BYTES Technology Group

Annual Report and Accounts 2021/22

Team spirit

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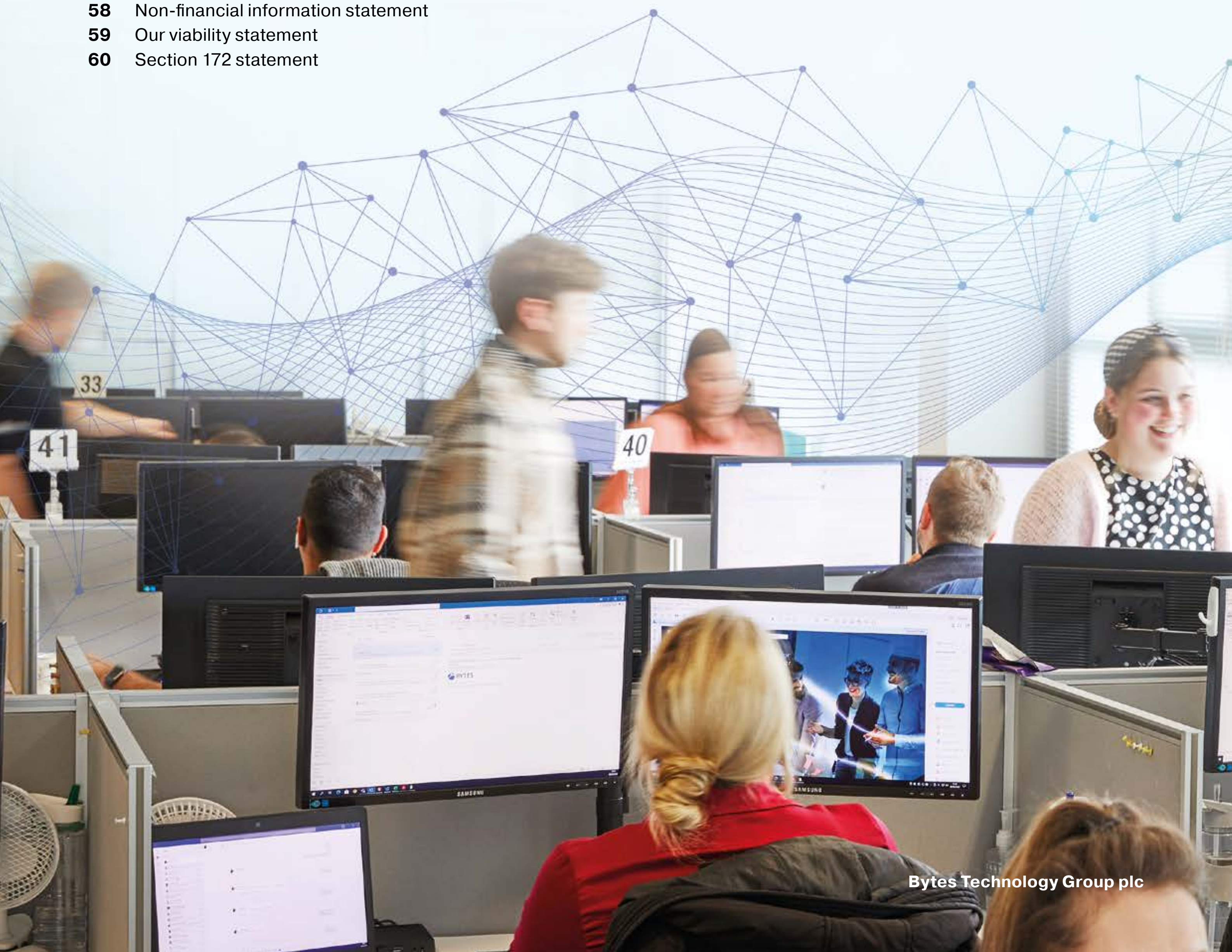
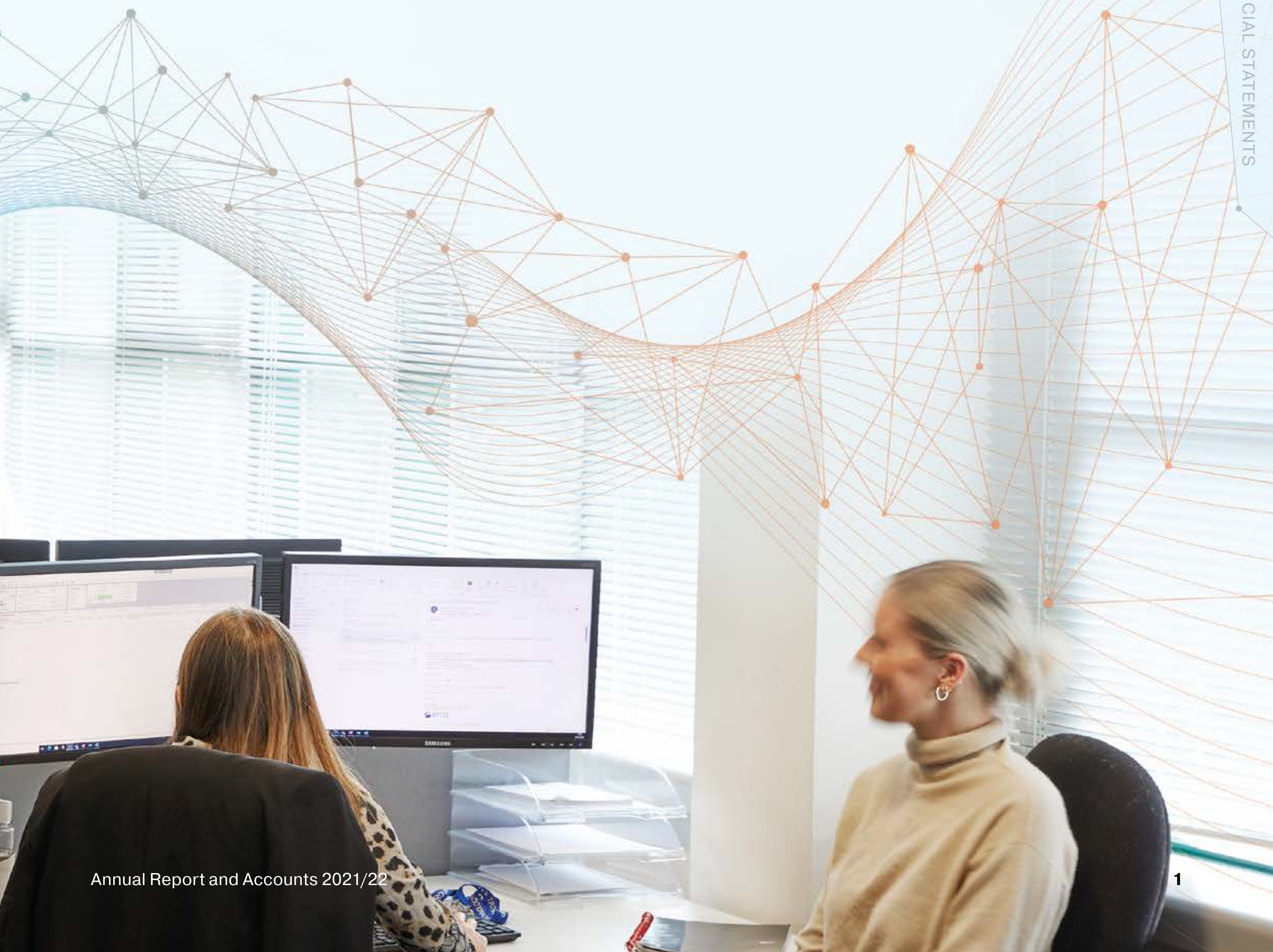


"Partnership is core to our success: among our outstanding people, between our businesses and our customers, vendors and the community. Such collaboration – and the can-do attitude that runs through everything we do – makes us a winning team."

Neil Murphy
CEO



Bytes Technology Group plc (BTG) is one of the UK's leading providers of software, IT security, cloud services and hardware.

We are made up of two companies with one shared culture: Bytes Software Services (Bytes), which supports both private and public sector organisations, and Phoenix Software (Phoenix), which focuses on the public sector.

BYTES PHOENIX

Gross invoiced income[1]

1,208.1m

(2021: £958.1m) **+26.1%**

Gross profit

£107.4m

(2021: £89.6m) **+19.9%**

Revenue[3]

£447.9m

(2021: £393.6m) **+13.8%**

Average gross profit per customer

£20,100

(2021: £17,400) **+15.5%**

Adjusted operating profit[2]

£46.3m

(2021: £37.5m) **+23.6%**

Employees

773

up from 685

Customers

5,330

up from 5,147

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

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

Team spirit infuses everything we do – from the way our people support each other to the partnerships we develop with our customers, vendors and the wider world. It's also behind one of our core values: 'We work together and collaborate across all teams'.

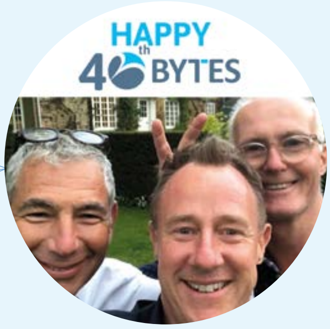
How we work together

Throughout the year, and the business, we worked as a team:

- **BTG's leaders and our business MDs came together in a new Executive Committee** (pages 66 and 74)
- **Several vendors named us as their partner of the year, including Microsoft** (pages 35 and 80)
- **We partnered with Hull City Council to make an online hub to support charities** (page 34)
- **Bytes launched a website to encourage employee feedback** (page 38)
- **Phoenix people took part in a survey confirming it was a 'Great Place to Work'** (pages 5 and 12)
- **We launched a Sharesave scheme to help employees save money for BTG shares** (pages 18, 39 and 79)
- **Bytes and Phoenix aligned behind our low carbon action plan** (pages 36, 44 and 54)
- **We signed up to a volunteering app to make it easier for our people to help good causes** (pages 36 and 42).

> "Our team spirit may start inside BTG, but it doesn't end there. In essence, we work as part of our vendors' teams – while remaining impartial about the IT products we recommend to our customers."

Our team spirit starts flowing from day one, with the comprehensive inductions and social events we run for new starters. And we reinforce this team ethos throughout our employees' time with us. From presenting 'team player' awards to holding 'listening sessions' where employees share their opinions with senior managers, every day we celebrate and embed kind, supportive behaviour.



A family feeling that goes back decades

This helps explain why more than nine out of ten people agreed that 'there is a family or team feeling here' in a recent survey that confirmed Phoenix is a 'great place to work'. It also shines through in that the vast majority of staff across both our businesses said they would recommend working with us, in our latest employee net promoter survey (eNPS).

Such statistics don't just mean that our people enjoy coming to work, it means they're always happy to go the extra mile for our customers. This in turn means that our clients keep on working with us on more of their IT needs and recommending us to other organisations. It also means that, as the IT industry faces a dearth of talent, our turnover rate is just 14%, with many of our people staying with us for 10, 20, and even 30 years.[1] Our CEO, Neil Murphy, for one, has been with us for 25 years.

Bringing our people and vendors together

As we marked our first full year as a listed company, we added the concept of a single team spirit into our processes too, by bringing areas of our two businesses closer together. This included:

- Forming an Executive Committee which, along with Neil, includes our CFO, Andrew Holden, and our two MDs, Phoenix's Sam Mudd and Bytes's Jack Watson
- Standardising HR policies
- Providing opportunities for our businesses to benefit from our strengthened Group-level finance, risk and control environment
- Launching a BTG-wide environmental, social and governance (ESG) and sustainability framework which builds on the businesses' existing corporate social responsibility (CSR) policies
- Creating two steering committees, with representatives from across BTG, to drive our social and environmental commitments.

Our team spirit may start inside BTG, but it doesn't end there. In essence, we work as part of our vendors' teams – while remaining impartial about the IT products we recommend to our customers. With our vendors, we work on promotional campaigns together; give them direct customer feedback; continuously develop our people so they know our vendors' products inside out; and advise and train vendor staff. Our success in staying up to speed with our vendors' portfolios is seen in our high level of accreditations in their products – and the number of our vendor awards. In 2021/22, our clutch of awards included Phoenix winning the Microsoft 2021 UK Partner of the Year title, and Bytes clinching the Darktrace EMEA Partner of the Year award.

1 gartner.com/en/articles/worried-about-employee-turnover-ask-these-6-questions-to-size-your-risk, 24 November 2021

Collaborating with our communities

Our collaborative spirit extends to the global community. As our Board members say in our BTG sustainability framework, we do business with 'integrity, kindness and respect' and believe ourselves accountable to 'both current and future generations'. This ethos guides our people in their long-standing support for our communities: this year, employees raised tens of thousands of pounds for local hospices, cancer research, mental health charities, a special-care baby unit and other good causes, through such means as netball matches, cake sales, fitness challenges, sponsored walks and quizzes.

> "I would like to thank you for all your efforts and commitment to support us. We have ended with a great result which wouldn't have been possible without all your hard work."

Lesley Spencer-Ford
The AA Head of Partner Management

Our people's efforts are encouraged and enabled by our businesses, who:

- Give employees time off to volunteer
- Match fundraising sums
- Have partnerships with local charities
- Sponsor neighbourhood sports teams
- Attend regional university careers events
- Donate IT equipment to local schools and institutions.

And, at Group level, BTG leads the way with strategic pledges that benefit the wider world: such as supporting various corporate social responsibility initiatives and, as we announced in April 2022, aiming for net zero emissions by 2040.

Such sustainable activities – be they important actions that protect the planet, or smaller ones that help local schools – satisfy the expectations of our investors and wider stakeholders. But more than that, they make our employees feel good about the contribution they're making, and proud of each other and of the company. In doing so, in a virtuous circle, they inspire even stronger team spirit.

Our trust-based relationships with our customers

We have worked with many of our customers for years, often moving companies with individual clients. We've built up an extensive knowledge of their businesses and IT estates and developed mutual trust, respect and affection. Our customers know we are not in business for short-term benefit, but genuinely want to help them use technology to work better and save money. And because we offer such a wide range of products and services, they know our IT solutions and expert advice will answer their specific needs.

Our bond with our customers is seen in the ongoing growth in the number of our clients and the amount of work we do for them, and in the rise in our customer NPS rating this year, to 64 from 63 in 2021. It also comes through in their feedback. Lesley Spencer-Ford, The AA Head of Partner Management, echoed the sentiments of many BTG customers when she wrote in early 2022: 'I would like to thank you for all your efforts and commitment to support us. We have ended with a great result which wouldn't have been possible without all your hard work.'

Matchless camaraderie

"One of the great examples of team spirit this year was the Bytes vs Phoenix football match at the home of England's national teams, St George's Park, Burton-upon-Trent.

One of our members of staff had sadly lost her husband and she hung up her gloves at Bytes after 30 years of service. We made St Catherine's Hospice our selected charity in honour of her husband. For those who couldn't attend the game, we have an infamous 5km run around our office in Leatherhead and invited all local staff to walk, jog or run it wearing orange (the colour of the charity). Forty people took part and some even ran 5km 'virtually' from home to join in. This speaks to the heart of how we genuinely care for our own people, promoting wellness inside and outside the organisation."

Jack Watson
MD, Bytes

Our business today

Our successful first full year as a listed company

The past 12 months – our first full year as a listed company – was another successful period for BTG. We achieved strong results, despite the pressures of Covid-19 which continued during the year. And, as we invested in future business growth, we strengthened our governance systems to ensure we are built on robust, long-lasting foundations.

"Our people's enthusiasm for the business and their commitment to our continuing success is unmistakeable."

Growing customer base reflects trust in our business

This year's results reflect the quality of BTG's people, not least the skills of our executive team. Neil Murphy, our CEO, has a deep understanding of our market. His ability to relate to our customers and guide our business to meet their needs, and those of our vendors, has set the customer-focused pattern for our entire workforce. Our new CFO, Andrew Holden, is a good complement to Neil. His combined experience of operations, finance and executive leadership in a listed company, is already helping us become a more efficient and agile business. I would like to thank his predecessor, Keith Richardson, for his dedicated service over more than two decades.

Aligning our two distinctive brands

The executive directors are ably supported by our MDs, Phoenix's Sam Mudd and Bytes's Jack Watson, and their teams. This year, in a positive move, Neil, Andrew, Sam and Jack began meeting monthly as a Group Executive Committee. This committee, which was constituted during the year at a plc level, provides a key link between the Board and the business. It helps to ensure that the management team makes the best strategic moves for the whole of BTG, while we continue to benefit from having two independent and distinctive brands.

Phoenix and Bytes also aligned under BTG's environmental, social and governance framework. ESG issues are significant to our employees, investors and customers, and our framework underlines how important their effective management is to our success. It defines our key ESG issues, the measures we intend to take on each, and how we will monitor our progress. Alongside the framework, we published our carbon reduction plan, achieving an early milestone by reaching carbon neutral emissions through offsetting in March 2022. Building on our offsetting initiatives, we aim to cut our emissions in half by 2026 and, as we announced in April 2022, to be entirely net zero by 2040: we are confident we will achieve this.

Alongside such strategic advances, I must commend the skilful way the senior team managed not only to operate, but to grow, during the Covid-19 restrictions that persisted for much of the year. In just one example, the recruitment and effective induction of scores of new employees during a period of remote working, was well achieved.

Shareholder dividends

As stated, BTG's dividend policy is to distribute 40% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to propose a gross final dividend of 4.2 pence per share. The proposed dividend is £10.1 million. In light of the company's continued strong performance and cash generation, the Board also considers it appropriate to propose a cash return to shareholders with a special dividend of 6.2 pence per share, equating to £14.8 million. If approved by shareholders, the final and special dividend will be paid on 12 August 2022.

