group will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Directors' confirmations pursuant to FCA's Disclosure Guidance and Transparency Rule 4

The directors confirm, to the best of their knowledge, that the:

- Consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation, taken as a whole
- Annual Report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties that they face.

Directors' confirmations

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group and parent company's position and performance, business model and strategy. In the case of each director in office at the date on which the directors' report is approved:

- As far as the director is aware, there is no relevant audit information of which the Group and parent company's auditor is unaware
- They have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group and parent company's auditor is aware of that information.

This responsibility statement was approved by the Board of directors on 22 May 2024 and is signed on its behalf.

S. Mudd

Sam Mudd
CEO
22 May 2024

Andrew Holden
CFO
22 May 2024

Extending our record of double-digit growth

Financial statements

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

Opinion

In our opinion:

- Bytes Technology Group plc's Group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the parent company's affairs as at 29 February 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Bytes Technology Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 29 February 2024 which comprise:

Group	Parent company
Consolidated statement of financial position as at 29 February 2024	Company balance sheet as at 29 February 2024
Consolidated statement of profit or loss for the year then ended	Company statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 11 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 30 to the financial statements, including a summary of significant accounting policies	

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

Basis for opinion

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

Independence

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

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

Conclusions relating to going concern

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

- Performing a walkthrough of the Group's financial close process to confirm our understanding of management's going concern assessment process and engaging with management early to ensure all key risk factors identified were considered in their assessment.
- Obtaining management's going concern assessment, including the cashflow forecasts, covenant calculations and the impact assessment of recent events arising from the resignation of the former CEO and forensic investigations, covering the period to 31 August 2025. We then performed procedures to confirm the clerical accuracy of the underlying model including validating the credit facility assumptions.
- Assessing the Group's base scenario for consistency with cash flow forecasts used in the goodwill impairment assessment over which we have performed detailed audit procedures to challenge the base case assumptions.

- The Group has modelled a base scenario and then two downside scenarios, being a severe but plausible downside scenario and a stressed scenario in order to incorporate unexpected changes to the forecasted liquidity of the Group. We have performed audit procedures to challenge the base case and the assumptions included in each modelled scenario for the cash forecast and covenant calculation. We have considered the potential impact of the Group-led investigations as well as the potential impact of geopolitical and macroeconomic risks such as increases in energy costs, wages inflation, supply chain inflation and rising interest rates impacting customer spending and customer payments.

  We noted that the key assumptions present were forecast gross invoiced income growth rates, gross profit growth rates, headcount and base pay growth rates, overhead growth rates and debtor days. We agreed the forecasts to Board approved budgets and performed enquiries with management to understand the basis of the key assumptions. We performed procedures to assess their appropriateness, such as reviewing the growth rate assumptions within the context of historic performance.

  We critically assessed management's ability to accurately forecast through lookback analysis on the last three years of historic financial data. Additionally, where possible, we corroborated management's assumptions to external data points such as economic forecasts and competitor trading updates.
- We reviewed management's stress test of their cash forecasts and covenant calculations in order to quantify then assess the likelihood of the downside scenarios required to exhaust the Group's forecast liquidity and breach the Group's covenant ratios.
- Considering the impact and feasibility of potential mitigating activities that are within control of the Group, such as freezing planned growth in headcount, pay rises, and reducing dividend payments.
- Reviewing the Group's going concern disclosures included in the Annual Report in order to assess their completeness and conformity with the reporting standards, market practice and FRC guidance.

Our key observations

- We observed that at 29 February 2024, the Group had cash and cash equivalents of £88.8 million in addition to the Group's RCF facility of £30 million which is undrawn. On 17 May 2023, the Group's previous facility was replaced by a facility of the same amount and runs for three years, until May 2026. The new facility includes an optional one-year extension to May 2027 and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity.
- The directors' assessment is that Bytes Technology Group plc has sufficient liquidity and headroom in cash throughout the going concern period to 31 August 2025. Management's severe but plausible scenario demonstrated that a worsening of all key assumptions against the base case would not result in liquidity concerns. This is prior to further potential mitigations modelled by management. The changes in assumptions modelled are considered to be highly unlikely based on historical financial performance.
- We have not identified any material climate-related risks that should be incorporated into Bytes Technology Group plc's forecasts to 31 August 2025.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for a period until 31 August 2025, being the going concern assessment period.

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

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

Overview of our audit approach

Audit scope	–	We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further six components.
	–	The components where we performed full or specific audit procedures accounted for 99% of the Group's Profit before tax, 100% of Revenue and 100% of Total assets.
Key audit matters	–	Risk of misstatement of revenue recognised at or near period end
	–	Risk of misstatement of rebate receivable to overstate reported results at period end
	–	Risk of incorrect IFRS 15 presentation and disclosure in respect of principal versus agent
	–	Risk arising from the undisclosed share trading by directors
Materiality	–	Overall Group materiality of £3m which represents 5% of forecast profit before tax.

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

An overview of the scope of the parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the nine reporting components of the Group, we selected nine components covering entities within the United Kingdom, which represent the principal business units within the Group.

Of the nine components selected, we performed an audit of the complete financial information of three components ('full scope components') which were selected based on their size or risk characteristics. For the remaining six components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

Audit procedures performed on the three full scope components, located in two different locations in the UK, contributed 99% (2023: 100%) of the Group's Profit before tax, 100% (2023: 100%) of the Group's Revenue and 100% (2023: 99%) of the Group's Total assets. The remaining six specific scope components contributed <1% (2023: <1%) of the Group's Profit before tax, 0% (2023: 0%) of the Group's Revenue and <1% (2023: 1%) of the Group's Total assets. To respond to any potential risks of material misstatement to the Group financial statements, we performed other procedures on these components, including analytical review, confirmation of bank balances, and verification that intercompany and intra-Group investment balances were eliminated as part of the consolidation.

Changes from the prior year

Our full scope locations and other procedures components are consistent with the prior year. We believe our overall coverage is comparable and appropriate for the risk of the business.

Involvement with component teams

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

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

Climate change

Stakeholders are increasingly interested in how climate change will impact Bytes Technology Group plc. The Group has determined that the most significant future impacts from climate change on their operations will be regulatory changes. These are explained on pages 44 to 52 in the Task Force on Climate-related Financial Disclosures and on page 62 in the principal risks and uncertainties. They have also explained their climate commitments on page 52. All of these disclosures form part of the 'Other information', rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on 'Other information'.

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

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 44 to 52; and the adequacy of the Group's disclosures in the financial statements and the conclusion that no issues were identified that would impact on the accounting judgements and estimates in the current year and no material impact on assets and liabilities as at 29 February 2024. We also challenged the directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

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

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Misstatement of revenue recognised at or near period end *Refer to the Audit Committee report (page 85); accounting policies (page 157); and note 3 of the consolidated financial statements (page 164).* The Group has reported revenue of £207.0 million (2023: £184.4 million). Revenue reported in accordance with IFRS 15 Revenue from Contracts with Customers is a key financial metric for the business. Compensation incentives are also based on gross profit or adjusted operating profit targets, creating a risk of revenue misstatement through management override. Management's process for accounting for certain revenue transactions, particularly the review process at or near the year end is mostly manual and therefore susceptible to error (either deliberate or without intent). There is therefore a risk that revenue is recognised prematurely or fictitiously around period end or revenue is held back to distort earnings between periods. The overall risk of revenue recognition has remained consistent compared to the prior year.	We have performed the following key audit procedures on revenue transactions (included in gross invoiced income): • Re-confirmed our understanding of management's process in determining the revenue recognition point and understood the process of entering into a contract and agreeing terms with customers, and how contracts are then assessed to ensure correct revenue recognition terms are applied through discussions held. • Assessed revenue cut-off by testing transactions recorded before and after the year end on a sample basis by vouching to proof of satisfaction of the related evidence of whether or not performance obligations had been satisfied. • Addressed the risk of management override by testing a sample of manual journal entries recorded at or near year end by verifying these to supporting documentation. • Tested a sample of credit notes issued subsequent to the year end. • Tested a sample of sales transactions related to the rendering of services which were deferred at the year end and recalculated the deferred elements to obtain assurance over the calculation of deferred revenue. • Utilised data analytics to analyse the full population of sales-related journal entry data to track sales from revenue though to accounts receivable through to cash collection. We used this analysis to validate the appropriateness of transaction flow and test a sample of transactions to determine if the journals accurately reflected the substance of the transaction recorded. We performed full scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.	Through our procedures performed we have not identified any unsupported manual adjustments to revenue. We conclude that the revenue recognised at or near year end was properly accounted for and that revenue has been appropriately recognised in accordance with IFRS 15.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
IFRS 15 presentation and disclosure in respect of principal versus agent *Refer to the Audit Committee report (page 89); accounting policies (pages 157 to 158); and note 3 of the consolidated financial statements (page 164).* The Group has recognised an agency adjustment of £1,616.0 million (2023: £1,254.9 million) in respect of income to be recognised net as agent under IFRS 15. The Group makes a judgement as to whether the Group is a principal or agent against each specified good or service. There is a risk that the reported revenue may be incorrectly presented as a result of incorrectly assessing whether the Group has control over the products or services sold and consequently if the Group is principal or agent in its arrangements with customers. The overall process to categorise the population between principal or agent is manual in nature and thus susceptible to error.	We performed the following key audit procedures: • Re-confirmed our understanding of management’s processes, methodologies and judgements in identifying and categorising revenue transactions as principal (gross) or agent (net) based on the new accounting policy. • Tested a sample of transactions across the year to determine the Group’s key control over the product or service including: – Verifying the product type by obtaining evidence for each transaction and agreeing back to underlying data, such as customer purchase order, to determine the Group’s categorisation of the product or service. – Tested the related cost for the sample selected by tracing through to supporting purchase invoices. – Assessed whether principal (gross) or agent (net) treatment should be applied and compared to management’s conclusion. • Reperformed management’s agency adjustment calculation to ensure this has been performed correctly, i.e., the revenue, cost of sales and margin agency adjustment is correct. • Tested that the methodology utilised to calculate the adjusted performance measure (‘APM’) ‘gross invoiced income’ is consistent with the FY 2023 Annual report, assessing management’s rationale for including the APM and ensuring that the amount reported is reconciled to reported revenue. We performed full scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.	We concluded that the presentation of revenue transactions is appropriate and have been prepared in accordance with IFRS 15.
Misstatement of rebate receivable to overstate reported results at period end *Refer to the Audit Committee report (page 85); and accounting policies (page 158).* The Group has reported a year-end rebate receivable of £5.7 million (2023: £5.1 million). Bytes Technology Group plc has rebate arrangements with suppliers, which are based on agreed percentages of sales made to the customers during the current rebate period. While most rebates are agreed with the supplier and received during the year, there is a degree of estimation at or around the year end when the rebate is accrued ahead of the full information on the rebate being available. The resulting estimation uncertainty around the rebate receivable balance therefore provides scope for the use of management override to influence reported amounts through the estimated rebate adjustments posted to cost of sales. The overall risk over rebate receivable has remained consistent compared to the prior year.	We have performed the following key audit procedures: • Updated our understanding of the procedures and key controls in place over the recognition and recording of rebates including understanding the key assumptions used within management’s determination of the estimate. • Independently tested a sample of the rebate receivable balance at year end and vouched back to third-party source documentation being subsequent cash or credit notes received. • Analysed the rebate receivable balance by vendor and compared the largest vendor balances against 28 February 2023. Performed an analysis to understand the drivers of increases or decreases in the underlying balances to identify higher levels of risk where changes were not anticipated. • Made enquires of management to understand the movements in rebate trends that are not in line with our expectations or understanding of the business. • Assessed the accuracy of management’s previous estimates as tested as at 28 February 2023 and 31 August 2023. • Tested a sample of rebate transactions recorded to the statement of profit and loss throughout the year to vendor issued credit notes or bank statements for cash collections to determine whether the transactions have been recorded appropriately. We performed full scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.	We concluded that the rebate receivable at the year end and the corresponding rebates income is appropriate in accordance with IFRS.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk arising from the undisclosed share trading by directors *Refer to the Governance Report (pages 69 to 70); and the Audit Committee Report (page 86).* As announced on 21 February 2024, the Group's former Chief Executive Officer, Neil Murphy, resigned with immediate effect, on account of undisclosed trading in the Group's shares. These trades were undertaken between January 2021 to November 2023 and were announced to the market on 23 February 2024 and then again on 13 March 2024 when further undisclosed trades relating to persons closely associated (PCA) with him were identified. In March 2024, the directors appointed a subcommittee of the Board and engaged external forensic experts and external legal advisers to undertake an investigation into the undisclosed share dealings of the former CEO. Previously, in October 2023, the directors appointed a subcommittee of the Board, and undertook an externally facilitated review of circumstances relating to the share purchase by a PCA of a former non-executive director which was not disclosed in the prior period Annual Report and Accounts. These matters have resulted in the disclosures included in the directors' remuneration report in the prior year being restated. Our audit focused on ensuring the completeness and accuracy of the shareholding disclosures included in the directors' remuneration report, including the impact of the restatement on the Annual Report and Accounts.	We have performed the following key audit procedures: • With support from our internal forensic specialists, we assessed the nature, scope and objectives of the internal investigation undertaken by the Board to ensure that this was appropriately designed to address the potential risks identified. • We assessed the independence, objectivity and competence of the external forensic investigators. • We reviewed the key documents supporting the investigation, including share registers, interview transcripts and document / data captures. • With the assistance of the EY forensics team, we challenged the external investigators and the directors regarding the findings of the investigation and designed additional procedures where required. • In addition, we designed and performed incremental audit procedures which included: – Understanding the company's process and procedures around directors share dealings and the process followed to ensure that the share register is complete and accurate. – Performing procedures over the completeness of the share trading transactions undertaken by the former CEO and his PCA. A completeness check was also performed for all other directors. – Ensuring the actions from the recommendations arising from the investigations have been implemented or that a timeline for implementation has been established. – Reviewing the completeness and accuracy of the disclosures in the director's remuneration report, including the consequential disclosures for the prior year restatement.	We communicated to management and the Audit Committee our findings and observations following the completion of the Board led investigation. We are satisfied that the disclosures included in the shareholding and share interest table within the directors' remuneration report reflect the revised shareholding position following completion of the investigation, and a prior year adjustment is required to adjust for the previously undisclosed share trades.

