25 October 2023

BYTES TECHNOLOGY GROUP plc
(‘BTG’, ‘the Group’)

Results for the six months ended 31 August 2023
Strong first half extending our track record of double-digit growth

BTG (LSE: BYIT, JSE: BYI), one of the UK and Ireland’s leading software, security, AI, and cloud services specialists, today announces its half year results for the 6 months ended 31 August 2023 (‘H1 FY24’).

Neil Murphy, Chief Executive Officer, said:

“I am delighted that we have delivered another strong financial performance over the first half of the year. Our success in the period was driven by the combination of our skilled workforce and strong vendor relationships, which have once again enabled us to support our customers and grow our business. We are pleased that our customer and staff satisfaction levels continue to be amongst the best in our industry.

“While the economic backdrop remains mixed, we have continued to see strong demand from our corporate and public sector customers for security, cloud adoption, digital transformation, hybrid datacentres and remote working solutions. This has allowed us to invest in our business, growing our headcount to more than 1,000 for the first time while equipping our people with the skills to advise customers on the latest software, services, and hardware offerings.

“A shift to Artificial Intelligence (AI) products will be one of the defining trends in the IT Services sector in the coming years, and we are well-placed to capitalise on that opportunity. We stand to benefit from our long-standing relationship with Microsoft, whose Copilot product we are already trialling and will be available more widely in the near future. We are also looking forward to working with our other vendor partners that are developing AI software tools.

“Looking ahead, we have made a good start to the second half of the year and are well-placed for the remainder of the financial year.”

Financial performance

£’million	H1 FY24 (six months ended 31 August 2023)	H1 FY23 (six months ended 31 August 2022)	% change year-on-year
Gross invoiced income (‘GII’)[1]	£1,081.6m	£786.2m	37.6%
Revenue[2]	£108.7m	£93.5m	16.3%
Gross profit (‘GP’)	£75.3m	£65.5m	15.0%
Gross margin % (GP/Revenue)	69.3%	70.1%	
GP/GII %	7.0%	8.3%	
Operating profit	£30.6m	£27.3m	12.1%
Adjusted operating profit (‘AOP’)[3]	£33.9m	£29.8m	13.8%
AOP/GP %	45.0%	45.5%	
Cash	£51.7m	£35.8m	44.4%
Cash conversion[4]	48.7%	(2.8)%	
Cash conversion (rolling 12 months)[4]	107.2%	65.3%	

Earnings per share (pence)	10.60	9.06	17.0%
Adjusted earnings per share[5] (pence)	11.71	10.11	15.8%
Interim dividend per share (pence)	2.7	2.4	12.5%

Financial highlights

International Financial Reporting Standard measures (IFRS):

- Revenue increased 16.3% to £108.7 million (H1 FY23: £93.5 million).
- GP growth of 15.0% to £75.3 million (H1 FY23: £65.5 million) was driven by higher GII and increased GP per customer of £16,300 (H1 FY23: £14,800).
- Gross margin was broadly stable at 69.3% (H1 FY23: 70.1%).
- Operating profit increased by 12.1% to £30.6 million (H1 FY23: £27.3 million).

Alternative performance measures (non-IFRS):

- GII increased by 37.6% to £1,081.6 million (H1 FY23: £786.2 million), exceeding £1 billion in H1 for the first time. The exceptional level of growth was underpinned by some large, strategically important, contract wins in the public sector (most notably with the NHS and HMRC) and by continued demand from corporate customers.
- The reduction in GP/GII% to 7.0% (H1 FY23: 8.3%) reflects the impact of these large contracts transacting at a reduced margin in the initial year of the agreements.
- AOP increased by 13.8% to £33.9 million (H1 FY23: £29.8 million); AOP as a percentage of GP has remained in line with the previous year at 45.0% as we continue to invest in the business.
- Adjusted earnings per share increased 15.8% to 11.71 pence (H1 FY23: 10.11 pence).
- Half year cash conversion of 48.7% (H1 FY23: (2.8%)) is in line with our expectations, reflecting the seasonal timing of cash flows and weighting to the second half of the financial year. Our rolling cash conversion for the year ended 31 August 2023 stood at 107.2%, meeting our sustainable annual target of 100%.

Interim dividend

- Interim dividend of 2.7 pence per share, a 12.5% increase on last year's interim dividend (H1 FY23: 2.4p).

Operational highlights

- Strong levels of demand for security, cloud adoption, digital transformation, hybrid datacentres and remote working solutions have underpinned the Group's continued growth in H1 FY24.
- 98% of GP came from customers that traded with BTG last year (H1 FY23: 97%), at a renewal rate of 113%.
- Increased headcount by 10% since the FY23 year end to service high levels of customer demand, with over 1,000 staff at the half year.
- The Group enrolled in Microsoft's early access programme for Copilot, an AI assistant feature for Microsoft 365 applications, to improve productivity internally and in preparation to support our customers.
- Both Bytes Software Services and Phoenix Software named among the UK's Best Workplaces in Tech in Great Place to Work's Large and Super Large Category.
- Phoenix Software named Microsoft's Global Modern Endpoint Management Partner of the Year 2023.
- In April 2023, the Group acquired a 25.1% interest in Amazon Web Services (AWS) partner, Cloud Bridge Technologies, to bolster our multi-cloud strategy in the years to come.

Current trading and outlook

We reported another strong performance in H1 FY24, extending our track record of delivering robust double-digit growth across our key financial metrics.

The business has started the second half of the year well, continuing the momentum delivered in H1 FY24. Whilst we remain mindful of the challenging macroeconomic environment and geopolitical uncertainty in Ukraine and the Middle East, we are confident in our ability to capitalise on the growth opportunities we see ahead. The Group's proven strategy of acquiring new customers and then growing our share of wallet, building on our strong vendor relationships and the technical and commercial skills of our people, ensures we are well placed to continue our progress over the remainder of FY24.

Analyst and investor presentation

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

Webcast link:
https://stream.brrmedia.co.uk/broadcast/651d406c8fb8fe0aea8cc7f6

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

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

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Forward-looking statements

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

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

About Bytes Technology Group plc

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

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

[1] 'Gross invoiced income' ('GII') is a non-International Financial Reporting Standard (IFRS) alternative performance measure that reflects gross income billed to customers adjusted for deferred and accrued revenue items. The effect of these adjustments for the year ended 28 February 2023 is included on p146 of the annual report and accounts for that period. GII has a direct influence on our movements in working capital, reflects our risks and shows the performance of our sales teams.

[2] 'Revenue' is reported in accordance with IFRS 15, Revenue from Contracts with Customers. Under this standard the Group is required to exercise judgment to determine whether the Group is acting as principal or agent in performing its contractual obligations. Revenue in respect of contracts for which the Group is determined to be acting as an agent is recognised on a 'net' basis (the gross profit achieved on the contract and not the gross income billed to the customer). Our key financial metrics of gross invoiced income, gross profit, adjusted operating profit and cash conversion are unaffected by this judgement.

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

[4] 'Cash conversion' is a non-IFRS alternative performance measure that divides cash generated from operations less capital expenditure (together, 'free cash flow') by adjusted operating profit. It is calculated over both the current reporting period and over a rolling 12 months, the latter taking the previous 12 months free cash flow divided by the previous 12 months adjusted operating profit, in over to reflect any seasonal variations during the full year up to the reporting date.

[5] 'Adjusted earnings per share' is a non-IFRS alternative performance measure that the Group calculates by dividing the profit after tax attributable to owners of the company, adjusted for the effects of significant items of expenditure which are non-recurring events or do not reflect our underlying operations ('Adjusted earnings'), by the weighted average number of ordinary shares in issue during the year. Amortisation of acquired intangible assets and share-based payment charges are excluded in arriving at Adjusted earnings. The calculation is set out in note 16 of the interim condensed consolidated financial statements.

Chief Executive Officer's Review

A strong half year performance delivering on our strategy.

We are delighted with the strong performance in H1 FY24, which saw the Group deliver growth in adjusted operating profit ('AOP') of 13.8% and gross profit ('GP') of 15.0%, driven by a 37.6% increase in gross invoiced income ('GII').