Our focus areas

An area of particular focus this year was the ongoing attraction and retention of good people, in a competitive job market. We continued to recruit talented employees, and our eNPS of 69 is very positive. To achieve our strategic growth ambitions, and to go on attracting the best possible employees, we will continue to invest in our people, our culture and our diversity. We also worked to protect our gross profit as a percentage of gross invoiced income which, in the public sector part of our business, can be affected by framework margin caps and competitive tendering for new and renewing contracts. Management is working to address this, in such ways as expanding our IT consulting and managed services offering using internal resources, which generates a higher return than transactional licence sales, and by attaining the highest and widest levels of vendor accreditations to maximise rebates and other available funds. The Board will be focusing closely on both these areas in the coming year. In staying close to our people, the Board benefits particularly from the insights of David Maw, our designated workforce engagement non-executive director.

Strengthening corporate governance

We made good progress in strengthening our governance this year. We welcomed a new non-executive director, Dr Erika Schraner, who brings a wealth of technology and corporate finance experience. Erika's appointment means that 29% of our Board are women. Her membership of the Audit Committee, after David Maw stepped down, also means that all our Audit Committee members are now independent. This makes BTG fully compliant with the UK Corporate Governance Code. We aspire to go beyond the code's requirements with, for example, the FTSE Women Leaders Review's recommendation of 40% female representation on boards by 2025 one of our new targets.

Having carefully scrutinised our legacy risk management framework, and following a competitive tender, we appointed PwC to deliver our internal audit function. PwC brings internal audit expertise and strengthens our assurance function. In a busy year for the Board, we also carried out our inaugural internal Board review, as discussed in the governance report.

> "The market is on our side; customers need the products and services we sell to help them become more efficient, secure and productive."

Our dedicated people and positive market trends support a confident outlook

This year, with the relaxation of Covid-19 restrictions, I was able to meet more of our people. Their enthusiasm for the business and their commitment to our continuing success is unmistakeable. I would like to thank all of them for their efforts during another challenging year.

The 2022/23 financial year started amid geopolitical and economic turbulence with the grave humanitarian crisis arising from the conflict in Ukraine, and the tail of the pandemic and Brexit continuing to cause some uncertainty. However, I am confident that BTG will continue to grow on strong foundations. The market is on our side; customers need the products and services we sell to help them become more efficient, secure and productive. And, as our results, rising customer numbers and vendor awards show, we are increasingly the technology partner organisations want to service their requirements.

Patrick De Smedt
Chair
23 May 2022

Another amazing year for our can-do business

Our great people have done it again. Their skills, can-do attitude and drive have enabled us to deliver double-digit growth in all our key metrics again this year.

"Our ability to keep growing year after year is rooted in the team spirit that – like our proven strategy and high performance – has been a feature of our business for many years."

Neil Murphy
CEO

Strong organic growth, driven by robust customer demand

BTG has delivered another record set of results, with positive contributions from all parts of the business. During the year we continued to strengthen our market position, by deepening our relationships with key software vendors and expanding our expertise in areas such as cloud, security and annuity software and services. These steps enabled us to make meaningful progress against our strategy and ensure our customers continue to receive the highest quality of service.

Our customer numbers rise again, in line with our strategy

As well as being a testimony to our people, our results validate our long-standing strategy and its focus on growing our customer numbers and increasing our share of their IT spend. Both these metrics grew this year: our customer numbers rose from 5,147 to 5,330, with new public sector contracts including City & Guilds, Kettering General Hospital, British Heart Foundation and University College London NHS Trust, and new private sector clients including Boden and Compare The Market.

I believe that our ability to keep growing year after year is rooted in the team spirit that – like our proven strategy and high performance – has been a feature of our business for many years. It is a team spirit with several layers. As well as being members of the BTG family, our people feel a strong allegiance to the brand they are part of, be it Phoenix or Bytes. This year, we have brought our businesses closer together by creating more joint forums and standardising some systems and processes.[1] These initiatives will boost communications, collaboration and efficiency, but will not limit the autonomy of the two businesses. Bytes and Phoenix are – and will remain – two complementary parts of the one BTG team, with different customers, locations and identities.

Our team spirit goes hand in hand with our customer focus. Our 100% commitment to equipping customers with the technology they need to succeed means we become part of their teams and they become part of ours. This virtuous circle explains why many organisations stay with us and why this year we again increased our customer net promoter score – from 63 to 64. As we build on our software heritage to offer a broader service offering, such client loyalty heralds huge potential for us to help our customers more and more.

Leading vendors name us as their partner of the year

We have similarly positive relationships with the IT vendors whose products we sell. We know their businesses, products and services inside out – and ranks of our people have the specialist qualifications to prove it. Reflecting these strengths, Phoenix was chosen – from among thousands of other resellers – as Microsoft's 2021 UK Partner of the Year. This honour says a lot about our investment in our relationship with Microsoft, our largest vendor partner, over many years. But we were not only lauded by long-established vendors. In the rapidly expanding area of artificial intelligence and security, Bytes was named as cyber-defence company Darktrace's Europe, Middle East and Africa partner of the year. As well as being a huge boost for our people, such recognition raises our profile, creates new sales opportunities and makes us the sort of company that exceptional people aspire to join.

We can accept some credit for such successes, but must be more humble in the face of another factor driving our growth – market trends. We're fortunate in having strengths and history in cloud-based services and security – areas which have become highly sought after as demand increases for efficient and secure remote working, sustainable commerce and protection from cyberattacks. We're not complacent, however, as advances in technology come at lightning speed. To ensure we keep ahead of the pace of change, we are continuously learning, revising the way we operate and enhancing the solutions we offer. This ensures that we not only meet current market trends and customer needs, but are able to anticipate and satisfy new ones.

1 These include the new Executive Committee (see operational review); joint business sustainability targets (see Our planet, page 44); and standardised maternity and paternity policies (see Our people page 38).

Adjusted operating profit

+23.6%

Cash

+223.7%

Another amazing year for our can-do business

Growing our team to keep growing our business

Constant investment in our own team is central to such market agility. In 2021/22, we increased our headcount by 88 to 773. Reflecting our intention to expand our services offering, we recruited a significant number of new technical specialists to complement our traditional sales intake. This has deepened our expertise in exciting areas of high demand. Phoenix, for example, launched a new security operations centre to drive our provision of managed security services, while Bytes's recruitment of additional Microsoft Azure specialists enabled us to strengthen our offering in this popular product area.

Investing in technology to enhance customer service

We also invested in our infrastructure. As part of a significant outlay in new technology across BTG, Bytes expanded its use of Microsoft Dynamics' customer relationship management system to incorporate helpdesk ticketing. This will ensure customers who contact us with product or service issues will be dealt with more swiftly and efficiently. Meanwhile, as part of a planned regional expansion, Phoenix is now also working from shared offices in Salford's MediaCity. This will enable us to better serve new and existing customers in the North West and raises our profile with a wider, more ethnically diverse range of potential employees.

An exuberant team culture like ours does not self-generate. Our entire management team focuses continuously on creating the type of positive working environment that inspires our people to deliver. As one of our five values says: 'Let's get business done and have fun doing it'. We worked particularly hard to keep spirits high in 2021/22, when many of our people – and customers – were again required to work remotely for long periods. To keep our people engaged – and to facilitate those 'lightbulb moments' that require collaboration – we made sure they had the tools and opportunities to keep interacting. From introducing Microsoft's Viva platform which – with features like effective meeting tools, ways to praise colleagues and an internal social network – helps replicate office life, to providing regular virtual quizzes and mental wellbeing events, we kept our team together, even when apart.

Making hybrid working work for our people

As restrictions lifted, we welcomed our people back to the office – as social distancing allowed – with parties, team-building events and special treats, including a private cinema showing of a blockbuster premiere. That our efforts paid off is clear, not only in our financial results but, in just two examples, in BTG's high eNPS rating and in Phoenix being certified a 'Great Place to Work' after a large majority of employees took part in the qualifying survey. With hybrid working becoming commonplace, we will continue to invest in our culture and technology, to ensure that our employees continue to have a great working experience whether they are in our offices or at home.

"Our entire management team focuses continuously on creating the type of positive working environment that inspires our people to deliver."

Customer NPS

= 64

Employee NPS

= 69

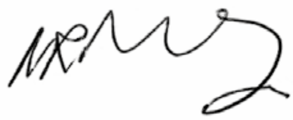
I genuinely believe that our informal and friendly culture means that there is no sense of 'them and us' between our leadership and the wider workforce. In my own immediate team, I am lucky to work with extremely talented and inspiring colleagues, both in our small corporate centre and in our two businesses. I gained another great colleague this year when Andrew Holden joined us as CFO, after 27 years with our former parent Altron. As Patrick has said, Andrew brings a huge amount of invaluable experience from his time as a CFO and COO of a listed IT company. Andrew's arrival was bitter-sweet, however, as it accompanied the departure of our former CFO Keith Richardson, who I worked with closely for more than 20 years. On behalf of all our people, I'd like to thank Keith for his priceless contribution to our culture and success.

The crisis in Ukraine

Our entire team, like the rest of the population, has been shocked and saddened by the humanitarian crisis caused by the conflict in Ukraine. Typically, employees across both our operations have thrown themselves into raising money and dispatching supplies to help the Ukrainian people. From a business perspective, we are protecting our customers from the impact of the conflict by securing them against cyberattacks and staying ready to remedy any threats or security breaches that might occur.

Looking ahead

I would like to thank all of my colleagues who have done an outstanding job supporting our clients through the past year. The progress we have made is a direct result of their efforts and would not have been possible without them. With our growing customer base, strong reputation with key vendors and focus on sustainable growth, our business remains well placed to deliver against our strategy and capitalise on the exciting market opportunities ahead.



Neil Murphy
CEO
23 May 2022

"Our 100% commitment to equipping customers with the technology they need to succeed means we become part of their teams and they become part of ours."

Resilient technology market overrides economic challenges

The IT sector is set to continue growing strongly as technology becomes ever more crucial to maintaining robust operations across all sectors.

The pandemic reminded us all how dependent we are on technology – as videoconferencing took the place of face-to-face meetings, overdue digitalisation projects were fast-forwarded, and cybersecurity became as important at home as in the office.

Bullish medium-term forecasts for the IT industry

Analysts predict this reliance will only grow. "Enterprises are increasingly dependent on technology across all facets of their business and operating models. This is leading to accelerated investments in digital technologies. No sector is immune, and technology is growing in presence across all spheres of the economy, society and government," say technology researchers Gartner.[1] While McKinsey declared in a recent report: "The time is now for companies to make bold investments in technology and capabilities that will equip their businesses to outperform others."[2]

Such sentiments are, unsurprisingly, generating bullish medium-term forecasts for the technology industry. The UK digital transformation market is predicted to be worth almost $69 billion by 2028, on the back of rising demand for cloud computing, artificial intelligence, and the internet of things.[3] The UK information and communications industry, meanwhile, is forecast to spend almost $5 billion on software in 2024, up by more than $1 billion on 2021.[4]

Agile technology companies poised for growth

This year alone, the global technology sector is tipped to grow 5.1%, outstripping its pre-pandemic high. While several other industries are addressing challenges from high energy price-induced inflation and rising interest rates, following the crisis in Ukraine and post-Covid turbulence, the IT market is remaining buoyant. The industry's predicted growth reflects continuing demand for cybersecurity protection, digitalisation and cloud-based services.[5] These trends, which were boosted by the need for staff to work securely and efficiently from home during the pandemic, have remained in play as hybrid working becomes commonplace.

The economic pressures affecting other sectors are, due to the nature of our industry, benefiting agile, well-run technology companies. Cost pressures are leading organisations to seek greater efficiency with better IT; the drive for sustainability is fuelling moves to the cloud, as cloud-backed software does not require organisations to power their own servers and leading cloud providers' servers are more energy-efficient; the increasing complexity of technology is heightening demand for expert advice; and with even cybersecurity experts like Microsoft and Octa not immune from cyberattacks, businesses are prioritising IT security.[6] Even rising fuel costs are less injurious to IT companies like BTG, which deliver most of their products over the net rather than over land, air and sea.

Key trends shaping UK tech

Digitalisation, as customers increasingly choose digital technology to help them become more efficient and effective.

The move to the cloud, as organisations move from physical to internet-based software due to its greater flexibility and more sustainable credentials.

Cybersecurity, as customers seek to protect their organisations from cyberattacks and avoid breaking privacy laws, such as the Data Protection Act 2018.

Cost optimisation, in a resurfacing trend, prompted by market pressures and inflation-linked vendor price rises, along with annual software licensing payments, customers are again paying more attention to their IT costs.

These trends play to BTG's strengths: particularly our strong track record in digital transformation, the cloud and cybersecurity and – through our software asset management teams – in helping customers manage their technology estates cost-effectively.

1 gartner.com/en/doc/tech-providers-2025-strategic-transformation-drives-growth
2 mckinsey.com/business-functions/mckinsey-digital/our-insights/the-top-trends-in-tech
3 grandviewresearch.com/press-release/uk-digital-transformation-market-analysis
4 statista.com/statistics/1275153/uk-software-spending-industry-information-communication
5 gartner.com/en/newsroom/press-releases/2022-01-18-gartner-forecasts-worldwide-it-spending-to-grow-five-point-1-percent-in-2022
6 bloomberg.com/news/articles/2022-03-23/teen-suspected-by-cyber-researchers-of-being-lapsus-mastermind

Software and IT services lead growth

All these factors create opportunities for the IT sector particularly, according to Gartner, the 'enterprise software' and 'IT services' segments. Its analysts predict that enterprise software, which is largely cloud-based, will grow by 11% in 2022 and that IT services, which include consulting and managed services, will expand by almost 8%.[7]

However, the technology industry isn't having it all its own way. While most sectors are facing recruitment challenges post-Covid – following a global wave of job moves dubbed the 'Great Resignation' – given the ever-increasing specialisation of the sector, IT is facing particular challenges to recruit and retain good people. And while many customers are seeking better technology to become more efficient, other struggling businesses are delaying and reducing planned IT programmes.

How we fit into the UK IT sector

BTG is one of the UK's leading value-added resellers (VARs). We sell IT products made by technology manufacturers (or vendors) to private and public sector organisations. Our potential market is vast; UK business-to-business customers buy around 63% of their technology products from VARs and other resellers and distributors. The total UK-wide value of our three focus areas – software (our main specialism), services and hardware – is around £79.2 billion.[8] And as we currently have just a small proportion of UK VAR business – around 2% – and no one company dominates the market, we have great potential to expand.

Selling through companies like ours, rather than directly to customers, offers vendors significant advantages. We can promote their products via our skilled salesforce; market to thousands of existing customers; train and advise vendors; and work with them on promotional campaigns. Such partnerships also benefit us – and our customers – since the discounts and rebates that vendors give us, in return for selling their products, mean we can pass on lower prices to our clients than they would pay themselves. This helps customers keep their IT costs low and deepens our relationships with them.

"The time is now for companies to make bold investments in technology and capabilities that will equip their businesses to outperform others."

McKinsey[9]

Our target segments

Software: we sell two types of software – public cloud software, which is acquired online, typically on a subscription basis, and traditional on-premises software, which is installed and runs on customers' computers and is generally sold on a life-long licence. The cloud software market is now larger than the on-premises software sector, which it overtook in 2020. During the year, software made up 94% of our business.

IT services: these include IT outsourcing, managed services, project-oriented IT consulting and support services, such as IT deployment assistance and training. As tech products become increasingly complex, more and more customers are seeking our services and support to help them manage their technology. IT services represented 4% of our business in 2021/22.

Hardware: this covers a wide range of products, including desktop computers, monitors and keyboards, laptop computers, mobile phones, printers, and infrastructure such as network equipment, servers and storage. Hardware made up 2% of our business this year.

7 gartner.com/en/newsroom/press-releases/2022-01-18-gartner-forecasts-worldwide-it-spending-to-grow-five-point-1-percent-in-2022
8 IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020: Bytes' estimates based on IDC data
9 mckinsey.com/business-functions/mckinsey-digital/our-insights/the-top-trends-in-tech

A business model that works for our stakeholders

Our proven strategy and can-do culture, underpinned by our values and purpose, means our customers, employees and vendors find us easy to work with.

Our roots

Our purpose

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

Our values

Be passionate about our employees, vendors and customers.

Act with integrity at all times.

Work together and collaborate across all teams.

Be **kind and respectful to all** people, all of the time.

Get business done and have fun doing it.

What we do

We are a value-added IT reseller, focusing on security and cloud software developed by leading vendors. To deliver complete tailored solutions, as well as selling software, we provide professional and managed IT services, and hardware.

Our strategy

We aim to grow organically by winning new customers and growing our business with existing ones. We complement this approach, as appropriate, with carefully selected acquisitions that boost our value. This strategy has proven merit, having delivered double-digit growth every year for more than a decade.

Our drivers

An evolving portfolio of products that customers want to buy.

Our network of IT vendor partners.

Long-standing, trust-based relationships with customers, who often recommend us.

Investment in engaged, expert employees with whom customers enjoy working.

A dynamic, customer-focused culture where people can thrive.

Our agile organisation

Bytes Technology Group
Our lean corporate centre provides support and direction on finance, governance, legal, compliance and sustainability matters to our two independent and complementary operating companies, which both focus on software, IT services and hardware.

Bytes Software Services
serving enterprise, small- to medium-sized businesses and public sector customers.

Phoenix Software
serving public sector customers.

Future expansion

In considering acquisitions to complement our offering, we would prefer strategic bolt-on opportunities, rather than ones that need to be integrated into our existing operations. This would suit our existing Group structure and would align with Phoenix and Bytes, which operate largely autonomously. That said, if we identified a promising opportunity that would accelerate our growth aspirations, we would consider an acquisition that required integrating.