In the current year, we have added a key audit matter relation to the risk arising from the undisclosed share trading by directors which has been a key focus of the Board this year. There have been no other changes in our assessment of key audit matters compared with prior year.

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

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £3 million (2023: £2.5 million), which is 5% (2023: 5%) of profit before tax. We believe that profit before tax provides the most relevant measure of underlying performance to the stakeholders of the Group. The increase in the current year is in line with the increase in profitability in the year.

We determined materiality for the Parent Company to be £9 million (2023: £6.8 million), which is 1% (2023: 1%) of total equity.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2023: 50%) of our planning materiality, namely £1.5 million (2023: £1.2 million). We have set performance materiality at this percentage due to our overall risk assessment and expectations on misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.5 million to £1.3 million (2023: £0.2 million to £1.1 million).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1 million (2023: £0.1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 133, including the Strategic report set out on pages 1 to 65, and the Governance report set out on pages 66 to 133, 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, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

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

Corporate Governance Statement

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

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

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 131;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 64 to 65;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 131;
- Directors' statement on fair, balanced and understandable set out on pages 132 to 133;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 53 to 62;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 88; and
- The section describing the work of the audit committee set out on pages 83 to 93.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 132 to 133, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the company on 25 February 2021 to audit the financial statements for the year ending 28 February 2021 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the years ending 28 February 2021 to 29 February 2024.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

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

22 May 2024

Consolidated statement of profit or loss

For the year ended 29 February 2024

	Note	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Revenue	3	**207,021**	184,421
Cost of sales		**(61,243)**	(54,848)
Gross profit		**145,778**	129,573
Administrative expenses	4	**(87,839)**	(77,753)
Impairment on trade receivables	17	**(1,227)**	(937)
Operating profit		**56,712**	50,883
Finance income	7	**5,111**	–
Finance costs	7	**(393)**	(491)
Share of profit of associate	12	**166**	–
Profit before taxation		**61,596**	50,392
Income tax expense	8	**(14,745)**	(9,971)
Profit after taxation		**46,851**	40,421
Profit for the period attributable to owners of the parent company		**46,851**	40,421
		Pence	Pence
Basic earnings per ordinary share	28	**19.55**	16.88
Diluted earnings per ordinary share	28	**18.85**	16.28

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

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

Consolidated statement of financial position

As at 29 February 2024

	Note	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	**8,478**	8,380
Right-of-use assets	10	**1,411**	783
Intangible assets	11	**40,646**	41,526
Investment in associate	12	**3,193**	–
Contract assets	13	**2,689**	397
Deferred tax asset	8	**834**	–
Total non-current assets		**57,251**	51,086
Current assets			
Inventories	15	**60**	58
Contract assets	13	**11,756**	10,684
Trade and other receivables	17	**221,815**	185,920
Cash and cash equivalents	18	**88,836**	73,019
Total current assets		**322,467**	269,681
Total assets		**379,718**	320,767
Liabilities			
Non-current liabilities			
Lease liabilities	10	**(1,314)**	(917)
Contract liabilities	14	**(2,137)**	(1,976)
Deferred tax liabilities	8	**–**	(635)
Total non-current liabilities		**(3,451)**	(3,528)
Current liabilities			
Trade and other payables	19	**(277,917)**	(231,717)
Contract liabilities	14	**(19,348)**	(23,914)
Current tax liabilities		**(243)**	(36)
Lease liabilities	10	**(423)**	(75)
Total current liabilities		**(297,931)**	(255,742)
Total liabilities		**(301,382)**	(259,270)
Net assets		**78,336**	61,497
Equity			
Share capital	20	**2,404**	2,395
Share premium	20	**633,650**	633,636
Share-based payment reserve		**11,050**	7,235
Merger reserve	21	**(644,375)**	(644,375)
Retained earnings		**75,607**	62,606
Total equity		**78,336**	61,497

The consolidated financial statements on pages 146 to 181 were authorised for issue by the Board on 22 May 2024 and were signed on its behalf by:

S. Mudd

Sam Mudd
Chief Executive Officer

Andrew Holden
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 29 February 2024

	Note	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
		Attributable to owners of the company					
Balance at 1 March 2022		2,395	633,636	3,072	(644,375)	52,839	47,567
Total comprehensive income for the year		–	–	–	–	40,421	40,421
Dividends paid	24(b)	–	–	–	–	(30,654)	(30,654)
Share-based payment transactions	27	–	–	4,188	–	–	4,188
Tax adjustments	8	–	–	(25)	–	–	(25)
Balance at 28 February 2023		2,395	633,636	7,235	(644,375)	62,606	61,497
Total comprehensive income for the year		–	–	–	–	46,851	46,851
Dividends paid	24(b)	–	–	–	–	(36,641)	(36,641)
Shares issued during the year	20	9	14	–	–	–	23
Transfer to retained earnings	27	–	–	(2,791)	–	2,791	–
Share-based payment transactions	27	–	–	5,708	–	–	5,708
Tax adjustments	8	–	–	898	–	–	898
Balance at 29 February 2024		**2,404**	**633,650**	**11,050**	**(644,375)**	**75,607**	**78,336**

Consolidated statement of cash flows

For the year ended 29 February 2024

	Note	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Cash flows from operating activities			
Cash generated from operations	22	**67,333**	48,889
Interest received	7	**5,111**	–
Interest paid	7	**(330)**	(443)
Income taxes paid		**(15,109)**	(10,295)
Net cash inflow from operating activities		**57,005**	38,151
Cash flows from investing activities			
Payments for property, plant and equipment	9	**(1,334)**	(1,363)
Investment in associate		**(3,027)**	–
Net cash outflow from investing activities		**(4,361)**	(1,363)
Cash flows from financing activities			
Proceeds from issues of shares		**23**	–
Principal elements of lease payments	10	**(209)**	(233)
Dividends paid to shareholders	24(b)	**(36,641)**	(30,654)
Net cash outflow from financing activities		**(36,827)**	(30,887)
Net increase in cash and cash equivalents		**15,817**	5,901
Cash and cash equivalents at the beginning of the financial year		**73,019**	67,118
Cash and cash equivalents at end of year	18	**88,836**	73,019

Notes to the consolidated financial statements

1 Accounting policies

1.1 General information

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

1.2 Basis of preparation

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

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

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

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

1.3 Going concern

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

When assessing the going concern of the Group, the directors have reviewed the year-to-date financial actuals, as well as detailed financial forecasts for the period up to 31 August 2025, being the going concern assessment period. This represents 18 months from the end of the reporting period, rather than the minimum 12 months required under International Accounting Standard (IAS) 1, 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 Group's historical performance and management's extensive experience of the industry. Taking into consideration the Groups principal risks, the impact of the current economic conditions and geopolitical environment, and future expectations, the forecasts have been stress-tested through a number of downside scenarios to ensure that a robust assessment of the Group's working capital and cash requirements has been performed.

Operational performance and operating model

The Group is now reporting its fourth year of strong growth since it listed in December 2020. In the current year of reporting, the Group has achieved double-digit growth in gross invoiced income (GII), revenue, gross profit (GP) and operating profit, and finished the year with £88.8 million of cash compared to the prior year £73.0 million.

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

On top of these existing opportunities, we are 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 Group's operating model from its wide customer base, high levels of repeat business, strong vendor relationships, increased demand driven by heightened IT security risks, and the back-to-back nature of most of its sales. This is explained further below.

- Wide ranging customer base – The Group's income includes a large volume of non-discretionary spend from UK corporates because IT is vital to run their day-to-day operations and to establish competitive advantage in an increasingly digital age. Public sector organisations have similarly sought efficiencies, resilience, and security within their IT infrastructures. This is evident from the 26.7% increase in GII during the year, and our mix of private and public customers means that a downturn in one area can be compensated by upturns in others. This year, though, both sectors have performed strongly, with public sector GII growing by 32.8% and corporate GII by 17.6%.

