BTG
Bytes Technology Group

Annual Report and Accounts 2024/25

Bringing people and technology together

Our year in numbers

£2,099.8m
Gross invoiced income (GII)[1]
(2024: £1,823.0m) **+15.2%**

£217.1m
Revenue[2]
(2024: 207.0m) **+4.9%**

£163.3m
Gross profit (GP)
(2024: £145.8m) **+12.0%**

£27,600
Average gross profit per customer
(2024: £25,000)[3] **+10.4%**

£66.4m
Operating profit
(2024: £56.7m) **+17.1%**

1 Gross invoiced income (GII) is a non-IFRS financial measure that reflects gross income billed to customers, adjusted for deferred and accrued revenue items. The reconciliation of GII to revenue is set out in note 3(b) to the consolidated financial statements.
2 Revenue is reported in accordance with IFRS 15 Revenue from Contracts with Customers. Under this standard, the Group is required to exercise judgement to determine whether the Group is acting as principal or agent in performing its contractual obligations. Revenue in respect of contracts for which the Group is determined to be acting as an agent is recognised on a 'net' basis, that is, the gross profit achieved on the contract rather than the gross income billed to the customer.
3 2023/24 average GP per customer has been revised from £24,400 in the Annual Report and Accounts for 2023/24 to remove year-on-year fluctuations caused by very small customer variations under a single parent.

Contents

This is Bytes Technology Group

The world runs on technology – and it's evolving at a breathtaking speed. A mobile phone is now a powerful computer. Data storage has moved from in-house to the cloud. AI has swiftly gone from science fiction to being an integral part of daily lives – and it's only the beginning. Digital information is now so valuable it is under constant and ever more sophisticated attack.

Technology is a source of competitive advantage. It's not just about staying safe – it's about staying ahead. At BTG, we strive to make it easier, **helping organisations succeed in a world of change, through trusted partnerships and transformative technology**.

We're a value-added IT reseller focused on:

Subscription software
Security
IT services
AI
Cloud-based solutions
Hybrid infrastructure

We serve around

6,000

customers in the corporate and public sectors

From our beginnings in a shop outside Epsom in 1982, we listed in London[1] as a constituent of the FTSE 250 in 2020.

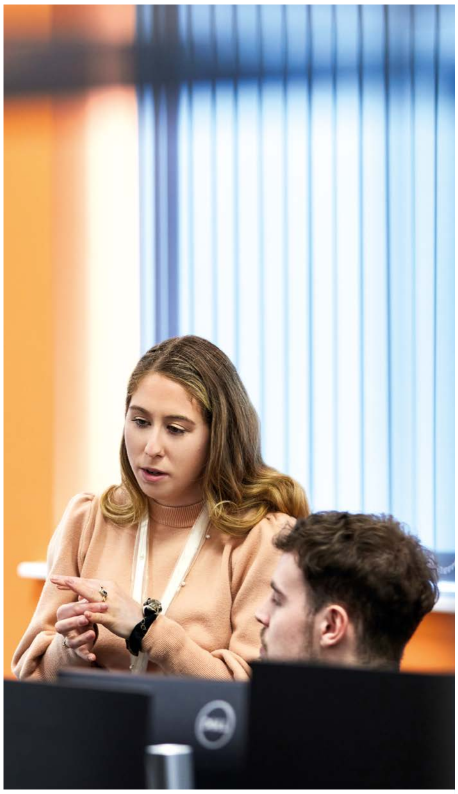
1 The company has a primary listing on the Main Market of the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange.

We're made up of two companies bound by one dynamic, customer-focused culture: **Bytes Software Services** (Bytes) and **Phoenix Software** (Phoenix). Today, as one of the UK and Ireland's leading software, security, AI and cloud services specialists, we continue to expand, with nine offices and more than 1,200 employees who we empower and inspire to fulfil their potential. Many of our colleagues have been with us a long time, becoming experts in their fields and growing with our customers.

Read more about how colleagues are central to our success on page 36.

Our offices

BYTES PHOENIX



We have more than

1,200

talented colleagues

We have a simple but powerful business model.

We derive our gross profit from two main sources: margin and fees. Where we invoice our customers, we pay the vendor and make a margin on the products sold. This margin is often enhanced through rebates from our vendors. Where the vendor invoices our customers directly, the vendor pays us a fee related to the licensing advice and sales support we provide to the customer. We also generate profit by providing professional and managed IT services to our customers, often aligned to the software we sell to them. Where the solutions are strategically important to our vendors, they may pay us additional fees.

What makes us unique is how everyone at BTG turns that simple model into one that's truly value added. Alongside our deep technical expertise and support services, we live by our values in everything we do: being passionate, acting with integrity, working together, being kind and respectful, and getting business done while having fun doing it. Our results speak for themselves – lasting, mutually beneficial partnerships with employees, customers and vendors, which drive consistent growth.

Read more details about how our model delivers profit on page 21.

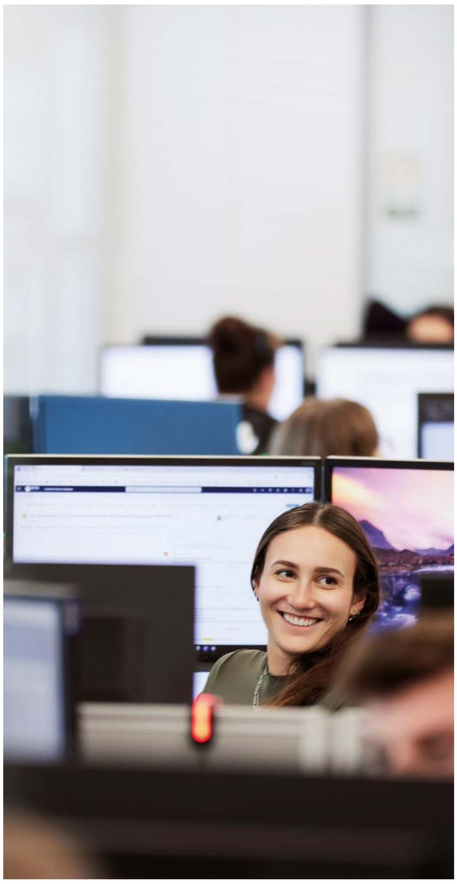
What our model delivers

Customers
NPS
79

Employees
eNPS
57

Shareholder return*
Three-year CAGR
17.3%

Communities
Hours volunteered
2,169



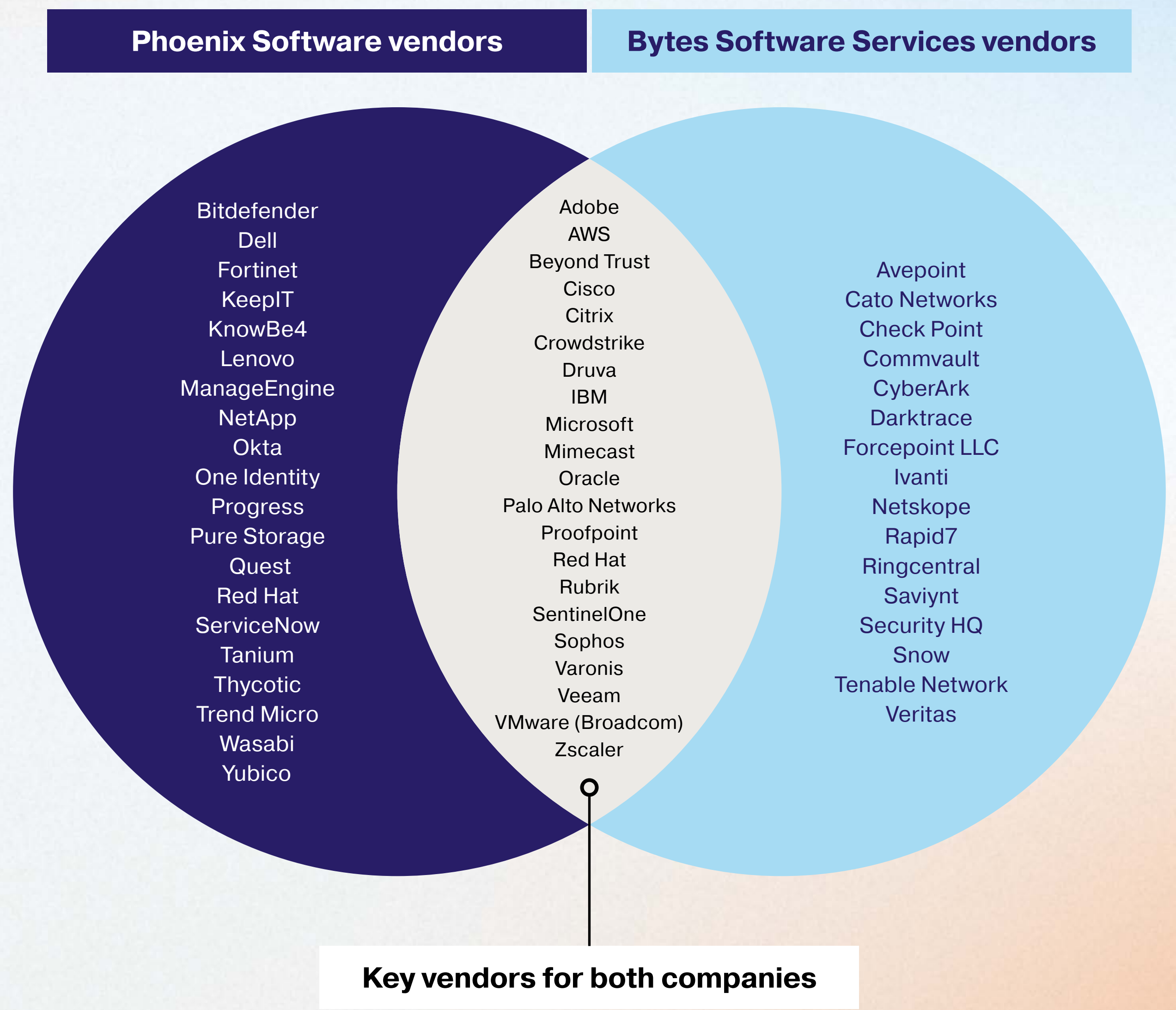
* Dividend growth

Success comes from serving our customers with the right technology from the best partners.

We are one of Microsoft's largest UK partners by revenue and work hand in hand with more than 100 other world-leading vendors who make or distribute software, hardware and other IT products.

That means we give straightforward, independent and expert advice on the right solution to our customers, whatever their size and need.

Read more about how we are evolving with our customers on page 18.



We have close relationships with more than **100** vendors.

Our future: bringing people and transformational technologies together to achieve more.

With technology changing so fast, it's easy to lose sight of what IT is really for: driving increased efficiencies, keeping data and networks safe, adopting new technologies such as AI for a competitive advantage, and communication. As experts in what works now – and by investing to stay ahead of what's coming – we'll continue to make sure that our customers benefit in the years and decades to come.

Throughout this report we aim to demonstrate how we grow by pursuing our purpose: **empowering and inspiring our people to fulfil their potential, so they can help our customers make smarter buying decisions and meet their business objectives through technology**.

Chair's statement

Our talented people and strong customer focus helped BTG achieve another record-breaking year in 2024/25. By continuing to invest in our business and technical capabilities we have established a strong platform for future growth.

Strong performance thanks to a great team

I'm very proud of the performance delivered by the BTG team this year. In challenging market conditions, especially in the first half of the year, we achieved double-digit growth for the full year across our key performance metrics: gross invoiced income, gross profit and operating profit. For the first time, BTG achieved gross invoiced income of over £2 billion – more than double what the company achieved only four years ago, and a sign of how far we've come in just a few years.

On behalf of the Board, I would like to thank all our people across the company for their efforts this year and, importantly, for making BTG a great place to work. We're also very appreciative of the continued support of our customers and vendors, including our largest partner Microsoft, which we've worked with since the 1980s.

Strengthening our Board

Strong leadership has been integral to our success this year. Sam Mudd, who has worked in our business for 22 years, was appointed CEO on 10 May 2024, after a short period as Interim CEO. Following her long-standing managing director (MD) role at Phoenix, she has now proved to be a great leader of BTG as a whole, with a deep understanding of the business and a very effective working relationship with our CFO, Andrew Holden. Sam spent a lot of time engaging with the investor community and our employees in 2024/25, as well as with our vendors, among whom she is well respected.

Patrick De Smedt Chair

> For the first time, BTG achieved gross invoiced income of over £2 billion – more than double what the company achieved only four years ago, and a sign of how far we've come in just a few years.

In June, we were delighted to welcome two more independent non-executive directors to our Board: Ross Paterson and Anna Vikström Persson. Ross, a highly experienced CFO, was appointed Chair of the Audit Committee, a role he also holds at a FTSE 100 company, while Anna brings a wealth of human resources expertise to the Board.

I am very pleased with the composition of the Board, with our directors' wide range of experience and skill sets, and grateful for the excellent support they have given me as Chair this year. Following the changes to the Board, we remain aligned with the FCA's UK Listing Rules, with 57% women on the Board and at least one director from a minority ethnic background. We also have women in both the CEO and senior independent director roles.

Engaging our people and teams

Shruthi Chindalur took over as designated non-executive director for employee engagement in March 2024. She spent time at both our businesses, Bytes and Phoenix, engaging with colleagues and giving feedback to the Board. This has helped shape several employee-related initiatives. Following an engaging town hall meeting at Phoenix in 2023, we introduced the Board to our employees at Bytes's headquarters in Leatherhead in July 2024, outlining the company's strategic priorities – with ample time allocated for Q&A.

It was good to see the BTG team continuing to grow this year to support future expansion, with our headcount increasing by nearly 18% across all areas of the business. This included sales people and, importantly, pre-sales people with technical skills and service delivery heads, who support our account managers by helping customers understand how to benefit from the latest technology.

Investing to meet customers' needs

The Board was also pleased to note the impressive investment in services in 2024/25. BTG has always been far more than just a value-added reseller that provides high-quality licensing advice; the team aims to deliver outstanding customer service, and that is reflected in our high customer net promoter score (NPS) of 79. With technology evolving quickly, it is crucial that our support and technical services offerings keep evolving too, especially in the key areas of multi-cloud adoption and migration, cybersecurity, AI and data.

Shareholder dividends

BTG's dividend policy is to distribute 40–50% of post-tax pre-exceptional earnings to shareholders. The Board is pleased to propose a gross final dividend of 6.9 pence per share equating to £16.6 million. Given the company's continued strong performance and cash generation, we are also proposing a cash return to shareholders with a special dividend of 10.0 pence per share, equating to £24.1 million. If approved by shareholders, the final and special dividend will be paid towards the end of July 2025.

Focusing on sustainability

For any responsible business, a strong focus on sustainability is essential, even more so given the climate crisis. This year, for the first time, the Board formed an ESG Committee, which is chaired by Anna Vikström Persson and oversees progress across all aspects of sustainability. In June 2024 we received validation from the Science Based Targets initiative (SBTi) for our near-term and net zero GHG emissions targets, and further improved our ISS ESG Corporate Rating, which is now one of the highest in our peer group. I was also pleased to see the launch of the Group's carbon literacy awareness programme, and the firm measures taken to further reduce our own emissions, including expanding our electric vehicle (EV) scheme and installing solar panels at our York office.

Looking ahead with optimism

The Board is optimistic about the opportunities for further growth in 2025/26 and beyond, as BTG continues to provide services that enable organisations to adapt, grow and succeed. Structural market trends – digital transformation, security, cloud migration, AI/data – are in our favour, and are the areas we are investing in. Our disciplined growth strategy also means we have the flexibility to pursue value-enhancing opportunities as they arise. We look forward to supporting our executive team and playing our part in growing the business in the years to come.

Patrick De Smedt
Chair
12 May 2025

CEO's review

At BTG we're driven by a clear vision: to help organisations succeed in a world of change, through trusted partnerships and transformative technology. I'm proud to say that in 2024/25 we lived up to this vision. Thanks to our great people, our loyal customers and our vendors, we helped more businesses and public sector organisations than ever meet their objectives through innovative IT solutions.

In doing so we achieved another strong set of financial results, with demand for our broad suite of products and services remaining robust even in a challenging trading environment. Gross invoiced income rose by 15.2% to a record-high £2.1 billion, and operating profit increased by 17.1% to £66.4 million, extending our run of double-digit growth.

The strong performance demonstrates the resilience of our two businesses, Bytes and Phoenix, and the hard work done by our teams to maintain close, enduring partnerships with our customers by providing the straightforward expert and honest advice that we have become known for. Our high customer NPS score of 79 reflects this.

Sam Mudd CEO

A growth company with a proven strategy

Expanding our business, year after year, is not something new for us – even before our initial public offering (IPO) in 2020 we had a long track record of growth, in line with our proven strategy. Our ultimate strategic goal each year is to grow organically by winning new customers and doing more with our existing customers. In 2024/25, we achieved both of those aims, with 656 new customers delivering £4.3 million gross profit, and existing customers generating £13.2 million additional gross profit.

Despite increasing competition, we had notable successes with public sector tenders, retaining and gaining customer contracts. An example is our partnership with East Suffolk and North Essex NHS Foundation Trust. A relationship nurtured over several years led to collaboration on a major project designed to transform the way that staff and patients interact, for a better service for all. You can read more about that work on page 14.

I'm also delighted that at the end of April 2025, Phoenix was granted a Royal Warrant for the supply of IT Managed Services to The King. I'm extremely proud of the Phoenix team's commitment to excellence, sustainability and service that led to this prestigious award.

By Appointment to
His Majesty The King
Supplier of IT Managed Services
Phoenix Software Limited
York

What gives me great confidence about our prospects is that even though we've been growing year on year, we still have plenty of room to expand. Many vendors have in recent years pivoted to a 'partner-first strategy', which serves us well. We are strongly focused on software solutions, which, according to market intelligence firm IDC, is the fastest-growing segment of the IT industry today. Our share of the overall total addressable market in the UK is still only around 4%.

Our strategy

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

Along with consistently **expanding our solutions capabilities** and **broadening and deepening our vendor partnerships**, we pursue our strategy by focusing on three key areas: **putting customers first, investing in our people and our business, and investing in innovation**.

Putting customers first

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

Read more about how we are helping our customers on page 14.

Investing in our people and our business

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

Read more about how we are growing great people on page 15.

Investing in innovation

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

Read more about how we are investing in innovative services on page 16.

Investment case

01

Proven track record and growth strategy

We have a long track record of strong financial performance, driven by highly motivated employees delivering the latest technology to a diverse and loyal customer base. Our growth strategy supports strong free cash flow that allows us to invest in our businesses.

5-year GP CAGR 15.6%

Customers served in 2024/25 5,913

02

Attractive market positioning

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

More than 1,000 vendors and distributors

One of the biggest UK partners with Microsoft by revenue

03

Compelling growth opportunity

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

Strong GII growth at a record £2.1bn 15.2%

04

Strong team culture

Our dynamic culture, based on trust, collaboration and innovation, drives our operational excellence and high employee retention rates, and increases sales productivity, customer satisfaction and repeat business.

Employee net promoter score (eNPS) 57

Expanding our solutions capabilities and vendor partnerships

To take advantage of this big opportunity, and in support of our main strategic goal, we are focused on increasing our services capabilities and broadening our vendor partnerships. The pace at which technology is advancing today is remarkable, especially in areas such as AI. From our experience of using Microsoft's Copilot AI companion in our own business, we can see the potential to transform for the better the way that people work.

But these innovations are complicated, which can make it hard for our customers to find the best solutions for their businesses. By building our own advisory and support services around the wide suite of software solutions we offer – especially in the key areas of cloud computing, security and AI – we can help our customers better understand and benefit from the latest technologies.

In 2024/25, we continued to grow our range of professional and managed IT services. At Bytes, this included a successful launch of a new Microsoft 24x7 CSP support service, and significant investments in our procurement advisory services division. At Phoenix, we launched a new managed-cost management and optimisation service for Microsoft's Azure cloud platform, and expanded our AI teams and our security operations centre. We also focused on enhancing our technical capabilities, working with our long-standing vendors to attain top accreditations, and working more strategically with newer ones, such as Service Now, Palo Alto Networks and Commvault, to ensure we can support our customers' expanding technology needs. This deep knowledge of our vendors' software is crucial in enabling us to give our customers the best advice on the choice of software solutions and the interoperability of different vendors' products.

And it's reflected in how some of the world's largest tech companies regularly ask us to join their exclusive partner advisory councils and pilot programmes. It shows that they value our partnership, commitment, technical skills, the business we influence for them and, most importantly, how we work collaboratively and sometimes exclusively together on opportunities.

The advantages of an experienced management team

Maintaining close relationships with vendors and customers is easier when you have extensive experience and continuity in your business. This is especially true of our management teams, which have many decades of software and solutions reselling experience and, crucially, the passion,

> By building our own advisory and support services around the wide suite of software solutions we offer – especially in the key areas of cloud computing, security and AI – we can help our customers better understand and benefit from the latest technologies.

expertise and credibility to further grow our company. Jack Watson and Clare Metcalfe, who have both been with us for many years, are strong leaders of Bytes and Phoenix, respectively. I am really pleased with what they and their teams achieved in 2024/25, from delivering double-digit profit growth in their businesses, to broadening our customer base and being among Microsoft's top partners for the rollout of Copilot in the UK.

Maintaining our strong, inclusive culture

As one of the country's largest IT resellers, we continue to attract talented, skilled people who want to be a part of our journey of success, and we now have more than 1,200 colleagues. As we do every year, we worked hard to ensure our unique culture that has brought us so far is maintained, even as we become a bigger company. To harness the strengths of our two businesses, and protect our culture as we grow, we will appoint our first Chief People Officer (CPO) in the 2025/26 financial year.

People are at the heart of business, and I am committed to improving this year's eNPS results which, while still above the industry average, have fallen from their previous high level of 71 to 57. This change, we think, reflects a turbulent year both externally, with the weak economy and political uncertainty, but also internally, with the necessary transformation and structural changes in our operations and leadership teams. That said, we can be very proud of our high rank in the Great Place to Work survey for the 'Large Company' category – Phoenix at 9th and Bytes at 85th – and our FTSE Women Leaders Review 2024 report, in which BTG was named the most improved company in the FTSE 250 in the 'Women on Boards' category.

At a time when progress against the basic principles of diversity and inclusion is being questioned, challenged or blocked, it is good to celebrate such moments with our FTSE peers. As a female CEO, I intend to use my high profile to continue to identify and remove any barriers to participation and career progression at BTG, and will ensure that diversity, equality and inclusion remain central themes for our business. By doing so, we can fully embrace our colleagues' unique differences, which lead to better ideas and insights, and support our strong, innovative culture.

Increasing our geographical footprint

As our headcount has grown, we've made it a priority to provide the right office environments in the right areas. We want to offer an exciting and vibrant working space for all our staff, filled with areas to collaborate and socialise. Following the work done at Phoenix's offices in York, we carried out a similar transformation at Bytes's Leatherhead office this year. Also at Leatherhead, we acquired two other buildings in our business park to cater for our further expansion. We opened new offices in Portsmouth and Sunderland to be closer to our customers and hire staff from those areas, and we expanded our London office.

A commitment to sustainability

As a responsible business, we are committed to ensuring that our growth does not come at the expense of the environment. While we're not a big greenhouse gas (GHG) emitter ourselves, the software and services we provide do have an impact on the planet, especially through the energy required to power AI solutions and cloud storage. In 2024/25, we reached a crucial milestone on our path to net zero, with the SBTi validating our GHG emissions targets. Our efforts to reduce our carbon footprint this year included installing solar panels at our York office and expanding our EV scheme.

Looking ahead

Turning to the future, we expect that the macroeconomic conditions will remain challenging and uncertain, but we know from experience that when times are tough, organisations look to technology to make them more efficient and resilient. And our sector has tailwinds: we are still in the early stages of the take up of AI-powered platforms and products, while the need for ever more sophisticated cybersecurity and cloud-based products will only increase. With a great team behind me, I am excited to grow our business further by meeting customers' evolving needs as we continue through 2025 and beyond.

S. Mudd

Sam Mudd

Chief Executive Officer
12 May 2025

Measuring progress

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

Financial

Gross invoiced income[1] £2,099.8m +15.2%

2025	£2,099.8m
2024	£1,823.0m
2023	£1,439.3m
2022	£1,208.1m
2021	£958.1m

Revenue[2, 3] £217.1m +4.9%

2025	£217.1m
2024	£207.0m
2023	£184.4m
2022	£145.8m
2021	£393.6m

Gross profit £163.3m +12.0%

2025	£163.3m
2024	£145.8m
2023	£129.6m
2022	£107.4m
2021	£89.6m

Gross margin[3] 75.2%

2025	75.2%
2024	70.4%
2023	70.3%
2022	73.7%
2021	22.8%

Operating profit £66.4m +17.1%

2025	£66.4m
2024	£56.7m
2023	£50.9m
2022	£42.2m
2021	£26.8m

Operating profit as % of gross profit 40.7%

2025	40.7%
2024	38.9%
2023	39.3%
2022	39.3%
2021	29.9%

Cash conversion[4] 113.8%

2025	113.8%
2024	116.4%
2023	93.4%
2022	144.7%
2021	182.9%

Cash £113.1m +27.4%

2025	£113.1m
2024	£88.8m
2023	£73.0m
2022	£67.1m
2021	£20.7m

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

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

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

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

5 Revised from 5,978 in Annual Report and Accounts 2023/24 to remove year-on-year fluctuations caused by very small customer variations under a single parent.

6 Revised from £24,400 in Annual Report and Accounts 2023/24 to remove year-on-year fluctuations caused by very small customer variations under a single parent.

Strategic

Customer numbers — 5,913 +1.5%

2025	5,913
2024[5]	5,828
2023	5,941
2022	5,330
2021	5,147

Average gross profit per customer — £27,600 +10.4%

2025	£27,600
2024[6]	£25,000
2023	£21,800
2022	£20,100
2021	£17,400

Renewal rate — 109%

2025	109%
2024	109%
2023	116%
2022	111%
2021	107%

Customer net promoter score — 79

2025	79
2024	82
2023	77
2022	64
2021	63

% gross profit from existing customers — 97%

2025	97%
2024	97%
2023	96%
2022	93%
2021	95%

Sustainability

Employee numbers — 1,245 +17.8%

2025	1,245
2024	1,057
2023	930
2022	773
2021	685

Employee net promoter score — 57

2025	57
2024	71
2023	70
2022	69
2021	69

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

Our strategy in action

Putting customers first

Phoenix has worked with East Suffolk and North Essex NHS Foundation Trust for a number of years and has supported the Trust on many key projects.

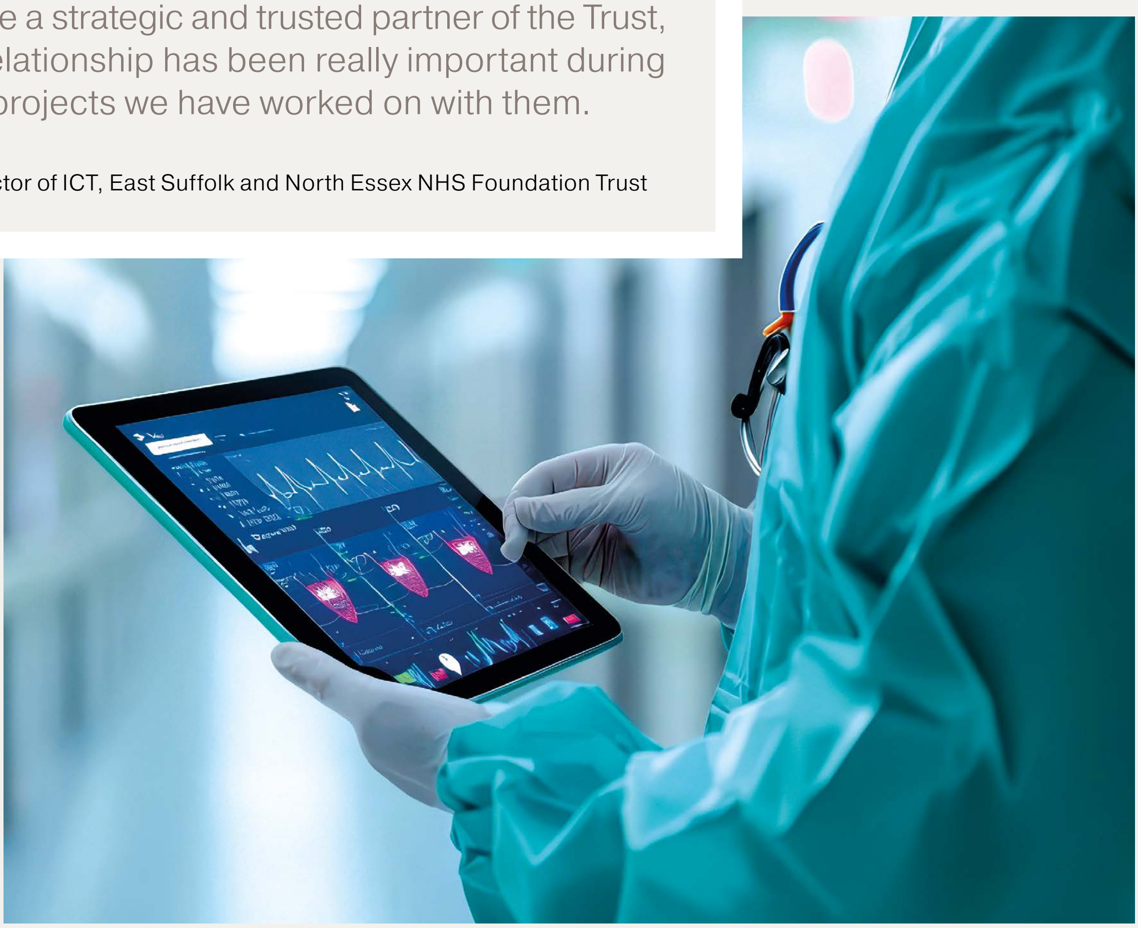
Over the past year, Phoenix has worked strategically with the Trust, providing the software and infrastructure needed to support its electronic patient record (EPR) system, Epic. Epic is one of the leading global EPR systems and the Trust selected this as "the best option for patients and staff, knowing these systems make patient care much safer". The EPR will help to streamline multiple digital systems across Ipswich Hospital, Colchester Hospital, and five community hospitals in East Suffolk and North Essex, into one single system.

Mark Caines, Associate Director of ICT, East Suffolk and North Essex NHS Foundation Trust, says that partnership and openness are key elements of the successful partnership with Phoenix.

"My team and I can approach them on various levels and that trusted relationship we have had over the years has significantly contributed to the success of numerous digital projects and initiatives across the Trust."

Keith Martin, Sales Director at Phoenix, says that the dedication of both teams is what made the project so successful. "By working closely and collaboratively, East Suffolk and North Essex NHS Foundation Trust and Phoenix found a solution that met the needs of its patients and staff. Without that strong relationship, the project wouldn't be where it is today."

> Phoenix are a strategic and trusted partner of the Trust, and that relationship has been really important during the many projects we have worked on with them.
>
> **Mark Caines**
> Associate Director of ICT, East Suffolk and North Essex NHS Foundation Trust



Investing in people and our business

At BTG we are proud to build the future of IT by offering great apprenticeship opportunities across a range of business areas, allowing people to earn while they learn on the job. This year at Bytes, eight people took part in apprenticeships, including Callum Ring and Emma de Lemos.

Emma de Lemos
Learning and development consultant business partner apprenticeship (level 5) – achieved a distinction

I thoroughly enjoyed undertaking my apprenticeship. The course content was extremely relevant and gave me so much more insight into my specialism. I have been able to really apply my learnings day to day and it has given me the confidence to grow further in my role as a learning and development consultant, to support the business's needs.

Bytes's motto is to 'grow great people to deliver amazing things', and the backing I have received from the business and my line manager to undertake the apprenticeship has been a true testament to this.

Callum Ring
Digital and technology solutions degree apprenticeship, specialising in cloud solutions (level 6) – achieved a first

I think when most people begin a degree, the expectation is that they will gain specific technical knowledge to begin a career in their chosen field. However, a degree apprenticeship is a little different. Working at a company like Bytes means that you'll pick up technical knowledge considerably faster than most 'traditional' students, as we are living and breathing the technology that is taught.

The real benefit that I have seen comes in the soft skills – understanding how to speak to customers and allowing them to understand complex technologies in a very simple way is key to being a good consultant. While completing the apprenticeship, I was promoted to Microsoft security services team lead, where the soft skills are helping me further. Now it is important to understand the needs of my team and listen to differing points of view, all of which are taught within the degree itself.

Our strategy in action continued

Investing in innovation

In 2024, we celebrated 25 years of providing innovative cybersecurity software solutions and services to our customers, helping them mitigate risks and stay secure in a world of rising threats.

Bytes + WSH

WSH is a food and hospitality company serving 2.6 million customers every day. They recognised that any disruption from cyberattacks could drastically affect their fast-paced business. But they only had a limited security budget and lacked the resources to manage potential vulnerabilities 24/7 across many locations. Bytes found the answer.

> Bytes has been an exceptional partner in our journey to fortify our security measures. Their support and expertise have made a tangible difference, and we highly recommend their services to any organisation looking to enhance their security capabilities.

Jack Mersey
Chief Information Security Officer, WSH

Phoenix + Shelter

Shelter is a prominent housing and homeless charity. Safeguarding the personal data of the people it supports is not just critical for their safety, but also in maintaining Shelter's reputation as a trustworthy organisation. To ensure the protection of its data, maintain compliance with stringent industry standards, and to stay ahead of evolving cyber threats, Shelter turned to Phoenix.

> We have built a long-standing partnership with Phoenix based on trust and proven success. Having collaborated with Phoenix for multiple services, including Microsoft-related solutions, for over five years, we felt confident in entrusting our critical security needs to Phoenix.

Rob Fisher
IT Operations and Security Manager, Shelter

Review of the year

Q

Why do customers choose BTG for cybersecurity?

A

We have more than 25 years of experience in cybersecurity. Through our team of more than 70 specialists, we support organisations across a range of security areas, including solutions, technical, delivery, consultancy and vendor management.

Lorna Gelstharp
Cybersecurity Solutions Specialist

Our market environment

Spending on IT remained robust in the UK in 2024/25, despite political and ongoing economic uncertainty. Corporate and public sector organisations continued to invest in technology to make them more productive, efficient and secure. New transformative technologies, such as generative AI, attracted particularly strong interest, as did cybersecurity solutions services.

What trends are shaping UK technology?

Migration to the cloud

Switching from on-premise applications to third-party hosted software offers more flexibility, scope for analytics, and sustainable credentials.

Cybersecurity

As the risk and sophistication of cyberattacks increases, so does the need for multilayered protection.

AI and data

AI-enabled tools have the potential to help people become more productive and creative.

Digitalisation

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

Cost optimisation

Vendor price rises and economic pressures mean customers are demanding greater value from their technology solutions and services.

$5.6tn

Forecast worldwide IT spending in 2025[1]

18.7%

Forecast annual growth in cloud revenue in the UK from 2025 to 2029[5]

$94bn

Forecast spending on AI-related services in Europe in 2025, up from $78bn in 2024[2]

44%

Increase in global cyberattacks in 2024[8]

Strong growth in global IT spending forecast

Spending on technology worldwide is forecast to grow by 9.8% in 2025, to $5.6 trillion, according to the research firm Gartner, as IT budgets keep pace with price rises.[1] In Europe, the picture is similar, with IT spending expected to grow by 8.7%, to $1.3 trillion, ‘the highest growth rate in IT spending in a single year in Europe since the post-pandemic surge in 2021,’ Gartner noted.[2] Spending in the UK tech market is generally in line with these global trends.

Cloud and cybersecurity software and services drive growth

Our main business areas are software and IT services, which continue to be the two biggest, and fastest-growing, areas of technology. UK revenue from software, which is mainly cloud-based, is projected to grow by 6.0% annually, between 2025 and 2029, according to the research company Statista.[3] Over the same period, spending on IT services is forecast to increase by 6.5%.[4] Revenues in the public cloud and cybersecurity markets are expected to rise by 18.7% and 8.6%, respectively.[5,6]

For all sources and references, see Endnotes on page 199.

The investments in security highlight the ever-increasing threat of cyberattacks. A report by the insurance group QBE in 2024 revealed that 69% of medium to large businesses in the UK were disrupted by cyber events in the past 12 months.[7] In its annual report, The State of Global Cyber Security 2025, Check Point reported a 44% year-on-year increase in global cyberattacks in 2024. It noted the increasing use of AI by bad actors, and a 58% increase in 'infostealer' attacks, where malicious software is used to breach computer systems and steal sensitive information.[8]

Value and flexibility in focus

The essential role of technology in today's world, and the speed at which it's evolving, means that organisations are reluctant to pause IT spending for long, even in tough economic times. But they are seeking greater value and flexibility; they want to be able to control their costs and quickly adapt to changes in the business environment. Cloud computing, with its variable costs and hybrid infrastructure, which offers a mix of cloud and on-site infrastructure, are attractive for this reason. So too are support services, from security to AI, which reduces the need to hire in-house experts. This all plays to our strengths, since we pride ourselves in providing what customers need, rather than what might drive our profits in the short term.

Our place in the UK tech sector

We're one of the UK's leading value-added resellers (VARs), providing IT products from a broad range of technology vendors to a large and diversified base of private and public sector organisations. Our potential market is large. UK business-to-business customers buy a substantial portion of their technology products from VARs and other resellers and distributors. Currently, our share of our total addressable market is around 4%. And because no one company dominates the market, we have a lot of room to expand.

Our target products and services

Software 95% of GII

We sell a wide range of software products from multiple vendors, mainly purchased as subscription licences and increasingly hosted in the cloud.

IT services 3% of GII

These include managed IT services around a wide range of vendor technologies, including 24x7 support for critical cloud and security offerings; software asset management and project-oriented consulting services including IT deployment assistance, cloud migrations and software cost optimisation; and AI projects.

Hardware 2% of GII

We sell a wide range of hardware, including desktops, monitors, mobile phones, servers and networking equipment.

Enabling real-world AI adoption

Interest in AI is surging in the private and public sectors, with organisations seeking to improve service delivery, efficiency and innovation.

Commercial tools accelerate spending

With the release of commercial AI tools, such as Microsoft's Copilot, spending on IT services related to AI grew strongly in 2024. In Europe, it reached $78 billion, and is forecast to grow by 21% in 2025, aided by demand for generative AI (GenAI) solutions, according to Gartner.[2]

According to Microsoft, which partnered with LinkedIn for its 2024 Work Trend Index, three in four knowledge workers now use GenAI at work, with usage doubling in just six months. At BTG, most of our people now use Copilot daily, resulting in increased productivity and a reduction in repetitive tasks. We've also seen very strong uptake from our customers to improve efficiency across their organisations.

Partnering with Microsoft to drive transformation

As a leader in AI implementation in the UK, we're confident that the technology will play a significant role in our future growth. Because true AI adoption doesn't stop at installation, we have invested in building dedicated teams focused on change management, security and skills enablement.

In this new AI era, our strong partnership with Microsoft is integral to our goal of helping organisations navigate change confidently and effectively. We bring the on-the-ground expertise, sector insight, and capabilities needed to make AI adoption successful, and Microsoft's tools, platforms and infrastructure allow us to do it at scale.

> BTG's commitment to AI innovation is unquestionable. They were one of the first adopters of M365 Copilot internally and are one of the leading Microsoft partners helping organisations across the UK with AI transformation. They have developed and delivered AI and related security solutions, creating true impact and results across industries such as government, healthcare, education, not-for-profit, retail and legal.

Eleri Gibbon
Small, Medium and Corporate Lead UK, Microsoft

CFO's introduction

In a year marked by economic and political uncertainty, we proved the resilience of our business model by delivering another set of strong financial results. We saw increased customer demand in key areas such as AI, cybersecurity and cloud computing, and for our services offerings, in which we've invested strongly.

At the end of the first half of the financial year we reported growth in gross profit of 9%. An exceptional second half saw gross profit grow by 15%. This has resulted in our full-year gross profit growing by 12% to £163.3 million, driven by a 15.2% increase in our gross invoiced income to £2.1 billion. Our operating profit grew by 17.1% to £66.4 million and we ended the year with strong cash conversion above our target of 100%.

Helping our customers do more with AI

In recent years we've benefited from a few boosts in our sector, including strong demand after the Covid-19 pandemic and vendor price increases. By the start of the 2024/25 financial year these had largely played out, and we faced a flagging economy, exacerbated by political uncertainty because of the election in the UK.

The weaker business confidence was clear in the first half of the year, when spending in the corporate sector was muted, even as the government maintained its investment in IT. We continued to engage closely with our customers, benefiting in the second half of the year as demand in the corporate market picked up and was maintained in the public sector. Over the full year, the net number of customers we served rose by 1.5%, to just under 6,000, and gross profit per customer increased by 10% to £27,600, with existing customers contributing 97% of our total gross profit at a renewal rate of 109%.

Andrew Holden CFO

This is in line with our strategy of winning new customers and then doing more with them each year by providing additional products and services to meet their evolving requirements. Our work with AI products, including Microsoft's Copilot, is a good example. During the year we delivered £1.0 million worth of workshops, funded through Microsoft incentives, to help our customers understand the potential benefits of the technology, and we grew our AI teams so we could provide even more advice and support. We've already seen positive results: since the launch of Copilot in the second half of the 2023/24 financial year, we've seen increased licence sales and implementation from our customers, and we expect this trend to continue in the coming years.

Supporting our core software income with enhanced services offerings

Gross profit from software licence sales rose by 12.0% to £146.0 million and contributed 89% of our total gross profit. Alongside this core offering, we are focused on growing our technical and service solutions. We continued to develop services to support customer readiness and adoption of AI, and expanded our in-house AI-dedicated teams, which are creating bespoke solutions for different sectors of the market. We've also been enhancing our IT services capabilities for cloud computing and security. Gross profit from internal services increased by 28.5% to £8.7 million in 2024/25, contributing 5.3% of our total gross profit, up from 4.6% in 2023/24.

While our growth this year was underpinned by the gross profit increases in software and internal services, we saw a 5% fall in hardware growth. After a weak first half of the year, hardware growth in the second six months bounced back by more than 50%, compared to the same period in 2023/24. In the public sector we grew gross profit by 18%, and in the corporate sector by 9% – the latter seeing strong growth of 15% in the second half of the year following a slow start.

Our operating profit to gross profit ratio of 40.7% reflects our disciplined approach to cost management and operating efficiency.

The strength of our finance team

The loyalty of our people played a big part in delivering these results. Many of our colleagues have been with us for a long time, and this is certainly the case for our finance teams, both at Group level and in our operations. Their collective experience and expertise are great assets, especially during a busy year like this one, when we've been preparing for the changes to the accounting software at Bytes and Phoenix, and redeveloping our business portal, where we transact with our customers. I'm grateful to all of them for their hard work this year, but I'd particularly like to thank Simon Rippon, Finance Director of Phoenix, who retired after more than 20 years with the business. With Simon's departure, we welcomed Peter Goodrick, and we look forward to the benefit of his expertise and experience in the industry in the coming years.

Our business model

As a value-added IT reseller, we have a simple business model that enables us to achieve consistent growth and to create value for all our stakeholders.

We build lasting, mutually beneficial partnerships with our employees, customers and vendors.

We employ people who are passionate about technology and our customers, including many who are long-serving and have a high level of technical skills, knowledge and expertise. Our leadership team is highly experienced.

We have deep relationships with many of the world's biggest software companies – we are one of Microsoft's largest UK partners by revenue – and work closely with them to understand the latest transformational technologies.

We serve customers across the corporate and public sectors in the UK and Ireland, many of whom have been with us for a long time.

This creates a strong value proposition…

For vendors: who get access to a large, growing customer base, meaning they don't need to employ their own customer relationship managers. Our strong relationship with Microsoft helps open the door to new customers and provides other vendors a credible entry point to those customers.

For customers: rather than having to listen to many sales pitches for different IT products, customers rely on us to advise them on the best options in the market for their needs. We know which products work together and we make them easy to buy. And we have a strong, ever-growing suite of our own professional and managed IT services, enabling us to provide comprehensive support on a one-off or day-to-day basis.

…enabling us to earn profits…

When selling software or hardware we earn a margin in one of two forms:

- 'Pure' margin, where we buy from a vendor at one price and sell to a customer at a higher price. This often comes with additional margin in the form of rebate we subsequently receive from the vendor
- Fees, where the customer pays the vendor directly and the vendor rewards us by way of a fee for managing the customer relationship and providing licensing advice and support to them.

Whether pure margin or fee based, it is all counted as gross profit – the most important measurement for our business.

We also earn profit from our suite of professional and managed IT services.

…which we use to invest in our people and operations, reward shareholders and support our communities.

CFO's introduction continued

Evolving with our vendors

Our biggest vendor partnership is with Microsoft, and we also have deep relationships with many other world-class software vendors. We work with these vendors to align our sales efforts and service offerings with their strategic objectives, and they incentivise us accordingly through rebates, which is one of the ways we make a profit (see more details in Our business model on page 21).

From January 2025, we saw rate reductions in parts of Microsoft's Enterprise Agreement (EA) incentive plan. This represents the continuing shift away from certain transaction-based rewards, and a greater focus on activity-based and usage-based incentives, which aligns strongly with the services part of our strategy. The Cloud Solution Provider (CSP) programme, which continues to be fast growing and currently provides almost one third of our Microsoft incentive payments, is unaffected. So, while the EA changes will result in lower incentives under that programme, we expect they will be offset by the growth we're already generating across other schemes as we focus our attention on CSP and Microsoft cloud, security and AI service activities. We have a long track record of successfully adapting to such changes and continuing to work with our vendors in a mutually beneficial way. We did not see a material impact from the EA change in 2024/25 and we do not expect to see one in the coming financial year.

> I am confident that our strong vendor partnerships and the investments we've made will stand us in good stead for years to come.

Looking ahead

We will continue to keep a close eye on our growth in the coming year, especially in light of ongoing economic uncertainty. But I am confident that our strong vendor partnerships and the investments we've made this year and in recent years – in our people, services, and internal and customer-facing systems – will stand us in good stead for years to come. With our headcount continuing to grow, reaching 1,245 by year end, we took the opportunity to acquire the other two buildings that occupy our office park in Leatherhead. This will give us enough space not only for the people we have taken on this year, but also to accommodate future growth.

In 2025/26, we will also focus on bedding in our new accounting, operational and marketplace platforms, ensuring that our culture remains consistent and strong as we continue to expand, and providing honest, expert advice to our customers so they can meet their business objectives through technology.

Andrew Holden
Chief Financial Officer
12 May 2025

Operational review

We are made up of two complementary businesses that share one culture – and a deep commitment to our people, our customers and our vendors. In 2024/25 Bytes and Phoenix delivered strong performance, as we grew our customer numbers, headcount, geographical footprint, gross profit and our range of offerings.

Robust demand for software, solutions and services

Across the corporate and public sectors, growth was led by:

- **Security** – with the ever-increasing threat of cyberattacks, organisations continue to invest in a wide range of advanced protection products and security-focused managed services to bolster their defences
- **Subscription software** – software contracts are now almost entirely subscription-based, providing a strong annuity-based income stream
- **Cloud-based solutions** – alongside the migration of data and applications to the cloud, organisations are investing in the latest cloud-based technologies, including AI
- **IT services** – as technology becomes ever more advanced and purchasing options more complex, demand is growing for expert support through a wide range of solutions including security, cost optimisation and licence compliance
- **Hybrid infrastructure** – combining the security and control of on-site data centres with the flexibility of cloud services enables organisations to better manage their IT ecosystems.

Staying agile and increasing our range of services

With the advent of AI-enabled software, the rapid increase in data and the growing complexity of cybersecurity, we need to stay agile and innovative to help our customers get the most out of the latest technology. One of the main ways we do this is through our professional and managed IT services, which complement the solutions we sell, and we therefore saw heightened focus on services this year from both businesses.

At Bytes, we introduced a 24/7 expert-level Microsoft support service to help customers manage their CSP subscriptions. We also launched a new network security service, adding to our strong suite of solutions around cybersecurity.

At Phoenix we expanded our support and managed services around a wide range of technologies and increased the vendor accreditations held by our consultants. The services provided by our security operations centre, which is built around Microsoft's Sentinel solution, grew strongly this year, underpinned by our Azure Expert status. We also continued to expand our IT professional services, with a key focus on cloud security and AI solutions.

Staying agile means adapting to vendor incentive programmes, which is a continual part of our business; changes in these programmes affect the fees and rebates we receive when selling their products. Microsoft channel incentives are frequently changed, and BTG has a good track record of reacting to these while maintaining our gross profit levels on software. For example, towards the end of this year, Microsoft reduced some of the rates in its EA incentive plan to continue the transition of its rewards from a pure transactional basis towards services-led activities. This is very much in line with our own strategy. At the same time, Microsoft maintained the sizeable incentives available to us in their CSP programme, which is a high growth income stream for BTG.

Bytes and Phoenix share:

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

The businesses have their own:

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

“We invested significantly in ramping up our services capability this year. The level of experience that we've brought in this year goes beyond anything that we've done in the past 18 years that I've worked in this company.

Jack Watson
MD Bytes

Operational review continued

Key facts

Bytes Software Services

Markets

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

Vendors

Our partners include Microsoft, AWS, Palo Alto Networks, Check Point, Mimecast, Adobe, Darktrace, Security HQ, Commvault, License Dashboard and Zscaler

HQ Leatherhead, Surrey

Other offices Reading, London, Manchester, Dublin, Portsmouth

MD Jack Watson

Employees 760

Customers 3,204

Phoenix Software

Markets

Mostly public sector, across a broad range of areas, including central and local government, charities, education, emergency services, healthcare and housing. Its in-house developed License Dashboard platform has clients in North America and Europe.

Vendors

Our partners include Microsoft, VMware, Dell, Adobe, Sophos, Citrix, Mimecast, Rubrik, ServiceNow, Verkada and Tanium

HQ Pocklington, Yorkshire

Other offices Salford, Sunderland

MD Clare Metcalfe

Employees 477

Customers 2,709

Bytes Technology Group (head office)

HQ Leatherhead, Surrey

Employees 8

CEO Sam Mudd

CFO Andrew Holden

Helping our customers and our people benefit from AI

At BTG we are proud that both of our businesses were selected to be part of the 'customer zero' programme for Microsoft Copilot, an AI-enabled tool designed to boost productivity. That meant we were able to use Copilot internally, ahead of the wider market, and then take the lessons we learnt, including around areas like compliance and governance, to our customers.

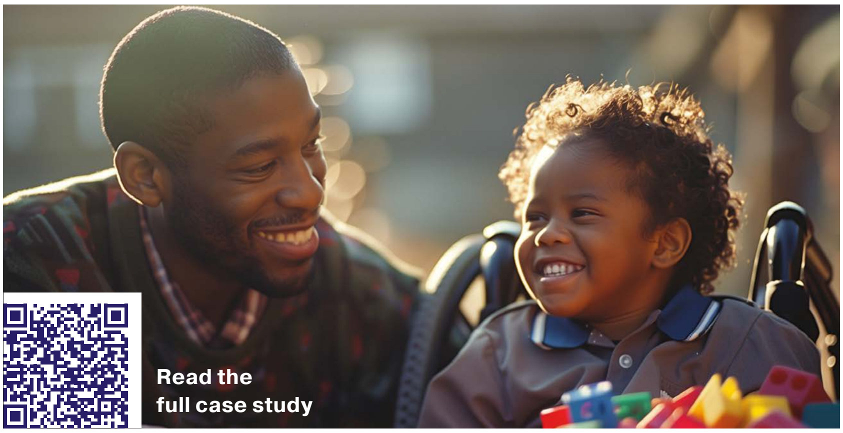
We saw strong customer interest in Copilot in 2024/25, providing licences to a broad range of customers, with Bytes one of Microsoft's top UK resellers in the small and medium enterprises market. We delivered £1.0 million worth of workshops, funded by Microsoft, where we demonstrated Copilot's potential and how best to deploy it.

At Phoenix we finished the 2024 calendar year as one of Microsoft's leading partners for Copilot workshop engagements delivered in the UK and across EMEA – working with our customers to help them make the most of the software's full potential. We also set up a new AI team to give even more support and advice to our customers.

Case study

Empowering accessibility for all with Microsoft Copilot

The Charities Aid Foundation exists to improve the effectiveness of both charities and their donors, distributing more than £1.1 billion to around 250,000 charities in 100 countries each year. The CEO is Neil Heslop, OBE, who, despite being blind since his 20s, manages his responsibilities effectively with the aid of advanced technology. At Phoenix, we helped Neil use Microsoft Copilot to transform his own working practices, and to enhance accessibility, efficiency and collaboration across the organisation.



Read the full case study

Strengthening our teams and our culture

With our businesses continuing to grow, we expanded our teams and skills to maintain our high levels of service. This year, the number of employees at Bytes rose by 20% to 760, and at Phoenix by 14% to 477. We complete the Group with our head office team of eight, which includes our CEO and CFO and was bolstered this year with additional governance and investor relations expertise.

Both businesses continued their successful apprentice schemes for sales and technical staff, which are an excellent source of talent. We also focused on helping our existing people increase their technical capabilities, supplemented by bringing in expertise to ensure we have the right specialist skills to keep up with the evolving technology, and to accelerate our growth. At Bytes, we recruited, among others, Hayley Mooney as Chief Commercial Officer, Ryan Herbert as Enterprise Sales Director and John Francis to head up our vendor solutions department. These three senior sales leaders bring a wealth of experience in sales management and direct sales experience and solution selling.

As we do every year, we worked hard to maintain our strong culture as we grow. For example, working with a specialist consultant, Phoenix published a culture blueprint in 2024/25, which is relevant to all staff and especially useful for onboarding new starters. Read more on page 36.

A good marker of our growth is the need for more office space, and this year Bytes opened an office in Portsmouth and increased its office space in London and Manchester, while Phoenix opened an office in Sunderland. Most recently Bytes purchased the two buildings next to its current main site in Leatherhead to provide an additional 27,000 square feet to cater for immediate and future capacity requirements.

> While we always pay attention to our people and culture, it's something we worked on incredibly hard in 2024/25. We're making sure that the collaboration and openness that has brought us this far will continue to drive us forward.