Stakeholder benefits

Strong financial performance that rewards all stakeholders.

Satisfied customers, many of whom stay with BTG year on year.

Fulfilled, engaged employees.

Stronger communities.

A healthier planet.

Measured by key performance indicators

Financial

Strategic

Sustainability

A strategy that keeps delivering

HIGHLIGHTS FROM 2021/22

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

Winning new customers

- Customer numbers rose from 5,147 to 5,330
- We grew across both private and public sectors
- New customers included Boden, Compare the Market, University College London NHS Trust and Middlesex University.

Doing more for existing customers

- Established customers generated an additional £10.3 million gross profit
- Customers who asked us to do more included BP, the Prince's Trust, City & Guilds and Zero Waste Scotland
- Our customer net promoter score increased again from 63 to 64.

We focus on three key areas to achieve our strategy:

- **Putting customers first**
- **Investing in our people and our business**
- **Investing in innovation.**

"Our strategy has helped us achieve double-digit growth again this year – and we believe it will keep on delivering for all our stakeholders."

How we keep growing

Our strategy has helped us achieve double-digit growth in all our key metrics again this year – and we believe it will keep on delivering for all our stakeholders. It works because we focus relentlessly on:

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

Our goal is for customers to always think of us first, whatever their IT need. That often starts with just one product but, if we do our job properly and build trusted relationships with customers, we can assist them with an expanded suite of products as we become their expert partner. And, by being a great partner, they'll recommend us to others.

Our December 2020 listing put us in an even better position to grow as – aided by prestigious awards from leading vendors – customers, investors and analysts became more aware of us and our great track record. It also aligned our people even closer to us through share ownership plans and the 2021/22 launch of our Sharesave scheme, which will continue in the coming year.

Our strategy is rooted firmly in our compelling values and our purpose to 'empower and inspire our people to fulfil their potential, so they can help our customers make smarter buying decisions and meet their business objectives through technology'. Underpinning this foundation are our long-standing, trust-based relationships with our customers and vendors, our investment in developing our people, and our dynamic, customer-focused culture. Our strategy is linked to, and measured by, our key performance indicators.

How we drive our strategy

We focus on three key areas to achieve our strategy:

Putting customers first

We put our customers first in all we do. We are committed to helping them find innovative ways to use technology to improve the way they work, save money and deliver a better service to their own users. This means, we always:

- Give them impartial, expert advice for their specific needs drawn on our knowledge of the products and services of hundreds of different vendors
- Go the extra mile for our customers, however big or small the job. We see ourselves as part of their team
- Keep up with changing standards and technologies to meet customers' evolving preferences – from advancing our technical capabilities to developing our environmental and social credentials.

This year our customer focus paid off again, as we increased the number of our customers and the amount of work we do for existing clients. Our customers' great experience with us also encouraged many to recommend us, with our net promoter score (NPS) – which tracks whether organisations would endorse a supplier – growing again this year, from 63 to 64.

Investing in our people and our business

Our people are essential to our success: we need exceptional employees to continue to sell effectively, and we need to keep increasing our headcount – in an incredibly competitive job marketplace – to fulfil our growth ambitions. To achieve this, we:

- Work non-stop to develop, engage and fulfil our people
- Maintain a dynamic, fun and supportive culture, so that our people love working with and feel motivated to do a great job for our customers
- Remain alert for potential acquisitions that would complement our offering and support our strategy – as Security Partnerships did when we acquired them in 2011 and Phoenix Software did six years later.

This year, we recruited scores of new people, significantly expanded our training, development and succession programmes, and rewarded employees from all parts of our business for their great efforts. We kept providing an enjoyable work enviroment, with sports, social activity and celebrations. As a result, staff turnover remained low and employee engagement and satisfaction high, with our employee NPS peaking at 69. No potential acquisitions met our high standards, but we'll keep on looking.

While the potential acquisitions we considered in 2021/22 did not align with our strategic direction, acquisitions remain a key focus in the year ahead.

Investing in innovation

Nothing is as it was ten years, five years, or even two months ago. Major events such as the pandemic, the humanitarian crisis in Ukraine and the climate crisis have affected us all with, for example, greater demand for hybrid working, increased cybersecurity threats, and the need to reduce energy consumption. We invest in innovation to help our customers stay ahead of the pace of change. For instance, we:

- Study market trends and use our technical expertise to develop innovative IT solutions that meet customers' evolving needs and help them update or supplement their technology
- Invest in our capabilities so we can give customers the best possible support
- Advance our expertise by developing partnerships with specialist providers, constantly updating our training, and hiring employees with specific know-how.

This year, we launched new capabilities such as a dedicated security operations centre to help protect our customers from the rising threat of cyberattacks. We also further expanded our knowledge base by, for example, recruiting more Microsoft Azure specialists to strengthen our cloud products and services offering.

> "Our people are essential to our success: we need exceptional employees to continue to sell effectively, and we need to keep increasing our headcount to fulfil our growth ambitions."

Measuring our progress

Financial

Gross invoiced income (GII)[1]
£1,208.1m +26.1%
(2021: £958.1m)

Gross profit
£107.4m +19.9%
(2021: £89.6m)

Adjusted operating profit (AOP)[2]
£46.3m +23.6%
(2021: £37.5m)

Revenue[3]
£447.9m +13.8%
(2021: £393.6m)

Gross margin
24.0%
(2021: 22.8%)

Operating profit
£42.2m +57.0%
(2021: 26.8m)

Cash
£67.1m +223.7%
(2021: £20.7m)

Cash conversion[4]
131.9%
(2021: 130.7%)

AOP as a % of gross profit
43.2%
(2021: 41.8%)

Strategic

Customer numbers
5,330 +3.6%
(2021: 5,147)

Average GP per customer
£20,100 +15.5%
(2021: £17,400)

Renewal rate
111%
(2021: 107%)

Customer net promoter score
64
(2021: 63)

% GP from existing customers
93%
(2021: 95%)

Sustainability

Employee numbers
773 +13%
(2021: 685)

Employee net promoter score
69
(2021: 69)

Aim to direct up to the equivalent of 1% of profits after tax to corporate social responsibility activities

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 Adjusted operating profit' is a non-IFRS alternative performance measure that excludes from operating profit the effects of significant items of expenditure which are non-recurring events or do not reflect our underlying operations. IPO costs, amortisation of acquired intangible assets and share-based payment charges are all excluded. The reconciliation of adjusted operating profit to operating profit is set out in note 2(b) to the consolidated financial statements.
3 'Revenue' is reported in accordance with IFRS 15, Revenue from Contracts with Customers. Under this standard, the Group is required to exercise judgement to determine whether the Group is acting as principal or agent in performing its contractual obligations. Revenue in respect of contracts for which the Group is determined to be acting as an agent is recognised on a 'net' basis i.e., the gross profit achieved on the contract and not the gross income billed to the customer.
4 Cash conversion' is a non-IFRS alternative performance measure that divides cash generated from operations, excluding IPO costs and less capital expenditure (together, 'free cash flow') by adjusted operating profit.

Review of the year

BTG keeps on growing in line with our strategy

2021/22 was another positive 12 months for BTG as we delivered robust results, increased our cash reserves and reinforced our foundations for future growth.

"BTG continued to reap the rewards of our employees' dedication to our customers."

This was an exciting year to become CFO of BTG, a business that I had worked with for many years as its former parent's COO. In a challenging period for the global economy, the efforts and skills of our people enabled us to increase our gross profit by 19.9% on 2020/21, grow gross invoiced income by 26.1% to £1.2 billion, achieve adjusted operating profit of £46.3 million, up by 23.6%, and increase our revenue from £393.6 million to £447.9 million.

Strategic priorities

BTG continued to reap the rewards of our employees' dedication to our customers. We increased the net number of the customers that we serve by 3.6%, from 5,147 to 5,330 and average gross profit per customer increased by 15.5% from £17,400 to nearly £20,100. Gross profit from existing customers rose to £101.5 million, making up 93% of our overall gross profit – exactly the same percentage as in the previous financial year. We retained a strong balance sheet, with cash rising from £20.7 million at the end of 2020/21 to £67.1 million.

We expanded in our priority areas of software, hardware and IT services, which grew by 19%, 50% and 16% respectively, at a gross profit level. We expanded across both the corporate sector, where we grew by 24%, and the public sector, where we were up by 12%. In line with last year, public sector contracts represented 35% of our business, with 65% coming from corporate clients.

The impact on BTG of external events

The crisis in Ukraine and its terrible humanitarian consequences have dominated our lives since this February, and all companies have had to consider the potential impact on their businesses. From a commercial point of view, we have, thus far, been largely unaffected by the economic impacts, although the harrowing news accounts that have affected us all impelled our workforce to send generous donations and supplies to the Ukrainian people.

The diverse spread of our customer base, across all industries and both corporate and public sectors, continues to protect us from downturns in specific areas. We are further insulated by the minimal concentration of our business with any one client. With no organisation accountable for more than 1% of our gross profit, our overall performance is not vulnerable to losing individual customers. Indeed, our low concentration with specific clients is a further reminder of the potential to increase our ratio of business with existing customers.

> "I have been struck by the prevailing sense of shared ownership and pride in the business and of our growth ambitions."

Strengthening our foundations for growth

We invested significantly in our operations to enable us to keep growing. In February 2022, we launched a new security operations centre, in response to strong demand for cybersecurity protection. This will enable us to enhance and expand our managed security services offering. We increased our headcount across both businesses by 88, to reach a total of 773 people, and expanded our training and development programmes. To deliver greater efficiency, we are currently investing in new internal technology, including a new HR system at Bytes and advanced communications equipment for staff. We also utilise new shared office space for Phoenix in Salford, Greater Manchester and created more collaborative space and a new media suite at Bytes's Surrey HQ.

Complementing our lean HQ with external expertise

BTG benefits from a lean corporate centre, which guides our businesses on strategic, finance, governance, legal and regulatory matters and provides the best environment for them to drive innovation and growth. To help us do this effectively, when necessary, we draw on expertise from outside the Group. In 2021/22, for example, we appointed PwC to deliver our internal audit function. Its first task has been to standardise documentation across all control points and to ensure this is further embedded in our people's roles and responsibilities.

The autonomy and strong identities of our two brands are key to their success – not least because of how they engender loyalty among our customers and employees. Their respective strengths were clear this year, from the number of awards and accreditations they each received from leading vendors. We want to maintain their individuality while ensuring consistency and maximum efficiency in areas where it makes sense to share resources – and to do so without causing disruption. This included uniting the businesses, which have their own corporate social responsibility policies and passions, behind BTG's new sustainability framework.

Achieving our ambitions

Last year, we set out our ambition to grow our hardware business. This year, GII for hardware grew 20% and its gross profit by 50%. Given that our software and services GII grew by 26% and 24% respectively, GII from hardware makes up a smaller percentage of the total GII than it did last year. We continue to view the supply of hardware to our existing customer base as an opportunity. However, we acknowledge that with our growth in other segments, current economic uncertainties, and continuing supply chain constraints it will take much longer to achieve our aspirations.

Looking at the ratio of GP/GII, there was a reduction from 9.3% in 2020/21 to 8.9% this year. The main reason for this is our mix of customers: the sale of software products to the public sector has a lower gross profit than similar activities within the corporate sector. In response, we aim to introduce higher-margin IT and security services into this customer base. In doing so, we can help these customers use their software estates more effectively and securely.

Looking ahead with confidence

Since I joined BTG, I have got to know many more of our people than I had been able to in my previous roles. I have been struck by the prevailing sense of shared ownership and pride in the business and of our growth ambitions. That – along with this year's strong results, our continuing investment in the business and positive market trends – gives me firm confidence for the future.

Andrew Holden
CFO
23 May 2022

Phoenix and Bytes power on

Our two businesses expanded on all fronts in 2021/22, as we grew our customer numbers, headcount, offering and aspirations.

Bytes key facts

Employees
455

Customers
3,072

HQ
Leatherhead, Surrey

MD
Jack Watson from 2021

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

Vendors
Five main partners – Microsoft, Check Point, Mimecast, Adobe, Amazon.

Phoenix key facts

Employees
314

Customers
2,258

HQ
Pocklington, Yorkshire

MD
Sam Mudd from 2014

Markets
Predominantly public sector, across a wide range of areas, including central and local government, charities, education, emergency services, healthcare and housing. Their License Dashboard offering has global clients in the US, Canada and Europe.

Vendors
Five main partners – Microsoft, VMWare Global, Dell, Adobe, Sophos.

What Bytes and Phoenix share

Insights and good practice • Industry-leading skills • Can-do culture • BTG's values, strategic ambitions, governance systems and sustainability goals • Representation and engagement in Group Executive Committee and Steering Committees.
They also offer comparable products and services.

They differ, in having their own

Identities • Management teams • Offices • Individual but complementary strategies • Customer bases and markets.

"We work across several cross-functional groups but are still able to retain impartiality for our individual businesses. Such collaboration enables us to share best practice, partnerships, centre of excellence experiences and know-how."

Sam Mudd
MD, Phoenix

Attracting new customers and doing more for existing clients

Both our businesses performed well in 2021/22. Each increased their number of customers, despite the continuing disruption of Covid-19. Phoenix saw customer numbers rise to 2,258, with new customers including The British Heart Foundation and Middlesex University. Bytes increased their client numbers to 3,072, with new customers including Boden, Kensington Mortgages and Compare the Market. Both also gained significant new contracts for existing organisations, with Phoenix growing their business with such established clients as Zero Waste Scotland and Perth & Kinross Council, and Bytes doing more with customers such as The AA, BP and the Prince's Trust. Overall, we saw a 15.5% increase in our average gross profit per customer.

As well as increasing their customer numbers, both businesses also grew their membership of public sector procurement frameworks. Phoenix is now a member of 31 active frameworks, having joined a further six during the year, with Bytes being represented on 13 active frameworks, six of which were new in 2021/22. As framework membership is a crucial step to winning public sector contracts, it creates the means to potential future work.

Growth reflects increased demand for security and cloud products and services

Business was particularly strong in the areas of:

- Cybersecurity, as cybercrime becomes more sophisticated and prevalent
- Cloud-based solutions, as organisations look for more flexible and sustainable IT options
- Subscription software, which is now more widespread than traditional life-long software
- IT services.

The growth in IT services reflects our success in building on our software heritage to answer growing customer demand for expert support, as IT becomes more complex and crucial to secure, efficient operations.

Both businesses expanded their portfolios, to reflect customers' evolving preferences. Phoenix introduced new offerings in managed services and, to help customers manage their IT spend more effectively, in cloud optimisation services. As part of their range expansion, Bytes strengthened their Microsoft Azure offering and relaunched their Cloud Essentials managed services, which cover both Azure and Amazon Web Services. Reflecting a growing demand, particularly in the public sector, for suppliers to have strong ESG credentials, both businesses were eligible to compete for public sector contracts due to BTG's strong ESG position. (See case study.)

"We are perfectly positioned for today's market. Our skills and track record in security, the cloud and hybrid working are an ideal match for what customers want. We also have great relationships with vendors in these areas."

Jack Watson
MD, Bytes

Phoenix and Bytes power on

Investing in our people and our operations

In line with BTG's strategy, both Phoenix and Bytes intend to keep on growing – and to do that, they need to continue increasing the size and skills of their workforce. During the year, both businesses invested strongly in recruiting and developing their people, with Phoenix growing headcount by 56 to 314 and Bytes increasing their people by 26 to 455. (For more about our investment in people see pages 38 to 41). Reflecting our growth ambitions, Phoenix began working from a shared-office environment in Salford's MediaCity to support and attract customers in the North West and to widen their recruitment footprint. The business plans to build on this regional expansion with the opening of our first Scottish office in the 2022/23 financial year. During the year, to get in the best shape for growth by making communication and collaboration easier, and reducing duplication, Bytes combined core teams. No roles were lost. Reflecting the demands of their growing organisation, both businesses grew their HR functions, with Bytes also expanding their marketing group.

> "Two areas where we have particularly benefited from our collaboration with Phoenix have been in environmental and social issues – where, by working together, we have been better able to reflect the value we bring – and in developing technology, where we can share expertise with each other."

Jack Watson
MD, Bytes

The two businesses also invested significantly in IT, both the technology we use to serve our clients and that used by our people. Phoenix, for example, launched a security operations centre to help protect customers from the growing threat of cyberattacks. (See case study.) And, as part of an extensive upgrading of their office technology, Bytes began rolling out Windows 11, Microsoft's new operating system. As well as making the workplace more efficient, familiarity with Windows 11 will enable them to discuss the software knowledgeably with customers. Both businesses also continued to formalise and streamline their processes and systems, to support their expansion.

> "In line with BTG's strategy, both businesses intend to keep on growing – and to do that, they need to keep on growing the size and skills of their workforce."

Closer collaboration and expertise sharing

While operating successfully as independent businesses, Bytes and Phoenix are finding new ways to collaborate. During the year, for example, Phoenix's sharing of their learnings from a six-month trial of Microsoft Viva, enabled Bytes to adopt the employee experience platform technology swiftly and efficiently. The MDs, Phoenix's Sam Mudd, and Bytes's Jack Watson meet formally every month and are part of a new BTG Executive Committee, alongside our CEO, Neil Murphy, and our CFO, Andrew Holden. Phoenix and Bytes are also united under the Group's new Sustainability and ESG framework (for more, see the sustainability review), and are standardising some of their internal policies, such as their maternity and paternity benefits (for more, see Our people, page 38).

"I am truly inspired by what our teams have delivered this year. We have hired significant numbers and evolved our systems and processes to be prepared for our next stage of growth."