  Sales risk is further mitigated by the fact that none of the Group's wide range of customers contributes more than 1% of GP. Indeed, during the year only two customers generated GP in excess of £1 million out of a total Group GP of £145.8 million. While we have some significant contributions to our GII by individual customers, most notably the NHS, these are primarily long-term (three-year) contracts within the public sector, which makes our income even more secure and provides the opportunity to develop and monetise those accounts further. Even then, the largest customer has provided only 8% of our total GII of £1.8 billion during the year.

- High levels of repeat business – Due to the nature of licensing schemes and service contracts, a high proportion of business is repeatable in nature, with subscriptions needing to be renewed for the customer to continue to enjoy the benefit of the product or service. Indeed, excluding sales of hardware and services, the remaining dominant balance of our GII – some £1.7 billion (94%) of software – falls into this bracket. The largest software contracts, Microsoft enterprise agreements (EAs), run for three years and it is rare to lose a contract mid-term, which mitigates the risk of income reducing rapidly. The Group has a high success rate in securing renewals of existing EA agreements and winning new ones.

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

  The high level of customer retention and growth is illustrated by the renewal rate for the year of 109%, a measure of the rate of growth in GP from existing customers, who also contributed 97% of total GP in the year. The Group will continue to focus on increasing its customer base and spend per customer during the going concern period.
- Microsoft relationship strength – With 68% of the Group's GII and 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 closely in line with previous years in percentage terms; in absolute terms, as our largest vendor, we have now seen their contribution to GII and GP exceed £1.2 billion and £70 million respectively.

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

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

  Within the Microsoft program offerings, and also those of other vendors, including dedicated security software providers, the Group has seen an increased demand for security products and functionality to protect customer IT systems. This has arisen from the increased risk of cyber threats and attacks and has generated additional requirements for the Group's support in this area.

  Most recently we have seen Microsoft develop and launch its AI product, Copilot. The Group enrolled in its early access programme during the year in preparation to support customers to improve 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 preparation for this to gain increasing momentum in 2024/25 and beyond and to complement the existing Microsoft solutions we sell.

  While vendor concentration, and over-reliance on any one supplier, is identified as one of our principal risks, the very close daily workings between the two sides, the mutually beneficial growth in business, and the increase in accreditations and awards, makes the Group a key partner to Microsoft, as they are to us. We therefore believe the risk of cessation of the Microsoft relationship to be remote.
- Back-to-back sales model – The Group's business is substantially derived from the sale of software that it transacts on a 'back-to-back' basis, meaning all orders placed with vendors follow the receipt of a customer order, and the intangible nature of software products means that the Group is not exposed to inventory risk. Hardware sales are also made on a back-to-back basis, and delivered direct from suppliers to customers, so the Group is not required to invest in, or hold, stock.

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

Over the past year we have seen the continued risks around energy, wage and commodities inflation; supply problems and product shortages caused by the ongoing conflicts in Ukraine and the Middle East; and climate change. These risks align to those identified in our principal risks statement, notably economic disruption, inflation, and attraction and retention of staff. The Board monitors these macroeconomic and geopolitical risks on an ongoing basis. These risks are considered further below.

Macroeconomic risks

- Energy cost inflation – Our businesses are not naturally heavy consumers of energy, and hence this element of our overall cost base is very small, at less than 0.5% of the total Group administrative expenses. Even a substantial percentage rise would not have a significant impact on our operating profit. Indeed, we are now starting to see a downward trend following many months with high prices.

1.3 *Going concern* *continued*

- 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 reduction in our gross profit/ gross invoiced income (GP/GII%) in the period, this is almost entirely attributable to two exceptionally large new public sector contracts which were secured at reduced margins, for strategic reasons, in order to monetise those accounts over the longer contract terms. Excluding those deals, we have seen only a minimal reduction in our GP/GII% compared to the prior period and this 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 16%, which is consistent with last year. 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 adjusted operating profit/gross profit (AOP/GP), we have achieved 43.4%, 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 – The substantial rise in UK and global interest rates since the pandemic has had a negative financial impact on many organisations and households. The Group, however, has no debt and so currently no exposure, nor has it ever needed to call on its revolving credit facility (RCF). We have taken advantage of the recent higher interest rates to generate a significant £5.1 million of interest income in the reporting period, due to the timing difference we see in our cash flow model between customer receipts and supplier payments, and by placing cash on the money markets through our monthly cash cycle. While there are indications that interest rates may start to fall in the coming months, as inflation comes down, we still see substantial earnings opportunity over the going concern period.
- Foreign currency rate changes – The vast majority of our business is transacted in GBP. Where we do transact in foreign currencies, fluctuations in the value of the pound sterling can have both positive and negative impacts but we have the ability to self-hedge as we make both sales and purchases in US dollars and euros.
- Inflation and rising interest rates 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 very robust operating model, with business spread over many customers in repeat subscription programs and service contracts, and high renewal rates.
- Inflation and rising interest rates impacting on customer payments – Across the year we have seen a reduction in our average debtor days from 39 to 37 and in our closing debtor days from 37 to 34 compared to prior year, and with minimal evidence that customers ultimately do not pay. Indeed, we have suffered only a small level of bad debt during the year: £0.3 million against GII of £1.8 billion (see note 17). While we have provided for a higher loss allowance against trade receivables at the year end, this is due to the increased volumes of business, and still only represents 1% of the closing balances due.

  As in previous years, the majority of our GII (62%), 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.

Geopolitical risks

The current geopolitical environment, most notably the 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.

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

Climate change risks

The Group does not believe that the effects of climate change will have a material impact on its operations and performance over the going concern assessment period considering:

- The small number of UK locations it operates from
- A customer base substantially located within the UK
- A supply chain that is not reliant on international trade and does not source products and services from parts of the world that may be affected more severely by climate change
- It sells predominantly electronic software licences and so has no manufacturing or storage requirements
- Its workforce can work seamlessly from home should any of their normal work locations be affected by a climatic event, although in the UK these tend to be thankfully infrequent and not extreme.

Climate risks are considered fully in the Task Force on Climate-related Financial Disclosures (TCFD) included in the Annual Report.

Additional risk considerations in relation to resignation of Group CEO

The Group's former CEO, Neil Murphy, resigned on 21 February 2024, when it transpired he had engaged in unauthorised and undisclosed trading in the company's shares between January 2021 to November 2023, which the company was notified of and also announced to the market on 23 February 2024 and then again on 13 March 2024 when further undisclosed trades were identified.

In the subsequent investigation conducted by the Group regarding these breaches of market regulations, we have considered whether this has, or may in the future, create reputational damage, which could in turn affect the Group's relationships with key stakeholders and ultimately affect the Group's future financial performance, including its profits and cash flows. We have considered potential adverse impacts in the context of the going concern assessment, notably whether we believe the maximum extent of possible risks would be catered for within our stress tests and downside models. We have taken into account the effect, if any, on our major stakeholders, being our customers, suppliers, staff, and other external parties such as our bank, HSBC.

In summary, our customers and vendors deal with our two operating companies, because that is where their contractual arrangements sit, and not at Group level. Their relationships are with the managing directors, leadership teams and staff at the two operational entities, many established over years or decades. In the case of customers, they deal ostensibly with one operation or the other and, as noted in the operating model section above, resilience comes from our wide customer base and from having no reliance on any one customer. Certain vendors deal with both operations but not with the Group per se. For some of the largest customer and vendor accounts there may also be relationships at Group Board level, as would be expected, most notably with Microsoft. These are long-standing, deep and close relationships and, from our observations and direct dialogue with key parties, we have seen no impact on our operational performance to date.

For our staff too, its business as usual and we have not seen any change to staff attrition rates or ability to attract new staff. Our bank has not raised any concerns or questions and the availability of our RCF is unaffected.

As time passes, we believe the possibility of impacts materialising will diminish even further. Therefore, based on the above considerations, any potential impacts from this matter have not been specifically factored into the modelling scenarios described below as we believe the sensitivities modelled under our most stressed downside (30% reductions in GII and GP) would be sufficient to cater for any losses, should they arise.

Liquidity and financing position

At 29 February 2024, the Group held instantly accessible cash and cash equivalents of £88.8 million.

The balance sheet shows net current assets of £24.5 million at year end; this amount is after the Group paid final and special dividends for the prior year totalling £30.2 million and an interim dividend for the current year of £6.5 million. Post year end the Group has remained cash positive and this is expected to remain the case with continued profitable operations in the future and customer receipts collected ahead of making the associated supplier payments.

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

Approach to cash flow forecasts and downside testing

The going concern analysis reflects the actual trading experience through the financial year to date, Board-approved budgets to 28 February 2025 and detailed financial forecasts for the period up to 31 August 2025, being the going concern assessment period. The Group has taken a measured approach to its forecasting and has balanced the expected trading conditions with available opportunities.

In its assessment of going concern, the Board has considered the potential impact of the current economic conditions and geopolitical environment as described above. If any of these factors leads to a reduction in spending by the Group's customers, there may be an adverse effect on the Group's future GII, GP, operating profit, and debtor collection periods. Under such downsides, the Board has factored in the extent to which they might be offset by reductions in headcount, recruitment freezes and savings in pay costs (including commissions and bonuses). As part of the stressed scenario, where only partial mitigation of downsides is possible, the Board confirmed that the RCF would not need to be used during the going concern period up to 31 August 2025.

1.3 *Going concern* continued

Details of downside testing

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

- Base case was forecast using the Board-approved budget for the year ending 28 February 2025 and extended across the first six months of the following year to 31 August 2025.
- Downside case 1, Severe but plausible, modelled GII reducing by 10% year on year, GP reducing by 15% year on year and debtor collection periods extending by five days, in each case effective from June 2024.
- Downside case 2, Stressed, modelled both GII and GP reducing by 30% year on year and debtor collection periods extending by ten days, again in each case effective from June 2024.
- Partial mitigation measures modelled immediate 'self-mitigating' reduction of commission in line with falling GP, freezing recruitment of new heads and not replacing natural leavers from September 2024, freezing future pay from March 2025 (as current year rises are already committed) and freezing rises in general overheads from March 2025.
- Full mitigation measures modelled additional headcount reductions from March 2025, in line with falling GP.

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

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

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

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

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

Going concern conclusion

Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 31 August 2025, being the going concern assessment period. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

1.4 Critical accounting estimates and judgements

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

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

(i) Key accounting judgements

The areas involving key accounting judgements are:

- *Revenue recognition – Principal versus agent, see note 1.10.*

  Under IFRS 15, Revenue from Contracts with Customers, when recognising revenue, the Group is required to assess whether its role in satisfying its various performance obligations is to provide the goods or services itself (in which case it is considered to be acting as principal) or arrange for a third party to provide the goods or services (in which case it is considered to be acting as agent). Where it is considered to be acting as principal, the Group recognises revenue at the gross amount of consideration to which it expects to be entitled. Where it is considered to be acting as agent, the Group recognises revenue at the amount of any fee or commission to which it expects to be entitled or the net amount of consideration that it retains after paying the other party.

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

(a) Identify the specified goods or services to be provided to the customer

(b) Assess whether it controls each specified good or service before that good or service is transferred to the customer by considering if it:

a. is primarily responsible for fulfilling the promise to provide the specified good or service

b. has inventory risk before the specified good or service has been transferred to a customer

c. has discretion in establishing the price for the specified good or service.