We have maintained our track record of strong double-digit year-on-year growth despite the ongoing uncertainty caused by the challenging macroeconomic conditions. Our business continues to benefit from the wide-ranging product offering that we have developed, with a substantial suite of software, IT services and hardware solutions from the world's leading vendors and software publishers.

The exceptionally strong growth in GII primarily 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. The Group's success in winning these new contracts resulted in our public sector GII increasing by 44.4%. Due to the competitive tendering process involved, these sales are typically won at reduced initial margins. However, over the course of the contracts, typically 3 to 5 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. Additionally, we have seen continued success in the corporate sectors, growing GII by 25.7% across these customers.

The growth above is reflected in our 39.1% increase in software GII, supported by a 15.7% rise in our internal services GII and hardware growth of 15.3%. The double-digit growth across both our key sectors and our three

primary products and services areas reflects the continued demand from our customers to invest in resilient and efficient IT applications and services.

Our customers' ongoing appetite for security, cloud adoption, digital transformation, hybrid datacentres and remote working solutions underpinned the strong growth reported in H1 FY24. These investments increasingly take the form of contracts of an annuity type and therefore we remain confident in the Group's growth prospects going forward. This reinforces the potential for future up-selling and cross-selling opportunities with existing clients. The double-digit growth in GII and GP reflects the buoyant and robust nature of IT spend across the UK and Ireland.

We continue to expand our IT services capability, underpinned by the renewal of our Microsoft Azure Expert status for the provision of managed services, along with many other key vendor accreditations, augmented with our own IP in the form of Quantum and Licence Dashboard. Our broad suite of services enables us to expand our relevance to new and existing clients who need support and assurance as they seek to strengthen their IT resilience and security.

We expect to see a strong customer response to Microsoft's AI products, including Copilot. We are preparing for this to gain increasing momentum into 2024 and beyond, and to open up associated services opportunities to support customer readiness and adoption. Our broad roster of vendors also have a strong pipeline of AI-supported software solutions that we look forward to rolling out to our customers.

We remain proud of the energy, enthusiasm and professionalism demonstrated by our people. Our current and future growth is being supported by increasing headcount, training, and development in all areas from front-end sales and delivery teams and across all supporting areas. As a management team, we are extremely pleased with the way our people continue to embrace our collaborative, team-based culture. Our flexible working regime continues to deliver positive results for our business, while also meeting our people's aspirations for a healthy work/life balance. In June 2023, we launched our third Share Save Plan, which has again been well received by our workforce, with over 50% of employees participating in one or more of these plans.

To support the growth in sales and people, we continue to invest in, and evolve, our internal systems both to improve user experiences and to drive efficiencies. Notwithstanding this investment, our AOP as a percentage of GP has remained in line with the previous year at 45%, and therefore achieving our target to exceed 40%.

Our relationships with key partners continue to go from strength to strength and we are especially pleased to have been recognised by leading industry vendors. Following Phoenix Software being awarded the Microsoft Partner of the Year for the UK for 2021 and Bytes Software Services being named Microsoft Partner of the Year for Operational Excellence in 2022, Phoenix has followed this up by being named 2023 Microsoft Modern Endpoint Management Global Partner of the Year and Sophos Public Sector Partner of the Year. These awards reflect the status and high esteem that the Group has with global technology leaders and is testament to the expertise of our staff and the customer success stories that we deliver.

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

Our dividend policy is to distribute 40% of the Group's post-tax pre-exceptional earnings to shareholders by way of normal dividends. Accordingly, we are pleased to confirm that the Board has declared an interim dividend of 2.7 pence per share which will be paid on 1 December 2023 to shareholders on the register at 15 November 2023.

I wish to extend my gratitude to all my colleagues for their hard work and dedication to the business during FY24 to date. Finally, I would like to thank our clients for their support and entrusting their business with us; together, our staff and customers are our lifeblood and will always be our top priority.

Continued focus on Environment, Social and Governance (ESG)

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

Increasing our carbon reporting

In H1 FY24 we have disclosed our reported emissions for FY23 and future targets to Carbon Disclosure Project (CDP). This is the first year in which our disclosure will be independently scored by CDP, with the results expected in our Q4 FY24. In July 2023, we made a Group commitment to submit our targets to the Science Based Targets initiative (SBTi) for validation against the Paris Agreement's aim for less than a 1.5 degree global temperature increase. We expect to have our targets validated during 2024.

As part of our ongoing reporting, our Taskforce for Climate-Related Financial Disclosures (TCFD) will be incorporated into the S1 and S2 requirements under IFRS, once endorsed by the UK. We will monitor progress towards this and report in our annual report and accounts following adoption.

Within our businesses, we are supporting the transition to greener transport to reduce business travel and commuting emissions. The Group has successfully deployed an Electric Vehicle company car scheme during the period.

Positively impacting our society

Employee support and wellbeing remain key focus areas for the Group, particularly in light of the continuing cost-of-living crisis, with wellbeing days an important part in driving a healthier and happier workforce. In addition to this, employees have been engaged in, and managers trained in, the impact of menopause and in neurodiversity as part of a wider 'Breaking Taboos' programme.

Our strong culture remains a driving force behind our successful growth. We continue to support this through staff events and the development of our people with continued learning and training opportunities and social groups for more remote workers to connect. Staff are also listened to through various channels and improvements are made based on their ideas and initiatives.

During H1, we supported our communities through donations, fundraising events, and volunteer days, such as with the London Wetland Centre. Charity sport days have continued over the summer months, engaging with vendors to widen the impact.

Changes in directorate since the year end

Sam Mudd was appointed as an Executive Director at the Annual General Meeting held on 12 July 2023. Sam continues in her role as the Managing Director of Phoenix Software Limited, a wholly owned subsidiary of the Group, following her appointment to the Board.

Also, after 23 years with the Group, David Maw stepped down as a non-executive director at the 2023 AGM. Following David's retirement, Dr. Erika Schraner assumed the role of Designated Non-Executive for employee engagement, building on the constructive work carried out by David in this role.

Having served on the Board since 6 November 2020, Dr. Alison Vincent has indicated that she wishes to retire from her role as independent non-executive director at the conclusion of her three-year term, with effect from 1 November 2023. A process to recruit an additional independent non-executive director with relevant experience is underway and a further announcement will be made in due course and, as previously announced, Dr Erika Schraner will be Chair of the Remuneration Committee with effect from 1 November 2023.

Chief Financial Officer's review

Income statement	H1 FY24 £'m	H1 FY23 £'m	Change %
Gross invoiced income (GII)	**1,081.6**	**786.2**	**37.6%**
GII split by product:			
Software	1,027.3	738.4	39.1%
Hardware	24.1	20.9	15.3%
Services internal[1]	15.5	13.4	15.7%
Services external[2]	14.7	13.5	8.9%
Netting adjustment	(972.9)	(692.7)	40.5%
Revenue	**108.7**	**93.5**	**16.3%**
Revenue split by product:			
Software	67.1	57.8	16.1%
Hardware	24.1	20.9	15.3%
Services internal[1]	15.5	13.4	15.7%
Services external[2]	2.0	1.4	42.9%
Gross profit (GP)	**75.3**	**65.5**	**15.0%**
GP / GII %	7.0%	8.3%	
Gross margin %	69.3%	70.1%	
Administrative expenses	**44.7**	**38.2**	**17.0%**
Administrative expenses split:			
Employee costs	35.7	29.7	20.2%
Other administrative expenses	9.0	8.5	5.9%
Operating profit	**30.6**	**27.3**	**12.1%**
Add back:			
Share-based payments	2.9	1.7	70.6%
Amortisation of acquired intangible assets	0.4	0.8	-50.0%
Adjusted operating profit (AOP)	**33.9**	**29.8**	**13.8%**
Interest receivable	2.9	0.0	
Finance costs	(0.3)	(0.3)	
Share of profit of associate[3]	0.1	0.0	
Profit before tax	**33.3**	**27.0**	23.3%
Income tax expense	(7.9)	(5.3)	49.1%
Profit after tax	**25.4**	**21.7**	17.1%

[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 H1 FY24 results

H1 FY24 has seen continued double-digit growth across all our key performance measures. With hybrid working widespread across our whole customer base, and heightened requirements around cybersecurity, customers have continued to engage with us to support their move into the cloud, or extending their presence in it, with more sophisticated and resilient security, support, and managed service solutions. This has resulted in operating profit increasing by 12.1% to £30.6 million (H1 FY23: £27.3 million) and AOP growing by a slightly higher 13.8% year on year from £29.8 million to £33.9 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 which is most recognisable amongst our staff, and we believe most relevant to our customers, suppliers, investors, and shareholders for them to understand our business.