Sam Mudd
MD, Phoenix

New Phoenix security operations centre helps fight cybercrime

Ben Rayner, Director of Managed Services and Solutions, talks about what Phoenix is doing to protect customers from cyberattacks.

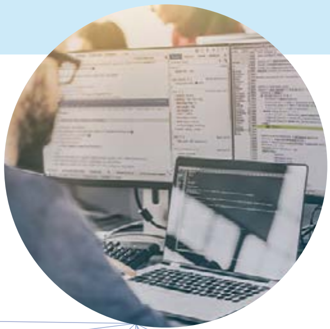
"Throughout the country, there are an increasing number of security breaches, hacks and malware attempts, such as the NHS suffered a few years ago with the WannaCry ransomware attack.

This is a growing worry for organisations. Even if they have cybersecurity systems, they often don't have the skills to manage them effectively in-house. This is such a fast-moving world that staying ahead is a real challenge.

To give customers the confidence that they are effectively monitoring and fending off security threats, we launched a new security operations centre (SOC) in February 2022. This is staffed by expert security consultants who monitor client networks and identify suspicious activity. We recruited some of these skilled staff externally, while others received specialist training after being in other managed services roles.

Our launch of the SOC coincides with – and enables – the launch of our new managed security service, which is built around Microsoft's Sentinel platform. We work with customers who subscribe to this service to monitor, detect and provide alerts about security incidents across their networks.

The SOC is a significant investment, which we have been planning for 18 months. It will allow us to expand – and have greater control over – our range of managed security services, which are currently provided by third parties. With cyberthreats becoming ever more aggressive and sophisticated, we are expecting great demand for this new offering."



SOMERSET
County Council

Bytes equips public sector staff with the right IT tools – and helps the community

Richard Read, Bytes's Head of Public Sector, explains how the business put bespoke computers in the hands of Somerset County Council's multi-disciplinary team.

"Helping customers get exactly the right IT for their needs is central to our work. So, when Somerset County Council asked us to replace their employees' laptops, making sure staff were matched with exactly the right IT was a key part of the job.

We had to really get under the skin of what the different jobs involved, finding out – for instance – that fieldworkers needed mobile equipment; social care workers had to have devices with pens that children could use to draw on; and office staff required desk-based machines. Having established which employees needed which machines, we then evaluated different devices for each type of work and piloted them with technology champions across the council.

After we had selected the right equipment, as part of our device-as-a-service offering, we then used Microsoft's Windows Autopilot to set up individual employee profiles on each of the 3,500 computers, tagged and registered each one, and delivered them to the council's people across the region. By sending the devices directly to the staff, rather than via the council, we shortened the distribution supply chain and as a result saved the associated carbon emissions.

We refurbished many of the laptops and returned them to the council who gave them to local charities, schools, adult social care projects and care leavers. Through our efforts we helped these deserving causes and in the process reduced landfill.

This was a great project. It was very rewarding to know that, as well as helping the council's staff become more mobile, agile and productive, we had also helped to reduce their carbon footprint."

How we performed in 2021/22

Income statement	2021/22 £'m	2020/21 £'m	Change %
Gross invoiced income (GII)	**1,208.1**	958.1	26.1%
GII split by product:			
Software	**1,136.0**	899.2	26.3%
Hardware	**28.8**	24.1	19.7%
Services internal[1]	**21.8**	18.3	18.9%
Services external[2]	**21.5**	16.5	30.2%
Netting adjustment	**(760.2)**	(564.5)	34.7%
Revenue	**447.9**	393.6	13.8%
Revenue split by product:			
Software	**393.8**	348.1	13.1%
Hardware	**28.8**	24.1	19.7%
Services internal[1]	**21.8**	18.3	18.9%
Services external[2]	**3.5**	3.1	15.5%
Gross profit (GP)	**107.4**	89.6	19.9%
Gross profit/GII%	**8.9%**	9.4%	
Gross margin %	**24.0%**	22.8%	
Administrative expenses	**65.2**	62.7	3.9%
Administrative expenses split:			
Employee costs	**53.5**	45.4	17.7%
Other administrative expenses	**11.7**	17.3	(32.2%)
Operating profit	**42.2**	26.8	57.0%
Add back:			
Share-based payments	**2.5**	1.0	150.0%
Amortisation of acquired intangible assets	**1.6**	1.6	0.0%
IPO costs	**0.0**	8.1	(100.0%)
Adjusted operating profit	**46.3**	37.5	23.6%
Finance costs	**(0.6)**	(0.2)	225.4%
Profit before tax	**41.6**	26.6	55.9%
Income tax expense	**(8.7)**	(6.7)	29.5%
Effective tax rate	**21.0%**	25.2%	
Profit after tax	**32.9**	19.9	64.8%

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

Overview of 2021/22 (FY22) results

Our second year as a FTSE-listed company has seen continued double-digit growth across all our key performance measures, reinforcing the strong start the Group made as a new listed entity last year. 2020/21 (FY21) laid down new foundations and a different way of working with our customers and partners due to the onset of the Covid-19 pandemic and created the platform for us to expand and evolve further in this financial year.

With a strengthening economy, and hybrid working widespread across our whole customer base, opportunities have emerged to become more fully engaged with our customers, supporting them in their move to the cloud and with more sophisticated and resilient security, support and managed service solutions. This has resulted in adjusted operating profit (AOP) growing by 23.6% year on year from £37.5 million to £46.3 million. This measure excludes the impact of certain large or one-off items, which do not reflect the underlying performance of the Group. Operating profit increased by 57.0% to £42.2 million (FY21: £26.8 million), noting that FY21 included one-off IPO costs of £8.1 million.

Gross invoiced income, revenue and gross profit

Gross invoiced income (GII)

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

GII has increased by 26.1% year on year, with growth spread across all areas of the business, software, services and hardware. Software remains the core focus, once again contributing 94% of the total. The Group benefits from a substantial presence in the public sector, with continued high levels of government investment in IT technologies resulting in that part of our GII increasing by £191.0 million, up 36%, to £726.6 million (FY21: £535.6 million). Our corporate GII increased by £59.1 million to £481.5 million (FY21: £422.5 million), still representing a healthy 14% rise.

As a result, our overall GII mix has moved slightly more in favour of public sector, at 60% against corporate of 40%, (56% and 44%, respectively in FY21).

Revenue

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

The netting adjustment has been made on a consistent basis in both the current and prior periods. While GII is showing a growth of 26.1%, revenue (net of IFRS 15 adjustment) is showing lower growth of 13.8%. This difference primarily reflects the ongoing and accelerating trend towards sales of cloud-based software and critical security software, where we are seen to be acting as agent, rather than principal. We expect this trend to continue and have been investing highly in our technical skills and technical certifications around these areas which generate new and growing gross profit opportunities.

Gross profit (GP) and GP/GII%

Gross profit increased by 19.9% to £107.4 million (FY21: £89.6 million). While growth in GII was greater in the public sector, at GP level the greatest growth was from our corporate customer sectors. Corporate GP grew by of 24% to £70.0 million (FY21: £56.2 million) with a 1.3% rise in the corporate GP/GII% to 14.5% from 13.2%.

In the public sector, GP grew by 12% to £37.4 million (FY21: £33.4 million) with a 1.1% reduction in GP/GII% from 6.2% to 5.1%. This reduction can be ascribed to increased competition, particularly when winning new deals and renewing existing contracts in a competitive tender environment. Where new large agreements have been won at a lower margin, management is acutely focused on tracking these customers individually to ensure that the strategy delivers value for them, the business, and our other stakeholders by complementing them with higher margin services over the duration of the contract. Further, with low debtor days and virtually no bad debts, the public sector remains a low-risk area in which to conduct a significant share of the Group's business.

Our overall GP mix therefore moved slightly in favour of the corporate sector due to the GP/GII% changes, contributing 65% versus the public sector's 35% (63% and 37%, respectively in FY21).

Our overall GP/GII% reduced slightly from 9.3% to 8.9%. It is our key priority to maintain and then increase this measure from the current level by focusing on selling our wide range of solutions offerings and higher margin security products and maximising our vendor incentives through achievement of technical certifications.

GP/Revenue% on the other hand has increased to 24.0% (FY21: 22.8%) because of the increasing size of the netting adjustment which reduces revenue but does not impact on GP.

Our strong presence in both the corporate and public sectors makes us resilient to different levels of demand, where one area's performance can compensate for or complement the other's. Our public sector business has performed strongly over the last 24 months, in central and local government and in the NHS, while the corporate sector team has seen a positive upturn in FY22 following some reduced investment in the initial phases of the Covid-19 pandemic.

How we performed in 2021/22

At the end of FY21 we reported 5,147 current customers; we are pleased to report a net gain of 183 (3.6%) new customers in this reporting period, bringing our total customer base to 5,330. In FY22, 93% of our GP came from customers that we also traded with last year at a renewal rate of 111% (which measures the GP from existing customers this year compared to total GP last year). At the same time, we increased gross profit per customer from £17,400 to £20,100. We continue to focus on our customer NPS which has increased from 63 to 64, and which has contributed to our ability to retain customers.

Administrative expenses

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

Employee costs

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

Another successful strategy that has borne fruit is where we look to promote and expand from within, giving our people careers rather than just employment. This, in turn, has created long tenure from our employees that align with the long relationships we have with our customers, vendors and partners. This is at the very heart of our low employee churn rate, the growth in gross profit per customer, our high customer retention rate, and our exceptional customer NPS, while our employee NPS has been maintained at a very positive 69 across the past two years.

Employee costs included in administrative expenses rose by 17.7% to £53.5 million (FY21: £45.4 million), and excluding share-based payments, rose by 14.5%, lower than the 19.9% rise in GP and reflecting the balanced and proportional way in which vital staff investments are – and will continue to be – made. In H2 FY22 we welcomed our new graduate and apprentice sales intake, which should see us well placed to continue our growth trajectory. Across the year we saw our total staff complement rise from 685 to 773.

Other administrative expenses

Other administrative expenses reduced by £5.6 million to £11.7 million (FY21: £17.3 million) but after excluding the £8.1 million of IPO costs in FY21 there was an increase of £2.5 million year on year (FY21 adjusted: £9.2 million). This increase included additional spend on internal systems, professional fees, staff training, welfare and recruitment fees. This reflects the costs of running and investing in a growing organisation and a full year's expenditure related to operating a listed Group, including evolving our governance structure, controls and processes with the support of our professional advisors.

Travel and entertaining expenses have not yet reverted to pre-lockdown levels and are still broadly in line with those experienced last year. As our employees and customers return to work, we expect these costs to increase gradually in FY23.

We have come through the year with only minimal bad debt write-offs and maintained our credit loss provision at the previous year's level of £0.75 million on 28 February 2022.

Adjusted operating profit and operating profit

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

- Share-based payment charges as these do not arise from ordinary operating activities and whilst new employee share schemes are being launched the charge to the income statement will increase each year
- Amortisation of acquired intangibles as this cost only appears as a consolidation item and does not arise from ordinary operating activities
- IPO costs as these were a substantial one-off cost in FY21 and are non-recurring.

We believe that adjusted operating profit provides a more meaningful measure to evaluate our profitability, performance, and ongoing quality of earnings. Adjusted operating profit in FY22 increased to £46.3 million (FY21: £37.5 million), representing growth of 23.6%.

Our operating profit increased from £26.8 million to £42.2 million equating to an increase of 57.0%. This substantial rise is primarily due to the one-off costs of the IPO last year amounting to £8.1 million, partly offset by a £1.5 million increase in share-based payments' costs following the introduction of share schemes during the year.

Adjusted operating profit as a percentage of GP is one of the Group's key alternative performance indicators, being a measure of the Group's operational effectiveness in running day-to-day operations. We set a target of no less than 40% and we have again achieved this, with a ratio of 43.2% (FY21: 41.8%).

Income tax expense

The effective rate of corporation tax charged for the year is 21.0% of profit before tax. Excluding the impact of the non-deductible share-based payments costs and amortisation of intangibles, the underlying adjusted rate reverts to close to 19%. The higher rate of 25.2% in FY21 also reflects the impact of the IPO costs which were non-deductible.

Balance sheet and cash flow

Summary balance sheet	As at 28 February 2022 £'m	As at 28 February 2021 £'m
Property plant and equipment	**8.0**	8.3
Intangible assets	**42.8**	44.4
Other non-current assets	**1.1**	1.7
Non-current assets	**51.9**	54.4
Trade and other receivables	**157.6**	106.7
Cash	**67.1**	20.7
Other current assets	**6.9**	7.8
Current assets	**231.6**	135.2
Trade and other payables	**217.6**	157.1
Lease liabilities	**0.2**	0.2
Other current liabilities	**14.5**	10.3
Current liabilities	**232.3**	167.6
Lease liabilities	**1.0**	1.2
Other non-current liabilities	**2.7**	4.1
Non-current liabilities	**3.7**	5.3
Net assets	**47.5**	16.7
Share capital	**2.4**	2.4
Share premium	**633.6**	633.6
Other reserves	**3.1**	0.3
Merger reserve	**(644.4)**	(644.4)
Retained earnings	**52.8**	24.8
Total equity	**47.5**	16.7

Closing net assets stood at £47.5 million (FY21: £16.7 million).

While the balance sheet shows a small net current liability position at year end, a portion of the current liabilities, amounting to £28 million, relates to money received from customers in advance for future services and project work. This will be released to the income statement when the work is delivered, and the related delivery costs will be expensed at the same time. Hence this element will not result in an immediate cash outflow and, where delivery is carried out by our internal resources, the staff costs will be absorbed into our operational cash flow.

The Group has maintained its historic track record of strong discipline and good practices in cash collection built up over many years, which minimises risk in the debtors' book. Accordingly, it achieved average debtor days of 33 across the reporting period (FY21: 33), backed up by only minimal write-offs during the year.

Our cash position remained positive throughout the 12 months. However, if required, the Group does have in place an external revolving credit facility, with £40 million of funds available at 28 February 2022 which will reduce to £30 million for a further 12 months from December 2022. The facility was put in place at the time of the IPO and has never been used.

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

Cash flow	2021/22 £'m	2020/21 £'m
Cash generated from operations	**61.7**	49.6
Payments for fixed assets	**(0.6)**	(0.6)
Free cash flow	**61.1**	49.0
Net interest paid	**(0.5)**	(0.1)
Taxes paid	**(9.1)**	(10.2)
IPO costs	–	(8.1)
Proceeds from issues of shares	–	8.3
Deferred consideration payments	–	(16.7)
Lease payments	**(0.3)**	(0.3)
Dividends	**(4.8)**	(48.6)
Net increase/(decrease) in cash	**46.4**	(26.7)
Cash at the beginning of the year	**20.7**	47.4
Cash at the end of the year	**67.1**	20.7
Cash conversion	**131.9%**	130.7%

Cash generated from operations was £61.7 million and after outflows for taxation (£9.1 million), finance costs (£0.5 million), capital expenditure (£0.6 million), and the interim dividend (£4.8 million), the Group finished FY22 with a cash balance of £67.1 million (FY21: £20.7 million).

The FY21 cash flow included IPO costs and settlement of share scheme deferred consideration amounts which were one-off items, not repeated in FY22. The substantial dividends paid in FY21 included a one-off and final pre-IPO dividend of £30 million to the Group's former parent, Altron, in addition to further payments under Altron's standard dividend policy. This year's payment is the interim dividend for FY22 of 2 pence per share, paid in December 2021.

How we performed in 2021/22

As part of its focus on managing working capital, the Group measures its cash conversion by dividing cash generated from operations, less capital expenditure (together as 'free cash flow') by adjusted operating profit. For this period the Group achieved a healthy cash conversion ratio of 131.9% (FY21: 130.7%). While the ratio can be sensitive to even small delays in payment from customers, the Group targets a sustainable cash conversion ratio above 100%, which has been achieved.

Financial key performance indicators

We have set out below summaries of the financial KPIs we use to measure and track our progress, noting that the Group uses a mix of statutory performance measures and alternative performance measures (APMs) to understand and respond to changes.

Financial KPIs	2021/22 £'m	2020/21 £'m	Change £'m
Gross invoiced income (GII)[1]	**1,208.1**	958.1	26.1%
Revenue	**447.9**	393.6	13.8%
Gross profit (GP)	**107.4**	89.6	19.9%
Gross margin %	**24.0%**	22.8%	
Operating profit	**42.2**	26.8	57.0%
Adjusted operating profit (AOP)[1]	**46.3**	37.5	23.6%
AOP/GP %[1]	**43.2%**	41.8%	
Cash	**67.1**	20.7	223.7%
Cash conversion[1]	**131.9%**	130.7%	

1 Alternative performance measures which are explained above.

These all demonstrate improvements over last year, with strong double-digit growth. This has provided the basis on which the Group is able to make its FY22 dividend declaration.

Proposed dividends

As stated above, the Group's dividend policy is to distribute 40% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to propose a gross final dividend of 4.2 pence per share. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 28 February 2022, but not recognised as a liability at the end of the financial year, is £10.1 million. In light of the company's continued strong performance and cash generation, the Board also considers it appropriate to propose a cash return to ordinary shareholders with a special dividend of 6.2 pence per share, equating to £14.8 million. If approved by shareholders, the final and special dividend will be payable on Friday, 12 August 2022 to all ordinary shareholders who are registered as such at the close of business on the record date of Friday, 29 July 2022.

Working in partnership with our customers and vendors

Our continuing success reflects the close, trust-based relationships we have with two core communities: our customers and our vendors.

Our customers

Our keen customer focus helped us strengthen three key measures this financial year – our number of customers, the share of their business and our customer net promoter (NPS) score.