Judgement is therefore required as to whether the Group is a principal or agent against each specified good or service, noting that a balanced weighting of the above indicators may be required when making the assessment.

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

(ii) Significant accounting estimates and uncertainties

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

(iii) Other accounting estimates and uncertainties

The other areas involving accounting estimates are included below. The effect of climate change has been considered in determining any critical judgements or adjustments required in the preparation of the Group's financial statements. During the current year, and within the next financial year, the impact, if any, is not expected to create any significant risks which result in a material misstatement to the financial statements occurring. However, the effects of climate change over the longer term are more uncertain and may be more significant.

- *Property, plant and equipment (see notes 1.20 and 9) and leases (see notes 1.14 and 10).*

  The Group's assets under these categories primarily comprise freehold land and buildings and leasehold buildings with much smaller net book values reported for computer equipment, furniture and fittings. IAS 16 Property, Plant and Equipment requires an item of property, plant and equipment (PPE) to be recognised if it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably.

  Consideration has been made as to whether climate-related matters may affect the value of any items of PPE, their economic life or residual value. As noted in the Task Force on Climate-related Financial Disclosures (TCFD) statement with the strategic report, none of the Group's items of PPE, the properties and the assets included within them, are deemed to be at risk or prone to damage from acute or chronic weather events which could arise as part of climate change. Also, none of the items of PPE is deemed susceptible to being phased out, replaced or made redundant under any climate-related legislative changes.

  Hence it is judged that there is no material risk from climate change to the carrying values of any items of PPE on the balance sheet at 29 February 2024.

- *Estimation of recoverable amount of goodwill (see notes 1.15 and 11).*

  The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.15. The recoverable amounts of cash generating units (CGUs) have been determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on forecasts approved by management covering a five-year period. The growth rates used in the forecasts are based on historical growth rates achieved by the Group. Cash flows beyond the five-year period are extrapolated using the estimated growth rates disclosed in note 11. The forecast cash flows are discounted, at the rates disclosed in note 11, to determine the CGUs value-in-use. The sensitivity of changes in the estimated growth rates and the discount rate are disclosed in note 11.

- *Impairment of intangible assets (see notes 1.15, 1.21 and 11).*

  The Group's assets under this category comprise goodwill, customer relationships and brands, arising on acquisition of subsidiaries. Customer relationships and brands are recognised at fair value after deduction of accumulated amortisation over their useful lives. IAS 36 Impairment of Assets requires an entity to assess, at the end of each reporting period, whether there are any impairment indicators for an entity's assets. Impairment indicators include significant changes in the technological, market, economic or legal environment in which the entity operates.

  Consideration has been made as to whether climate-related matters may affect any of these conditions which in turn may affect the economic performance of an asset or CGU, or its long-term growth rates. For example, customer buying behaviours, requirement to make significant investments in new technologies, or an increase in costs generally charged by suppliers. Further, climate change indirectly resulting in an increase in market interest rates is likely to affect the discount rate used in calculating an asset's or CGU's value in use. This, in turn, could decrease the asset's or CGU's recoverable amount by reducing the present value of the future cash flows and result in a lower value in use.

  However, as noted in the TCFD statement with the strategic report, the Group continually monitors the regulatory and legal environment and takes external advice as required. It expects the impact from changing customer behaviours to be small given the Group's primary business is the supply of critical cloud, security and software products and IT services. Further, the Group does not rely on overseas operations, or require colleagues to work on-site at all times. Nor does it need to have physical products transported to maintain the economic performance of its CGUs.

  Hence it is judged that there is no material risk from climate change to the carrying values of any intangible assets on the balance sheet at 29 February 2024.

Notes to the consolidated financial statements continued

1.4 *Critical accounting estimates and judgements* continued

- *Provisions (see note 1.24)*

  IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be recognised when an entity has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. If any of the conditions for recognition are not met, no provision is recognised, and an entity may instead have a contingent liability. Contingent liabilities are not recognised, but explanatory disclosures are required, unless the possibility of an outflow in settlement is remote. In the case of an onerous contract, the provision reflects the lower of the costs of fulfilling the contract and any compensation or penalties from a failure to fulfil it.

  Consideration has been made as to whether climate-related matters may result in the recognition of new liabilities or, where the criteria for recognition are not met, new contingent liabilities may have to be disclosed. Further consideration has been made as to whether climate change, and any resulting associated legislation, may require past judgements to be reconsidered.

  The Group has judged that there is no material risk from climate change which requires new provisions to be made or existing provisions to be reconsidered at 29 February 2024.

  The Group will continue to review and assess potential climate change impacts when making judgements in relation to its accounting for assets and liabilities or for its future earnings and cash flows. However, for the financial statements for the year ended 29 February 2024, the Group believes there is no material impact or risk of misstatement.

1.5 New standards, interpretations and amendments adopted by the Group

(a) New and amended standards adopted by the Group

The Group has applied the following standard or amendments for the first time in the annual reporting period commencing 1 March 2023:

- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

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

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 29 February 2024 reporting periods and have not been adopted early by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1.6 Principles of consolidation

1.6.1 Subsidiaries

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

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

1.6.2 Associate

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

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

1.7 Segment reporting

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

1.8 Finance income and costs

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

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

1.9 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

1.10 Revenue recognition

Revenue recognition principles across all revenue streams

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

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

That primary areas of judgement for revenue recognition as principal versus agent are set out above under our key accounting judgements policy and described further below for each revenue category.

Software

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

Direct software sales – the Group's performance obligation is to facilitate software sales between vendors and customers, but the Group is not party to those sales contracts. Supply and activation of the software licences, invoicing and payment all take place directly between the vendor and the customer. The transaction price for the customer is set by the vendor with no involvement from the Group. Therefore, the Group does not control the licences prior to their delivery to the customer and hence acts as agent.

The Group is compensated by the vendor with a fee based on fixed rates set by the vendor applied to the customer transaction price and determined according to the quantity and type of products sold. Revenue is recognised as the fee received from the vendor on a point in time basis when the vendor's invoicing to the customer takes place.

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

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

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

Hardware – resale of hardware products

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

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

1.10 *Revenue recognition* *continued*

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

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

When selling internally provided services, the Group acts as principal as there are no other parties involved in the process. Revenue is recognised at the gross amount receivable from the customer for the services provided. The Group recognises revenue from internally provided consulting services on an over-time basis. This is because the customer benefits from the Group's activities as the Group performs them. For service projects extending over more than one month the Group applies an inputs basis by reference to the hours expended to the measurement date, and the day rates specified in the contract. For managed services and support contracts the revenue is recognised evenly over the contract term.

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

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

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

1.11 Contract costs, assets and liabilities

Contract costs

Incremental costs of obtaining a contract

The Group recognises the incremental costs of obtaining a contract when those costs are incurred. For revenue recognised on a point-in-time basis, this is consistent with the transfer of the goods or services to which those costs relate.

For revenue recognised on an over-time basis, the Group applies the practical expedient available in IFRS 15 and recognises the costs as an expense when incurred because the amortisation period of the asset that would otherwise be recognised is less than one year.

Costs to fulfil a contract

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

Contract assets

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

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

Contract liabilities

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

1.12 Rebates

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

1.13 Income tax

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

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

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

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

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

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

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

1.14 Leases

Lessee

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

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

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

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

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

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

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

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

Depreciation

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

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

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

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

1.15 Impairment of non-financial assets

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

Notes to the consolidated financial statements continued

1.16 Cash and cash equivalents

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

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

1.17 Trade receivables

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

1.18 Inventories

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

1.19 Financial instruments

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

Recognition

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

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

Classification

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

Financial assets are classified as follows:

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

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

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

Measurement on initial recognition

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

Subsequent measurement: financial assets

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

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

Subsequent measurement: financial liabilities

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

Derecognition

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

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

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

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

The expected credit loss (ECL) rates are based on the payment profiles of sales over a 12-month period before 29 February 2024, 28 February 2023 and 1 March 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are reviewed and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

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

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

1.20 Property, plant and equipment

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

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

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

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

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

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

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

1.21 Intangible assets

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

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

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

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

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

Notes to the consolidated financial statements continued

1.21 Intangible assets *continued*

Software

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

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

The useful lives for software is 2 to 8 years.

Research and development

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

1.22 Trade and other payables

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

1.23 Borrowings

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

1.24 Provisions

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

1.25 Employee benefits

Short-term obligations

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

Post-employment obligations

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

Termination benefits

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

Share-based payments

Equity settled share-based payment incentive scheme

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

Employee options

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

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

1.26 Share capital

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

1.27 Dividends

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

1.28 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

1.29 Rounding of amounts

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

2 Segmental information

2(a) Description of segment

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

2(b) Adjusted operating profit

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

Adjusted operating profit reconciles to operating profit as follows:

	Note	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Adjusted operating profit		**63,300**	56,377
Share-based payment charges	27	**(5,708)**	(4,188)
Amortisation of acquired intangible assets	4	**(880)**	(1,306)
Operating profit		**56,712**	50,883

3 Revenue from contracts with customers

3(a) Disaggregation of revenue from contracts with customers

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

Revenue by product	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Software	**130,365**	114,108
Hardware	**41,389**	38,355
Services internal	**31,517**	28,454
Services external	**3,750**	3,504
Total revenue from contracts with customers	**207,021**	184,421

Software

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

Hardware

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

Services internal

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

Services external

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

Revenue by geographical regions	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
United Kingdom	**199,912**	177,882
Europe	**4,326**	4,358
Rest of world	**2,783**	2,181
	207,021	184,421

3(b) Gross invoiced income by type

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Software	**1,721,993**	1,346,110
Hardware	**41,389**	38,355
Services internal	**31,517**	28,454
Services external	**28,103**	26,395
	1,823,002	1,439,314
Gross invoiced income	**1,823,002**	1,439,314
Adjustment to gross invoiced income for income recognised as agent	**(1,615,981)**	(1,254,893)
Revenue	**207,021**	184,421

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items amounting to £8.5 million (2023: £5.5 million). The Group reports gross invoiced income as an alternative financial KPI as management believes this measure allows further understanding of business performance and position particularly in respect of working capital and cash flow.