GII has increased by 37.6% year on year, with growth spread across all the business's income streams, but most significant for software which remains the core focus, contributing 95% of the total GII for the six months (H1 FY23: 94%). The Group's already substantial presence in the public sector, has been bolstered by a number of key strategic and substantial wins relating to government Microsoft Enterprise Agreements where the Group bids under highly competitive tenders, either for single contracts or for several public body contracts in aggregate, the latter enabling the Group to gain multiple new clients from a single bid process.

This continual high level of government investment in IT technologies, and the Group's success in winning new contracts, has resulted in our public sector GII increasing by £221.9 million, up 44.4%, to £721.7 million (H1 FY23: £499.8 million). Our corporate GII increased by £73.5 million to £359.9 million (H1 FY23: £286.4 million), representing a very pleasing rise of 25.7%.

This means that our overall GII mix has moved slightly compared to last year with 67% in public sector (H1 FY23: 64%) against corporate of 33% (H1 FY23: 36%)

Revenue

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

Our judgements around this area are set out in notes 1.4 and 1.11 of the full year financial statements for the year ended 28 February 2023. In summary, software and external services revenue is treated on an agency basis whilst 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, neither are the consolidated statements of financial position, cashflows and changes in equity.

With the significant increase in software GII, as noted above, and its treatment on a net, or agency, basis, the 16.3% increase in revenue in the six months is lower than the rise in GII.

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

Gross profit increased by 15.0% to £75.3 million (H1 FY23: £65.5 million).

This growth is less than that for GII due to 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 first 6 months to 7.0% (H1 FY23: 8.3%). That said, if the impact of the two largest new contracts is removed from the calculation, the percentage reverts to 8.3%, therefore equivalent to last year and demonstrating the overall 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 3

to 5 years, by adding additional higher margin products into the original agreement as the customers' requirements grow and become more advanced. This is further enhanced by focusing on selling our wide range of solutions offerings and higher margin security products, whilst 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 is again demonstrated in H1 FY24 with 98% of our GP coming from customers that we also traded with last year (H1 FY23: 97%), at a renewal rate of 113% (which measures the GP from existing customers this period compared to total GP in the prior period), which also demonstrates our ability to increase our share of wallet with our customers.

Administrative expenses

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

Employee costs

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

In addition to continuing to hire in line with growth, 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 period we have seen total staff numbers rise above 1,000 for the first time, to 1,026 on our August 2023 payroll, up by 10% from the year-end position of 930 on 28 February 2023. Employee costs included in administrative expenses rose by 20.2% to £35.7 million (H1 FY23: £29.7 million) but excluding share-based payments of £2.9 million (H1 FY23: £1.7 million), the rise was lower at 17.1%.

Other administrative expenses

Other administrative expenses increased by 5.9% to £9.0 million (H1 FY23: £8.5 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 as, whilst 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 £2.9 million, compared to £1.7 million last year.
- Amortisation of acquired intangibles as this cost only appears as a consolidation item and does not arise from ordinary operating activities.

We believe that adjusted operating profit is a meaningful measure which the Board can use to effectively evaluate our profitability, performance, and ongoing quality of earnings. Adjusted operating profit in H1 FY24 increased to £33.9 million (H1 FY23: £29.8 million), representing growth of 13.8%. Our operating profit increased from £27.3 million to £30.6 million equating to an increase of 12.1%.

Adjusted operating profit as a percentage of GP is one of the Group's key alternative performance indicators, being a measure of the Group's operational effectiveness in running day-to-day operations. We set a target of no less than 40% and we have again achieved this, with a ratio of 45.0% (H1 FY23: 45.5%).

Interest receivable and finance costs

This period has seen significant interest being earned from money market deposits, totalling £2.9 million in the 6 months (H1 FY23: nil), as interest rates have risen steeply. This has resulted in our profit before tax growing by 23.3% to £33.3 million (H1 FY23: £27.0 million).

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, increasing slightly in the current period due to 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, £0.1 million for the 5-month period.

Income tax expense

The 49.1% rise in our income tax expense to £7.9 million (H1 FY23: £5.3 million) reflects the growth in profits and the increase in the UK corporate tax rate from 19% to 25% effective from 1 April 2023.

Profit after tax increased by 17.1% to £25.4 million (H1 FY23: £21.7 million), underlining our growth in operating profits and with the impact of higher tax rates largely offset by the increase in interest income.

Balance sheet and cashflow

Closing net assets stood at £60.0 million (31 August 22: £46.1 million) including the Group's £3.1 million interest (25.1%) in Cloud Bridge Technologies, acquired in April 2023. Closing net current assets were £5.2 million (31 August 22: (£1.6) million).

Cash at the end of the period was £51.7 million (31 August 22: £35.8 million) which is after the payment of dividends totalling £30.2 million during the 6 months, being the final and special dividends for FY23.

Cash flow from operations after payments for fixed assets (free cash flow) was strong during the reporting period, generating a positive net inflow of £16.5 million (H1 FY23: (£0.8) million). Consequently, the Group's cash conversion ratio for the period (free cash flow divided by AOP) was 48.7% (H1 FY23: (2.8)%).

The difference to the prior half year illustrates the sensitivity of this ratio to even small delays in payments from customers, particularly when measured over a fixed period rather than on a rolling 12 month basis. This makes it susceptible to short-term, but potentially high value, timing of customer receipts.

Our rolling cash conversion for the year ended 31 August 2023 stood at 107.2%, (year ended 31 August 2022: 65.3%) and the Group has now delivered a cumulative cash conversion ratio above 100% since 1 March 2017 which is in line with our sustainable annual cash conversion target.

Over our half year fixed periods, we expect H1 cash conversion to be lower than H2 due to the timing of receipts and payments in relation to some our largest Microsoft software enterprise agreements. For our public sector customers in particular, many of the agreement anniversaries fall on 1 April, aligned to the public sector year end. With these orders needing to be placed at least 30 days ahead of anniversary we often see the customers pay us prior to the end of our financial year (in H2), whilst the corresponding payments to Microsoft do not fall due until the first quarter of the following year (in H1).

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. To date, the Group has not utilised the facility.

Interim dividend

As stated above, the Group's dividend policy is to distribute 40% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to declare a gross interim dividend of 2.7 pence per share. The aggregate amount of the interim dividend expected to be paid out of retained earnings at 31 August 2023, but not recognised as a liability at the end of the half year, is £6.5 million.
The salient dates applicable to the dividend are as follows:

Dividend announcement date	Wednesday, 25 October 2023
Currency conversion determined and announced together with the South African (SA) tax treatment on SENS by 11.00	Monday, 13 November 2023
Last day to trade cum dividend (SA register)	Tuesday, 14 November 2023
Commence trading ex-dividend (SA register)	Wednesday, 15 November 2023
Last day to trade cum dividend (UK register)	Wednesday, 15 November 2023
Commence trading ex-dividend (UK register)	Thursday, 16 November 2023
Record date	Friday, 17 November 2023
Payment date	Friday, 1 December 2023

Additional information required by the Johannesburg Stock Exchange:

The GBP:ZAR currency conversion will be determined and published on SENS on Monday, 13 November 2023

1. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register unless a shareholder qualifies for exemption not to pay such dividend withholding tax.
2. The dividend payment will be made from a foreign source (UK).
3. At 25 October 2023, being the declaration announcement date of the dividend, the Company had a total of 239,482,333 shares in issue (with no treasury shares).
4. No transfers of shareholdings to and from South Africa will be permitted between Tuesday, 14 November 2023 and Friday, 17 November 2023 (both dates inclusive). No dematerialisation or rematerialisation orders will be permitted between Wednesday, 15 November 2023 and Friday, 17 November 2023 (both dates inclusive).