In 2021/22, in line with our strategy of winning new customers and growing our business with existing ones, we:

- We transacted with 5,330 customers in 2021/22 against 5,147 in the prior year. Although some customers do not transact each year, we still had a net gain of 183. Our average gross profit per customer increased from £17,400 to £20,100. Our new customers included Boden (see case study below), British Heart Foundation, Compare the Market and Forestry Commission England.
- Grew our renewal rate – which tracks the increase in our share of business with existing customers – from 107% to 112%.[1] In 2021/22, we did more for such established clients as The AA, BP, Zero Waste Scotland and City & Guilds. Overall, we saw a 15.5% increase in our average gross profit per customer
- Increased our NPS score – which measures the ratio of organisations who would recommend us to others – from 63 to 64.

Looking good with Boden

Bytes Account Manager Nick Tottenham-Smith discusses how the business worked with online fashion retailer Boden to keep their data, people and customers secure.

"Boden asked us to review their IT security and data strategy as they had upgraded their internal systems and wanted to be sure that the business was still protected effectively.

We analysed their security systems, partly through holding workshops with the client, and assessed the robustness of their products. We then recommended solutions to strengthen the security of their network, email security, enhanced data classification and identity management.

Because we partner with major security vendors, while not being tied to any one supplier, we were able to pass on significant price savings to Boden.

Bytes has a great track record in security software, having worked for 25 years in its licensing, technical delivery, asset management and implementation. But it's always very satisfying to work with – and please – a new client. The security and account management team were delighted with the customer's positive feedback and that we will go on providing them with consultancy services and manage their enterprise software licensing."

1 'Renewal rate' is defined as gross profit from existing customers divided by total gross profit in the previous financial period.

"Bytes have provided exceptional account management on all of our enterprise licensing products and delivered expert advice on a range of security tools. We will continue to work with them to develop our security strategy."

Lalit Mandalia
Head of Technical Services, Boden

Working in partnership with our customers and vendors

"We continued to work hand-in-hand with our leading vendor partners to build our knowledge of their technologies and products and enable BTG, them – and our customers – to thrive."

A passion for helping customers use IT to improve their working lives

The growth in these key metrics reflects the centrality of our customers to our purpose, our strategy and our business. We're passionate about helping them to use technology to make life better for themselves and their users; to save money; to stay secure and, increasingly, to help them run their organisations in a more sustainable way.

Our growth also reflects our expertise in products and services in four areas of significant and growing demand: security, cloud, digitalisation and cost optimisation. Our knowledge of numerous products and services – and our strong partnerships with leading IT vendors – also means we can give our customers the best solutions and impartial advice to meet their specific needs. We also make it our job to keep up with changing preferences and new technologies and standards, by immersing our people in continuous learning and training. This means that we, and our customers, can stay ahead of the pace of change.

We are not just suppliers to our customers; we are their partners. However, although a lot of our clients have been with us for years, we know they are not tied to us. The IT marketplace is extremely competitive and we are careful not to become too dependent on a specific organisation. No one customer represented more than 1.0% of our gross profit in 2021/22, with our top ten clients making up less than 10%.

Supporting customers beyond the office

Reflecting our close relationships with our customers, our efforts extend beyond the main projects they sign up for. We support the wider communities of our public sector customers with social value offerings ranging from pro bono website support (see case study) to free digital security seminars.

In 2021/22, 65% of our gross profit was from the corporate sector, which typically generates higher gross profit margins than the public sector. Alongside this sector split, we serve a great variety of organisations. Our corporate sector customers include a broad spectrum of small, medium and enterprise organisations, with our public sector base coming from such spheres as education, housing, charities, healthcare, housing, and central and local government.

Hull City Council

Helping charities help others

Keith Martin, Phoenix Sales Director, explains how the business is working with long-standing customer Hull City Council to develop an online hub that is helping local charities – and providing an innovative approach to the social value requirement of public sector contracts.

"During the pandemic, the charity sector was hit hard, and in discussions with Hull City Council, it was clear that they wanted to support the charities in their region as they provide critical services.

So, as part of their Microsoft contract renewal, we are working with the council to build a SharePoint site for charities in the region. The site includes a wealth of resources: from information about the discounted software deals that charities are entitled to through to bite-sized videos on topics such as LinkedIn profile writing training. The authority will also use the site to share news, provide access to non-IT resources, and act as an interface between themselves and the large number of local charities.

Our next piece of work is to survey charities across the region to get a better understanding of their digital skills. Then we hope to provide free, custom workshops to help them make best use of the technology they have."

Our vendors

We continued to work hand-in-hand with our leading vendor partners to build our knowledge of their technologies and products and enable BTG, them – and our customers – to thrive.

We are independent of the vendors whose products we sell. This independence means our customers trust us to provide impartial advice when we make recommendations for products and services. However, in many ways, we work as partners with our vendors. Such as in sharing industry knowledge and working jointly with leading manufacturers, like Dell Technologies, to assess individual clients' needs and propose technology solutions to meet them. We also collaborate with vendors to strengthen our mutual understanding of the challenges facing customers and the technologies that can help. In 2021/22, for example, Bytes presented a series of virtual seminars for vendors around the themes of modern workplace, hybrid infrastructure and security, and kicked off the new financial year with Impact 22, a learning and networking event attended by representatives from 17 leading vendors.

Vendor recognition of our service and abilities

We continually invest in our people's training and development so they can promote our vendors' products knowledgeably and skilfully. This learning, and our sales prowess, has continuously garnered accreditations for us. In 2021/22 these included our combined businesses increasing their number of Microsoft advanced specifications to 11, in areas ranging from threat protection to adoption and change management, and Bytes being named data security company Varonis' first UK Platinum Partner. Phoenix continues to hold the the highest level of Microsoft accreditation, as an Azure Expert Managed Service Provider – the only such UK provider focused predominantly on the public sector.

The value we bring to our vendor relationships was further demonstrated by the receipt of many coveted awards, including Phoenix being named UK Partner of the Year by Microsoft in 2021 (see case study) and Bitdefender UK Public Sector Partner of the Year, and Bytes becoming cybersecurity company Darktrace's EMEA Partner of the Year and scooping the Megabuyte Best Performing Company Value Added Reseller of the Year award.

Our vendor partners: a snapshot

BTG's vendors make or distribute the software, hardware and other IT products that we sell to our customers.

We have more than 100 vendors, some of whom we've worked with since before the millennium, others in newly emerging areas, such as artificial intelligence, who are recent partners. To meet current customer demand, we focus on suppliers specialising in products for cloud computing, cybersecurity and IT infrastructure.

Microsoft is our biggest vendor. We focus on their higher-growth product portfolio, including Azure, Microsoft 365, Dynamics 365 and Azure Sentinel and, in 2021/22, our resale of their products represented 50% of our gross profit. Our other vendor partners include Adobe, Citrix, Mimecast, Oracle, Palo Alto, Snow, Veritas and VMWare.

> "Phoenix Software really wowed the judges this year with how they stepped forward to support their public sector customers, delivering at speed when they needed it most."
>
> **Microsoft**
> announcing Phoenix's award as their UK Partner of the Year

Being the 'best of the best'

Sam Mudd, Phoenix MD, discusses what it meant for the business to be named 2021 Partner of the Year by Microsoft.

"Winning this award was a pivotal moment for our business. Not only is it a testimony to our agility and the hard work of every member of our team, it's a clear reflection of the importance of what we've delivered for our customers.

Given Microsoft's dominant role in the UK public sector, their recognition that we are the 'best of the best' has consolidated our own position. It has opened up many introductions to potential customers through the Microsoft team and is providing a foundation for us to grow further, build our offerings and solutions, and provide scale and capability as the UK continues to recover from Covid-19.

And, in a really competitive job market, it has raised our profile with employees and helped us attract people with great technical, sales and marketing skills. The award has brought so many benefits to the entire business and we are incredibly proud to have received it."

Putting sustainability at the heart of our business

Our focus on sustainability starts at the very top. As our Board members say in our new sustainability and ESG reporting manual: 'Sustainability remains core to our strategy and is underpinned by our values'.

HIGHLIGHTS FROM 2021/22

Sustainability

- We published our sustainability and ESG reporting manual
- We aim to direct up to the equivalent of 1% of profits after tax to corporate social responsibility activities.

People

- Our headcount rose from 685 to 773
- Our employee net promoter score reached 69.

Communities

- We brought together Phoenix and Bytes people in a social (community) steering committee
- We made it easier for employees to support good causes by signing up with the onHand volunteering app.

Planet

- We published our low carbon action plan (LCAP), with the aim to halve our carbon emissions by 2025/26
- In April 2022, we announced our intention to be carbon net zero by 2040.

We aim to halve our carbon emissions by

2025/26

Our stakeholders increasingly – and rightly – want to know we're acting responsibly in the way we do business. This year, as well as continuing to do the right thing by **our people**, **communities** and the **planet**, we set out our new sustainability vision.

What's inside

This sustainability review covers four main ESG areas:

- **Our new sustainability framework:** which explains what drives our vision and how we monitor and measure our goals page 37
- **Our people:** how we strive to recruit, engage and retain outstanding employees and to make BTG the right place to build a career page 38
- **Our communities:** how we are formalising our giving to support others more effectively page 42
- **Our planet:** how our low carbon action plan (LCAP), along with the way we help customers to use IT more sustainably, is helping us build a healthier world page 44.

Our seven primary UNSDGs

Our sustainability framework

Putting sustainability at our core

In 2021/22, we launched our new sustainability and ESG reporting manual, which sets out our framework for both financial sustainability and ESG.

The manual details:

- Our Board's commitment to sustainability
- Our framework for both financial sustainability and ESG
- How effective management of sustainability issues is central to our success
- Which sustainability areas matter most to our stakeholders
- The values that underpin our sustainability strategy
- What our sustainability targets are
- How we will monitor and measure our progress.

As well as being rooted in our values, our framework reflects our commitment to the United Nations' Sustainable Development Goals (UNSDGs). In 2021/22, we aligned ourselves to the seven UNSDGs on which we can have the greatest impact.

In line with UNSDG goal 13, Climate action, the central pillar of our sustainability strategy is our LCAP. This sets out our intention to reduce our carbon emissions by 50% by 2025/26 – and entirely by 2040. (For more detail, see page 44)

How we drive sustainability

Our sustainability framework established two steering committees that will drive our actions and prioritise environment and social issues across the business (our Board and senior leadership lead the agenda for the 'G' of ESG – governance). Monitoring the achievement of our LCAP will be one of the environment steering committee's key goals.

The steering committees are made up of representatives from across BTG, including our CFO, Andrew Holden, and leaders and employees from our two businesses. Andrew reports on our progress against our social and environment goals to our Executive Committee and the Board.

The committees are underpinned by staff-led groups which champion practical activity and raise awareness of social and environment issues on the ground: the Better Bytes team and Phoenix's Sustainability network.

Their activity this year ranged from environmental initiatives such as 'eco quizzes', with proceeds going to plant trees to combat deforestation in the Southern Hemisphere, and recycling programmes, where staff donated PVC items like lilos and armbands for repurposing, to community endeavours such as collections for Ukraine and the renovation of charity meeting rooms.

Reflecting the efforts of our staff groups, all our people have a part to play in helping BTG create a more sustainable world. As the Board says in our sustainability framework: "This is not just the responsibility of leadership but is embedded at every level of the organisation, within our growth and social impact areas, our product and service segments, all stakeholder engagements and decision making".

Our framework reflects the expectations of international ESG rating agencies, when assessing our credentials as a responsible investment company, and builds on Phoenix's and Bytes's existing corporate social responsibility policies. The new sustainability and ESG reporting manual is published on our website.

How we deliver sustainability

THE BOARD

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

EXECUTIVE COMMITTEE AND MANAGEMENT

- Operational management of environmental targets and stakeholder engagement
- Reviews and monitors climate-related risks and opportunities

ENVIRONMENTAL AND SOCIAL STEERING COMMITTEES

- Environmental and social steering committees created in 2021/22 • Members drawn from senior leadership and across the business
- Consider progress against targets and assess operations from a sustainability viewpoint • Meet quarterly

OPERATIONAL TEAMS (Better Bytes team and Phoenix Sustainability network)

- Champion practical environmental activity • Raise awareness of local social and environment issues
- Meet regularly, online and in person

Our people: growing our outstanding team

This year's success and our ambitions for future growth are both built on one thing: our great people. In 2021/22, we worked even harder to recruit, engage and retain outstanding employees and to demonstrate that BTG is the right place for them to build their careers.

Our complementary businesses

Our two businesses, Bytes, which employs 455 people, and Phoenix, which has 314, are complementary halves of the BTG team. Although the autonomous businesses have their own identities, management teams and locations, they have much in common. They have comparable employment policies and the same values, industry-leading skills and 'can-do' culture. They also work closely together, sharing insights and good practice. In 2021/22, following a review of both businesses' employee benefits, to ensure all BTG people receive equal rewards, we aligned benefits Group-wide.

An innovative approach to recruiting the people we need

This year, BTG recruited 195 new employees, 108 at Bytes and 87 at Phoenix. This took our total headcount to 773, up from 685 in 2020/21. Our combined Phoenix and Bytes attrition rate was significantly below the industry average. The new recruits ranged from sales and technical apprentices, to enable us to grow our own talent pipeline, to senior specialists, to help expand our expertise and business in high-margin IT services.

We are always looking for new ways to approach recruitment, in the very competitive employee marketplace. In 2021/22, for example, Phoenix formed a recruitment taskforce to brainstorm how to attract and 'home grow' talent. Reflecting its importance, the team is headed by MD Sam Mudd. One of the outcomes has been the extension of our partnerships with local universities, colleges and schools, and a higher reward to employees who refer successful candidates.

Fostering engagement with two-way communication

Having recruited great people, we do all we can to keep them engaged. Two-way communication between leaders and employees is key, with our two MDs holding regular all-employee meetings, including, in 2021/22, town halls on their businesses' five-year strategy. And during the year, Jack Watson, our Bytes MD began offering 'listening sessions' to small groups of employees, to hear their opinions on the business. David Maw, our designated workforce engagement non-executive director, also spent time with Bytes employees during the financial year, and with Phoenix people in spring 2022.

Both businesses encourage employee feedback, with Phoenix having an All Ideas Matter suggestion scheme, and Bytes launching a new Microsoft Teams suggestion website, Insights, during the year. An impressive 90% of Phoenix people took part in a Great Place to Work survey, after which the business was certified as a 'Great Place to Work', with ratings exceeding the average large or IT company. Bytes people will do the survey in 2022/23.

Great Place to Work

Phoenix accredited as a Great Place to Work in 2021/22

195

New BTG recruits this year

Fun is central to our culture. Ensuring that our employees enjoy themselves at work is another way we aim to boost motivation. When continuing Covid-19 restrictions meant our people worked from home, we provided online social activities, including monthly bingo and weekly quizzes. We subsequently made a great effort to welcome everyone back. Bytes, for example, hired a local cinema and invited employees and their guests to a blockbuster premiere. New perks such as free hot drinks and the reintroduction of on-site massages and stretch sessions are also available.

Our people – like those of the customers we serve – now routinely work outside the office. In recognition of this post-Covid-19 reality, Phoenix introduced a new hybrid working policy, with Bytes's own policy launching in 2022/23. This recognises the benefits of both working in the office – such as opportunities for socialising, collaborating and innovating – and from home – which can deliver greater flexibility and a more positive work/life balance. To get the best of both worlds, our policy allows employees who do not need to be office-based to work externally for around half their working hours.

Recognising our employees' achievements, whatever their roles

Our focus on rewarding achievement also helps employees feel valued. This year's honours included skiing trips for top Bytes salespeople and holidays in Italy for Phoenix high performers, both sales and non-sales, and awards for long service, employee suggestions, salespeople of the quarter and employees of the month. Following a review of all benefits, both businesses also announced improved maternity and paternity provision. The June 2021 launch of our well-subscribed Sharesave scheme, which enables employees to save money to buy BTG shares at a discount in the future, also encouraged commitment. Such measures contributed to our high employee net promoter score (eNPS) – which tracks the likelihood of people recommending their employer to others – of 69.

773

BTG total headcount

Growing our outstanding team

"Having recruited great people, we do all we can to keep them engaged."

Supporting physical and mental wellbeing, in and out of work

We do all we can to help our employees stay well. They can, for example, use free or subsidised gyms at or near our offices and buy reduced-price bicycles through the Cycle to Work scheme. During the year, Bytes challenged employees to collectively cover the 384,400-kilometre distance to the Moon using different physical activities, from running and skiing to swimming and cycling. Phoenix ran similar challenges, with employees walking the distance from Sydney to Perth and Land's End to John O'Groats in their combined steps. We also continue to provide healthy snack and meal options in our offices, along with fruit from local farmers which are free to employees.

We encourage openness about, and provide support for, mental health. This was particularly important when our people had to work at home due to Covid-19. The rise in contacts to Bytes's 24/7 employee assistance programme is testimony to the challenges of that time. As part of their commitment to mental health, in 2021/22, Phoenix offered mental health first-aider training to all managers. They also began offering an extra daytime hour away from work every month. Employees have used their 'Wellbeing Wednesday' hour for everything from gardening and craft to lunch with friends.

Training and development that benefits our people and the business

We want our people to keep learning and growing. Every employee has a personal development plan, which tracks their progress against set goals that reflect their ambitions and our strategic objectives. We invest strongly in training. Sales employees, for example, follow a continuous development programme which draws on input from our vendors and customers. This year, to develop the additional leaders necessary for our growth plans, Bytes extended its senior manager mentoring programme to include team leaders and new managers, and Phoenix put 50 managers through leadership training.