Clare Metcalfe
MD Phoenix

Operational review continued

Delivering growth in 2024/25

Close customer relationships are crucial to our success. We monitor our progress using four key metrics: customer numbers, our share of their business, gross profit per customer and our customer NPS. This year we:

Increased our customer base

5,913 This year

5,828 Last year[1]

We did business with numerous new customers this year including Smartest Energy, Hampshire and Isle of Wight Healthcare, and Hotel Chocolat at Bytes, and The Royal Mint, University of Bradford and Tate Modern at Phoenix.

Maintained a high renewal rate

109% This year

109% Last year

This metric tracks the growth in gross profit from existing customers. Phoenix did more business with established customers such as East Suffolk and North Essex NHS Foundation Trust, the Home Office and DEFRA, and Bytes with the Financial Ombudsman Service, Elexon and WSH.

Maintained industry-leading NPS

79 This year

82 Last year

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

Increased gross profit per customer

£27,600 This year

£25,000 Last year[2]

The benefits of a broad customer base

We strive to create lasting relationships with our customers. However, the marketplace is competitive, so we try not to depend too much on specific customers. In 2024/25, no single customer represented more than 1.3% of our gross profit.

1 Revised from 5,978 in 2023/24 Annual Report to remove year-on-year fluctuations caused by very small customer variations under a single parent.
2 Revised from £24,400 in 2023/24 Annual Report to remove year-on-year fluctuations caused by very small customer variations under a single parent.

Why customers choose us

We strive to help our customers succeed in a world of change. It's about much more than using transformational technology to achieve greater productivity though; we also want to save them money, strengthen their systems and secure their data as cyberattacks increase. Our customers choose Bytes and Phoenix, and stay loyal to us, because:

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

Deepening our partnerships with world-leading vendors

Across BTG, we partner with more than 100 leading vendors who make or distribute the IT products that we provide to our customers. While some have been with us for several decades, including our biggest partner, Microsoft, others are new companies working in cutting-edge areas such as cybersecurity and AI.

In 2024/25 at Bytes, Microsoft was once again the vendor that contributed most to our growth. We also did more work with Palo Alto Networks, Commvault and Mimecast. At Phoenix, our Microsoft business also continued to grow. We were chosen as one of three partners globally to pilot the new Windows 365 Link device, which we see as having significant potential for public sector frontline workers. We are also the UK launch partner for the device in 2025. Other vendors we did more with included ServiceNow, VMware by Broadcom, Rubrik and Pure Storage.

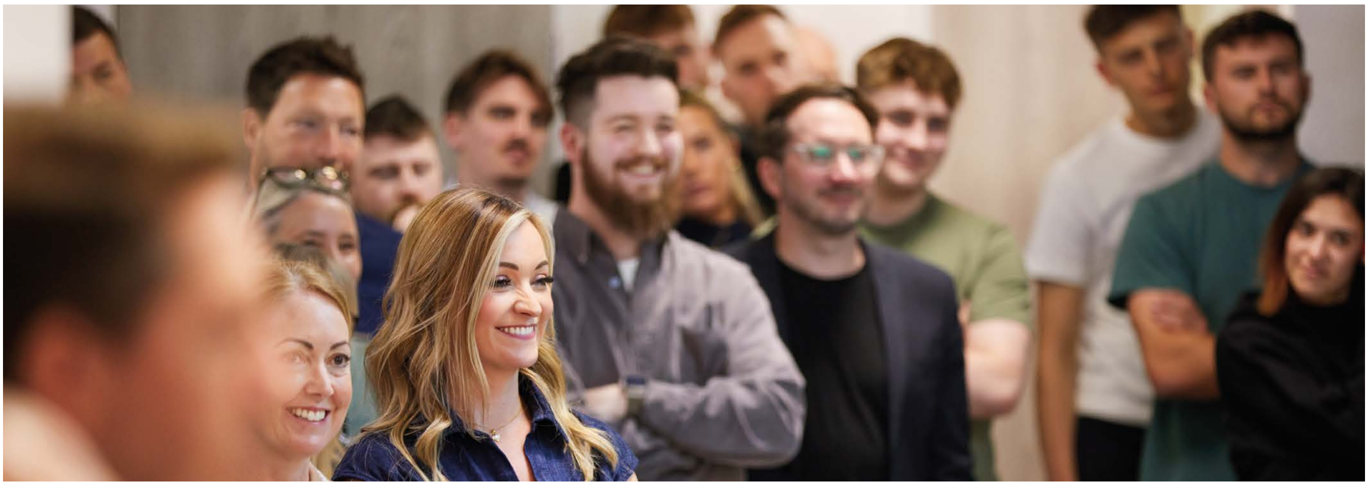
Our awards in 2024/25

Bytes

- Sophos MDR Partner of the Year 2024 (UK&I)
- CATO Networks Reseller of the Year 2024 (EMEA)
- Palo Alto Networks and Exclusive Networks NetSec Partner of the Year 2024
- Check Point Infinity Partner of the Year 2024
- Axonius Rising Star Award 2024 (EMEA)

Phoenix

- Sophos Enterprise Partner of the Year 2024
- Bitdefender Best Strategic Engagement Award 2024
- Microsoft Global Education Partner of the Year Finalist 2024
- Adobe Best Services Program 2024 (EMEA)
- Druva International Partner of the Year 2024



Why vendors partner with us

As an independent reseller, we're impartial when making recommendations to our customers. At the same time, we consider vendors to be our partners, and we work very closely with them to deliver the best results for our customers. Vendors choose to work with Bytes and Phoenix because we:

- **Continually invest in training and development.** This enables us to promote our vendors' products with knowledge and skill. If we don't have the right expertise in our business, we hire people who do.
- **Act with integrity.** We only commit to vendor partnerships after doing due diligence and making sure that we have the technical delivery capability, and the market to make it worthwhile. We then deliver on time, against the plan.
- **Collaborate.** We host seminars and events that bring together representatives of leading vendors, strengthening our mutual understanding of the challenges faced by customers, and the technologies that can help.
- **Have a strong record of growth.** Vendors know where we've come from – and where we're going – and want to align with that.

Financial review

How we performed in 2024/25

Income statement	Year ended 28 February 2025 £m	Year ended 29 February 2024 £m	Change %
Gross invoiced income (GII)	**2,099.8**	1,823.0	15.2
GII split by product:			
Software	**2,005.3**	1,722.0	16.5
Hardware	**33.2**	41.4	(19.8)
Services internal[1]	**34.0**	31.5	7.9
Services external[2]	**27.3**	28.1	(2.8)
Netting adjustment	**(1,882.7)**	(1,616.0)	16.5
Revenue	**217.1**	207.0	4.9
Revenue split by product:			
Software	**146.0**	130.4	12.0
Hardware	**33.2**	41.4	(19.8)
Services internal[1]	**34.0**	31.5	7.9
Services external[2]	**3.9**	3.7	5.4
Gross profit (GP)	**163.3**	145.8	12.0
GP/GII %	**7.8%**	8.0%	
Administrative expenses	**(96.9)**	(89.1)	8.8
Administrative expenses split:			
Employee costs	**(78.1)**	(71.2)	9.7
Other administrative expenses	**(18.8)**	(17.9)	5.0
Operating profit	**66.4**	56.7	17.1
Operating profit/GP %	**40.7%**	38.9%	
Add back:			
Share-based payments	**5.1**	5.7	(10.5)
Amortisation of acquired intangible assets	**0.9**	0.9	0.0
Adjusted operating profit (AOP)	**72.4**	63.3	14.4
Interest income	**8.5**	5.1	66.7
Finance costs	**(0.3)**	(0.4)	(25.0)
Share of profit of associate[3]	**0.0**	0.2	(100.0)
Profit before tax	**74.6**	61.6	21.1
Income tax expense	**(19.8)**	(14.7)	34.7
Effective tax rate	**26.5%**	23.9%	
Profit after tax	**54.8**	46.9	16.8

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 profit of associate.

Overview of 2024/25 results

We achieved another positive set of financial results, with a 15.2% increase in GII, a 12.0% rise in GP, a 17.1% increase in operating profit and more than 100% cash conversion.

We have doubled all these income metrics in our five years as a listed entity, while sustaining more than 100% cash conversion over this period and again this year, enabling us to distribute the majority of these growing earnings to shareholders while maintaining a strong balance sheet. Our track record of annual double-digit gross profit growth now runs well over a decade.

Gross invoiced income

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 – and has a direct influence on our movements in working capital. However, it does not capture all the IT spend we help our customers with because, in some cases, our vendors invoice the customer directly and pay us a fee that is a percentage of their sales value, and that we recognise within our GII, revenue and GP.

GII has increased by 15.2% year on year, exceeding £2 billion for the first time to reach £2,099.8 million (2023/24: £1,823.0 million), driven by software and with continued strong growth in the public sector, which contributed 65% of total GII (2023/24: 62%). While growth has reduced compared to 2023/24 (26.7%), the prior year was boosted by some exceptionally large public sector contract wins. These are now in their second year and have become established in our annuity income, with the agreements running over three to five years.

Revenue

Revenue is reported in accordance with IFRS 15, with hardware and internal services GII reported gross (principal) and software and external services GII reported net of cost (agent), which means revenue reflects changes in the mix of business but is often not a good indicator of underlying growth.

This reporting of revenue as a mix of GP and GII across the four income streams has given rise to a 4.9% increase, because the growth in software GP (reported net) is outweighed by the reduction in the hardware GII (reported gross). So, given revenue is a mix of metrics, we focus on GP to provide a consistent measure of our sales and profit performance.

Gross profit

GP, our primary measure of sales performance, has grown by £17.5 million, up 12.0% year on year to £163.3 million (2023/24: £145.8 million), with the second half of the financial year showing strongly at more than 15% growth (compared to 9% in the first half).

Breaking this down by income stream, the Group's two most strategic focus areas have both achieved double-digit growth. Software GP is up by 12.0% to £146.1 million (2023/24: £130.4 million), and with only a very small decline in GP/GII percentage. This achievement factors in the first two months of Microsoft incentive changes, where we have implemented mitigation plans to help offset the impact.

Internal services GP is up by 27.9% to £8.7 million (2023/24: £6.8 million), as we continue to invest significantly in our delivery staff to drive our security, cloud and AI solutions. We have been supported in these areas by increasing levels of Microsoft funding, for both internal investments and customer engagements.

Hardware GP declined by 6.1% to £4.6 million (2023/24: £4.9 million), with strong growth in the second half of the financial year offsetting a large decline in the first half.

We have seen good performances from both public and corporate sectors, each contributing around half of the £17.5 million growth in GP in absolute terms. Public sector growth has been achieved while bidding under highly competitive tenders, either for single contracts or for several contracts in aggregate, the latter enabling us to gain multiple new clients from a single bid. Despite more pressure on margins under this process, public sector GP has grown by 18.2%. Our corporate GP has grown by 8.9%, increasing by 14.8% in the second half of the financial year after seeing lower growth in the first half, in part driven by the weaker hardware performance during that period.

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

As in previous years, the higher margins available in the corporate sector means that our overall GP mix for the year continues to stand at 65% in corporate and 35% in the public sector. Despite public sector competition, our margin (GP/GII) has stood up well, dropping only slightly from 8.0% in 2023/24 to 7.8% this year – and, behind this figure, the corporate margin has improved year on year.

Our long-standing relationships with our customers and high levels of repeat business were again demonstrated in 2024/25, with 97% of our GP coming from customers that we also traded with last year (2023/24: 97%), at a renewal rate of 109% – which measures the GP from existing customers this period compared to total GP in the prior period. Included within our GP increase of £17.5 million was £4.3 million from new customers. Aligned to this, we saw a 1.5% increase in customer numbers (defined as those generating more than £100 of GP) from 5,828 to 5,913, while the average GP per customer increased from £25,000 in 2023/24 to £27,600 in 2024/25.[1]

1 2023/24 customer numbers and average GP per customer have been revised from 5,978 and £24,400 in Annual Report and Accounts 2023/24 to remove year-on-year fluctuations caused by very small customer variations under a single parent.

Financial review continued

Administrative expenses

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

Employee costs

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

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

During the year we have seen total staff numbers rise to 1,245 on our February 2025 payroll, up by 18% from the year-end position of 1,057 on 29 February 2024.

Employee costs included in administrative expenses rose by 9.7% to £78.1 million (2023/24: £71.2 million). However, this figure has been affected by:

- A reduction in share-based payment charges of £0.6 million, given our first three share option schemes issued post-IPO have now vested and given that the cost of the new schemes launched in 2023/24 and 2024/25 have been slightly lower
- Capitalising £1.4 million of staff costs on to the balance sheet. This relates to the salaries of employees who are developing new IT platforms – one to provide a 'marketplace' gateway for our customers to more seamlessly purchase products online from a range of vendors, and the other to enable us to improve our operational processes around customer order processing. This treatment is in line with our accounting policy for intangible assets.

Without the impact of these two items, the underlying increase in our employee costs is 13.7%.

Other administrative expenses

Other administrative expenses increased by 5.0% to £18.8 million (2023/24: £17.9 million), including continued investment in staff welfare and internal systems.

Operating profit

Our operating profit increased by 17.1% from £56.7 million to £66.4 million, which shows the balance we have achieved between growing GP in a challenging market while effectively managing our cost base.

Some of this increase has been positively affected by the £1.4 million capitalisation of software developers' staff costs (previously expensed in the prior year when their work was focused on maintaining legacy systems) and the £0.6 million lower share-based payment charge noted earlier. After adjusting for these, the increase remains strong at 13.4%.

Our operating efficiency ratio, which measures operating profit as a percentage of GP, is a key performance indicator in understanding the Group's operational effectiveness in running day-to-day operations. We aim to sustain it at around 38–40%. The ratio increased to 40.7% (2023/24: 38.9%), but would have been 39.8% excluding the capitalised staff costs.

In previous results announcements we have also focused on adjusted operating profit (AOP), which removes the effects of share-based payment (SBP) charges and amortisation of acquired intangibles – notably because of the growth of these SBP charges over the time since IPO, from a near-zero starting position in 2020/21 of £0.3 million to £5.1 million this year. Given that we have now moved out of that growth cycle, as older schemes vest and new schemes are introduced, the current charges are now viewed to be normalised as business-as-usual recurring expenses. Similarly, our amortisation charges are stable at £0.9 million for the current and prior year. So, AOP is no longer considered to add value to understanding our results. We will now focus on operating profit, which brings us in line with other similar businesses in our market segment.

For reference, our AOP has increased by 14.4% to £72.4 million (2023/24: £63.3 million), and the ratio of AOP to GP has increased from 43.4% to 44.3%.

Interest income and finance costs

This year has seen significant interest being earned from money-market deposits, totalling £8.5 million (2023/24: £5.1 million). While last year included only ten months of earnings, we have nevertheless substantially increased this income stream – backed up by our strong cash management, which has enabled us to place more cash on deposit and for longer periods.

Our interest income benefits from often having materially higher cash balances than reported at period ends around our largest months of trading in March and April (around the UK Government's fiscal year end) and June and December (around some key vendors' fiscal year ends).

Our finance costs primarily comprise arrangement and commitment fees associated to our revolving credit facility (RCF), noting that to date the Group has not drawn down any amount. This balance also includes a small amount of finance lease interest on our right-of-use assets, including from our staff 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 and Joint Ventures we account for the Group's share of its profits. For 2024/25 we have not recognised any profit because Cloud Bridge's set-up costs of investing in overseas operations have offset its UK profits (2023/24: £0.2 million).

Profit before tax

The combined impact of increased operating profits and high levels of interest received has seen our profit before tax increase by 21.1% to £74.6 million (2023/24: £61.6 million).

Income tax expense

The £5.1 million (34.7%) rise in our income tax expense to £19.8 million (2023/24: £14.7 million) reflects the growth in profit before tax and, in part, that last year there was one month included at the previous UK corporate tax rate of 19% (2024/25 fully at 25%) – giving rise to an effective rate of tax of 23.9% in 2023/24. The higher effective rate in 2024/25 of 26.5% is also because of timing difference movements between current and deferred tax. So, we expect our long-term effective tax rate to align to the UK corporate tax rate, given the differences between accounting profit and taxable profit are substantially timing in nature.

Profit after tax

Profit after tax increased by 16.8% to £54.8 million (2023/24: £46.9 million), underlining our growth in operating profit and interest income, offset by the higher effective rate of tax.

Earnings per share

As a result of this strong growth in profits attributable to owners of the company, our earnings per share have risen accordingly. Basic earnings per share are up 16.5% from 19.55 pence to 22.78 pence.

Balance sheet and cash flow

Balance sheet	As at 28 February 2025 £m	As at 29 February 2024 £m
Investment in associate	**3.2**	3.2
Property plant and equipment	**13.6**	8.5
Intangible assets	**43.5**	40.6
Other non-current assets	**3.4**	4.9
Non-current assets	**63.7**	57.2
Trade and other receivables	**268.4**	221.8
Cash	**113.1**	88.8
Contract assets	**10.0**	11.8
Current assets	**391.5**	322.4
Trade and other payables	**327.5**	277.9
Lease liabilities	**0.7**	0.4
Contract and tax liabilities	**25.7**	19.6
Current liabilities	**353.9**	297.9
Lease liabilities	**1.3**	1.3
Other non-current liabilities	**2.0**	2.1
Non-current liabilities	**3.3**	3.4
Net assets	**98.0**	78.3
Share capital	**2.4**	2.4
Share premium	**636.4**	633.7
Share-based payment reserve	**14.9**	11.0
Merger reserve	**(644.4)**	(644.4)
Retained earnings	**88.7**	75.6
Total equity	**98.0**	78.3

Closing net assets stood at £98.0 million (29 February 2024: £78.3 million), including the Group's £3.2 million interest (25.1%) in Cloud Bridge Technologies – which includes our £0.2 million share of profits since we acquired it in April 2023.

The increase in the value of property, plant and equipment is primarily attributable to the £5.1 million purchase of 27,000 square feet of office properties immediately adjacent to the existing Group and Bytes offices in Leatherhead. This space has the potential to accommodate around 300 employees and will provide for current and future capacity requirements for business growth in the coming years.

Financial review continued

Intangible assets include the £3.7 million addition of capitalised software development costs, a combination of internal staff costs of £1.4 million and £2.3 million of external contractor costs. As this work continues through the new financial year, we expect around a further £3 million of costs to be capitalised in completing this work. While we are in the development phase, there is no amortisation of the asset – this will start once we move to live production mode, scheduled for the latter part of 2025/26.

Net current assets closed at £37.6 million (29 February 2024: £24.5 million).

Our debtor days at the end of the year stood at 32, and our average debtor days for the year was 38 (2023/24: 37). Our closing loss allowance provision reduced to £1.7 million, down from £2.5 million at the February 2024 year end, with £0.7 million bad debts written off against the provision and another £0.1 million reduction to reflect our current expected loss calculated under IFRS 9. We believe this remains a prudent position, given that the level of write-offs is very low considering our GII of £2.1 billion.

The Group has paid its suppliers on schedule throughout the year, with its average creditor days remaining broadly in line with the prior year at 46 (2023/24: 47) and standing at 36 at the end of the year (2023/24: 44).

The consolidated cash flow is set out below.

Cash flow	Year ended 28 February 2025 £m	Year ended 29 February 2024 £m
Cash generated from operations	**85.6**	67.3
Payments for fixed assets	**(6.4)**	(1.3)
Payments for intangible assets	**(3.7)**	(0.0)
Free cash flow	**75.5**	66.0
Net interest received	**8.3**	4.7
Taxes paid	**(18.9)**	(15.1)
Lease payments	**(0.6)**	(0.2)
Dividends	**(42.8)**	(36.6)
Issue of share capital	**2.8**	–
Investment in associate	**–**	(3.0)
Net increase in cash	**24.3**	15.8
Cash at the beginning of the period	**88.8**	73.0
Cash at the end of the period	**113.1**	88.8
Operating profit	**66.4**	56.7
Cash conversion (against operating profit)	**113.8%**	116.4%
Cash conversion (against AOP)	**104.3%**	104.3%

Cash at the end of the period was £113.1 million (29 February 2024: £88.8 million), which is after the payment of dividends totalling £42.8 million during the period – being the final and special dividends for 2023/24 and the interim dividend for 2024/25.

Cash flow from operations after payments for fixed and intangible assets (free cash flow) generated a positive cash flow of £75.5 million (2023/24: £66.0 million), noting that the current year figure is after the purchase of the new properties and the capitalisation of software development costs – a combined outflow of £8.8 million.

The Group's cash conversion ratio for the year has historically been measured as free cash flow divided by AOP but, in line with other profit and efficiency measures, we are now measuring free cash flow against operating profit, which was 113.8% for the year (2023/24: 116.4%). For reference, the cash conversion against AOP of 104.3% is in line with last year. We target our long-term sustainable cash conversion at 100%.

The £2.8 million cash received from the issue of share capital relates to participating staff exercising 711,000 share options, primarily under our 2021 CSOP and SAYE (ShareSave) plans, which vested in June 2024 and August 2024, respectively. There is a corresponding increase in the share premium value in the balance sheet on page 31.

If required, the Group has access to a committed RCF of £30 million with HSBC. The facility commenced on 17 May 2023, replacing the Group's previous facility for the same amount, and runs for three years, until 17 May 2026, with an optional one-year extension to 17 May 2027. To date, the Group has not used the facility.

Proposed dividends

The Group's dividend policy is to distribute between 40% and 50% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to propose a gross final dividend of 6.9 pence per share. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 28 February 2025, but not recognised as a liability at the end of the financial year, equates to £16.6 million.

Our capital allocation policy is that excess cash following organic investment and any M&A is returned to shareholders. We consider both special dividends and share buy-backs as methods to return excess capital, preferring share buy-backs when our shares are materially undervalued. In light of the company's continued strong performance and cash generation, the Board considers it appropriate to propose a cash return to ordinary shareholders with a special dividend of 10.0 pence per share, equating to £24.1 million. If approved by shareholders, the final and special dividend will be payable on 25 July 2025 to all ordinary shareholders who are registered as such at the close of business on the record date of 11 July 2025.

Sustainability review

As a responsible business, we have a duty to everyone who works for us, with us and around us. This philosophy is underpinned by our values which in essence are about integrity, kindness and respect. We focus on doing the right thing by our people, our communities and our planet.

Q

What are you most proud of about BTG's work on sustainability this year?

A

The feedback from our carbon literacy awareness programme has been really positive, with people understanding the 'why' we need to take action and how this fits into their roles at work and also in their personal lives.

Lisa Prickett
Group Sustainability Manager

Q

2024 saw the launch of the Phoenix Community Outreach Programme. What's been the highlight?

A

The programme saw us double our volunteering, and provide opportunities for students from underrepresented groups across the UK to be inspired by careers in IT.

Jennifer Clewley
ESG Lead, Phoenix

Our people

We strive to attract, engage and retain employees, supporting them to build fulfilling and rewarding careers in a fun environment.

eNPS

57

Our headcount rose by 18% to

1,245

Read more on pages 36 to 39.

Our communities

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

Number of hours devoted to volunteering

2,169

Number of young people engaged through a community education outreach programme

11,000+

Read more on pages 40 to 41.

Our planet

Through our own positive actions, and by supporting our customers to use IT more sustainably, we're doing what we can to protect the planet for future generations.

Our goal is to reach net zero by

2040

Renewable electricity and green gas in owned offices*

100%

Read more on pages 42 to 46.

Our Sustainability Framework

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

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

Photo at right: New solar panel installation at our Phoenix offices in Pocklington, Yorkshire.

*Backed by Renewable Energy Guarantees of Origin.

Sustainability review continued

Our people

Our talented people are integral to our success. We provide a supportive environment that enables them to do fulfilling work and reach their potential, so they can enjoy long and rewarding careers with us. In 2024/25, we continued to grow our teams across the business, while increasing their skills and working hard to preserve our culture.

Expanding our teams, maintaining our culture

Our strategy is based on growing our customer base, and deepening our customer relationships, every year. Given our track record of growth, we need to be constantly on the look-out for hiring new people, but they must have the right skills and attitude to support our customers in line with our culture. Because we're in a highly innovative industry, this means people with a passion for technology as well as for customer service. And, to keep pace with our industry, we must continually develop the skills of all our people through ongoing training.

In 2024/25, we increased our headcount by 18%, to 1,245 at the end of the year, with growth in all business areas, from sales to operations and support staff. We see a high level of competition when hiring for high-skilled roles, particularly in AI. To help us find the most suitable candidates, and reduce money spent on agencies, both businesses hired in-house recruitment managers this year.

Two leading brands with the same values and culture

Our two businesses, Bytes and Phoenix, have 760 and 477 people, respectively. We also have eight employees at BTG plc head office. The two businesses operate autonomously, with their own identities, headquarters and management teams, but have many commonalities. These include similar employment policies, industry-leading knowledge and, most importantly, the same values and culture. The businesses also look for opportunities to share good practice and insights, for the benefit of BTG as a whole.

Our combined attrition rate of 14% at Bytes and Phoenix was again well below the industry average, a reflection of the loyalty of our people, many of whom have been with us for a long time. While we hire at all levels, we have a strong commitment to recruiting people at the start of their careers, and nurturing and developing their skills over time.

Apprenticeships are an important and successful part of our efforts to develop our talent from within. At Bytes, six people participated in degree-level apprenticeships this year, enabling them to gain work experience while studying, including one who achieved a first in their specialist cloud solutions course. Read more in our case study on page 15.

At Phoenix, our new employees included five technical apprentices and we took on 16 people under a sales training programme.

All our managers receive training on how to onboard employees, and other supportive measures include pairing new hires with an experienced 'buddy', introductory meetings with department heads and directors, and checks by our welfare managers.

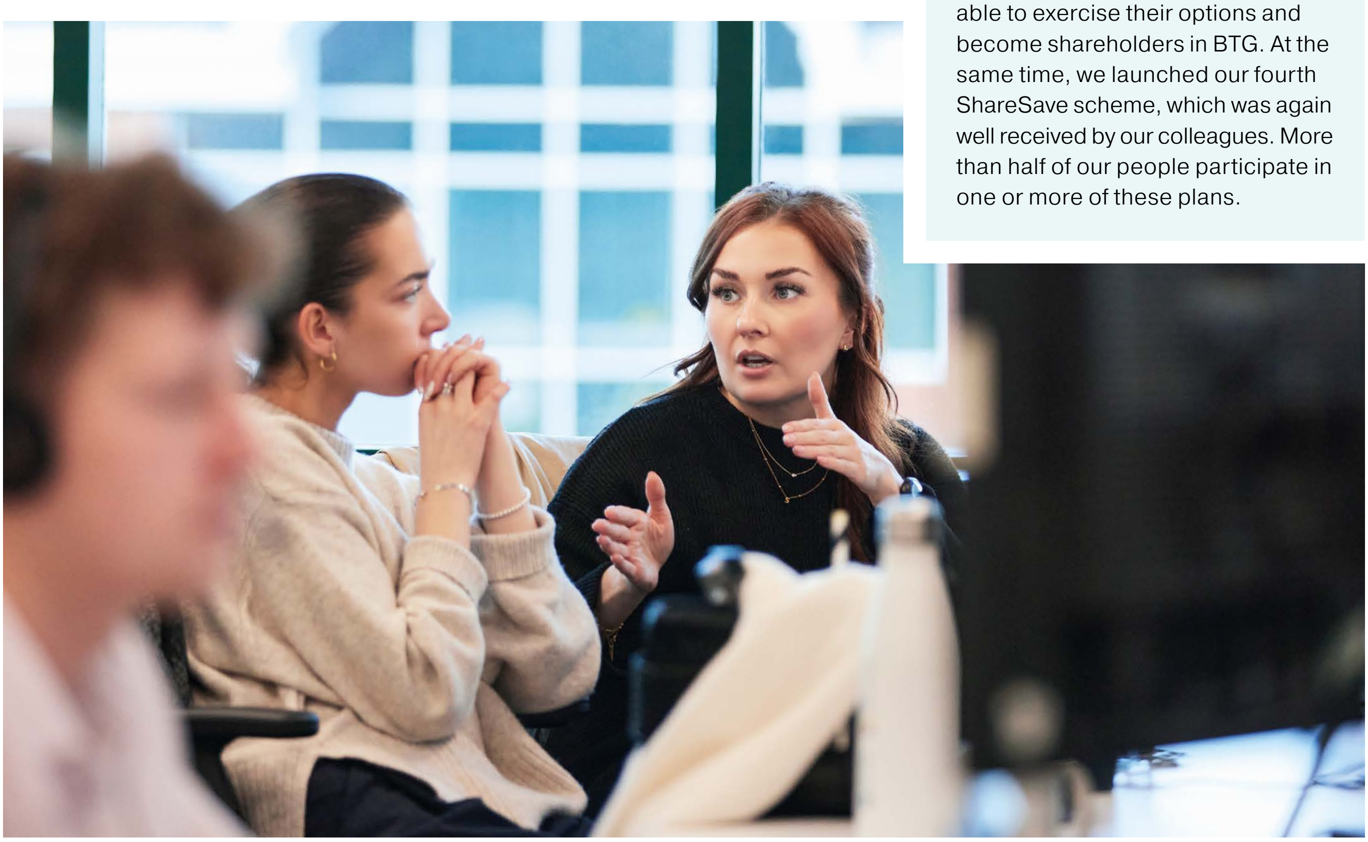
One of our key priorities every year is to preserve the culture that has brought us so far. While we are not a small company any more, we pride ourselves on maintaining a 'family' culture. We actively craft an inclusive and supportive workplace, with several channels for

Headcount
Total at BTG

1,245

Enabling our employees to save and invest in BTG

In August 2024, we saw the vesting of our first ShareSave scheme, launched in 2021, with participants able to exercise their options and become shareholders in BTG. At the same time, we launched our fourth ShareSave scheme, which was again well received by our colleagues. More than half of our people participate in one or more of these plans.



people to safely raise concerns, including the introduction of an anonymous reporting tool. Phoenix published a 'culture blueprint' this year, based on staff input, which is being used for training and to help new starters understand what it means to work there. Besides quarterly 'town hall' meetings and talks from guest speakers at both businesses, we engage with colleagues across BTG through small group meetings and surveys.

Our values

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

Recognising and rewarding excellence

As a Living Wage employer, we pay our people fairly. We also reward high achievers and people who go beyond what's expected to provide great service to our customers and great support to colleagues. Both sales and non-sales staff are eligible for our employee recognition programmes, which are based on achieving business objectives. Prizes in 2024/25 included ice skating at Somerset House with dinner on the South Bank, and a long weekend in Croatia. We also offer awards for employees of the month and people who are seen to be 'living our values' in all they do at work.

Ensuring we remain a great place to work

One of the key performance indicators we use to monitor our success as an employer is our eNPS, which measures the likelihood of people recommending their employer to others. Our eNPS of 57, while still above the industry average, has fallen from its previous high level of 71.

We see this as a reflection of a challenging year, marked by a weak economy and political uncertainty as well as necessary transformation and structural changes in our operations and leadership teams.

We also take part in annual Great Place to Work surveys, to gain valuable insights that help us create a culture of trust and innovation. We continued to generate good survey results this year, with 93% of employees at Phoenix and 79% at Bytes agreeing that they work at a 'great place', compared to 54% of employees at a typical UK-based company. Phoenix was ranked 9th, and Bytes 85th, in the UK's Best Workplaces among large organisations (201–1,000 employees), while both businesses featured in the Best Workplaces lists for wellbeing and tech for 2024.

Sustainability review continued

Supporting wellbeing

We want our people to be happy and healthy and we do all we can to support this. We offer free or subsidised gym plans at or near our offices, and encourage staff to buy reduced-price bicycles through our cycle-to-work scheme. In our offices we provide free fruit and healthy meal options.

We prioritise mental health, encouraging openness and providing guidance and support for anyone who needs it. We have a 24/7 employee assistance programme and have designated wellbeing ambassadors who are always available for a chat. This year Bytes worked on developing new policies to provide support to people who are neurodivergent, while Phoenix hosted a talk by the Samaritans, to raise awareness about people who are struggling to cope.

Hybrid working does not suit everyone, but we believe that, with the right approach, it can make a real difference to people's wellbeing, which is something we track in our Great Place to Work survey. Our policy is that people whose roles don't require them to be in the office all the time can spend around half of their hours working remotely. This gives us and our people the best of both worlds: the benefits of collaboration, innovation and social interaction in the office, alongside the flexibility and positive work-life balance from being at home. The high scores in our Great Place to Work survey tell us our approach is working, but we monitor it constantly to ensure we continue to get the balance right.

Developing our people to fulfil their potential

We want our people to keep learning and growing. All our employees have the opportunity for support through a personal development plan, and we constantly offer opportunities for training, both mandatory and non-mandatory. This benefits our employees and our business, because we can offer our customers greater expertise. Vendors also provide training to our employees, increasing their skills and knowledge. This training is often linked to accreditations that make us eligible for public sector frameworks and for bigger rebates from vendors.

An example of one of our new courses this year was a coaching programme at Bytes focusing on resilience, mainly for younger staff and people changing roles, which was well received. We also delivered specialised managerial training, including modules on interview techniques when recruiting. At Phoenix, we continued our leadership coaching programme for all new managers, and ran a shadowing scheme, where people could request to shadow a colleague in another area of the business for half a day, to learn about their job.

Aiming for greater diversity

A number of companies have been pulling back on their commitment to the diversity, equity and inclusion agenda. But we remain unshaken in our belief that we must provide equal opportunities to all, regardless of gender and ethnicity and that, as a business, we benefit from diversity of thought and from reflecting the society we operate in.

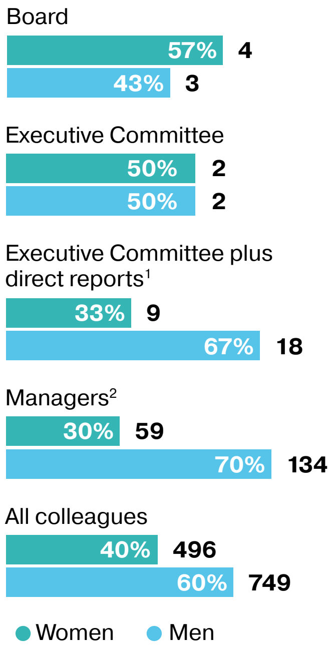
We have made good progress towards gender parity in recent years. Women in senior leadership positions can serve as strong role models for other women progressing in their careers, and our CEO, Sam Mudd, and the MD of Phoenix, Clare Metcalfe, are great examples of this. At Bytes and Phoenix, women represent 30% of managers, and around 40% of our total workforce. While we still have some way to go, we are proud of our efforts – across the UK, less than a third of people in the technology sector are women. At Board level, 57% of our members are women. Our progress was recognised in the FTSE Women Leaders Review 2024 report, which named BTG as the most improved FTSE 250 company in the 'Women on Boards' category.

To encourage more women to enter the technology sector, we work with local schools (read more on page 40) and attend events that promote women in IT. Though progress has been slower with ethnicity than with gender, we're doing our best to become more ethnically diverse too. While our workforce has a higher proportion of people from a White British background than the UK as a whole, it reflects the demographics of our main office locations, in Surrey and East Yorkshire. We've continued to collect data on our ethnicity breakdown, based on voluntary self-reporting from our employees, and we aim to be able to report on this in the next financial year.

Percentage of women at Board level

57%

BTG gender balance
as at 28 February 2025



1 The Executive Committee and their direct reports include executive directors, our managing directors and their direct reports, comprising individuals for whom they have direct line management responsibility, but excluding administrative and support roles.

2 Managers refers to leaders in BTG including Executive Committee and senior leadership members.

Our communities

We are proud of our people's passion for making a difference in the communities in which we work.

In line with our goal of supporting social causes, we have a long track record of volunteering our time. This enriches our local areas and builds the reputation of our businesses. And, for our employees, it is enjoyable and rewarding and enhances their wellbeing. As a business, we also contribute financially in various ways to support positive change in our environment and in the communities around us.

Helping our people give back

Volunteering is central to our community work, which is why we give all our employees one fully paid volunteering day a year to help their chosen causes. Many of them take this opportunity, freely giving their time and skills to do a wide array of rewarding work, while also getting to know each other a bit better.

In 2024/25, our people at Bytes continued to support The Wildlife Aid Foundation, an animal charity close to our office in Surrey, by helping transform a piece of land that they recently purchased. Volunteers also helped out at the Rainbow Trust, which provides emotional and practical help to families who have a child with a life-threatening or terminal illness, Mid Surrey Mencap, which supports adults with learning disabilities, and Wimbledon Greyhound Welfare, devoted to retired racing greyhounds.

At Phoenix, many colleagues volunteered through our education outreach programme (read more in the case study at right), and also supported local organisations such as Scouts, swimming and football clubs. In total, BTG employees contributed 2,169 hours to supporting our local communities this year.

Case study

Inspiring and unlocking IT opportunities for young people

One of the initiatives we enjoy most at Phoenix is working with young people. We ramped up our education outreach programme this year, engaging with more than 11,000 school children and young adults – 11 times more than our goal. This included students with special educational needs and girls-only activities. The outreach programme is designed to unlock opportunities and foster economic empowerment by inspiring students to consider careers in technology and to take IT as a GCSE subject.

As a STEM Ambassadors Partner and a member of the National Cyber Security Centre's CyberFirst programme, we were invited to deliver activities for schools across the country, from London to Manchester and Sunderland to Stirling, giving career talks and running interactive sessions where students could try their hand at repairing laptops and experimenting with Microsoft HoloLens mixed-reality headsets.

> Thank you so much for organising this morning's event, it was outstanding. The varied format engaged my S4s from start to finish and they have all taken away invaluable advice and experience and will remember this opportunity for a long time to come.

Teacher
Alva Academy, Scotland

> I thoroughly enjoy volunteering and giving back to the local and surrounding communities because I get great pleasure in helping young people get into tech. Young girls at school often don't think about STEM careers and these activities, supported by Phoenix, give them the opportunity to see it's not a scary place to work.

Emily Jones
Business and Test Analyst, Phoenix

Volunteering hours at Bytes and Phoenix

2,169

Clare Metcalfe (right) at the launch of TechHub in Sunderland

14 Bytes people completed the Three Peaks Challenge, raising money for good causes

Fundraising and donating to good causes

Through our people, and as a business, we raise and donate money to charities and institutions that can use it to help others. At Phoenix this year we held a staff survey to choose one local charity to build a long-term relationship with, so we can maximise our impact. We chose a wonderful independent charity we've supported in recent years: St Leonard's Hospice, York, which provides specialist palliative care, and supports local people with life-limiting illnesses.

This year, we raised more than £14,000 for St Leonard's, as well as other charities such as Macmillan Cancer Support and Oscar's Paediatric Brain Tumour Charity. Fundraising activities included entering several teams to run the Yorkshire Marathon relay race, a golf day, sponsorship of events, a 'community celebration' featuring pub games and food and drinks vans, and selling a Phoenix recipe book featuring employee recipes. We also supported local food and clothes banks.

Our people often raise money in their own time, and we support their efforts. At Bytes, we match fundraising pound for pound up to £1,000 per employee per event. In this way, we donated more than £12,000 in matched funding to a long list of charities chosen by our people, including Cancer Research, Macmillan Cancer Support, St Catherine's Hospice and the Alzheimer's Society.

As a business, Bytes directly supports good causes, and we focused mainly on one charity this year: the Royal Hospital for Neuro-disability, which treated and supported a long-standing member of our staff. We encouraged colleagues to participate in fundraising events including the Three Peaks Challenge, which 14 people completed, and in total we raised more than £10,000 for the hospital. We supported Movember, Save the Children's Christmas Jumper Day and The Giving Tree's Christmas appeal, donating more than 100 presents. And we sponsored Leatherhead Cricket Club, enabling them to improve their facilities and develop their coaching programme.

Driving social value in our communities

Most of Phoenix's business is in the public sector. With this comes a commitment to deliver social value in the area where the work is done. We take this responsibility seriously and are pleased to be able to use our expertise and resources to create a more inclusive and equitable society.

As part of our efforts to drive skills and social value in North East England, we fostered a strong relationship with The Beam, the dynamic city centre business space in Sunderland where we opened an office in 2024. In collaboration with Sunderland City Council and Microsoft, we launched TechHub at The Beam. TechHub is a digital innovation space where we help deliver workshops and courses for local businesses, the voluntary sector and schools, increasing the technology talent pool. These sessions are aimed at people of all ages and backgrounds, and range from entry-level digital skills workshops to advanced training sessions.

Our planet

As a responsible business we believe that everyone has a role to play in caring for our planet. We are reducing our GHG emissions and helping our customers to do the same.

Making our environmental reporting more accessible

To make it easier for readers to find the information they're looking for, we have made the following changes to how we report on climate issues.

Our planet

This section tells the story of our impact on the planet, and how we are performing against our targets.

Disclosure statements

This section includes:

- Our reporting against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- A new 'additional environmental disclosures' section that brings together in one place detailed environmental disclosures and related methodologies.

See pages 57 to 74.

As a value-added IT reseller we don't manufacture or transport physical goods. We have two large offices and several smaller ones throughout the UK, but many of our people work part of the week from home under our hybrid working policy. Aside from our carbon footprint, which is modest given our size and sector, our direct impact on wider environmental issues such as biodiversity, water and waste is therefore quite small.

This means that the positive effect we can have through our initiatives is limited, because our own actions will only have a relatively small impact on overall GHG emissions. However, we are mindful of our value chain and the impact from both our suppliers and our customers. We must all play our part, because if everybody does what's within their power, the overall effect will be significant.

As our Scope 3 reporting shows (see page 69), value-chain emissions are key to our goal to get to net zero. This means we need to work with our suppliers to understand their emissions and carbon reduction plans, so we can improve our carbon data accuracy and use that information to prioritise using low-carbon technologies and working with vendors that demonstrate the same commitment we do. And although our own business-related emissions are minimal, we can make a positive contribution to a net zero future by supporting our customers to make more sustainable choices about IT.

The importance of collective action is reflected in the increasing expectations from all stakeholders, including regulators, that businesses take responsibility for minimising their own emissions. In the UK, we anticipate regulation that will require reporting on our net zero transition plan and we are taking steps in the meantime to assess how we will reach our net zero goal. We also report against the recommendations of the TCFD, which form part of the FCA's UK Listing Rules.

In our TCFD scenario analyses (see pages 58 to 67), we did not identify a material impact on our own business operations from climate change. Nonetheless, climate change is too important for us not to take firm action, which means measuring our GHG emissions and finding ways to reduce our impact. Doing so is also expected of us by a wide range of stakeholders, from investors to employees and customers. We aim to reach net zero emissions by 2040 at the latest, ten years ahead of the UK's goal of 2050.

Our science-based targets

By 2025/26	By 2028/29	By 2030/31	By 2040/41: Reach net zero
Reduce Scope 1 emissions by 50%[1, 2]	Maintain our reduction in Scope 2 emissions at 100%[1, 3]	Reduce Scope 1 emissions by 60%[1]	Reduce Scope 1 emissions by 90%[1]
		Reduce Scope 3 emissions by 50%[4]	Maintain our reduction in Scope 2 emissions at 100%[3]
			Reduce our Scope 3 emissions by 90%[4]

1 From a 2020/21 baseline.
2 This target is not validated by the SBTi because it was too short term in nature; targets validated by the SBTi must be at least five years from submission.
3 In 2021/22 we exceeded our original Scope 2 target of reducing emissions by 50% by 2025/26. In 2022/23 we further reduced Scope 2 emissions to 100% by ensuring that all our electricity came from Renewable Energy Guarantees of Origin (REGO)-backed renewable sources.
4 From a 2022/23 baseline.

Validating our science-based targets

In 2023/24 we submitted our GHG emissions reduction targets to the SBTi – the global organisation that helps businesses set emissions reduction targets in line with the Paris Agreement's goal of limiting the global temperature rise to 1.5°C above pre-industrial levels to avoid the worst effects of climate change. In June 2024, the SBTi validated these targets, namely our net zero target and the near-term Scope 1, 2 and 3 targets that will help us get there. We are now working on our transition plan to guide our path to reaching these goals.

Our emissions are calculated using the GHG Protocol Corporate Standard. To comply with the SBTi's reporting requirements, we amended our baseline 2022/23 and 2023/24 reporting of certain emissions in Scope 3 categories. Well-to-tank emissions that had been reported in category 3 (fuel and energy-related activities) were moved into their specific transport-related categories. We also reviewed category 11 and were informed of the optional requirement for 'indirect use-phase emissions' and decided to remove these from our reporting. As such, we have updated our Scope 3 baseline 2022/23 and our 2023/24 emissions (see Additional environmental disclosures on pages 68 to 71 for more details).

SBTi validates our targets

This year, our emissions targets were validated by the Science Based Targets initiative.

See bytesplc.com/sustainability/our-planet for full details

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Case study

Helping our people go green with electric vehicles

Dan Patching, Head of Licence Services at Bytes, had always been intrigued by EVs, and also a bit sceptical. But after driving a plug-in hybrid as a courtesy car, he found he loved the convenience of being able to charge it at home. So, when it was time to trade in his old car, he decided to get an EV – with help from Bytes.

Dan needed a car with good range, enough space for a family of four – and their dog – and at a price that matched his budget. Under the BTG EV scheme, employees can lease a car from Octopus Energy and pay for it from their pre-tax salary – saving them money and making owning an EV more affordable. After discussions with an Octopus expert, Dan chose a 'nearly new' Volkswagen ID.4 GTX, allowing him to get an even higher-specification car than he had budgeted for. He is delighted with the decision.

> I have very quickly changed my opinion on EVs. Yes, longer journeys need a little more thought. But the convenience and reduced cost of charging at home, and knowing I am not driving around polluting the air, is satisfying. I appreciate that Bytes has made this benefit available to all employees, promoting sustainability and getting all of us to think about our impact on the environment.
>
> **Dan Patching**
> Head of Licence Services at Bytes

Our performance this year

Reaching net zero is a challenge for all growing companies because, as we grow, our absolute GHG emissions inevitably increase, making it harder to reach our targets. In our case, the growth of our customers' use of GenAI is also contributing to our emissions, since this technology tends to use more energy. Nonetheless, we remain focused on our absolute reduction targets and our efforts to achieve them. Overall, our emissions increased this year through growth, the purchase of new buildings and the challenges our vendors face to lower emissions while delivering AI. We exceeded our Scope 2 emissions target early, having switched all our energy to renewable sources in our owned offices and introduced solar panels at our York office. Our challenge is now to maintain Scope 2 reduction emissions at 100% as we grow, and bring the new buildings under renewable energy contracts as soon as possible.

We were particularly pleased that our work was recognised externally, with CDP increasing our rating from C to B, putting us at the forefront of our industry, and our ISS ESG Corporate Rating score improving from C- to B-, putting us well into the top decile for our industry. Phoenix submitted its first disclosure to EcoVadis this year, joining Bytes, which has submitted disclosures to EcoVadis for a number of years. EcoVadis assesses companies across four pillars – environment, labour and human rights, ethics, and sustainable procurement – and our disclosure has been requested by several of our customers. We were delighted that Bytes received an improved score to place it in the 92nd percentile (Silver Medal), while Phoenix, in its first submission, is in the 83rd percentile (Bronze Medal). EcoVadis has defined Bytes as a Carbon Management Leader, its highest designation.

In-year challenges for Scope 1

Our Scope 1 emissions increased significantly on last year. A small part of this increase comes from estimating heating-gas use in our new Leatherhead buildings, but most comes from the increased maintenance needed on the ageing heating, ventilation and air-conditioning (HVAC) system at Bytes House. In 2025 a new, more efficient system will be installed, which is expected to reduce our emissions.

On target for Scope 2

We hit our 2025/26 Scope 2 target early – four years ahead of schedule – and continue to meet it. This year's increase from zero emissions to 5.3tCO_2e comes from estimating the electricity used in our new Leatherhead buildings. These will be brought under the same renewable energy contracts as our other buildings, reducing emissions back to zero. So, we are confident we will meet our 2028/29 target to maintain a 100% reduction.

Confident in our long-term Scope 3 targets

Because of our growth this year, including the increase in take-up of GenAI solutions, and changes to methodology around the use of sold products, our Scope 3 emissions increased by 49%. This means we are now at 98% compared to our 2022/23 baseline (see pages 68 to 71). Some 93% of our emissions come from purchased goods and services, of which 80% are from our top 13 vendors. If they meet their stated emissions targets, then we should also be able to meet our own.

We also helped our employees reduce their emissions through our scheme that allows them to buy EVs through salary sacrifice. Since we rolled out the EV scheme 2023/24 at Phoenix, and across the whole Group in 2024/25, it has been very successful, with 62 people using it to buy an EV, including 26 this year alone (see case study on page 43). We will continue to promote the scheme in the coming year.

Working with our customers to reduce emissions

The biggest contribution we can make to hastening the UK's move to a low-carbon economy is through the software and technical solutions we provide to our customers, through our vendors and our services. Aside from facilitating the well-publicised move to online meetings to reduce travel, we do this by supporting customers in moving their on-site servers, products and services to the cloud. This has the potential to be more energy efficient than customers each hosting datacentres themselves, particularly where the customer engages with us on a FinOps and GreenOps service, which optimises cloud infrastructure and usage to reduce cost (FinOps) and GHG emissions (GreenOps). We can also, in an advisory capacity, help customers factor sustainability into their decision making.

External recognition of our progress

CDP Supporter 2024

Corporate ESG Performance Prime RATED BY ISS ESG

ENVIRONMENTAL QUALITYSCORE HIGHEST RANKED BY ISS ESG 1

Carefully targeted use of removal and offsetting

As we work to reduce our emissions, we also want to support projects that remove or avoid carbon production and provide additional benefits to communities and nature. We're well aware of the challenges inherent in carbon removal and offsetting, so are very careful to ensure that the programmes we invest in are backed by recognised carbon standards.

To cover the value of our Scope 1 and 2 emissions, we have invested in carbon removal credits for a mangrove restoration project in Pakistan and a reforestation project in Australia. These projects support carbon sequestration, promote biodiversity and have community benefits. Each year we invest to cover the previous year's emissions, so were able to remove 97tCO_2e for 2024/25. We will continue to develop this programme, in line with our net zero strategy, which mandates the use of carbon removal credits to cover the residual emissions – up to 10% of our emissions – for areas where we cannot remove the carbon from the activity, such as air travel.

For Scope 3 (categories 2 to 8) we invest in carbon avoidance credits through our partner Ecologi – which also helps us find the right carbon removal projects). Ecologi supports Gold Standard and Verra-approved carbon reduction, and community- and biodiversity-enhancing projects around the world. This year we are backing global projects in forest protection, peatland restoration and fuel-efficient cookstoves.

New carbon literacy programme raises our people's awareness

Our path to net zero and the transition to a low-carbon economy will require everyone pulling in the same direction, and we see education as the key. In 2024/25, for the first time, we rolled out a carbon literacy awareness programme. Its aim is to increase employees' understanding of the causes and impacts of climate change, and to explain our reporting requirements, our GHG emissions targets and our plans to get us there. This is essential because, while we know our people are committed to doing the right thing, it can be difficult to know what that is. The programme also covers how people can reduce their own personal carbon footprint.

By the end of the financial year, we had held 11 in-person and one virtual carbon literacy sessions across three offices for staff at both Bytes and Phoenix. These will continue in 2025/26, and we'll be adding more online sessions for people who mainly work from home.

Case study

Improving our self-sufficiency through solar power

In April 2024, we were proud to complete the installation of 264 solar panels at our Phoenix office in Pocklington. While BTG already gets 100% of its electricity from renewable sources, producing our own solar power increases our self-sufficiency and enables us to export excess energy to the grid for others to use.

Since the installation, we've produced 87,141kWh of our own energy, with the majority being used by the business. When sunny conditions peaked in June, we produced 50% of our energy requirements. The solar panel investment also enables us to provide free on-site EV charging to our customers, suppliers and employees.

Our approach: working collaboratively towards net zero

Lisa Prickett, our Group Sustainability Manager, oversees our GHG emissions reduction efforts, coordinating the approach across our two businesses, Bytes and Phoenix. Lisa works with the senior leadership team, our Sustainability Steering Committee, the Board's new ESG Committee and the wider business to coordinate our activities, ensure progress against our targets and report performance.

Since reducing emissions is a collective goal, we also work with others beyond BTG. Lisa, a member of the Institute for Environmental Management and Assessment (IEMA), is also a member of the Sustainable Business Network, which supports and empowers Surrey businesses to adopt low-carbon behaviours and operations. Jennifer Clewley, Sustainability Lead at Phoenix, is part of a Scope 3 working group at the Government Digital Sustainability Alliance (GDSA). The GDSA brings together the UK Government and its supply chain to drive digital and ICT sustainability.

For full details of how we oversee and manage environmental issues, see the required disclosure in Task Force on Climate-related Financial Disclosures (TCFD) on pages 58 to 67.

Looking ahead and developing our transition plan

Now that our targets have been validated, our focus in the coming year is to continue the work we have been doing on developing our net zero transition plan. In addition to our energy audit submission as part of the Energy Savings Opportunity Scheme (ESOS) this year, we also fulfilled the requirement to submit an action plan, to be reported on annually. These audits, which must be carried out every four years, assess the energy used in our buildings and transport. The action plan builds on this and supports the creation of our overall net zero transition plan.

Developing our plan involves working closely with all areas of the business to determine initiatives and build it in line with overall business strategy and the Transition Plan Taskforce's (TPT) framework. In addition to our own activities, we will take account of the main vendors in our supply chain, which are responsible for most of our Scope 3 emissions, to understand how they are reducing emissions. We are reassured that most of the leading vendors, including our biggest partner, Microsoft, take sustainability very seriously, and have a clear and well-publicised goal of reaching net zero.

As we develop our transition plan, we will keep working hard to reduce our own emissions, as a business and as individuals. We'll also look more closely at the steps we can take to support the health of our planet, including promoting biodiversity around our offices, something our people already do through many of our charitable programmes.

Accreditations

Bytes and Phoenix certified to ISO 14001	ISS ESG quality scores: – Environmental 1 – Governance 1 – Social 2
CDP score of B	
ISS ESG Corporate Rating score B- (top decile)	**See our Sustainability Framework at bytesplc.com for details.**

Embedding sustainable practices

As part of our work to reduce emissions, we build sustainability into our decision making and enable our people to make sustainable choices every day. Aside from our policies of hybrid working and replacing unnecessary business travel, we are:

01

Improving levels of carbon literacy awareness across the business to increase people's understanding of the importance of environmental issues

02

Enabling the transition to EVs by offering electric cars through a salary sacrifice scheme in partnership with Octopus Energy

03

Encouraging greener forms of commuting by setting up a car-sharing network, promoting our cycle-to-work scheme and offering selected free bus passes

04

Encouraging efficiencies through infrared sensors, reduced printing, a request system for consumables and turning off screens overnight. We've also installed sensor taps (50–75% water saving) and LED lighting in a recent refurbishment

05

Enabling increased recycling rates through more than just the standard recyclable items – for example, disposable vapes, crisp packets and ink cartridges

06

Continuing to highlight the importance of good environmental management throughout BTG, including controlling office heating and cooling in a smart manner

Keeping a strong focus on risk management

The challenging business environment in 2024/25 again highlighted the importance of maintaining a strong, agile approach to managing risk.