Principal risks

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

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

We continue to closely monitor new and emerging risks, including the ongoing global risk of climate change and sustainability. We also determined that social change may represent a future risk. Changes to people's needs and perspectives, as happened when priorities shifted during the pandemic, and more generally with younger generations, may affect our ability to attract and retain talent. Like many risks, these could provide opportunities as well as downsides. For example, inflation might encourage customers to spend more on automation with us or, on the other hand, to cut investment in IT. We have mitigating plans to cover these different outcomes, such as broadening our portfolio of vendors and the solutions we can offer.

The invasion of Ukraine continues to affect the global economy, contributing to higher energy prices and inflation over the past year. We recognise the impact of this increased cost of living on our employees' welfare. These conditions are expected to continue into the next financial year, and we have maintained this as a principal risk.

Cybersecurity continues to be a risk, heightened by the current geopolitical uncertainties in the Ukraine and Middle East. Our chief information security officer function and technology solutions reduce our risk, but the

residual is covered by cyber insurance. This insurance has been renewed, at a greater cost than in the previous year, due to the increased threat level.

Although we performed strongly and managed risks well in the FY23 and continuing into H1 FY24, we have made some amendments to our principal and emerging risks to account for changes in the market, society and with our vendors.

These changes comprise:

New principal risks:

- ‘Climate change and sustainability’ moved from an emerging risk to a principal risk re-named ‘Sustainability / ESG’. Whilst the physical threats from climate change will remain as emerging, the elevated principal risk relates to regulatory requirement changes as well as keeping ahead of expectations from investors, employees, customers, and other stakeholders.
- New principal risk in ‘Supply chain management’. Risk is based on the time and effort to manage the supply chain with increasing focus on compliance, audits, sustainability, and reporting.

New emerging risk:

- New emerging risk added for the ‘Impacts of AI and Machine Learning’ due to the potential of this technology to change the IT and working landscape and the associated risks from moral, legal, and ethical standpoints.

Existing principal risks with updated focus:

- ‘Economic disruption’ risk expanded to focus on economic impacts affecting our customers, in addition to the existing risk to ourselves.
- ‘Inflation’ risk expanded to focus on the internal impact to our workforce, in addition to the existing risk to the business.
- ‘Increasing debtor risk’ re-defined as ‘Working Capital’ risk, to include risk of vendors changing their payment terms, in addition to the existing risk of an increased age debt profile.
- ‘Competition’ risk definition expanded to include the evolution of the competitor landscape, such as through AI and direct purchasing platforms and marketplaces.
- ‘Relevance and emerging technologies’ risk expanded to include the need to use new technologies internally to remain agile and productive, in addition to the existing need to offer cutting edge products and relevant services to our customers.
- ‘Business continuity failure’ risk expanded to include risk to and from people, such as insider threats, in addition to the existing risk of failure to our internal systems or IT infrastructure.
- ‘Attract and retain staff whilst keeping our culture’ risk amended to replace the general existing “skills shortage in the IT sector” with a more specific skills shortage in emerging areas, such as AI, where expertise is in high demand.

Full details of the updated principal risks and uncertainties that the Board believes could have a significant effect on the Group's financial performance are:

FINANCIAL	1 ECONOMIC DISRUPTION	Risk owner CEO
	The risk This includes the impact of the crisis in Ukraine, the uncertainties caused by global economic pressures and geopolitical risk within the UK post-Brexit.	**How we manage it** We have so far continued to perform well during the conflict in Ukraine, and under the current effects of inflation, the cost-of-living crisis and leaving the EU. Despite the economic shocks of the past year and continued pressure from the Ukraine conflict, we have not seen an adverse impact on our business. These real-life experiences have shown us to be resilient through tough economic conditions. The diversity of our client base has also helped to maintain and increase business in this period. We are not complacent, however – economic disruption remains a risk and we keep operations under constant review. Our continued focus on software asset management means that we continue to advise customers in the most cost-effective ways to fulfil their software needs. Changes to economic conditions mean many organisations will look to IT to drive growth and/or efficiency. Externally, we have seen in increase in customers looking to avoid increased staff costs through outsourcing their IT via Managed Services. This may create an opportunity to accelerate our service offerings
	The impact Major economic disruption – including the risk of continuing high inflation (see below) and potentially higher taxes – could see reduced demand for software licensing, hardware, and IT services, which could be compounded by government controls. Lower demand could also arise from reduced customer budgets, cautious spending patterns or clients 'making do' with existing IT. Economic disruption could also affect the major financial markets, including currencies, interest rates and the cost of borrowing. Economic deterioration like this could have an impact on our business performance and profitability. High inflation could create an environment in which customers redirect their spending from new IT projects to more pressing needs.	
	2 MARGIN PRESSURE	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.	Profit margins are affected by many factors at customer and micro levels. We can control some of the factors that influence our margins; however, some factors, such as economic and political ones, are beyond our control. In the past year we have sought to increase margins where possible; cost increases from vendors have grown our margins organically. Our diverse portfolio of offerings, with a mix of vendors as well as a mix of 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 clients. Services delivered internally are consistently measured against 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 deployed to ensure we are procuring at the lowest cost and maximising incentives earned. This risk area is reviewed monthly.
	The impact These changes could have an impact on our business performance and profitability.	

	3 CHANGES TO VENDORS' COMMERCIAL MODEL	**Risk owner** CEO
	The risk BTG receives incentive income from our vendor partners and their distributors. This partially offsets our costs of sales but could be 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. We closely monitor incentive income and make sure staff are aligned to meet vendor partner goals so that we don't lose out on these incentives. Close and regular communication with all our major vendor partners and distributors means we can manage this risk appropriately. In some areas we have seen a positive change from vendor commercials, where we have been able to adapt practices. The materiality of this risk has not yet been realised, but it remains a risk.
	4 INFLATION (internal impacts)	**Risk owner** CFO
	The risk Inflation in the UK, as measured by the Consumer Price Index (CPI), is currently 6.7% in the year to August 2023, which is driven by three main drivers: Electricity/gas, transport costs and food/non-alcoholic beverages **The impact** Wage inflation, 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 in retaining and attracting staff	**How we manage it** Staff costs constitute the majority of our overheads, therefore our attention is focused on our staff and their ability to cope with the rising cost of living. At the start of FY 2023/24 wage increases, of varying levels, with a greater percentage to lower paid staff were rolled out across the employee base. This is to assist our employees in maintaining their standard of living and being able to keep up with the essentials such as rent / mortgage payments, energy bills, food bills.
	5 WORKING CAPITAL	**Risk owner** CFO
	The risk As customers face the challenges of inflation and rising 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 **The impact** This could adversely affect the businesses profitability and/or cashflow	**How we manage it** Our credit collections teams are focused on collecting customer debts on term and maintaining our debtor days at targeted levels. Debt collection is reported and analysed continually and escalated to senior management as required. 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. We have similarly strong relationships with vendors and suppliers such that, if necessary, we are able to negotiate payment terms. This is facilitated by ensuring that invoices are paid on time so there is less likelihood of terms being tightened.