4 Material profit or loss items

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

	Note	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Depreciation of property, plant and equipment	9	**1,236**	1,029
Depreciation of right-of-use assets	10	**263**	145
Loss on disposal of property, plant and equipment		**–**	3
Amortisation of acquired intangible assets	11	**880**	1,306
System support and maintenance		**3,872**	2,991
Share-based payment expenses	27	**5,708**	4,188
Expense relating to short-term leases	10	**250**	25
Foreign exchange losses/(gains)		**137**	(32)

5 Employees

Employee benefit expense:	Note	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Employee remuneration (including directors' remuneration[1])		**49,791**	40,725
Commissions and bonuses		**21,623**	22,299
Social security costs		**9,479**	8,158
Pension costs		**1,794**	1,413
Share-based payments expense	27	**5,708**	4,188
		88,395	76,783
Classified as follows:			
Cost of sales		**17,211**	13,527
Administrative expenses		**71,184**	63,256
		88,395	76,783

1 Directors' remuneration is included in the directors' remuneration report on pages 102 to 127.

The average monthly number of employees during the year was:	**Year ended 29 February 2024 Number**	Year ended 28 February 2023 Number
Sales – account management	**335**	285
Sales – support and specialists	**228**	199
Service delivery	**263**	204
Administration	**202**	173
	1,028	861

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

Notes to the consolidated financial statements continued

6 Auditors' remuneration

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

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Fees payable to the company's auditors and its associates for the audit of the parent company and consolidated financial statements	**268**	281
Fees payable to the company's auditors and its associates for other services:		
Audit of the financial statements of the company's subsidiaries	**398**	372
Other fees	**420**	14
Non-audit services[1]	**101**	95
	1,187	762

1 Non-audit services in the current and prior year relate to the auditors' review of our interim report issued in October 2023 (28 February 2023: October 2022).

7 Finance income and costs

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Finance income		
Bank interest received[1]	**5,111**	–
Finance income	**5,111**	–
Finance costs		
Interest expense on financial liabilities measured at amortised cost	**(330)**	(443)
Interest expense on lease liability	**(63)**	(48)
Finance costs	**(393)**	(491)

1 Interest received on cash deposited on money market.

8 Income tax expense

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

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Current income tax charge in the year	**15,892**	10,483
Adjustment in respect of current income tax of previous years	**(85)**	66
Total current income tax charge	**15,807**	10,549
Current year	**(1,109)**	(402)
Adjustments in respect of prior year	**70**	(75)
Effect of changes in tax rates	**(23)**	(101)
Deferred tax credit	**(1,062)**	(578)
Total tax charge	**14,745**	9,971

Reconciliation of total tax charge

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

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Profit before income tax	**61,596**	50,392
Income tax charge at the standard rate of corporation tax in the UK of 24.49% (2023: 19%)[1]	**15,085**	9,574
Effects of:		
Non-deductible expenses	**(261)**	507
Adjustment to previous periods	**(15)**	(9)
Effect of changes in tax rate	**(23)**	(101)
Effect of share of profit of associate	**(41)**	–
Income tax charge reported in profit or loss	**14,745**	9,971

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

Amounts recognised directly in equity	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited/(charged) to equity:		
Deferred tax: share-based payments	**407**	*(24)*
Current tax: share-based payments	**491**	–
	898	(24)

Deferred tax asset/(liabilities)	**As at 29 February 2024 £'000**	As at 28 February 2023 £'000
The balance comprises temporary differences attributable to:		
Intangible assets	**(788)**	(1,008)
Property, plant and equipment	**(1,059)**	(884)
Employee benefits	**1**	3
Provisions	**73**	65
Share-based payments	**2,607**	1,189
	834	(635)

Deferred tax asset/(liabilities)	**As at 29 February 2024 £'000**	As at 28 February 2023 £'000
At 1 March	**(635)**	(1,189)
Credited to profit or loss	**1,062**	578
Credit/(charge) to equity	**407**	(24)
Carrying amount at end of year	**834**	(635)

The deferred tax asset and deferred tax liabilities carrying amounts at the end of the year are set off as they arise in the same jurisdiction and as such there is a legally enforceable right to offset.

Notes to the consolidated financial statements continued

9 Property, plant and equipment

	Freehold land and buildings £'000	Computer equipment £'000	Furniture, fittings and equipment £'000	Computer software £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 March 2022	8,921	3,875	1,305	746	101	14,948
Additions	484	590	8	271	10	1,363
Disposals	–	(126)	–	–	(7)	(133)
At 28 February 2023	9,405	4,339	1,313	1,017	104	16,178
Additions	373	692	11	249	9	1,334
Disposals	–	(25)	–	–	(27)	(52)
At 29 February 2024	**9,778**	**5,006**	**1,324**	**1,266**	**86**	**17,460**
Depreciation						
At 1 March 2022	2,143	3,083	989	626	58	6,899
On disposals	–	(122)	–	–	(8)	(130)
Charge for the year	373	508	54	72	22	1,029
At 28 February 2023	2,516	3,469	1,043	698	72	7,798
On disposals	–	(25)	–	–	(27)	(52)
Charge for the year	421	584	51	163	17	1,236
At 29 February 2024	**2,937**	**4,028**	**1,094**	**861**	**62**	**8,982**
Net book value						
At 28 February 2023	6,889	870	270	319	32	8,380
At 29 February 2024	**6,841**	**978**	**230**	**405**	**24**	**8,478**

10 Leases

(i) Amounts recognised in the balance sheet

Right-of-use assets	Buildings £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 March 2022 and 28 February 2023	1,377	245	1,622
Additions	–	891	891
Disposals	–	(245)	(245)
At 29 February 2024	**1,377**	**891**	**2,268**
Depreciation			
At 1 March 2022	449	245	694
Charge for the year	145	–	145
At 28 February 2023	594	245	839
Disposals	–	(245)	(245)
Charge for the period	144	119	263
At 29 February 2024	**738**	**119**	**857**
Net book value			
At 1 March 2022	928	–	928
At 28 February 2023	783	–	783
At 29 February 2024	**639**	**772**	**1,411**

Lease liabilities	As at 29 February 2024 £'000	As at 28 February 2023 £'000	As at 1 March 2022 £'000
Current	**423**	75	185
Non-current	**1,314**	917	992
	1,737	992	1,177

There were additions of £0.9 million to the right-of-use assets in the financial year ended 29 February 2024 (financial year ended 28 February 2023: £Nil).

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

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

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Depreciation charge of right-of-use assets	**263**	145
Interest expense (included in finance cost)	**63**	48
Expense relating to short-term leases (included in administrative expenses)	**250**	25

(iii) Changes in liabilities arising from financing activities

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

	As at 1 March 2022 £'000	Additions £'000	Cash flows £'000	Interest £'000	As at 28 February 2023 £'000
Lease liabilities	1,177	–	(233)	48	992
Total liabilities from financing activities	1,177	–	(233)	48	992

11 Intangible assets

	Goodwill £'000	Customer relationships £'000	Brand £'000	Total £'000
Cost				
At 1 March 2022, 28 February 2023 and 29 February 2024	**37,493**	**8,798**	**3,653**	**49,944**
Amortisation				
At 1 March 2022	–	3,887	3,225	7,112
Charge for the year	–	878	428	1,306
At 28 February 2023	–	4,765	3,653	8,418
Charge for the year	–	880	–	880
At 29 February 2024	**–**	**5,645**	**3,653**	**9,298**
Net book value				
At 28 February 2023	37,493	4,033	–	41,526
At 29 February 2024	**37,493**	**3,153**	**–**	**40,646**

11 *Intangible assets continued*

Determination of recoverable amount

The carrying value of indefinite useful life intangible assets and goodwill are tested annually for impairment. For each CGU and for all periods presented, the Group has assessed that the value in use represents the recoverable amount. The future expected cash flows used in the value-in-use models are based on management forecasts, over a five-year period, and thereafter a reasonable rate of growth is applied based on current market conditions. The recoverable amount of Bytes Software Services and Phoenix Software is £737.3 million and £306.8 million respectively. For the purpose of impairment assessments of goodwill, the goodwill balance is allocated to the operating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

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

29 February 2024	**Long-term growth rate %**	**Discount rate %**	**Goodwill carrying amount £'000**
Bytes Software Services	**2**	**9.15**	**14,775**
Phoenix Software	**2**	**9.15**	**22,718**
			37,493

28 February 2023	Long-term growth rate %	Discount rate %	Goodwill carrying amount £'000
Bytes Software Services	2	9.10	14,775
Phoenix Software	2	9.10	22,718
			37,493

Growth rates

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

Discount rates

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

Sensitivities

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

29 February 2024	**Bytes Software Services £'000**	**Phoenix Software £'000**
Headroom	**688,344**	**273,935**
1% increase in the pre-tax discount rate applied to the estimated future cash flows	**(97,592)**	**(38,628)**
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	**129,792**	**51,351**
0.5% increase in the terminal growth rate	**46,379**	**18,323**
0.5% decrease in the terminal growth rate	**(40,316)**	**(15,928)**

28 February 2023	Bytes Software Services £'000	Phoenix Software £'000
Headroom	675,427	229,245
1% increase in the pre-tax discount rate applied to the estimated future cash flows	(94,815)	(32,956)
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	126,339	43,885
0.5% increase in the terminal growth rate	45,179	15,660
0.5% decrease in the terminal growth rate	(39,234)	(13,599)

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

12 Investment in an associate

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

	As at 29 February 2024 £'000
Current assets	**8,302**
Non-current assets	**123**
Current liabilities	**(6,078)**
Non-current liabilities	**(11)**
Equity	**2,336**
Group's share in equity – 25.1%	**586**
Goodwill	**2,607**
Group's carrying amount of the investment	**3,193**

	Acquisition to 29 February 2024 £'000
Revenue	**13,857**
Cost of sales	**(11,789)**
Administrative expenses	**(1,171)**
Finance costs	**(6)**
Profit before tax	**885**
Income tax expense	**(222)**
Profit for the period	**663**
Group's share of profit for the period	**166**

The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date.

The associate had no contingent liabilities or capital commitments as at 29 February 2024.

13 Contract assets

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Contract assets	**14,445**	11,081

Contract assets is further broken down as:	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Short-term contract assets	**11,756**	10,684
Long-term contract assets	**2,689**	397
	14,445	11,081

Contract assets include £2.4 million (2023: £3.8 million) of deferred costs relating to internal services contracts, and the recognition of accrued revenue of £12.0 million (2023: £7.3 million) for certain large software orders where performance obligations were satisfied in the period but not yet invoiced to the customer at the period end.

Notes to the consolidated financial statements continued

14 Contract liabilities

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Contract liabilities	**21,485**	25,890

Contract liabilities is further broken down as:	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Short-term contract liabilities	**19,348**	23,914
Long-term contract liabilities	**2,137**	1,976
	21,485	25,890

During the year, the Group recognised £23.9 million (2023: £14.5 million) of revenue that was included in the contract liability balance at the beginning of the period. This liability arises where revenue has been deferred when the customer is invoiced before the related performance obligations of the contract are satisfied, and the deferral of certain large payments received in advance from customers.

15 Inventories

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Inventories	**60**	58
	60	58

Inventories include asset management subscription licences purchased in advance for a specific customer that as yet haven't been consumed.

Inventories recognised as an expense in cost of sales during the year amounted to £nil (28 February 2023: £38,000).