Having closely monitored the risks to the Group, and the processes we have in place to manage them, we remain confident that our enterprise risk management framework continues to serve us well.

The geopolitical and macroeconomic environment continued to be unsettled this year. Russia's war in Ukraine and the conflict in the Middle East persisted, contributing to interest rates remaining higher for longer. Additionally, there were important elections in several major democracies, including the UK and the US, which led to muted spending by businesses and organisations as they awaited the outcomes.

The resulting uncertain business environment served to reinforce our belief that risk management is an ongoing process that needs reviewing through the year. The starting point is our risk appetite, which was unchanged this year as we maintained our cautious approach. We identify and manage risk through our enterprise risk management framework, which we believe remains fit for purpose. The Group's bottom-up approach to risk is evidenced by the inclusion of risk management as a standing agenda item at each of the subsidiary board meetings.

Following the governance issues we experienced in 2023/24, we strengthened our Board this year. After Sam Mudd was confirmed as CEO in May 2024, we appointed two new independent non-executive directors to the Board: Ross Paterson and Anna Vikström Persson. We also established an ESG Committee for the first time.

Managing new and emerging risks

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

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

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

However, vendors have previously changed their commercial models, and we have a strong track record of successfully adjusting to these, aided by close and regular communication with all our major vendors and distributors. We remain confident in our ability to adapt to vendor changes, without significant detriment to our profitability.

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

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

Looking ahead

We continued our work with PwC as internal audit partner and will do so again in the coming year, because we believe it adds significant value. Our robust risk identification, management and agile responses enabled us to weather the challenging economic conditions this year. While we will never be complacent, we are confident that by continuing to carefully manage our risks the Group will remain resilient in 2025/26.

Andrew Holden
Chief Financial Officer
12 May 2025

Risk management

How we manage risk

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

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

Our approach

The purpose of enterprise risk management is to achieve three key objectives:

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

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

Our risk appetite

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

Our risk governance structure

BTG

Board

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

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

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

Audit Committee

Reviews Group and operating company risks

Reviews effectiveness of risk management frameworks

Ensures operating company risk processes are aligned

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

Risk framework

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

Operating companies

Operating company boards

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

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

Operating company risk committees

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

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

Operating company risk owners

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

Internal review

Using control standards to measure risk management and control effectiveness

External review

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

Internal experts

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

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

Day to day, our enterprise risk management is about:

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

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

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

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

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

Our three emerging risks

The emerging risks we identified in our previous reporting – climate change, keeping pace with social change, and the impact of AI – continued to be relevant in 2024/25. Our Board manages and monitors these risks closely, with oversight from the Audit Committee.

Climate change

The physical and transition risks related to climate change continue to be an area of emerging risk, even though they are not materially affecting our business in the short to medium term (see Task Force on Climate-related Financial Disclosures (TCFD) on pages 58 to 67).

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

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

To increase our governance and oversight of climate change and its related risks and opportunities, we established a Board-level ESG Committee in June 2024. This additional layer of governance brings independent oversight to our targets, progress and strategy. During 2024/25, as well as receiving validation from the SBTi of our GHG emissions targets, we submitted our second annual scoring disclosure to CDP, receiving an improved score of a B, compared to a C in 2023/24. We also remain certified to the ISO 14001 environmental management system. Our approach supports organisations that are committed to working with sustainable suppliers, in line with our strategy of delivering high-net-value solutions.

In our TCFD-compliant disclosures on pages 58 to 67, we review the latest climate science using several scenarios to understand our climate-related risks and opportunities and the cost to the business from these risks. None of these risks or opportunities is considered material.

Keeping pace with social change

In 2022/23, we identified a second emerging risk around social change, which we again reviewed in the second half of 2024/25 and still consider to be emerging. Changing generational and cultural attitudes could affect the way we work and how we need to respond to our people. To identify changes, we are closely monitoring recruitment, attrition rate and insights from staff.

Our customer and talent pool might be limited if we are not seen as a progressive organisation. People, particularly of a younger age, are looking to engage with companies that do the right thing when it comes to being a responsible part of society. As younger generations join the workforce, we are starting to see changes in expectations around work-life balance.

We have long identified that our staff need more than just to be well paid: they need opportunities to develop, flexibility in their working arrangements and for the business to feel like a cultural fit. We continue to take steps to meet these expectations, and to build on the actions already taken – such as increasing wellbeing initiatives, refurbishing office spaces to meet employee needs, introducing Group-wide personal development plans for all staff and having regular employee feedback opportunities. We listen regularly to our employees through forums, portals and anonymous routes, although we encourage a culture of openness.

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

Risk management continued

Impact of AI

In 2023/24, we identified a third emerging risk from AI and the impact this might have on our customers and their employees. We reviewed this again in February 2025. We consider AI and machine learning an opportunity for our business, as we expand sales into areas such as Microsoft's Copilot and support our customers to capitalise on this emerging technology.

However, as well as opportunities, AI brings several inherent risks. These potential risks come from moral, legal and ethical issues, relating to the information sources that the AI technology is trained on and extracting data from – with its possible copyright and other legal issues – and the potential replacement of many roles in the workplace in the longer term. Within the Group, there are policies, procedures and an AI ethics committee. We will discuss and review policies and the feedback from committees through our approach to risk management as the technology develops and its wider impact better understood.

Currently, we are using AI within our business, as are our customers, to enhance productivity. There is no indication that customers are reducing their number of employees. However, customers may choose not to recruit if AI can replace people, which could then limit our growth because user numbers become static or grow less rapidly.

GenAI may also present a cybersecurity risk because, as it develops, the tool will allow for more sophisticated impersonation, such as deepfakes. These could be used in several ways to cause financial and reputational damage, including more convincing phishing attacks or 'fake' videos conveying incorrect information. We are developing our employees' awareness of this risk through training on social engineering and phishing.

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

Our principal risks and uncertainties

In 2024/25, the economic situation became more stable, but the uncertainty of the geopolitical situation increased. Given we performed strongly and managed risks well last year, we have maintained our three emerging and 14 principal risks, making only some changes to the impacts and the status of the risk – that is, whether we consider them likely to 'increase', 'decrease' or show 'no change'.

Summary of changes since 2023/24

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

Financial

1 Economic disruption

Risk owner CEO

The risk

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

Internationally, there is political uncertainty with the new US administration. Imposing global tariffs for trade into the US, resulting in reciprocal tariffs, could lead to inflation.

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

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

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

The impact

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

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

How we manage it

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

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

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

Our continued focus on software asset management means that we advise customers of the most cost-effective ways to fulfil their software needs. Changes to economic conditions mean many organisations will look to IT to drive growth and/or efficiency.

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

We will keep a watching brief on the impacts on the public sector from any government cuts to funding or policy changes, and how these affect the business.

2 Margin pressure

Risk owner MDs of subsidiary companies

The risk

BTG faces pressure on profit margins from myriad directions, including increased competition, changes in vendors’ commercial behaviour, certain offerings being commoditised and changes in customer mix or preferences.

The impact

These changes could have an impact on our business performance and profitability.

How we manage it

Profit margins are affected by many factors at customer and micro levels.

We can control some of the factors that influence our margins but some, such as economic and political factors, are beyond our control.

In the past year we have sought to maintain margins where possible. Our diverse portfolio of offerings, with a mix of vendors, software and services, has enabled us to absorb any changes – and we continue to innovate to find new ways to deliver more value for our customers. Services delivered internally are consistently measured against our competition to ensure we remain competitive and maximise margins.

Keeping the correct level of certification by vendor, early deal registration and rebate management are three methods we use to make sure we are procuring at the lowest cost and maximising the incentives we earn.

This risk area is reviewed monthly.

Expectation of risk impact

- Increase
- No change
- Decrease

Our principal risks and uncertainties continued

Financial

3 Changes to vendors' commercial model

Risk owner CEO

The risk

We receive incentive income from our vendors and their distributors. This partially offsets our costs of sales but could be significantly reduced or eliminated if commercial models change significantly.

The impact

These incentives are very valuable and contribute to our operational profits. Significant changes to commercial models could put pressure on our profitability.

How we manage it

We maintain a diverse portfolio of vendor products and services. Although we receive major sources of funding from specific vendor programmes, if one source declines, we can offset it by gaining new certifications in, and selling, other technologies where new funding is available.

Microsoft forms a significant part of BTG's gross profit, and has consistently reviewed its incentive programmes to help it achieve its strategic objectives. BTG has shown its ability to adapt in line with these changes. Although we see this risk increasing, we are confident in our ability to maintain growth over time (see Our strategy on page 9).

We closely monitor incentive income and make sure staff are aligned to meet vendors' goals so that we don't lose these incentives. Close and regular communication with all our major vendors and distributors means we can manage this risk appropriately. In some areas we have seen a positive change in vendors' commercial terms, where we have been able to adapt practices.

4 Inflation

Risk owner CFO

The risk

Inflation in the UK, as measured by the Consumer Price Index (CPI), was 3.2% in March 2024. At February 2025, this was 2.8%. This rate is above the Bank of England's target of 2%.

The effects of both NI changes and global trade tariffs are inflationary.

The impact

Wage inflation and increased fuel and energy costs have a direct impact on our underlying cost base.

If our competitors increase wages to a higher level, then we potentially risk not retaining or attracting employees and customers.

Our customers will also have increased costs, which will change their budgets and spending priorities.

How we manage it

Staffing costs make up most of our overheads, so we focus our attention on our employees and their ability to cope with the rising cost of living. Beyond salaries, we have also focused on providing benefits packages to attract and retain talent.

While we cannot dictate our customers' budget, our business model is to build trusted relationships – where account managers understand our customers and are able to have pragmatic conversations about what their IT priorities should be in the current technology landscape.

5 Working capital

Risk owner CFO

The risk

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

The implementation of the UK Government's Procurement Act 2023 will affect the payment terms of public sector customers and affect our supply chain.

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

We have seen debtor days stabilise as inflation has reduced, but the number of days is yet to return to historically low levels.

The impact

This could adversely affect our businesses' profitability and/or cash flow.

How we manage it

Our credit collections teams are focused on collecting customer debts on time and maintaining our debtor days at or below target levels. Debt collection is reported and analysed continually and escalated to senior management as required.

We have invested in larger credit collection teams and risk management.

In the past financial year, BTG has seen a higher level of bad debts and write-offs than before, but these still aren't significant: all our write-offs are from companies that have become insolvent or gone into administration.

A large part of a successful outcome is maintaining strong, open relationships with our customers, understanding their issues and ensuring our billing systems deliver accurate, clear and timely invoicing so that queries can be quickly resolved.

Strategic

6 Vendor concentration

Risk owner CEO

The risk

Over-reliance on any one technology or supplier could pose a potential risk, should that technology be superseded or exposed to economic down cycles, or if the vendor fails to innovate ahead of customer demands.

The impact

Relying too heavily on any one vendor could have an adverse effect on our financial performance, should that relationship break down.

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

How we manage it

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

We have a diversified vendor list, as well as a focus on services and using in-house and third-party specialists, which diversifies and mitigates some of the vendor concentration risk.

7 Competition

Risk owner CEO

The risk

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

Mergers and acquisitions have consolidated our distribution network and absorbed specialist services companies. This has caused overlap with our own offerings.

A move to more direct vendor sales to end customers (disintermediation) could place more pressure on the market opportunity. Platforms, like marketplaces, with direct sales to customers, could also be seen as disintermediation.

An increase in the use of marketplaces also heightens the risk of more transactions going through the same route.

Frameworks, particularly in the public sector, are a procurement route of choice for some customers. We risk narrowing our route to customers if we are not part of these frameworks.

AI risks becoming a partial competitor, if it becomes able to provide accurate and beneficial licensing and infrastructure advice direct to customers.

The regulatory environment will change the competitive landscape too, as regulators look to decrease monopolies.

The impact

This risk could have a material, adverse impact on our business and profitability, potentially requiring a shift in business operations, including a strategic overhaul of the products, solutions and services that we offer to the market.

More consolidation could lead to less competition between vendors and cause prices to value-added resellers, like us, to rise and service levels to fall. Direct sales to customers could also increase. This could erode reseller margins, given the purchase cost is less for the distributor than the reseller. This could reduce our market, margin and profits.

How we manage it

We closely watch commercial and technological developments in our markets.

The threat of disintermediation by vendors has always been present. We minimise this threat by continuing to increase the added value we bring to customers directly. This reduces clients' desire to deal directly with vendors.

Equally, vendors cannot engage with myriad organisations globally without the sort of well-established network of intermediaries that we have.

We currently work with the dominant marketplace providers and can sell from multiple vendors to our customers through their platforms. By matching customer requirements to the vendor's value proposition, we can better serve our customers' needs.

We continue to develop and improve our systems and processes to make transactions easier for our customers, including expanding and improving our own self-service portals.

AI/machine learning has been identified as a new emerging risk, so we will explore and monitor risks and opportunities to our business.

Currently, there is no sign of any commoditisation that would be a serious threat to our business model in the short or medium term.

We are aware of the opportunities from regulatory changes and partnerships to expand our vendor, solution and services portfolio.

Our principal risks and uncertainties continued

Strategic

8 Relevance and emerging technology

Risk owner CEO

The risk

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

The impact

Customers have a 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 by joining industry forums and sitting on new technology committees. We have expanded the number and range of our subject-matter experts, who stay ahead of developments in their areas and communicate this internally and externally.

We are giving more focus to customer communications and marketing, to increase brand awareness.

By identifying and developing bonds with emerging companies, we maintain good relationships with them as they grow and give our customers access to their technologies. This is core to our business, so the risk is relatively low.

Processes and systems

9 Cyberthreats – direct and indirect

Risk owner CTOs of subsidiary companies

The risk

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

The impact

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

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

How we manage it

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

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

Internal IT policies and processes are in place to mitigate some of these risks, including regular training, working abroad procedures and the use of enterprise-level security software.

We have established controls that separate customer systems and mitigate cross-breaches. Our cyberthreat-level system also lets us tailor our approach and controls in line with any intelligence we receive. Our two subsidiaries share insights and examples of good practice on security controls with one another. Both businesses use a security operations centre and have internal specialists to provide up-to-date threat analysis.

We maintain ISO 27001, CE and CE+ (cyber essentials) certifications to protect our and our customers' data.

Operational

10 Business continuity failure	Risk owner CTOs of subsidiary companies
The risk Any failure or disruption of BTG's people, processes and IT infrastructure may negatively affect our ability to deliver to our customers, cause us reputational damage and lose us market share. **The impact** Systems and IT infrastructure are key to our operational effectiveness. Failures or significant downtime could hinder our ability to serve customers, sell solutions or invoice. Major outages in systems that provide customer services could limit customers' ability to extract crucial information from their systems or manage their software. Increased automation means a heavier reliance on technology. Although it can reduce human error, it can also potentially increase our reliance on other vendors. People are a huge part of our operational success, and processes rely on people as much as technology to deliver effectively to our customers. Insider threats, intentional or otherwise, could compromise our ability to deliver and damage our reputation. Employee illness and absence – if in significant numbers, such as a communicable disease in a particular team – could make effective delivery difficult.	**How we manage it** Our CTOs and heads of IT manage and oversee our IT infrastructure, network, systems and business applications. All our operational teams are focused on the latest vendor products and educate sales teams appropriately. Regular IT audits have identified areas for improvement, while ongoing reviews make sure we have a high level of compliance and uptime. This means our systems are highly effective and fit for purpose. For business continuity, we use different sites and solutions to limit the impact of service outage to customers. Where possible, we use active resilience solutions – designed to withstand or prevent loss of services in an unplanned event – rather than just disaster-recovery solutions and facilities, which restore normal operations after an incident. Employees are encouraged to work from home or take time off when sick, to avoid transmitting illness within the workplace. We also have processes to make sure there isn't a single point of failure, and that resilience is built into employees' skill sets. The risk is also mitigated through policies and process implementation, such as Phoenix achieving ISO 22301 certification and Bytes implementing an incident management policy. Our efforts to reduce the risk from insider threats are multifaceted and involve pre-employment screening, contracts, training, identifying higher-risk individuals and technology to reduce potential data loss. This risk is reviewed through frequent risk assessments and business continuity plan testing.
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. Several factors are affecting this: – Salary and benefit expectations – BTG's high rate of growth – Skills shortage in emerging, high-demand areas, such as AI and machine learning – With remote or hybrid working becoming the norm, potential employees in traditionally lower-paid geographical regions being able to work remotely in higher-paying areas like London. **The impact** The double impact of scarcity of appropriate candidates for new roles and salary expectations will challenge our ability to attract and retain the talent pool we need to deliver our planned growth. We may also lose talented employees to competitors.	**How we manage it** We continually strive to be the best company to work for in our sector. One of the ways we manage this risk is by growing our own talent pools. We've used this approach successfully in our graduate intakes for sales, for example. BTG also runs an extensive apprenticeship programme across multiple business divisions. We also review the time that management has to coach new staff. We've organically grown and set up new geographical offices, to attract local talent. Maintaining our culture is important to retaining current staff. BTG regularly engages with employees through surveys, such as the eNPS and Great Place to Work. Feedback from these and elsewhere is used to review and develop our employee benefits. We maintain our small-company feel through regular communications, clubs, and charity and social events. We aim to absorb growth while keeping our culture.

Our principal risks and uncertainties continued

Operational

12 Supply chain management

Risk owner CEO

The risk

Failure to understand suppliers may lead to regulatory, reputational and financial risks, if they expose our business to practices that we would not tolerate in our own operations. The time and effort to monitor and audit suppliers is considered a risk.

There is a risk to our business if we engage with suppliers that:

- Provide unethical working conditions and pay
- Are involved in financial mismanagement and unethical behaviour
- Cause environmental damage
- Operate in sanctioned regions.

The impact

The impact to the business is across multiple areas, from legal, financial and reputational to ethical and environmental.

Escalating conflicts could also affect our supply chain.

How we manage it

Supplier set-up forms include questions to ask suppliers to disclose information relating to compliance and adherence to our supplier codes of conduct. Any unethical, illegal or corrupt behaviour that comes to light is escalated and appropriate action is taken. Onboarding questionnaires have been reviewed and improved.

Phoenix has appointed a supply chain manager, and Bytes has appointed a third-party compliance officer focused on supply chain management. Bytes has also established a cross-disciplinary group to work on managing suppliers.

Regulatory

13 Sustainability/ESG

Risk owner Group Sustainability Manager

The risk

The growing importance of sustainability and ESG for our customers, investors and employees means we need to stay at the forefront of reporting and disclosure, as regulations are continually updated. Failure to do so would put the Group at risk of financial penalties and reputational damage.

The impact

Falling behind expectations or our peers may lead to challenges around:

- Legal compliance, such as adhering to global standards
- Retaining customers, as they push to reduce emissions
- Investor relations, such as meeting criteria for ESG funds
- Attracting and retaining employees, as younger generations seek to work for more purpose-driven businesses.

How we manage it

Our Board manages and monitors this risk closely, with oversight from the ESG and Audit Committees.

The Group Sustainability Manager continues to drive sustainability reporting and initiatives, and to work with an appointed third party to provide guidance and assurance on reported data. Environmental management systems are also in place and certified by ISO 14001.

Our Sustainability Steering Committee enables decision makers from across the Group to work towards a common goal and report on challenges. In June 2024, we enhanced the governance of ESG, by establishing a Board-level ESG Committee.

Disclosures are made through several channels, including ISS ESG ratings, CDP and EcoVadis. We had our near-term and net zero targets validated by the SBTi in June 2024, as part of our programme to drive sustainability through best practice approaches. Feedback from disclosures is used to guide changes in the business. So, as disclosure methodologies stay current, so should the business, where possible and relevant.

14 Regulatory and compliance

Risk owner CEO

The risk

Our business faces inherent risks from evolving regulatory and compliance landscapes. Changes in laws, regulations and industry standards could significantly affect our operations, financial stability and reputation.

The impact

Operational teams and processes face administrative burdens and effects under rapidly changing regulations.

Failing to keep up with regulatory, reporting and compliance changes could lead to fines, legal challenges and reputational damage.

If regulatory compliance is not maintained, there are risks to the Group and to individuals, which could lead to expensive legal challenges and reputational damage to the business among all stakeholders.

How we manage it

We engage external experts. BTG works closely with external authorities, including through internal and external audits and paid-for consultancy, to advise on expected changes to regulations and the Group's response to them.

We monitor regulatory developments. Individuals with responsibilities in the business stay up to date with changes in their field through professional memberships and trade publications, and through directly following regulatory and compliance bodies.

We work to enhance internal controls. Compliance teams in each operating company hold a register of policies and organise reviews, updates and sign-offs with policy owners to make sure policies are kept current.

Our steering committees, operating company board meetings and BTG Board meetings are forums for raising and discussing changes that affect multiple areas of the business.

Disclosure statements

Q

How did Bytes advance its sustainability agenda this year?

A

We successfully launched our keenly awaited EV scheme and, as part of our Leatherhead office refurbishment, switched to LED lighting, installed sensor taps and implemented the auto-power down of screens at night.

Mandi Nicholson
Sales Operations Director and ExCo ESG Lead, Bytes

Task Force on Climate-related Financial Disclosures (TCFD)

We are committed to protecting the environment by reducing our GHG emissions and helping our customers to do the same.

We are acutely aware of the impacts that climate change could have on our business and society – and of the related risks businesses are exposed to through their activities and supply chains.

Although TCFD has been disbanded and its recommendations adopted into broader IFRS S1 and S2 standards, the UK has not yet formally adopted these. We continue to report using the TCFD recommendations, while also maintaining our wider GHG emission reporting – see Additional environmental disclosures on pages 68 to 71 and Our planet on pages 42 to 46. Through its focus on climate policy and regulation, the UK Government has also made climate change a priority for all businesses. This includes the upcoming requirement to publish net zero transition plans to support the UK's overall net zero target.

So, we have made some changes to our TCFD report this year by reporting on the recommendations more strategically.

Our view is that the direct impact of climate change on BTG will be relatively low, given our primary business is in software, security and cloud solutions, and IT services, working with large software companies. Unlike many companies in other sectors, we do not have factories or facilities outside the UK and, currently, consider the impact of extreme weather events in the UK to be relatively low. Staff and customers are not always required to attend our offices in person, and the hardware we sell, although transported by third parties, is a relatively small part of our business.

But, like all responsible companies, we will continue to reduce our environmental impacts and support the transition to a low-carbon economy. Adapting to a warmer world with more weather extremes and understanding the actions and steps our customers will be taking is the right thing to do. This may bring us opportunities too, as companies look to technology for the systems and services they need to manage transition risks and move to a low-carbon economy.

Complying with TCFD

This is our fourth report against the recommendations of TCFD, which we expanded last year to incorporate the requirements of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 – which itself aligns with the recommendations of TCFD.

We have again complied with all 11 areas of TCFD and summarised this in the following table. To avoid repetition, we have cross-referenced to relevant information elsewhere in this Annual Report – particularly in Our planet on pages 42 to 46 and in Additional environmental disclosures on pages 68 to 71, which should both be read in conjunction with this TCFD report.

TCFD recommendation	Compliance and cross reference	Comments/next steps
Governance see pages 60 to 61		
a. Describe the board's oversight of climate-related risks and opportunities.	Fully compliant – see page 60	n/a
b. Describe management's role in assessing and managing climate-related risks and opportunities.	Fully compliant – see pages 60 to 61	n/a
Strategy see pages 62 to 67		
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Fully compliant – see pages 64 to 67	n/a
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Fully compliant – see pages 63 to 67	n/a
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2˚C or lower scenario.	Fully compliant – see pages 62 to 67	n/a
Risk management see pages 60 to 61		
a. Describe the organisation's processes for identifying and assessing climate-related risks.	Fully compliant – see pages 60 to 61	n/a
b. Describe the organisation's processes for managing climate-related risks.	Fully compliant – see pages 60 to 61	n/a
c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Fully compliant – see pages 60 to 61	n/a
Metrics and targets see pages 42, 68 to 70, 120 and 129		
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Fully compliant – see pages 42, 120 and 129	n/a
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.	Fully compliant – see pages 68 to 70	n/a
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Fully compliant – see pages 68 to 70 and 120	n/a

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

Governance and risk management

Given the importance of climate change, and that the issues are evolving constantly, we oversee climate change at the highest level of the Group. Our governance structure ensures we factor climate-related issues into our thinking throughout the business, while our overall enterprise risk management framework integrates climate assessments and sets out our risk management process for climate-related risks. Read more in our Risk report on pages 47 to 56.

This year we have merged our reporting of climate-related governance and risk management, given that both are integral to the work of our Board and Executive Committee.

The Board

- Overall responsibility for the effective delivery of our sustainability targets
- Considers reports from the ESG Committee
- Our CFO is BTG's executive director for sustainability
- The Board, with senior leadership, also oversees governance aspects of ESG

ESG Committee

- Reviews progress against sustainability targets
- Monitors the changing regulatory requirements and trends in ESG
- Reviews climate-related risks and opportunities
- Considers sustainability as part of our engagement with stakeholders

Executive Committee, management and Group Sustainability Manager

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

Sustainability Steering Committee

- Members drawn from senior leadership and across the business
- Considers progress against targets and assesses operations from a sustainability viewpoint

Operational teams

- Champion practical environmental and social activity, including volunteering
- Raise awareness of local social and environmental issues

Focused oversight at Board level

Our Board is responsible and accountable for sustainability, including the achievement of our environmental targets and for overseeing climate-related risks and opportunities. This is outlined within our Sustainability Framework (available at bytesplc.com/sustainability) which outlines our sustainability reporting methodology. The Board receives relevant performance information from the ESG Committee, which meets three times a year, including on progress against targets, significant actions taken and any changes to risk. Any material matters are discussed and actions identified, as necessary.

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

The Board delegates the authority for delivering the risk framework to the Audit Committee, which formally reviews our risk performance twice a year. The committee also receives Group risk updates for review. Since 2022/23, the Audit Committee has included climate-related risks as a standing item on its agenda.

Since June 2024, our new Board-level ESG Committee has increased the scrutiny of our climate-related activities, monitoring how we implement BTG's ESG and sustainability strategy. During the year, the ESG Committee was briefed on our new ESG Strategy and Environmental Policy, and on the progress of our sustainability initiatives and climate-related risks and opportunities. The committee also received standing updates on emerging external trends and developments, and stakeholder expectations around commitments to net zero.

Responsibility and management at executive level

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

Our Executive Committee is responsible for the delivery of our environmental targets, and reviews and monitors climate-related risks and opportunities, reporting to the Board. Our CFO is the executive director responsible for overseeing climate-related activities and, working with our Group Sustainability Manager and the MDs of our operations, leads the development of our climate change policies. Our CFO is also responsible for overseeing climate-related financial activities and reporting, including sponsoring the Sustainability Steering Committee and the Group risk forum. The forum comprises senior colleagues from across our governance, sustainability, risk management and finance functions.

The Executive Committee also receives Group risk updates for review, in line with our risk review cycle. Our CFO oversees the implementation of our enterprise risk management framework, and compliance with it across the Group. Risk management, which includes a review of climate-related risks together with other risks faced by the business, is a standing item on the agenda of our Executive Committee meetings.

Formal feedback on risk management is also integral to our operating company board meetings, so reviewing climate risk forms part of Bytes's and Phoenix's board agendas – see the risk management section of our Risk report on pages 48 to 56. This ensures accountability at each level for identifying, monitoring and proactively managing risk and compliance issues.

Delivering at an operational level

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

We also have staff-led teams at operational level, which promote initiatives, raise awareness of the importance of environmental issues and carry out local activity. These teams form an important part of our collective efforts and report into our Sustainability Steering Committee.

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

We manage our environmental impacts through the framework of the ISO 14001 environmental management system. ISO 14001 requires that risks and opportunities be identified, and processes put in place to mitigate and manage them. Both Bytes and Phoenix are certified to ISO 14001. For more about our principal risks and how we manage and mitigate them, see pages 47 to 56.

Our climate-related risk process

Risk identification	We identify risks at any level of the business, with climate-related risks channelled through either the Sustainability Steering Committee (bottom up) or the ESG Committee and our executives (top down). The Group Sustainability Manager stays informed about climate science and regulatory changes, raising any potential risks identified through these forums.
Risk assessment	We then discuss any identified risks at ESG Committee, Sustainability Steering Committee and Group risk review meetings. These forums comprise individuals with wide-ranging knowledge of the business and its operations and who are well placed to interpret the impact of the risk on different areas. The risk impact is then measured against the chosen climate scenarios, and a financial impact estimated.
Risk management	If a risk is considered to have a potentially material impact, we will add it to the Group's risk register as either an emerging or a principal risk. Such risks will be managed through our enterprise risk management framework. If a risk is considered immaterial, it will be added to the climate-related risk assessment and be reviewed annually, with Board oversight. If a risk changes from immaterial to material, or vice versa, it will move to the appropriate channels and be managed accordingly. We will also consider mitigating actions and alignment with strategy, depending on the risk impact.

Strategy

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

The Board is supported by our CEO, CFO and other senior leaders in ensuring that sustainability remains core to our strategy. Forming the ESG Committee, meanwhile, has added another level of oversight to how we manage our climate-related risks and opportunities.

Analysing our climate-related risks and opportunities

In 2024/25, we reviewed the latest output from organisations such as the Intergovernmental Panel on Climate Change (IPCC), reassessed our climate-related risks and opportunities alongside the TCFD recommendations, and conducted scenario and financial analyses and a financial risk assessment.

Scenario methodology

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

Given the differences between physical and transition risks, two different mechanisms have been used for the scenarios. For physical risk scenarios, we have selected three relevant categories from the eight identified in the IPCC AR6 Categories from Working Group III (IPCC AR6 WGIII). These eight categories range from C1 (>50% chance of limiting warming to 1.5°C with no or limited overshoot) to C8 (>50% chance of global warming exceeding 4°C). BTG has chosen to use C1, C3 and C6, as detailed in the physical risk scenarios table below. For transition risks, we have chosen to use the International Energy Agency (IEA) World Energy Outlook 2024 scenarios, which relate to global energy policy decisions and the adherence to these. These range across three different trajectories, as detailed in the transition risk scenarios table below.

Physical risk scenarios

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

Transition risk scenarios

Group notation	IEA	Description[1]
NZE	Net Zero Emissions by 2050 Scenario (NZE)	This scenario portrays a pathway in which the energy sector achieves net zero carbon dioxide (CO_2) emissions globally by 2050, in line with limiting the long-term global average temperature to 1.5°C, along with achieving universal energy access by 2030 and air quality objectives.
APS	Announced Pledges Scenario (APS)	This scenario outlines a trajectory for the energy sector if all national energy and climate pledges, including long-term net zero emissions goals, are met on time and in full.
STEPS	Stated Policies Scenario (STEPS)	This scenario provides a sense of the prevailing direction of travel for the energy system, based on a detailed assessment of current policy settings.

1 From the IEA World Energy Outlook 2024.

We considered these risk scenarios over a broad timeframe, from 2024/25:

- **Short term:** one to three years – the depreciation of the majority of our IT assets, which reflects the length of our typical customer software contracts
- **Medium term:** three to ten years – incorporating 2030, the target date for our main emissions goal
- **Long term:** ten to 25 years – which covers our net zero goal of 2040, and the start of 2050, the UK's net zero target.

Some risks may arise in the shorter term; however, many of the effects of climate change will arise in the longer term and so come with an inherent level of uncertainty. We have identified those – and potential opportunities – most likely to affect BTG, as set out in the tables on pages 64 to 67. The magnitude of our climate-related risks and opportunities not only depends on the physical impacts on our business operations, but is also shaped by regulatory developments in our markets, our goal to reduce our GHG emissions, and our efforts to understand and shape a culture of climate action.

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

Risks and opportunities

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

Overall, our analyses showed no immediate material risks that would affect our strategy or performance, so concluded that climate change remains an emerging risk for BTG. However, as the analyses demonstrate, the transition risk that suggests a moderate financial impact is about staying aligned with stakeholders' expectations and regulation relating to climate change. In 2022/23, we elevated the regulatory aspects of sustainability to a principal risk. This principal risk incorporates all aspects of sustainability and, in particular, relates to predicted and unforeseen future regulations, which may assess areas we haven't measured with the same focus as climate, such as biodiversity and social aspects of sustainability. The physical risk (see page 49 in our Risk report for more details).

To analyse the materiality of the risks, we used the same process and financial impact categories to categorise the climate risks as we do for principal risks. We have made an assessment of the potential financial cost/benefit for each of those identified, which then dictates the relevant materiality of each risk/opportunity. The materiality of the risks then informs whether the business needs to consider the risk/opportunity in strategic or financial planning. At present, the materiality of the risks and opportunities to the business is considered low and our resilience to risks high. The table above shows these categories, which are also referenced in the risks and opportunities tables on pages 64 to 67.

Because developments this year have not changed our initial conclusions around the nature of climate change, as described earlier, we are confident that it has had a limited effect on our accounting judgements and estimates this year. We have therefore determined that it has had no material impact on our asset and liability valuations at 28 February 2025.

Assurance from GHG emissions targets validation

In June 2024, the SBTi validated our near-term and net zero targets, creating a pathway for the work we need to do to achieve these targets. For more details, see Our planet on page 43.

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

Summary of our key climate-related risks

Risk description	Risk category	Potential impact	Mitigation actions	Scenario and potential financial risk
Transition risks				
Increased pricing of carbon (or carbon-intensive materials, goods and services), carbon reporting obligations, regulation of products and services, and exposure to litigation S	Policy and legal	The most likely effect of any changes would be an increase in operating costs. For example, reporting criteria could involve additional time and expertise, or a mandatory reduction in GHG emissions could require extra capital expenditure. Failure to comply with this risk, which is relatively low, could result in damage to our reputation and possible regulatory fines in certain instances.	We have several internal groups in place to manage sustainability, including the effects of climate change on our business. We continually monitor the regulatory and legal environment and take external advice as required. A large percentage of our supply chain is with Microsoft, which has a 'carbon negative' date of 2030. If it achieves this, it will mitigate the majority of our supply chain Scope 3 emissions from 2030 onwards. We will continue to monitor our other vendors too, including new ones, and will be expanding our onboarding to include information around their GHG emissions and reduction targets.	NZE – minor APS – minor STEPS – minor
Changes in customer working behaviour and infrastructure requirements M L	Market	The move away from full-time, office-based working could accelerate if climate change-related extreme weather events routinely made it difficult to reach centralised workplaces. This could further encourage employees to work from home or at other non-office locations. These changes could also mean that customers no longer needed so much of the hardware infrastructure that we supply, such as desktop computers and telephones. However, hardware makes up less than 2% of our business, and the software side is unlikely to be affected. So, the impact on us would be relatively small and potentially feeds into some of the opportunities identified around increased cloud computing.	Given this risk is relatively insignificant, and within BTG's risk tolerance, we have not developed formal mitigation plans.	NZE – minor APS – minor STEPS – minor
Substitution of existing products and services that we currently sell with new technologies that are not in our portfolio S M	Technology	On balance, we believe that most of the software we sell would not be affected by this situation, which presents both risks and opportunities to BTG. If our customers moved away from our existing products and services, and we did not have relationships with vendors that sold the new in-demand products and services, we would lose sales. However, if we had built those relationships and could offer those new products and services, we would benefit from additional revenue opportunities.	We analyse market trends to keep up with changes in technology and customer preferences and draw on assistance and guidance from external advisors as required. We also have internal groups that focus on managing sustainability, including the effects of climate change on our business.	NZE – minor APS – minor STEPS – minor

S Short term: one to three years M Medium term: three to ten years L Long term: ten to 25 years

Risk description	Risk category	Potential impact	Mitigation actions	Scenario and potential financial risk
Transition risks continued				
Concerned or negative perceptions from stakeholders that we have not responded appropriately to climate change S M L	Reputation	Damage to our reputation could affect all our stakeholders. Investors increasingly have a sustainability mandate – so a poor or damaged reputation could negatively affect our investment case. Customers often include a sustainability score when comparing suppliers. Reputational damage would lower our score, which, over time, would have a negative impact on our revenue. Our suppliers could also exert pressure on us if our reputation was tarnished. Any damage to our reputation could also affect our ability to attract and retain skilled staff, who now look to employers for more than just financial reward and advancement opportunities.	We monitor our external reputation through regular dialogue with our PR agency and external advisors and engagement with our institutional investors, our vendors' perception through periodic reviews, our customers' views through our customer NPS, and our people's views through our employee NPS and through briefings from our designated non-executive director for employee engagement. We monitor investor-focused scoring through ISS, and act on areas where we can improve. Public disclosures through CDP and EcoVadis enable us to understand our position within our peer network and enable engagement with customers. We also create opportunities for engagement with all our stakeholders via our Annual Report and Annual General Meeting. We receive insights on our performance from our internal sustainability-focused groups. We take account of the feedback from these sources in the context of our public commitments.	NZE – moderate APS – moderate STEPS – minor

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

Risk description	Risk category	Potential impact	Mitigation actions	Scenario and potential financial risk
Physical risks				
Increase in extreme weather events and variable weather patterns in the UK causing disruption to energy and related systems M L Such physical risks could make it difficult for our people to get to work, or our vendors and subcontractors to deliver their products and services to us or our customers because of blocked roads or public transport failure, for example.	Acute/chronic	Low-impact scenario (C1) will have a limited impact on the business, as coastal inundation and localised flooding is likely to be minimal. Under medium- and high-impact scenarios, this risk increases but is dependent on tipping points, such as that of the Greenland ice sheet, which could increase sea levels. However, none of our UK locations is at high risk of flooding – although, in extreme weather conditions, commuting could be challenging. Once-a-decade extreme events (pre-industrial) will become more frequent under each scenario as warming increases. Periods of extreme heat could affect productivity and increase emissions from offices through more frequent use of air conditioning. Prolonged heatwaves are still expected to be limited in the UK under 2°C or lower scenarios, with a relatively small impact to the business and energy use. Increased extreme weather could affect power lines. With the ability to work remotely and with employees distributed across the UK, as well as resilient cloud-based systems, the impact to business activities and productivity is considered limited. Such physical risks could make it difficult for our people to get to work, however, or our vendors and subcontractors to deliver their products and services to us or our customers because of blocked roads or public transport failure, for example.	If extreme weather events affect power lines, or flooding affects travel to offices, mobile connectivity and our network access means that our staff could work remotely during times of power interruption to our offices. Most of our IT requirements are hosted in the cloud, so we have limited physical connectivity to any one site. We have alternative power supply capabilities and multiple vendors can provide additional data connectivity, to serve locations with on-site computing needs. In a hotter climate and with more frequent heatwaves, the office environment would need to maintain comfortable working conditions for employees, which is currently serviced through the HVAC system. To manage emissions, we would look to use the most efficient and least polluting refrigerant gases and explore alternative options to ensure a comfortable working environment, while also maintaining carbon efficiency. This may include increasing the number of solar panels to provide more self-generated power. In more extreme scenarios, the UK may look to amend working hours to a working pattern similar to how more southerly European countries operate today.	Low (C1) – minor Medium (C3) – minor High (C6) – moderate
Supply chain disruption from the physical impacts of climate change		Global supply chains could be affected by the locations of our suppliers in more severely affected parts of the globe and through disruptions to distribution channels.	Issues are most likely to affect the relatively small hardware and IT services parts of BTG. Software, which makes up 95.5% of our gross invoiced income, is unlikely to be affected, but we will work with our suppliers to understand their climate change-related risks. We perceive that the impact from this will be fairly small, given our top-tier suppliers will already be taking steps to ensure the sustainability of their own businesses.	Low (C1) – minor Medium (C3) – moderate High (C6) – moderate

S Short term: one to three years M Medium term: three to ten years L Long term: ten to 25 years

Summary of our key climate-related opportunities

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

Additional environmental disclosures

With the increased attention on environmental performance, this year we've brought together in one place the environmental disclosures we make in addition to our TCFD reporting.

This includes how we are meeting our GHG emissions targets, so here we provide detailed disclosures on our carbon footprint (including our Scope 1, 2 and 3 GHG emissions), our Streamlined Energy and Carbon Reporting (SECR) data, and the related methodologies.

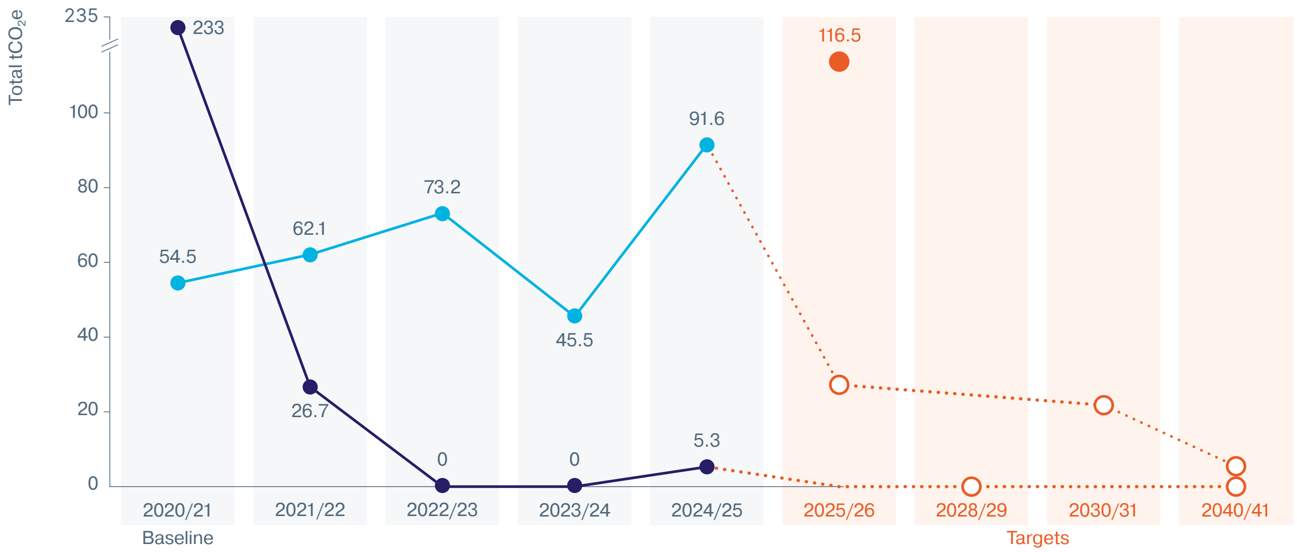
Changes to our carbon accounting

Since the start of 2022/23, we've worked in partnership with a specialist GHG emissions consultancy, which has helped us to report on all Scope 3 categories relevant to our business and to refine these in 2024/25. We use the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard as the methodology for all our carbon reporting (see page 71). Having comprehensive data has enabled us to become far more sophisticated in our analyses and reporting.

In July 2023, the Group submitted a commitment letter to the SBTi to validate our GHG reduction targets – and, in December 2023, once our Scope 3 emissions had been fully calculated for 2022/23, we submitted our near-term and net zero targets. We reported on this expanded Scope 3 work in last year's Annual Report. From April to June 2024, the SBTi worked with us to confirm targets and emissions, which led to a few amendments in our reporting. The main change was splitting out how we report well-to-tank emissions – from only in Scope 3, category 3, to category 4 (upstream transportation and distribution), category 6 (business travel) and category 7 (employee commuting). We were also advised that the software component of our category 11 (use of sold products) was optional under the Greenhouse Gas Protocol. We decided to remove this from our reporting from 2022/23 (Scope 3 baseline) onwards.

In December 2024, Bytes purchased two buildings next to our Leatherhead head office. Although the offices are currently leased out, under our chosen organisational boundary the emissions fall under Scope 1 and 2, as per the Greenhouse Gas Protocol standards. The utility data from December 2024 to the end of February 2025 are not yet available, so we have made estimates based on the Leatherhead office usage and our knowledge of the utilities in these offices. During 2025, we will work to measure these emissions more accurately and determine the impact on our targets – and whether a re-baselining or resubmission to the SBTi is required for Scope 1 and/or 2.

Scope 1 and 2 data year-on-year comparison

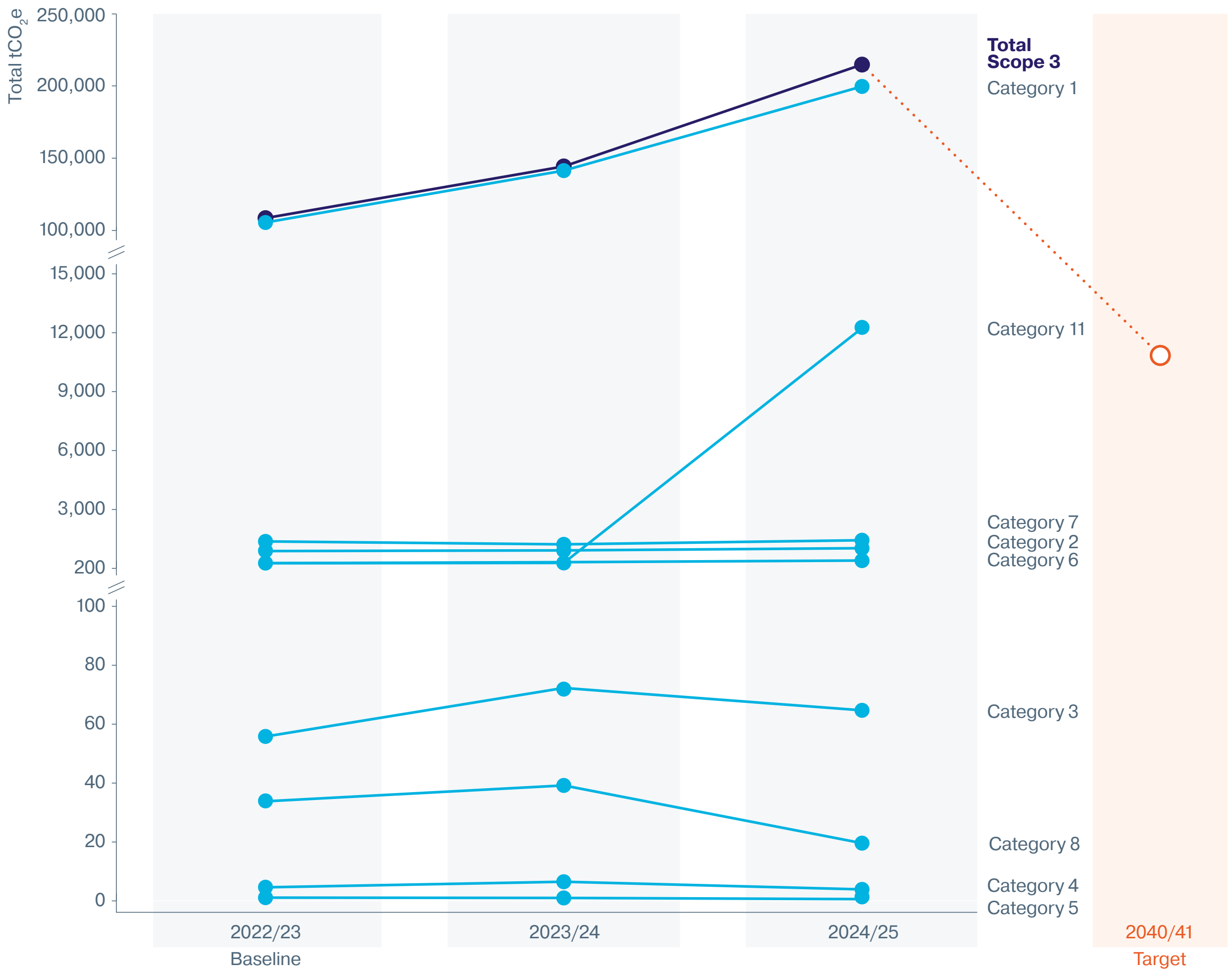


- **Scope 1** Direct emissions from our sites
- **Scope 2** Market-based indirect emissions from the energy we buy
- Scope 2 50% reduction target set in 2020

Our Scope 1 emissions for 2024/25 increased from $45.5tCO_2e$ in the prior year to $91.6tCO_2e$. Although an estimated $4.01tCO_2e$ of this increase comes from the new buildings, the majority comes from failures in the ageing HVAC system at the Leatherhead head office, which is expected to be replaced in 2025.

Market-based Scope 2 emissions increased on the prior year because of estimated usage of the new buildings purchased in December 2024. This will be verified, and is expected to reduce as the contracts are brought under the same commitment as the head office and REGO-backed electricity purchased.

Scope 3 data year-on-year comparison



Scope 3 data (revised for 2022/23 and 2023/24)

Scope 3 categories	2022/23 (tCO_2e)	2023/24 (tCO_2e)	2024/25 (tCO_2e)
1 Purchased goods and services	105,537.9	141,420.9	199,618.6
2 Capital goods	880.1	914.9	1,026.5
3 Fuel and energy-related activities	55.8[a]	72.3[a]	64.7
4 Upstream transportation and distribution	6.5[a]	4.6[a]	3.9
5 Waste generated in operations	1.0	1.1	0.6
6 Business travel	264.0[a]	315.2[a]	398.1
7 Employee commuting (including working from home)	1,372.0[a]	1,222.8[a]	1,428.0
8 Upstream leased assets	33.8	39.2	19.6
11 Use of sold products	260.0[b]	277.0[b]	12,236.8[b]
Total Scope 3	108,411.1	144,268.0	214,796.8

a Revised as part of the SBTi submission process. For our SBTi submission, all well-to-tank emissions were calculated for all transport types, and reallocated from category 3 into the relevant transport categories of 4, 6 and 7. For more details, see Changes to our carbon accounting on page 68.

b 2024/25 saw a large increase of category 11 (use of sold products) because we corrected the calculation to include the full lifetime use of the hardware, instead of one year's usage. We will assess whether this correction requires any amendments to our baseline or reduction targets. In addition, while compiling our SBTi submission, we became aware that the software emissions reported in category 11 were 'indirect-use phase' and, so, optional. Given this category is based fully on assumptions, we have removed software and only report on hardware.

Additional environmental disclosures continued

Energy and carbon data

The SECR regulation requires that UK businesses in scope of the regulation report on their kWh energy usage, as well as carbon emissions and at least one intensity metric.

The table below shows our energy use and carbon emissions across Scope 1, 2 and 3 in 2023/24 and 2024/25. The intensity metrics are shown for both market- and location-based emissions and are based on our energy intensity per million pounds of gross invoiced income (GII).

The methodology for our calculations is on page 71, while more details can be found in the annual carbon reports published by each of our operating companies at bytes.co.uk and phoenixs.co.uk.

Energy and carbon data[a]

Energy, GHG emissions and intensity metrics (kWh and tCO_2e)

	2023/24 (revised[b])		2024/25		
Group	kWh	tCO_2e	kWh	tCO_2e	Change
Energy consumption	**4,989,909**		**5,751,831**		+674,984
Scope 1 – Direct emissions from our sites	152,163	45.5	191,676	91.6	+46.1
Scope 2 – Indirect emissions from the energy we buy					
Location-based[c]	1,000,124	207.1	955,574	180.5	-26.6
Market-based[d]		0.0		5.3	+5.3
Scope 3 – All other indirect emissions across our value chain[b]	3,837,622	144,268.0	4,604,581	214,796.8	+70,528.8
Total emissions – location-based[c]		**144,520.6**		**215,068.9**	**+70,548.3**
Relative emissions – location-based tCO_2e/£m GII		**79.3**		**102.3**	**+23.0**
Taking our renewable energy into account					
Total emissions – market-based[d]		**144,313.5**		**214,893.7**	**+70,580.2**
Relative emissions – market-based tCO_2e/£m GII		**79.2**		**102.2**	**+23.0**

a Our methodologies for reporting energy and carbon data are set out on page 71.
b 2023/24 Scope 3 emissions figures have been revised following work with the SBTi – see more on page 69.
c Location-based emissions are calculated as the average emissions intensity of the electricity grid.
d Market-based emissions take renewable energy purchasing into account.

Methodology

We have reported on the emission sources required under the Companies Act 2006 Strategic Report and Directors' Report Regulations 2013 and have followed the requirements of the SECR framework. We have used the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard to calculate our GHG emissions, and applied the emission factors from the UK Government's GHG Conversion Factors for Company Reporting for the most recent year published when we conduct analysis.

We report on all emission sources required by SECR under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. These sources fall within our consolidated financial statements.

We followed the methodology of ISO 14064-1, which provides guidance at the organisational level for quantifying and reporting GHG emissions and removals.

Our approach to reporting GHG emissions

We have reported on our GHG emissions reduction since we listed in December 2020. Before this, GHG emissions reporting was an established part of our operating companies' reporting process, as a required regulatory disclosure for our former listed group. In 2024/25, we worked with notch carbon accounting platform and consultancy to map our energy and carbon data (Scope 1, 2 and 3), using our 2020/21 baseline for Scope 1 and 2 and our updated 2022/23 baseline for Scope 3, which we report under the SECR regulations.

In our GHG emissions reporting, as well as recording carbon dioxide (CO_2), we include all other GHGs covered under good practice reporting – that is, methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6). We calculate and report GHG emissions in tonnes of carbon dioxide equivalent (tCO_2e), following recommended best practice. Procured renewable electricity and gas is calculated in accordance with the WBCSD-WRI Scope 2 Guidance on procured renewable energy (2015). Conversion factors have been applied based on activity data wherever possible, using 2024 factors as published by DEFRA (Department for Environment, Food and Rural Affairs) and DESNZ (Department for Energy Security and Net Zero). Where activity data is not available, conversion factors have been applied based on DEFRA-published 2021 EEIO (environmentally extended input–output) spend-based conversion factors. Scope 3, category 1 (purchased goods and services) emissions constitute the majority of declared emissions, and were calculated based on supplier-stated emissions, where available. A proportion of supplier-stated emissions were then allocated to category 1, based on spend with supplier, as a percentage of total reported revenue. This approach calculated emissions based on 79% of Bytes spend and 83% of Phoenix spend.