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, be exposed to economic down cycles, or the vendor fails to innovate ahead of customer demands. **The impact** Too heavy a reliance 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, which is linked to, or dependent on, the hardware being available. Reduced access to computer chips could also slow down vendor innovation, leading to delays in the creation of new technology to resell to customers.	**How we manage it** We work with our vendors as partners – it is a relationship of mutual dependency since we are their route to the end customer. We maintain excellent relationships with all our vendors, and have a particularly good relationship with Microsoft, which relies on us as a key partner in the UK. Our growth plans, which involve developing business 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 growing sector, so we will be monitoring supply closely. However, we monitor the geopolitical situation, continuously and work closely with suppliers and industry bodies to identify any potential supply chain disruptions and impacts. This enables us to remain fully informed, so that we can respond quickly should the landscape change, to ensure that we have diverse supply routes. 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. As this risk is largely driven by geopolitical and macroeconomic factors, we maintain a watching brief so that we can react swiftly if required.
	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. The vendor landscape continues to evolve through, - Increased use of AI - Potential move to direct vendor resale to end customers (disintermediation) - platforms, like marketplaces, with direct sales to customers could also be viewed as disintermediation **The impact** This would have a material adverse impact on our business and profitability. A huge change would need a big shift in business operations, including a strategic overhaul of the products, solutions, and services that we offer to the market. Further 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.	**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 millions of organisations globally without the sort of well-established network of intermediaries that we have. We currently work with AWS Marketplace and can sell our other vendors' products through their platform, which gives discounts to the customer versus buying directly. Artificial Intelligence / Machine Learning have been identified as a new emerging risk, and so will be monitored and explored for risks and opportunities to the business. Currently, there's no sign of commoditisation of any kind that would be a serious threat to the business model in the short or medium term.

	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.	
	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** As customers have wide choice and endless opportunities to research options, if we do not offer cutting-edge products and relevant services, we could lose sales and customers, which would affect our profitability.	**How we manage it** We stay relevant to our customers by: - Continuing to offer them expert advice and innovative solutions. - Specialising in high-demand areas - Holding superior levels of certification - Maintaining our good reputation and helping clients find the right solutions in a complex, often confusing IT marketplace. We defend our position by keeping abreast of new technologies and the innovators who develop them. We do this, for example, by running a cyber accelerator programme for new and emerging solution providers, joining industry forums, and sitting on new technology committees. 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 could infiltrate one or more of our customer areas. This could provide indirect access, or the intelligence required to compromise or access a customer environment. This would increase the chance of first- and third-party risk liability, with the possible effects of regulatory breaches, loss of confidence in 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 Software's offices provide 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 to a degree that may negatively affect our ability deliver to our customers, reputational damage and losing market share. **The impact**	Our Chief Technology Officer and Head of IT effectively manage and oversee our IT infrastructure, network, systems, and business applications. All Operational teams are focussed on the latest vendor products and educate sales teams appropriately. Regular IT audits have identified areas of improvements and ongoing reviews make

	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 be able to deliver effectively to our customers. Insider threats, either intentional or otherwise, could cause issues to our ability to deliver and damage our reputation. Sickness and absence of employee, if in significant number, such as a communicable disease through a particular team, could make effective delivery difficult.	sure we have a high level of compliance and uptime. This means our systems are highly effective and fit for purpose. For business continuity, we use different locations, sites, and solutions to limit the impact of service outage to customers. Where possible, we use active resilience solutions – designed to withstand or prevent loss of services in an unplanned event – rather than just disaster-recovery solutions and facilities, which restore normal operations after an incident. Employees are encouraged to work from home or take time off when sick, to avoid spreading diseases within the workplace. There are also processes to ensure that there isn't a single point of failure and resiliency is built into the employees' skillsets. Increased Automation means a heavier reliance on technology. Reduce human error, but increase reliance on other vendors potentially
	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 is still impacting salary expectations and wage growth. – Skills shortage in emerging, high demand areas, such as AI/ML. – With remote or hybrid working becoming the norm, potential employees in traditionally lower-paid geographical regions are able to work remotely in higher-paying areas like London. Maintaining BTG culture also affects the attraction and retention of staff, which growth can change. **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 to create a new security skill set. Review Management bandwidth to enable coaching time for new staff. Maintaining our culture is important to retain current staff. That small company feel is maintained through regular communications, clubs, charity events and social events. We aim to absorb growth rate whilst keeping our culture.
	12 SUSTAINABILITY / ESG	**Risk owner** CEO
	The risk The growth in the importance of sustainability / ESG with our customers, investors, and employees, means we need to stay at the forefront of reporting and disclosures, whilst the requirements and standards are continually updated.	**How we manage it** Our Board manages and monitors this risk closely, with oversight from the Audit Committee. The Group appointed a Sustainability Manager in March 2023, to drive the reporting and initiatives, whilst also working with an appointed third party to provide guidance and assurance on reported data.

	The impact Falling behind our peers or expectations may lead to challenges in: **1.** Legal - Maintaining adherence with global standards. **2.** Maintaining customers – as they drive to reduce emissions. **3.** Investor relations – meeting criteria for ESG funds **4.** Attracting and maintaining Employees – as younger generations seek to work for more purpose driven businesses	The Sustainability Steerco enables decision makers from across Group and the individual Operating Companies to drive towards a common goal and report on challenges. Disclosures are made through several avenues and the feedback from these is used to develop changes in the business. Therefore, as the disclosure methodologies stay up to date, so should the business, where possible and relevant.
	13 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	**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 actions is taken. Phoenix Software has appointed a Procurement Manager and Bytes Software Services has established a cross-disciplinary group to work on managing suppliers.
	The impact Management of supply chains is important to the sustainability of the business from a legal, financial, reputational, ethical, and environmental viewpoint. - Unethical working conditions & pay. - Financial mismanagement and unethical behaviour - Environmentally damaging - Operations in sanctioned regions	

Going concern disclosure

The Group performed a full going concern assessment for the 6 months ended 31 August 2023 undertaking the review and process set out in note 1.2. As outlined in the Chief Financial Officer's review above, trading during the period demonstrated the Group's strong performance and our resilient operating model. The Group has a healthy liquidity position with £51.7 million of cash and cash equivalents available at 31 August 2023. The Group also has access to a committed revolving credit facility that covers the going concern period to 28 February 2025 and which remains undrawn.

The directors have reviewed trading and liquidity forecasts for the Group, as well as continuing to monitor the effects of macro-economic, geopolitical and climate related risks on the business. The directors have also considered a number of key dependencies which are set out in the Group's principal risks report, and including BTG's exposure to inflation pressures, credit risk, liquidity risk, currency risk and foreign exchange risk. The Group continues to model its base case, severe but plausible and stressed scenarios, including mitigations, consistently with those disclosed in the annual financial statements for the year ended 28 February 2023, with the key assumptions summarised within the interim condensed financial statements below. Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period without needing to utilise the revolving credit facility.

Going concern conclusion

Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 28 February 2025. Accordingly, the directors conclude it to be appropriate that the interim condensed consolidated financial statements be prepared on a going concern basis.

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

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

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

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

On behalf of the Board

Neil Murphy	Andrew Holden
Chief Executive Officer	Chief Financial Officer

25 October 2023

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

	Note	Six months ended 31 August 2023 Unaudited £'000	Six months ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Revenue	3	108,699	93,533	184,421
Cost of sales		(33,365)	(28,045)	(54,848)
Gross profit		**75,334**	**65,488**	**129,573**
Administrative expenses		(44,725)	(37,000)	(77,753)
Increase in loss allowance on trade receivables		-	(1,193)	(937)
Operating profit		**30,609**	**27,295**	**50,883**
Finance income	4	2,859	-	-
Finance costs	4	(244)	(255)	(491)
Share of profit of associate	6	120	-	-
Profit before taxation		**33,344**	**27,040**	**50,392**
Income tax expense	5	(7,956)	(5,333)	(9,971)
Profit after taxation		**25,388**	**21,707**	**40,421**
Profit for the period attributable to owners of the parent company		**25,388**	**21,707**	**40,421**
		Pence	**Pence**	**Pence**
Basic earnings per ordinary share	16	10.60	9.06	16.88
Diluted earnings per ordinary share	16	10.17	8.74	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.