16 Financial assets and financial liabilities

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

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

The Group holds the following financial instruments:

Financial assets	Note	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Financial assets at amortised cost:			
Trade receivables	17	**212,432**	178,386
Other receivables	17	**7,415**	5,896
		219,847	184,282

Financial liabilities	Note	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Financial liabilities at amortised cost:			
Trade and other payables – current, excluding payroll tax and other statutory tax liabilities	19	**259,661**	217,253
Lease liabilities	10	**1,737**	992
		261,398	218,245

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

17 Trade and other receivables

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Financial assets		
Gross trade receivables	**214,922**	179,928
Less: impairment allowance	**(2,490)**	(1,542)
Net trade receivables	**212,432**	178,386
Other receivables	**7,415**	5,896
	219,847	184,282
Non-financial assets		
Prepayments	**1,968**	1,638
	1,968	1,638
Trade and other receivables	**221,815**	185,920

(i) Classification of trade receivables

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

(ii) Fair values of trade receivables

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

(iii) Credit risk

Ageing and impairment analysis (excluding finance lease assets)

29 February 2024	**Current £'000**	**Past due 0 to 30 days £'000**	**Past due 31 to 60 days £'000**	**Past due 61 to 120 days £'000**	**Past due 121 to 365 days £'000**	**Total £'000**
Expected loss rate	**0.07%**	**0.41%**	**4.16%**	**7.62%**	**80.02%**	
Gross carrying amount – trade receivables	**180,289**	**23,688**	**4,994**	**3,744**	**2,207**	**214,922**
Loss allowance	**134**	**97**	**208**	**285**	**1,766**	**2,490**

28 February 2023	Current £'000	Past due 0 to 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 120 days £'000	Past due 121 to 365 days £'000	Total £'000
Expected loss rate	0.09%	0.55%	6.39%	16.34%	92.68%	
Gross carrying amount – trade receivables	145,832	25,343	6,760	1,310	683	179,928
Loss allowance	124	139	432	214	633	1,542

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

Trade receivables	**As at 29 February 2024 £'000**	As at 28 February 2023 £'000
Opening loss allowance at 1 March	**1,542**	750
Increase in loss allowance recognised in profit or loss during the period	**1,227**	937
Receivables written off during the year as uncollectable	**(279)**	(145)
Closing loss allowance	**2,490**	1,542

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

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

(iv) Other receivables

Other receivables include accrued rebate income.

Notes to the consolidated financial statements continued

18 Cash and cash equivalents

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Cash at bank and in hand	**88,836**	73,019
	88,836	73,019

19 Trade and other payables

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Trade and other payables	**168,777**	138,307
Accrued expenses	**90,884**	78,946
Payroll tax and other statutory liabilities	**18,256**	14,464
	277,917	231,717

Trade payables are unsecured and are usually paid within 45 days of recognition. Accrued expenses includes accruals for purchase invoices not received and other accrued costs such as bonuses and commissions payable at year end, and costs in relation to the investigation around undisclosed share dealings as set out on pages 69 and 70.

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

20 Share capital and share premium

Allotted, called up and fully paid	Number of shares	Nominal value £'000	Share premium £'000	Total £'000
At 1 March 2022 and 28 February 2023[1]	239,482,333	2,395	633,636	636,031
Shares issued during the year	874,565	9	14	23
At 29 February 2024[2, 3]	**240,356,898**	**2,404**	**633,650**	**636,054**

1 Shares issued during the prior year
During the prior year no new ordinary shares were issued by the company.

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

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

21 Merger reserve

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Balance at 1 March 2022, 28 February 2023 and **29 February 2024**	**(644,375)**	(644,375)
	(644,375)	(644,375)

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

22 Cash generated from operations

	Note	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Profit before taxation		**61,596**	50,392
Adjustments for:			
Depreciation and amortisation	4	**2,379**	2,480
Loss on disposal of property, plant and equipment	4	**–**	3
Non-cash employee benefits expense – share-based payments	4	**5,708**	4,188
Share of profit of associate		**(166)**	–
Finance income	7	**(5,111)**	–
Finance costs	7	**393**	491
Increase in contract assets		**(3,364)**	(4,365)
Increase in trade and other receivables		**(35,895)**	(28,310)
(Increase)/decrease in inventories		**(2)**	38
Increase in trade and other payables		**46,200**	14,105
(Decrease)/increase in contract liabilities		**(4,405)**	9,867
Cash generated from operations		**67,333**	48,889

23 Financial risk management

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

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

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

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

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

23(a) Derivatives

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

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

23 *Financial risk management continued*

23(b) Foreign exchange risk

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

	As at 29 February 2024			As at 28 February 2023		
	USD £'000	**EUR £'000**	**NOK £'000**	USD £'000	EUR £'000	NOK £'000
Trade receivables	**10,247**	**2,661**	**–**	13,529	1,900	–
Cash and cash equivalents	**176**	**1,647**	**–**	250	214	–
Trade payables	**(16,640)**	**(4,253)**	**(580)**	(15,286)	(1,981)	(221)
	(6,217)	**55**	**(580)**	(1,507)	133	(221)

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

	As at 29 February 2024			As at 28 February 2023		
	GBP:USD £'000	**GBP:EUR £'000**	**GBP:NOK £'000**	GBP:USD £'000	GBP:EUR £'000	GBP:NOK £'000
5% increase in rate	**296**	**(3)**	**28**	72	(6)	11
5% decrease in rate	**(327)**	**3**	**(31)**	(79)	7	(12)

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

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Total net foreign exchange losses/(gains) in profit or loss	**137**	(32)

23(c) Liquidity risk

(1) Cash management

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

At 29 February 2024, the Group had cash and cash equivalents of £88.8 million, see note 18. Management monitors rolling forecasts of the Group's liquidity position (which comprises its cash and cash equivalents) on the basis of expected cash flows generated from the Group's operations. These forecasts are generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group and take into account certain down-case scenarios.

(2) Revolving Credit Facility

On 17 May 2023 the Group entered into a new three-year committed Revolving Credit Facility (RCF) for £30 million including an optional one-year extension to 17 May 2027, and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity. The new facility replaced the previous RCF which was entered into in December 2020 and was set to expire in December 2023 but was cancelled, without penalty, on 17 May 2023, on commencement of the new RCF. The new facility has incurred an arrangement fee of £0.1 million, being 0.4% of the new funds available. The Group has so far not drawn down any amount on either the previous or new facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a prepayment and amortised over the initial three-year period of the facility. The facility also incurs a commitment fee and utilisation fee, both of which are payable quarterly in arrears. Under the terms of both the previous and new facilities, the Group is required to comply with the following financial covenants:

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

The Group has complied with these covenants throughout the reporting period. As at 29 February 2024, the Group had net finance income and has therefore complied with the interest cover covenant. The EBITDA to net finance charges in the prior year was approximately 109 times. The Group has been in a net cash position as at 29 February 2024 and 28 February 2023 and has therefore complied with the Net debt to EBITDA covenant.

(3) Contractual maturity of financial liabilities

The following table details the Group's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

29 February 2024	**Note**	**Within 1 year £'000**	**1 to 2 years £'000**	**2 to 5 years £'000**	**Over 5 years £'000**	**Total contractual cash flows £'000**	**Carrying amount £'000**
Trade and other payables	**19**	**259,660**	**–**	**–**	**–**	**259,660**	**259,660**
Lease liabilities	**10**	**495**	**495**	**869**	**–**	**1,859**	**1,737**
		260,155	**495**	**869**	**–**	**261,519**	**261,397**

28 February 2023	Note	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade and other payables	19	217,253	–	–	–	217,253	217,253
Lease liabilities	10	116	463	545	–	1,124	992
		217,369	463	545	–	218,377	218,245

24 Capital management

24(a) Risk management

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

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

24(b) Dividends

	2024		2023	
	Pence per share	**£'000**	Pence per share	£'000
Interim dividend paid	**2.70**	**6,466**	2.40	5,748
Special dividend paid	**7.50**	**17,961**	6.20	14,848
Final dividend paid	**5.10**	**12,214**	4.20	10,058
Total dividends attributable to ordinary shareholders	**15.30**	**36,641**	12.80	30,654

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

The Board has proposed a final ordinary dividend of 6.0 pence and a special dividend of 8.7 pence per share for the year ended 29 February 2024 to be paid to shareholders on the register as at 19 July 2024. The aggregate of the proposed dividends expected to be paid on 2 August 2024 is £35.3 million. The proposed dividends per ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability in the consolidated financial statements.

25 Capital commitments

At 29 February 2024, the Group had £Nil capital commitments (28 February 2023: £Nil).

26 Related-party transactions

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

26(a) Transactions with key management personnel

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

Compensation of key management personnel of the Group

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

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Short-term employee benefits	**3,653**	4,158
Post-employment pension benefits	**97**	92
Total compensation paid to key management	**3,750**	4,250

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

Key management personnel received a total of 170,360 share option awards (2023: 565,782) at a weighted average exercise price of £0.04 (2023: £1.33).

Share-based payment charges include £1,257,326 (2023: £1,006,423) in respect of key management personnel, refer to note 27 for details on the Group's share-based payment incentive schemes.

26(b) Subsidiaries and associates

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

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

Group companies made purchases from the associate of £3.1 million during the year with a trade payable balance of £0.5 million at year end.

27 Share-based payments

The Group accounts for its share option awards as equity-settled share-based payments. The fair value of the awards granted is recognised as an expense over the vesting period. The amount recognised in the share-based payment reserve will be reversed to retained earnings as and when the related awards vest and are exercised by employees. As noted in the prior year Annual Report one-third of the annual bonus for the financial year ended 29 February 2024 awarded to each of the Company's executive directors is deferred in shares for two years. This deferral has resulted in the granting of the awards under the Deferred Bonus Plan during the year.

Performance Incentive Share Plan

Options granted under the Performance Incentive Share Plan (PISP) are for shares in Bytes Technology Group plc. The exercise price of the options is a nominal amount of £0.01. Performance conditions attached to the awards granted in the current year are employee specific, in addition to which, options will only vest if certain employment conditions are met. The fair value of the share options is estimated at the grant date using a Monte Carlo option pricing model for the element with market conditions and Black-Scholes option-pricing model for non-market conditions. The normal vesting date shall be no earlier than the third anniversary of the grant date and not later than the day before the tenth anniversary of the grant date. There is no cash settlement of the options available under the scheme. During the year the Group granted 1,195,700 (2023: 552,480) options. For the year ended 29 February 2024, 298,561 (2023: 30,589) options were forfeited, 819,416 options were exercised (2023: nil) and no options expired.

Company Share Option Plan

Options granted under the Company Share Option Plan (CSOP) are for shares in Bytes Technology Group plc. The exercise price of the options granted in the current year was determined by the average of the last three dealing days prior to the date of grant. There are no performance conditions attached to the awards, but options will only vest if certain employment conditions are met. The fair value at grant date is estimated at the grant date using a Black-Scholes option-pricing model. The normal vesting date shall be no earlier than the third anniversary of the grant date and not later than the day before the tenth anniversary of the grant date. There is no cash settlement of the options available under the scheme. During the year the Group granted no (2023: 2,904,100) options. For the year ended 29 February 2024, 176,600 (2023: 127,400) options were forfeited, and no options were exercised or expired.

Save as You Earn Scheme

Share options were granted to eligible employees under the Save As You Earn Scheme (SAYE) during the year. Under the SAYE scheme, employees enter a three-year savings contract in which they save a fixed amount each month in return for their SAYE options. At the end of the three-year period, employees can either exercise their options in exchange for shares in Bytes Technology Group plc or have their savings returned to them in full. The exercise price of the options represents a 20% discount to the exercise price of the CSOP awards. The fair value at grant date is estimated using a Black-Scholes option-pricing model. There is no cash settlement of the options. During the year the Group granted 337,890 (2023: 722,863) options. For the year ended 29 February 2024, 213,832 (2023: 523,974) options were forfeited, 3,625 (2023: nil) options were exercised and no options expired.