In line with ISO 14064-1, when reporting our carbon footprint we use the principle of operational and financial control. This involves us accounting for GHG emissions from operations over which BTG has control: both financial control, where we direct the financial and working policies of our businesses to gain economic benefits from our activities, and operational control, where we have full authority to introduce and implement our working policies.

To calculate our emissions, we use Greenhouse Gas Protocol standards, which categorise emissions into three scopes. More information about our GHG emissions targets, workstreams and performance data is set out on pages in this section, on pages 42 to 46 and at bytesplc.com.

We will continue to improve the quality and coverage of our GHG emissions and associated reporting. As this process matures, we will continue to work with external experts to assure our carbon data disclosures. The annual carbon reports published by our operating companies give more details of the data sources and assumptions used to calculate emissions. These reports are available on the companies' websites.

Waste management and water are included within our GHG calculations, but we are also aiming to have a separate waste and water policy based on usage. We consider that impacts relating to biodiversity and land use are not material to our business and so are outside our measurement scope. However, we will continue to undertake initiatives to improve the biodiversity in our local areas, through volunteering with charities, and to advocate for the importance of our natural world, as well as through our offsetting initiatives, which have a biodiversity benefit.

Non-financial and sustainability information statement

We are required to include a non-financial information statement in our strategic report, under Sections 414CA and 414CB of the Companies Act 2006, as amended by the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. We cover the information required by these regulations in Our business model (page 21), Sustainability review (pages 34 to 46), and our Risk report and Viability statement (pages 47 to 56 and pages 73 to 74).

More about us

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

	Relevant policies
Environmental and social matters	
This year we have continued to disclose our environmental and social commitments, including again reporting on the Task Force on Climate-related Financial Disclosures (TCFD). We were delighted to have our GHG emissions reduction targets validated by the Science Based Targets initiative (SBTi) and in achieving an improved score from our CDP disclosures from a C to a B. The beginning of our carbon literacy awareness programme has also been well received by employees and will help drive action against our targets. BTG employees spent more than 2,000 hours volunteering for local charities in their communities. For more information, see our Sustainability review on pages 34 to 46, the TCFD section on pages 58 to 67, Additional environmental disclosures on pages 68 to 71 and the ESG Committee report on pages 106 to 111.	**BTG:** Sustainability Framework, environmental policy **Bytes and Phoenix:** Annual carbon reports, environmental policies, Annual carbon reports; environmental policies; ISO 14001; climate, nature, waste and water initiatives
Our employees	
Our positive and inclusive culture, good employee engagement, and commitment to diversity, equality and inclusion are integral to BTG's success. We support initiatives to help improve diversity, equality and inclusion, with progress monitored by senior management and the Board. Our Board acknowledges there is more we need to do to improve diversity and we will continue with our efforts. Employees can raise whistleblowing concerns through a variety of confidential channels, which are most appropriate for the concern, including through Navex EthicsPoint, an anonymous reporting tool. We have a process for investigating whistleblowing reports and our Speak-up policy is available at bytesplc.com. There were no whistleblowing reports this financial year. Encouraging outcomes of our employee engagement included our eNPS, and Bytes and Phoenix being again Great Place to Work-certified in 2024. For more information, see Our people on pages 36 to 39, The Board's year on page 82, Stakeholder engagement on page 86 to 91 and the Nomination Committee report on pages 102 to 105.	**BTG:** Speak-up policy **Bytes and Phoenix:** Health and safety policies; equity, diversity and inclusion policies; gender pay gap reports; speak-up and whistleblowing policies; EthicsPoint tool
Respect for human life	
We believe that modern slavery and human trafficking are the key human rights areas that our operations could be affected by. Given, though, that we operate predominantly in the UK and Ireland, where established legislation and systems protect human rights, we believe that this is not a material issue for BTG.	**BTG:** Modern slavery and human trafficking statement, human rights policy **Bytes and Phoenix:** Modern slavery and human trafficking statements, supplier codes of conduct
Anti-bribery and -corruption	
We operate anti-bribery and -corruption procedures that support compliance with the UK Bribery Act and other legislation.	**BTG:** Anti-bribery, fraud and money laundering policy
Business model and KPIs	
Our business model includes non-financial inputs and outputs. Our Board regularly reviews both financial and non-financial KPIs, which are relevant for monitoring the performance of the business and have a clear link to delivering against our strategy. We disclose performance against our KPIs. For more information, see Our business model on page 21 and Measuring progress on pages 12 to 13.	

Our policies are subject to periodic review, with updates made as and when required. To find out more about our policies, visit bytesplc.com.

Viability statement

Our Board of directors has evaluated BTG's prospects over a three-year period from the end of the financial year, in line with provision 31 of the UK Corporate Governance Code 2024.

The directors have chosen a viability assessment covering a period of three years to February 2028. They believe this is an appropriate and realistic time over which they can anticipate events and assess how existing risks are developing and new risks emerging.

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

- Major customer contracts, typically Microsoft EAs, which run for three years
- Our approved supplier status under the main public sector framework agreement with Crown Commercial Services (RM6098 Technology Products & Associated Services 2 (TePAS 2)) to 7 October 2027, which covers the majority of the viability period, and takes account of our long history of successfully retaining our position at previous renewal dates
- The availability of external funding from our HSBC revolving credit facility, which runs until May 2026 and includes an optional one-year extension to 17 May 2027. This facility has not been drawn against to date and our cash flow forecasts for the next three years show that it is unlikely to be so in that period. If extended, the current term covers the majority of the viability period, and we do not foresee there being an issue extending the facility if required at its end date, which we have done in the past.

The Board has performed a robust risk assessment of the principal risks and uncertainties facing BTG, as outlined on pages 47 to 56. These are risks that may pose a threat to our future financial performance, our ability to meet future commitments and liabilities as they fall due, and the ongoing viability of our business model.

Most recently, in light of changes to the Microsoft EA incentive programme, the Board has assessed the potential downside impact and the extent to which this can be mitigated by growing other incentive opportunities and profit streams in general – both with Microsoft and other vendors – and by expanding our services business. We have managed the initial phase of change well. Any potential negative impact will diminish as we move through the viability period, as new and renewing contracts are repriced to reflect the level of incentives available – something that affects all Microsoft partners similarly and means we will compete for future business on a level playing field. We believe our stress tests, therefore, detailed on page 74, consider downsides around reducing gross profit that are sufficiently severe to cater for any adverse impacts from these incentive changes, should they arise.

BTG's gross invoiced income, gross profit and operating profit increased by 15.2%, 12.0% and 17.1%, respectively, in 2024/25. This growth continues to reflect our core strength of doing more with existing customers, which contributed 97% of our gross profit at a renewal rate of 109% – combined with success in winning new customers – who contributed 25% of our absolute growth in 2024/25, at more than £4 million of gross profit. The rise in operating profit at a higher rate than gross invoiced income and gross profit also demonstrates the business's effective management of its staff costs and overheads lines, balancing the need to invest in the business with our underlying growth objectives.

More generally, the 2024/25 results demonstrate our ability to grow our key performance metrics while remaining resilient to the impact of external disruptions. The directors believe this is because of our mix of customers in the corporate and public sectors, strong relationships with our primary vendors, the demonstrable value we add to our customers, and our highly skilled employees establishing competitive advantage in an increasingly digital age.

The Board reconfirmed BTG's strategy in November 2024. Central to its conclusion that BTG and our operating companies will continue to operate and meet our future commitments and liabilities over the next three years are:

- Our proven track record of growing the business through securing strong levels of customer renewals and by winning new customers
- A wide spread of customers over multiple sectors and no one customer making up more than 1.3% of our gross profit in 2024/25
- Strong and long-standing relationships with our key vendors, and continual addition of new vendors with new products and services
- Our breadth of solution offerings and our ability to quickly adapt and add to these in line with changes to vendor technologies and customer requirements, recently in areas such as managed services, security and AI.

We carried out the stress tests detailed on page 74, which helped us make sure that our assessment accurately reflected the changes to our business in the past year – such as our evolving risk management process, and the overall industry and economic climate.

How we stress-tested our business

In our stress-testing, we evaluated our viability by considering our current and future strategies and the potential financial impacts of our stated principal risks. The principal risks were considered individually and collectively, in the context of global political and economic factors, including the recent disruption caused by new tariffs and the continued uncertainty around the crises in Ukraine and the Middle East.

While the introduction of import tariffs by a number of countries will increase the cost of imported goods within the global supply chain, we do not expect this will have a direct material impact on the profitability of the business within the viability period, given that we are neither a significant exporter nor importer of goods. However, this is a fast-moving matter, so we will continue to monitor it closely for more changes and, in particular, for any indirect impact on our customers' spending levels.

In assessing our viability, we applied potential downside changes to three key financial measures – gross invoiced income, gross profit and debtor collections – to see how their performance would alter if our principal risks and uncertainties were realised.

Viability statement continued

The likelihood of such a realisation threatening BTG's viability considered remote, given the robust nature of our business model combined with the effectiveness of our risk management and control systems and our current risk appetite.

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

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

Our most extreme downside scenario, case two, is set within the context of uncertainty around the current economic conditions and geopolitical environment. This scenario reflects the potential effect of a generalised economic downturn on our customers' spending patterns and where only partial mitigation would be possible.

Details of our stress-testing

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

- Base case – this was forecast using the growth rates included in the Board-approved budget for the year ending 28 February 2026, extended until 28 February 2028
- Downside case one – this severe but plausible scenario modelled gross invoiced income reducing by 10% year on year, gross profit reducing by 15% year on year in the same period, and debtor collection periods extending by five days (all from June 2025)
- Downside case two – this stress scenario modelled both gross invoiced income and gross profit reducing by 30% year on year, with debtor collection periods extending by 10 days (again, all from June 2025)
- Partial mitigation measures – with the onset of both downside cases, we modelled immediate 'built-in' reduction of commission in line with falling gross profit, freezing recruitment of new heads and not replacing natural leavers from September 2025, freezing future pay from March 2026 (given current year rises are already committed) and freezing rises in general overheads from March 2026
- Full mitigation measures – in addition to all the partial measures, these measures modelled additional headcount reductions from March 2026, in line with falling gross profit.

The impacts of climate change were considered as immaterial, so they fall within the base case scenario.

The pay and headcount mitigations applied in the downside scenarios are within BTG's control and, depending on how severe the impacts of the modelled downside scenarios are, the Group could activate additional levels of mitigation. For example, those relating to headcount freezes or reductions could be implemented even more quickly than indicated to respond to downward trends because, considering the sudden and significant falls in profitability and cash collections modelled under both downsides, we would not wait for a full three months before taking action. We would also be able to take more action to lower our operating cost base, given the flexibility of our business model.

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

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

Our confirmation of viability

Having assessed the financial impact on our results of these stress-tested models, the Board concluded that our opening reserves of cash, along with our projected revenue and profitably over the review period, and our ability to reduce spending if required, would mean we could continue trading over the next three years.

Section 172 statement

The Board embraces the principles of the UK Corporate Governance Code 2024, including those aimed at promoting transparency around stakeholder engagement. We consider the interests of the Group's employees, customers, suppliers and vendors, investors, and communities and the environment in our decision making and in how we deliver our strategy to achieve long-term, sustainable success.

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

More information on how we, as a Board, have fulfilled our duties to our stakeholders under Section 172 of the Companies Act 2006 can be found on pages 86 to 91.

The Board approved the strategic report on pages 1 to 74 of this Annual Report on 12 May 2025.

Patrick De Smedt
Chair
12 May 2025

Governance report

Q

Why is diversity, equity and inclusion so important to BTG?

A

It's a foundation of our winning culture. Bringing together people from different backgrounds – including gender, age, ethnicity and experience – creates the diversity of thought that fosters innovation and growth.

Anna Vikström Persson
Independent non-executive director

Chair's introduction to corporate governance

The Board had a busy and productive year: appointing a CEO and two new non-executive directors, strengthening our governance processes and supporting BTG in delivering further growth.

Overseeing the Board changes and ensuring that members were equipped to excel in their new positions was a primary task this year. We were delighted to appoint Sam Mudd as CEO on 10 May 2024. Sam, who has been an executive director since July 2023, had become Interim CEO in February 2024, on the resignation of the former CEO.

Sam was appointed after a benchmarking exercise against strong external candidates. We chose her, not just because she had the right skills and experience, but also because she was the best cultural fit. Sam has proven to be the right choice. She is a great leader, who is very credible with all our stakeholders, including our employees, customers, partners and investors. Stakeholder engagement is one of our main duties so, for our investors, for example, Sam and I swiftly set about an intensive round of meetings with them in the months immediately following the leadership change.

The strong investor support the Board received at our 2024 AGM – with just one resolution gaining less than 95% of the vote – felt like a vindication of our decisive approach and a sign of confidence in Sam and the Board, which we also strengthened with two new non-executive directors. Anna Vikström Persson and Ross Paterson joined the Board on 1 June. Anna became Chair of our new ESG Committee and Ross became Chair of our Audit Committee, succeeding the Interim Audit Committee Chair, Dr Erika Schraner. Erika, in turn, stepped up to the role of senior independent director in the year and has added significant strength and value to this position.

BTG's strong commercial performance this year, particularly in the second half, as well as its refreshed leadership, also served to reassure the markets and deliver us a strong year end.

A strong, collaborative Board

Our refreshed Board has a great mix of skills and experience. Anna's HR experience will be invaluable as we further develop our culture and our people; Erika, who is also our Remuneration Committee Chair, has a strong track record in M&A, finance, technology and strategic analysis; Ross is steeped in finance and M&A; while Shruthi Chindalur, our designated non-executive director for employee engagement, who joined in February 2024, has a strong commercial and international background in the technology sector. BTG's executive directors complement this mix. Sam brings more than 20 years of tech company leadership experience and CFO Andrew Holden has a long-standing tenure with the Group and is experienced in finance, strategy and operations.

We became a strong, collaborative team in a very short time, with each director fully aligned with Group culture. I'm already pleased with how much we've achieved together.

Part of the Board's strength comes from our diversity. We adhere to the Financial Conduct Authority (FCA) UK Listing Rules, with women making up 57% of the Board against the FCA's target of 40%; two directors coming from an ethnic minority background, against its requirement of at least one; and two of our senior roles being held by women, against the FCA target of at least one. Diversity alone does not create a strong Board, of course, but it often brings the breadth of thought and mindset that is so essential to healthy board debate.

Strengthening governance processes

Our Board fully embraces the principles and requirements of the UK Corporate Governance Code and strives to continually improve our governance. This year, we introduced additional measures to keep directors mindful of their regulatory responsibilities, including an online training module on market abuse regulations and an annual governance refresh session by our external legal counsel. More details of Board training are set out in my Nomination Committee report on pages 102 to 105.

To continue to increase the rigour of our processes, we introduced a corporate governance tracker. This sets out all necessary Board activity – such as updates of shareholding records and ongoing succession planning – enabling us to effectively track our performance. The tracker is discussed at each of our Board meetings and is shared with our external auditor. We also use a dedicated tool to manage our insider lists.

Supporting and challenging the executive team

Supporting and challenging the executive team in pursuing the right strategy for long-term success and shareholder value is one of our key roles. We discuss the ongoing implementation of BTG's strategy at each meeting, including assessing the potential to expand in our offering with acquisitions.

At our annual November strategy day, we considered and agreed BTG's updated five-year strategic plan. The main points discussed were:

- Investment in key technology propositions, notably cloud migration, hybrid cloud security and AI innovation
- More investment in services, to complement our historical focus on software sales and to build on our existing service offerings
- Maintaining our strong culture and ensuring our senior managers have the management skills to lead our business and people as BTG grows.

Supporting our people and culture

Our collaborative, customer-focused culture is key to our success. This year we supported the business in taking steps to nurture and enhance this asset – for more details, see page 11.

A key decision was to appoint our first CPO, who will report directly to Sam. Until now, our HR teams in each business have provided strong support across core HR operations, but appointing a proven CPO – with experience in areas like assessing and maintaining company culture, and developing a solid approach to success planning and leadership development across our business – will help us build more strategic HR foundations.

Employee engagement is essential to keeping our culture strong. Shruthi met many of our people during the year and reported back to the Board – for details, see her introduction to stakeholder engagement on pages 86 to 91.

However, employee engagement is not only Shruthi's role – it is shared by all directors. In July, for example, we all attended a town hall at Bytes's Leatherhead offices where I led a session about the Board, including the strategy and governance oversight role we play, our key strategic priorities, investments being made to support the ongoing growth of the business, and our focus on promoting and supporting a strong culture across the Group. Half the town hall time was then given over to questions and I was delighted at the level of employee participation.

Our internal auditors held focus groups at both Bytes and Phoenix to assess employee perception of our culture. The results were reported to the Board and fed into a Group culture framework, incorporating our purpose and values and our new mission, which has been developed by Sam in collaboration with the businesses.

Supporting internal investment

The quality of our customer service, reflected in our strong net promoter score (NPS) with customers is core to our competitive advantage. To ensure that our service quality remains high, the Board supported more investment in customer service, in particular, the recruiting of more technically skilled pre-sales and services delivery people. In line with our strategic emphasis on AI, we welcomed BTG's creation of an AI practice, to develop projects based on AI technologies, and a Group AI forum, to share good practice across our two businesses. These steps aim to both meet customer demand and enable BTG to improve internal productivity.

Enhancing our focus on ESG issues

Customers, and other stakeholders, are also increasingly demanding action on environmental, social and governance (ESG) issues. This year we established a Board ESG Committee, chaired by Anna Vikström Persson. The committee will monitor BTG's progress against its ESG targets and help the Group manage related risks and opportunities. It works closely with our other Board committees, particularly the Audit Committee.

BTG reached some significant environmental milestones this year. In June 2024, the Group's carbon reduction targets were validated by the Science Based Targets initiative. Other pleasing external recognition included the rise in our ISS ESG corporate rating from C- to B-, a level attained by less than 10% in our industry. This illustrated our strengthened ESG governance, and was supported by external validation and BTG's carbon reduction targets and actions – which contribute to sustainability awareness and carbon reduction across the Group. This is discussed in the Planet section on pages 42 to 46.

Our focus for 2025/26

In the coming year, the Board will continue to support and challenge our Group growth strategy; focus on our governance; engage with our investors, employees, customers, suppliers and vendors, and communities; and support our great people and the strong culture that are so fundamental to our future success.

Patrick De Smedt

Chair
12 May 2025

Board of directors

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

Patrick De Smedt Chair **Nationality** Belgian, British **Age** 69
Appointed 15 October 2020

Patrick has a strong track record in international business, including 23 years in senior roles at Microsoft. During his two decades at Microsoft, he founded the company's Benelux subsidiaries, led the development of its Western European business and served as chairman of its Europe, Middle East and Africa region. Since leaving Microsoft in 2006, Patrick has served as chair and non-executive director on the boards of a diverse range of European public and private equity-backed companies.

External board appointments None
Committees **Nomination,** **Remuneration, ESG** **Attends by invitation** **Audit**

Sam Mudd Chief Executive Officer **Nationality** British **Age** 56
Appointed 12 July 2023

Sam brings more than 20 years' experience in leadership positions to the Board. Sam joined Phoenix in November 2003, having previously held senior roles at WordPerfect, Novell Inc. and Trustmarque Solutions. Sam became MD Phoenix in 2014, overseeing a period of significant growth during which Phoenix won numerous awards, including Microsoft UK Partner of the Year 2021. She joined the Board in July 2023 and was appointed as CEO on 10 May 2024. In October 2020, Sam won the Industry Achievement Award at IT reseller magazine CRN's Women in Channel Awards.

External board appointments None
Attends committees by invitation **Audit, Nomination, Remuneration, ESG**

Andrew Holden Chief Financial Officer **Nationality** British, South African **Age** 58
Appointed 21 October 2021

Andrew brings strong financial and commercial acumen to the Board, and has a proven record of delivering insights into strategy implementation and executive decision making. In his role as CFO, he has guided the Group, as it continues to pursue its growth strategy. He joined BTG as COO in June 2021 from JSE-listed technology company Altron Limited, BTG's former parent company, from which it demerged in 2020. Andrew was appointed as BTG's CFO in October 2021.

External board appointments None
Attends committees by invitation **Audit, Nomination, Remuneration, ESG**

Dr Erika Schraner Senior independent director **Nationality** British, American, Swiss **Age** 57
Appointed 11 September 2021

Erika brings more than 25 years' experience in senior leadership positions to the Board of BTG. During her executive career, she spent more than 18 years working in Silicon Valley in the technology sector. She held senior professional services roles with Ernst & Young and PricewaterhouseCoopers, and an executive role with Symantec Corporation, a global cybersecurity company. Earlier in her executive career, she held roles with IBM, REL Consultancy Group and Computer Science Corporation. Erika earned a PhD in management science and engineering at Stanford University.

External board appointments JTC plc, HgCapital Trust plc, Pod Point Group Holdings plc (until 5 June 2025)
Committees **Audit, Nomination,** **Remuneration,** **ESG**

● Chair

Read the full biographies

Shruthi Chindalur Independent non-executive director **Nationality** Indian **Age** 47
Appointed 1 February 2024

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

External board appointments None
Committees **Audit, Nomination, Remuneration, ESG**

Ross Paterson Independent non-executive director **Nationality** British **Age** 53
Appointed 1 June 2024

Ross is a qualified chartered accountant and brings extensive listed-company board experience as a CFO and non-executive director. Ross spent more than 23 years at Stagecoach Group Limited (formerly Stagecoach Group plc and listed until 2022) in senior executive finance positions, including ten years as CFO. Ross is currently on the boards of FTSE 100 company The Unite Group plc and AIM-listed technology business Tracsis plc.

External board appointments The Unite Group plc, Tracsis plc
Committees **Audit, Nomination, Remuneration, ESG**

Anna Vikström Persson Independent non-executive director **Nationality** Swedish **Age** 55
Appointed 1 June 2024

Anna was previously chief human resources officer for Pearson plc and executive vice president, head of human resources at Sandvik AB and SSAB AB. She also held senior HR roles at Ericsson Group and was an independent non-executive director at Knowit AB. Anna currently serves as an independent non-executive director of Videndum plc and will chair its remuneration committee from 16 June 2025.

External board appointments Videndum plc
Committees **Audit, Nomination, Remuneration, ESG**

Board changes

- Erika Schraner assumed the role of senior independent director and Interim Audit Committee Chair on 24 March 2024, and stepped down as Interim Audit Committee Chair on 1 June 2024.
- Ross Paterson was appointed as an independent non-executive director and Audit Committee Chair on 1 June 2024.
- Anna Vikström Persson was appointed as an independent non-executive director and ESG Committee Chair on 1 June 2024.
- Sam Mudd was appointed as CEO on 10 May 2024.
- Shruthi Chindalur assumed the role of designated non-executive director for employee engagement on 25 March 2024, a role previously held by Erika Schraner.
- Mike Phillips resigned as an independent non-executive director on 24 March 2024.

Board of directors continued

Board attendance*

Board member	For the financial year to 28 February 2025
Patrick De Smedt	13/13
Sam Mudd	13/13
Andrew Holden	13/13
Erika Schraner	13/13
Shruthi Chindalur	12/13
Ross Paterson – appointed 1 June 2024	6/6
Anna Vikström Persson – appointed 1 June 2024	6/6
Former directors	
Mike Phillips – resigned 24 March 2024	2/2

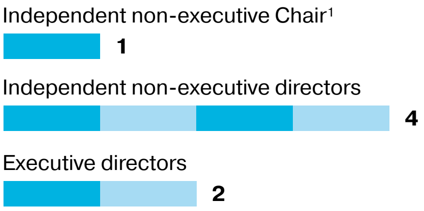
* This table includes scheduled Board meetings and excludes Board calls.

Board independence and diversity

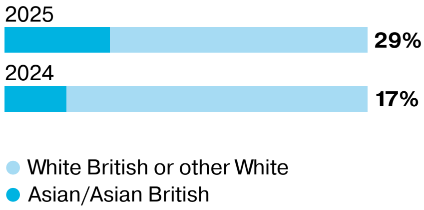
During the year, we continued to focus on independence and diversity, as illustrated in the charts below and set out in this governance report.

The data here reflects the position at year end. We set out more details about changes to the Board during the year in the Nomination Committee report on pages 102 to 105.

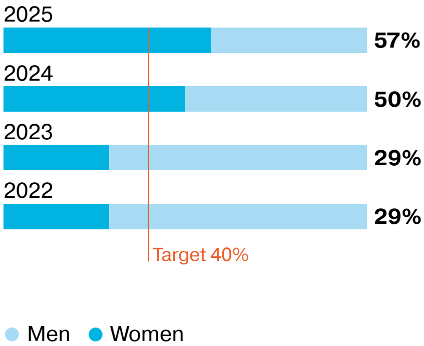
Board composition at 28 February 2025



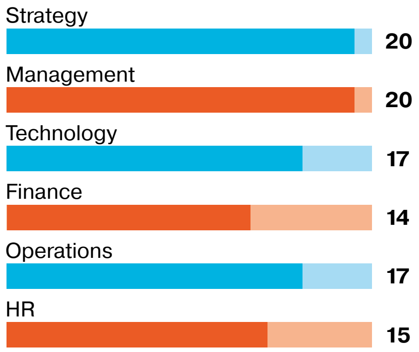
Ethnic diversity of directors at 28/29 February



Gender split of directors at 28/29 February



Directors' collective skills scored out of 21



1 At time of appointment.

Directors scored themselves out of three for each skill.

Executive Committee

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

Sam Mudd Chief Executive Officer

Andrew Holden Chief Financial Officer

Biographies for Sam and Andrew can be found on page 78.

Jack Watson MD Bytes Software Services **Nationality** British **Age** 41
Appointed as MD 1 March 2021

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

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

Clare Metcalfe MD Phoenix Software **Nationality** British **Age** 56
Appointed as MD 10 May 2024

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

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

The Board's year

Here is a round-up of events during a busy year for the Board, with our activities ranging from appointing a new CEO to engaging with BTG's great people.

How we reshaped our Board

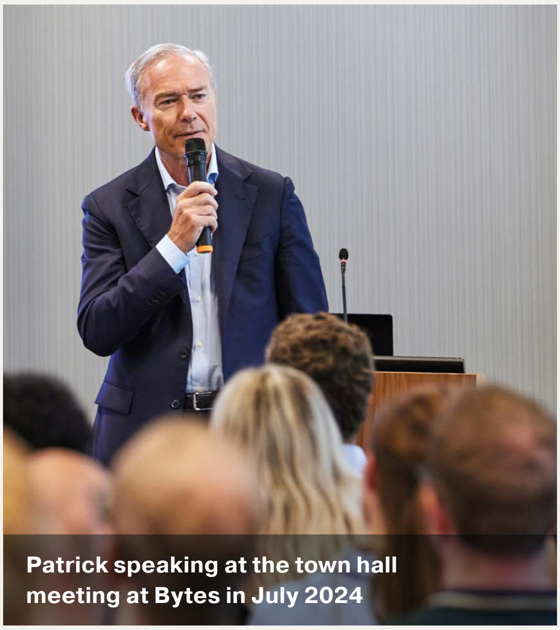
Our main priority in 2024/25 was reshaping the Board after the former CEO resigned in February 2024, and completing our related investigation, conclusions of which we announced on 16 May 2024 and are available on our website.

The Board acted decisively, and we swiftly appointed Sam Mudd as Interim CEO, making her role permanent in May after a rigorous recruitment process. Sam has been one of our executive directors since July 2023 and was Phoenix's MD for a decade.

We appointed two new independent non-executive directors shortly afterwards. Ross Paterson and Anna Vikström Persson joined the Board on 1 June, just a few months after we appointed Shruthi Chindalur.

Ross became Chair of our Audit Committee, succeeding Dr Erika Schraner – who was Interim Chair and appointed as senior independent director earlier in the year. Anna took up the role of Chair of our new ESG Committee, while Shruthi succeeded Erika as designated non-executive director for employee engagement.

For more details, see our Nomination Committee report on pages 102 to 105.



Patrick speaking at the town hall meeting at Bytes in July 2024

> My closed listening sessions with employees encouraged unfiltered, insightful and direct feedback from them.
>
> **Shruthi Chindalur**

Keeping our stakeholders engaged

Stakeholder engagement is one of our main duties – one that was even more important this year following the change of CEO and appointment of two new non-executive directors. Our Chair, Patrick De Smedt, and CEO, Sam Mudd, spoke to numerous investors, particularly in the months immediately following the leadership change.

The Board also met with Microsoft UK's leadership, to discuss the technology market, partner landscape and key technologies. Deepening our market insights and remaining aligned with the priorities of BTG's vendors is an ongoing part of the Board's work, and will continue in the year ahead.

Staying close to BTG's people was another priority. In her designated employee engagement role, Shruthi met many employees on day-long visits to Bytes's Leatherhead office and Phoenix's Pocklington office. She also had one-to-one meetings with BTG's two MDs.

As part of our wider employee engagement role, our whole Board attended a town hall meeting at Bytes, where Patrick outlined the Board's role and why engagement is so crucial. Time was also devoted to answering questions and engaging with employees in a more informal setting.

For more details, see our introductions to corporate governance on pages 76 to 77 and to stakeholder engagement on pages 86 to 87.

How we preserve trust in our business

Trust in the way BTG operates is essential to keeping our stakeholders' support. To ensure that such trust remains justified, we took more steps to strengthen our governance processes.

We made regular awareness training central to our Board calendar, and directors received presentations on corporate governance from BTG's legal counsel and external auditors. Our Board also received a refresher session on market abuse regulations. All BTG directors have signed up to the Deloitte Academy, which offers governance briefings, webinars and seminars.

For more details, see our Nomination Committee report on pages 102 to 105.

Ensuring BTG's strategy continues to deliver

BTG's strategy has delivered exceptional growth since the 2020 IPO. One of the Board's key functions is to oversee and advise on strategy and to ensure that, as markets change, the Group continues in the right direction.

Our annual strategy day, the first with Sam Mudd as CEO, gave the Board the chance to discuss and challenge BTG's strategic growth plans with the senior management team.

We fully support the executive team's strategy, which remains largely consistent with previous years, while evolving in line with the industry and vendors' changing needs. It will concentrate on investing in key technologies, notably cloud migration, hybrid cloud security and AI innovation, investing more in managed services, and maintaining a strong culture.

For more details, see our Chair's introduction to corporate governance on pages 76 to 77.

Keeping our winning culture

Numerous awards, including vendor recognitions, being Great Place to Work-certified, and continuing growth testify to BTG being a leading company to do business with.

Employees enjoy working for the Group – they care about delivering an exceptional service to customers and developing long-term relationships with them, which can sometimes span decades.

The Board supported the executive team's continuing efforts to uphold the strong culture, as BTG grows. These have included focus groups to determine what Bytes and Phoenix people think about BTG's culture and to identify areas for continual improvement. Their findings were fed back to the Board and incorporated into a culture framework, including a revised BTG mission, that Sam Mudd developed with the businesses.

As part of this drive to maintain BTG's winning culture, in early 2025 the Board approved the appointment of a CPO. The CPO will help BTG to continue to develop our HR tools, including advancing our succession and leadership development plans.

For more details, see our Chair's introduction to corporate governance on pages 76 to 77 and Our people on pages 36 to 39.

Culture Blueprint

The Board's year continued

Upping our oversight of ESG issues

Environmental, social and governance (ESG) issues remain important to our investors, regulators, employees and communities.

This year the Board established our ESG Committee, chaired by Anna Vikström Persson. With BTG being a 'people business', the 'S'/social aspect of ESG is particularly important to the Group. A former chief human resources officer, Anna's strategic, executive-level expertise is helping us bring out the best in our people.

The committee will monitor BTG's progress on implementing the Group's ESG strategy, which the Board approved in October. It will work particularly with the Audit Committee to make sure BTG reports accurately on ESG issues. Reflecting the importance of the ESG function, all our non-executive directors are members of this committee.

For more details, see our ESG Committee Chair's introduction on pages 106 to 107 and Our planet on pages 42 to 46.

"The Group has already achieved notable ESG milestones and has ambitious goals – and will continue to work to make these a reality over the long term."

Anna Vikström Persson

Staying up to date with what matters to the business

A thorough understanding of BTG's operations and industry is essential if directors are to support and challenge the executive team effectively.

Both our new non-executive directors had comprehensive inductions on joining BTG. They visited key sites; met Bytes's MD, Jack Watson, and Phoenix's MD, Clare Metcalfe, plus our Group Company Secretary, Group Sustainability Manager and a senior HR manager; were introduced to our external legal counsel, remuneration consultants and brokers; and were briefed on BTG, its strategy and governance processes, and the year ahead.

At Board meetings, directors heard updates on market and industry trends, had briefings from both BTG MDs, and received valuable perspectives from senior vendor partners within the market. Senior BTG operations managers presented on topics relevant to our business, including a session with Bytes's and Phoenix's chief technology officers on the risks and opportunities of AI.

For more details, see our Nomination Committee report on pages 102 to 105.

Preparing for ongoing regulatory changes

Staying ahead of regulatory change is essential.

This year the Board oversaw BTG's preparations for provision 29 of the UK Corporate Governance Code 2024, which, from the year ending 28 February 2027, will require BTG to declare the effectiveness of its material controls; and for IFRS S1 and S2, the new sustainability reporting requirements expected to come into force for UK companies in 2026, which will affect the Group's 2026/27 reporting. We are also preparing for the new failure to prevent fraud offence, introduced through the Economic Crime and Corporate Transparency Act 2023, which becomes effective from 1 September 2025.

We used these regulatory preparations as an opportunity to review, and make recommendations for improving, BTG's risk management and governance processes.

For more details, see our Audit Committee Chair's introduction on pages 92 to 93.

Completing an efficient internal review

The Board continued to get the most out of our internal review by using expert help with the annual process.

Lintstock, a board-review advisory firm, again brought external insights to our 2024/25 internal evaluation. Our directors completed bespoke questionnaires on our effectiveness, returning them anonymously to Lintstock for analysis and feedback. Our Chair, Patrick De Smedt, met all directors individually to hear their thoughts, while Erika Schraner, our senior independent director, met with Patrick and had discussions with her Board colleagues. Members of our Audit, Nomination, Remuneration and ESG Committees also provided feedback on the performance of their committees.

Lintstock found the Board performed well above, or equal to, its governance index of more than 200 other companies, against comparable metrics. It recommended that we continue to focus on BTG's growth strategy, people and culture, and on supporting the executive team. We discussed the review findings at our February Board meeting and, going forward, agreed to prioritise:

- Maintaining a strong focus on the Group's growth strategy
- Ongoing focus on strengthening governance
- External communication and engagement
- Continually developing our plan for succession, leadership development and a strong culture
- Continually assessing and reviewing our collective Board and committee skills and experience
- Developing leadership in AI
- Ongoing strategic support and guidance for the executive team.

We also spent time addressing recommendations from last year's internal review, making good progress on Lintstock's recommendations for 2024/25, by:

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

Our Board will have its next full external review in 2025/26.

> With high ratings for its dynamics, the Board shows a healthy and respectful culture of debate and challenge, and directors share their views openly.

Lintstock

Our Board will have its next full external review in 2025/26.

Stakeholder engagement (s.172 compliance)

Introduction from our designated non-executive director for employee engagement

Fulfilled employees are at the heart of great companies. Commitment to caring through words and actions is fundamental to employee success, company success and the success of its customers.

"BTG people have unswerving customer focus, a passion for technology, deep pride in what they do, big ambitions and a lot of gratitude for their colleagues.

Shruthi Chindalur

Foundational principles and focus areas

Since becoming BTG's designated non-executive director for employee engagement in March 2024, I have met peers in the same role from other listed technology and non-technology companies to discuss what our role could become and achieve. I am keen to build on the good work of my predecessors and engage more deeply and broadly with our people than we have before. The Board decided that the focus areas for the designated non-executive director for employee engagement will cover company culture, attracting and retaining the best talent, and future-proofing organisational strength and structure.

As a Board, we have crafted our operating principles on employee engagement to revolve around:

- Maintaining the integrity of employee relationships with the Board
- Building a structured feedback loop between employees and the Board
- Engaging the Chair and all the non-executive directors with the employees meaningfully
- Working closely with the ESG Committee on diversity, equality and inclusion matters.

The central tool for this engagement is our listening sessions with employees.

An encouraging engagement journey so far

I've had the pleasure of meeting several groups of BTG employees. The full-day visits to our Leatherhead and Pocklington offices, employee forums, HR/culture sessions, structured and unstructured floor walks, individual and group site leadership meetings, and meetings with the MDs revealed some unmistakeable observances – the pure passion and positivity from the employees.

At both sites, I held closed listening sessions with employees across four levels of seniority from various departments. A new prescriptive format encouraged unfiltered, insightful and direct feedback from them. For me, this information formed the foundation for the first set of actionable items to move forward, working with the CEO and the rest of the Board. The combined learnings from the employee forums were consolidated, prioritised and fed back to the Board and the MDs to take actions across the year and the next.

Preserving positive cultural traits as we grow and amplifying the employee voice

In the process of taking a company pulse, I was positively struck by the strong culture of community within the company. Our people have unswerving customer focus, a passion for technology, deep pride in what they do, big ambitions and a lot of gratitude for their colleagues. Their voice matters more than ever and, as a Board, we will strive to preserve these positive traits as the company grows.

Employee listening sessions provided valuable insights that are shaping key plans and policies in HR, organisational structure, diversity, equality and inclusion, remuneration, reward and recognition, culture, succession planning, and talent and leadership development. Employees also shared useful perspectives on the company strategy.

Based on employee feedback, the Board and the leadership team took action through the decision to appoint a CPO, and to approve a new office building to support the company's growth and employees' wellbeing. Other steps included strengthening career and succession planning, expanding the finance team, formalising the Women in Technology employee group, enhancing pay parity, and reinforcing staff recognition and rewards.

As a Board we also prioritised preserving key initiatives that enhance the employee experience, including apprenticeship programmes, culture workshops, induction, learning and development, community collaboration, and a strong focus on customer and technology excellence.

This Board commitment to engaging with employees was also demonstrated at the Bytes 2024 town hall, which followed one the Board had held at Phoenix the previous year. With full Board attendance, our Chair presented on our role as a board, our duties and how and why we engage with stakeholders. An informal lunch followed with several employees who shared positive feedback about the presentation. Our committee chairs visited different sites and enjoyed meeting various employee groups across the year.

Employee engagement is core to the way the Board and the leadership team works. It has always been important at BTG, but we want to amplify it even more. The perspectives of employees will remain an important part of our Board deliberations and decision making – and, in my employee engagement role, it has been and will be my continued duty to bring their voice to the Board at and beyond our formal meetings.

Making BTG a shining example of culture, inclusion and leadership

In the year ahead, we will continue our wider Board engagement with employees and share how their feedback has powered the actions taken by the company as it grows and scales.

If companies have great leadership, are inclusive by design and sustain an excellent culture, employees are automatically more engaged – which, of course, drives results. My personal goal is for BTG to be a shining example of culture, inclusion and leadership in the tech company ecosystem. I am really looking forward to working with my colleagues and BTG's people this year to further that ambition.

Shruthi Chindalur
Designated non-executive director for employee engagement

Stakeholder engagement (s.172 compliance) continued

Our approach to Section 172

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

Section 172 of the Companies Act 2006 imposes a duty on directors to act in a way that they consider, in good faith, best promotes the success of the company for the benefit of all its members.

In our decisions and actions during the year, we, the Board, believe we promoted the success of BTG for the benefit of its members as a whole, while also considering stakeholders and the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006. We know that different stakeholders may hold different views about the decisions we take, and that we sometimes need to act based on competing priorities. Our engagement activities help us to understand what matters most to our stakeholders and to make fully informed decisions in their interests.

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

Principal decisions in 2024/25

It was another busy year for the Board. Here we set out two examples of principal decisions we took in 2024/25 and how we considered Section 172 matters in the process.

Setting up our ESG Committee

E Cu S V I Co En

The Board established the ESG Committee with effect from June 2024, as a natural evolution of the company's governance arrangements.

How the Board made its decision

Given the importance of climate change, and that the issues are evolving constantly, ESG is now part of our governance structure and overseen at the highest level of the Group. To increase this oversight, and to more closely monitor the implementation of BTG's ESG and sustainability strategy, as a Board we decided to delegate our authority to a new, dedicated ESG Committee.

Chaired by independent non-executive director Anna Vikström Persson, the committee provides focused input to the Board and other Board committees on ESG matters. Its mandate encompasses the ongoing focus on the company's climate transition strategy, including reaching net zero emissions; addressing employee matters, including diversity, equality and inclusion, as well as matters related to customers, partners and communities; and overseeing the company's business conduct, including corporate and commercial governance, business ethics, anti-bribery and -corruption measures.

The ESG Committee provides more rigour as the company matures its ESG strategy, bringing together knowledge of financial, operational and sustainability strategies to find synergies, and to identify conflicts, risks and opportunities. It also helps the company navigate ESG regulations and reporting requirements.

For BTG's stakeholders, like employees, it means greater consideration of diversity and inclusion; for the environment, additional oversight of our carbon reduction goals; for customers, and suppliers and vendors, help to reduce their carbon footprint and support their employees and communities; and for investors, more robust governance and assurance in our ESG reporting.

Appointing a chief people officer

During the year, the Board agreed and approved the appointment of a CPO at Group level, which the company will undertake in 2025/26.

How the Board made its decision

E Cu I

With an increasing focus on maintaining BTG's culture in light of continued company growth, the Board agreed the need to appoint a CPO. Feedback from employees, received during internal audits, continues to highlight how important the company's strong, collaborative and supportive culture is – and what a key part of its attraction and retention strategy it is.

This decision not only supports employees but, in doing so, also drives operational excellence, increasing sales productivity, customer satisfaction and repeat business. This directly benefits BTG as well as its customers, suppliers and vendors, and investors.

A CPO also allows us, as a Board, to better support the development of the next level of the company's leadership – senior management – which is a crucial part of our succession planning for future executive roles. A CPO will lead the work here, taking responsibility for diversity and succession planning among the company's senior leaders and wider management team.

Stakeholder engagement

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

Our key stakeholder groups

Stakeholder groups	How the Board stays informed	What the Board has learnt is important to our stakeholders
Employees E People are at the heart of BTG's business and are instrumental to its continued growth and success	• Regular updates from the managing directors and HR about talent and succession planning, and employee remuneration and benefits, including pensions. • Updates from management about career development and BTG's leadership coaching programme, online staff feedback platforms, quarterly whole-company meetings, eNPS surveys and engagement with the leadership team. • Feedback, insights and ideas from Bytes and Phoenix employees, including constructive challenge about how management can improve. Dental treatment is now included in Bytes's optional employee healthcare plan as a result of feedback in 2023/24. • Direct email communication from the CEO to employees during the year, and invitations for various teams to brief her directly on their roles and areas of work. • Visits by our new non-executive directors to the Phoenix office to meet employees, and meetings with senior leaders from Bytes and Phoenix. • Meeting between our new Audit Committee Chair and members of the Group finance team to better understand their systems and processes. • Town hall held at Bytes at which our Chair gave a presentation and introduced the refreshed Board to employees, and where the Board took questions from employees and talked with them over an informal lunch. • Monitoring the all-employee ShareSave scheme, which this year saw the 2021 scheme mature, enabling employees to exercise their shares. • Reports from our designated non-executive director for employee engagement on the programme she has developed to enhance the relationship between employees and the Board. She also gave us feedback from her site visits to Bytes and Phoenix. • Report from the company's internal auditors on a review of employee perceptions of BTG's culture, values and talent.	• On accepting her new role, our CEO prioritised learning from, and embedding herself, in the wider business. • Similarly, our new non-executive directors made the most of their induction process, by taking opportunities to familiarise themselves with the business and its culture. • These efforts reinforced what we as a Board know we must prioritise for BTG's people: – Opportunities for professional development and career progression – A safe, diverse and inclusive working culture – The ability to deliver market-leading solutions to our customers. • Employees' physical and mental health and safety also remains a priority for us as a Board. We support the culture of openness promoted by the leadership team, particularly their direct interaction with employees and their decision to implement an anonymous incident reporting hotline. • We continue to support the company's ongoing employee programmes, such as offering health support by partnering with an independent health and wellbeing specialist. • We supported management's decision to roll out an EV scheme to Bytes this year, a scheme already in place at Phoenix. • We reviewed the findings and recommendations from our company culture review to understand how employees are feeling and to support continual improvements.

Stakeholder engagement (s.172 compliance) continued

Stakeholder groups	How the Board stays informed	What the Board has learnt is important to our stakeholders
Customers Cu Building trusted relationships with customers, based on a deep understanding of their needs, is critical to BTG's strategy	• Feedback from BTG's account and sales teams' meetings with customers in person and at virtual events, including tradeshows and conferences, and through social media and podcasts. • Feedback and insights from management about BTG's clients' strategies and future investment plans, through contract reviews and feedback from the company's customer success teams. • Feedback from management's interactions with customers in roundtable and summit events, and other events. • Annual customer experience survey, which is sent to customers, requesting honest feedback. Results are reported to the Board against the results of the previous year to track progress. • Interactions between the CEO and customers about what they want to see from BTG's products and services from an operational and sustainability perspective. Major feedback is discussed with management and the Board.	• Customers valued the open and honest way our CEO discussed the former CEO's resignation with them. • Through direct customer feedback and events, we can prioritise what is most important to our customers, such as: – Effective and cost-efficient technology sourcing, adoption and management across software, and security and cloud services – Help to identify their software needs, select and deploy appropriate software products, manage licence compliance and, ultimately, optimise their software assets – Guidance and expertise on emerging technologies, especially AI and GenAI. • BTG often screens customers for reputational and financial risks to identify issues that could damage its reputation or finances, and flags any material issues with us at Board level.
Suppliers and vendors S V BTG's well-established relationships with suppliers and vendors helps it to provide the best solutions and support for employees and customers	• Updates from management keep us informed about the major third parties with which the company does business, including its suppliers, banks and regulators. • Direct engagement with vendors and partners at industry events, through specific company-directed engagements and in interactions around solutions and services. The CEO updates the Board on these engagements. • Close engagements with suppliers and vendors about changes within their programme and pricing structures. They discussed how the company and Board could best manage interactions and relations with customers. • Long-standing relationships between our non-executive directors and the industry, which includes material vendors and partners that the Group works with on a daily basis.	• Based on these updates, the Board understands how important to suppliers and vendors a close and mutually beneficial relationship with BTG is. • The Board's strategy and decision making are also informed by developments in technology, which highlight the importance of maintaining strategic and trusted partnerships with the world's most successful software companies. • BTG screens all major third parties for reputational and financial risks to make sure there are no apparent issues that could damage its reputation or finances, and flags any material issues at Board level.

Stakeholder groups	How the Board stays informed	What the Board has learnt is important to our stakeholders
Investors I BTG's investors own the company and have made a financial commitment to its success	• Insights from the regular engagement between the CEO, CFO or members of the senior leadership team with the company's larger shareholders and potential investors. • Regular market announcements and presentations from the company, as well as feedback from discussions with investors and through the investor relations section on BTG's website. • Feedback from the executive directors' in-person and virtual roadshows that they hold following key announcements, including the company's full-year and half-year results. • Insights from the follow-up one-to-one conversations the executive directors hold with investors and analysts following these announcements. • Regular analysis of shareholder and analyst sentiment and of peers. • Meetings between our Board Chair, CEO, CFO and various investors to, this year, discuss finance, strategy, AI and technology topics, and the company's growth – and to introduce our new CEO to the market. • Availability of our Chair, senior independent director and committee chairs to meet with shareholders during the year. • Our AGM, which is a key opportunity for shareholders and Board members to meet face to face to discuss the company's annual performance, strategy and any other matters shareholders wish to raise. We look forward to welcoming and meeting shareholders at this year's meeting.	• As a Board, we understand that investors are interested in a wide range of issues about BTG, including the implementation of its strategy, and its financial and operational performance, governance, remuneration, M&A and other capital allocations. • The directors are aware of their duty to treat members as a whole fairly, with Board decisions taken with all members' long-term interests in mind. • We maintained strong engagement with our shareholders in 2024/25, introducing our refreshed Board, including our new CEO and two new Board members.
Community and environment Co En BTG recognises that it is part of the communities in which it operates and strives to make a meaningful contribution to sustainable environments	• Briefings from management to keep Board members informed that BTG's operations, products and services are aimed at not adversely affecting the environment and positively contributing to the communities in which the company operates. • Briefings on BTG's sustainability programme and progress against its ESG strategy, the objectives of which cover both BTG's operating companies. Briefings included updates on the rollout of a carbon literacy awareness programme and increasing uptake of volunteer days. • Updates on key developments in the company's sustainability work including receiving validation from the SBTi of its sustainability targets and improved scores from disclosures, including CDP and the ISS ESG quality score and corporate rating.	• We support the company to provide engaging and well-paid local employment. • We endorse how BTG encourages employees to help charities and various social and environmental causes – including matching charitable donations, supporting employees' fundraising events and offering paid time to volunteer. • We also support the company to continue working to minimise its impact on the environment, including recent refurbishments that switched to LED lighting, used less harmful refrigerant gases and installed sensor taps. • In response to management's carbon reduction efforts, we continued to support a salary sacrifice scheme to help employees participate in an EV programme, which was rolled out to the entire Group in the last year and promotes cleaner air in our communities. We also endorsed capital expenditure for solar panels at Phoenix's office.

Audit Committee report
Introduction from our Chair

Over the past year, the Audit Committee has continued to focus on ensuring the Group has robust and appropriate systems in place to manage risk, internal controls and external reporting.

“I have been heartened by the strength of BTG's audit, risk management and financial reporting infrastructure – although, of course, we will strive to continually improve it.

Ross Paterson

I became Audit Committee Chair on 1 June 2024, taking over from Erika Schraner who became Interim Chair in March 2024, following the resignation of Mike Phillips. Erika did a great job ensuring that the committee continued to operate smoothly and effectively during her tenure.

Anna Vikström Persson also joined the committee in June 2024 and Shruthi Chindalur had become a member in February 2024, while Erika's continuing committee membership and Patrick De Smedt's regular attendance at our meetings provided continuity throughout the year. The fact that we have had the same external auditors, EY, and the same EY lead audit partner since BTG listed in 2020, also delivered valuable consistency during a period of change on the Board and the committee.

A good mix of skills and experience

Our committee has a good mix of relevant skills and experience. Shruthi brings great experience of the technology sector, complementing that of Patrick and Erika. Meanwhile, Anna's track record in HR is invaluable, with BTG being very much a people business. Audit committees have been part of my own professional life for almost 30 years, in my roles as an auditor, a finance executive, a company secretary, a CFO and an audit committee chair of listed and unlisted companies. This gives me an understanding of 'both sides of the fence': an awareness of the pressures faced by the CFO and their team, particularly in regard to the ever-increasing tide of regulation, and an understanding of the role and significance of the audit committee.

On getting to know BTG's business, I have been heartened by the strength of its audit, risk management and financial reporting infrastructure – although, of course, we will strive to continually improve it.

This year, as generally, the committee concentrated on the core areas I discuss here: financial and narrative reporting, internal control and risk management systems, compliance and fraud, and internal and external audits.

The broadening of reporting to encompass ESG issues

Overseeing BTG's annual and half-year reporting this year included a reasonable focus on preparing for IFRS S1 and S2, the new standards in the ESG sphere. These are expected to come into force for UK companies in 2026, meaning we will be in scope for our financial year 2026/27. As well as preparing for the new regulations, we have been intent on ensuring that BTG is mindful of the ESG opportunities and risks it faces.

The Audit Committee works closely with our new ESG Committee in preparing for the new regulations. It's helpful for dovetailing the committees' remits that I sit on both, as does Anna, who is the ESG Committee Chair. As one might expect, while the ESG Committee has a broad remit (see pages 106 to 107), the Audit Committee's main concern here is to ensure BTG reports ESG information accurately.

Preparing to declare the effectiveness of material controls

Another key focus has been preparing for provision 29 of the revised UK Corporate Governance Code, which, from the year ending 28 February 2027, will require BTG to comment on the effectiveness of our material controls. PwC has been helping us identify which internal controls should be considered material – aligned to our principal risks – as a prelude to testing their effectiveness and to making our declaration. One of PwC's specialist teams is carrying out this work, which is independent of its internal audit function. As well as ensuring we are prepared for provision 29, we are using this exercise as an opportunity to further enhance our risk management structure.

Ensuring readiness for compliance and fraud regulations

We have also been reviewing our controls and processes in readiness for the new corporate criminal offence of failure to prevent fraud, which comes into force on 1 September 2025. Once again, we're using the new legislation as a catalyst to assess and, if necessary, improve our anti-fraud systems.

On compliance and fraud, we reviewed and revised our whistleblowing policy, making it less legalistic and more accessible.

A good year with our internal and external audit teams

We continue to work well with, and be pleased with the contribution of, our internal auditors, PwC, and our external auditors, EY.

While still reviewing traditional internal audit areas of interest, such as payroll and purchasing, this year the PwC team continued to broaden its range of work. For example, it led focus groups at Bytes's and Phoenix's offices, to gain insights into employees' perception of our corporate culture. The findings were discussed at both the Audit Committee and the Board and will influence BTG's approach to developing Group-wide best practice. PwC also reviewed our approach to ESG issues.

In other internal audit work, PwC is reviewing the implementation of new accounting systems at Bytes and Phoenix, which are scheduled to go live this spring, to provide further assurance before they are used for reporting our 2025/26 half-year results.

The lead PwC partner reports directly to the Audit Committee. Before PwC's findings are presented to us, they are reviewed by the relevant teams to ensure they are accurate and complete. This year, to ensure BTG is rigorous in reviewing and acting on PwC's recommendations, the business strengthened accountability for monitoring and ensuring follow-up of internal audit recommendations.

EY has continued as BTG's external auditor. In the coming year, our EY audit will be led by a new partner, since James Harris has completed his five years in the role. I know I speak for all my Board colleagues in thanking James for his commitment and expertise in steering our audit over the past five years, and particularly for his support during last year's more challenging audit process.

Both Andrew Holden, our CFO, and I met James's successor, Anup Sodhi, after EY first nominated him as our new lead partner. We were both satisfied with our meetings, so his appointment was supported by the Audit Committee and, on our recommendation, by the Board.

I am also pleased that we will retain continuity with BTG's wider EY team members after James stands down. This will ensure that we have the fresh perspective of a new audit partner combined with the knowledge offered by the existing team familiar with the business.