Interim condensed consolidated statement of financial position

	Note	As at 31 August 2023 Unaudited £'000	As at 31 August 2022 Unaudited £'000	As at 28 February 2023 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment		8,654	8,128	8,380
Right-of-use assets		1,134	856	783
Intangible assets		41,086	42,027	41,526
Investment in associate	6	3,147	-	-
Contract assets		3,020	109	397
Deferred tax assets		436	-	-
Total non-current assets		**57,477**	**51,120**	**51,086**
Current assets				
Inventories		58	45	58
Contract assets		13,985	4,206	10,684
Trade and other receivables	8	180,148	176,674	185,920
Cash and cash equivalents	9	51,663	35,756	73,019
Total current assets		**245,854**	**216,681**	**269,681**
Total assets		**303,331**	**267,801**	**320,767**
Liabilities				
Non-current liabilities				
Lease liabilities		(1,170)	(897)	(917)
Contract liabilities		(1,567)	(1,769)	(1,976)
Deferred tax liabilities		-	(787)	(635)
Total non-current liabilities		**(2,737)**	**(3,453)**	**(3,528)**
Current liabilities				
Trade and other payables	10	(222,909)	(199,585)	(231,717)
Contract liabilities		(16,046)	(18,265)	(23,914)
Current tax liabilities		(1,460)	(239)	(36)
Lease liabilities		(188)	(188)	(75)
Total current liabilities		**(240,603)**	**(218,277)**	**(255,742)**
Total liabilities		**(243,340)**	**(221,730)**	**(259,270)**
Net assets		**59,991**	**46,071**	**61,497**
Equity				
Share capital		2,395	2,395	2,395
Share premium		633,636	633,636	633,636
Other reserves		10,516	4,775	7,235
Merger reserve		(644,375)	(644,375)	(644,375)
Retained earnings		57,819	49,640	62,606
Total equity		**59,991**	**46,071**	**61,497**

Interim condensed consolidated statement of changes in equity (unaudited)

		Attributable to owners of the company					
	Note	**Share capital £'000**	**Share premium £'000**	**Other reserves £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 March 2023		**2,395**	**633,636**	**7,235**	**(644,375)**	**62,606**	**61,497**
Total comprehensive income for the period		-	-	-	-	25,388	25,388
Dividends paid	13(b)	-	-	-	-	(30,175)	(30,175)
Share-based payment transactions	15	-	-	2,900	-	-	2,900
Deferred tax		-	-	381	-	-	381
Balance at 31 August 2023		**2,395**	**633,636**	**10,516**	**(644,375)**	**57,819**	**59,991**

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2022		**2,395**	**633,636**	**3,072**	**(644,375)**	**52,839**	**47,567**
Total comprehensive income for the period		-	-	-	-	21,707	21,707
Dividends paid	13(b)	-	-	-	-	(24,906)	(24,906)
Share-based payment transactions	15	-	-	1,702	-	-	1,702
Deferred tax		-	-	1	-	-	1
Balance at 31 August 2022		**2,395**	**633,636**	**4,775**	**(644,375)**	**49,640**	**46,071**

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2022		**2,395**	**633,636**	**3,072**	**(644,375)**	**52,839**	**47,567**
Total comprehensive income for the period		-	-	-	-	40,421	40,421
Dividends paid	13(b)	-	-	-	-	(30,654)	(30,654)
Share-based payment transactions	15	-	-	4,188	-	-	4,188
Deferred tax		-	-	(25)	-	-	(25)
Balance at 28 February 2023		**2,395**	**633,636**	**7,235**	**(644,375)**	**62,606**	**61,497**

Interim condensed consolidated statement of cash flows

	Note	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Cash flows from operating activities				
Cash generated from/(utilised by) operations	11	17,417	(238)	48,889
Interest received		2,859	-	-
Interest paid		(196)	(229)	(443)
Income taxes paid		(7,222)	(5,276)	(10,295)
Net cash inflow/(outflow) from operating activities		**12,858**	**(5,743)**	**38,151**
Cash flows from investing activities				
Payments for property, plant and equipment		(885)	(595)	(1,363)
Investment in associate		(3,027)	-	-
Net cash outflow from investing activities		**(3,912)**	**(595)**	**(1,363)**
Cash flows from financing activities				
Principal elements of lease payments		(127)	(118)	(233)
Dividends paid to shareholders	13(b)	(30,175)	(24,906)	(30,654)
Net cash outflow from financing activities		**(30,302)**	**(25,024)**	**(30,887)**
Net (decrease)/increase in cash and cash equivalents		**(21,356)**	**(31,362)**	**5,901**
Cash and cash equivalents at the beginning of the financial year		73,019	67,118	67,118
Cash and cash equivalents at end of year	9	**51,663**	**35,756**	**73,019**

1. Accounting policies

1.1 General information

The interim condensed consolidated financial statements of Bytes Technology Group plc, together with its subsidiaries ("the Group" or "the Bytes business") for the six months ended 31 August 2023 were authorised for issue in accordance with a resolution of the directors on 24 October 2023.

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

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

1.2 Basis of preparation

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

The interim condensed consolidated financial statements for the six months ended 31 August 2023 have been prepared in accordance with UK-adopted International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The interim condensed consolidated financial statements have been reviewed, but not audited, by Ernst & Young LLP and were approved by the Board of Directors on 24 October 2023. The financial information contained in this report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 28 February 2023, which were prepared in accordance with UK-International Accounting Standards in conformity with the requirements of the Companies Act 2006. The annual financial statements for the year ended 28 February 2023 were approved by the Board of Directors on 22 May 2023 and have been delivered to the registrar. The auditor's report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

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

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

Going concern

The Group has performed a full going concern assessment for the 6-month period ended 28 February 2023. As outlined in the Chief Financial Officer's review above, trading during the period demonstrated the Group's continued strong performance and resilient operating model with double digit growth in gross invoiced income, gross profit, and operating profit against the prior year.

The Group has a healthy liquidity position at 31 August 2023 with £51.7 million of cash and cash equivalents available, and net current assets of £5.2 million, after having paid final and special dividends in relation to the year ended 28 February 2023 totalling £30.2 million during the period. The Group has also seen an increase in its cash conversion during the six months, compared to the equivalent prior period, and targets a sustainable cash conversion ratio of 100% on a rolling 12-month basis. The Group has access to a £30 million committed revolving credit facility (RCF) that covers all its reasonably expected cash requirements up until the end of the going concern review period and extends

further beyond that date to May 2026. The facility has never been used and we do not forecast its use over the going concern assessment period.

In continuing to adopt a going concern basis for preparing the interim condensed financial statements for the period ended 31 August 2023, the directors have reviewed trading and cash forecasts prepared for the Group up to 28 February 2025. This included considering the availability of liquidity headroom on the revolving credit facility, and a number of uncertainties which are set out in the Group's principal risks above, as well as the Group's exposure to credit risk, liquidity risk, currency risk and foreign exchange risk as described in note 12 of the interim condensed financial statements and considered further below.

The Directors have also considered impacts on future trading and liquidity in the context of the current operational performance and the macro-economic and geopolitical environments.

Operational performance and operating model
The Group is now in its fourth year of trading since it listed in December 2020, following the previous three years of strong growth. In the current period of reporting the Group has again achieved double-digit growth in gross invoiced income, revenue, gross profit, and operating profit.

Resilience is built into the Group's operating model from its wide customer base, high levels of repeat business, strong vendor relationships, and increased demand driven by heightened IT security risks, migrations into the cloud, and hybrid working. The key elements of the model are explained in further detail on pages 132-133 in the annual financial statements for the year ended 28 February 2023 to which we are already seeing emerging requirements for AI functionality within IT applications. This will further bolster our resilience and create new opportunities in the coming months and years.

As a result, the directors believe that the Group continues to operate in a resilient industry, which will enable it to continue its profitable growth trajectory but are also very aware of the risks which exist in the wider economy. Over the past 18 months, other risks have become more prominent around energy, wage, and commodities inflation; supply problems caused by the conflict in Ukraine; product shortages; 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 monitor these macroeconomic and geopolitical risks on an ongoing basis. They 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 a very small part of the total group administrative expenses. Even a substantial percentage rise would not have a significant impact on our operating profit.
- Cost of sale inflation and competition leading to margin pressure – Whilst 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. Hence, whilst 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 monetize those accounts over the longer contract terms. Excluding those deals, we have maintained 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 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 below 15% 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 which is robust and which they are proud of, and this is a key part of our attraction and retention strategy.