Deferred Bonus Plan

Options granted under the Deferred Bonus Plan (DBP) are for shares in Bytes Technology Group plc. The exercise price of the options is a nominal amount of £0.01. There are no performance conditions attached to the awards, but options will only vest if certain employment conditions are met. The fair value at grant date is estimated at the grant date using a Black-Scholes option-pricing model. The normal vesting date shall be no earlier than the second anniversary of the grant date. During the year the Group granted 45,365 (2023: 35,842) options. For the year ended 29 February 2024, 50,526 (2023: nil) options were forfeited and no options were exercised or expired.

Share-based payment employee expenses

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Equity settled share-based payment expenses	**5,708**	4,188

There were no cancellations or modifications to the awards in 2024 or 2023.

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:

	29 February 2024 Number	**29 February 2024 WAEP**	28 February 2023 Number	28 February 2023 WAEP
Outstanding at 1 March	**8,760,684**	**£3.59**	5,227,362	£3.43
Granted during the year	**1,666,660**	**£0.80**	4,215,285	£3.84
Forfeited during the year	**(739,519)**	**£2.28**	(681,963)	£3.98
Exercised during the year	**(874,565)**[1]	**£0.03**	–	–
Outstanding at 29 February	**8,813,260**	**£3.52**	8,760,684	£3.59
Exercisable at 29 February	**609,272**	**£0.01**	–	–

1 The weighted average share price at date of exercise was £5.85.

The weighted average expected remaining contractual life for the share options outstanding at 29 February 2024 was 2.2 years (2023: 2.9 years).

The weighted average fair value of options granted during the year was £4.21 (2023: £1.63).

The range of exercise prices for options outstanding at the end of the year was £0.01 to £5.00 (2023: £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 29 February 2024 and 28 February 2023:

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

Assumptions	28 February 2023 PISP	28 February 2023 CSOP	28 February 2023 SAYE	28 February 2023 DBP
Weighted average fair value at measurement date	£4.06	£1.20	£1.38	£4.52
Expected dividend yield	1.52%	1.52%	1.54%	0.00%
Expected volatility	37%	34%	37%	35%
Risk-free interest rate	1.59%	1.72%	1.59%	1.53%
Expected life of options	3 years	5 years	3 years	2 years
Weighted average share price	£4.53	£4.53	£4.48	£4.53
Model used	Black-Scholes and Monte Carlo	Black-Scholes	Black-Scholes	Black-Scholes

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

Notes to the consolidated financial statements continued

28 Earnings per share

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

	Year ended 29 February 2024 pence	Year ended 28 February 2023 pence
Basic earnings per share	**19.55**	16.88
Diluted earnings per share	**18.85**	16.28
Headline earnings per share	**19.55**	16.88
Diluted headline earnings per share	**18.85**	16.28
Adjusted earnings per share	**21.78**	18.83
Diluted adjusted earnings per share	**21.01**	18.16

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

	Year ended 29 February 2024 Number	Year ended 28 February 2023 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and headline earnings per share	**239,693,670**	239,482,333
Adjustments for calculation of diluted earnings per share and diluted headline earnings per share:		
– share options[1]	**8,813,260**	8,760,684
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and diluted headline earnings per share	**248,506,930**	248,243,017

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

28(b) Headline earnings per share

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

	Note	**Year ended 29 February 2024 pence**	Year ended 28 February 2023 pence
Profit for the period attributable to owners of the company		**46,851**	40,421
Adjusted for:			
Loss on disposal of property, plant and equipment	4	–	3
Tax effect thereon		–	(1)
Headline profits attributable to owners of the company		**46,851**	40,423

28(c) Adjusted earnings per share

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

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

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

	Note	**Year ended 29 February 2024 £'000**	Year ended 28 February 2023 £'000
Profits attributable to owners of the company		**46,851**	40,421
Adjusted for:			
– Amortisation of acquired intangible assets	4	**880**	1,306
– Deferred tax effect on above		**(220)**	(301)
– Share-based payment charges	27	**5,708**	4,188
– Deferred tax effect on above		**(1,011)**	(522)
Adjusted profits attributable to owners of the company		**52,208**	45,092

29 Subsidiaries

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

Name of entity	Country of incorporation	Ownership interest	Principal activities
Bytes Technology Holdco Limited[1]	UK	100%	Holding company
Bytes Technology Limited	UK	100%	Holding company
Bytes Software Services Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sectors
Phoenix Software limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sectors
Blenheim Group Limited[2]	UK	100%	Dormant for all periods
License Dashboard Limited[2]	UK	100%	Dormant for all periods
Bytes Security Partnerships Limited[2]	UK	100%	Dormant for all periods
Bytes Technology Group Holdings Limited[2]	UK	100%	Dormant for all periods
Bytes Technology Training Limited[2]	UK	100%	Dormant for all periods
Elastabytes Limited	UK	50%	Deregistered. Dormant in prior periods

1 Bytes Technology Holdco Limited is held directly by the company. All other subsidiary undertakings are held indirectly by the company.
2 Taken advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 29 February 2024.

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

30 Events after the reporting period

On 9 May 2024 a settlement agreement was reached between the company and Neil Murphy, it's former CEO, following his resignation on 21 February 2024 in accordance with the terms of his service contract and the directors' remuneration policy. Full details can be found on page 122 of the directors' remuneration report.

Parent company financial statements of Bytes Technology Group plc

Company balance sheet

As at 29 February 2024

	Note	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Assets			
Non-current assets			
Investments	5	**641,998**	641,998
Property, plant and equipment	6	**121**	187
Deferred tax assets	4	**141**	25
Total non-current assets		**642,260**	642,210
Current assets			
Trade and other receivables	7	**12,884**	20,000
Cash and cash equivalents		**40,421**	27,913
Total current assets		**53,305**	47,913
Total assets		**695,565**	690,123
Current liabilities			
Trade and other payables	8	**(7,860)**	(11,446)
Current tax liability		**(157)**	–
Total current liabilities		**(8,017)**	(11,446)
Total liabilities		**(8,017)**	(11,446)
Net assets		**687,548**	678,677
Equity			
Share capital	10	**2,404**	2,395
Share premium	10	**633,650**	633,636
Share-based payment reserves		**9,969**	7,052
Retained earnings[1]		**41,525**	35,594
Total equity		**687,548**	678,677

1 The profit for the company for the period was £39,781,000 (2023: £32,477,000).

The financial statements on pages 182 to 191 were approved by the Board on 22 May 2024 and signed on its behalf by:

Sam Mudd
Chief Executive Officer

Andrew Holden
Chief Financial Officer

Company statement of changes in equity
For the year ended 29 February 2024

	Note	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
		Attributable to owners of the company				
At 1 March 2022		2,395	633,636	2,864	33,771	672,666
Total comprehensive income for the year		–	–		32,477	32,477
Dividends paid		–	–	–	(30,654)	(30,654)
Share-based payment transactions		–	–	4,188	–	4,188
Balance at 28 February 2023		2,395	633,636	7,052	35,594	678,677
Total comprehensive income for the year		–	–		39,781	39,781
Dividends paid		–	–	–	(36,641)	(36,641)
Shares issued during the year	10	9	14	–	–	23
Transfer to retained earnings		–	–	(2,791)	2,791	–
Share-based payment transactions		–	–	5,708	–	5,708
Balance at 29 February 2024		**2,404**	**633,650**	**9,969**	**41,525**	**687,548**

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Notes to the financial statements

1 Accounting policies

The principal accounting policies applied are summarised below.

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

The financial statements of Bytes Technology Group plc for the period ended 29 February 2024 were approved and signed by the Chief Executive Officer on 22 May 2024 having been duly authorised to do so by the Board. The company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with FRS 101 and in accordance with the provisions of the UK Companies Act 2006.

1.2 Basis of preparation

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

Bytes Technology Group plc is a company incorporated in the UK under the Companies Act. The address of the registered office is provided on page 196. The company is the ultimate parent company and provides management services to subsidiary undertakings in respect of certain head office functions and requirements, which are recharged as the costs are incurred by the company.

The company's financial statements are included in the Bytes Technology Group plc consolidated financial statements for the period ended 29 February 2024.

These financial statements are separate financial statements.

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

- The requirements of IFRS 7 Financial Instruments Disclosures
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- The requirement of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

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

1.3 Going concern

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

1.4 Critical accounting estimates and judgements

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

There are no major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In order to ensure no new sources are missed, estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The other areas involving accounting estimates are:

Impairment of investments

The investment in subsidiary's are assessed annually to determine if there is any indication that the investment might be impaired. The recoverable amounts are determined based on a value-in-use calculation and compared to the carrying value of the investment. The value-in-use calculation is based on forecasts approved by management. The cash flows beyond the forecast period are extrapolated using estimated long-term growth rates. The forecast cash flows are discounted at the company's discount rate. The assumptions used are consistent with those disclosed in note 11 to the notes to the consolidated financial statements of the Group.

1.5 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the company

The Group has applied the following standard or amendments for the first time in the annual reporting period commencing 1 March 2023:

- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

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

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 29 February 2024 reporting periods and have not been adopted early by the company. These standards are not expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

1.6 Investments

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

1.7 Functional and presentation currency

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

1.8 Revenue recognition

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

1.9 Income tax

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

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

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

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

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

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

1.10 Property, plant and equipment

Owned assets

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation

Depreciation is recognised in profit or loss for each category of assets on a straight-line basis over their expected useful lives up to their respective estimated residual values.

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

- IT software, three years.

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

1.11 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, i.e. fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Prepayments and other receivables are stated at their nominal values.

1.12 Cash and cash equivalents

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

1.13 Financial instruments

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

Recognition

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

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

Classification

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

Financial assets are classified as follows:

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

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

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

Measurement on initial recognition

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

Subsequent measurement: financial assets

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

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

Subsequent measurement: Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

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

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

1.14 Trade and other payables

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

1.15 Borrowings

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

1.16 Employee benefits

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

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

Share-based payments

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

Employee options
The fair values of options granted under the Bytes Technology Group plc share option plans are recognised as employee benefit expenses in the entities of the Group in which the employees are contracted and providing their services. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options issued that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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

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

1.17 Share capital

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

1.18 Dividends

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

1.19 Rounding of amounts

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

Notes to the financial statements continued

2 Directors' remuneration

Remuneration of directors:	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Directors' remuneration[1]	1,387	1,823
Social security costs	168	242
Pension costs	17	17
	1,572	2,082

1 Directors' remuneration
The amounts comprise fees paid to the non-executive directors and, for executive directors, salary and benefits earned for the period. Further information on directors' remuneration is provided in the directors' remuneration report on pages 102 to 127.