The committee again oversaw the questionnaire-based evaluation of our external auditor, reflecting the Financial Reporting Council's (FRC's) Minimum Standard for Audit Committees. The standard, while not yet mandatory, asks audit committees to consider the culture of their auditor (among other usual matters, such as the skill, quality and robustness of the audit). We concluded that we remain confident in EY's independence, effectiveness and ability to provide rigorous review and challenge.

In light of the efficiency and quality of the audit, and what we see as the benefits of continuity, we have recommended that the Board presents a resolution to shareholders to reappoint EY for 2025/26.

We approved EY's work plans and estimated fees for 2024/25 ahead of this year's audit. A full breakdown of the firm's fees, for audit and non-audit services, for this year and for 2023/24, is on page 97.

Continually improving our governance to support growth

BTG has delivered another set of excellent results. In the coming year, the Audit Committee will continue to work to improve our processes and controls to support greater efficiency and oversight, to retain shareholder trust and to help the Group maintain the secure foundations to prosper.

Ross Paterson
Audit Committee Chair
12 May 2025

Audit Committee report continued

Significant issues considered in relation to the financial statements

Accounting judgements

Issue	Key uncertainties and judgements	Review and challenge by the committee	Conclusion
Revenue recognition Misstatement of revenue recognised at or near the year end	The Group transacts high volumes of customer orders across multiple vendor products and many software licensing programmes. Within each income stream, management has made judgements focused on determining when the Group's performance obligations are satisfied and the point at which revenue should be recognised, including the accounting for accrued and deferred revenue. This is most sensitive at or near the year end.	As new product areas and licensing programmes are introduced by vendors, the Group reviews its revenue recognition policy at least annually to ensure that it is being applied appropriately and consistently across the Group. During the year, the committee engaged with management in its assessment of the policy, and to understand whether any new revenue streams have been introduced. The Board received detailed monthly reports from management on business performance, which include revenue and gross profit trends against budget and previous periods, to help identify anomalies that may indicate a mismatch of revenue and costs.	The committee concluded that there is a consistent understanding and application of the revenue recognition policy across the Group, with processes in place to minimise cut-off errors that may result in revenue being reported in the wrong period.
Incentives receivable Misstatement of incentives receivable in the reported results	The Group receives significant incentive income across multiple vendors and schemes, including rebates and fees relating to transactions and activities it carries out. These give rise to large receivable balances (totalling £5.6 million at 28 February 2025), because payments are received up to 90 days following the year end. Judgement is therefore required by management to estimate the Group's incentives receivable at the end of the financial year.	As vendor schemes evolve and new ones are introduced, the Group must ensure consistency in determining the incentive recognition triggers aligned to completion of its performance obligations across schemes and from year to year. The committee reviewed the Group's policy and procedures in relation to recognising supplier and vendor incentives through the year and at the year end, and discussed with the management team any significant changes to incentive schemes during the year.	The committee concluded that the Group has appropriate knowledge and processes in place to ensure incentives are accurately and completely accounted for in the correct period, including materially accurate estimates of the incentives receivable at the year end.
Accounting for new property purchase Assessment of appropriateness of accounting treatment to classify the new buildings as owner-occupied property, plant and equipment rather than as investment property	During the year, the Group purchased property (two buildings directly adjacent to its main office in Leatherhead). This new property is intended for the immediate and future use of the Group to provide additional capacity in line with its current and continued organic growth. Given there are a number of tenants within the property at the purchase date with rental leases expiring over the next few years, management has reviewed IAS 16 Property, Plant and Equipment (PPE) and IAS 40 Investment Property to determine the appropriate accounting treatment.	The committee reviewed and discussed with management its assessment that the property be accounted for as owner-occupied, noting key considerations that: • The buildings will be owner-occupied with refurbishment and phased occupation in line with growth • The property is not held for the primary intention of earning rental or for capital appreciation or both. While the property will generate rental income for the Group initially from the existing tenants, the intention of the acquisition is for full occupation by the Group in the long term.	The committee concluded that the Group has correctly interpreted and applied the requirements of IAS 16 and IAS 40 to ensure that the property purchase has been correctly accounted for as owner-occupied at the end of the financial year.

Strengthening our financial reporting and internal controls

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

- Reviewed BTG's financial statements and assessed whether suitable accounting policies were adopted and whether management made appropriate estimates and judgements
- Reviewed the detailed scenarios and assumptions behind the going concern basis of accounting and longer-term viability
- Monitored the effectiveness of BTG's enterprise risk management and internal control systems, and received detailed reports and presentations on principal risk tolerance levels and management
- Oversaw the implementation of the internal audit plan for 2024/25 and approved the new plan for 2025/26
- Continued to support the strong finance leadership team, with insights from PwC's internal audit experience within BTG and from other organisations
- Reviewed the progress around implementing the new accounting system in Bytes and upgraded accounting system in Phoenix, ahead of them going live in 2025/26
- Reviewed the Annual Report and Accounts 2024/25 and half-year results for the six months to 31 August 2024
- Monitored the implementation of improved controls for share dealings and share register analysis, with continued monitoring of the ongoing process.

Membership

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

Ross Paterson as Audit Committee Chair is a qualified chartered accountant with extensive listed-company board experience as a CFO and non-executive director. Erika Schraner has recent relevant financial experience as a result of her previous executive work and her roles as chair of the audit committee of UK-listed companies, and considerable technology sector experience. Shruthi Chindalur and Anna Vikström Persson also have considerable expertise across multiple sectors.

For the purposes of the code, Ross is currently the designated financial expert. Biographies for all the committee members are set on out pages 78 to 79.

Following Mike Phillips's resignation from the Board as an independent non-executive director on 24 March 2024, we were not compliant with provision 24 of the code until 1 June 2024, because the Audit Committee only comprised two independent non-executive directors (Erika Schraner and Shruthi Chindalur) during that time. At this date, two new independent non-executive directors joined us: Ross Paterson as Audit Committee Chair and Anna Vikström Persson as a member of the Audit Committee.

How the committee operates

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

Committee attendance

Committee member	For the financial year to 28 February 2025
Ross Paterson[1]	4/4
Erika Schraner[2]	7/7
Shruthi Chindalur	7/7
Anna Vikström Persson[3]	4/4
Mike Phillips[4]	n/a

1 Appointed and Chair from 1 June 2024.
2 Interim Chair from 25 March to 31 May 2024.
3 Appointed 1 June 2024.
4 Chair and member until 24 March 2024. There were no meetings held from 1 March 2024 to the date of resignation.

During 2024/25, we met seven times. These meetings include those held approximately one week before our main half-year and year-end results meetings to consider reports from the auditors and management teams. This ensures that any material aspects relating to the results are raised and addressed by the committee in an efficient way.

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

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

Our committee has reviewed and approved its terms of reference, which were set on 30 November 2020 as part of the IPO process, and these were last updated on 27 February 2025. We have also agreed a schedule of items for each of our planned meetings for the 2025/26 financial year, with two of these dedicated to risk management.

Audit Committee report continued

Responsibilities

During the year, the Audit Committee reviewed its current practices against the new Minimum Standard for Audit Committees and confirmed it is fulfilling its responsibilities, as set out below.

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

Financial statements and reporting

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

External auditor

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

Internal auditor

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

Risk management and internal controls

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

Other responsibilities

As well as these responsibilities, the committee:

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

External auditor

The external auditor is a key stakeholder in helping the committee fulfil its oversight role for the Board.

For its core audit work, during the year EY presented to the committee its detailed audit plan for 2024/25, which outlined its audit scope, planning materiality and assessment of key audit risks. The committee also received reports from EY on its assessment of the accounting and disclosures in the financial statements, including observations around financial controls where identified, and was satisfied that the audit work remained appropriate to BTG's business.

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

In addition, two workshop sessions were held during the year between BTG's finance team and the external auditor – and one was attended by the committee Chair. These were good opportunities for proactive teamwork and for sharing knowledge of our business, processes, policies and lessons from previous audits, and to support an efficient 2024/25 audit.

Our committee approved EY's fees for the external audit with the total recurring fee element increasing from £766,822 in 2023/24 to £808,026 in 2024/25, representing an increase of 5.4% and reflecting an inflationary rise in EY's underlying costs.

Both years also included an element of non-recurring fees. The higher amount in 2023/24 was substantially in connection with the two investigations into unreported share dealings and associated governance matters, which totalled £415,000. The rest of the non-recurring fees in 2023/24 covered EY's review of the minority interest investment in technology company Cloud Bridge.

The lower level of non-recurring fees in 2024/25, totalling £62,510, includes EY's review of BTG's software capitalisation, changes in vendor incentive arrangements, the new payroll system at Phoenix and the consolidation system at Group level, as well as some follow-on costs relating to the previous year's corporate governance issue.

The committee assesses the quality, effectiveness, objectivity and independence of EY's annual audit, and seeks feedback from the Board. The committee concluded that EY had provided appropriate focus and challenge throughout the audit and had remained objective and independent. The committee once again recommended EY's reappointment as BTG's auditor and that the directors determine its remuneration. This will be proposed at the 2025 Annual General Meeting.

Non-audit services

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

The ratio between audit and non-audit services performed by EY during the year was 7.3:1 (2023/24: 10.7:1), and non-audit services in the year were 12.1% compared with the cap of 70%.

External auditor fees	2024/25	2023/24
Consolidated Group and parent company	£289,542	£268,281
Subsidiary audits	£413,315	£397,417
Half-year review (non-audit services)	£105,169	£101,124
Total recurring fees	£808,026	£766,822
Non-recurring (investigation reviews)	£–	£415,000
Non-recurring (other)	£62,510	£5,000
Total non-recurring fees	**£62,510**	**£420,000**
Total fees	**£870,536**	**£1,186,822**

Audit risks and areas of focus

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

Key audit risks

- Misstatement of revenue recognised at or near year end
- Management override of controls
- IFRS 15 revenue presentation and disclosure in respect of principal versus agent
- Misstatement of rebate receivable at period end and recognition of vendor incentives

Other areas of audit focus

- Going concern and viability
- Accounting for share-based payments
- Impairment of goodwill
- Software capitalisation
- Accounting for property purchase

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

Working with the external auditor

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

We concluded that the auditor showed appropriate focus, critical analysis and challenge on the key audit areas and applied robust challenge and scepticism throughout the audit. We recommended to the Board, which, in turn will recommend to shareholders in a resolution at our 2025 Annual General Meeting, that EY should continue as external auditor.

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

Internal controls and risk management systems

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

Audit Committee report continued

For more on our risks and mitigation and our risk management framework, see the Risk report on pages 48 to 56. To gain a comprehensive understanding of the risks facing the business and management, the committee periodically receives presentations from senior managers and external advisors.

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

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

Assessing our principal risks twice a year

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

Given its importance, changes to BTG's risk register can only be made following approval from the committee or the Board. We outline changes to the principal risks during the year on page 50.

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

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

Following our review, the committee confirmed to the Board that it is satisfied BTG's internal control and risk management procedures operated effectively throughout the period and are in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

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

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

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

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

At our meetings in October 2023 and February 2024, the committee considered the process by which management evaluates internal controls across the business. IT security risk, in respect of data security breaches around the Group's own data and that held on behalf of third parties, remained a key theme. So too did the broader and continuing challenges in the macroeconomic environment.

Our business continuity plans for Bytes and Phoenix remain robust. We continue to embed an annual business continuity plan management cycle as part of our overall risk management process, to track, review and evolve our plans.

For 2025/26, the Board at the recommendation of the Audit Committee agreed that the following areas of risk remain relevant and should be reviewed and assessed:

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

Going concern and viability statements

The committee considered BTG's going concern and viability statements at our meeting in May 2025. We also challenged the nature, quantum and combination of the unlikely but significant risks to our business model, future performance, solvency and liquidity, which were modelled as part of the scenarios and stress-testing for our viability statement.

As part of this review, we:

- considered our financial forecasts position to the end of August 2026 for going concern and over the next three years for viability
- conducted a principal risk assessment
- analysed the impact of sensitivities on cash and available funding, individually and collectively, in a reasonable worst-case scenario.

These scenarios considered the mitigating actions we could take.

We are satisfied that our going concern statement, on page 134 of the Directors' report, and our Viability statement, on pages 73 to 74 of the Strategic report, have been prepared appropriately.

Internal audit

Our internal audit function's main task is to provide independent assurance about the adequacy and effectiveness of the Group's internal controls and risk management systems.

This year marked PwC's third full year as BTG's internal auditor and once again the committee reviewed and approved the internal audit charter. This provides the framework for how internal audit is conducted in BTG and was created to formally establish its purpose, authority and responsibilities. The committee approved the internal audit plan for 2024/25, designed to support BTG's organisational objectives and priorities and to identify the risks that could prevent the Group from meeting those objectives.

PwC carried out six audit reviews across our two primary subsidiaries covering:

- Talent retention
- Payroll (Bytes)
- Payroll (Phoenix)
- Budgeting/forecasting
- ESG
- Cybersecurity.

While these identified certain areas for continued improvement, PwC found no material issues or areas of concern. Before each review, PwC holds a planning meeting to understand the context, key stakeholders, audit objectives and timeframes. Together with our CFO, it also reviews areas of particular importance to the committee to ensure the scope of the audit meets the committee's expectations.

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

Following up on internal audit reviews

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

The committee approved the internal audit plan for 2025/26 at our meeting in February 2025. It includes five planned reviews covering:

- The new accounting systems at Bytes (Oracle Netsuite) and Phoenix (Sage Intact), in two separate reviews
- Readiness of Bytes's newly developed Next Gen platform
- Fraud risk assessment aligned to the new corporate criminal offence of failure to prevent fraud in the Economic Crime and Corporate Transparency Act 2023 (ECCTA)
- Company-level controls.

Audit Committee report continued

Effectiveness review of the internal auditor

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

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

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

Reporting

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

- The quality, appropriateness and completeness of our significant accounting policies and practices and any resulting revisions
- The reliability of processes underlying the integrity of our financial reporting
- The clarity, consistency and completeness of our disclosures, including compliance with relevant financial reporting standards and other reporting requirements
- Significant issues where management judgements and/or estimates were material to our reporting, or where discussions took place with the external auditor to reach a judgement or estimate
- The committee's advice to the Board on the long-term viability statement.

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

Fair, balanced and understandable statement

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

Process

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

Content

- The report includes accurate key messages, market and performance reviews, principal risks and all other financial and narrative disclosures required for good corporate governance
- The report is balanced in describing potential challenges and opportunities and includes relevant forward-looking information

- Information in the different parts of the report is consistent
- The report is written concisely, without unnecessary verbiage, and avoids jargon as far as possible
- Senior management confirmed that they believe that the information included about their respective areas of responsibility is fair, balanced and understandable.

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

Looking forward

During 2025/26, our committee will remain focused on the key areas of responsibility delegated to it by the Board, which include:

- Continuing to seek appropriate assurance, with a particular focus on BTG's principal risks, control environment and approach to financial reporting, taking into account developments in reporting responsibilities and the ongoing consideration of TCFD and other climate-related reporting requirements
- Monitoring progress on the implementation of the new systems in Bytes and Phoenix
- Monitoring BTG's preparations for the new provision 29 in the code relating to the effectiveness of material controls, which will come into effect for BTG's financial year ending 28 February 2027
- Monitoring BTG's preparations for the new ECCTA regulations, which are effective from September 2025
- Reviewing the external audit strategy coming into EY's sixth year as BTG auditor
- Supporting BTG's continuing governance improvement initiatives.

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

Nomination Committee report

Introduction from our Chair

In a busy year for the committee, we welcomed two new directors and our permanent CEO, and ensured we had a balanced mix of skills and knowledge among our Board members to provide the right support and challenge to the executive team.

“

BTG ended the financial year with a strong, collaborative Board, who have a complementary skill set and a shared commitment to the Group’s strategic ambitions.

Patrick De Smedt

Our committee’s primary duty this year was to formalise the Board changes that BTG announced around the end of 2023/24. As I mentioned in my introduction to governance, Sam Mudd was appointed CEO on 10 May, having become Interim CEO in February 2024 following the resignation of former CEO, Neil Murphy.

Sam was appointed after a benchmarking exercise against strong external candidates, led by executive search partner Odgers Berndtson. As part of this rigorous process, Sam took part in psychometric tests, a 360-degree assessment, and a review of her leadership strengths and development areas.

Welcoming our new non-executive directors

Three weeks after Sam took up her post, our two new non-executive directors, Anna Vikström Persson and Ross Paterson joined the Board, on 1 June 2024. Anna and Ross bring invaluable skills and experience. Anna was formerly chief human resources officer of FTSE 100 company Pearson plc, and Ross chairs the audit and risk committee of another FTSE 100 business, The Unite Group, and is a former CFO of Stagecoach Group.

Anna’s recruitment satisfied a need we had identified for a Board member with strong HR experience, while Ross’s appointment was prompted by the requirement for a permanent Audit Committee Chair. Their capabilities complement those of our Board colleagues, with the full Board now providing the right balance of skills and experience to support and challenge our executive directors and the wider management team in delivering our strategy.

Anna became Chair of our new ESG Committee and a member of this Nomination Committee and our Audit and Remuneration Committees. Ross became Chair of our Audit Committee, succeeding Dr Erika Schraner, who served as Interim Audit Committee Chair for part of the year. Ross also joined our committee, as well as the ESG and Remuneration Committees.

Odgers Berndtson once again supported us with the appointment of the new non-executive directors, carrying out initial vetting and interviews before shortlisting two strong candidates for both Anna’s and Ross’s roles. As well as receiving candidate suggestions from our executive search partners, we received recommendations from our directors and the 350 Club, an online community for FTSE 350 board members. Board members met each of the shortlisted candidates before the committee recommended Anna’s and Ross’s appointments.

UK Corporate Governance Code compliance

These two appointments brought us back to full compliance with the UK Corporate Governance Code 2024, following two months in which we did not comply with provisions 24 and 32. Ross’s appointment as Audit Committee Chair and Anna’s as an Audit Committee member mean we comply with provision 24, while their appointments to the Remuneration Committee mean we comply with provision 32.

Our Board composition also reflects good practice on diversity. Women make up 57% of our Board, well above the FCA's UK Listing Rules requirement of at least 40%. The Board also has two directors from an ethnic minority background, compared with the FCA requirement of one, and two of our senior roles are held by women, against the requirement for at least one.

Prioritising governance training for directors

The committee continued to prioritise governance training and education for directors. This is essential, both to remind Board members of their regulatory responsibilities and to keep them up to date with the ever-changing governance requirements.

Some training is mandatory. During this year, for example, directors completed two online training sessions on market abuse regulations. They must also sign up to the Deloitte Academy, which offers briefings, webinars and seminars on governance and other Board-related matters. Our directors also drew on the Academy's or similar governance resources.

Our committee arranged a programme of development events, including presentations on corporate governance by our legal counsel, Travers Smith, and our external auditors, EY. Travers Smith also delivered a session on market abuse regulations. More widely, Board members received updates on market and industry trends and on new audit and sustainability reporting requirements.

Our Group Company Secretary logs every individual director's training session.

Bringing new directors up to speed

Our committee prepared comprehensive induction programmes for both our new non-executive directors to familiarise them with our business. These included internal meetings with our MDs, Group Company Secretary, Group Sustainability Manager and a senior human resources manager, and introductions to our external legal counsel, remuneration consultants and brokers; visits to key sites; and briefings on our business and strategy, our governance processes and the year ahead.

Succession planning

Our ability to immediately appoint Sam as Interim CEO on Neil's resignation – and shortly afterwards as permanent CEO – was testimony to the strength and adaptability of our succession planning and, of course, to her capabilities. We discuss Board succession planning at every Nomination Committee meeting, supported by a matrix of suitable internal and external candidates, available in the short, medium and long term. This year, Sam introduced a similar system for the Group's senior managers.

Overseeing the development of BTG's senior managers is an important part of our committee's role. To manage our growth and achieve our strategic ambitions, senior managers must have the right leadership capabilities to support that growth and to reinforce and enhance our strong culture. The central importance of BTG's culture to the Group's success, and the need to preserve it, was a key topic of committee discussions, as I discuss in my introduction to governance on page 77.

BTG continues to use external and internal trainers to develop their senior leaders and is planning to introduce a mentoring framework in 2025/26. During the year, following the success of Phoenix's women's leadership acceleration programme and female coaching scheme, the committee welcomed BTG's introduction of similar initiatives at Bytes, including the launch of a Women in Technology group.

Succession planning is an ongoing focus of the committee. Our work in this area will continue to evolve in line with BTG's business requirements, individual career development plans and the external networks that directors bring to the Board.

Future priorities

BTG ended the financial year with a strong, collaborative Board, who have a complementary skill set and a shared commitment to the Group's strategic ambitions. Looking ahead to 2025/26, to help achieve those strategic ambitions, our committee will continue to focus on:

- Further aligning Board composition with our corporate strategy and future business needs
- Ensuring compliance with the UK Corporate Governance Code 2024 and other regulatory requirements
- Maintaining directors' development and overseeing the progression of succession planning for BTG's senior managers.

Patrick De Smedt
Chair
12 May 2025

Nomination Committee report continued

Committee attendance

Committee member	For the financial year to 28 February 2025
Patrick De Smedt	7/7
Erika Schraner	7/7
Shruthi Chindalur	7/7
Ross Paterson[1]	3/3
Anna Vikström Persson[1]	3/3
Mike Phillips[2]	1/1

1 Appointed 1 June 2024.
2 Resigned from the committee on 24 March 2024.

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

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

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

Our responsibilities

Our committee's main responsibilities are to:

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

Exceeding diversity expectations

As well as being the right thing to do, establishing a truly diverse leadership team ultimately benefits our stakeholders by enabling us to perform better. We are proud of our Board and Senior Management Diversity Policy (available at bytesplc.com), through which we continue to make progress against or exceed diversity recommendations. This is especially true of the board elements of the FTSE Women Leaders Review:

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

With the changes to the Board this year, women represent 57% of our Board at the date of this report. That means we are also aligned with the UK Listing Rules to have women represent at least 40% of the Board and to have at least one director from a minority ethnic background.

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

We would like to see more progress at the next level of the company's leadership: senior management. When appointed, BTG's new CPO will lead the work here, taking responsibility for diversity and succession planning of the company's senior management.

Focus areas for 2025/26

Our committee will continue to monitor its compliance with the code and, with the Board, review succession plans to continue to build on the skills balance and diversity across the business.

This will include:

- Building on the breadth of our directors' skills, as we have done in appointing Ross and Anna, to support BTG's growth strategy and maximise the potential of the business
- Continuing our Board-level succession planning process and giving more time to developing the succession pipeline at senior management level
- Supporting our executives as they work with the new CPO to continue developing the leadership capabilities of the wider senior management team, especially as the company grows
- Supporting the ongoing development of our Board and that of the executive directors.

Our Board and executive diversity data

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

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, SID, CEO, CFO)	Number in the Executive Committee	Percentage of senior management team
Gender					
Men	3	43%	2	2	50%
Women	4	57%	2	2	50%
Not specified/prefer not to say	–	–	–	–	–
Ethnicity					
White British or other White (including minority-white groups)	5	71%	4	4	100%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	2	29%	–	–	–
Black/African/Caribbean/ Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Independence of non-executive directors and potential conflicts of interests

Our committee reviewed the independence and potential conflicts of interests of the non-executive directors in line with the code. Having considered their time commitments and other roles, and the time they have served with BTG, we concluded that they are all independent and continue to make independent contributions and effectively challenge management.

Managing succession planning

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

In 2024/25, we continued to evaluate BTG's succession planning for senior executive roles. This included assessing the strengths of senior managers, areas that need improvement and plans to address those areas. While we identified immediate and long-term candidates among internal leaders, we also identified areas where there are gaps for natural long-term successors – and this is where we will focus our attention in the coming year.

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

Carrying our performance reviews

This year, we again carried out internal performance reviews of our Chair, directors and committees, completing our current external consultancy Lintstock's three-year board development programme.

Progress on implementing the findings and recommendations of these reviews is made during Nomination Committee meetings. The Chair, with support from the Group Company Secretary, monitors this progress and, with feedback from the CEO, reports back to the Board.

For more details, see The Board's year on pages 82 to 85.

ESG Committee report

Introduction from our Chair

The creation of our ESG Committee reflects the company's strong commitment to our planet, people and communities, making sure we progress and achieve important milestones. Our committee aims to inspire the business with good practice from our members' wide-ranging experience.

Setting up our committee

The ESG Committee was established in June 2024, and we held two meetings during the year. A dedicated committee allows us to focus on, advocate and monitor our approach to and progress on ESG areas. It will help us to meet the expectations of all our stakeholders – employees, customers, suppliers and vendors, investors, and community and environment – and ensure BTG's ESG activities support the company's competitive business advantage.

Our mandate and focus

Our mandate covers these three areas, which form part of the Group's ESG strategy:

1. Environmental – our main focus is our oversight of performance and initiatives to meet the Group's carbon reduction targets, including a transition plan to net zero
2. Social – our people and culture, including a strong commitment to diversity, equity and inclusion
3. Governance – we oversee BTG's business conduct, including corporate and commercial governance, policies around business ethics and anti-bribery and -corruption measures, and consider emerging regulatory and reporting requirements regarding sustainability that are relevant to the Group.

Approving the ESG strategy

At our first meeting, we considered our committee's terms of reference, and discussed and reviewed the proposed ESG strategy and environment policy, before approving both. The strategy and policy are intended to be supportive and living documents. We will review and amend them at least once a year – as the landscape changes, as we get feedback from our stakeholders, and as we learn from experience and best practice.

Reflecting the business significance of the ESG agenda, all five non-executive directors are members of the committee, including our Board Chair – while our CEO, CFO, Group Company Secretary and Group Sustainability Manager all have a standing invitation to attend. Our members bring a wide variety of skills and experiences from leading companies and different industries to our discussions.

Adding rigour and monitoring progress

I see the committee's main role to add rigour: setting clear targets, continually monitoring progress, following up and improving data accuracy. The Group has already achieved notable ESG milestones, by calculating Scope 3 emissions across all categories relevant to the business, achieving SBTi validation for carbon reduction targets, and by beginning to measure ethnicity. This significant progress has been reflected in the high scores the Group has received from external ratings agencies, such as the ISS ESG, CDP and EcoVadis.

Continuing to develop our culture will be a particular focus. While there is already so much that is good about BTG's culture, there is always room for improvement.

The diversity, including gender balance, at Board level is impressive, but we need to make sure we measure and encourage diversity across all levels of management and the wider workforce. Similarly, while the gender pay gap has improved, there is still some disparity.

BTG will benefit from a more structured way of working on talent management and succession planning. We also need to encourage greater diversity of thought. My learning from other businesses is that progress takes time and requires hard, dedicated work.

How the committee works

The ESG Committee will meet formally three times each year. We work closely with the other Board committees, especially the Audit Committee to ensure the accuracy of data and reporting. I am keen that we do not duplicate the work of our other committees. The fact that all directors are members of this and other committees will help – as will my own membership of the Audit Committee and Shruthi's role as designated NED for employee engagement.

Priorities to grow our business

We look forward to 2025/26, as the ESG Committee focuses on supporting the business in working towards these priorities:

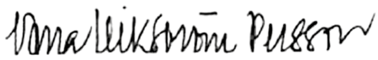
- Building the first phase of our net zero transition plan
- Establishing a water conservation and waste policy
- Enhancing BTG's culture, with wider promotion of diversity, equity and inclusion, so we continue to be a great workplace, attracting and retaining the best talent
- Advancing succession planning
- Addressing the highest-rated risks from the ESG audit
- Continuing education across the Group, through the continuing rollout of the carbon literacy awareness programme
- Wider, more impactful, communication of our plans and successes.

Committee attendance

Committee member[1]	For the financial year to 28 February 2025
Anna Vikström Persson	2/2
Patrick De Smedt	2/2
Erika Schraner	2/2
Shruthi Chindalur	2/2
Ross Paterson	2/2

1 Committee formed 1 June 2024.

I also look forward to reporting back to stakeholders in 2026 on how the ESG Committee has supported the business in delivering these priorities in our first full year.



Anna Vikström Persson
ESG Committee Chair
12 May 2025

ESG Committee's terms of reference

The new committee will focus on:

General	Environmental	Social	Governance
Significant ESG-related projects, including their impact, materiality and budget	BTG's impact on the natural environment and our response to climate change, including reviewing plans and targets	Progress against targets for gender balance, the gender pay gap and ethnic diversity	Reviewing ESG content in our Annual Report and Accounts to ensure it is fair, balanced and understandable
Relevant internal audit reports and BTG's response to actions that affect people, planet and communities, including interacting with the Audit Committee	BTG's performance against our science-based targets, and the implementation of relevant policies and practices	Board member employee engagement and ways to enhance employee welfare and performance	Reviewing other reports and statements, including our modern slavery statement and human rights policy.
Monitoring emerging regulatory and reporting requirements for ESG issues to ensure we remain compliant.	The potential impact on BTG of climate-related risks and opportunities.	Key BTG charitable and community initiatives and partnerships, monitoring alignment with Group ethics and transparency.	

Compliance with the UK Corporate Governance Code

For the year ended 28 February 2025, we applied the principles of UK Corporate Governance Code 2024.

We complied with all the provisions of the UK Corporate Governance Code 2024 (code) during the financial year and up to the date of this report, with two exceptions:

- At the time of Mike Phillips's resignation from the Board as an independent non-executive director on 24 March 2024, we were not compliant with provisions 24 and 32.

This was resolved on 1 June 2024 when two new independent non-executive directors joined us:

- Ross Paterson as Audit Committee Chair and a member of the Remuneration Committee
- Anna Vikström Persson as a member of the Audit and Remuneration Committees.

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

1	Board leadership and company purpose	
A	**The Board's role**	Our Board's objective is to create and deliver BTG's long-term sustainable success, supported by the right culture and behaviours, to generate value for shareholders and contribute to wider society. Our governance framework ensures that we have a robust decision-making process and a clear structure within which decisions can be made and strategy delivered. Our delegation of authority matrix ensures that decisions are taken by the right people at the right level with accountability up to the Board. This enables an appropriate level of debate, challenge and support in the decision-making process. We continue to be led by an effective Board, which ensures that the most relevant topics are discussed at meetings throughout the year. The Board's main activities are detailed on pages 82 to 85.
B	**Purpose, culture and strategy**	The Board has overall responsibility for establishing BTG's purpose, culture and strategy and, in doing so, delivering our long-term sustainable success and generating value for shareholders. Central to this role is the need for the Board collectively to set the right 'tone from the top', in living and upholding our values, encouraging open and honest debate, and behaving ethically. The Board places great importance on ensuring that its conduct and decision making are appropriate for the businesses and sector in which we operate, and in line with our culture. Our Board is committed to delivering our strategy and to advancing our purpose: empowering and inspiring our people to fulfil their potential, so they can help our customers make smarter buying decisions and meet their business objectives through technology. The Board discusses company culture during its meetings and regularly reviews reports from the CEO, CFO and senior management that provide insight into the culture across the organisation. The Chair also receives regular updates from management around culture. Together, this helps to promote behaviours throughout the business to align with BTG's purpose, culture and strategy.
C	**Resources and controls**	The Board ensures that BTG has the necessary resources to meet its objectives and to continually measure its performance against them. Through the Audit Committee, it oversees BTG's control environment and risk management framework. The Board's agenda is set to deal with those matters relating to BTG's strategic plan, risk management and systems of internal control, and corporate governance policies.
D	**Stakeholder engagement**	Our key stakeholders play an important role in the successful operation of our business. Our Board is fully aware of, and takes seriously, its responsibilities to them under Section 172(1) of the Companies Act 2006. Our Board members are mindful of the potential effect on our stakeholders when considering the company's strategy or other activities. Board members take an active role in engaging with shareholders and wider stakeholders. Non-executive directors are available to meet shareholders and discuss their concerns in person at the Annual General Meeting. They also attend investor calls when requested and are invited to attend relevant industry events. We have a designated non-executive director who takes responsibility for employee engagement. This role engages with staff, including operational managers. Senior managers are also given opportunities to present at Board meetings and so engage with Board members in a different setting. This work contributes to our employee net promoter score (eNPS). We provide more information about how we consider all stakeholders' views in our decision making on pages 86 to 91.

E	**Workforce engagement**	Shruthi Chindalur took on the role of designated non-executive director for employee engagement in March 2024, a role previously held by Erika Schraner, when she assumed other Board roles. For more details, see pages 86 to 87. Our speak-up policy sets out how employees and third parties can raise concerns in confidence, either to one of our whistleblowing officers, directly to our independent Chair or through our independent whistleblowing line. We also offer external whistleblowing guidance and have a process for investigating whistleblowing reports. Our speak-up policy is available at bytesplc.com. There were no whistleblowing reports this financial year.

2 Division of responsibilities

F	**Role of the Chair**	Our Chair, Patrick De Smedt, leads the Board. He determines the agendas for meetings, manages the meeting timetable and encourages open and constructive dialogue during meetings, inviting the views of all Board members. Patrick was considered independent when he was appointed. We review the status of all our independent non-executive directors each year and confirm that each continues to be independent.
G	**Composition of the Board**	At year end, the Board consisted of four independent non-executive directors and two executive directors, as well as an independent non-executive Chair. The roles of the Chair and CEO are clearly defined, with their role profiles reviewed as part of the Board's annual governance review. The Chair is responsible for effective leadership of the Board and for maintaining a culture of openness and transparency at its meetings. The CEO has day-to-day responsibility for the effective management of BTG's business and for ensuring that Board decisions are implemented. Our Board has agreed a clear division of responsibilities between its leadership function – supported by our corporate governance framework – and the executive leadership of the business. To ensure that no individual has unrestricted powers of decision making and no subgroup of directors can dominate the Board, we have defined responsibilities clearly in our role statements and in the matters reserved for the Board. Committee terms of reference determine the authority given to each Board committee. For more on our Board composition, leadership and role statements, see pages 78 to 79. The responsibilities of our Chair, CEO and senior independent director, and our Board and committees, are set out on page 135 and at bytesplc.com.
H	**Non-executive directors' role and time commitment**	Our non-executive directors scrutinise the performance of the executive team and hold it to account against agreed objectives. Our Chair holds discussions with the non-executive directors without the executive directors being present, a practice that continued in the past year. Our senior independent director serves as a sounding board for the Chair and is available as an intermediary for our other directors and shareholders. For the year ended 28 February 2025, our Chair's performance appraisal was done through our senior independent director, with input from external advisor Lintstock, and was concluded in February 2025. Regular Board and committee meetings are scheduled throughout the year to ensure directors allocate sufficient time to discharge their duties effectively. A non-executive director role generally takes up at least 24 days a year, after the induction phase, plus additional time to prepare for each meeting. Directors are also required to regularly update and refresh their skills, knowledge and familiarity with the company, and attend additional Board, committee or shareholder meetings at certain times. Before appointing a candidate, the Nomination Committee assesses that person's commitments, including other directorships, to ensure they have enough time for the role. The committee reassesses the directors' time commitments every year to ensure they each still have time for their role; the Chair also does this periodically as part of his role. Our directors must obtain approval before taking on additional external appointments.
I	**Role of the Company Secretary**	The Group Company Secretary is secretary to the Board and also oversees BTG's legal function. Their responsibilities include ensuring the Board has the information, time and resources to discharge its duties and to function effectively and efficiently. They provide briefings and guidance to the Board on governance, legal and regulatory matters and facilitate induction of new directors.

Compliance with the UK Corporate Governance Code continued

3	Composition, succession and evaluation	
J	**Appointments to the Board and succession planning**	The Board, with the Nomination Committee's support, continually reviews its own composition and that of its committees, and considers succession planning, diversity, inclusion and governance-related matters. The Nomination Committee has overall responsibility for leading the process for new Board appointments. It also ensures that these appointments bring the required skills and experience to the Board to assist in developing and overseeing BTG's strategy. The committee makes sure all appointments are made on merit, having evaluated the capabilities of all potential candidates against the requirements of the Board and considered all types of diversity, including gender. For more details, see our Nomination Committee report on pages 102 to 105.
K	**Skills, experience and knowledge of the Board**	As part of our succession planning, the Nomination Committee considers the balance of skills, experience and knowledge our Board needs to work effectively and help BTG deliver its strategic goals. Find all the details of our directors' tenure, skills and experience on pages 78 to 80.
L	**Board evaluation**	In line with the need to undertake an externally facilitated evaluation every three years, we have now completed a three-year board effectiveness programme with external advisor Lintstock. The programme includes one Board review with interviews followed by two survey-based reviews. During the year, BTG again worked with Lintstock around its Board evaluation process, which consisted of tailored surveys and one-to-one discussions by the Chair with Board members. Lintstock provided feedback to the Chair and the senior independent director in January 2025, followed by its report to the Board in February 2025. The Board then agreed actions for 2025/26 to further strengthen the way it operates. The Chair and Group Company Secretary are managing these actions, which we set out on page 85.

4	Audit, risk and internal control	
M	**Internal and external audit**	The Board receives regular updates on audit, risk and internal control matters, with the Audit Committee having detailed oversight and reporting its findings to the Board. Provision 24 of the code recommends that the audit committees of companies within the FTSE 350 should comprise a minimum of three members, all of whom should be independent non-executive directors. Following Mike Phillips's resignation from the Board as an independent non-executive director on 24 March 2024, the company was not compliant with provision 24. However, this was resolved on 1 June 2024, when Ross Paterson joined us as independent non-executive director and Audit Committee Chair, and when Anna Vikström Persson joined us as an independent non-executive director and a member of the Audit Committee. The Audit Committee report on pages 92 to 101 sets out more about audit, risk management and internal control, and the committee's work. The report also includes details about how the committee assesses the effectiveness and independence of EY – our external auditor – and PwC, our internal auditor, which reports to the Audit Committee about progress against audit reviews and identifies areas of our control environment for review.
N	**Fair, balanced and understandable assessment**	The Board considers this report to be fair, balanced and understandable and to provide the information necessary for shareholders to assess BTG's position and performance, business model and strategy. The Board's assessment is described on pages 100 to 101.
O	**Risk management and internal control framework**	Our Board is accountable to our stakeholders for ensuring BTG is managed appropriately. It sets the Group's risk appetite, satisfies itself that its financial controls and risk management systems are robust, and ensures that it is adequately resourced. A description of the principal risks facing the Group is set out on pages 50 to 56. This shows how the directors have assessed the prospects of the company, over what period and why they consider that period to be appropriate (see Viability statement on pages 73 to 74).

5	Remuneration	
P	**Remuneration policies and practices**	Provision 32 of the code recommends that the remuneration committees of companies within the FTSE 350 should establish a remuneration committee of independent non-executive directors with a minimum membership of three. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Following Mike Phillips's resignation from the Board as an independent non-executive director on 24 March 2024, the company was not compliant with provision 32. However, this was resolved on 1 June 2024, when two new independent non-executive directors joined us – Ross Paterson and Anna Vikström Persson – both as new members of the Remuneration Committee. Our Board, supported by the Remuneration Committee, ensures that our remuneration policies support BTG's strategy and promote long-term sustainable success. Executive remuneration is aligned to the successful delivery of our long-term strategy and considers overall BTG remuneration policies and practices. This includes linking executive remuneration more closely with achieving our sustainability targets for 2025/26. Our current directors' remuneration policy was approved by a binding shareholder vote at our Annual General Meeting held on 11 July 2024 and took formal effect from that date. It will apply for three years from the date of approval, and will next be included as part of our Annual General Meeting in 2027 – unless a new policy is presented to shareholders before then. The updated directors' remuneration policy can be found in full on pages 108 to 115 of our Annual Report and Accounts 2023/24.
Q	**Executive remuneration**	The Remuneration Committee is responsible for setting the remuneration for executive directors. No director is involved in deciding their own remuneration. See our directors' remuneration report on pages 112 to 130 for more on our remuneration policy and how it is implemented.
R	**Remuneration outcomes and independent judgement**	Details of the composition and work of the Remuneration Committee are set out in the directors' remuneration report on pages 118 to 130.

Directors' remuneration report

Introduction from our Chair

As in previous years, the Remuneration Committee's decisions for 2024/25 have been shaped by BTG's performance and broader developments, and guided by the remuneration policy and the Group's values.

"I'm proud of our strong performance this year, which reinforced our track record of growth. With Sam stepping into the CEO role, we sharpened our strategic focus and strengthened execution. We further aligned our executive compensation frameworks with the company's strategic goals and the interests of all stakeholders.

Dr Erika Schraner

The start of the financial year brought unique challenges for the Board, during which the committee upheld the robustness and fairness of BTG's remuneration framework. This included overseeing the successful resolution of the former CEO's remuneration clawback and actively supporting the leadership transition. The adoption of a new remuneration policy at the 2024 AGM – backed by 98.71% of shareholder votes – underscores our commitment to clear governance and to building stakeholder confidence through transparent, accountable decision making.

For the rest of the year, our committee turned its attention to establishing the remuneration package for our new CEO, onboarding our new Remuneration Committee members, reviewing developments in relation to the UK Corporate Governance Code 2024 (code) and implementing the new remuneration policy. The committee devoted considerable time to ensuring that our remuneration policies and practices align to strategy and that rewards are linked firmly to performance and are fair.

When considering the implementation of the policy for the 2025/26 financial year, as a committee we paid particular attention to developing rewards to keep pace with the growth of BTG and the increasing complexity it brings, while seeking fairness, and achieving competitiveness in attracting and retaining top talent. In our deliberations, we carefully consider the interests of shareholders, management and employees, drawing on relevant market data to provide context and guide our decision making. Following a thorough review of the appropriateness of the executive directors' salaries and taking into consideration the feedback from our major shareholders, the committee is proposing adjustments to the salaries of the CEO and CFO for the 2025/26 financial year.

We also launched our fourth ShareSave plan, in August 2024. This was again well received by employees, with more than 50% participating in one or more of these plans. The first ShareSave plan, launched in 2021, vested this year, with participants able to exercise their options.

Board changes

Sam Mudd was appointed Interim CEO on 21 February 2024 and subsequently as CEO on 10 May 2024. Having served as an executive director on the Board since July 2023 – and, for the ten years before that, as MD at Phoenix, where she oversaw an extended period of strong organic growth – Sam has continued to apply the expertise and experience gained from more than 20 years in leadership positions to her role as CEO. The Board was further strengthened during the year with the appointments of Ross Paterson as an independent non-executive director and Chair of the Audit Committee, and of Anna Vikström Persson as an independent non-executive director and Chair of the ESG Committee, both with effect from 1 June 2024. On joining the Board, Ross and Anna were also appointed as members of the Remuneration Committee.

Following Neil Murphy's resignation as CEO on 21 February 2024, the company reached a settlement agreement with him, enforcing BTG's remuneration policy clawback provisions, requiring the repayment of net bonuses received over the previous three years (resulting in repayment of £274,825 in May 2024), the forfeiture of any bonus due for 2023/24, and the forfeiture of all entitlements under the company's Performance Share Plan and Deferred Bonus Plan. More details are available in the annual report on remuneration on page 123.

Remuneration outcomes for 2024/25

As outlined in the Financial review on pages 28 to 33, BTG delivered another year of strong financial results in 2024/25, achieving record gross invoiced income, gross profit and operating profit. This performance – delivered against a backdrop of ongoing economic uncertainty – demonstrates the strength of our business and the resilience of our operations.

We achieved double-digit growth across key performance indicators, further building on the momentum established since our IPO. Our earnings per share (EPS) performance over the five financial years since listing highlights our sustained ability to deliver value for shareholders.

Equally important to our long-term success are the non-financial measures that support sustainable growth. In 2024/25, we continued to prioritise employee satisfaction and customer engagement – both strong indicators of organisational health and essential drivers of our future performance.

The Board is highly encouraged by the progress made across both financial and non-financial dimensions. As we look to the future, the Board recognises the importance of retaining our high-performing leadership team, incentivising ongoing delivery, and ensuring we remain well positioned to attract the talent required to sustain our growth trajectory.

For 2024/25, the CEO and CFO were eligible for a maximum annual bonus opportunity of 125% of their base salary. The 2024/25 performance for the CEO and CFO was assessed based on a balanced scorecard of financial and non-financial metrics, with 80% based on adjusted operating profit and 20% based on key ESG-related and other strategic objectives.

As a result of this year's strong performance, our executive directors received an annual bonus payout of 84% of salary (being 67% of the maximum bonus). More details of performance against the targets are set out on page 120. In line with our Deferred Bonus Plan, these bonuses will be paid two thirds in cash and one third in shares, deferred for two years.

We were pleased with the strong performance that led to the vesting of 83% of the maximum under the Performance Share Plan (PSP) awards granted on 1 June 2022. These awards were structured with 75% based on adjusted EPS and 25% on relative total shareholder return (TSR) versus the FTSE 250 Index (excluding investment trusts and real estate investment trusts) over the three-year performance period to 28 February 2025.

Importantly, this represents the first PSP award eligible to vest for our executive directors since our IPO in 2020, marking the first time a long-term incentive value will be reflected in the single total figure of remuneration for each director. As a result, the total remuneration figures for Sam Mudd and Andrew Holden are notably higher this year compared to the prior year.

The committee considered the appropriateness of the annual bonus and PSP outcomes following the end of 2024/25 and whether any adjustments or use of discretion might be appropriate. We concluded that the overall outcomes reflect the underlying performance of the business and are in line with the experience of shareholders and other stakeholders over the respective performance periods, so that no adjustments to the outcomes are necessary.

Sam's participation in incentive plans in 2024/25 was prorated over the periods when she acted as Interim CEO and then as CEO. For 2024/25, this meant applying a weighted average salary for the full-year bonus calculations and also for her PSP award – reflecting Sam's increase in salary, which took effect on her appointment as permanent CEO on 10 May 2025, as set out in this remuneration report.

As fully described in last year's Annual Report, the Board asked some of the non-executive directors to provide substantial additional support to the company during the second half of the 2023/24 financial year and into 2024/25, to lead specially established Board subcommittees overseeing the investigation of undisclosed share dealings by two former directors. At the end of this work, BTG paid additional non-executive directors' fees in 2024/25 for these purposes in line with our remuneration policy. As indicated last year, the Board regards the payment of these additional fees in 2024/25 as appropriate and in shareholders' best interests.

Remuneration policy and UK Corporate Governance Code 2024

Shareholders approved BTG's new remuneration policy at the 2024 Annual General Meeting, offering strong endorsement with 98.71% of votes in favour. During the year, our committee conducted a review of the policy and concluded that it continues to align well with the company's objectives and remains appropriate for its purpose.

We welcomed the updates to the code published in early 2024. Having considered the updates to malus and clawback provisions under the new code, we were satisfied that these have been duly addressed by the company – as set out in the updated disclosures in the directors' remuneration report – and determined that no changes to the remuneration policy were needed at this time.

Pay arrangements for 2025/26

Base salaries

The executive directors' salaries were increased by 9% from 1 March 2025. Following these increases, the salaries of Sam as CEO and Andrew as CFO are £459,000 and £381,000, respectively.

Over the past year, Sam has demonstrated exceptional leadership in a challenging environment, driving strong performance. Beyond ensuring stability following the former CEO's resignation in February 2024, she swiftly established herself in the role, infusing the business with renewed energy and a growth mindset. Looking ahead, her leadership is pivotal to capitalising on significant growth opportunities and driving continued success. As the company scales, the CEO role has become increasingly complex, requiring strategic vision and operational expertise. With strong ambitions for the future, we are committed to retaining Sam to lead BTG through its next phase of growth, recognising her tremendous value and highly sought-after skill set.

When Sam was appointed CEO in the first quarter of 2024/25, she inherited the same fixed pay level as her predecessor. This was deemed appropriate at the time to allow her to demonstrate results in her first year. However, an important distinction is that our previous CEO was a pre-IPO leader who benefited from a material shareholding as the result of the successful outcome of a pre-IPO equity-based incentive plan. His equity position influenced all elements of his pay, with low fixed pay at IPO and subsequently forgoing adjustments beyond inflationary measures. This led to a continued market pay gap, which further widened with the growth of the company. In comparison to both the pan-sector FTSE 250 comparator group and the bespoke technology sector comparator group, our assessment shows that Sam's compensation falls below the lower quartile.

After careful consideration of pace of growth, complexity and the interests of stakeholders, including consultation with 16 of our largest shareholders representing around 63% of our register, as well as key proxy agencies, the committee has decided to increase the CEO's reward this year as permitted within our existing policy. We are therefore increasing Sam's annual base salary by 9.0%, bringing her 2025/26 base salary to £459,000, and so moving it closer to, but still below, market median levels.

Andrew Holden, CFO, joined BTG in 2021 and the committee initially set his base salary 6.25% lower than his predecessor's, to recognise that, while he was an experienced senior executive at JSE-listed technology company Altron Limited, BTG's former parent company, this was his first executive director role in a UK-listed environment. As was the case with Neil Murphy, Andrew's predecessor as CFO was also a pre-IPO leader with the benefit of a successful pre-IPO equity plan, and that status affected the level of CFO salary that Andrew assumed from appointment. Andrew quickly established himself in the role, and, over the past four years, has provided excellent leadership of the company, delivering strong progress against our financial objectives and robust financial results in a challenging and uncertain economic environment. Since joining, while Andrew's base salary has been adjusted through annual increases aligned to BTG's workforce levels, the continuing discount of Andrew's base salary to market levels for CFOs remains. After more than four years in post and given Andrew's contributions and strong track record of delivery, the committee has determined that it is an appropriate time to review his base salary and address its continuing discount of Andrew's base to wider market levels.

Against the pan-sector FTSE 250 comparator group and the bespoke technology sector comparator group, our CFO is below lower quartile at base rate and bonus as a percentage of salary. The committee considered the company performance over the past four years, the scale of the CFO role, his experience and his contribution to the company, and determined that an adjustment to Andrew's salary is warranted. The committee is therefore increasing Andrew's salary by another 6.2% over the 3% workforce increase to £381,000.

On page 128 we set out more details of the market data reference points that we have considered in relation to the appropriateness of our executive directors' salary levels.

The salary increases for the CEO and CFO move their fixed pay closer to market median levels while remaining below median. The committee has therefore adopted a phased approach over a number of financial years to progressively align executive director pay with competitive benchmarks. As part of this approach, the committee may consider more corrective adjustments in the 2026/27 financial year. However, any such increases will only be implemented following a thorough review of both company and individual performance. In line with our overarching remuneration philosophy, the committee remains firmly committed to ensuring that reward follows performance – not precedes it. Any future salary adjustments will be subject to rigorous evaluation, with careful consideration given to performance outcomes, market positioning, retention needs, and the views and expectations of shareholders.

Pension and benefits

Pension contributions for our executive directors will remain unchanged at up to 4% of salary, and continue to be in line with the level provided to the majority of our employees.

Annual bonus

The annual bonus opportunity will be maintained at 125% of salary for the CEO and CFO for 2025/26. This is the same as the previous year and within the headroom allowed for in the remuneration policy. Targets are based on the Board-approved budget and aligned with the financial and non-financial objectives for the year. The bonus opportunity is structured as a percentage of base salary as follows: 72% operating profit (and no longer adjusted operating profit), 28% key strategic metrics, which include services gross profit, and other measures linked to our strategic goals.

PSP

The award level under the PSP in 2025/26 will be maintained at 150% of salary for the CEO and CFO. This is the same as the previous year and within the headroom allowed for in the remuneration policy. Vesting will be subject to performance conditions based on EPS (previously, adjusted EPS) – still with 75% weighting, and relative TSR with a continued 25% weighting, measured over three years – and will be subject to a two-year post-vesting holding period.

Non-executive director and committee evaluation

The committee's performance was assessed as part of the annual Board evaluation. I am pleased to report that the committee is operating highly effectively.

Our Board Chair's fees and the fees of our non-executive directors were reviewed and increased last year and have been held at that level for 2025/26, as set out on page 130.

Looking ahead to 2025/26

Over the next 12 months, the committee will focus on:

- Keeping the directors' remuneration policy under review to ensure our arrangements continue to support BTG's strategy and objectives
- Ensuring that the 2025/26 annual bonus plan continues to drive performance and reward sustainable growth and is set against appropriate financial and non-financial targets
- Granting PSP awards in 2025 with appropriately stretching EPS and TSR performance conditions
- Monitoring corporate governance developments and addressing any associated differences as appropriate
- Reviewing the performance of our external remuneration consultants after five years of service
- Monitoring external market practice, and developments in the governance expectations of institutional shareholders and shareholder representative bodies.

Conclusion

Our committee remains committed to ensuring that remuneration supports BTG's objectives and drives the company forward, while aligning the interests of both BTG shareholders and management. We will continue to take a disciplined, performance-driven approach to compensation, and I look forward to continuing that discussion with my committee colleagues over the coming year and listening to stakeholders' input.

At the 2025 Annual General Meeting, shareholders will be asked to approve a single remuneration-related resolution – on the directors' remuneration report – which is the normal annual advisory vote on this report.

The committee welcomes all input on remuneration matters. If you have any comments or questions on any element of the directors' remuneration report, please email me through our Group Company Secretary at wk.groenewald@bytesplc.com. We are grateful for the guidance and support we have received from our shareholders on remuneration matters in the past year.

I would like to express my gratitude to our shareholders, the Board, and the BTG team and its advisors for their unwavering support and engagement throughout the 2024/25 financial year. I hope you will join the Board in supporting our directors' remuneration report at the Annual General Meeting on Wednesday, 2 July 2025.

Erika Schraner
Remuneration Committee Chair
12 May 2025

Remuneration at a glance

Our pay principles

- Clear and simple
- Aligned with the interests of shareholders and other stakeholders
- Performance-related and linked to our KPIs
- Competitive but not excessive
- Aligned with our culture and values

Implementing our policy in 2025/26

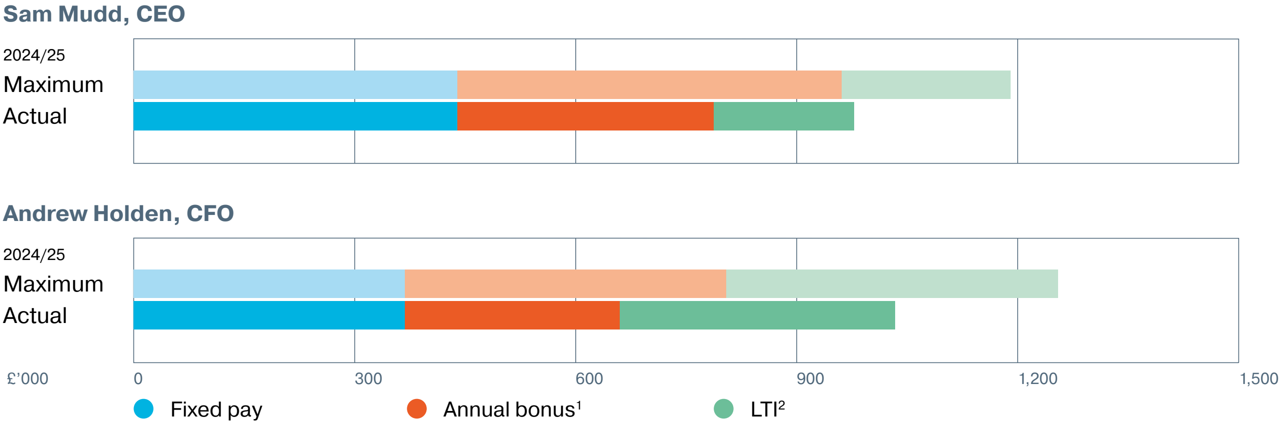
The following table shows how we intend to apply the policy for 2025/26 for our two executive directors.