Training is as essential for our business as it is enriching for our people. Public sector tender frameworks require us to have a set level of accreditations, and vendors pay us higher rebates if we are well accredited. We aim to be better qualified than any other reseller, and 2021/22 was a landmark year towards this goal. Phoenix continues to be the UK's predominantly public sector-focused reseller to hold Microsoft Azure Expert Managed Service Provider status – the vendor's highest accreditation level. Our combined businesses now have a total of 11 advanced specifications for Microsoft in areas ranging from threat protection to adoption and change management.

"Our values are integral to who we are. They are among the first things new joiners learn about us, being core to employee inductions, and are displayed prominently around our sites."

24/7

Employee programme

Our values are integral to who we are. They are among the first things new joiners learn about us, being core to employee inductions, and are displayed prominently around our sites. In 2022, we took steps to embed them even further, with Bytes introducing a new training module to help employees interpret the values and Phoenix devising a competency-based career progression programme around them. In 2021/22, we spent almost £700,000 on training and development, up around £350,000 on last year. In the coming year, we will continue to invest in this area.

Moving closer to gender parity, but with some way to go

Equality of opportunity is intrinsic to our values. Evidence of our commitment to equal opportunity and diversity is also increasingly required from our customers. We are ahead of our industry in gender parity, with women representing 29% of our Board members, compared with 17% last year, one of our two MDs, 35% of Bytes's and Phoenix's combined managers, and 42% of our total employees. This compares favourably with the national picture where 22% of technology directors and 19% of IT employees are women.[1]

We still have some way to go. As men hold more sales and senior roles, which are typically better paid than administrative and support positions, they still receive relatively higher rewards.

In 2021/22, we took steps to recruit, promote and retain more women, including offering more structured succession planning and development. Bytes joined Phoenix in forming a Women in Technology group, which provides mentorship and 'buddying' to female colleagues across the business. Our new hybrid working policies, by making employment more flexible, also make it easier to manage childcare.

Tracking ethnicity as a step towards greater diversity

We have a predominantly white workforce, reflecting the demography around our two main sites – Bytes's HQ in Surrey and Phoenix's in East Yorkshire. However, we do not yet have detailed figures of our ethnic breakdown. We realise that this is an essential step to becoming more ethnically diverse. This year, both our businesses began encouraging employees to add their ethnicity and nationality data to our HR systems. We intend to have a full picture of the ethnicity of our people by the end of 2022/23.

We are also focusing on ways we can recruit more employees with ethnic backgrounds. As we are now making use of shared office space in Salford, we can address a broader recruitment pool; we are targeting a wider range of UK universities; and we are advertising jobs in media outside our area. In 2021/22, Bytes held an equality, diversity and inclusion employee survey, to find out how our people felt we could do better. The outcomes included the establishment of the MD listening sessions, improved maternity and paternity provision and more mental health first aiders. Phoenix employees launched a diversity network to highlight issues of ethnicity in the year.

Our policies on such fundamental issues as modern slavery, anti-bribery and equality and diversity are available at bytesplc.com/sustainability/governance.

Equality, diversity & inclusion

Employee survey 2021/22

1 https://technation.io/insights/diversity-and-inclusion-in-uk-tech-companies

Our communities: working together to help society

We're building on our great community track record to deliver more benefits to society and our customers.

"This year, we brought new rigour to the way we support the community."

Our businesses have always helped out in our communities: it's enjoyable, it increases pride in and respect for our company, and we can make a real difference. As part of this, we look to direct the equivalent of up to 1% of our profit after tax to corporate social responsibility activities – through our financial contributions, time and products.

Strengthening our community teams

This year, we brought new rigour to the way we support the community. As part of our BTG sustainability framework, we created a Group social steering committee which, for the first time, brings together employee representatives from both Phoenix and Bytes, and focuses on, among other things, our social (community) initiatives. This committee, which meets quarterly, takes a strategic view of our work for the community, while Phoenix and Bytes continue to lead activity on the ground. Both businesses also strengthened their own community teams, with Phoenix appointing a new sustainability manager to drive their activity, and Bytes creating a staff-led 'Better Bytes' group, to coordinate theirs.

To get the most impact from their giving and to build deeper relationships with their chosen causes, Phoenix opted to concentrate its activity – and donations – on the York Special Care Baby Unit and St Leonard's Hospice for the coming two years. Despite pandemic restrictions, they raised £5,200 for the two organisations this year. Bytes, meanwhile, raised more than £5,000 for their local hospice, St Catherine's, via a football tournament and a sponsored walk, with the year's other beneficiaries including the Woodland Trust, Mind, and the Battersea Dogs & Cats Home. BTG matches a portion of all money raised by employees.

Helping our people volunteer for good causes

We are making it easier for our people to give their time to good causes by signing up with the onHand volunteering app. The app connects would-be volunteers with local people who need help in areas ranging from gardening and dry-cleaning collection to social contact and shopping. Volunteering 'missions' are flexible, with many taking less than an hour. Phoenix joined onHand after finding that many employees were not taking BTG's allocated day off per year to volunteer, as they didn't know the most effective way, or to which causes, to sign up. Within two weeks of joining the scheme employees had completed missions for such charities as the RSPB, Age UK and the Salvation Army.

"Our businesses have always helped out in our communities: it's fun, it increases pride in and respect for our company, and we can make a real difference."

Phoenix are also delivering onHand volunteering missions to their customers as part of their commitment, common to most public sector contracts, to provide social value. The missions are delivered by a new social impact team, with far-flung customers being offered virtual support, such as teaching or befriending sessions. Bytes, meanwhile, are launching an innovative new process to enable them to deliver bespoke social value offerings to customers. The businesses are establishing a 'charter' system, where they engage formally with local authorities to identify exactly what type of social value offering they want, and how Bytes can complement other suppliers' support. Bytes also plans to join onHand during 2022/23.

Formalising our contribution

To help quantify how much we give, and what social value it represents for clients, we are also formalising our record keeping. For example, Phoenix are recording their social impact team missions, which will be discussed with customers at quarterly business reviews, and have established an internal volunteering site, for employees to record their personal activity. We are also being more rigorous about recording the number of people that attend the free seminars we deliver to customers, on subjects such as sustainability and security, and the pro bono support, including career talks to schools, that we provide.

IT is for girls (too)

The assured young woman talking straight to camera is Poppy Angell, 24, a Phoenix data protection specialist. Poppy talks candidly about her first job in her mum's pub; how being a "general nuisance, talking too much, too loud," got her into scrapes at school; and how her job requires "thinking on your feet, critical thinking and people skills".

"There is the opportunity for women to debunk the myth that IT isn't an industry for women, because it absolutely is."

Poppy, the 2021 winner of the CRN Women in Channel Rising Star Award, features in IT is for Girls, a video aimed at university students. She is one of a number of Phoenix people appearing in a suite of short films that we made to offer tangible social value to our customers and their clients.

The 22 films each relate to finding employment and building digital skills, with the Phoenix 'stars' talking about how they overcame different challenges – from scooping an apprenticeship to spotting rogue phishing mails. The videos range from 30 seconds to eight minutes long and are unbranded so that customers can apply their own corporate identities. The first Phoenix customer to receive the suite was Liverpool City Council, which will use the films to support local job seekers.

Our planet: taking action to reduce carbon

We've nailed our green colours to the mast by committing to halve our carbon emissions within five years and to reach net zero by 2040.

We set further goals for our business this year with the launch of our low carbon action plan (LCAP). This outlines our aspirations to reduce our Scope 1, 2 and 3[1] emissions by 50% by 2025/26, from our 2020/21 baseline. We set the bar even higher in April 2022, by announcing our aim to reach net zero emissions by 2040. Our LCAP also set the near-term goal of carbon neutral operational emissions by March 2022, using carbon credit approved offsetting schemes, in which we make financial contributions to the equivalent of our emissions. (See how we achieved this objective in the case study right).

Aiming for net zero emissions by

2040

How we will halve our emissions

Our main emissions come from business travel and through heating and cooling our offices. To cut our emissions, we will focus on such areas as:

- Reducing the need for, and increasing the efficiency of, our business travel by encouraging our people to contact customers and vendors by phone or videoconference whenever possible
- Supporting hybrid working and efficient working practices to reduce commuting
- Using materials, energy and water efficiently, mindful of the lifecycle of products and services
- Continuing to deliver good carbon and environmental management throughout BTG
- Working with suppliers and partners to reduce their carbon footprints.

Although our LCAP makes our future emission reduction plans explicit, we have been working to reduce our energy use for years. In 2019, our external energy savings opportunity scheme assessor commented on our "good practices in energy management".

Our actions to date include:

- Completing our move to renewable electricity in 2021/22
- Installing electric car charging points at our main locations, setting up a car sharing network and installing secure cycle parking
- Continuing to move services to the cloud where they are supported by less carbon intensive third-party datacentres rather than by our own servers. Bytes, for instance, moved their emails and disaster recovery to the cloud
- Adopting environmental criteria in major equipment purchases with, for example, our new Phoenix gas boilers being 90% more energy efficient
- Reducing the number of our office printers
- Ensuring our office temperatures are controlled in a smart manner.

Our environmental steering committee will regularly monitor and review our LCAP. Over time, it may complement our current carbon reduction focus with other initiatives such as the development of new or revised low carbon products and services, or by acting on other environmental issues, like biodiversity, water scarcity and land use. Progress against our LCAP, which is overseen by the Board, will be reported in future BTG Annual Reports.

Proud to be carbon neutral

BYTES | Greener together

1 Scope 1 – Direct emissions; Scope 2 – Energy indirect emissions; Scope 3 – Other indirect emissions.

Helping our customers become more sustainable

Although we have set ourselves carbon reduction targets, as we do not manufacture or transport physical goods – delivering most of our products online – there is a limit to how much we can achieve through our operations alone. The greatest contribution we can make to the environment is through the software and technical solutions we sell to our customers. Notably, by helping them move their servers, products and services to the cloud and digitalising their operations, which can help them to reduce their carbon emissions. As most of our vendor partners place a key focus on their energy-efficient datacentres, they produce fewer emissions on our customers' behalf than they would do themselves.

Our businesses help customers reduce their IT energy use in other ways too. For example, we support them in identifying 'elastic' platforms that only operate when our customers need them, and enable them to hold high-quality videoconference meetings, so limiting travel emissions, by being a Microsoft FastTrack Teams implementation partner (a service which enables organisations to move quickly to the cloud). Our own proactive commitment to sustainability makes us a credible and informed advisor to customers who want to reduce their own environmental footprint. Phoenix, for example, are sharing their learnings of creating their own sustainability app – which charts usage data against targets – by helping customers to create their own.

Building on good environmental practice

Our environmental progress this year builds on our 2020/21 attainment of the ISO 14001 environmental management standard, which aligned us to good practice throughout our supply chain and operations. This commits us to such actions as having the necessary controls to conserve resources and to continually monitor the environmental impact of our actions.

"The greatest contribution we can make to the environment is through the software and technical solutions we sell to our customers."

Looking ahead, we will continue to pursue good practice in achieving our environmental goals. While we already follow the guidance provided by global sustainability leaders, in 2022/23, for example, we plan to formally sign up to the Science Based Targets initiative (SBTi). The SBTi supports organisations in reducing their greenhouse gas emissions, so that global warming can be limited to 1.5°C above pre-industrial levels. The SBTi is a partnership between CDP (formerly the Carbon Disclosure Project), the United Nations Global Compact, the World Resources Institute and the WWF. We will also be reporting our environmental impact to CDP in the year ahead.

24,800

Trees planted

The power of carbon offsetting

Clare Metcalfe, Phoenix Operations Director, talks about how we are benefiting the environment – and local communities – by offsetting all our carbon emissions.

"When we were looking for a partner to help offset BTG's carbon emissions, it was very important for us to pick an organisation with high standards that supported the communities where they worked.

We chose Ecologi, which is based in Bristol, because they are very transparent about what they do and work closely with people who live near their projects. They are also accredited by the Gold Standard organisation, which recognises carbon reduction projects that are good for the environment and sustainable development.

The two projects that we're currently supporting through Ecologi are both sustainable power projects. One is a small hydropower project in the lesser Himalayas, in northern India. The other is a wind power plant in Vietnam's Bac Lieu Province. Both will help reduce the use of fossil fuels, as well as providing jobs for local people. The Vietnam project also supports the community by funding social events and contributing to charities that improve services for local people. It has also planted 24,800 trees to promote biodiversity."

"In future, we're hoping that we'll be able to help UK projects through our offsetting as well."

Task Force on Climate-related Financial Disclosures (TCFD)

At BTG, we are acutely aware of the material impact of climate change on our business and society, and the risks it brings to businesses and their supply chains. In this, our first report against the recommendations of the TCFD, we discuss our approach to climate change and the threats and opportunities it presents.

Overview

We support the broader adoption of TCFD reporting, because we believe that it will accelerate business efforts towards the net zero future we need to achieve.

How we are progressing towards the TCFD recommendations

In this first report against the TCFD recommendations, we have begun to develop our climate-related financial disclosures. We have largely complied with the FCA's Listing Rule 9.8.6R(8) to make disclosures consistent with the TCFD recommendations across four pillars – governance; strategy; risk management; and metrics and targets – and have explained where we have not complied, including setting out the steps we intend to take to ensure we comply in future. To avoid repetition, throughout this TCFD report we have cross-referenced to relevant information elsewhere in the Annual Report.

Area of non-compliance: detailed analysis of future-looking impacts

We believe we have complied in all respects with the TCFD recommendations with the exception of providing forward-looking analysis of the financial impact of climate risks and opportunities, including performing an assessment taking into consideration different climate-related scenarios, including a 2°C or lower scenario. An overall assessment has been undertaken to identify the potential climate-related risks and opportunities as detailed further below; however, at this stage we have not considered how these may impact the business over the short, medium or long term. We are confident that climate change has had a limited effect on our accounting judgements and estimates this year, and we believe that it determined that it has had no material impact on our asset and liability valuations at 28 February 2022.

We will continue to refine our financial analysis methodologies in FY23 with the aim of expanding our analysis and developing our disclosures in line with the TCFD's recommendations in the years ahead.

Why we believe climate change will have a low direct impact on BTG

Our primary business is in cloud, security and software products and IT services, in which we work with large software companies. Given the nature of our business, and the sector in which we operate, we believe that the direct impact of climate change on BTG will be relatively low. This is because, unlike many other companies, we do not have factories or operations outside the UK. We do not require staff and customers to always attend our sites in person, nor do we need to have our physical products transported. However, we intend to increase our efforts to assess and confirm the direct effects that climate change may have on our business, to ensure our assertion remains accurate. This will help us to withstand the impacts of climate change and to transition more effectively to a zero-carbon economy.

Governance

Our Board has overall responsibility and accountability for sustainability, including the achievement of our environmental targets and for overseeing climate risks and opportunities. These are outlined within our sustainability and ESG reporting manual, which is in the sustainability section of our website at bytesplc.com/sustainability.

Although the Board oversees sustainability, we have a tiered chain of responsibility within our business for driving, embedding and monitoring our environmental strategy. Our CFO maintains oversight of our climate-related financial activities and reporting. This includes sponsoring the TCFD working group, which is made up of five senior colleagues from across our governance and sustainability, risk management and finance teams who have oversight of these areas. Our CFO, working with our operations MDs, is also our executive director for climate change. He leads the policy development of the climate change agenda and brings additional executive oversight to this important strategic area. Updates are scheduled for discussion at our Executive and Audit Committees in line with our risk review cycle.

At the operational level, we have an environmental steering committee which was established in the second half of the 2021/22 financial year. This committee, which meets quarterly, monitors the impact of climate change and ensures we integrate environmental issues into our strategic planning. It is chaired by one of our operations directors and further made up of our CFO, our business MDs and directors, our Group Company Secretary, and colleagues with relevant functional roles, or who have a particular interest in this area. Also at the operational level, we have two staff-led teams, one for each of our businesses, which raise awareness of the importance of environmental issues and carry out local activity: the Better Bytes group and Phoenix's Sustainability network. These teams have a reporting line into our environmental steering committee.

Our CFO reports on the progress of our environmental initiatives, as covered by the steering committee, to our Executive Committee – which manages key environmental targets in our operations and reviews and monitors climate risks and opportunities – and then upwards to the Board. For a graphical representation of our sustainability governance see page 37.

Strategy

The Board is supported by our CEO, CFO, and other senior leaders in ensuring that sustainability remains core to our strategy. It was, for example, covered at our 2021/22 Board strategy session. We also set aside time for the Board to receive updates on our sustainability commitments and performance. In 2021/22, the Board was briefed on the establishment and scope of our first environmental steering committee and our TCFD report, along with receiving standing updates on emerging external trends and developments, and stakeholder expectations around net zero aspects.

Analysing our climate-related risks and opportunities

Our operational boards and environmental steering committee have conducted a preliminary analysis of climate-related risks and opportunities. In carrying out this analysis, we built on our previous work to calculate our carbon footprint and set net zero targets, and took into account the TCFD recommendations. In terms of risk, our analysis covered physical risks (acute and chronic threats relating to extreme weather), and transitional risks (such as financial, political, social and reputational factors), which could have a negative impact on our business, supply chain and workforce.

Some risks may arise in the shorter term, however many of the effects of climate change will be longer term in nature and therefore come with an inherent level of uncertainty. We acknowledge physical risks will be present well below 2°C, but have not quantified any financial impacts at this time. Instead, we have identified the key climate risks and opportunities most likely to affect BTG, as set out below.

The degree of our climate-related risks and opportunities not only depends on the physical impacts on our business operations. It is also shaped by regulatory developments in our markets, pressures to reduce our operational carbon footprint, and our ability to understand and shape a culture of climate action.