Moreover, when we look at our key operational efficiency ratio of adjusted operating profit/gross profit (AOP/GP) we have achieved 45% which is in line with last year, hence demonstrating the control over rising staff costs in response

to the growth of the business. Whilst 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 – interest rates rising rapidly in the UK and internationally have had a negative financial impact on many organisations and households. The Group however does not have any debt, and hence currently no exposure, nor has it ever needed to call upon its revolving credit facility. We have taken advantage of the recent higher interest rates to generate a significant £2.9 million of interest income in the 6-month period, due to the timing difference we see in our cashflow model between customer receipts and supplier payments, and by placing cash on the money markets through our monthly cash cycle.
- Foreign currency rate changes – fluctuations in the value of the pound can have both positive and negative impacts but we have the ability to self-hedge as we make both sales and purchases in the primary currencies of USD and Euro. Risk is further diminished as our foreign currency transactions are only a small part of our business.
- Inflation and rising interest rates impacting on customer spending – whilst customers may consider reducing spending on IT goods and services, if it is seen as non-essential, we have seen increased spending by our customers as IT may in fact be a means to efficiency 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 period we have seen a small reduction in our debtor days compared to prior year and with no evidence that customers ultimately do not pay. As in previous years, the majority of our GII came from the public sector, traditionally very safe and with low credit risk, whilst our corporate customer base includes a wide range of blue-chip organisations and with no material reliance on any single customer.

Geopolitical risks
The current geopolitical environment, most notably the conflict in Ukraine, has created potential supply problems, product shortages and general price rises particularly in relation to fuel, gas, and electricity.

- As noted above, increasing energy prices are not having a noticeable impact on our profitability.
- In terms of supply chain, we are not significantly or materially dependent on the movement of goods and hence physical trade obstacles are not likely to affect us directly with hardware only making up 2% of our gross invoiced income during the period. Nevertheless, we have ensured that we have a number of suppliers with substitute, or alternative, technologies which we can rely on if one supplier cannot meet our requirements or time scales; this indicates that we have managed the supply chain well.
- Software sales though continue to be the dominant element of our overall gross invoiced income and hence is 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 review period considering:

- The small number of UK locations it operates from.
- A customer base substantially located within the UK.
- A supply chain which is not reliant on international trade and does not source products and services from parts of the world which may be impacted 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 impacted 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 for the year ended 28 February 2023.

Going concern assessment
The Group continues to forecast cashflows under a base case scenario modelled on continued growth, and then two downside scenarios, severe but plausible and stressed, both of which include certain appropriate mitigations. This approach to stress testing is consistent with the disclosure on page 135 in the annual financial statements for the year ended 28 February 2023.

In its assessment, the Board has considered the potential impact of the current economic conditions and geopolitical environment as described above, most notably general inflation, wage inflation, the conflict in Ukraine and, climate change. Whilst there is resilience against such pressures, as noted 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 gross invoiced income, gross profit, operating profit, and debtor collection periods.

In the most stressed scenario, we have forecast both gross invoiced income and gross profit falling by 30% year on year, and by 39% compared to the base case, commencing in December 2023, and debtor days increasing by 10 at that same point in time. The directors consider that such deteriorations remain appropriate to reflect the potential collective impact of all the macro-economic and geopolitical matters considered above, albeit highly unlikely.

Under such downsides the Board have factored in the extent to which they might be partially offset by freezes in recruitment, pay rises and general costs (including a natural reduction in commissions and bonuses if gross profit falls) and with further mitigation measures including reductions in headcount (through natural attrition by not replacing leavers). These mitigations are within the control of the Group to implement quickly in response to any downward trends should they be necessary.

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

Going concern conclusion
Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 28 February 2025. Accordingly, the directors conclude it to be appropriate that the interim condensed financial statements be prepared on a going concern basis.

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

The accounting estimates and judgements adopted for these interim condensed consolidated financial statements are consistent with those of the previous financial year as disclosed in the Group's annual report and accounts for the year ended 28 February 2023.

1.4 New standards, interpretations and amendments adopted by the Group
There were no new standards, interpretations and amendments adopted by the Group during the period to 31 August 2023 that have a material impact on the interim condensed consolidated financial statements of the Group.

1.5 Changes in accounting policies and disclosures
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those set out in the Group's annual consolidated financial statements for the year ended 28 February 2023, except for the new accounting policy in note 1.6 below.

1.6 Investment in associates
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 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.

2. Segmental information

2(a) Description of segment

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

2(b) Adjusted operating profit

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

Adjusted operating profit reconciles to operating profit as follows:

	Note	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Adjusted operating profit		33,949	29,802	56,377
Share-based payment charges	**15**	(2,900)	(1,702)	(4,188)
Amortisation of acquired intangible assets		(440)	(805)	(1,306)
Operating profit		**30,609**	**27,295**	**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	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Software	67,088	57,884	114,108
Hardware	24,112	20,865	38,355
Services internal	15,473	13,350	28,454
Services external	2,026	1,434	3,504
Total revenue from contracts with customers	**108,699**	**93,533**	**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	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
United Kingdom	105,296	90,042	177,882
Europe	2,111	2,425	4,358
Rest of world	1,292	1,066	2,181
	108,699	**93,533**	**184,421**

3(b) Gross invoiced income by type	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Software	1,027,305	738,448	1,346,110
Hardware	24,112	20,865	38,355
Services internal	15,473	13,350	28,454
Services external	14,751	13,538	26,395
	1,081,641	**786,201**	**1,439,314**
Gross invoiced income	1,081,641	786,201	1,439,314
Adjustment to gross invoiced income for income recognised as agent	(972,942)	(692,668)	(1,254,893)
Revenue	**108,699**	**93,533**	**184,421**

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

4. Finance income and costs

	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Bank interest received	2,859	-	-
Finance income	**2,859**	-	-
Interest expense on financial liabilities	(219)	(229)	(443)
Interest expense on lease liability	(25)	(26)	(48)
Finance costs expensed	**(244)**	**(255)**	**(491)**
Net finance income / (costs)	**2,615**	**(255)**	**(491)**

5. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual rate used for the period to 31 August 2023 is 23.9%, compared to 19.7% for the period to 31 August 2022. The tax rate is higher in the current period, due primarily to the increase in the UK corporate tax rate from 19% to 25% effective from 1 April 2023.

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

Current tax expense	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Current income tax charge in the year	8,723	5,734	10,483
Adjustment in respect of current income tax of previous years	(77)	-	66
Total current income tax charge	**8,646**	**5,734**	**10,549**
Deferred tax credit			
Current year deferred tax credits	(690)	(401)	(402)
Adjustments in respect of prior year	-	-	(75)
Effect of change in tax rates	-	-	(101)
Total deferred tax credit	**(690)**	**(401)**	**(578)**
Total tax charge	**7,956**	**5,333**	**9,971**

Amounts recognised directly in equity

	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity:			
Deferred tax: share-based payments	381	1	(24)
	381	**1**	**(24)**

6. Investment in 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.

7. Financial assets and financial liabilities

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

- an overview of all financial instruments held by the Group;
- specific information about each type of financial instrument; and
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:

Financial assets	**Note**	**As at 31 August 2023 Unaudited £'000**	**As at 31 August 2022 Unaudited £'000**	**As at 28 February 2023 Audited £'000**
Financial assets at amortised cost:				
Trade receivables	**8**	165,293	166,598	178,386
Other receivables	**8**	12,015	7,753	5,896
		177,308	**174,351**	**184,282**

Financial liabilities	**Note**	**As at 31 August 2023 Unaudited £'000**	**As at 31 August 2022 Unaudited £'000**	**As at 28 February 2023 Audited £'000**
Financial liabilities at amortised cost:				
Trade and other payables – current, excluding Payroll tax and other statutory tax liabilities	**10**	218,970	196,109	217,253
Lease liabilities		1,358	1,085	992
		220,328	**197,194**	**218,245**

8. Trade and other receivables

	As at 31 August 2023 Unaudited £'000	**As at 31 August 2022 Unaudited £'000**	**As at 28 February 2023 Audited £'000**
Financial assets			
Gross trade receivables	166,835	168,541	179,928
Less: loss allowance	(1,542)	(1,943)	(1,542)
Net trade receivables	165,293	166,598	178,386
Other receivables	12,015	7,753	5,896
	177,308	174,351	184,282
Non-financial assets			
Prepayments	2,840	2,323	1,638
	2,840	2,323	1,638
Trade and other receivables	**180,148**	**176,674**	**185,920**