Fixed pay	Salary	– CEO: £459,000 (9.0% increase effective 1 March 2025) – CFO: £381,000 (9.2% increase effective 1 March 2025) – Workforce average increase 3%
	Pension	– 4% of salary (in line with workforce)
	Benefits	– Medical and life insurance
Bonus	Maximum	– CEO and CFO: 125% of salary (within policy limit of 150% of salary)
	Performance measures	– Operating profit (72%) – Strategic financial and ESG objectives (28%)
	Operation	– One third deferred into shares for two years – Malus and clawback provisions operate – Discretion to adjust formulaic outcomes
Long Term Incentives (LTI) (Performance Share Plan (PSP))	Award level	– CEO and CFO: 150% of salary (within policy limit of 200% of salary)
	Performance measures	– Earnings per share (EPS) (75%) – Relative total shareholder return (TSR) (25%)
	Operation	– Performance measured over three years – Two-year post-vesting holding period applies to vested awards – Malus and clawback provisions operate – Discretion to adjust formulaic outcome
Share ownership guidelines	In-employment	– 200% of salary
	Post-employment	– 200% of salary to be held for two years post-cessation
	Current shareholding	– CEO: 101% of salary – CFO: 100% salary – Both the CEO and CFO will continue to move towards the 200% guideline, as share options awarded under the LTI vest and are exercised each year

Implementing our policy in 2024/25

The following charts show the actual levels of remuneration earned by the executive directors for 2024/25 relative to the maximum potential remuneration that was available.

2024/25 remuneration outcomes versus policy maximum



1 Annual bonus was 125% of salary maximum (with one third deferred), and measured against adjusted operating profit (80%) and strategic/ESG objectives (20%).
2 The PSP was awarded in June 2022, and measured against adjusted EPS (75%) and relative TSR (25%) over a three-year performance period to 28 February 2025.

Compliance with the UK Corporate Governance Code 2024

In designing our remuneration policy, and implementing it throughout the year, the code has been a core source. The committee took full account of its remuneration-related provisions – as we illustrate below in describing how we sought to comply with the six factors in provision 40:

Clarity	Our remuneration framework supports financial delivery and the achievement of strategic objectives, aligning the interests of our executive directors and shareholders. Our approved policy is transparent and has been well communicated to our senior executive team. It will be clearly articulated to our shareholders and representative bodies (both on an ongoing basis and during consultation, if any changes are considered necessary).
Simplicity	Our framework has operated on a consistent basis since IPO and has been designed to be straightforward to communicate and operate.
Risk	Our incentives have been structured to align with the Board's system of risk management and risk appetite. Inappropriate risk-taking is discouraged and mitigated by, for example: • A balance of fixed pay to performance-related incentive pay and through multiple performance measures based on a blend of financial and non-financial targets • Deferring a proportion of annual bonus into shares and operating a post-vesting holding period for the Long Term Incentive Plan (LTIP) • Significant in-employment and post-employment shareholding guidelines • Robust recovery and withholding provisions.
Predictability	Our incentive plans have individual caps, with share plans also subject to market standard dilution limits. The committee has full discretion to alter the payout level or vesting outcome to ensure payments are aligned with our underlying performance.
Proportionality	Our approach is underpinned by the principle that failure should not be rewarded. There is a clear link between individual awards, strategic delivery and our long-term performance. This is demonstrated, for example, by the connection between executive directors' pay arrangements and their building and maintaining meaningful levels of shareholding; through linking our incentive measures and KPIs; by our ability for, and openness to, using discretion to ensure appropriate outcomes; and via the structure of our executive directors' contracts. As mentioned above, the committee reviews formulaic incentive outcomes and may adjust them in the light of overall Group performance and our wider employee remuneration policies and practices.
Alignment to culture	Our policy is aligned to our dynamic, can-do culture and strongly held values. The committee strives to embed a sustainable performance culture at management level that can cascade down throughout our business. The Board sets the framework of KPIs against which we monitor the company's performance and the committee links the performance metrics of our incentive arrangements to those indicators. We are also keen to foster a culture of share ownership and operate employee share schemes across the workforce.

Annual report on remuneration

Committee attendance

Committee member	For the financial year to 28 February 2025
Erika Schraner	4/4
Patrick De Smedt	4/4
Shruthi Chindalur	4/4
Ross Paterson[1]	2/2
Anna Vikström Persson[1]	2/2
Mike Phillips[2]	n/a

1 Appointed 1 June 2024.
2 Resigned from the committee on 24 March 2024.

The committee's role and composition

The Board is ultimately accountable for executive remuneration and delegates this responsibility to the Remuneration Committee. The committee is responsible for developing and implementing a remuneration policy that supports BTG's strategy and for determining executive directors' individual packages and terms of service, together with those of other members of senior management (including the Group Company Secretary).

When setting the remuneration terms for executive directors, the committee reviews and considers wider employee reward and related policies. It also takes close account of the remuneration-related provisions of the UK Corporate Governance Code 2024 (code) (see page 117).

The committee is formally constituted and operates with written terms of reference, which are available at bytesplc.com.

In the year, the committee comprised Erika Schraner (Chair), Patrick De Smedt, Shruthi Chindalur, Ross Paterson and Anna Vikström Persson. Mike Phillips resigned from the Board and from the committee on 24 March 2024, while Ross Paterson and Anna Vikström Persson joined the Board and the committee on 1 June 2024. All the other members of the committee were members throughout the year ended 28 February 2025. The committee met four times during the year, with full attendance at all meetings.

At the committee's invitation, the Group's executive directors, the Group Company Secretary (who acts as committee secretary) and FIT Remuneration Consultants LLP (FIT) – BTG's retained remuneration consultants – also attend its meetings. The executive directors are consulted on matters discussed by the committee unless these relate to their own remuneration. Advice or information is sought from other employees and from FIT where the committee feels it would assist its decision making.

The committee is authorised to take such internal and external advice as it considers appropriate to carry out its duties, including appointing external remuneration advisors. During the year, it was assisted by FIT. FIT was appointed by the Board in September 2020 and provided advice during the year on general remuneration matters, the former CEO clawback settlement, and on the design and implementation of the policy. Fees paid to FIT for advising the committee during the year to 28 February 2025 were £112,830 (excluding VAT), charged on a time/cost basis. FIT did not provide any other services to BTG during the year to 28 February 2025. FIT is a member of the Remuneration Consultants Group and, as such, voluntarily operates under its code of conduct on executive remuneration consulting in the UK. The committee is satisfied that FIT's advice was objective and independent.

The committee carried out the following significant activities during the 2024/25 financial year:

- Concluded a comprehensive review of the executive directors' remuneration arrangements and prepared a revised directors' remuneration policy, which was put to shareholders for approval at the 2024 Annual General Meeting
- Engaged with our major shareholders on the proposed revision of the directors' remuneration policy
- Reviewed and approved remuneration packages for the current executive directors
- Established the compensation for the Interim CEO, and subsequently determined the terms of the package on her appointment as CEO
- Reviewed and approved the annual bonus outcomes for the 2023/24 financial period
- Reviewed and approved the terms of the 2024 PSP awards
- Oversaw the PSP, DSB, CSOP and SAYE plans
- Monitored corporate governance developments, and ensured that BTG is appropriately positioned to comply with the code
- Monitored external market practice, and developments in the governance expectations of institutional shareholders and shareholder representative bodies
- Determined the treatment of remuneration for the former CEO following his resignation, including the clawback in full of all cash bonuses paid since IPO and the forfeiture of all outstanding share awards.

Since the end of the 2024/25 financial year, the committee has:

- Determined the outcomes under the annual bonus plan for the year ended 28 February 2025
- Determined the outcomes under the PSP for the year ended 28 February 2025 – that is, relating to the awards granted on 1 June 2022
- Aligned our executive compensation package and the annual bonus structure for the year ending 28 February 2026 with the company's strategic goals and 2025/26 budget, ensuring a strong correlation between pay and performance, while ensuring competitiveness of executive pay packages in attracting and retaining top talent in support of the Board's succession planning
- Reviewed and agreed the award levels and performance targets for the PSP grants to be made to eligible participants in 2025
- Engaged with our leading shareholders with regard to our approach to implementing the directors' remuneration policy for the 2025/26 financial year.

The current directors' remuneration policy was approved by shareholders at our 2024 Annual General Meeting on 11 July 2024 – receiving strong support, with 98.71% of votes in favour – and took formal effect from that date. The committee currently intends that the policy will apply for the full three-year period until the 2027 Annual General Meeting. The full shareholder-approved policy can be found on pages 108 to 115 of Annual Report and Accounts 2023/24, available at bytesplc.com.

The information that follows has been audited (where indicated) by BTG's external auditor, EY. The annual report on remuneration and the annual statement will be put to a shareholder vote at the Annual General Meeting on 2 July 2025.

Single total figure of remuneration for each director (audited)

The table below reports the total remuneration for BTG directors during the year ended 28 February 2025. As previously noted, Sam Mudd joined the Board as MD of Phoenix on 12 July 2023, with 2023/24 remuneration prorated from that date. She became Interim CEO on 21 February 2024 and was confirmed as CEO on 10 May 2024. Her salary remained unchanged for the brief period she was Interim CEO in 2023/24. From 1 March 2024, she received an annualised salary of £400,000 (including a supplement of £91,725 as Interim CEO), increasing to £421,000 from 10 May on her appointment as permanent CEO. Compensation shown in the table below for 2024/25 has been prorated to reflect her time in both roles.

Directors' total remuneration

£		Base salary/ fees	Benefits[1]	Annual bonus	Long-term incentives[2]	Pension[3]	Total	Total fixed	Total variable
Executive directors									
Sam Mudd[4]	2024/25	416,997	5,803	347,984	190,537	16,680	978,001	439,480	538,521
	2023/24	187,957	530	101,114	–	6,368	295,969	194,855	101,114
Andrew Holden	2024/25	348,926	5,480	291,179	374,215	13,957	1,033,757	368,363	665,394
	2023/24	333,900	816	184,544	–	13,356	532,616	348,072	184,544
Non-executive directors									
Patrick De Smedt	2024/25	205,000	–	–	–	–	205,000	205,000	–
	2023/24	187,200	–	–	–	–	187,200	187,200	–
Shruthi Chindalur[5, 6]	2024/25	115,221	–	–	–	–	115,221	115,221	–
	2023/24	6,233	–	–	–	–	6,233	6,233	–
Ross Paterson[7]	2024/25	51,000	–	–	–	–	51,000	51,000	–
	2023/24	–	–	–	–	–	–	–	–
Mike Phillips[6, 8]	2024/25	56,933	–	–	–	–	56,933	56,933	–
	2023/24	86,050	–	–	–	–	86,050	86,050	–
Erika Schraner[6, 9]	2024/25	80,583	–	–	–	–	80,583	80,583	–
	2023/24	92,133	–	–	–	–	92,133	92,133	–
Anna Vikström Persson[7]	2024/25	51,000	–	–	–	–	51,000	51,000	–
	2023/24	–	–	–	–	–	–	–	–
Total	**2024/25**	**1,325,660**	**11,283**	**639,163**	**564,752**	**30,637**	**2,571,495**	**1,367,580**	**1,203,915**
	2023/24	893,473	1,346	285,658	–	19,724	1,200,201	914,543	285,658

1 Non-salary benefits include life insurance and the discount on options granted under the 2024 SAYE (2023/24: nil).
2 This relates to the PSP award granted in June 2022. The value of PSP awards has been calculated using the three-month average share price measured to 28 February 2025 of 440 pence per share less the 1-pence-per-share exercise price. See more on pages 120 to 121.
3 The amount of employer contribution based on a percentage of base salary.
4 Joined the Board in her position as MD Phoenix on 12 July 2023. All remuneration amounts for 2023/24 are prorated over the period from this date. Promoted to Interim CEO on 21 February 2024 and subsequently appointed as CEO on 10 May 2024. Sam's salary was unadjusted during the few days in 2023/24 when she served as Interim CEO. Annual salary of £400,000 (including a salary supplement of £91,725) for the period of acting as Interim CEO from 1 March 2024 to 9 May 2024 and annual salary of £421,000 from 10 May 2024. Base salary amounts for 2024/25 are prorated over these periods and include the Interim CEO salary supplement, being £76,345 from 1 March 2024 to 9 May 2024 and £340,652 from 10 May 2024 to 28 February 2025. Annual bonus for 2024/25 is based on annual target achievements applied to the prorated base salary, being £63,710 from 1 March 2024 to 9 May 2024 and £284,274 from 10 May 2024 to 28 February 2025. Annual pension for 2024/25 is based on the employer contribution percentage applied to the prorated base salary, being £3,054 from 1 March 2024 to 9 May 2024 and £13,626 from 10 May 2024 to 28 February 2025.
5 Joined the Board on 1 February 2024.
6 Includes additional fees during 2024/25 and 2023/24 for work on special Board subcommittees investigating undisclosed share dealings by former directors (Shruthi Chindalur £50,888 in 2024/25 and £1,900 in 2023/24, Mike Phillips £50,350 in 2024/25 and £13,250 in 2023/24, Erika Schraner £nil in 2024/25 and £32,000 in 2023/24).
7 Joined the Board on 1 June 2024.
8 Resigned from the Board on 24 March 2024. All fees earned were in respect of services performed while a director.
9 Erika received £1,833 for her role as Interim Audit Chair from 24 March 2024 to 31 May 2024. See more on page 92.

Directors' remuneration report continued

Annual bonus for the year ended 28 February 2025 (audited)

For the 2024/25 financial year, executive directors were eligible for an annual discretionary bonus, for which performance objectives with suitably challenging 12-month goals were set at the beginning of the period. These comprised measures based 80% on adjusted operating profit (adjusted for amortisation and share-based payment charges) and 20% on key ESG and other strategic objectives, which itself comprised five equally weighted metrics (cash conversion, employee net promoter score (eNPS), customer net promoter score (NPS), gross margin and ESG rating). Sliding scale threshold-to-stretch targets operate for all the metrics other than for cash conversion and ESG rating, for which straightforward stretch targets were set. This was considered appropriate for these two metrics because the objectives were quantitative measures and their weightings not material in isolation. The committee also evaluated each objective considering industry standards and the company's specific context. No discretionary adjustments were made to the annual bonus outcome for the year.

The maximum annual bonus payable for the CEO and CFO was 125% of salary, against which bonuses of 67% of maximum (84% of salary) were earned.

The targets and the related performance outcomes were as follows:

Performance metric	Proportion of bonus determined by metric	Threshold performance (25% of max payable)	Target performance (50% of max payable)	Stretch performance (100% of max payable)	Actual performance	Bonus earned (% of max for this element)	Bonus earned (% of salary)
Adjusted operating profit (£'000)	100%	63,985	71,094	74,649	72,355	68%	68%
Key strategic objectives	Proportion of bonus determined by metric	n/a	n/a	Target	Actual performance	Bonus earned (% of max)	Bonus earned (% of salary)
Cash conversion	5%	n/a	n/a	Not <100%	104%	100%	5%
Employee satisfaction (eNPS)[1]	5%	60	n/a	70	57	0%	0%
Customer satisfaction (NPS)[1]	5%	60	n/a	70	79	100%	5%
Gross margin[1]	5%	7.6%	n/a	9%	7.8%	14%	1%
ESG rating (ISS Quality Score)[2]	5%	n/a	n/a	Not >3	2	100%	5%
Total	**125%**					**67%**	**84%**

1 Measured on a straight-line basis between threshold and stretch.
2 As per ISS Quality Score methodology, where 1/10 equates to a higher level of environmental and social disclosure, and to a lower level of governance risk.

No discretionary adjustments were made to the annual bonus outcome for the year.

For all executive directors, two thirds of the bonus is paid in cash and one third will be deferred in shares, which will vest after a two-year period.

PSP awards vesting for the year ended 28 February 2025 (audited)

Awards were granted on 1 June 2022 under the PSP to the CEO (before joining the Board and in her position as MD Phoenix) and the CFO, and these were based on performance targets measured over the three financial years to 28 February 2025. A total of 75% of the award was subject to an adjusted earnings per share (EPS) growth condition and 25% subject to a relative total shareholder return (TSR) condition.

Performance metric	Proportion of PSP determined by metric	Threshold performance (20% vesting)	Intermediate performance (50% vesting)	Stretch performance (100% vesting)	Actual performance	Vesting level (% of max for this element)	Vesting level (% of overall award)
Adjusted EPS[1]	75%	18.4 pence	21.7 pence	24.1 pence	25.1 pence	100%	75%
Relative TSR[2]	25%	Median	n/a	Upper quartile	66th of 142	32%	8%
Total vesting							**83%**

1 Measured on a straight-line basis between threshold to intermediate and between intermediate to stretch. The adjusted EPS target was based on performance in the final year of the performance period.
2 Measured on a straight-line basis between median and upper quartile relative to the constituents of the FTSE 250 Index (excluding investment trusts and real estate investment trusts).

The committee considered that the underlying performance of the company and the performance of the executive directors fully justified the level of vesting. The committee did not consider it necessary to apply any discretion to adjust the outcome for these awards.

	PSP shares granted (1 June 2022)	Shares after performance conditions applied	Share price at end of performance period (three-month average to 28 February 2025)	Value at end of performance period[1]
Sam Mudd	52,230	43,402	439 pence	£190,537
Andrew Holden	102,580	85,243	439 pence	£374,215

1 Values shown in the Single total figure of remuneration for each director table are based on the share price at the end of the performance period of 440 pence less the 1-pence-exercise price per share. None of the value is as a result of share price growth over the period.

PSP awards granted in the year (audited)

The table below provides details of share awards made to the executive directors on 1 June 2024.

	Date of award	Type of award	Basis of award (% of salary)	Number of shares under award[1]	Face value of award (£'000)	% vesting at threshold	End of vesting period
Sam Mudd[2]	1 June 2024	Nil cost option	137%	99,700	557	20%	31 May 2027
Andrew Holden	1 June 2024	Nil cost option	150%	91,600	512	20%	31 May 2027

1 The number of awards was calculated using a share price of £5.71, which was based on the company's average closing share price on 29, 30 and 31 May 2024.

2 Sam Mudd's award was calculated on a prorated basis over the financial year based on an award equivalent to 100% of salary over the period she was Interim CEO (with her salary for this purpose excluding her Interim CEO salary supplement) and 150% of salary over the period she was CEO. At the date of grant, this equated to 137% of her annual salary in her position as CEO, with the applicable salary being £59,121 from 1 March 2024 to 9 May 2024 and £510,390 from 10 May 2024 to 28 February 2025, with 10,350 and 89,350 awards, respectively.

The PSP awards granted on 1 June 2024 are subject to a combination of performance conditions, being adjusted EPS and TSR compared with the constituents of the FTSE 250 Index (excluding investment trusts and real estate investment trusts) measured over a three-year performance period. The targets are set out here:

Measure	Weighting	Performance period	Targets
Adjusted EPS	75%	Three financial years to 28 February 2027[1]	Adjusted EPS of 23.6 pence (20% vests) rising on a straight-line basis to 50% vesting for 27.7 pence, and on a straight-line basis again to full vesting for achievement of 30.6 pence
Relative TSR versus constituents of the FTSE 250 Index (excluding investment trusts and real estate investment trusts)	25%	Three financial years to 28 February 2027	Median (20% vests) rising on a straight-line basis to full vesting for upper-quartile performance

1 The adjusted EPS target is based on performance in the final year of the performance period.

In addition, the committee retains discretion to reduce the overall PSP vesting level (potentially to zero) if it considers that the underlying business performance of the company does not justify it.

A two-year holding period will apply to any awards vesting, and recovery and withholding provisions will apply in line with our approved policy.

Directors' remuneration report continued

Executive directors' share options outstanding at the year end (audited)

Details of share options outstanding at the financial year end are shown in the following table.

Scheme	No. of options at 29 February 2024	Options granted in year	Options forfeited in year	Options exercised in year	No. of options at 28 February 2025	Date of grant	Share price at date of grant	Exercise price	Date from which exercisable	Expiry date
Sam Mudd										
PSP	137,855	–	–	–	137,855	17 December 2020	£3.43	£0.01	17 December 2023	16 December 2030
CSOP	50,000	–	–	–	50,000	1 June 2021	£5.00	£5.00	1 June 2024	31 May 2031
SAYE	4,500	–	–	4,500	–	22 June 2021	£4.53	£4.00	1 August 2024	1 February 2025
PSP	52,230	–	–	–	52,230	1 June 2022	£4.53	£0.01	1 June 2025	31 May 2032
PSP	60,300	–	–	–	60,300	1 June 2023	£5.16	£0.01	1 June 2026	31 May 2033
DBP[1]	–	5,902	–	–	5,902	1 June 2024	£5.59	£0.01	1 June 2026	1 December 2026
PSP[2]	–	99,700	–	–	99,700	1 June 2024	£5.59	£0.01	1 June 2027	31 May 2034
SAYE[3]	–	4,059	–	–	4,059	28 June 2024	£5.59	£4.57	1 August 2027	1 February 2028
Andrew Holden										
CSOP	45,000	–	–	–	45,000	1 June 2021	£5.00	£5.00	1 June 2024	31 May 2031
SAYE	4,500	–	–	4,500	–	22 June 2021	£4.53	£4.00	1 August 2024	1 February 2025
DBP[4]	10,305	611	–	10,916	–	1 June 2022	£4.53	£0.01	1 June 2024	1 December 2024
PSP	102,580	–	–	–	102,580	1 June 2022	£4.53	£0.01	1 June 2025	31 May 2032
DBP	20,376	–	–	–	20,376	1 June 2023	£5.16	£0.01	1 June 2025	1 December 2025
PSP	102,400	–	–	–	102,400	1 June 2023	£5.16	£0.01	1 June 2026	31 May 2033
DBP[1]	–	10,773	–	–	10,773	1 June 2024	£5.59	£0.01	1 June 2026	1 December 2026
PSP[2]	–	91,600	–	–	91,600	1 June 2024	£5.59	£0.01	1 June 2027	31 May 2034
SAYE[3]	–	4,059	–	–	4,059	28 June 2024	£5.59	£4.57	1 August 2027	1 February 2028

Key
PSP: Performance Share Plan
DBP: Deferred Bonus Plan
CSOP: Company Share Option Plan
SAYE: Save As You Earn Plan (ShareSave)

1 The face value of the DBP awards granted on 1 June 2024 to Sam Mudd and Andrew Holden on the date of the grants was £32,992 and £60,221, respectively. These grants are not subject to any other performance conditions.
2 The face value of the PSP awards granted on 1 June 2024 to Sam Mudd and Andrew Holden on the date of the grants was £557,323 and £512,044, respectively. These grants are subject to performance conditions set out in notes above.
3 The face value of the SAYE awards granted on 28 June 2024 to Sam Mudd and Andrew Holden on the date of the grants was £22,690 and £22,690, respectively. These grants are not subject to any other performance conditions.
4 Options granted in the year relate to dividend equivalents under the terms of the DBP plan.

The closing share price of the company's ordinary shares at 28 February 2025 was 419 pence, and the closing price range during the year ended 28 February 2025 was 405 pence to 604 pence.

Statement of directors' shareholding and share interests (audited)

The following table shows the interests of directors and those connected to them in BTG's ordinary shares at 28 February 2025.

	No. of shares owned outright	No. of shares owned outright	No. of options vested, unexercised and not subject to performance	No. of options unvested and not subject to performance	No. of options unvested and subject to performance	Shareholding as % of salary at 28 February 2025[1]	Shareholding guideline as % of salary	Company shareholding guideline met
Current directors	29 February 2024/ date of joining	28 February 2025/ date of leaving						
Sam Mudd	81,548	99,948	187,855	9,961	212,230	101%	200%	No
Andrew Holden	72,990	83,237	45,000	35,208	296,580	100%	200%	No
Patrick De Smedt	102,592	102,592	–	–	–	n/a	n/a	n/a
Shruthi Chindalur	–	–	–	–	–	n/a	n/a	n/a
Ross Paterson[2]	–	15,831	–	–	–	n/a	n/a	n/a
Erika Schraner	10,037	10,037	–	–	–	n/a	n/a	n/a
Anna Vikström Persson[2]	–	9,141	–	–	–	n/a	n/a	n/a
Former directors								
Mike Phillips[3]	20,000	20,000	–	–	–	n/a	n/a	n/a

1 Sam Mudd joined the Board in 2023 and Andrew Holden in 2021. Both have increased their shareholdings since the time of appointment and will continue to move towards the 200% shareholding guideline as share options awarded under their PSP, DBP and SAYE vest each year and can be exercised. Shares held at the year end are valued using the closing share price on 28 February 2025, so variations in the percentage of salary may arise because of share price changes, even though the underlying quantity of shares may be increasing.

2 Joined the Board on 1 June 2024 – the opening number of shares is at the date of appointment to the Board.

3 Resigned from the Board on 24 March 2024 – the number of shares and share interests is at the date of resigning from the Board.

The interests of those directors holding a position on the Board at the year end did not change between 28 February 2025 and the date of signing the Annual Report and Accounts 2024/25.

Payments for loss of office and to past directors (audited)

Mike Phillips

Mike Phillips resigned from the Board on 25 March 2024. On ceasing to be a director, he received £6,583 in respect of fees in relation to his last month of March 2024, and £63,600 in relation to additional services provided to the company during the investigation following the resignation of Neil Murphy (of which £13,250 had already been accrued in 2023/24). He received no payments in lieu of notice or for loss of office and no other payments have been or will be made to Mike Phillips.

Neil Murphy

As announced on 21 February 2024, and described fully in Annual Report and Accounts 2023/24, Neil Murphy resigned as CEO of BTG with immediate effect from that date. Neil Murphy did not receive, nor will receive, any remuneration after the date of his resignation and all his unvested share-based awards were forfeited in full on the date of his resignation.

In addition, under the terms of a settlement agreement reached between the company and Neil Murphy on 9 May 2024, the committee exercised its powers to pursue clawback for the full amount of the cash portion of all annual bonuses awarded to him since IPO (on a net-of-tax basis reflecting the actual amounts received). The total agreed was £274,825, payable to the company within 28 days from the date of the agreement. The committee can confirm that this amount was received in full within the allotted timeframe.

Recovery and withholding provisions

Robust recovery and withholding provisions – that is, malus and clawback – operate for our annual bonus, Deferred Bonus Plan and PSP.

The following provisions apply:

- Before payment of an annual bonus or vesting of a Deferred Bonus Plan or PSP award, the committee may operate malus to cancel the award
- For up to two years following the payment of an annual bonus award, the committee may operate clawback to require the repayment of any cash amount paid or may cancel any deferred bonus award, and
- For up to two years after the vesting of a PSP award, the committee may operate clawback to cancel the award during the holding period (or require repayment of the award if it has been released before the end of the holding period), reduce future vesting under the company's share plans or reduce the number of shares already vested but unexercised.

The circumstances in which malus and clawback may be operated are as follows:

- The company materially misstated its financial results
- The relevant individual's conduct being such that it would entitle (or, where the employment has terminated before the date on which the Board becomes aware of such act or omission, would have entitled) the Group to terminate the employment summarily
- A material error having occurred in determining whether any performance conditions relating to the bonus or PSP award have been met (or any other material error having occurred in calculating the sum that was awarded as a bonus or the size of the PSP award)
- Circumstances that, in the opinion of the Board, would have (or would have, if made public) a sufficiently significant impact on the reputation of the company or Group
- The company becomes insolvent or otherwise suffers a corporate failure and the Board determines that such circumstances arose from events occurring (in whole or substantial part) during any period in which the relevant individual was a participant, or
- Such other exceptional circumstances that, at the Remuneration Committee's absolute discretion, justify such reimbursement being imposed.

Our clawback provisions were invoked during the 2024/25 financial year in relation to the termination arrangements of former CEO, Neil Murphy, details of which are set out on page 123.

Non-executive directors' fees (audited)

In last year's Annual Report we reported that, as a consequence of undisclosed share dealings by two former directors during 2023/24, it was necessary for the Board to establish specifically constituted additional subcommittees of the Board to investigate these matters, and to oversee and direct the work of both internal teams and external professional advisors who were appointed to support these processes. To recognise the complexity of such additional responsibilities and the additional time commitment, which extended beyond the normal responsibilities of non-executive directors, additional remuneration was considered for those non-executives serving on and leading these subcommittees. The majority of this additional work took place during the last quarter of the 2023/24 financial year and also continued into the first quarter of 2024/25.

It was agreed by the Board that it was appropriate and in shareholders' best interests that BTG non-executive directors should receive additional fees per additional day worked on these matters – and that the levels of such fees should reflect an equivalent day rate set by reference to continuing normal BTG non-executive director fees for roles fulfilled (non-executive base fees and additional fees for chairing Board subcommittees).

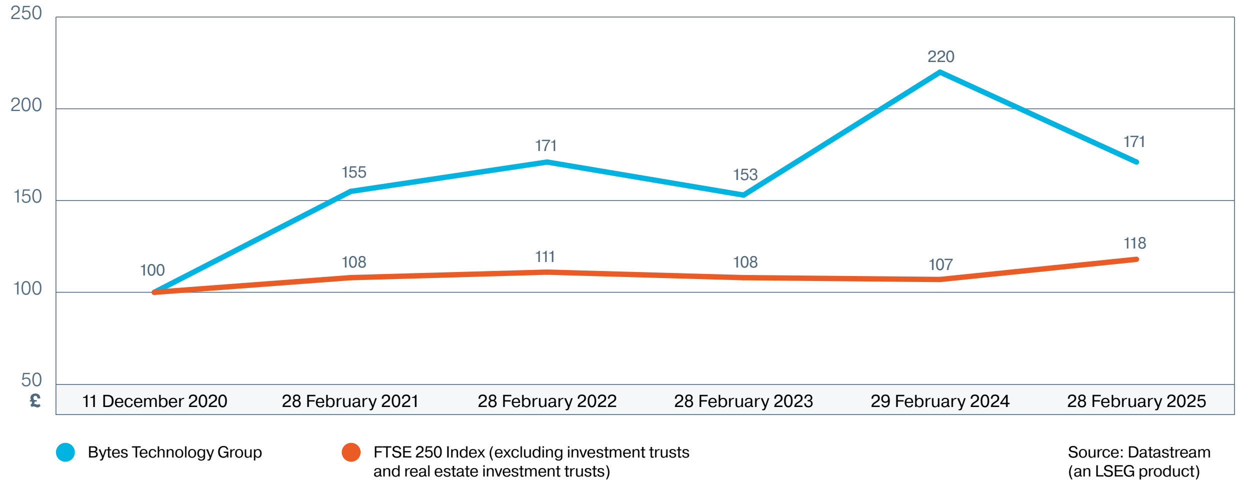
In 2024/25, such additional fees comprised £50,350 to Mike Phillips (2023/24: £13,250), £50,888 to Shruthi Chindalur (2023/24: £1,900) and £nil to Erika Schraner (2023/24: £32,000). All these amounts are reflected in the Single total figure of remuneration for each director table on page 119. This additional work ended during 2024/25, and no extra fees will be payable in future years in relation to this issue.

Following the resignation of Mike Phillips from the Board and his role as Audit Committee Chair, Erika Schraner was appointed as Interim Chair of the Audit Committee effective 25 March 2024. She served in this capacity until 31 May 2024, receiving a fee of £1,833 for her service in the role during this period. On Ross Paterson's appointment to the Board and his taking up the Audit Committee Chair role on 1 June 2024, Erika stepped down from her interim position.

Total shareholder return performance

The graph below shows the value at 28 February 2025 of £100 invested in BTG on 11 December 2020, the date of commencement of conditional trading on the London Stock Exchange, compared with £100 invested in the FTSE 250 Index (excluding investment trusts and real estate investment trusts) on the same date, on the assumption that dividends are reinvested for additional equity.

The FTSE 250 Index (excluding investment trusts and real estate investment trusts) was selected as a comparator because BTG is a constituent. This allows our performance to be compared against the index as a whole.



CEO and Interim CEO remuneration

The total remuneration figure for the CEO in 2024/25 is shown in the table below, along with the value of bonuses paid, and PSP vesting, as a percentage of the maximum opportunity. This table will build to show a rolling 10 years' worth of data over time.

Year	CEO or Interim CEO	CEO single total figure of remuneration	Annual bonus payout % of maximum	PSP vesting % of maximum
2024/25	Sam Mudd[1]	£978,001	67%	83%
2023/24	Sam Mudd[2,3]	£11,412	63%	n/a
2023/24	Neil Murphy[2,3]	£415,675	0%	n/a
2022/23	Neil Murphy[3]	£776,301	94%	n/a
2021/22	Neil Murphy[3]	£739,364	95%	n/a
2020/21	Neil Murphy[3,4]	£92,025	100%	n/a

1 Interim CEO until her appointment as CEO on 10 May 2024.
2 Appointed Interim CEO on 21 February 2024 and her total remuneration is the prorated figure for nine days from that date to 29 February 2024. Neil Murphy's total remuneration covers the period until his resignation on 21 February 2024.
3 No PSP awards capable of vesting in relation to the period.
4 Total remuneration is the prorated, post-IPO figure (for the period from admission to the London Stock Exchange to 28 February 2021).

Directors' remuneration report continued

Change in directors' remuneration compared with other employees

The following table shows the percentage change in the remuneration of the executive directors and non-executive directors compared with the average change for all employees of the parent company for the year ended 28 February 2025. 2022/23 was the first year in which this table was included, because it represented the first time where two full years of data had been available since IPO. This table will build up over time to cover a rolling five-year period.

Current directors		Salary and fees (% change)	Taxable benefits (% change)	Annual bonus (% change)
Sam Mudd[1]	2024/25	121.9%	994.9%	244.2%
	2023/24	n/a	n/a	n/a
	2022/23	n/a	n/a	n/a
Andrew Holden[2]	2024/25	4.5%	571.5%	57.8%
	2023/24	5%	20.9%	(38.3%)
	2022/23	198.6%	n/a	195.4%
Patrick De Smedt	2024/25	9.5%	n/a	n/a
	2023/24	0%	n/a	n/a
	2022/23	4%	n/a	n/a
Shruthi Chindalur[3]	2024/25	1,748.5%	n/a	n/a
	2023/24	n/a	n/a	n/a
	2022/23	n/a	n/a	n/a
Ross Paterson[4]	2024/25	n/a	n/a	n/a
	2023/24	n/a	n/a	n/a
	2022/23	n/a	n/a	n/a
Erika Schraner[5]	2024/25	(12.5%)	n/a	n/a
	2023/24	77.2%	n/a	n/a
	2022/23	108.0%	n/a	n/a
Anna Vikström Persson[4]	2024/25	n/a	n/a	n/a
	2023/24	n/a	n/a	n/a
	2022/23	n/a	n/a	n/a
Mike Phillips[6]	2024/25	(33.8%)	n/a	n/a
	2023/24	18.2%	n/a	n/a
	2022/23	4%	n/a	n/a
All employees[7]	2024/25	4.5%	4.5%	7.1%
	2023/24	6.7%	24.2%	(6.3%)
	2022/23	5.7%	6.2%	21.7%

1 Salary and annual bonus percentage increase in 2024/25 were in relation to comparison with pro rata salary and bonus earned in 2023/24 since date of appointment to the Board on 12 July 2023. Sam Mudd was MD Phoenix from her appointment to the Board on 12 July 2023, and was subsequently appointed as Interim CEO on 21 February 2024 and as CEO on 10 May 2024. Taxable benefits percentage increase in 2024/25 relates to the grant of discounted SAYE options during the year (2023/24: nil).

2 Salary and annual bonus percentage increase in 2022/23 were in relation to comparison with pro rata salary and bonus earned in 2021/22 since date of appointment to the Board on 21 October 2021. Taxable benefits percentage increase in 2024/25 relates to the grant of discounted SAYE options during the year (2023/24: nil).

3 Fee increase in 2024/25 was in relation to comparison with pro rata fees earned in 2023/24 since date of appointment to the Board on 1 February 2024.

4 Joined the Board on 1 June 2024.

5 Fee increase in 2022/23 was in relation to comparison with pro rata fees earned in 2021/22 since date of appointment to the Board on 1 September 2021. Fee increase in 2023/24 relates to amounts received for additional work on Board subcommittees established to investigate undisclosed share dealings.

6 Resigned from the Board on 24 March 2024. Fee increase in 2023/24 relates to amounts received for additional work on Board subcommittees established to investigate undisclosed share dealings.

7 Reflects the average percentage change in salary, benefits and bonus for employees of the parent company (excluding the Board). To aid comparison, the employees of the parent company are those full-time employees who were employed over the complete two-year period.

Relative importance of spend on pay

The following table shows the actual spend on pay for all BTG employees relative to dividends.

Year	Staff costs	Dividends
2024/25	£97.2m	£42.8m
2023/24	£88.4m	£36.6m
% increase	10%	17%

CEO-to-employee pay ratio

The table below sets out the ratio between the total pay of the CEO and that of employees at the 25th, 50th (median) and 75th percentiles of BTG's UK employees. This table will expand to show a rolling 10 years' worth of data over time.

Year	Method	25th percentile	50th percentile	75th percentile
2024/25	A	26:1	17:1	11:1
2023/24	A	12:1	8:1	5:1
2022/23	A	22:1	15:1	8:1
2021/22	A	24:1	15:1	8:1
2020/21	A	14:1	9:1	5:1

The 25th, 50th and 75th percentile-ranked individuals were identified using 'option A' in the reporting regulations, selected on the basis that this is the most robust and statistically accurate means of identifying the relevant people. Given ratios could be unduly affected by joiners and leavers who may not participate in all remuneration arrangements in the year of joining and leaving, the committee has modified the statutory basis slightly to exclude anyone not employed throughout the entire financial year. The 25th, 50th and 75th percentile employees were identified at 28 February 2025.

The CEO pay figure is derived from the total remuneration set out in the Single total figure of remuneration for each director table on page 119.

Pay in respect of the CEO and employees is shown in the table below (the employee pay includes the same pay elements as for the CEO).

	CEO	All employees		
Year		25th percentile	50th percentile	75th percentile
2024/25 salary	£416,997	£30,590	£41,900	£65,000
2024/25 total pay	£978,001	£37,865	£57,412	£92,633

The significant increase in the ratio from 2023/24 to 2024/25 primarily reflects the removal of any bonus to the former CEO, Neil Murphy, for the 2023/24 financial year as a result of his resignation on 21 February 2024, and the absence of any PSP vesting for the same year. Given this effect, and the limited number of years for which we have reported data so far, there is not yet any clear trend in the median pay ratio over the period of financial years covered by the pay ratio table. After taking this into account, the committee is satisfied that the ratio is reasonable and consistent with our wider policies on employee pay, reward and progression.

External appointments

At the date of this report, neither of the executive directors are directors of any other listed company.

Executive directors' service contracts

The table below summarises key details of the executive directors' contracts.

	Date of joining BTG	Date of service contract	Notice period (from either party)
Sam Mudd	2018[1]	12 July 2023	6 months
Andrew Holden	2021[2]	1 November 2021	6 months

1 Appointed to the BTG Board on 12 July 2023, and then as Interim CEO on 21 February 2024 and CEO on 10 May 2024. She was previously MD Phoenix from 2014. Phoenix was acquired by Bytes UK in September 2017.
2 Joined BTG as COO on 1 June 2021 and joined the Board as CFO on 21 October 2021.

Non-executive directors' letters of appointment

The table below summarises key details of the non-executive directors' contracts.

	Date of joining BTG	Date of letter of appointment	Date of last re-election	Notice period (from either party)
Patrick De Smedt	27 July 2020	27 July 2020	11 July 2024	1 month
Erika Schraner	1 September 2021	1 September 2021	11 July 2024	1 month
Shruthi Chindalur	1 February 2024	30 January 2024	11 July 2024	1 month
Ross Paterson	1 June 2024	9 May 2024	11 July 2024	1 month
Anna Vikström Persson	1 June 2024	9 May 2024	11 July 2024	1 month

Directors' remuneration report continued

Implementation of policy for the year ending 28 February 2026

Base salary

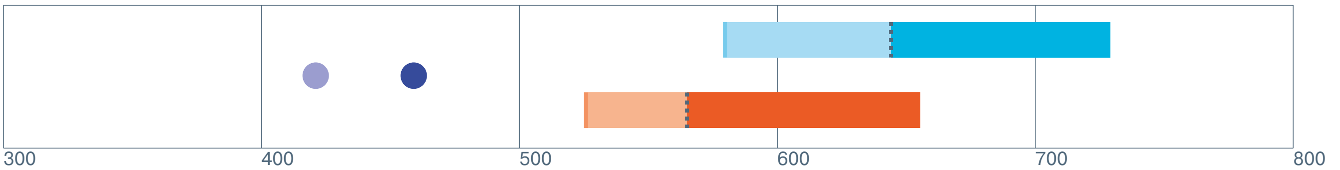
The committee reviews the executive directors' base salaries annually, with any increases taking effect from 1 March each year. The rationale for the changes for the year ending 28 February 2026 is explained in the Remuneration Committee Chair's introduction on pages 112 to 115, and the committee's decisions have been informed by independent benchmarking analysis. We considered two relevant peer groups for this purpose:

1. A group of 12 UK FTSE-listed technology companies that represent sector-specific peers to BTG, with BTG being a mid-sized entity in this group in terms of market capitalisation
2. A pan-sector group of UK-listed companies (excluding financial services) of a similar size to BTG (with market capitalisation in the range of £800 million to £1.2 billion).

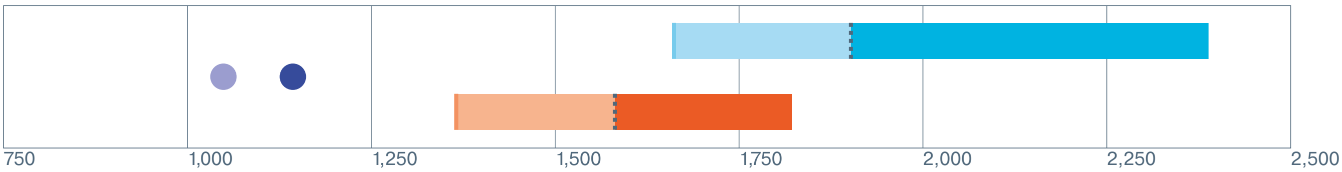
The charts below show the summary benchmarking analysis, prepared by BTG's independent remuneration advisors for the two peer groups considered.

CEO positioning v peers £'000

Base salary



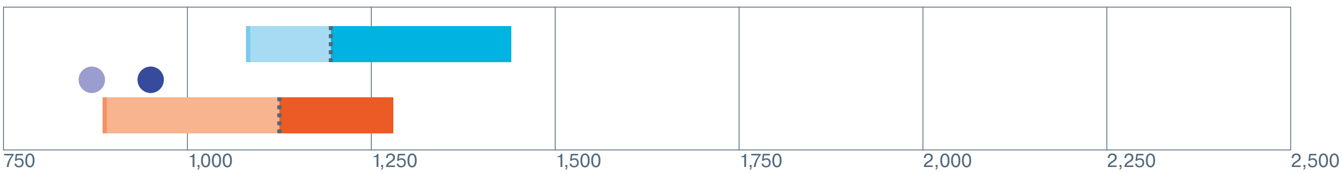
Total target remuneration



CFO positioning v peers £'000

Base salary

Total target remuneration



Pan-sector
- Lower quartile to median
- Median to upper quartile

Technology sector
- Lower quartile to median
- Median to upper quartile

BTG
- 2024/25
- 2025/26

Median

As set out in the introduction from our Remuneration Committee Chair on pages 112 to 115, after careful consideration of pace of growth, complexity and the interests of stakeholders – including consultation with our largest shareholders, as well as key proxy agencies – the committee has decided to increase the CEO's and CFO's base salaries this year, as permitted within our existing policy. The comparison to both peer groups showed that the compensation levels of Sam and Andrew fall well below the market levels (below the lower quartile), both in terms of fixed pay and total remuneration. The committee considered this positioning relative to the market to be disproportionately low, which gave the committee additional comfort that the salary adjustments represent a prudent and fair investment in leadership stability and continued performance.

The decision was also informed by Sam and Andrew's contributions to our operating profit and EPS performance in the five financial years since IPO, with Sam initially as MD Phoenix and then CEO, and Andrew as CFO since 2021, as shown below.

Financial performance since IPO	2021	2022	2023	2024	2025
Operating profit (£m)	26.8	42.2	50.9	56.7	66.4
Basic EPS (pence)	8.52	13.72	16.88	19.55	22.78

The resulting base salaries effective from 1 March 2025 are:

	Base salary 2024/25	Base salary 2025/26	Increase
Sam Mudd[1]	£421,000	£459,000	9.0%
Andrew Holden	£348,926	£381,000	9.2%

1 Up to 9 May 2024, Sam Mudd's substantive role was as MD Phoenix. From 9 May 2024, Sam was Interim CEO for which she was paid a salary supplement of £91,725 a year (increasing her total salary over this period to £400,000 a year). On 10 May 2024, Sam was appointed as CEO and her salary was increased to £421,000 a year.

The increases of 9% and 9.2%, respectively, for the executive directors compare to the overall workforce increase of 3% for 2025/26.

Pension and benefits

No changes are proposed to pension and benefits for 2025/26. Executive directors will continue to receive benefits that include private medical and life insurance, and pension contributions of up to 4% for the CEO and CFO, in line with policy and with the level provided to the wider workforce.

Annual bonus

The maximum opportunity under the annual bonus plan will remain at 125% of salary for the CEO and CFO. One third of the total bonus payment will be deferred into shares for two years, and recovery and withholding provisions will apply in line with our approved policy.

Annual bonus performance structure and measures will be aligned with BTG strategy and budget to incentivise the achievement of annual delivery targets.

Bonuses will be based on targets relating to operating profit (72% weighting, previously 80%) and a number of key strategic objectives (28% weighting, previously 20%). The strategic objectives will include metrics relating to specific financial targets and ESG measures (including employee and customer NPS and an external ESG quality assessment). The committee has not disclosed the detailed performance targets for the forthcoming year in advance, because it considers that they include commercially sensitive matters. Retrospective disclosure of the performance against targets will be made in next year's annual report on remuneration, if the targets are no longer considered commercially sensitive at that time.

Directors' remuneration report continued

Performance Share Plan

The executive directors will participate in the PSP in 2025/26. The CEO and CFO will receive awards of 150% of salary. Vesting will be subject to the following performance conditions.

Measure	Weighting	Performance period	Targets
EPS	75%	Three financial years to 29 February 2028[1]	EPS of 26.3 pence (20% vests) rising on a straight-line basis to 50% vesting for 28.8 pence, and on a straight-line basis again to full vesting for achievement of 32.0 pence
Relative TSR versus constituents of the FTSE 250 Index (excluding investment trusts and real estate investment trusts)	25%	Three financial years to 29 February 2028	Median (20% vests) rising on a straight-line basis to full vesting for upper-quartile performance

1 The EPS target is based on performance in the final year of the performance period.

In addition, the committee retains discretion to reduce the overall PSP vesting level (potentially to zero) if it considers that the underlying business performance of the company does not justify it.

A two-year holding period will apply to any awards vesting, and recovery and withholding provisions will apply in line with our approved policy.

Non-executive directors' fees

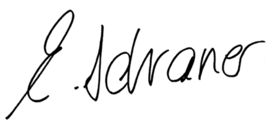
For 2025/26, the non-executive directors' fees are:

	Fee 2024/25	Fee 2025/26	% increase
Chair	£205,000	£205,000	0%
Base fee	£57,000	£57,000	0%
Senior independent director fee	£11,000	£11,000	0%
Audit Committee Chair fee	£11,000	£11,000	0%
Remuneration Committee Chair fee	£11,000	£11,000	0%
ESG Committee Chair fee	£11,000	£11,000	0%
Designated non-executive director for employee engagement	£8,000	£8,000	0%

Remuneration voting outcomes

At our 2024 Annual General Meeting, our remuneration report was approved with 98.60% of votes cast in favour, 1.40% of votes against and 1,635 votes withheld. At the same meeting, our remuneration policy was approved with 98.71% of votes cast in favour, 1.29% of votes against and 1,669 votes withheld.

On behalf of the Board.



Erika Schraner
Remuneration Committee Chair
12 May 2025

Directors' report

This report summarises other useful information, from our Companies Act disclosures and going concern statement, to the details of our main shareholders and our forthcoming Annual General Meeting.

BTG's directors present this report together with the audited consolidated financial statements for the year ended 28 February 2025.

The report has been prepared in accordance with the requirements outlined in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and forms part of the management report as required under Disclosure Guidance and Transparency Rule (DTR) 4. Certain information that fulfils the requirements of the directors' report can be found elsewhere in this report and is referred to below. The information is incorporated into this directors' report by reference.

The directors' report is made up of the governance report and this report. Other relevant information that is incorporated by reference can be found in the strategic report, including:

- An outline of the important events that occurred during the year, on pages 6 to 11
- An indication of likely future developments in the business of BTG and its subsidiaries, Bytes Software Services and Phoenix Software, on pages 8 to 11
- Financial performance, on pages 28 to 33
- Business environment, on pages 18 to 19
- Outlook and financial management strategies, including particulars of any important events affecting the company since the year end (with subsidiary undertakings included in the consolidated statements), on pages 8 to 11 and 23 to 27
- Internal controls, principal risks and risk management framework, on pages 47 to 56
- Stakeholder engagement, including employee engagement, on pages 86 to 91
- Directors' biographies, on pages 78 to 79
- Section 172 statement, on page 74.

Requirements of UK Listing Rule 6.6.1

Information to be included in the Annual Report and Accounts under UK Listing Rule (UKLR) 6.6.1 may be found as follows:

Relevant Listing Rule	Pages
UKLR 6.6.1R (3): details of any long-term incentive schemes	118 to 130
UKLR 6.6.1R (4): details of any arrangements under which a director has waived or agreed to waive any emoluments from the company or any subsidiary undertaking	118 to 130

The strategic report and the directors' report together form the management report for the purposes of the DTR 4.1.8R. Information relating to financial instruments can be found on page 175 and is incorporated by reference. For information on our approach to social, environmental and ethical matters, please refer to our strategic report, including our Task Force on Climate-related Financial Disclosures (TCFD) statement on pages 58 to 67, and our ESG Committee report on pages 106 to 107.

Financial risk management instruments

The company's exposure to financial risks and how these risks affect the company's future financial performance is disclosed in notes 23 and 24 to the financial statements.

Research and development

The company did not carry out any research activities during the year (2023/24 research and development: none). However, BTG did undertake work to develop new internal and customer-facing software systems during the year – for more details, see page 163.

Directors

The directors who held office at 28 February 2025, and up to the date of this report, are set out below and on pages 78 to 79 with their biographies. Changes to the composition of the Board or committees during the year ended 28 February 2025, and up to the date of approval of the financial statements, were:

- Our new Board-level ESG Committee, which took effect on 1 June 2024, comprising Anna Vikström Persson (Chair), Patrick De Smedt, Erika Schraner, Shruthi Chindalur and Ross Paterson
- Erika Schraner, who assumed the role of senior independent director and Interim Audit Committee Chair on 24 March 2024, and who stepped down as Interim Audit Committee Chair on 1 June 2024 while remaining a member of the committee
- Ross Paterson, who was appointed as an independent non-executive director on 1 June 2024 and Audit Committee Chair
- Anna Vikström Persson, who was appointed as an independent non-executive director on 1 June 2024
- Sam Mudd, who was appointed as CEO on 10 May 2024
- Shruthi Chindalur, who assumed the role of designated non-executive director for employee engagement on 25 March 2024, a role previously held by Erika Schraner
- Mike Phillips, who resigned as an independent non-executive director on 24 March 2024.

Directors
as at 28 February 2025

Name	Effective date of joining BTG Board	Position
Patrick De Smedt	15 October 2020	Independent non-executive Chair
Sam Mudd	12 July 2023	CEO (appointed on 10 May 2024)
Andrew Holden	21 October 2021	CFO
Erika Schraner	1 September 2021	Independent non-executive director
Shruthi Chindalur	1 February 2024	Independent non-executive director
Ross Paterson	1 June 2024	Independent non-executive director
Anna Vikström Persson	1 June 2024	Independent non-executive director

The company's Articles of Association govern the appointment, removal and replacement of directors and explain the powers given to them. All directors will stand for re-election at the Annual General Meeting on 2 July 2025. The remuneration of the directors, including their respective shareholdings in the company, is set out in the directors' remuneration report on pages 118 to 130.

Avoiding conflicts of interest

Since their respective dates of appointment, and up to the date of this report, no director held any beneficial interest in any contract significant to the company's business, other than a contract of employment.

The Board regularly reviews each director's interests outside BTG and considers how the Chair ensures they are applying objective judgement in their role, as required by the UK Corporate Governance Code. To help directors avoid conflicts, or possible conflicts, of interest, the Board must first give clearance to any potential conflicts, including directorships or other interests in outside companies and organisations. This is recorded in the company's statutory records.

Should a director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board or the Group Company Secretary as soon as reasonably possible. In such an instance, unless allowed by the company's Articles of Association, the director cannot take part in any decisions about the contract or arrangement.

Directors' and officers' liability insurance and indemnification of directors

The company maintains directors' and officers' liability insurance, which gives appropriate cover should legal action be brought against its directors. The company has also provided an indemnity for its directors, which is a qualifying third-party indemnity provision, for the purposes of Section 234 of the Companies Act 2006. This was in place for the duration of the financial year ended 28 February 2025 and up to the date of approval of the financial statements.