3 Employee costs and numbers

Employee benefit expense:	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Employee remuneration	774	629
Social security costs	96	109
Pension costs	25	21
	895	759

The average monthly number of employees during the period was:

	Year ended 29 February 2024 Number	Year ended 28 February 2023 Number
Administration	6	5
	6	5

4 Income tax expense

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

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Current income tax charge in the year	157	–
Total current income tax charge	**157**	–
Current year	(113)	(19)
Adjustments in respect of prior year	(1)	–
Effect of changes in tax rates	(2)	(6)
Deferred tax credit	**(116)**	(25)
Total tax charge/(credit)	**41**	(25)

Reconciliation of total tax charge

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

	Year ended 29 February 2024 £'000	Year ended 28 February 2023 £'000
Profit before income tax	39,822	32,477
Income tax charge at the standard rate of corporation tax in the UK of 24.49% (2023: 19%)[1]	9,752	6,171
Effects of:		
Non-deductible expenses	(35)	38
Non-taxable income	(9,674)	(6,317)
Adjustments to previous periods	(1)	–
Effect of change in rate	(2)	–
Group relief surrendered	–	83
Income tax charge/(credit) reported in profit or loss	**41**	(25)

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

Deferred tax assets	As at 29 February 2024 £'000	As at 28 February 2023 £'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	(30)	(47)
Provisions	8	–
Share-based payments	163	72
	141	25

Deferred tax assets	As at 29 February 2024 £'000	As at 28 February 2023 £'000
At 1 March	25	–
Credited to profit or loss	116	25
Carrying amount at end of year	141	25

Notes to the financial statements continued

5 Investment in subsidiary

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Balance at 1 March 2022, 28 February 2023 and **29 February 2024**	**641,998**	641,998

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

6 Property, plant and equipment

	Computer software £'000	Total £'000
Cost		
At 1 March 2022	–	–
Additions	198	198
At 28 February 2023 and **29 February 2024**	**198**	**198**
Depreciation		
At 1 March 2022	–	–
Charge for the year	11	11
At 28 February 2023	11	11
Charge for the year	66	66
At 29 February 2024	**77**	**77**
Net book value		
At 28 February 2023	187	187
At 29 February 2024	**121**	**121**

7 Trade and other receivables

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Amounts due from other Group companies	**12,612**	19,748
Prepayments	**272**	252
	12,884	20,000

8 Trade and other payables

	As at 29 February 2024 £'000	As at 28 February 2023 £'000
Trade and other payables[1]	**2,040**	2,006
Amounts due to other Group companies[2]	**5,820**	9,440
	7,860	11,446

1 Trade and other payables include an accrual for costs in relation to the investigation around undisclosed share dealings as set out on pages 69 and 70.

2 Amounts due to other Group companies are unsecured, interest free and repayable on demand.

9 Borrowings

On 17 May 2023 the Group entered into a new three-year committed Revolving Credit Facility (RCF) for £30 million, including an optional one-year extension to 17 May 2027, and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity. The new facility replaced the previous RCF which was entered into in December 2020 and was set to expire in December 2023 but was cancelled, without penalty, on 17 May 2023, on commencement of the new RCF. The new facility has incurred an arrangement fee of £0.1 million, being 0.4% of the new funds available. Neither the company, nor any of its subsidiaries, has drawn down any amount on either the previous or the new facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee has been capitalised as a prepayment and amortised over the three-year period of the facility. The facility also incurs a commitment fee and utilisation fee, both of which are payable quarterly in arrears. For further details on the RCF, see note 23(c) in the notes to the consolidated financial statements of the Group.

10 Share capital and share premium

Ordinary shares **Allotted, called up and fully paid**	**Number of shares**	**Nominal value £'000**	**Share premium £'000**	**Total £'000**
At 1 March 2022 and 28 February 2023[1]	239,482,333	2,395	633,636	636,031
Shares issued during the period	874,565	9	14	23
At **29 February 2024**[2]	**240,356,898**	**2,404**	**633,650**	**636,054**

1 Shares issued during the prior period
No shares were issued during the prior period.

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

11 Information included in the notes to the consolidated financial statements

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

Note 6 – Auditors' remuneration

Note 26(a) – Transactions with key management personnel

Note 27 – Share-based payments

Note 30 – Events after the reporting period

Other information

Glossary

Admission: the admission of BTG's shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market and on the Main Board of the Johannesburg Stock Exchange via secondary inward listing

AI: artificial intelligence

Altron Limited: a public company incorporated and registered in accordance with South African law, with registration number 1947/024583/06

Articles: the articles of association of the company

Bytes: Bytes Software Services Limited, a private limited company incorporated under English and Welsh law, with registered number 01616977

Carbon neutral: offsetting carbon emissions resulting in no net release of carbon through offsetting by investing in climate action and mitigation projects

Carbon removal credits: Higher-quality carbon credit for investments in projects that permanently remove carbon from the atmosphere

CDP: formerly the Carbon Disclosure Project, a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts

Cloud or cloud computing: shared, remotely accessible IT solutions

Company or BTG: Bytes Technology Group plc, a public limited company incorporated under English and Welsh law, with registration number 12935776

CSP: the Microsoft Cloud Solutions Provider programme

Executive directors: the executive directors of the company, being Sam Mudd and Andrew Holden

Existing customers: customers with which the Group has previously transacted

FCA: Financial Conduct Authority

FRC: Financial Reporting Council

GDPR: the General Data Protection Regulation 2016/679

GenAI: generative artificial intelligence

Group: Bytes Technology Group plc, Bytes Software Services Limited, Phoenix Software Limited and any other subsidiary of the company from time to time

HMRC: His Majesty's Revenue and Customs

IT channel: the method by which Group products are made available to its resellers

JSE: as the context requires, either JSE Limited (registration number 2005/022939/06), a limited liability public company incorporated in accordance with South African law and licensed as an exchange under the South African Financial Markets Act, No. 19 of 2012 (and amendments thereto), or the securities exchange operated by the aforementioned company

License Dashboard: License Dashboard Limited, a private limited company incorporated under English and Welsh law, with registration number 06599902

Listing Rules: the listing rules of the FCA made under section 74(4) of the Financial Services and Markets Act 2000, as amended

London Stock Exchange: London Stock Exchange plc

Main Market: the London Stock Exchange's main market for listed securities

Microsoft certified professional: a sales team member who has passed Microsoft's certified professional exam

Net zero: Our working definition of net zero aligns with the SBTi's science-based Net-Zero Standard, which is to reduce our emissions by 90–95% and use carbon removal credits to neutralise emissions that we cannot remove

Non-executive directors: the non-executive directors of the company, being Patrick De Smedt, Erika Schraner, Shruthi Chindalur, Ross Paterson and Anna Vikström Persson

Deutsche Numis: Numis Securities Limited

Official List: the Official List of the FCA

PCAs: persons closely associated

PDMR: person discharging managerial responsibilities

Phoenix: Phoenix Software Limited, a private limited company incorporated under English and Welsh law, with registration number 02548628

SAYE: Save As You Earn (employee share scheme)

SBTi: Science Based Targets initiative

SDGs: Sustainable Development Goals

Shareholders: the holders of shares in the capital of the company

UK Corporate Governance Code or code: the UK Corporate Governance Code published by the FRC in July 2018, as amended in 2024

UN Sustainable Development Goals: the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, consists of 17 SDGs. It recognises that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality and spur economic growth – all while addressing climate change and working to preserve oceans and forests

United Kingdom or UK: the United Kingdom of Great Britain and Northern Ireland

VAR: value-added reseller

VAT: value-added tax

Appendix
Methodology

Greenhouse gas (GHG) emissions disclosure

We have reported on the emission sources required under the Companies Act 2006 Strategic Report and Directors' Report Regulations 2013 and have followed the requirements of the SECR framework. We have used the GHG Protocol Corporate Accounting and Reporting Standard to calculate our GHG emissions and applied the emission factors from the UK Government's GHG Conversion Factors for Company Reporting for the most recent year published when analysis is conducted.

We report on all emission sources required by SECR, under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. These sources fall within our consolidated financial statements.

We followed the methodology of ISO 14064-1, which provides guidance at the organisational level for the quantification and reporting of greenhouse gas emissions and removals.

Our approach to reporting carbon emissions

We have reported on our carbon emissions reduction since we listed in December 2020. Before this, carbon emission reporting was an established part of our operating companies' reporting process, as a required regulatory disclosure for our former listed group. In 2023/24, we worked with CBN Expert consultancy to map our energy and carbon data (Scope 1, 2 and 3), using our 2020/21 baseline for Scope 1 and 2 and our updated 2022/23 baseline for Scope 3, which we report under the Streamlined Energy and Carbon Reporting (SECR) regulations. For more details, see page 40.

We follow the methodology of ISO 14064-1 (Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals), and emission factors from UK Government GHG Conversion Factors for Company Reporting. We calculate our emissions using factors published each year by the UK Government. In our greenhouse gas/carbon emissions reporting, as well as recording carbon dioxide (CO_2), we include all other GHGs covered under good practice reporting, that is: methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulphur hexafluoride (SF_6). We calculate and report GHG emissions in tonnes of carbon dioxide equivalent (tCO_2e), following recommended best practice. Procured renewable electricity and gas is calculated in accordance with the WBCSD – WSI Scope 2 Guidance on procured renewable energy (2015). Conversion Factors have been applied based on activity data wherever possible, using 2023 factors as published by DEFRA (Department for Environment, Food and Rural Affairs) and DES&NZ (Department for Energy Security and Net Zero). Where activity data is not available, conversion factors have been applied based on DEFRA-published 2020 EEIO spend based conversion factors. Scope 1 Category 1 – Purchased Goods and Services emissions constitute the majority of declared emissions, and were calculated based on supplier stated emissions, where available.

A proportion of supplier stated emissions were then allocated to Category 1, based on spend with supplier, as a percentage of total reported revenue. This approach calculated emissions based on 78% of BSS spend, and 90% of Phoenix spend.

In line with ISO 14064-1, in reporting our carbon footprint we use the principle of operational and financial control. This involves us accounting for GHG emissions from operations over which BTG has control; both financial control – where we direct the financial and working policies of our businesses to gain economic benefits from our activities – and operational control, where we have full authority to introduce and implement our working policies.

To calculate our emissions, we use Greenhouse Gas Protocol standards, which categorise emissions into three scopes. More information about our carbon reduction targets, workstreams and performance data is set out on pages 38 to 43, and under sustainability at bytesplc.com.

We will continue to improve the quality and coverage of our carbon emissions and associated reporting. As this process matures, we will continue to work with external experts to assure our carbon data disclosures. In 2023/24, we worked to improve data and methodological accuracy for calculating our emissions. We will continue to try and improve the data quality and accuracy, and remove assumptions where possible.

Waste management and water are included within our carbon calculations, but we are also aiming to have a separate waste and water policy based on usage. We consider that impacts relating to biodiversity and land use are not material to our business and therefore outside our measurement scope. However, we will continue to undertake initiatives to improve the biodiversity in our local areas, through volunteering with charities and to educate on the importance of our natural world, and also through our offsetting initiatives, which have a biodiversity benefit.

Company information

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A public limited company
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under the Companies Act 2006
with registered number 12935776

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Financial calendar

Financial calendar

23 May 2024

Release of results for the financial year ended 29 February 2024

11 July 2024 14:00 (BST)

Annual General Meeting

October 2024

Interim results

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