Our initial analysis showed no immediate material risks that would affect our strategy or performance; we therefore concluded that climate change remains an emerging risk for BTG. Indeed, opportunities arising from new clients, technologies and services seem more significant.

Our response to the climate risks and opportunities we have identified requires enterprise-wide action – as well as the further integration of environmental considerations in our industry, and a greater focus on responsible procurement and sourcing across the value chain. As a first step, however, we recognise that to successfully evaluate and respond to the challenges and opportunities of climate change, we need to embed a better understanding and awareness of climate-change issues across our operations.

Our climate-related risks

Risks	Impact and our response
Physical	
Acute – extreme weather events, such as floods. **Chronic** – variable weather patterns, higher temperatures, rising sea levels. Such physical risks could make it difficult for our people to get to work, or our vendors and sub-contractors to deliver their products and services to us or our customers due, for example, to blocked roads or public transport failure.	None of our UK locations is at high risk of flooding – although in extreme weather conditions, commuting to us from elsewhere could be challenging. Mobile connectivity and network access means that our staff could work remotely during times of power interruption. Most of our IT requirements are hosted in the cloud, so we have limited physical connectivity to any one site. We have alternative power supply capabilities and multiple vendors can provide additional data connectivity, to serve locations with on-site computing needs. Travel issues are most likely to affect the relatively small hardware and IT services parts of BTG. Software, which makes up more than 94% of our gross invoiced income, is unlikely to be affected. Therefore, the impact on our market would be relatively small. As this risk is relatively low, and within management's risk tolerance, we have not developed formal mitigation plans.

Task Force on Climate-related Financial Disclosures (TCFD)

Risks	Impact and our response
Transitional	
Policy and legal – increased pricing of carbon (or carbon-intensive materials, goods and services), carbon reporting obligations, regulation of products and services, and exposure to litigation. The most likely effect of any changes would be an increase in operating costs; for example, reporting criteria could involve additional time and expertise, or a mandatory reduction in carbon emissions could require extra capital expenditure.	Failure to comply with this risk, which is relatively low, could result in damage to our reputation and possible regulatory fines in certain instances. We have several internal groups in place to manage sustainability, including the effects of climate change on our business. We continually monitor the regulatory and legal environment and take external advice as required.
Market – changes in customer working behaviour and infrastructure requirements. The move away from full-time office-based working precipitated by Covid-19 could accelerate if climate change-related extreme weather events routinely made it difficult to reach centralised workplaces. This could further encourage employees to work from home or at other less formal locations. This could mean that customers no longer needed so much of the hardware infrastructure that we supply, such as desktop computers and telephones. This would affect our sales.	This risk could affect the hardware and services parts of BTG, but software – which makes up more than 94% of our business at a GII level – is unlikely to be affected. Therefore, the impact on us would be relatively small. As this risk is relatively insignificant, and within BTG's risk tolerance, we have not developed formal mitigation plans.
Technology – substitution of existing products and services that we currently sell, with new technologies.	On balance, our management believe that most of the software we sell would not be affected by this scenario, 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.
Reputation – concerned or negative perceptions from stakeholders that we have not responded appropriately to climate change.	Damage to our reputation could affect all our stakeholders. Investors increasingly have a sustainability mandate – a bad or damaged reputation could affect demand for our shares. Customers often include a sustainability score when comparing suppliers. Reputational damage would lower our score which would negatively impact our revenue over time. 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 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' perspective through our customer net promoter score (NPS) and our people's views through briefings from our non-executive director with responsibility for staff engagement, and our employee NPS. We also create opportunities for engagement with all our stakeholders via our Annual Report and Annual General Meeting. We also 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.

Our climate-related opportunities

Opportunities	Impact and our response
Demand for resource efficiency in transport and buildings	The growing demand for more energy-efficient transport and buildings, and for lower consumption of water and materials, presents opportunities for us, as customers are likely to need new technology to help them identify, monitor and manage risk and regulatory compliance of such climate-related matters. Given BTG's established relationships with leading vendors and our understanding of their software offerings, we are well positioned to provide appropriate solutions, as and when demand increases. This could enhance our product portfolios leading to additional revenues.
Demand for energy efficiency	Factors linked to the drive for low carbon energy – such as policy incentives, new technologies, participation in the carbon market and localised energy generation – present further opportunities for us. As above, as demand increases, building on our informed vendor relationships we would look to provide our customers with new technologies to help them to identify, monitor and manage risk and regulatory compliance of energy consumption. This could strengthen our product portfolios and generate additional revenue streams.
Expansion of cloud products and services	The desire to be more sustainable – and limit climate change – is already encouraging organisations to move their IT servers to the cloud. This pattern is likely to deepen as the climate change-related risks of accessibility and physical damage prompt entities to untether themselves from their physical locations. As 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 area and our ESG commitments.
New markets	Companies with a market-leading response to climate change could attract new suppliers, customers, investors, markets and assets. Some public sector frameworks already also rate suppliers on their ESG credentials. We are raising our sustainability profile, as with the launch of our 2021/22 low carbon action plan, and we take account of the expectations of ESG ratings agencies with the aim of improving our scores.
Demand for sustainable hardware	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, as the equipment we provide represents the latest, more environmentally-friendly models, this could positively affect our revenue streams.
Boosting recruitment and retention	The IT jobs market is extremely competitive and increasing our headcount is essential for our growth. A sustainable employer brand could help us to attract and retain skilled people. We are proactive about our support for the environment. For example, we have: – Employee-led sustainability committees – An employee bike-to-work programme – Flexible working hours (enabling employees to travel out of peak hours, cutting journey time and carbon emissions) – Hybrid working (enabling staff to work from home some of the time, reducing carbon emissions) – Electric charging points in our staff car parks.

Task Force on Climate-related Financial Disclosures (TCFD)

Risk management

We have integrated climate assessments into our overall risk management process, to keep our wider enterprise risk management (ERM) process aligned with specific risks and opportunities posed by climate change and the transition to a low carbon economy. This elevation of climate risk into our ERM reflects its importance and our commitment to meeting the TCFD recommendations. We outline our overall approach to risk management and a summary of our principal risks on pages 52 to 57 of this Annual Report.

Board responsibilities – Audit Committee

The authority for delivering the risk framework is delegated by our Board to the Audit Committee, which formally reviews our risk performance twice a year, using our ERM framework. We reported the results and recommendations of our analysis of climate-related risks and opportunities to the Audit Committee, which is responsible for reviewing the nature and extent of risks, monitoring material risks and ensuring effective delivery of risk management functions. From 2022/23 onwards, the Audit Committee will consider climate-related risks as a standing agenda item: this underlines the strategic importance of this area to our business.

Executive and operational management

Our CFO is the executive responsible for overseeing implementation and compliance with the risk framework. Risk management is a standing item on the agenda of our Executive Committee meetings and formal feedback on risk management is integral to our operating company board meetings. This ensures accountability at each level for identifying, monitoring and proactively managing risk and compliance issues. Climate risk is now also a standing item on Phoenix's and Bytes's board agendas.

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

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

Metrics and targets

For this first TCFD report, our metrics are our carbon emissions. In 2021/22, we announced two targets for our carbon emissions:

- To offset our operational emissions to be carbon neutral by March 2022 through carbon-credit approved schemes. We achieved this goal on target through our partnership with Bristol-based carbon-offsetting company Ecologi
- To reduce our Scope 1, 2 and 3 emissions by 50% by 2025/26 from 2020/21 (the baseline year for the collection of our carbon-related data).[1] We made headway towards this goal in 2021/22, by completing our switch to entirely renewable electricity.

In April 2022, we announced the further target of achieving net zero Scope 1, 2 and 3 emissions by 2040.

To meet our targets, we are focusing on reducing emissions hotspots, including working towards net zero offices, and cutting emissions by using smarter technology. For more about our low carbon plan, see our sustainability review on pages 44 to 45.

Our approach to reporting carbon emissions

We have reported on our carbon emissions reduction since we listed in December 2020. Before this, carbon emission reporting was an established part of our operating companies' reporting process, as a required regulatory disclosure for our former listed group. In 2021/22, we worked with Eshcon consultancy to map our energy and carbon data (Scope 1, 2 and 3), using our 2020/21 baseline, which we report under the Streamlined Energy and Carbon Reporting (SECR) regulations. (For more details, see page 116.)

We follow the methodology of ISO 14064-1 (Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals), and emission factors from UK Government GHG Conversion Factors for Company Reporting 2021. In our greenhouse gas/carbon emissions reporting, as well as recording carbon dioxide (CO_2), we include all other GHGs covered under good practice reporting, that is: methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulphur hexafluoride (SF_6). We calculate and report GHG emissions in tonnes of carbon dioxide equivalent (tCO_2e), following recommended best practice. We calculate our emissions using factors published each year by the UK Government.

1 Scope 1 – Direct emissions; Scope 2 – Energy indirect emissions; Scope 3 – Other indirect emissions.

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

We recalculated our 2020/21 historic data using current emissions factors to track our progress. We did this as the relative importance of factors may change over time; for example, the electricity factor has fallen because the UK has produced more renewable electricity. This means that apparent reductions in our overall emissions might not be due to our carbon management activities. By using current factors, we can be sure to provide true comparisons of our activities to reduce carbon or energy.

To calculate our emissions, we use Greenhouse Gas Protocol standards, which categorise emissions into three scopes. For more on our approach to calculating our carbon footprint, see our methodology with our carbon emissions statement on page 117. Further information about our carbon reduction targets, workstreams and performance data is set out on pages 44 and 45, and 116 of this Annual Report, and under sustainability at bytesplc.com.

We will continue to improve the quality and coverage of our carbon emissions and associated reporting. As this process matures, we will appoint external experts to assure our carbon data disclosures.

In 2022/23, we will expand the coverage of our carbon footprint to include further Scope 3 emissions, including staff working from home, commuting, equipment and deliveries. We will also consider impacts relating to the lifecycle of products, services and opportunities, including those designed for a lower-carbon economy.

Waste management and water are included within our carbon calculations, but we consider that impacts relating to biodiversity and land use are not material to our business and therefore outside our measurement scope. We plan to set an internal carbon price in FY23, that we can use when considering the feasibility of carbon reduction projects.

For more about our carbon reduction activity, see our sustainability review on page 44.

Managing risk and realising opportunities

Andrew Holden outlines how we are strengthening, standardising and embedding risk management so we can continue to manage risks and reap opportunities for growth.

"We found that risks are largely well managed and ably navigated across the business."

Andrew Holden
CFO

As a listed company, BTG needs to manage risks in a more rigorous way than we did as a fully owned subsidiary of another listed group. So, this year, we have spent a lot of time looking at our risk management framework. I'm pleased to say that we found that risks are largely well managed and ably navigated across the business, so we've focused mainly on formalising and consolidating processes.

One of the key steps in formalising how we manage risk was drafting BTG's first formal risk appetite statement, which was formally adopted by the Board at our February 2022 meeting and will be assessed annually. This is the beginning of a continuous journey: our risk appetite will need to mature over several years, be responsive to changes in the external environment, and may also alter as our strategic ambitions evolve.

Turning to our risk management framework, we did not need to make significant changes this year, as our work was focused on tightening up certain procedures. For example, we agreed a Group-wide definition of materiality, whereas previously it was worded differently, and made signing the risk register an agenda point for Bytes's and Phoenix's own board meetings as well.

PwC appointed as internal audit providers

The appointment of PwC as our internal audit partners was another important step. Their appointment followed considered discussion over how we should fulfil the internal audit function. Having considered all options – an internal function, an external offering, and a hybrid method – we concluded that the best solution was to use an external firm with expertise in internal audit and knowledge of all our business functions.

We appointed PwC after a competitive process, as we felt they would be good partners in helping to embed a culture of risk management across BTG, along with consistent controls.

Managing new emerging risks

We continued to monitor new and emerging risks closely. In the year, we introduced the new operational risk of attracting and retaining the right people and emphasised the increasing risk of inflation. We continued to closely monitor the ongoing emerging risk of climate change and sustainability, as overleaf. Like many risks, these could herald opportunities as well as downsides. With inflation, for instance, customers might be prompted to spend more on automation with us or, on the other hand, could decide to invest less in IT. We have mitigating plans to cover these different eventualities.

We have another busy year ahead, with our priorities including the geopolitical effects of the disturbing events in Ukraine, continuing close oversight of our cybersecurity capabilities and the further strengthening of assurance across BTG. While we will never be complacent, I am confident that the steps we took in 2021/22 will stand us in good stead for these future tasks.

Andrew Holden
CFO
23 May 2022

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.

Our approach to risk is based on enterprise risk management (ERM). This is a process of identifying and addressing any potential barriers to achieving our strategic objectives and making the most of opportunities for competitive advantage.

Our enterprise risk management-based approach

The purpose of ERM is to achieve three key objectives:

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

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

Our risk appetite

Our ERM framework reflects our risk appetite which can be defined as cautious, with a low propensity for taking risks that may result in significant disruption of the company's operations. This risk appetite was reviewed and agreed by the Board and formalised at our February 2022 Audit Committee meeting. Our appetite shapes our decision making in determining 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.

Enterprise risk management framework

FINANCIAL RISK | STRATEGIC RISK | PROCESS AND SYSTEMS RISK | OPERATIONAL RISK

Bytes
Phoenix
(operating companies)

Operating company boards

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

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

Operating company risk committees

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

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

Operating company risk owners

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

Internal review

Using control standards to measure risk management and control effectiveness.

External review

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

Internal experts

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

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

Day to day, our ERM is about:

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

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

BTG's directors have committed the organisation to a process of risk management that is aligned to the principles of the UK Corporate Governance Code, the Committee of Sponsoring Organizations of the Treadway Commission, and the ISO 31000 Integrated Enterprise Risk Management Framework. The ERM methodologies are also defined through continued research and development as well as being 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 and effort we have invested, and will continue to invest, in managing risk has prepared and equipped us to manage threats effectively. We believe this means that our business, people and customers will stay secure, so that we can continue to benefit from the opportunities in our sector.

Our primary emerging risk

Our primary emerging risk is climate change and sustainability, which we have not yet classified as a principal risk but which we may in the future. Our Board manages and monitors this emerging risk closely, with oversight from the Audit Committee. We put climate change and sustainability under particular scrutiny in 2021/22, through our focus on TCFD (see pages 46 to 51) and our preparation for, and launch of, our sustainability and ESG reporting manual (see below and on page 37).

Climate change and sustainability

The physical impacts of climate change – such as heavier rain, flooding and heatwaves – are the greatest climate change-related risk to our people and facilities, and to those of our customers and suppliers. Climate change's effect on the economic landscape, technology use and regulation could also be a threat.

We're working to reduce our own impact on the climate. As a non-manufacturing business, the greatest contribution we can make to alleviating climate change is by supporting our customers in using technology in a sustainable way, particularly in moving their IT products and services to the cloud. However, we're doing all we can to reduce our own environmental impact. In 2021/22, we launched our sustainability and ESG manual. This sets out our sustainability framework and targets and how we will monitor and measure our progress. During the year, we also launched our low carbon action plan, which includes a commitment to reducing our carbon emissions over coming years. We remain aligned to the ISO 14001 environmental operating standard. Our approach supports organisations who are committed to working with sustainable suppliers, in line with our strategy of delivering high net value solutions.

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

Our principal risks and uncertainties

In 2021/22, the uncertain economic picture – exacerbated by the crisis in Ukraine – the changing market, and the development of our internal governance caused us to increase and evolve our principal risks and uncertainties.

As indicated below, this includes the:

- Two new financial risks of margin pressure and inflation
- New people risk of attracting and retaining staff
- Evolution of last year's financial risk of major supplier revenue changes to become changes to vendors' commercial model
- Conflation of last year's strategic supply chain risk and part of the competition and disintermediation risk to become security of supply
- Separation of elements of the competition and disintermediation risk to become part of the two new risks, commoditisation and disintermediation
- Conflation of the two operational risks cyberthreats (direct) and cyberthreats (indirect) to become one risk, cyberthreats – direct and indirect. (We also no longer have a changing cyberthreat landscape as an emerging risk as we consider that this landscape's changing nature is integral to the current and future threat)
- Downgrading of legal and regulatory non-compliance as a principal operational risk due to the strengthening and formalisation of our internal governance as we enter our second year as a listed company.