Share capital

The issued share capital of the company at 28 February 2025 was 241,068,265 ordinary shares of £0.01 nominal value, with no shares held in treasury. A total of 73,904 additional shares were issued after the year ended 28 February 2025, relating to the company's long-term incentive plans. Note 20 to the consolidated financial statements on page 177 contains full details of the issued share capital. As far as the company is aware, there are no restrictions on the voting rights attached to its ordinary shares and there are no agreements that may result in restrictions in the transfer of securities or voting rights. No securities carry any special rights.

An analysis of shareholdings is shown on page 133. The closing mid-market price of a share of the company on 28 February 2025, together with the range since admission to the London Stock Exchange, is also shown on page 125.

Dividends and dividend policy

Our dividend policy remains a progressive one, which targets an annual dividend of 40–50% of post-tax pre-exceptional earnings to shareholders in each financial year. Subject to any cash requirements for ongoing investment, the Board considers returning excess cash to shareholders, as and when appropriate.

We recommend a final dividend of 6.9 pence per ordinary share, taking the total full-year dividend to 10.0 pence per ordinary share. In addition, we recommend a special dividend of 10.0 pence per ordinary share is paid at the same time as the final dividend. Shareholders will be asked to approve the final and special dividends at the Annual General Meeting on 2 July 2025.

Substantial shareholdings

At 30 April 2025, the company had been notified under the DTRs, or had ascertained from its own analysis, that the following held notifiable interests in the voting rights in the company's issued share capital of 3% or more of its ordinary share capital:

Shareholder	Number of voting rights	% of voting rights
Coronation Fund Managers	26,619,154	11.04%
JPMorgan Asset Management	21,744,729	9.02%
Biltron	18,262,478	7.57%
BlackRock	12,830,424	5.32%
Vanguard Group	12,221,026	5.07%
Quilter Cheviot Investment Management	7,661,783	3.18%

Committees of the Board

The Board has established Audit, Nomination, Remuneration and ESG Committees. The Audit Committee has been mandated to also oversee and monitor BTG's enterprise risk management. For more details of these committees, including membership and key focus areas for 2024/25, see their respective reports in the corporate governance report.

Remuneration voting outcomes

At our 2024 Annual General Meeting, the remuneration report was approved, with 98.60% of votes cast in favour, 1.40% of votes against and 1,635 votes withheld. Our current remuneration policy was also approved by shareholders at our 2024 Annual General Meeting, with 98.71% of votes cast in favour, 1.29% of votes against and 1,669 votes withheld. The remuneration policy will apply for a period of three years until the 2027 Annual General Meeting, unless a new or revised policy is presented before then.

Companies Act 2006 disclosures

In accordance with Section 992 of the Companies Act 2006, the directors disclose the following information:

- The company's capital structure and voting rights are summarised in note 20, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights
- The company does not hold any shares in treasury
- No securities exist that carry special rights with regard to the control of the company
- Details of the substantial shareholders and their shareholdings in the company are listed in the previous table
- The Deferred Bonus Plan has been implemented from 1 June 2022. The number of shares awarded under the company's Deferred Bonus Plan for the year ended 28 February 2025 is set out in note 27 and shown on pages 181 to 182
- The appointment and replacement of directors, amendment to the Articles of Association and powers to issue or buy back the company's shares are contained in the Articles of Association of the company and the Companies Act 2006
- There exist no agreements to which the company is party that may affect its control following a takeover bid
- No agreements exist between the company and its directors providing for compensation for loss of office that may occur because of a takeover bid.

Articles of Association

The company's Articles of Association set out the rights of shareholders, including voting rights, distribution rights, attendance at general meetings, powers of directors, proceedings of directors, borrowing limits and other governance controls. A copy of the Articles of Association can be requested from the Group Company Secretary at wk.groenewald@bytesplc.com.

Political donations

No donations were made for the year ended 28 February 2025 and up to the date of this report (2023/24: £nil). Generally, the company's policy remains to not make political donations, either directly or through a subsidiary. However, authority will again be sought at the 2025 Annual General Meeting to authorise the company to make political donations provided that the aggregate amount is not more than £50,000. This resolution has been proposed to ensure BTG and its subsidiaries do not, because of the wide-reaching definition in the Companies Act 2006, unintentionally breach the act.

Directors' report continued

Equality and diversity

The company has an equal opportunities philosophy that endeavours to treat individuals fairly and not to discriminate on the basis of gender, disability, race, national or ethnic origin, sexual orientation or marital status. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.

The company is committed to ensuring that adequate policies and procedures are in place to give disabled applicants training to perform safely and effectively, and to provide development opportunities to ensure they reach their full potential. If someone becomes disabled during their employment with the company, the company will seek to provide, wherever possible, continued employment on normal terms and conditions. Adjustments will be made to the environment and duties or, alternatively, suitable new roles within the company will be secured with additional training where necessary.

The company values involving its people and continues to keep them informed about what affects them as employees. This is done using a variety of methods, including town hall meetings, whole-company meetings, team briefings, company days, emails and the intranet. Shruthi Chindalur assumed the role of designated non-executive director for employee engagement in March 2024, a role previously held by Erika Schraner. At team meetings, managers are responsible for ensuring that information sharing, discussion and feedback take place on a regular basis. As a result of these meetings, management can communicate the financial and economic factors affecting the company and make sure that the views of employees are considered in company decisions that are likely to affect their interests.

Going concern

BTG's business activities, financial position and cash flows, together with the factors likely to affect its future performance and position, are set out in the strategic report on pages 1 to 74. Details of its objectives and policies on financial risk management are set out in note 23 to the financial statements on pages 178 to 180.

The directors have made appropriate enquiries and consider that BTG has adequate resources to continue to operate for the foreseeable future, which comprises the period of at least 12 months from the date of approval of the financial statements, that is 12 May 2025. There are no material uncertainties that would prevent the directors from being unable to make this statement. Accordingly, the directors continue to adopt the going concern basis in preparing BTG's financial statements.

Events after the reporting period

There were no events after the end of the reporting period that require disclosure.

Auditor and disclosure of information

The directors who held office at the date of approval of this directors' report confirm that, as far as they are each aware:

- There is no relevant audit information of which the company's auditor is unaware
- Each director has taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information, and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. Separate resolutions will be proposed at the forthcoming Annual General Meeting concerning the auditor's appointment and to authorise the Board to agree its remuneration.

Annual General Meeting

The 2025 AGM will be held at 14:00 (BST) on Wednesday, 2 July 2025, at Bytes House, Randalls Way, Leatherhead KT22 7TW, UK.

The company will make use of the electronic voting facility provided by its registrars, Computershare Limited. The facility includes CREST voting for members holding their shares in uncertificated form. For more information, please refer to the section on online services and electronic voting in the notes to the notice of meeting.

The notice of Annual General Meeting and an explanation of the resolutions being put to the meeting are set out in the notice of meeting accompanying this Annual Report. The directors fully support all the resolutions set out in the notice and encourage shareholders to vote in favour of each of them, as they intend to in respect of their own shareholdings.

The directors' report was approved by the Board of directors on 12 May 2025 and is signed on its behalf.

WK Groenewald FCG
Group Company Secretary
12 May 2025

Statement of directors' responsibilities

This report outlines our directors' responsibilities for ensuring that our Annual Report and financial statements comply with regulation.

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards (IAS), and the parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group and the company for that period.

In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRS (and in respect of the parent company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and company financial position and financial performance
- In respect of the Group financial statements, state whether UK-adopted IAS have been followed, subject to any material departures disclosed and explained in the financial statements
- In respect of the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/or the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group, and enable them to ensure that the company and the Group financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and parent company and for taking reasonable steps to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Directors' confirmations pursuant to FCA's Disclosure Guidance and Transparency Rule 4

The directors confirm, to the best of their knowledge, that the:

- Consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation, taken as a whole
- Annual Report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group and parent company's position and performance, business model and strategy. In the case of each director in office at the date on which the directors' report is approved:

- As far as the director is aware, there is no relevant audit information of which the Group and parent company's auditor is unaware
- They have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group and parent company's auditor is aware of that information.

This responsibility statement was approved by the Board of directors on 12 May 2025 and is signed on its behalf.

Sam Mudd
CEO
12 May 2025

Andrew Holden
CFO
12 May 2025

Financial statements

Q

What outcomes do you seek to drive through your financial reporting?

A

We're passionate about delivering the high-quality financial data and analysis that underpins the business's decision making, and supporting our stakeholders in their understanding of BTG's results, business model and strategy.

Paul Emms
Director of Group Finance

Independent auditor's report to the members of Bytes Technology Group

Opinion

In our opinion:

- Bytes Technology Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 28 February 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Bytes Technology Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 28 February 2025 which comprise:

Group	Parent company
Consolidated balance sheet as at 28 February 2025	Balance sheet as at 28 February 2025
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 11 to the financial statements including material accounting policy information
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 30 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included

- Performing a walkthrough of the group's financial close process to confirm our understanding of management's going concern assessment process and engaging with management early to ensure all key risk factors identified were considered in their assessment.
- Obtaining management's going concern assessment, including cashflow forecasts and covenant calculations, covering the period to 31 August 2026. We then performed procedures to confirm the clerical accuracy of the underlying model.
- Assessing the group's base scenario for consistency with cash flow forecasts used in the goodwill impairment assessment over which we have performed detailed audit procedures to challenge the base case assumptions including validating the credit facility assumptions.

Independent auditor's report to the members of Bytes Technology Group continued

- The group has modelled a base scenario and then two downside scenarios, being a severe but plausible downside scenario and a stressed scenario in order to incorporate unexpected changes to the forecasted liquidity of the group. We have performed audit procedures to challenge the base case and the assumptions included in each modelled scenario for the cash forecast and covenant calculation. We have considered the potential impact of geopolitical and macroeconomic risks such as increases in cost of sales inflation and competition leading to margin pressure, wages inflation, supply chain inflation and rising interest rates impacting customer spending and customer payments.
- We noted that the key assumptions present were forecast gross invoiced income and related growth rates, gross profit and related growth rates, headcount and base pay growth rates, overhead growth rates and debtor days. We agreed the forecasts to Board approved budgets and performed enquiries with management to understand the basis of the key assumptions. We performed procedures to assess their appropriateness, such as reviewing the growth rate assumptions within the context of historic performance. Additionally, where possible, we corroborated management's assumptions to external data points such as economic forecasts and competitor trading updates.
- We critically assessed management's ability to accurately forecast through lookback analysis on the last three years of historic financial data.
- We reviewed management's stress test of their cash forecasts and covenant calculations in order to quantify then assess the likelihood of the downside scenarios required to exhaust the group's forecast liquidity and breach the group's covenant ratios.
- Considering the impact and feasibility of potential mitigating activities that are within control of the group, such as freezing planned growth in headcount, pay rises, and reducing dividend payments.
- Reviewing the group's going concern disclosures included in the Annual Report in order to assess their completeness and conformity with the reporting standards, market practice and FRC guidance.

Our Key Observations

- As of 28 February 2025, the group had cash and cash equivalents of £113.1 million. The group has no borrowings but has an undrawn RCF facility of £30 million which runs for three years, until 17 May 2026. The new facility includes an optional one-year extension to 17 May 2027 and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity.
- The directors' assessment is that Bytes Technology Group plc has sufficient liquidity and headroom in cash throughout the going concern period to 31 August 2026. Management's severe but plausible scenario demonstrated that a worsening of all key assumptions against the base case would not result in liquidity concerns. This is prior to further potential mitigations modelled by management. The changes in assumptions modelled are considered to be highly unlikely based on historical financial performance.
- We have not identified any material climate-related risks that should be incorporated into Bytes Technology Group plc's forecasts to 31 August 2026.

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

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further four components. – The components where we performed full audit procedures accounted for 100% of the group's Profit before tax, 100% of Revenue and 99% of Total assets; and we performed specified procedures on the remaining 1% of Total Assets.
Key audit matters	– Risk of misstatement of revenue recognised at or near period end – Risk of incorrect IFRS 15 presentation and disclosure in respect of principal versus agent – Risk of misstatement of rebate and other vendor incentives receivable at period end
Materiality	– Overall group materiality of £3.7 million which represents 5% of 2025 group's actual reported profit before tax.

An overview of the scope of the parent company and group audits

Tailoring the scope

In the current year our audit scoping has been updated to reflect the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, to identify and assess risks of material misstatement of the group financial statements and identified significant accounts and disclosures.

BTG trades predominantly in the UK through two trading entities, Bytes Software Services Limited (BSS) and Phoenix Software Limited (PSL). We identified 3 components – BSS, PSL and BTG – as individually relevant to the group due to the significant risks or an area of higher assessed risk of material misstatement of the group financial statements being associated with BSS and PSL, and all these components of the group as individually relevant due to materiality or financial size of the component relative to the group. These three individually relevant components are assigned as full scope.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the group significant accounts on which centralised procedures is performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the group significant financial statement account balance.

We then considered whether the remaining group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the group financial statements. We selected no additional components of the group to include in our audit scope to address these risks, however, have performed analytical procedures over these components.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

The three full scope components on which audit procedures were performed, located in two different locations in the UK, contributed 100% (2024: 100%) of the group's Profit before tax, 100% (2024: 100%) of the group's Revenue and 99% (2024: 99%) of the group's Total assets. The remaining two specific scope components contributed <1% (2024: <1%) of the group's Profit before tax, 0% (2024: 0%) of the group's Revenue and <1% (2024: 1%) of the group's Total assets. To respond to any potential risks of material misstatement to the group financial statements, we performed other procedures on these components, including analytical review, confirmation of bank balances, and verification that intercompany and intra-group investment balances were eliminated as part of the consolidation.

Changes from the prior year

Our full scope locations remain consistent with the prior year. Our specific scope entities have been refined to include only the active holding companies while the remaining companies in the group are dormant companies and are covered as part of the audit tail. We believe our overall coverage is comparable and appropriate for the risk of the business.

Involvement with component teams

In establishing our overall approach to the group audit, the Senior Statutory Auditor, James Harris, determined the type of work that needed to be undertaken at each of the components.

As Bytes group management and trading components (Bytes Software Services and Phoenix Software) operate primarily in the UK, we have performed the audit using a single integrated group team. Therefore, of the three full scope components, audit procedures were performed directly by the primary audit team. Overseen by the Senior Statutory Auditor, the group audit team designs, executes, reviews and concludes on all work performed, operating as a single audit team across both locations. This integrated team performed all audit procedures at all three full scope components as well as procedures at other scope components. Procedures over all components were overseen by the Senior Statutory Auditor including the design, execution and conclusion on all work performed.

Climate change

Stakeholders are increasingly interested in how climate change will impact Bytes Technology Group plc. The group has determined that the most significant future impacts from climate change on their operations will be regulatory changes. These are explained on pages 58 to 67 in the Task Force On Climate Related Financial Disclosures and on page 56 in the principal risks and uncertainties. They have also explained their climate objectives on page 42. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the group's business and any consequential material impact on its financial statements.

Independent auditor's report to the members of Bytes Technology Group continued

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate plans and objectives, the effects of material climate risks disclosed on pages 58 and 67; and the adequacy of the group's disclosures in the financial statements and the conclusion that no issues were identified that would impact on the accounting judgements and estimates in the current year and no material impact on assets and liabilities as at 28 February 2025. We also assessed the directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of misstatement of revenue recognised at or near period end *Refer to the Audit Committee Report (page 94); Accounting policies (pages 157-158); and Note 3 of the Consolidated Financial Statements (pages 165-166).* The group has reported revenue of £217.1 million (2024: £207.0 million). Revenue reported in accordance with IFRS 5 Revenue from *Contracts with Customers* is a key financial metric for the business. Gross Invoiced Income (GII), a non-IFRS alternative performance measure (APM), is also used as a key performance indicator assessed by stakeholders. Compensation incentives are based on gross profit or adjusted operating profit targets, creating a risk of revenue misstatement through management override. Management's process for accounting for certain revenue transactions, particularly the review process at or near the year end is mostly manual and therefore susceptible to error (either deliberate or without intent). There is therefore a risk that revenue is recognised prematurely or fictitiously around period end or revenue is held back to distort earnings between periods. The overall risk of revenue recognition has remained consistent compared to the prior year.	We have performed the following key audit procedures on revenue transactions (included in gross invoiced income): • Reconfirmed our understanding of management's revenue recognition point by revenue stream. • Reconfirmed our understanding of the process of entering into a contract and agreeing terms with customers and how contracts are therefore assessed and set up for revenue recognition. • Assessed the appropriateness of revenue cut-off by independently testing a sample of transactions recorded one week either side of year end, due to the concentration of sales entries in this period as identified through data analytics by vouching to evidence of satisfaction of the related performance obligation. The testing was disaggregated by revenue steam. • Tested a sample of credit notes issued subsequent to the year end. • Tested a sample of sales transactions, such as services revenue transactions deferred at year end and recalculated the deferred elements to obtain assurance over the calculation of deferred revenue. • In order to address the risk of management override, we tested a sample of manual journal entries relating to revenue recorded at or near year end by verifying to supporting documentation and credit notes issued subsequent to the year end, including management's cut-off journals. • Performed disaggregated analytical review by revenue stream to understand the key driver behind the change in revenue over the period. • Utilised data analytics to analyse 100% sales related journal entry data to track sales from revenue, to accounts receivable and through to cash collection. We used this analysis to validate the appropriateness of the transaction flow and tested a sample of transactions to determine if the journals accurately reflected the substance of the transaction recorded. We performed full scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.	Through our procedures performed, we have not identified any unsupported manual adjustments to revenue. We conclude that the revenue recognised at or near year end was properly accounted for and that revenue has been appropriately recognised in accordance with IFRS 15.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of incorrect IFRS 15 presentation and disclosure in respect of principal versus agent *Refer to the Audit Committee Report (page 94); Accounting policies (pages 157-158); and Note 3 of the Consolidated Financial Statements (pages 165-166).* The group has recognised an agency adjustment of £1,882.7 million (2024: £1,616.0 million) in respect of income to be recognised net as agent under IFRS 15. The group makes a judgement over the level of control for all products and services sold and continues to assess this position. There is a risk that the reported revenue may be incorrectly presented as a result of incorrectly assessing whether the group has control over the products or services sold and consequently if the group is principal or agent in its arrangements with customers. In the prior years, the group reassessed its accounting policy in light of the IFRIC agenda decision and determined that it is acting as an agent for all software sales. Although the reassessment has resulted in a decrease in the level of judgement required to establish the level of control over products and services to categorise the transactions between product categories and principal or agent, and the size of adjustment remains high.	We performed the following key audit procedures: • Reconfirmed our understanding of management's processes, methodologies and judgements in identifying and categorising revenue transactions as principal (gross) or agent (net). • Reperformed management's calculation to ensure this has been performed correctly, i.e. that the revenue, cost of sales and margin agency adjustment is correct. We also ensured that management's methodologies and categorisations appropriately consider new product types identified during the year. • Performed disaggregated analytical review by revenue stream to understand the key drivers behind changes in revenue over the period. • Independently tested a sample of transactions across the year to determine the group's control over the product or service including: – Verified the product or service type by obtaining evidence for each transaction and agreeing back to underlying data, such as customer purchase order, to determine the group's categorisation of the product or service. – Corroborated the related cost for the sample selected by tracing through to supporting purchase invoices. – Assessed whether principal (gross) or agent (net) treatment and the corresponding agency adjustment is appropriate. • Tested that the methodology utilised to calculate the adjusted performance measure ('APM') 'gross invoiced income' is consistent with the FY 2024 Annual report, assessing management's rationale for including the APM and ensuring that the amount reported is reconciled to reported revenue. We performed full scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.	We concluded that the presentation of revenue transactions is appropriate and has been prepared in accordance with IFRS 15.

Independent auditor's report to the members of Bytes Technology Group continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of misstatement of rebates and other vendor incentives receivable at period end *Refer to the Audit Committee Report (page 94); Accounting policies (page 159).* The group has reported a year-end rebate and other vendor incentives receivable of £5.6 million (2024: £5.7 million). While most rebates are agreed with the supplier and received during the year, there is a degree of estimation at or around the year end when the rebate is accrued ahead of the full information on the rebate being available. The resulting estimation uncertainty around the rebate receivable balance therefore provides scope for management to influence reported amounts through the estimated rebate adjustments posted to cost of sales. Accounting for most of the rebate income balance does not carry an estimation element, as it can be corroborated to cash and credit notes received from the vendor in the year. The key judgement we focus on is with regards to the rebate receivable balance and corresponding income at year end, where the amounts recognised are often based on sales information, which at the time that the rebate is recognised, has not yet been verified by the vendor. In the current period there have been changes in certain vendor incentive plans, including a rate reduction, a shift from transaction-based rewards and a greater focus on activity-based and usage-based incentives. This change heightens the risk around the recognition of receivables at period end for rebates and other vendor incentives and the corresponding income.	We have performed the following key audit procedures: • Updated our understanding of the procedures and controls in place over the recognition and recording of rebates and vendor incentives including understanding the key assumptions used within management's determination of the estimate. • Obtained an understanding of the changes in the process of rebates and other vendor incentives in the current year. • Inquired of the group's and individual operating entity's management, regarding any new or significant rebate and vendor incentive agreements during the period. • Assessed the appropriate accounting in respect of timing of recognition of receivables and income for new or significant rebates and vendor incentive agreements based on the updated terms. • Reviewed management's estimate and basis of the rebates and vendor incentive receivable and corresponding income. • Assessed the accuracy of management's previous estimates tested as at 29 February 2024 and 31 August 2024. • For rebate receivables, we obtained a breakdown of the rebate receivable balances at period end and selected samples to vouch back to third party source documentation, including subsequent credit notes received or cash receipts. • For rebate receivables, we performed analytical procedures on rebates by vendors in order to identify anomalous transactions or unusual trends. • For other vendor incentives, we obtained management's estimate and performed look back analysis of the other vendor incentives accrual as at 28 February 2025 (at year end). • For other vendor incentives, we tested a sample of incentives transactions and obtained evidence of subsequent credit notes received or cash receipts to assess the appropriateness of the accruals recorded as of the period end. We performed full scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.	We concluded that the rebates and other vendor incentives receivable at the year end and the corresponding income is appropriate in accordance with IFRS.

In the prior year, our auditor's report included a key audit matter in relation to the risk arising from the undisclosed share trading by directors. In the current year, this is no longer considered a key audit matter as it was resolved in the prior year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £3.7 million (2024: £3.0 million), which is 5% (2024: 5%) of profit before tax.

We believe that profit before tax provides the most relevant measure of underlying performance to the stakeholders of the group. The increase in the current year is in line with the increase in profitability in the year.

We determined materiality for the parent company to be £7.0 million (2024: £9.0 million), which is 1% (2024: 1%) of total equity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 75% (2024: 50%) of our planning materiality, namely £2.8 million (2024: £1.5 million). We have set performance materiality at this percentage due to our overall risk assessment and expectations of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.6 million to £2.3 million (2024: £0.5 million to £1.3 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2 million (2024: £0.1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 135, including the Strategic report set out on pages 1 to 74, and the Governance report set out on pages 75 to 135, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Independent auditor's report to the members of Bytes Technology Group continued

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report or the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 134;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 73 to 74;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 134;
- Directors' statement on fair, balanced and understandable set out on page 135;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 47 to 56;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 95 to 96; and
- The section describing the work of the audit committee set out on pages 92 to 101.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 135, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those related to the reporting framework (UK adopted international accounting standards, the Companies Act 2006, the UK Corporate Governance Code 2018 and in regard to the parent company financial statements, UK GAAP including FRS 101) and the relevant tax compliance regulations in the UK.
- We understood how Bytes Technology Group Plc is complying with those frameworks by making enquires of management and those responsible for legal, compliance and governance matters. We corroborated our enquiries through our review of board minutes, discussions with the Audit Committee, Directors and any correspondence from regulatory bodies and those responsible for legal and compliance procedures. With regards to governance controls, we considered the implementation and continued monitoring of improved controls for share dealings and share register analysis.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud and by assessing key assumptions over significant estimates made by management for evidence of bias. We also considered the performance targets and their propensity to influence efforts made by management to manage revenue and earnings. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.
- Where the risk was considered to be higher, including areas impacting group key performance indicators or management remuneration, we performed audit procedures to address each identified fraud risk or other risk of material misstatement. These procedures included those on revenue recognition detailed above as well as testing manual journals; and were designed to provide reasonable assurance that the financial statements were free from fraud and error. We performed journal entry testing, including manual consolidation journals and journals that indicated large or unusual transactions based on our understanding of the business.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reviewing Board minutes, external legal advice and reports to the Board on the conclusion of the investigations and inquiries with management and directors. Our procedures included a focus on compliance with the accounting, governance and regulatory frameworks and other relevant legislations through obtaining sufficient audit evidence in line with the level of risk identified, in conjunction with compliance with relevant legislation, including tax computations and returns and corroborated that dividend payments complied with the relevant legal requirements.

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

Independent auditor's report to the members of Bytes Technology Group continued

Use of our report

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

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

12 May 2025

Consolidated statement of profit or loss

For the year ended 28 February 2025

	Note	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Revenue	3	**217,134**	207,021
Cost of sales		**(53,880)**	(61,243)
Gross profit		**163,254**	145,778
Administrative expenses	4	**(96,936)**	(87,839)
Decrease/(increase) in loss allowance on trade receivables	17	**108**	(1,227)
Operating profit		**66,426**	56,712
Finance income	7	**8,486**	5,111
Finance costs	7	**(291)**	(393)
Share of profit of associate	12	**(8)**	166
Profit before taxation		**74,613**	61,596
Income tax expense	8	**(19,772)**	(14,745)
Profit after taxation		**54,841**	46,851
Profit for the period attributable to owners of the parent company		**54,841**	46,851
		Pence	Pence
Basic earnings per ordinary share	28	**22.78**	19.55
Diluted earnings per ordinary share	28	**21.95**	18.85

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

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

Consolidated statement of financial position

As at 28 February 2025

	Note	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	**13,581**	8,478
Right-of-use assets	10	**1,641**	1,411
Intangible assets	11	**43,475**	40,646
Investment in associate	12	**3,185**	3,193
Contract assets	13	**1,773**	2,689
Deferred tax asset	8	**59**	834
Total non-current assets		**63,714**	57,251
Current assets			
Inventories	15	**14**	60
Contract assets	13	**9,973**	11,756
Trade and other receivables	17	**268,454**	221,815
Cash and cash equivalents	18	**113,076**	88,836
Total current assets		**391,517**	322,467
Total assets		**455,231**	379,718
Liabilities			
Non-current liabilities			
Lease liabilities	10	**(1,269)**	(1,314)
Contract liabilities	14	**(2,034)**	(2,137)
Total non-current liabilities		**(3,303)**	(3,451)
Current liabilities			
Trade and other payables	19	**(327,533)**	(277,917)
Contract liabilities	14	**(25,245)**	(19,348)
Current tax liabilities		**(439)**	(243)
Lease liabilities	10	**(668)**	(423)
Total current liabilities		**(353,885)**	(297,931)
Total liabilities		**(357,188)**	(301,382)
Net assets		**98,043**	78,336
Equity			
Share capital	20	**2,411**	2,404
Share premium	20	**636,432**	633,650
Share-based payment reserve		**14,879**	11,050
Merger reserve	21	**(644,375)**	(644,375)
Retained earnings		**88,696**	75,607
Total equity		**98,043**	78,336

The consolidated financial statements on pages 147 to 185 were authorised for issue by the Board of directors on 12 May 2025 and were signed on its behalf by:

Sam Mudd
Chief Executive Officer

Andrew Holden
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 28 February 2025

	Note	Attributable to owners of the company					
		Share capital £'000	Share premium £'000	Share-based payment reserve £'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 year		–	–	–	–	46,851	46,851
Dividends paid	24(b)	–	–	–	–	(36,641)	(36,641)
Shares issued during the year	20	9	14	–	–	–	23
Transfer to retained earnings	27	–	–	(2,791)	–	2,791	–
Share-based payment transactions	27	–	–	5,708	–	–	5,708
Tax adjustments	8	–	–	898	–	–	898
Balance at 29 February 2024		2,404	633,650	11,050	(644,375)	75,607	78,336
Total comprehensive income for the year		–	–	–	–	54,841	54,841
Dividends paid	24(b)	–	–	–	–	(42,843)	(42,843)
Shares issued during the year	20	7	2,782	–	–	–	2,789
Transfer to retained earnings	27	–	–	(1,091)	–	1,091	–
Share-based payment transactions	27	–	–	5,049	–	–	5,049
Tax adjustments	8	–	–	(129)	–	–	(129)
Balance at 28 February 2025		2,411	636,432	14,879	(644,375)	88,696	98,043

Consolidated statement of cash flows

For the year ended 28 February 2025

	Note	**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'000
Cash flows from operating activities			
Cash generated from operations	22	**85,635**	67,333
Interest received	7	**8,486**	5,111
Interest paid	7	**(224)**	(330)
Income taxes paid		**(18,930)**	(15,109)
Net cash inflow from operating activities		**74,967**	57,005
Cash flows from investing activities			
Payments for property, plant and equipment	9	**(6,358)**	(1,334)
Payments for intangible asset	11	**(3,709)**	–
Investment in associate		**–**	(3,027)
Net cash outflow from investing activities		**(10,067)**	(4,361)
Cash flows from financing activities			
Proceeds from issues of shares		**2,789**	23
Principal elements of lease payments	10	**(606)**	(209)
Dividends paid to shareholders	24(b)	**(42,843)**	(36,641)
Net cash outflow from financing activities		**(40,660)**	(36,827)
Net increase in cash and cash equivalents		**24,240**	15,817
Cash and cash equivalents at the beginning of the financial year		**88,836**	73,019
Cash and cash equivalents at end of year	18	**113,076**	88,836

Notes to the consolidated financial statements

For the year ended 28 February 2025

1 Accounting policies

1.1 General information

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

1.2 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006.

The Group's material accounting policies and presentation considerations on both the current and comparative periods are detailed below.

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities and the Group's principal risks and uncertainties in the context of the current operating environment. This includes the current geopolitical environment, the current challenging economic conditions, and reviews of future liquidity headroom against the Group's revolving credit facilities, during the period under assessment. The approach and conclusion are set out fully in note 1.3.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, see notes 1.6.1 and 1.6.2, and have been prepared on a historical cost basis, as modified to include derivative financial assets and liabilities at fair value through the consolidated statement of profit or loss.

1.3 Going concern

The going concern of the Group is dependent on maintaining adequate levels of resources to continue to operate for the foreseeable future. The directors have considered the principal risks, which are set out in the Group's strategic report, in addition to ever-present risks such as the Group's exposure to credit risk as described in note 17, and liquidity risk, currency risk and foreign exchange risk as described in note 23.

When assessing the going concern of the Group, the directors have reviewed the year-to-date financial results, as well as detailed financial forecasts for the going concern assessment period up to 31 August 2026, being 15 months after the authorisation of these financial statements.

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

Operational performance and operating model

Following the previous years of strong growth since it listed in December 2020, the Group has again achieved double-digit growth in gross invoiced income (GII), gross profit (GP) and operating profit, and finished the year with £113.1 million of cash compared to the prior year £88.8 million.

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

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

1.3 *Going concern* *continued*

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

- Wide ranging customer base – The Group's income includes a large volume of non-discretionary spend from UK corporates because IT is vital to run their day-to-day operations and to establish competitive advantage in an increasingly digital age. Public sector organisations have similarly sought efficiencies, resilience, and security within their IT infrastructures. This is evident from the 15.2% increase in GII during the year, and our mix of private and public customers across multiple sectors means that a downturn in one area can be compensated by upturns in others.

  Sales risk is further mitigated by the fact that none of the Group's wide range of customers contributes more than 1.3% of GP. Indeed, during the year only six customers generated GP in excess of £1 million out of a total Group GP of £163.2 million, the largest £2.1 million and the six combined at £8.3 million (5.1% of total GP). While we have some significant contributions to our GII by individual customers, most notably the NHS, these are primarily long-term (three-year) contracts within the public sector, which makes our income even more secure and provides the opportunity to develop and monetise those accounts further. Even then, the largest customer has provided only 9.1% of our total GII of £2.1 billion during the year.
- High levels of repeat business – Due to the nature of licensing schemes and service contracts, a high proportion of business is repeatable in nature, with subscriptions needing to be renewed for the customer to continue to enjoy the benefit of the product or service. Indeed, excluding sales of hardware and services, the remaining dominant balance of our GII – some £2.0 billion (95%) of software – falls into this bracket. The largest software contracts, Microsoft enterprise agreements (EAs), run for three years and it is rare to lose a contract mid-term, which mitigates the risk of income reducing rapidly. The Group has a high success rate in securing renewals of existing EA agreements and winning new ones.

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

  The high level of customer retention and growth is illustrated by the renewal rate for the year of 109%, a measure of the rate of growth in GP from existing customers, who also contributed 97% of total GP in the year. The Group will continue to focus on increasing its customer base and spend per customer during the going concern period.
- Microsoft relationship strength – With around 68% of the Group's GII and around 50% of GP generated from sales of Microsoft products and associated service solutions, this continues to be a very important partnership for both sides. These contributions from Microsoft remain in line with previous years in percentage terms; in absolute terms, as our largest vendor, we have now seen their contribution to GII and GP exceed £1.4 billion and £80 million respectively.

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

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

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

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

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

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

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

  Hence while recent Microsoft EA incentive changes will see certain transactional rebates and fees reduced, the Group has the opportunity to offset this through the growth of other services linked incentives. Further, any negative impact on EA profitability will diminish as we move through the going concern period as new and renewing contracts are re-priced to reflect the new level of EA incentives available, which affects all Microsoft partners similarly, and hence we will compete for future business on a level playing field. The Group is therefore well positioned to manage such changes, backed by our long track record of successfully adapting to shifts in Microsoft, and other vendor, programmes generally. We therefore believe our stress tests, detailed below, consider downsides around reducing gross profit that are sufficiently severe to cater for any adverse impacts from these incentive changes, should they arise.
- Back-to-back sales model – The Group's business is substantially derived from the sale of software that it transacts on a 'back-to-back' basis, meaning all orders placed with vendors follow the receipt of a customer order, and the intangible nature of software products means that the Group is not exposed to inventory risk. Hardware sales are also made on a back-to-back basis, and delivered direct from suppliers to customers, so the Group is not required to invest in, or hold, stock.

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

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

Macroeconomic risks

- Cost of sales inflation and competition leading to margin pressure – While pricing from our suppliers may be at risk of increasing, as they too face the same macroeconomic pressures as ourselves, our commercial model is based on passing on supplier price increases to our customers. We also see pressure from our customers, notably in the public sector space where new business must often be won under highly competitive tendering processes. So, while there has been a small reduction in our GP/GII margin from 8.0% last year to 7.8% this year, it has been substantially contained and remains one of the biggest focus areas in our business.
- Wage inflation – The business has been facing pressure from wage inflation over the past two to three years. Where strategically required, we have increased salaries to retain key staff in the light of approaches from competitors, especially where staff have specialist or technical skills. We monitor our staff attrition rate and have maintained a level around 14%, which is down on last year's 16%. We do not believe there has been any significant outflow of staff due to being uncompetitive with salaries. We have a strong, collaborative and supportive culture and offer our staff employment in a business that is robust and they are proud of. This is a key part of our attraction and retention strategy.

  In addition, when we look at our key operational efficiency ratio of operating profit/GP, we have achieved just over 40% which is in line with last year, demonstrating the control over rising staff costs in response to the growth of the business. While we have already aligned staff salaries to market rates, further expected rises have been factored into the financial forecasts in line with those awarded in the past year.
- Interest rates – While interest rates have been high in the past two years, they have now appeared to stabilise and started to fall. The Group has no debt exposure, nor has it ever needed to call on its revolving credit facility (RCF). Due to the timing difference we see in our cash flow model between customer receipts and supplier payments, we place cash on the money markets through our monthly cash cycle. While interest rates may fall further in the coming months we still see substantial interest income opportunity over the going concern period. We take have taken advantage of the recent higher interest rates to generate a significant £8.5 million of interest income in the reporting period and with projected growth in profits and cash we should be able to offset rate reductions.
- Economic conditions impacting on customer spending – While customers may consider reducing spending on IT goods and services, if they are seen as non-essential, we have seen increased spending by our customers, because IT may be a means to efficiencies and savings elsewhere. As our customers undergo IT transformation, trending to the cloud, automation and managed service, and with growing cybersecurity concerns also heightening the requirements for IT security, we are seeing no let-up in demand, as illustrated by our reported trading performance. This is supported by our robust operating model, with business spread over many customers in repeat subscription programmes and service contracts, and high renewal rates.

1.3 ***Going concern*** *continued*

- Economic conditions impacting on customer payments – Across the year we have seen our average debtor days of 38 remaining close to that in the previous two years of 37 and 39 respectively and with our closing debtor days standing at just 32. There is limited evidence that customers ultimately do not pay and we have only suffered £0.7 million of bad debt during the year against GII of £2.1 billion (see note 17). We were carrying sufficient loss allowance to cover this.

  As in previous years, the majority of our GII (65%), came from the public sector, traditionally with low credit risk, while our corporate customer base includes a wide range of blue-chip organisations and with no material reliance on any single customer.
- Tariffs impacting the Group directly or indirectly – Recently we have seen the introduction of import tariffs by certain countries which will increase the cost of imported goods within the global supply chain. As we are neither a significant exporter nor importer of goods, we do not expect this will have a direct material impact on the profitability of the business within the going concern period. This is a fast moving matter which we will therefore continue to monitor closely for further changes, and in particular for any indirect impact on our customers' spending and payments, as noted above.

Geopolitical risks

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

- In terms of supply chain, we are not significantly or materially dependent on the movement of goods, so physical trade obstacles are not likely to affect us directly, with hardware making up less than 2% of our GII during the year. Nevertheless, we have ensured that we have a number of suppliers with substitute, or alternative, technologies that we can rely on if one supplier cannot meet our requirements or timescales. This indicates that we have managed the supply chain well.
- Software sales though continue to be the dominant element of our overall GII and hence are not inherently affected by cross-border issues.

Climate change risks

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

Liquidity and financing position

At 28 February 2025, the Group held instantly accessible cash and cash equivalents of £113.1 million.

The consolidated balance sheet shows net current assets of £38.2 million at year end; this amount is after the Group paid final and special dividends for the prior year totalling £35.4 million and an interim dividend for the current year of £7.5 million. Post year end the Group has remained cash positive and this is expected to remain the case with continued profitable operations in the future and customer receipts collected ahead of making the associated supplier payments.

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

Approach to cash flow forecasts and downside testing

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

In its assessment of going concern, the Board has considered the potential impact of the current economic conditions and geopolitical environment as described above. If any of these factors leads to a reduction in spending by the Group's customers, there may be an adverse effect on the Group's future GII, GP, operating profit, and debtor collection periods. Under such downsides, the Board has factored in the extent to which they might be offset by reductions in headcount, recruitment freezes and savings in pay costs (including commissions and bonuses). As part of the stressed scenario, where only partial mitigation of downsides is possible, the Board confirmed that the RCF would not need to be used during the going concern period up to 31 August 2026.

Details of downside testing

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

- Base case was forecast using the Board-approved budget for the year ending 28 February 2026 and extended across the first six months of the following year to 31 August 2026.
- Downside case 1, Severe but plausible, modelled gross invoiced income reducing by 10% year on year, gross profit reducing by 15% year on year and debtor collection periods extending by five days, in each case effective from June 2025.

- Downside case 2, Stressed, modelled both gross invoiced income and gross profit reducing by 30% year on year and debtor collection periods extending by ten days, again in each case effective from June 2025.
- Partial mitigation measures modelled immediate "self-mitigating" reduction of commission in line with falling gross profit, freezing recruitment of new heads and not replacing natural leavers from September 2025, freezing future pay from March 2026 (as current year rises are already committed) and freezing rises in general overheads from March 2026.
- Full mitigation measures modelled additional headcount reductions from March 2026, in line with falling gross profit.

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

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

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

Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period and therefore with no requirement to call upon the revolving credit facility and remaining compliant with the facility covenants. Dividends are forecast to continue to be paid in line with the Group's dividend policy to distribute 40–50% of the post-tax pre-exceptional earnings to shareholders.

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

Going concern conclusion

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

1.4 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

This note provides an overview of the areas that involved estimates or judgements and whether any are considered critical due to their complexity or risk impact.

(i) Critical estimates and judgements

There are no critical areas of judgement. There are no critical areas of estimation uncertainty that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

(ii) Other estimates and judgements

Areas involving non-critical accounting estimates and judgements are:

- *Principal versus agent (see note 1.10).*

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

  To determine the nature of its obligation, the standard primarily requires that an entity shall:

  (a) Identify the specified goods or services to be provided to the customer

  (b) Assess whether it controls each specified good or service before that good or service is transferred to the customer by considering if it:

    a. is primarily responsible for fulfilling the promise to provide the specified good or service

    b. has inventory risk before the specified good or service has been transferred to a customer

    c. has discretion in establishing the price for the specified good or service.

  The specific judgements made for each revenue category are discussed in the accounting policy for revenue as disclosed in note 1.10.

  The Group considers the determination of principal versus agent to be well established within the business processes. Therefore management has concluded that the level of judgement is no longer considered to be significant.

Notes to the consolidated financial statements continued

1.4 Critical accounting estimates and judgements *continued*

- *Estimation of recoverable amount of goodwill (see notes 1.15 and 11).*

  The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.15. The recoverable amounts of the relevant cash generating units (CGUs) have been determined based on value-in-use calculations in respect of future forecasts which require the use of assumptions. The growth rates used in the short-term forecasts are based on historical growth rates achieved by the Group and longer-term cash flow forecasts (beyond a five-year period) are extrapolated using the estimated growth rates disclosed in note 11. The forecast cash flows are discounted, at the rates disclosed in note 11, to determine the CGUs value in use. The sensitivity of changes in the estimated growth rates and the discount rate are disclosed in note 11.

- *Provisions (see note 1.24).*

  IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be recognised when an entity has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. If any of the conditions for recognition are not met, no provision is recognised, and an entity may instead have a contingent liability. Contingent liabilities are not recognised, but explanatory disclosures are required, unless the possibility of an outflow in settlement is remote. The Group makes provision for future tax liabilities and assets in relation to its unexercised share options. This requires judgement to be made in respect of the Group share price at the time of exercise which crystalises the future liability or asset.

- *Property, plant and equipment (see note 1.20).*

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

- *Estimation of recoverable amount of investment in associate (see note 12).*

  The Group tests annually whether its investment in associate has suffered any impairment, in accordance with the accounting policy stated in note 1.15 Impairment of non-financial assets. The recoverable amount of the Group's investment has been estimated based on value-in-use calculations in respect of future forecasts which require the use of assumptions. The growth rates used in the short-term forecasts are based on historical growth rates achieved and longer-term cash flow forecasts (beyond a five-year period) are extrapolated using the estimated growth rates disclosed in note 12. The forecast cash flows are discounted, at the rates disclosed in note 12, to determine the value-in-use. The sensitivity of changes in these rates are disclosed in note 12.

1.5 New standards, interpretations and amendments adopted by the Group

(a) New and amended standards adopted by the Group

The Group has applied the following standard or amendments for the first time in the annual reporting period commencing 1 March 2024:

- Classification of liabilities as current or non-current – Amendments to IAS 1
- Non-current liabilities with covenants – Amendments to IAS 1
- Lease liability in a sale and leaseback – Amendments to IFRS 16
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7

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

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 28 February 2025 and have not been adopted early by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

– Lack of exchangeability – Amendments to IAS 21

– Classification and measurement of financial instruments – Amendments to IFRS 7 and IFRS 9

The Group is assessing the impact of IFRS 18 Presentation and disclosure in financial statements which, if adopted by the UK Endorsement Board, will be effective for reporting periods beginning on or after 1 January 2027.

1.6 Principles of consolidation

1.6.1 Subsidiaries

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

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

1.6.2 Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. The statement of profit or loss reflects the Group's share of profit of the associate. Where there is objective evidence that the investment in associate is impaired, the amount of the impairment is recognised within 'Share of profit of associate' in the statement of profit or loss.

1.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who views the Group's operations on a combined level, given they sell similar products and services, and substantially purchase from the same suppliers and under common customer frameworks. The Group has therefore determined that it has only one reportable segment under IFRS 8, which is that of 'IT solutions provider'.

1.8 Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprises interest expense on borrowings and the unwinding of the discount on lease liabilities, that are recognised in profit or loss as it accrues using the effective interest method.

1.9 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the statement of profit or loss on a net basis, within 'other gains/(losses)'.

1.10 Revenue recognition

Revenue recognition principles across all revenue streams

The Group recognises revenue on completion of its performance obligations at the fixed transaction prices specified in the underlying contracts or orders. There are no variable price elements arising from discounts, targets, loyalty points or returns. Where the contract or order includes more than one performance obligation, the transaction price is allocated to each obligation based on their stand-alone selling prices. These are separately listed as individual items within the contract or order.

In the case of sales of third-party products and services, the Group's performance obligations are satisfied by fulfilling its contractual requirements with both the customer and the supplier (which may be direct with the product vendor), ensuring that orders are processed within any contractual timescales stipulated. In the case of sales of the Group's own in-house products and internal services, this includes the Group fulfilling its contractual responsibilities with the customer.

Software

The Group acts as an advisor, analysing customer requirements and designing an appropriate mix of software products under different licensing programmes. This may include a combination of cloud and on-premise products, typically used to enhance users' productivity, strengthen IT security or assist in collaboration. The way in which the Group satisfies its performance obligations depends on the licensing programme selected.

Direct software sales – the Group's performance obligation is to facilitate software sales between vendors and customers, but the Group is not party to those sales contracts. Supply and activation of the software licences, invoicing and payment all take place directly between the vendor and the customer. The transaction price for the customer is set by the vendor with no involvement from the Group. Therefore, the Group does not control the licences prior to their delivery to the customer and hence acts as agent. The Group is compensated by the vendor with a fee based on fixed rates set by the vendor applied to the customer transaction price and determined according to the quantity and type of products sold. Revenue is recognised as the fee received from the vendor on a point in time basis when the vendor's invoicing to the customer takes place.

Notes to the consolidated financial statements continued

1.10 *Revenue recognition* *continued*

Indirect software sales – the Group's performance obligation is to fulfil customers' requirements through the procurement of appropriate on-premise software products, or cloud-based software, from relevant vendors. Operating as a reseller, the Group invoices, and receives payment from, the customer itself. Whilst the transaction price is set by the Group at the amount specified in its contract with the customer, the software licensing agreement is between the vendor and the customer. The vendor is responsible for issuing the licences and activation keys, for the software's functionality, and for fulfilling the promise to provide the licences to the customer. Therefore, the Group acts as agent and revenue is recognised as the amount retained after paying the software vendor. As a reseller, the Group recognises indirect software sales revenue on a point-in-time basis once it has satisfied its performance obligations. This takes two main forms as follows:

In the case of cloud-based software sales, the Group arranges for third-party vendors to provide customers with access to software in the cloud. As the sales value varies according to monthly usage, revenue is recognised once the amount is confirmed by the vendor and the Group has analysed the data and advised the customer. This is because the responsibilities of the Group to undertake such activities mean that these performance obligations are satisfied at each point usage occurs and the Group has a right to receive payment.

In the case of licence sales (non cloud-based software) arising from fixed-price subscriptions where the customer makes an up-front payment, the Group recognises revenue when the contract execution or order is fulfilled by the Group because its performance obligation is fully satisfied at that point. Typically, these take the form of annual instalments where the Group is required to undertake various contract review activities at each anniversary date.

Hardware – resale of hardware products

The Group's activities under this revenue stream comprise the sale of hardware items such as servers, laptops and devices. For hardware sales, the Group acts as principal, as it assumes primary responsibility for fulfilling the promise to provide the goods and for their acceptability, is exposed to inventory risk during the delivery period and has discretion in establishing the selling price.

Revenue is recognised at the gross amount receivable from the customer for the hardware provided and on a point-in-time basis when delivered and control has passed to the customer.

Services internal – provision of services to customers using the Group's own internal resources

The Group's activities under this revenue stream comprise the provision of consulting services using its own internal resources. The services provided include, but are not limited to, helpdesk support, cloud migration, implementation of security solutions, infrastructure, and software asset management services. The services may be one-off projects where completion is determined on delivery of contractually agreed tasks, or they may constitute an ongoing set of managed service or support contract deliverables over a contract term which may be multi-year.

When selling internally provided services, the Group acts as principal as there are no other parties involved in the process. Revenue is recognised at the gross amount receivable from the customer for the services provided. The Group recognises revenue from internally provided consulting services on an over-time basis, unless they are short term one-off projects. This is because the customer benefits from the Group's activities as the Group performs them. Where one-off projects are completed in less than a month the revenue is recognised when the work has been completed and the customer has confirmed all performance conditions have been satisfied. For longer service projects extending over more than one month the Group applies an inputs basis by reference to the hours expended to the measurement date, and the day rates specified in the contract, subject to sign off of milestones agreed with the customer. For managed services and support contracts the revenue is recognised evenly over the contract term.

Services external – provision of services to customers using third-party contractors

The Group's activities under this revenue stream comprise the sale of a variety of IT services which are provided by third-party contractors. These may be similar to the internally provided consulting services, where the Group does not have the internal capacity at the time required by the customer or may be services around different IT technologies and solutions where the Group does not have the relevant skills in-house.

Whilst the transaction price is set by the Group at the amount specified in its contract with the customer, when selling externally provided services, the Group acts as agent because responsibility for delivering the service relies on the performance of the third-party contractor. If the customer is not satisfied with their performance, the third party will assume responsibility for making good the service and obtaining customer sign-off. The Group will not pay the third party until customer sign-off has been received. Revenue is recognised at the amount retained after paying the service provider for the services delivered to the customer on a point-in-time basis. The Group does not control the services prior to their delivery and its performance obligations are satisfied at the point the service has been delivered by the third party and confirmed with the customer.

1.11 Contract costs, assets and liabilities

Contract costs

Incremental costs of obtaining a contract

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

Costs to fulfil a contract

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

Contract assets

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

Contract assets also include costs to fulfil services contracts (deferred costs) when the Group is invoiced by suppliers before the related performance obligations of the contract are satisfied by the third party. Deferred costs are measured at the purchase price of the associated services received. Deferred costs are released from the consolidated statement of financial position in line with the recognition of revenue on the specific transaction.

Contract liabilities

The Group recognises a contract liability for deferred revenue when the customer is invoiced before the related performance obligations of the contract are satisfied. A contract liability is also recognised for payments received in advance from customers. Contract liabilities are recognised as revenue when the Group performs its obligations under the contract to which they relate.

1.12 Incentives from suppliers

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

Rebates from software and hardware sales

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

Fees from software sales

Where the Group sells on behalf of a vendor who invoices the customer directly, the Group is paid a fee from the vendor for our service in managing the customer relationship and providing licensing advice and support to them. As noted above in note 1.10 under Direct software sales, the fee is recognised in revenue when the vendor's invoicing to the customer takes place. Fees recognised but not yet received are included within trade and other receivables in the consolidated statement of financial position.

Fees from service engagements

Where the Group provides internal services in relation to certain vendor technologies, the activity may be funded by the vendor themself rather than by the customer, for example where the vendor is seeking to increase awareness and/or uptake in certain technical solution areas, refer to note 1.10 revenue recognition - services internal.

1.13 Income tax

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

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

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

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

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

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

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

1.14 Leases

Group as a lessee

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

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

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

- Fixed payments, less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease; where this rate cannot be determined, the Group's incremental borrowing rate is used.

Right-of-use assets are measured at cost comprising the following:

- The net present value of the minimum lease payments
- Any lease payments made at, or before, the commencement date less any lease incentives received
- Any initial direct costs.

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

Depreciation

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

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

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

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

Group as a lessor

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

1.15 Impairment of non-financial assets

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

1.16 Cash and cash equivalents

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

For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

1.17 Trade receivables

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

1.18 Inventories

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

1.19 Financial instruments

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

Recognition

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

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

Classification

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

Financial assets are classified as follows:

- Financial assets to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss)
- Financial assets to be measured at amortised cost.

Financial assets are not reclassified unless the Group changes its business model. In rare circumstances where the Group does change its business model, reclassifications are done prospectively from the date that the Group changes its business model.

Financial liabilities are classified and measured at amortised cost except for those derivative liabilities and contingent considerations that are measured at FVTPL.

Measurement on initial recognition

All financial assets and financial liabilities are initially measured at fair value, including transaction costs, except for those classified as FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Subsequent measurement: financial assets

Subsequent to initial recognition, financial assets are measured as described below:

- FVTPL – these financial assets are subsequently measured at fair value and changes therein (including any interest or dividend income) are recognised in profit or loss
- Amortised cost – these financial assets are subsequently measured at amortised cost using the effective interest method, less impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss
- Equity instruments at FVOCI – these financial assets are subsequently measured at fair value. Dividends are recognised in profit or loss when the right to receive payment is established. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

Subsequent measurement: financial liabilities

All financial liabilities, excluding derivative liabilities and contingent consideration, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

Derecognition

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

Offsetting financial instruments

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

1.19 ***Financial instruments*** *continued*

Impairment

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on credit risk characteristics and the days past due.

The expected credit loss (ECL) rates are based on the payment profiles of sales over a 12-month period before 28 February 2025, 29 February 2024, and 1 March 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are reviewed and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

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

Derivatives

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

1.20 Property, plant and equipment

Owned assets

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

Property acquired and held for future use and development as owner-occupied property is included in owned property.

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

Subsequent costs

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

Depreciation

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

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

- Buildings, 20 to 50 years
- Leasehold improvements (included in land and buildings), shorter of lease period or useful life of asset
- Plant and machinery, 3 to 20 years
- Motor vehicles, 4 to 8 years
- Furniture and equipment, 5 to 20 years
- IT equipment and software, 2 to 8 years

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

1.21 Intangible assets

Goodwill

Goodwill is measured as described in note 1.15. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

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

- Customer relationships, 10 years
- Brands, 5 years.

Software
Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- There is an ability to use or sell the software
- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available
- The expenditure attributable to the software during its development can be reliably measured.

The useful lives for software is 2 to 8 years.

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

1.22 Trade and other payables

Trade payables, sundry creditors and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are accounted for in accordance with the accounting policy for financial liabilities as included above. Amounts received from customers in advance, prior to confirming the goods or services required, are recorded as other payables. Upon delivery of the goods and services, these amounts are recognised in revenue. Other payables are stated at their nominal values.