9. Cash and cash equivalents

	As at 31 August 2023 Unaudited £'000	**As at 31 August 2022 Unaudited £'000**	**As at 28 February 2023 Audited £'000**
Cash at bank and in hand	51,663	35,756	73,019
	51,663	**35,756**	**73,019**

10.Trade and other payables

	As at 31 August 2023 Unaudited £'000	**As at 31 August 2022 Unaudited £'000**	**As at 28 February 2023 Audited £'000**
Trade and other payables	172,447	139,597	138,307
Accrued expenses	46,523	56,512	78,946
Payroll tax and other statutory liabilities	3,939	3,476	14,464
	222,909	**199,585**	**231,717**

11. Cash generated from operations

	Note	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Profit before taxation		33,344	27,040	50,392
Adjustments for:				
Depreciation and amortisation		1,145	1,394	2,480
Loss on disposal of property, plant and equipment		-	-	3
Non-cash employee benefits expense – share based payments	15	2,900	1,702	4,188
Finance (Income)/costs – net		(2,615)	255	491
Share of profit of associate		(120)	-	-
(Increase)/decrease in contract assets		(5,924)	2,401	(4,365)
Decrease/(increase) in trade and other receivables		5,772	(19,065)	(28,310)
Decrease in inventories		-	51	38
(Decrease)/increase in trade and other payables		(8,808)	(18,027)	14,105
(Decrease)/increase in contract liabilities		(8,277)	4,011	9,867
Cash generated from/(utilised by) operations		**17,417**	**(238)**	**48,889**

12. Financial risk management

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

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

The main financial risks arising from the Group's activities are credit, liquidity and currency risks. The Group's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made. The Group's approach to credit risk is disclosed in note 24 in its annual consolidated financial statements for the year ended 28 February 2023.

12(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.

12(b) Foreign exchange risk

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

	As at 31 August 2023 Unaudited			As at 31 August 2022 Unaudited			As at 28 February 2023 Audited		
	USD £'000	EUR £'000	NOK £'000	USD £'000	EUR £'000	NOK £'000	USD £'000	EUR £'000	NOK £'000
Trade receivables	10,462	3,858	-	9,646	3,958	-	13,529	1,900	-
Cash and cash equivalents	3,799	3,892	-	4,898	1,734	606	250	214	-
Trade payables	(20,651)	(2,132)	(611)	(12,207)	(2,015)	(30)	(15,286)	(1,981)	(221)
	(6,390)	**5,618**	**(611)**	**2,337**	**3,677**	**576**	**(1,507)**	**133**	**(221)**

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

	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Total net foreign exchange (losses)/gains in profit or loss	(186)	15	32
	(186)	**15**	**32**

12(c) Liquidity risk

(1) Cash management

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

As at 31 August 2023, the Group had cash and cash equivalents of £51.7 million (2023: £73.0 million), see note 8. Management monitors rolling forecasts of the Group's liquidity position (which comprises its cash and cash equivalents) on the basis of expected cash flows generated from the Group's operations. These forecasts are generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group and take into account certain down case scenarios.

(2) Revolving Credit Facility

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. 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 this facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee has been capitalised as a prepayment and amortised over the period of the facility. The facility also incurs a commitment fee and a utilisation fee, both of which are payable quarterly in arrears. Under the terms of the facility, the Group is required to comply with the following financial covenants:

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

The Group has complied with these covenants throughout the reporting period.

(3) Contractual maturity of financial liabilities

The following table details the Group's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

31 August 2023 - Unaudited	**Note**	**Within 1 year £'000**	**1 to 2 years £'000**	**2 to 5 years £'000**	**Over 5 years £'000**	**Total contractual cash flows £'000**	**Carrying amount £'000**
Trade and other payables[1]	**10**	218,970	-	-	-	218,970	218,970
Lease liabilities		247	363	864	-	1,474	1,358
		219,217	**363**	**864**	**-**	**220,444**	**220,328**

31 August 2022 - Unaudited		**Within 1 year £'000**	**1 to 2 years £'000**	**2 to 5 years £'000**	**Over 5 years £'000**	**Total contractual cash flows £'000**	**Carrying amount £'000**
Trade and other payables[1]	**10**	196,109	-	-	-	196,109	196,109
Lease liabilities		231	116	694	198	1,239	1,085
		196,340	**116**	**694**	**198**	**197,348**	**197,194**

28 February 2023 - Audited	Note	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade and other payables[1]	**10**	217,253	-	-	-	217,253	217,253
Lease liabilities		116	463	545	-	1,124	992
		217,369	**463**	**545**	-	**218,377**	**218,245**

[1] excludes payroll tax and other statutory liabilities

13. Capital management

13(a) Risk management

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

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

13(b) Dividends

Declared and paid during the period	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Interim dividend	-	-	5,748
Final dividend	12,214	10,058	14,848
Special dividend	17,961	14,848	10,058
Total dividends attributable to ordinary shareholders	**30,175**	**24,906**	**30,654**

Dividends not recognised at 31 August 2023

Since the end of the half year the directors have recommended the payment of an interim dividend of 2.7 pence per fully paid ordinary share (2022: 2.4 pence). The aggregate amount of the proposed dividend expected to be paid on 1 December 2023 out of retained earnings at 31 August 2023, but not recognised as a liability at the end of the half year, is £6.5 million.

14. Related party transactions

In the ordinary course of business, the Group carries out transactions with related parties, as defined by IAS 24 'Related Party Disclosures'. There have been no related party transactions that materially affect the current period. Related party transactions materially affecting the prior periods reported relate to the final and interim dividends paid to the Group's former parent group, disclosed in note 12(b).

15. Share-based payments

For the six months ended 31 August 2023, 1,578,955 share options were granted to eligible employees.

	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Share-based payment employee expenses	2,900	1,702	4,188
	2,900	**1,702**	**4,188**

16. Earnings per share

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

	Period ended 31 August 2023 Unaudited pence	Period ended 31 August 2022 Unaudited pence	Year ended 28 February 2023 Audited pence
Basic earnings per share	10.60	9.06	16.88
Diluted earnings per share	10.17	8.74	16.28
Headline earnings per share	10.60	9.06	16.88
Diluted headline earnings per share	10.17	8.74	16.28
Adjusted earnings per share	11.71	10.11	18.83
Diluted adjusted earnings per share	11.23	9.75	18.16

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

	Period ended 31 August 2023 Unaudited Number	Period ended 31 August 2022 Unaudited Number	Year ended 28 February 2023 Audited Number
Weighted average number of ordinary shares used as the denominator in calculating both basic EPS and HEPS	239,482,333	239,482,333	239,482,333
Adjustments for calculation of both diluted EPS and diluted HEPS:			
– share options[1]	10,105,688	8,866,180	8,760,684
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating both diluted EPS and diluted HEPS	249,588,021	248,348,513	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.

16(b) Headline earnings per share

The table below reconciles the profits attributable to owners of the company to headline profits attributable to owners of the company:

	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Profits attributable to owners of the company	25,388	21,707	40,421
Adjusted for:			
- Loss on disposal of property, plant and equipment	-	-	3
- Tax effect thereon	-	-	(1)
Headline profits attributable to owners of the company	**25,388**	**21,707**	**40,423**

16(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
- Amortisation of acquired intangible assets

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

	Period ended 31 August 2023 Unaudited £'000	Period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 Audited £'000
Profits attributable to owners of the company	25,388	21,707	40,421
Adjusted for:			
- Amortisation of acquired intangible assets	440	805	1,306
- Deferred tax effect on amortisation	(110)	-	(301)
- Share-based payment charges	2,900	1,702	4,188
- Deferred tax effect on share-based payment charges	(580)	-	(522)
Total adjusted earnings attributable to owners of the company	**28,038**	**24,214**	**45,092**

[1] The prior year has not been restated to include the deferred tax effect on the adjusting items as the impact was considered to be immaterial. Had the prior year been restated the adjusted profits attributable to owners of the company would have been £23.8 million.