1.23 Borrowings

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

1.24 Provisions

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

1.25 Employee benefits

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

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

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

Share-based payments
Equity settled share-based payment incentive scheme
Share-based compensation benefits are provided to particular employees of the Group through the Bytes Technology Group plc share option plans. Information relating to all schemes is provided in note 27.

Notes to the consolidated financial statements continued

1.25 *Employee benefits continued*

Employee options

The fair values of options granted under the Bytes Technology Group plc share option plans are recognised as an employee benefit expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted. The share-based payment reserve comprises the fair value of share awards granted which are not yet exercised. The amount will be reversed to retained earnings as and when the related awards vest and are exercised by employees.

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

1.26 Share capital

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

1.27 Dividends

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

1.28 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

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

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

1.29 Rounding of amounts

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

2 Segmental information

2(a) Description of segment

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

2(b) Adjusted operating profit

Adjusted operating profit is an alternative performance measure which excludes the effects of acquired intangible assets amortisation and share-based payment charges. It is used as one of the performance measures determining executive bonus payments in the current and prior reporting periods. It reconciles to operating profit as follows:

	Note	**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'000
Adjusted operating profit		**72,355**	63,300
Share-based payment charges	27	**(5,049)**	(5,708)
Amortisation of acquired intangible assets	4	**(880)**	(880)
Operating profit		**66,426**	56,712

3 Revenue from contracts with customers

3(a) Disaggregation of revenue from contracts with customers

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

Revenue by product	**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'000
Software	**146,002**	130,365
Hardware	**33,216**	41,389
Services internal	**34,032**	31,517
Services external	**3,884**	3,750
Total revenue from contracts with customers	**217,134**	207,021

Software

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

Hardware

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

Services internal

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

Services external

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

Revenue by geographical regions	**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'000
United Kingdom	**209,854**	199,912
Europe	**4,112**	4,326
Rest of world	**3,168**	2,783
	217,134	207,021

Notes to the consolidated financial statements continued

3 Revenue from contracts with customers continued

3(b) Gross invoiced income by type

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Software	**2,005,289**	1,721,993
Hardware	**33,216**	41,389
Services internal	**34,032**	31,517
Services external	**27,267**	28,103
	2,099,804	1,823,002
Gross invoiced income	**2,099,804**	1,823,002
Adjustment to gross invoiced income for income recognised as agent	**(1,882,670)**	(1,615,981)
Revenue	**217,134**	207,021

Gross invoiced income reflects gross income billed to customers adjusted for movements in deferred and accrued revenue items amounting to a £7.7 million reduction (2024: £8.5 million increase). The Group reports gross invoiced income as an alternative performance measure as management believes this measure allows further understanding of business performance and volume of activity in respect of working capital and cash flow.

4 Material administrative expenses

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

	Note	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Depreciation of property, plant and equipment	9	**1,255**	1,236
Depreciation of right-of-use assets	10	**509**	263
Amortisation of acquired intangible assets	11	**880**	880
System support and maintenance		**4,670**	3,872
Share-based payment expenses	27	**5,049**	5,708
Expenses relating to short-term leases	10	**348**	250
Rental income		**(105)**	–
Foreign exchange losses		**55**	137

5 Employees

Employee benefit expense:	Note	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Employee remuneration (including directors' remuneration[1])		**55,497**	49,791
Commissions and bonuses		**24,837**	21,623
Social security costs		**9,762**	9,479
Pension costs		**2,009**	1,794
Share-based payments expense	27	**5,049**	5,708
		97,154	88,395
Classified as follows:			
Cost of sales		**19,098**	17,211
Administrative expenses		**78,056**	71,184
		97,154	88,395

1 Directors' remuneration is included in the directors' remuneration report on pages 112 to 130.

The average monthly number of employees during the year was:	**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'000
Sales – account management	**378**	335
Sales – support and specialists	**251**	228
Service delivery	**290**	263
Administration	**231**	202
	1,150	1,028

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

6 Auditors' remuneration

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

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Fees payable to the company's auditors and its associates for the audit of the parent company and consolidated financial statements[1]	**316**	688
Fees payable to the company's auditors and its associates for other services:		
Audit of the financial statements of the company's subsidiaries	**450**	398
Non-audit services[2]	**105**	101
	871	1,187

1 Other fees of £0.4 million in the prior year has been included within fees of the parent company.

2 Non-audit services in the current and prior year relate to the auditors' review of our interim report issued in October of each year.

7 Finance income and costs

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Finance income		
Bank interest received[1]	**8,486**	5,111
Finance income	**8,486**	5,111
Finance costs		
Interest expense on financial liabilities measured at amortised cost	**(224)**	(330)
Interest expense on lease liability	**(67)**	(63)
Finance costs	**(291)**	(393)

1 Interest received on cash deposited on money market.

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Notes to the consolidated financial statements continued

8 Income tax expense

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

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Current income tax charge in the year	19,175	15,892
Adjustment in respect of current income tax of previous years	(18)	(85)
Total current income tax charge	**19,157**	15,807
Deferred tax charge/(credit) in the year	604	(1,109)
Adjustments in respect of prior year	11	70
Effect of changes in tax rates	–	(23)
Deferred tax charge/(credit)	**615**	(1,062)
Total tax charge	**19,772**	14,745

Reconciliation of total tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK applied to profit before tax

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Profit before income tax	74,613	61,596
Income tax charge at the standard rate of corporation tax in the UK of 25% (2024: 24.49%)[1]	18,653	15,085
Effects of:		
Non-deductible expenses	1,124	(261)
Adjustment to previous periods	(7)	(15)
Effect of changes in tax rate	–	(23)
Effect of share of profit of associate	2	(41)
Income tax charge reported in profit or loss	**19,772**	14,745

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

Amounts recognised directly in equity	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited/(charged) to equity:		
Deferred tax: share-based payments	(160)	407
Current tax: share-based payments	31	491
	(129)	898

On 23 May 2023, the International Accounting Standards Board (the Board) issued International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12. On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK introducing a global minimum effective tax rate of 15% for large groups, with revenues exceeding €750 million, for financial years beginning on or after 31 December 2023. These rules are not expected to affect the Group.

Deferred tax asset – net	**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'000
The balance comprises temporary differences attributable to:		
Intangible assets	**(568)**	(788)
Property, plant and equipment	**(2,088)**	(1,059)
Employee benefits	**6**	1
Provisions	**74**	73
Share-based payments	**2,635**	2,607
	59	834

Net deferred tax asset reconciliation	**Year ended 28 February 2025 £'000**	Year ended 29 February 2024 £'000
At 1 March	**834**	(635)
Intangible assets	**220**	220
Property, plant and equipment	**(1,029)**	(175)
Employee benefits	**5**	(2)
Provisions	**1**	8
Share-based payments	**188**	1,011
(Charge)/credit to profit or loss	**(615)**	1,062
Share-based payments	**(160)**	407
(Charge)/credit to equity	**(160)**	407
Carrying amount at end of year	**59**	834

The deferred tax asset and deferred tax liabilities carrying amounts at the end of the year are set off as they arise in the same jurisdiction and as such there is a legally enforceable right to offset.

Notes to the consolidated financial statements continued

9 Property, plant and equipment

	Freehold land and buildings £'000	Computer equipment £'000	Furniture, fittings and equipment £'000	Computer software £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 March 2023	9,405	4,339	1,313	1,017	104	16,178
Additions	373	692	11	249	9	1,334
Disposals	–	(25)	–	–	(27)	(52)
At 29 February 2024	9,778	5,006	1,324	1,266	86	17,460
Additions	5,760	549	46	–	3	6,358
Disposals	–	(1)	–	–	(24)	(25)
At 28 February 2025	**15,538**	**5,554**	**1,370**	**1,266**	**65**	**23,793**
Depreciation						
At 1 March 2023	2,516	3,469	1,043	698	72	7,798
On disposals	–	(25)	–	–	(27)	(52)
Charge for the year	421	584	51	163	17	1,236
At 29 February 2024	2,937	4,028	1,094	861	62	8,982
On disposals	–	(1)	–	–	(24)	(25)
Charge for the year	384	600	47	211	13	1,255
At 28 February 2025	**3,321**	**4,627**	**1,141**	**1,072**	**51**	**10,212**
Net book value						
At 29 February 2024	6,841	978	230	405	24	8,478
At 28 February 2025	**12,217**	**927**	**229**	**194**	**14**	**13,581**

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

10 Leases

Group as a lessee

Amounts recognised in the balance sheet

Right-of-use assets	Buildings £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 March 2023	1,377	245	1,622
Additions	–	891	891
Disposals	–	(245)	(245)
At 29 February 2024	1,377	891	2,268
Additions	–	739	739
At 28 February 2025	**1,377**	**1,630**	**3,007**
Depreciation			
At 1 March 2023	594	245	839
Disposals	–	(245)	(245)
Charge for the period	144	119	263
At 29 February 2024	738	119	857
Charge for the period	145	364	509
At 28 February 2025	**883**	**483**	**1,366**
Net book value			
At 1 March 2023	783	–	783
At 29 February 2024	639	772	1,411
At 28 February 2025	**494**	**1,147**	**1,641**

Lease liabilities	As at 28 February 2025 £'000	As at 29 February 2024 £'000	As at 1 March 2023 £'000
Current	**668**	423	75
Non-current	**1,269**	1,314	917
	1,937	1,737	992

There were additions of £0.7 million to the right-of-use assets in the financial year ended 28 February 2025 (2024: £0.9 million).

Amounts recognised in the statement of profit or loss

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

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Depreciation charge of right-of-use assets	**509**	263
Interest expense (included in finance cost)	**67**	63
Expense relating to short-term leases (included in administrative expenses)	**348**	250

Changes in liabilities arising from financing activities

	As at 1 March 2024 £'000	Additions £'000	Cash flows £'000	Interest £'000	As at 28 February 2025 £'000
Lease liabilities	1,737	739	(606)	67	**1,937**
Total liabilities from financing activities	1,737	739	(606)	67	**1,937**

	As at 1 March 2023 £'000	Additions £'000	Cash flows £'000	Interest £'000	As at 29 February 2024 £'000
Lease liabilities	992	891	(209)	63	1,737
Total liabilities from financing activities	992	891	(209)	63	1,737

Group as a lessor

Contractual maturity of undiscounted operating lease receipts

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

28 February 2025	Within 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Over 5 years £'000
Operating lease receivables	**464**	**464**	**464**	**244**	**87**	**159**

11 Intangible assets

	Goodwill £'000	Customer relationships £'000	Brand £'000	Software £'000	Total £'000
Cost					
At 1 March 2023 and 29 February 2024	37,493	8,798	3,653	–	49,944
Additions	–	–	–	3,709	3,709
At 28 February 2025	**37,493**	**8,798**	**3,653**	**3,709**	**53,653**
Amortisation					
At 1 March 2023	–	4,765	3,653	–	8,418
Charge for the year	–	880	–	–	880
At 29 February 2024	–	5,645	3,653	–	9,298
Charge for the year	–	880	–	–	880
At 28 February 2025	**–**	**6,525**	**3,653**	**–**	**10,178**
Net book value					
At 29 February 2024	37,493	3,153	–	–	40,646
At 28 February 2025	**37,493**	**2,273**	**–**	**3,709**	**43,475**

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

Determination of recoverable amount

The carrying value of indefinite useful life intangible assets, being goodwill, are tested annually for impairment. For each CGU and for all periods presented, the Group has assessed that the value in use represents the recoverable amount. The future expected cash flows used in the value-in-use models are based on management forecasts, over a five-year period, and thereafter a reasonable rate of growth is applied based on current market conditions. The recoverable amount of Bytes Software Services and Phoenix Software is estimated to be £755.3 million and £245.7 million respectively. For the purpose of impairment assessments of goodwill, the goodwill balance is allocated to the operating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

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

28 February 2025	**Long-term growth rate %**	**Discount rate %**	**Goodwill carrying amount £'000**
Bytes Software Services	**2**	**9.20**	**14,775**
Phoenix Software	**2**	**9.20**	**22,718**
			37,493

29 February 2024	Long-term growth rate %	Discount rate %	Goodwill carrying amount £'000
Bytes Software Services	2	9.15	14,775
Phoenix Software	2	9.15	22,718
			37,493

Growth rates
The Group used what it considers to be a conservative growth rate of 2% which was applied beyond the approved budget periods. The growth rate was consistent with publicly available information relating to long-term average growth rates for the market in which the respective CGU operated.

Discount rates
Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU. Post-tax discount rates have been applied. The difference between the value-in-use calculated using the post-tax discount rates and the value-in-use calculated using pre-tax discount rates is not material.

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

28 February 2025	**Bytes Software Services £'000**	**Phoenix Software £'000**
Headroom	**702,044**	**212,605**
1% increase in the post-tax discount rate applied to the forecast future cash flows	**(94,207)**	**(31,522)**
1% decrease in the post-tax discount rate applied to the forecast future cash flows	**124,953**	**41,843**
0.5% increase in the terminal growth rate	**44,492**	**14,940**
0.5% decrease in the terminal growth rate	**(38,714)**	**(13,000)**

29 February 2024	Bytes Software Services £'000	Phoenix Software £'000
Headroom	688,344	273,935
1% increase in the post-tax discount rate applied to the forecast future cash flows	(97,592)	(38,628)
1% decrease in the post-tax discount rate applied to the forecast future cash flows	129,792	51,351
0.5% increase in the terminal growth rate	46,379	18,323
0.5% decrease in the terminal growth rate	(40,316)	(15,928)

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

12 Investment in an associate

With effect from 18 April 2023 the Group acquired 25.1% interest in Cloud Bridge Technologies Limited for £3.0 million, settled in cash. The Group's interest in Cloud Bridge Technologies Limited is accounted for using the equity method.

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Current assets	**7,980**	8,302
Non-current assets	**108**	123
Current liabilities	**(5,016)**	(6,078)
Non-current liabilities	**(771)**	(11)
Equity	**2,301**	2,336
Group's share in equity – 25.1%	**578**	586
Goodwill	**2,607**	2,607
Group's carrying amount of the investment	**3,185**	3,193

12 *Investment in an associate continued*

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Revenue	**28,920**	13,851
Cost of sales	**(26,755)**	(11,789)
Administrative expenses	**(2,340)**	(1,171)
Finance costs	**(56)**	(6)
Profit before tax	**(231)**	885
Income tax expense	**198**	(222)
Profit for the period	**(33)**	663
Group's share of profit for the period	**(8)**	166

The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date. The associate had no contingent liabilities or capital commitments as at 28 February 2025.

In preparing the financial statements, the Group has considered whether there are impairment indicators present in relation to the net assets of the associate which would require an adjustment to be made to the £3.2 million carrying amount of the investment as at 28 February 2025. The Group has assessed its share of the value in use of the associate using future expected cash flows based on management forecasts over a five-year period, and thereafter a reasonable rate of growth of 2% is applied based on current market conditions and using a discount rate of 9.2% (post-tax rate) in line with that of the Group (see note 11). Based on this, the Group's share in the recoverable amount of Cloud Bridge is estimated to be £3.8 million which provides a headroom against the carrying value of £0.6 million. The calculation of future cash flows uses estimates of revenue growth, gross margin, and administrative costs. In making its assessment, management have considered several qualitative factors in respect of the Cloud Bridge business including historic track record of revenue growth, increase in customer opportunities and pipeline, attainment of key vendor accreditations, development of internal systems to deliver cost savings and efficiencies, and expansion of operations in other territories. Gross margin changes create the greatest sensitivity and a 2% reduction across the assessment period would lead to an impairment to the carrying value of £1.2 million. The value in use is also sensitive to changes in the discount rate applied. A 2% increase in the rate would give rise to an impairment to the carrying value of £0.4 million. Taking the base headroom forecast and the qualitative factors together, the Group concludes there is no impairment of the carrying amount of the investment at the reporting date.

13 Contract assets

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Contract assets	**11,746**	14,445

Contract assets is further broken down as:	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Short-term contract assets	**9,973**	11,756
Long-term contract assets	**1,773**	2,689
	11,746	14,445

Contract assets include £1.7 million (2024: £2.4 million) of deferred costs relating to internal services contracts, and the recognition of accrued revenue of £10.0 million (2024: £12.0 million) for certain large software orders where performance obligations were satisfied in the period but not yet invoiced to the customer at the period end.

14 Contract liabilities

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Contract liabilities	**27,279**	21,485

Contract liabilities is further broken down as:	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Short-term contract liabilities	**25,245**	19,348
Long-term contract liabilities	**2,034**	2,137
	27,279	21,485

During the year, the Group recognised £19.3 million (2024: £23.9 million) of revenue that was included in the contract liability balance at the beginning of the period. This liability arises where revenue has been deferred when the customer is invoiced before the related performance obligations of the contract are satisfied, and the deferral of certain large payments received in advance from customers.

15 Inventories

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Inventories	**14**	60
	14	60

Inventories include asset management subscription licences purchased in advance for a specific customer that as yet haven't been consumed. Inventories recognised as an expense in cost of sales during the year amounted to £46,000 (29 February 2024: £nil).

16 Financial assets and financial liabilities

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

- An overview of all financial instruments held by the Group
- Specific information about each type of financial instrument
- Accounting policies
- Information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:

Financial assets	Note	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Financial assets at amortised cost:			
Trade receivables	17	**259,224**	212,432
Other receivables	17	**6,917**	7,415
		266,141	219,847

Financial liabilities	Note	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Financial liabilities at amortised cost:			
Trade and other payables – current, excluding payroll tax and other statutory tax liabilities	19	**301,669**	259,661
Lease liabilities	10	**1,937**	1,737
		303,606	261,398

The Group's exposure to various risks associated with the financial instruments is discussed in note 23. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

17 Trade and other receivables

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Financial assets		
Gross trade receivables	**260,883**	214,922
Less: impairment allowance	**(1,659)**	(2,490)
Net trade receivables	**259,224**	212,432
Other receivables	**6,917**	7,415
	266,141	219,847
Non-financial assets		
Prepayments	**2,313**	1,968
	2,313	1,968
Trade and other receivables	**268,454**	221,815

(i) Classification of trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies are provided in note 1.19.

(ii) Fair values of trade receivables

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

(iii) Credit risk

Ageing and impairment analysis (excluding finance lease assets)

28 February 2025	**Current £'000**	**Past due 0 to 30 days £'000**	**Past due 31 to 60 days £'000**	**Past due 61 to 120 days £'000**	**Past due 121 to 365 days £'000**	**Total £'000**
Expected loss rate	**0.07%**	**0.26%**	**2.90%**	**10.93%**	**44.84%**	
Gross carrying amount – trade receivables	**232,118**	**17,495**	**5,201**	**4,189**	**1,880**	**260,883**
Loss allowance	**162**	**45**	**151**	**458**	**843**	**1,659**

29 February 2024	Current £'000	Past due 0 to 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 120 days £'000	Past due 121 to 365 days £'000	Total £'000
Expected loss rate	0.07%	0.41%	4.16%	7.62%	80.02%	
Gross carrying amount – trade receivables	180,289	23,688	4,994	3,744	2,207	214,922
Loss allowance	134	97	208	285	1,766	2,490

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

Trade receivables	**As at 28 February 2025 £'000**	As at 29 February 2024 £'000
Opening loss allowance at 1 March	**2,490**	1,542
(Decrease)/increase in loss allowance recognised in profit or loss during the period	**(108)**	1,227
Receivables written off during the year as uncollectable	**(723)**	(279)
Closing loss allowance	**1,659**	2,490

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

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

(iv) Other receivables

Other receivables include accrued rebate and other vendor incentive income of £5.6 million (2024: £5.7 million).

18 Cash and cash equivalents

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Cash at bank and in hand	**6,276**	88,836
Short-term deposits	**106,800**	–
	113,076	88,836

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

19 Trade and other payables

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Trade and other payables	**179,003**	168,777
Accrued expenses	**122,666**	90,884
Payroll tax and other statutory liabilities	**25,864**	18,256
	327,533	277,917

Trade payables are unsecured and are usually paid within 45 days of recognition. Accrued expenses includes accruals for purchase invoices not received and other accrued costs such as bonuses and commissions payable at year end.

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

20 Share capital and share premium

Allotted, called up and fully paid	**Number of shares**	**Nominal value £'000**	**Share premium £'000**	**Total £'000**
At 1 March 2023	239,482,333	2,395	633,636	636,031
Shares issued during the year	874,565	9	14	23
At 29 February 2024	240,356,898	2,404	633,650	636,054
Shares issued during the year	711,367	7	2,782	2,789
At 28 February 2025	**241,068,265**	**2,411**	**636,432**	**638,843**

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

Information related to the company's share option schemes, including options issued during the financial year and options outstanding at the end of the reporting period is set out in note 27.

Notes to the consolidated financial statements continued

21 Merger reserve

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Balance at 1 March 2023, 29 February 2024 and 28 February 2025	**(644,375)**	(644,375)
	(644,375)	(644,375)

The merger reserve of £644.4 million arose in December 2019, on the date that the Group demerged from its previous parent company. This is an accounting reserve in equity representing the difference between the total nominal value of the issued share capital acquired in Bytes Technology Limited of £1.10 and the total consideration given of £644.4 million.

22 Cash generated from operations

	Note	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Profit before taxation		**74,613**	61,596
Adjustments for:			
Depreciation and amortisation	4	**2,644**	2,379
Non-cash employee benefits expense – share-based payments	4	**5,049**	5,708
Share of profit of associate		**8**	(166)
Finance income	*7*	**(8,486)**	(5,111)
Finance costs	*7*	**291**	*393*
Decrease/(increase) in contract assets		**2,699**	(3,364)
Increase in trade and other receivables		**(46,639)**	(35,895)
Decrease/(increase) in inventories		**46**	(2)
Increase in trade and other payables		**49,616**	46,200
Increase/(decrease) in contract liabilities		**5,794**	(4,405)
Cash generated from operations		**85,635**	67,333

23 Financial risk management

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

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

The main financial risks arising from the Group's activities are credit, liquidity and currency risks. The Group's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made. The Group's approach to credit risk is disclosed in note 17.

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

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

23(a) Derivatives

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

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

23(b) Foreign exchange risk

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

	As at 28 February 2025			As at 29 February 2024		
	USD £'000	EUR £'000	NOK £'000	USD £'000	EUR £'000	NOK £'000
Trade receivables	**11,348**	**3,945**	**–**	10,247	2,661	–
Cash and cash equivalents	**3,627**	**155**	**–**	176	1,647	–
Trade payables	**(18,663)**	**(3,529)**	**(53)**	(16,640)	(4,253)	(580)
	(3,688)	**571**	**(53)**	(6,217)	55	(580)

The following table demonstrates the profit before tax sensitivity to a possible change in the currency exchange rates with GBP, all other variables held constant.

	As at 28 February 2025			As at 29 February 2024		
	GBP:USD £'000	GBP:EUR £'000	GBP:NOK £'000	GBP:USD £'000	GBP:EUR £'000	GBP:NOK £'000
5% strengthening in GBP	**176**	**(27)**	**3**	296	(3)	28
5% weakening in GBP	**(194)**	**30**	**(3)**	(327)	3	(31)

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

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Total net foreign exchange losses in profit or loss	**55**	137

23(c) Liquidity risk

(1) Cash management

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

At 28 February 2025, the Group had cash and cash equivalents of £113.1 million, see note 18. Management monitors rolling forecasts of the Group's liquidity position (which comprises its cash and cash equivalents) on the basis of expected cash flows generated from the Group's operations. These forecasts are generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group and take into account certain down-case scenarios.

(2) Revolving Credit Facility

On 17 May 2023 the Group entered into a new three-year committed Revolving Credit Facility (RCF) for £30 million including an optional one-year extension to 17 May 2027, and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity. The new facility incurred an arrangement fee of £0.1 million, being 0.4% of the new funds available. The Group has so far not drawn down any amount on either the previous or new facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a prepayment and amortised over the initial three-year period of the facility. The facility also incurs a commitment fee and utilisation fee, both of which are payable quarterly in arrears. Under the terms of both the previous and new facilities, the Group is required to comply with the following financial covenants:

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

The Group has complied with these covenants throughout the reporting period. As at 28 February 2025 and 29 February 2024, the Group had net finance income and has therefore complied with the interest cover covenant. The Group has been in a net cash position as at 28 February 2025 and 29 February 2024 and has therefore complied with the Net debt to EBITDA covenant.

Notes to the consolidated financial statements continued

23 *Financial risk management continued*

(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:

28 February 2025	Note	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade and other payables	**19**	**301,669**	**–**	**–**	**–**	**301,669**	**301,669**
Lease liabilities	**10**	**726**	**689**	**627**	**–**	**2,042**	**1,937**
		302,395	**689**	**627**	**–**	**303,711**	**303,606**

29 February 2024	Note	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade and other payables	19	259,660	–	–	–	259,660	259,660
Lease liabilities	10	495	495	869	–	1,859	1,737
		260,155	495	869	–	261,519	261,397

24 Capital management

24(a) Risk management

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of shareholders. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. To ensure an appropriate return for shareholders' capital invested in the Group, management thoroughly evaluates all material revenue streams, relationships with key vendors and potential acquisitions and approves them by the Board, where applicable. The Group's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows. The Group's dividend policy is to distribute 40–50% of the Group's post-tax pre-exceptional earnings to shareholders in respect of each financial year. Subject to any cash requirements for ongoing investment, the Board will consider returning excess cash to shareholders over time.

24(b) Dividends

	2025		2024	
Ordinary shares	**Pence per share**	**£'000**	Pence per share	£'000
Interim dividend paid	**3.1**	**7,469**	2.7	6,466
Special dividend paid	**8.7**	**20,936**	7.5	17,961
Final dividend paid	**6.0**	**14,438**	5.1	12,214
Total dividends attributable to ordinary shareholders	**17.8**	**42,843**	15.3	36,641

Dividends per share is calculated by dividing the dividend paid by the number of ordinary shares in issue. Dividends are paid out of available distributable reserves of the company.

The Board has proposed a final ordinary dividend of 6.9 pence and a special dividend of 10.0 pence per share for the year ended 28 February 2025 to be paid to shareholders on the register as at 11 July 2025. The aggregate of the proposed dividends expected to be paid on 25 July 2025 is £40.7 million. The proposed dividends per ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability in the consolidated financial statements.

25 Capital commitments

At 28 February 2025, the Group had £Nil capital commitments (29 February 2024: £Nil).

26 Related-party transactions

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

26(a) Transactions with key management personnel

Key management personnel are defined as the directors (both executive and non-executive) of Bytes Technology Group plc, Bytes Software Services Limited and Phoenix Software Limited. Details of the compensation paid to the directors of Bytes Technology Group plc as well as their shareholdings in the Group are disclosed in the remuneration report.

Compensation of key management personnel of the Group

The remuneration of key management personnel, which consists of persons who have been deemed to be discharging managerial responsibilities, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Short-term employee benefits	**4,591**	3,653
Post-employment pension benefits	**121**	97
Total compensation paid to key management	**4,712**	3,750

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel including executive directors.

Key management personnel received a total of 376,082 share option awards (2024: 170,360) at a weighted average exercise price of £0.21 (2024: £0.04).

Share-based payment charges include £1,570,816 (2024: £1,257,326) in respect of key management personnel, refer to note 27 for details on the Group's share-based payment incentive schemes.

26(b) Subsidiaries and associates

Interests in subsidiaries are set out in note 29 and the investment in associate is set out in note 12.

26(c) Outstanding balances arising from sales/purchases of services

Group companies made purchases from the associate of £4.9 million (2024: £3.1 million) and sales to the associate of £0.1 million (2024: £nil) during the year with a trade payable balance of £0.1 million (2024: £0.5 million) at the year end.

27 Share-based payments

The Group accounts for its share option awards as equity-settled share-based payments. The fair value of the awards granted is recognised as an expense over the vesting period. The amount recognised in the share-based payment reserve will be reversed to retained earnings as and when the related awards vest and are exercised by employees. As noted in the prior year Annual Report, one third of the annual bonus for the financial year ended 28 February 2025 awarded to each of the Company's executive directors is deferred in shares for two years. This deferral has resulted in the granting of the awards under the Deferred Bonus Plan during the year.

Performance Incentive Share Plan

Options granted under the Performance Incentive Share Plan (PISP) are for shares in Bytes Technology Group plc. The exercise price of the options is a nominal amount of £0.01. Performance conditions attached to the awards granted in the current year are employee-specific, in addition to which, options will only vest if certain employment conditions are met. The fair value of the share options is estimated at the grant date using a Monte Carlo option pricing model for the element with market conditions and Black–Scholes option-pricing model for non-market conditions. The normal vesting date shall be no earlier than the third anniversary of the grant date and not later than the day before the tenth anniversary of the grant date. There is no cash settlement of the options available under the scheme. During the year the Group granted 961,569 (2024: 1,195,700) options. For the year ended 28 February 2025, 47,463 (2024: 298,561) options were forfeited, 57,583 options were exercised (2024: 819,416) and no options expired.

Notes to the consolidated financial statements continued

27 Share-based payments continued

Company Share Option Plan

Options granted under the Company Share Option Plan (CSOP) are for shares in Bytes Technology Group plc. The exercise price of the options granted in the current year was determined by the average of the last three dealing days prior to the date of grant. There are no performance conditions attached to the awards, but options will only vest if certain employment conditions are met. The fair value at grant date is estimated at the grant date using a Black–Scholes option-pricing model. The normal vesting date shall be no earlier than the third anniversary of the grant date and not later than the day before the tenth anniversary of the grant date. There is no cash settlement of the options available under the scheme. During the year the Group granted no (2024: nil) options. For the year ended 28 February 2025, 174,897 (2024: 176,600) options were forfeited, 217,000 (2024: nil) options were exercised and no options expired.

Save as You Earn Scheme

Share options were granted to eligible employees under the Save As You Earn Scheme (SAYE) during the year. Under the SAYE scheme, employees enter a three-year savings contract in which they save a fixed amount each month in return for their SAYE options. At the end of the three-year period, employees can either exercise their options in exchange for shares in Bytes Technology Group plc or have their savings returned to them in full. The exercise price of the options represents a 20% discount to the exercise price of the CSOP awards. The fair value at grant date is estimated using a Black–Scholes option-pricing model. There is no cash settlement of the options. During the year the Group granted 449,394 (2024: 337,890) options. For the year ended 28 February 2025, 214,641 (2024: 213,832) options were forfeited, 425,868 (2024: 3,625) options were exercised and 32,865 (2024: nil) options expired.

Deferred Bonus Plan

Options granted under the Deferred Bonus Plan (DBP) are for shares in Bytes Technology Group plc. The exercise price of the options is a nominal amount of £0.01. There are no performance conditions attached to the awards, but options will only vest if certain employment conditions are met. The fair value at grant date is estimated at the grant date using a Black–Scholes option-pricing model. The normal vesting date shall be no earlier than the second anniversary of the grant date. During the year the Group granted 16,675 (2024: 45,365) options. For the year ended 28 February 2025, no (2024: 50,526) options were forfeited and 10,916 options were exercised. No options expired in the current or prior period.

Share-based payment employee expenses

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Equity settled share-based payment expenses	**5,049**	5,708

There were no cancellations or modifications to the awards in 2025 or 2024.

Movements during the year

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

	28 February 2025 Number	**28 February 2025 WAEP**	29 February 2024 Number	29 February 2024 WAEP
Outstanding at 1 March	**8,813,260**	**£3.52**	8,760,684	£3.59
Granted during the year	**1,428,249**	**£1.44**	1,666,660	£0.80
Forfeited during the year	**(437,001)**	**£3.96**	(739,519)	£2.28
Exercised during the year	**(711,367)**[1]	**£3.92**	(874,565)[1]	£0.03
Expired during the year	**(32,865)**	**£4.00**	–	–
Outstanding at 29 February	**9,060,276**	**£3.14**	8,813,260	£3.52
Exercisable at 29 February	**2,802,279**	**£4.02**	609,272	£0.01

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

The weighted average expected remaining contractual life for the share options outstanding at 28 February 2025 was 1.53 years (2024: 2.2 years). The weighted average fair value of options granted during the year was £3.93 (2024: £4.21). The range of exercise prices for options outstanding at the end of the year was £0.01 to £5.00 (2024: £0.01 to £5.00).

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

Assumptions	**28 February 2025 PISP**	**28 February 2025 SAYE**	**28 February 2025 DBP**
Weighted average fair value at measurement date	**£5.11**	**£1.33**	**£5.58**
Expected dividend yield	**1.56%**	**1.76%**	**0.00%**
Expected volatility	**34%**	**34%**	**33%**
Risk-free interest rate	**4.31%**	**3.74%**	**4.47%**
Expected life of options	**3 years**	**3 years**	**2 years**
Weighted average share price	**£5.59**	**£4.94**	**£5.59**
Model used	**Black-Scholes and Monte Carlo**	**Black-Scholes**	**Black-Scholes**

Assumptions	29 February 2024 PISP	29 February 2024 SAYE	29 February 2024 DBP
Weighted average fair value at measurement date	£4.86	£1.79	£5.15
Expected dividend yield	1.53%	1.53%	0.00%
Expected volatility	31%	30%	30%
Risk-free interest rate	4.29%	4.79%	4.44%
Expected life of options	3 years	3 years	2 years
Weighted average share price	£5.16	£5.11	£5.16
Model used	Black-Scholes and Monte Carlo	Black-Scholes	Black-Scholes

The expected life of the options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of the company and publicly quoted companies in a similar sector to the company over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

28 Earnings per share

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

	Year ended 28 February 2025 pence	Year ended 29 February 2024 pence
Basic earnings per share	**22.78**	19.55
Diluted earnings per share	**21.95**	18.85
Headline earnings per share	**22.78**	19.55
Diluted headline earnings per share	**21.95**	18.85
Adjusted earnings per share	**25.07**	21.78
Diluted adjusted earnings per share	**24.16**	21.01

28 *Earnings per share continued*

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

	Year ended 28 February 2025 Number	Year ended 29 February 2024 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and headline earnings per share	**240,750,619**	239,693,670
Adjustments for calculation of diluted earnings per share and diluted headline earnings per share:		
– share options[1]	**9,060,276**	8,813,260
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and diluted headline earnings per share	**249,810,895**	248,506,930

1 Share options
Share options granted to employees under the Save As You Earn Scheme, Company Share Option Plan and Bytes Technology Group plc performance incentive share plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share on the basis that all employees are employed at the reporting date, and to the extent that they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the share options are disclosed in note 27.

28(b) Headline earnings per share

The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Listing Requirements. The table below reconciles the profits attributable to ordinary shareholders to headline earnings and summarises the calculation of basic and diluted HEPS:

	Note	Year ended 28 February 2025 pence	Year ended 29 February 2024 pence
Profit for the period attributable to owners of the company		**54,841**	46,851
Adjusted for:			
Loss on disposal of property, plant and equipment	4	**–**	–
Tax effect thereon		**–**	–
Headline profits attributable to owners of the company		**54,841**	46,851

28(c) Adjusted earnings per share

Adjusted earnings per share is an alternative performance measure used as a target for the PSP awards made in 2022, 2023 and 2024. It is calculated by dividing the adjusted profits attributable to ordinary shareholders by the total number of ordinary shares in issue at the end of the year. Adjusted profit is calculated by excluding the impact of the following items:

- Share-based payment charges
- Acquired intangible assets amortisation.

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

	Note	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Profits attributable to owners of the company		**54,841**	46,851
Adjusted for:			
– Amortisation of acquired intangible assets	4	**880**	880
– Deferred tax effect on above		**(220)**	(220)
– Share-based payment charges	27	**5,049**	5,708
– Deferred tax effect on above		**(188)**	(1,011)
Adjusted profits attributable to owners of the company		**60,362**	52,208

29 Subsidiaries

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

Name of entity	Country of incorporation	Ownership interest	Principal activities
Bytes Technology Holdco Limited[1]	UK	100%	Holding company
Bytes Technology Limited	UK	100%	Holding company
Bytes Software Services Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sectors
Phoenix Software Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sectors
Blenheim Group Limited[2]	UK	100%	Dormant for all periods
License Dashboard Limited[2]	UK	100%	Dormant for all periods
Bytes Security Partnerships Limited[2]	UK	100%	Dormant for all periods
Bytes Technology Group Holdings Limited[2]	UK	100%	Dormant for all periods
Bytes Technology Training Limited[2]	UK	100%	Dormant for all periods

1 Bytes Technology Holdco Limited is held directly by the company. All other subsidiary undertakings are held indirectly by the company.
2 Taken advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 28 February 2025.

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

30 Events after the reporting period

There were no events after the period that require disclosure.

Parent company financial statements of Bytes Technology Group plc

Company balance sheet

As at 28 February 2025

	Note	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Assets			
Non-current assets			
Investments	5	**641,998**	641,998
Property, plant and equipment	6	**55**	121
Deferred tax assets	4	**320**	141
Total non-current assets		**642,373**	642,260
Current assets			
Trade and other receivables	7	**255**	12,884
Cash and cash equivalents		**62,394**	40,421
Total current assets		**62,649**	53,305
Total assets		**705,022**	695,565
Current liabilities			
Trade and other payables	8	**(2,106)**	(7,860)
Current tax liability		**(296)**	(157)
Total current liabilities		**(2,402)**	(8,017)
Total liabilities		**(2,402)**	(8,017)
Net assets		**702,620**	687,548
Equity			
Share capital	10	**2,411**	2,404
Share premium	10	**636,432**	633,650
Share-based payment reserves		**13,927**	9,969
Retained earnings[1]		**49,850**	41,525
Total equity		**702,620**	687,548

1 The profit for the company for the period was £50,077,000 (2024: £39,781,000).

The financial statements on pages 186 to 195 were approved by the Board on 12 May 2025 and signed on its behalf by:

Sam Mudd
Chief Executive Officer

Andrew Holden
Chief Financial Officer

Company statement of changes in equity
For the year ended 28 February 2025

	Note	Attributable to owners of the company				
		Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 March 2023		2,395	633,636	7,052	35,594	678,677
Total comprehensive income for the year		–	–		39,781	39,781
Dividends paid		–	–	–	(36,641)	(36,641)
Shares issued during the year	10	9	14	–	–	23
Transfer to retained earnings		–	–	(2,791)	2,791	–
Share-based payment transactions		–	–	5,708	–	5,708
Balance at 29 February 2024		2,404	633,650	9,969	41,525	687,548
Total comprehensive income for the year		–	–	–	50,077	50,077
Dividends paid		–	–	–	(42,843)	(42,843)
Shares issued during the year	10	7	2,782	–	–	2,789
Transfer to retained earnings		–	–	(1,091)	1,091	–
Share-based payment transactions		–	–	5,049	–	5,049
Balance at 28 February 2025		**2,411**	**636,432**	**13,927**	**49,850**	**702,620**

Notes to the financial statements

1 Accounting policies

The principal accounting policies applied are summarised below.

1.1 Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

The financial statements of Bytes Technology Group plc for the period ended 28 February 2025 were approved and signed by the Chief Executive Officer on 12 May 2025 having been duly authorised to do so by the Board. The company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with FRS 101 and in accordance with the provisions of the UK Companies Act 2006.

1.2 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Bytes Technology Group plc is a company incorporated in the UK under the Companies Act. The address of the registered office is provided on page 199. The company is the ultimate parent company and provides management services to subsidiary undertakings in respect of certain head office functions and requirements, which are recharged as the costs are incurred by the company.

The company's financial statements are included in the Bytes Technology Group plc consolidated financial statements for the period ended 28 February 2025.

These financial statements are separate financial statements.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101:

- The requirements of IFRS 7 Financial Instruments Disclosures
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- The requirement of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Where required, equivalent disclosures are given in the consolidated financial statements of Bytes Technology Group plc. As permitted by Section 408 of the Companies Act 2006, the income statement of the company is not presented as part of these financial statements.

1.3 Going concern

The ability of the company to continue as a going concern is contingent on the ongoing viability of the Group and its ability to continue as a going concern. The Group has prepared its going concern assessment and this is provided in note 1.3 in the notes to the financial statements included in the Bytes Technology Group plc consolidated financial statements. Having assessed the Group's overall assessment of going concern in relation to the company, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the company's financial statements.

1.4 Critical accounting estimates and judgements

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

There are no major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In order to ensure no new sources are missed, estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The other areas involving accounting estimates are:

Impairment of investment

The investment in subsidiary is assessed annually to determine if there is any indication that the investment might be impaired. The recoverable amount is determined based on a value-in-use calculation and compared to the carrying value of the investment. The value-in-use calculation is based on forecasts approved by management. The cash flows beyond the forecast period are extrapolated using estimated long-term growth rates. The forecast cash flows are discounted at the company's discount rate. The recoverable value of the investment is estimated to be the sum of the recoverable values of the two principal operating companies within the Group of which the company is parent as disclosed in note 11 to the notes to the consolidated financial statements of the Group.

1.5 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the company

The Group has applied the following standard or amendments for the first time in the annual reporting period commencing 1 March 2024:

- Classification of liabilities as current or non-current – Amendments to IAS 1
- Non-current liabilities with covenants – Amendments to IAS 1
- Lease liability in a sale and leaseback – Amendments to IFRS 16
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7

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

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 28 February 2025 and have not been adopted early by the company. These standards are not expected to have a material impact on the company in the current or future reporting periods.

- Lack of exchangeability – Amendments to IAS 21
- Classification and measurement of financial instruments - Amendments to IFRS 7 and IFRS 9

The Group is assessing the impact of IFRS 18 Presentation and disclosure in financial statements which, if adopted by the UK Endorsement Board, will be effective for reporting periods beginning on or after 1 January 2027.

1.6 Investments

Investments in subsidiary undertakings are included in the balance sheet at cost less any provision for impairment in value. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. Where these circumstances have reversed, the impairment previously made is reversed to the extent of the original cost of the investment.

1.7 Functional and presentation currency

The financial statements are presented in pounds sterling (£), which is the company's functional and presentation currency. All transactions undertaken by the company are denominated in pounds sterling.

1.8 Revenue recognition

The company provides management services to subsidiary undertakings which are invoiced quarterly in arrears. Revenue from providing such services is recognised in the accounting period in which the services are rendered on an over time basis. In measuring its performance and the amount of revenue to be recognised, the company applies an inputs basis by reference to the costs incurred by the company and the hours expended by management for providing services to the measurement date.

1.9 Income tax

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

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

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

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

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

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

Notes to the financial statements continued

1.10 Property, plant and equipment

Owned assets

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation

Depreciation is recognised in profit or loss for each category of assets on a straight-line basis over their expected useful lives up to their respective estimated residual values.

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

- IT software, three years.

The depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate.

1.11 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, i.e. fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Prepayments and other receivables are stated at their nominal values.

1.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash and cash equivalents at 28 February 2025 includes short-term deposits of £62.3 million (2024: £nil).

1.13 Financial instruments

Financial instruments comprise investments in equity, loans receivable, trade and other receivables (excluding prepayments), investments, cash and cash equivalents, current loans, and trade and other payables.

Recognition

Financial assets and liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instruments.

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

Classification

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

Financial assets are classified as follows:

- Financial assets to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss)
- Financial assets to be measured at amortised cost.

Financial assets are not reclassified unless the company changes its business model. In rare circumstances where the company does change its business model, reclassifications are done prospectively from the date that the company changes its business model.

Financial liabilities are classified and measured at amortised cost except for those derivative liabilities and contingent consideration that are measured at FVTPL.

Measurement on initial recognition

All financial assets and financial liabilities are initially measured at fair value, including transaction costs, except for those classified as FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Subsequent measurement: financial assets

Subsequent to initial recognition, financial assets are measured as described below:

- FVTPL – these financial assets are subsequently measured at fair value and changes therein (including any interest or dividend income) are recognised in profit or loss
- Amortised cost – these financial assets are subsequently measured at amortised cost using the effective interest method, less impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss
- Equity instruments at FVOCI – these financial assets are subsequently measured at fair value. Dividends are recognised in profit or loss when the right to receive payment is established. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

Subsequent measurement: Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

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

Impairment
The company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

1.14 Trade and other payables

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

1.15 Borrowings

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

1.16 Employee benefits

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

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

Share-based payments

Equity-settled share-based payment schemes
Share-based compensation benefits are provided to particular employees of the Group through the Bytes Technology Group plc share option plans.

Employee options
The fair values of options granted under the Bytes Technology Group plc share option plans are recognised as employee benefit expenses in the entities of the Group in which the employees are contracted and providing their services. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options issued that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The company has a recharge arrangement with its subsidiaries whereby the company recharges the amount equal to the share-based payment charge to its subsidiaries according to the vesting schedule.

The share-based payment reserve comprises the fair value of share awards granted which are not yet exercised. The amount will be reversed to retained earnings as and when the related awards vest and are exercised by employees.

1.17 Share capital

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

1.18 Dividends

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

1.19 Rounding of amounts

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

Notes to the financial statements continued

2 Directors' remuneration

Remuneration of directors:	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Directors' remuneration[1]	1,967	1,387
Social security costs	263	168
Pension costs	31	17
	2,261	1,572

1 Directors' remuneration
The amounts comprise fees paid to the non-executive directors and, for executive directors, salary and benefits earned for the period. Further information on directors' remuneration is provided in the directors' remuneration report on pages 112 to 130.

3 Employee costs and numbers

Employee benefit expense:	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Employee remuneration	912	774
Social security costs	109	96
Pension costs	28	25
	1,049	895

The average monthly number of employees during the period was:

	Year ended 28 February 2025 Number	Year ended 29 February 2024 Number
Administration	8	6
	8	6

4 Income tax expense

The major components of the company's income tax expense are:

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Current income tax charge in the year	606	157
Adjustment in respect of current income tax of previous years	(7)	–
Total current income tax charge	599	157
Deferred tax credit in the year	(186)	(113)
Adjustments in respect of prior year	7	(1)
Effect of changes in tax rates	–	(2)
Deferred tax credit	(179)	(116)
Total tax charge	420	41

Reconciliation of total tax charge

The tax assessed for the period differs from the standard rate of corporation tax in the UK applied to profit before tax:

	Year ended 28 February 2025 £'000	Year ended 29 February 2024 £'000
Profit before income tax	**50,497**	39,822
Income tax charge at the standard rate of corporation tax in the UK of 25% (2024: 24.49%)[1]	**12,624**	9,752
Effects of:		
Non-deductible expenses	**46**	(34)
Non-taxable income	**(12,250)**	(9,674)
Adjustments to previous periods	**–**	(1)
Effect of change in rate	**–**	(2)
Income tax charge reported in profit or loss	**420**	41

1 Prorated rate for change in the tax rate from 19% to 25% on 1 April 2023.

Deferred tax assets	**As at 28 February 2025 £'000**	As at 29 February 2024 £'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**(14)**	(30)
Provisions	**–**	8
Share-based payments	**334**	163
	320	141

Deferred tax assets	**As at 28 February 2025 £'000**	As at 29 February 2024 £'000
At 1 March	**141**	25
Credited to profit or loss	**179**	116
Carrying amount at end of year	**320**	141

5 Investment in subsidiaries

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Balance at 1 March 2023, 29 February 2024 and **28 February 2025**	**641,998**	641,998

Subsidiary undertakings

A detailed listing of the company's direct and indirect subsidiaries is set out in note 29 in the notes to the financial information in the consolidated financial statements of the Group.

Recoverable amount of investment in subsidiaries

The recoverable amount is estimated to be the recoverable amounts of the two principal operating subsidiaries disclosed in note 11 to the notes to the consolidated financial statements of the Group. This note also discloses the assumptions used in estimating the recoverable amounts and sensitivities performed. The Group considered that no reasonably possible change in assumptions will result in an impairment.

Notes to the financial statements continued

6 Property, plant and equipment

	Computer software £'000	Total £'000
Cost		
At 1 March 2023, 29 February 2024 and **28 February 2025**	**198**	**198**
Depreciation		
At 1 March 2023	11	11
Charge for the year	66	66
At 29 February 2024	77	77
Charge for the year	66	66
At 28 February 2024	**143**	**143**
Net book value		
At 29 February 2024	121	121
At 28 February 2025	**55**	**55**

7 Trade and other receivables

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Amounts due from other Group companies	–	12,612
Prepayments	**255**	272
	255	12,884

8 Trade and other payables

	As at 28 February 2025 £'000	As at 29 February 2024 £'000
Trade and other payables	**1,933**	2,040
Amounts due to other Group companies[1]	**173**	5,820
	2,106	7,860

1 Amounts due to other Group companies are unsecured, interest free and repayable on demand.

9 Borrowings

On 17 May 2023 the Group entered into a new three-year committed Revolving Credit Facility (RCF) for £30 million, including an optional one-year extension to 17 May 2027, and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity. The new facility incurred an arrangement fee of £0.1 million, being 0.4% of the new funds available. Neither the company, nor any of its subsidiaries, has drawn down any amount on either the previous or the new facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee has been capitalised as a prepayment and amortised over the three-year period of the facility. The facility also incurs a commitment fee and utilisation fee, both of which are payable quarterly in arrears. For further details on the RCF, see note 23(c) in the notes to the consolidated financial statements of the Group.

10 Share capital and share premium

Ordinary shares Authorised, allotted, called up and fully paid	Number of shares	Nominal value £'000	Share premium £'000	Total £'000
At 1 March 2023	239,482,333	2,395	633,636	636,031
Shares issued during the period	874,565	9	14	23
At and 29 February 2024	240,356,898	2,404	633,650	636,054
Shares issued during the period	711,367	7	2,782	2,789
At **28 February 2025**	**241,068,265**	**2,411**	**636,432**	**638,843**

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

11 Information included in the notes to the consolidated financial statements

Some of the information included in the notes to the consolidated financial statements is directly relevant to the financial statements of the company. Please refer to the following:

Note 6 – Auditors' remuneration

Note 24(b) – Dividends

Note 26(a) – Transactions with key management personnel

Note 27 – Share-based payments

Note 30 – Events after the reporting period

Other information

Q

How are AI solutions helping transform the way organisations operate?

A

We're turning AI hype into real-world impact for our customers by identifying practical use cases, integrating tailored solutions, and ensuring ethical, secure adoption that drives efficiency, innovation and long-term value.

Richard Brown
Practice Lead – AI/PP

Glossary

Admission: the admission of BTG's shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market and on the Main Board of the Johannesburg Stock Exchange via secondary inward listing

AI: artificial intelligence

Altron Limited: a public company incorporated and registered in accordance with South African law, with registration number 1947/024583/06

AOP: adjusted operating profit

Bytes: Bytes Software Services Limited, a private limited company incorporated under English and Welsh law, with registered number 01616977

CAGR: compound annual growth rate

Carbon removal credits: higher-quality carbon credit for investments in projects that permanently remove carbon from the atmosphere

CDP: formerly the Carbon Disclosure Project, a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts

Cloud or cloud computing: shared, remotely accessible IT solutions

Company or BTG: Bytes Technology Group plc, a public limited company incorporated under English and Welsh law, with registration number 12935776

CSP: the Microsoft Cloud Solutions Provider programme

CPO: Chief People Officer

CSOP: Company Share Option Plan

CTO: Chief Technology Officer

DBP: Deferred Bonus Plan

disintermediation: direct vendor sales to end customers

EA: Microsoft enterprise agreement

eNPS: employee net promoter score

EPS: earnings per share

ESG: environmental, social and governance

EV: electric vehicle

ExCo: executive committee of

Executive directors: the executive directors of the company, being Sam Mudd and Andrew Holden

Existing customers: customers with which the Group has previously transacted

FCA: Financial Conduct Authority

FRC: Financial Reporting Council

GenAI: generative artificial intelligence

GHG: greenhouse gas

GII: gross invoiced income

GP: gross profit

Group: Bytes Technology Group plc, Bytes Software Services Limited, Phoenix Software Limited and any other subsidiary of the company from time to time

HMRC: His Majesty's Revenue and Customs

HVAC: heating, ventilation and air-conditioning

IPO: initial public offering

JSE: as the context requires, either JSE Limited (registration number 2005/022939/06), a limited liability public company incorporated in accordance with South African law and licensed as an exchange under the South African Financial Markets Act, No. 19 of 2012 (and amendments thereto), or the securities exchange operated by the aforementioned company

License Dashboard: License Dashboard Limited, a private limited company incorporated under English and Welsh law, with registration number 06599902

London Stock Exchange: London Stock Exchange plc

LTI: Long Term Incentives

Main Market: the London Stock Exchange's main market for listed securities

MD: Managing Director

Net zero: our working definition of net zero aligns with the SBTi's science-based Net-Zero Standard, which is to reduce our emissions by 90–95% and use carbon removal credits to neutralise emissions that we cannot remove

Non-executive directors: the non-executive directors of the company, being Patrick De Smedt, Erika Schraner, Shruthi Chindalur, Ross Paterson and Anna Vikström Persson

NPS: net promoter score

Official List: the Official List of the FCA

operating companies: Bytes Software Services Limited, Phoenix Software Limited

Phoenix: Phoenix Software Limited, a private limited company incorporated under English and Welsh law, with registration number 02548628

PSP: Performance Share Plan

RCF: revolving credit facility

REGO: Renewable Energy Guarantees of Origin

SAYE: Save As You Earn (ShareSave – employee share scheme)

SBTi: Science Based Targets initiative

SDGs: Sustainable Development Goals

SECR: Streamlined Energy and Carbon Reporting

Shareholders: the holders of shares in the capital of the company

Glossary continued

TCFD: Task Force on Climate-related Financial Disclosures

TSR: total shareholder return

UK Corporate Governance Code or code: the UK Corporate Governance Code published by the FRC in July 2018, as amended in 2024

UK Listing Rules: the listing rules of the FCA made under Section 74(4) of the Financial Services and Markets Act 2000, as amended

UN Sustainable Development Goals: the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, consists of 17 SDGs. It recognises that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality and spur economic growth – all while addressing climate change and working to preserve oceans and forests

United Kingdom or UK: the United Kingdom of Great Britain and Northern Ireland

VAR: value-added reseller

VAT: value-added tax

vendor: a company that produces software or hardware or supplies services

Company information

Bytes Technology Group plc

A public limited company
incorporated in England & Wales
under the Companies Act 2006
with registered number 12935776

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Financial calendar

Financial calendar

13 May 2025

Release of results for the financial year ended 28 February 2025

2 July 2025 14:00 (BST)

Annual General Meeting

October 2025

Interim results

Endnotes

1 gartner.com/en/newsroom/press-releases/2025-01-21-gartner-forecasts-worldwide-it-spending-to-grow-9-point-8-percent-in-2025
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