FINANCIAL		
	1 ECONOMIC DISRUPTION	**Risk owner** CEO
	The risk This includes the impact of the crisis in Ukraine, the uncertainties caused by global economic pressures and geopolitical risk within the UK post-Brexit.	**How we manage it** We have so far continued to perform well during the first months of the conflict in Ukraine, and during the continuing tail of Brexit and the Covid-19 pandemic. These real-life experiences have shown us to be resilient under tough economic conditions. The diversity of our client base has also helped to maintain and increase business in this period. We are not complacent, however, and keep operations under constant review.
	The impact Major economic disruption – including the risk of continuing high inflation (see below) and potential higher taxes – could see reduced demand for software licensing, hardware and IT services, which could be compounded by government controls. Lower demand could also arise from reduced customer budgets, cautious spending patterns or clients 'making do' with existing IT. Economic disruption could also affect the major financial markets, including currencies, interest rates and the cost of borrowing. Economic deterioration like this could have an impact on our business performance and profitability.	
	2 MARGIN PRESSURE	**Risk owner** MDs of subsidiary businesses
	The risk BTG faces pressure on profit margins from myriad directions, including increased competition, changes in vendors' commercial behaviour, certain offerings being commoditised and changes in customer mix or preferences.	**How we manage it** Profit margins are affected by many factors at customer and micro levels. We can control some of these factors that influence our margins, however some factors, such as economic and political ones, are beyond our control. We aim to agree acceptable profit margins with customers upfront. Keeping the correct level of certification by vendor, early deal registration and rebate management are methods deployed to ensure we are procuring at the lowest cost. This risk area is reviewed monthly.
	The impact These changes could have an impact on our business performance and profitability.	
	3 CHANGES TO VENDORS' COMMERCIAL MODEL	**Risk owner** CEO
	The risk BTG receives incentive income from our vendor partners and their distributors. This partially offsets our costs of sales but could be significantly reduced or eliminated if the commercial models are changed significantly.	**How we manage it** We maintain a diverse portfolio of vendor products and services. Although we receive major sources of funding from specific vendor programmes, if one source declines, we can offset it by gaining new certifications in, and selling, other technologies where new funding is available. We closely monitor incentive income and make sure staff are aligned to meet vendor partner goals so that we don't lose out on these incentives. Close and regular communication with all our major vendor partners and distributors means we can manage this risk appropriately.
	The impact These incentives are very valuable and contribute to our operational profits. Significant changes to the commercial models could put pressure on our profitability.	
	4 INFLATION	**Risk owner** CFO
	The risk Inflation in the UK, as measured by the Consumer Price Index (CPI), is currently 9% in the year to April 2022, which is driven by broad-based cost increases.	**How we manage it** The general business outlook shows that the Covid-19 pandemic and associated lockdowns created pent-up demand for IT in our markets. Our continued focus on software asset management means that we continue to advise customers in the most cost-effective ways to fulfil their software needs. Changes to economic conditions mean many organisations will look to IT to drive growth and/or efficiency. Staff costs constitute the majority of our overheads, therefore our attention is focused on our staff and their ability to cope with the rising cost of living.
	The impact This could create an environment in which customers redirect their spending from new IT projects to more pressing needs. Wage inflation, increased fuel and energy costs have a direct impact on our underlying cost base.	

STRATEGIC

5 SECURITY OF SUPPLY	Risk owner CEO
The risk Over-reliance on key vendors/suppliers (principally Microsoft). Suppliers of technology or services being unable to innovate or supply products due to global trade barriers. **The impact** Too heavy a reliance on any one vendor could have an adverse effect on our financial performance, should that relationship break down. Geopolitically, global shortages of computer hardware, components and chips could occur, which might limit our, and our customers', ability to purchase hardware for internal use. This could lead to delays in customers purchasing software, which is linked to, or dependent on, the hardware being available. Reduced access to computer chips could also slow down vendor innovation, leading to delays in the creation of new technology to resell to customers.	**How we manage it** As discussed on page 33, we work with our vendors as partners – it is a relationship of mutual dependency since we are their route to the end customer. We maintain excellent relationships with all our vendors, and have a particularly good relationship with Microsoft, which relies on us as a key partner in the UK. Our growth plans, which involve developing business with all our vendors, will naturally reduce the risk of relying too heavily on any single one. We monitor the geopolitical situation, continuously and work closely with suppliers and industry bodies to identify any potential supply chain disruptions and impacts. This enables us to remain fully informed, so that we can respond quickly should the landscape change, to ensure that we have diverse supply routes. As this risk is largely driven by geopolitical and macroeconomic factors, we maintain a watching brief so that we can react swiftly if required.
6 COMMODITISATION	**Risk owner CEO**
The risk Competition in the UK IT market, or the commoditisation of IT products, may result in BTG being unable to win or maintain market share. **The impact** This would have a material adverse impact on our business and profitability. A huge change would need a big shift in business operations, including a strategic overhaul of the products, solutions and services that we offer to the market.	**How we manage it** We closely watch commercial and technological developments in our markets. Currently, there's no sign of commoditisation of any kind that would be a serious threat to the business model in the short or medium term.
7 DISINTERMEDIATION	**Risk owner CEO**
The risk Mergers and acquisitions have consolidated our distribution network and absorbed specialist services companies. This has caused overlap with our own offerings. A move to direct vendor resale to end customers – called disintermediation – could squeeze the market opportunity even more. **The impact** More consolidation could lead to less competition between vendors and cause prices to value-added resellers, like us, to rise and service levels to fall. Direct resale to customers could also increase. This could erode reseller margins, given the purchase cost is less for the distributor than the reseller. This could reduce our market, margin and profits.	**How we manage it** The threat of disintermediation by vendors has always been present. We minimise this threat by continuing to increase the added value we bring to customers directly. This reduces clients' desire to deal directly with vendors. Equally, vendors cannot engage with millions of organisations globally without the sort of well-established network of intermediaries that we have.
8 RELEVANCE AND EMERGING TECHNOLOGY	**Risk owner CEO**
The risk As the technology and security markets evolve rapidly and become more complex, the risk exists that we might not keep pace and so fail to be considered for new opportunities. **The impact** As customers have wide choice and endless opportunities to research options, if we do not offer cutting-edge products and relevant services, we could lose sales and customers, which would affect our profitability.	**How we manage it** We stay relevant to our customers by continuing to offer them expert advice and innovative solutions; specialising in high-demand areas; holding superior levels of certification; maintaining our good reputation and helping clients find the right solutions in a complex, often confusing IT marketplace. We defend our position by keeping abreast of new technologies and the innovators who develop them. We do this, for example, by running a Cyber Accelerator Programme for new and emerging solution providers, joining industry forums and sitting on new technology committees. By identifying and developing bonds with emerging companies, we maintain good relationships with them as they grow and give our customers access to their technologies.

PROCESSES AND SYSTEMS

9 KEEPING PACE WITH DIGITAL CHANGE

Risk owner MDs of subsidiary businesses

The risk

Failure to transform our internal IT and business processes, so that we cannot keep pace with, or support, our customers effectively.

The impact

If we could not support or interact with our customers in the way they wanted, it could damage our relationships with them, affect sales and damage our profitability.

How we manage it

To make sure we keep our business processes and systems in the best shape, we draw on insights from our customers, the market and all levels of our business. Transformation working groups – including members of our Group technical, IT and security teams – work in partnership with our operating companies to identify strategies and solutions. Transformation work is then run, managed and monitored locally.

OPERATIONAL

10 CYBERTHREATS – DIRECT AND INDIRECT

Risk owner Chief Information Security Officer

The risk

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

The impact

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

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

How we manage it

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

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

We have established controls that separate customer systems and mitigate cross-breaches. Our cyberthreat-level system also lets us tailor our approach and controls in line with any intelligence we receive.

11 TECHNOLOGY FAILURE

Risk owner CFO

The risk

Any failure or disruption of BTG's IT infrastructure or business applications may negatively affect us.

The impact

Systems and IT infrastructure are key to our operational effectiveness. Failures or significant downtime could hinder our ability to serve customers, sell solutions or invoice.

Major outages in systems that provide customer services could limit clients' ability to extract crucial information from their systems or manage their software.

How we manage it

Our Chief Technology Officer and Head of IT effectively manage and oversee our IT infrastructure, network, systems and business applications.

Regular IT audits have identified areas of improvements and ongoing reviews make sure we have a high level of compliance and uptime. This means our systems are highly effective and fit for purpose.

For business continuity, we use different locations, sites and solutions to limit the impact of service outage to customers. Where possible, we use active resilience solutions – designed to withstand or prevent loss of services in an unplanned event – rather than just disaster-recovery solutions and facilities, which restore normal operations after an incident.

12 ATTRACT AND RETAIN STAFF

Risk owner CEO

The success of BTG's business and growth strategy depends on our ability to attract, recruit and retain a talented employee base. Being able to offer competitive remuneration is an important part of this.

Three factors are affecting this:

- The Consumer Price Index is driving wage inflation
- There is a skills shortage in the IT sector
- With remote or hybrid working becoming the norm, potential employees in traditionally lower-paid geographical regions are able to work remotely in higher-paying areas like London.

The impact

Excessive wage inflation could either drive up costs or mean we are unable to attract or retain the talent pool we need to continue to deliver our planned growth.

How we manage it

We continually strive to be the best company to work for in our sector.

One of the ways we manage this risk is by growing our own talent pools. We've used this approach successfully in our graduate intakes for sales, for example. BTG also runs an extensive apprenticeship programme to create a new security skill set.

Non-financial 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 (pages 16 and 17), sustainability review (our people, our communities, our planet), (from pages 36 to 45), and our risk and viability statement, (from pages 59 to 60).

More about us

The following chart summarises where you can find further information, in this Annual Report and on the websites of BTG, Phoenix and Bytes, for each of the key areas of disclosure that the Companies Act 2006 requires.

	Relevant policies
Environmental and social matters	
This year we provided further disclosure on BTG's environmental and social commitments, including reporting for the first time on the Task Force on Climate-related Financial Disclosures (TCFD) and publishing our Sustainability and ESG reporting framework and our low carbon action plans. Positive outcomes of our environmental and social approach included reducing our formal carbon emissions by 52% this year, due to our switch to green energy. Our actual emissions increased by 1% but renewable energy is not treated as carbon. We also achieved carbon neutral operational emissions using a carbon credit approved offsetting scheme. For more, see our sustainability review from pages 36 to 45 and the TCFD section on pages 46 to 51.	**BTG:** Sustainability and ESG reporting framework; CSR policy statement; Low carbon action plan. **Phoenix and Bytes:** Environmental matters; CSR/Sustainability.
Our employees	
Our positive and inclusive culture, good employee engagement, and commitment to diversity, equality and inclusion are integral to BTG's success. We support initiatives to help improve diversity, equality and inclusion, with progress monitored by senior management and the Board. Our Board acknowledges there is more we need to do to improve diversity and we will continue with our efforts. Employees can report whistleblowing concerns directly to the CEO or through independent channels. We have a formal process for investigating whistleblowing reports. There were no whistleblowing reports this financial year. Encouraging outcomes of our employee involvement included us achieving a 69 employee net promoter score and Phoenix employees participating in the survey that confirmed the business was a Great Place to Work. For more, see our people from pages 38 to 41, our corporate governance report on pages 68 to 79, and the Nomination Committee report from pages 90 to 93.	**Phoenix and Bytes:** Health and safety; Diversity, equality and inclusion; Gender pay gap report.
Respect for human life	
We believe that modern slavery and human trafficking are the key human rights areas which our operations could be affected by. Although, as 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 policy statement, Supplier code of conduct. **Phoenix and Bytes:** Modern slavery.
Anti-corruption and anti-bribery	
We operate anti-bribery and anti-corruption procedures which support compliance with the UK Bribery Act and other legislation.	**Phoenix and Bytes:** Fraud, bribery and money laundering.
Business model and KPIs	
Our business model includes non-financial inputs and outputs. Our Board regularly reviews both financial and non-financial KPIs, which are relevant for monitoring the performance of the business and have a clear link to delivering against our strategy. We disclose performance against our KPIs. For more, see our business model on pages 16 and 17 and our KPIs on page 20.	

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

Our viability statement

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

The directors have chosen a viability assessment covering a period of three years to February 2025. They believe this is the most appropriate and realistic time over which they can anticipate events and assess how existing risks are developing and new risks emerging.

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

- Major customer contracts, typically Microsoft Enterprise Agreements, which run for three years
- The availably of external funding – our HSBC revolving credit facility – which runs until December 2023. Currently this facility has not been drawn against and our cash flow forecast for the next year shows that it is unlikely to be so in that period. BTG will consider extending the facility if required closer to its end date, and currently does not foresee this being an issue.

The Board has performed a robust risk assessment of the principal risks and uncertainties facing BTG, as outlined from page 52. 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.

BTG's gross invoiced income and gross profit increased by 26.1% and 19.9% respectively in 2021/22, demonstrating our ability to grow against our key performance metrics while remaining resilient to the impact of external disruptions. The directors believe this is due to our mix of customers in the corporate and public sectors, strong relationships with our primary vendors, the demonstrable value we add to our customers and our highly skilled employees establishing competitive advantage in an increasingly digital age.

Central to the Board's conclusion that BTG and our operating companies will continue to operate and meet our future commitments and liabilities over the next three years are:

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

We reached this conclusion having reassessed our strategy in November 2021, and having then reconsidered the viability of BTG. We carried out more stress tests, which helped us make sure that our assessment accurately reflected the changes to our business in the past year – such as our evolving risk management process, and the overall industry and economic climate.

How we stress tested our business

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

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

The principal risks were considered collectively – rather than on a case-by-case basis – in the context of the uncertainty around inflation, the crisis in Ukraine, ongoing supply chain issues related to Covid-19, and the UK leaving the EU.

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

Such a realisation is considered remote, given the effectiveness of our risk management and control systems and our current risk appetite. But 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 continuously over the viability-assessment period.

We set out our high-level operational mitigations below. We also considered the extent to which negative impacts on the three financial measures could be offset by savings in discretionary spend and by freezing future pay and recruitment. More automatic mitigation is 'built in', because commission payments would fall in line with the reduced gross profit and lower dividend payments that come with reduced profit after tax.

Our most extreme downside scenario – see downside case two, below – is set within the context of uncertainty around the situation in Ukraine conflict and the aftermath of Covid-19, such as higher taxes and inflation. In this scenario, we considered the potential effect of a generalised economic downturn on our customers' spending patterns. We also took the most extreme considered downside for each of the three financial measures and considered that only partial mitigation would be possible.

Details of our stress testing

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

- Base case: this was forecast using the growth rates included in the Board-approved budget for the year ending 28 February 2023, extended until 28 February 2025
- Downside case one: this severe but plausible scenario modelled gross invoiced income reducing by 10% year on year, gross profit reducing by 15% in the same period, and debtor collection periods extending by five days – all from June 2022

- 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 ten days – again, all from June 2022
- Partial mitigation measures: for both downside cases, we modelled freezing future pay and new recruitment from March 2023, with a built-in reduction of commission in line with falling gross profit
- Full mitigation measures: these included, in addition to the partial measures, modelling headcount reductions from March 2023, in line with falling gross profit.

The impacts of climate change were included in our three scenarios. As the Board and management consider that the impacts will be immaterial, they fall within the current (base case) scenario.

The pay and headcount mitigations applied in the downside scenarios are within BTG's control and could be implemented quickly to respond to downward trends – as could a reduction in the level of shareholder dividends, in line with the modelled reductions in profit after tax. These mitigations have not been applied until 1 March 2023 however, because we are already substantially committed to pay-related costs for the year ending 28 February 2023.

The Board believes that all mitigations have been applied prudently and are within BTG's control. Depending on how severe the impacts of the modelled downside scenarios are, the Group could activate additional levels of mitigation – in particular, BTG could override budgeted pay-related costs to trigger mitigations earlier than March 2023. The Board would also be able to take more action to lower our operating cost base, given the flexibility of our business model.

Our confirmation of viability

Having assessed the financial impact on our results of these stress-tested models, the Board concluded that our reserves of cash, our ability to reduce spending and the availability of the revolving credit facility up to December 2023 – along with our projected revenue and profitably over the review period – would mean we could continue trading over the next three years, even if we faced additional uncertainties.

Section 172 statement

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

The Board continues to ensure they act in a way which is in good faith and to promote the success of the Group for the benefit of shareholders, and in doing so, also 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.

Further 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 77 to 81.

Governance report

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 in other leading companies.

Patrick De Smedt
Chair

Nationality Belgian
Age 66
Appointed 15 October 2020

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

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

Since leaving Microsoft in 2006, Patrick has served on the boards of a diverse range of European public and private equity-backed companies. Apart from leading our Board, he is chairman of EMIS Group plc and Nasstar Managed Services Group Ltd, and senior independent director of PageGroup plc. He was previously non-executive director and chairman of the remuneration committee of Victrex plc, senior independent director and chairman of the remuneration committee of Morgan Sindall plc and Anite plc, and interim chairman of KCOM Group plc.

External board appointments
EMIS Group plc, PageGroup plc, Nasstar Managed Services Group Ltd.

Committees
Nomination
Remuneration
Attends by invitation
Audit

Neil Murphy
Chief Executive Officer

Nationality British
Age 58
Appointed 7 October 2020

Neil became CEO of BTG in 2020, having been MD of the Group since 2000. He has more than 30 years' experience in the IT sector. Before his appointment as Bytes MD, Neil was company Sales Director for three years, prior to which he was a sales manager with ICL (now part of the Fujitsu group) for seven years. Neil has overseen the largely organic growth and development of the Bytes Group, to become a significant value-added reseller in the UK. Neil and Keith Richardson, the previous Group CFO, were the architects of BTG's distinctive 'can do' culture, with its strong emphasis on customer service, employee engagement and ethical values.

External board appointments
None

Committees
Attends by invitation
Audit
Nomination
Remuneration

Andrew Holden
Chief Financial Officer

Nationality British
Age 55
Appointed 21 October 2021

Andrew joined BTG as COO on 1 June 2021 from JSE-listed technology company, Altron Limited, BTG's former parent company, from which we demerged in 2020. He was subsequently appointed as BTG's CFO and Board member on 21 October 2021. Andrew has extensive financial and operational experience in the information and communications technology (ICT) sector, having spent more than 27 years at Altron, the last 15 years in senior leadership roles. His most recent Altron position was that of COO which he held for five years, including a period when he was also acting CFO. Combined with his strong financial and commercial acumen, Andrew has a proven record of delivering insights into strategy implementation and executive decision making.

External board appointments
None

Committees
Attends by invitation

Audit

Nomination

Remuneration

Dr Alison Vincent
Independent
non-executive director

Nationality British
Age 57
Appointed 6 November 2020

Alison is an accomplished IT industry leader, with experience in cybersecurity, R&D, product management and business development, and with particular expertise in digital strategy, innovation and M&A. Her recent roles include being group chief information security officer at HSBC from 2017 to 2018, and chief technology officer at Cisco from 2015 to 2017. She has also held technical leadership roles at NDS, Micro Focus International plc and IBM. Alison is a non-executive director of SEI Investments (Europe) Ltd, Synectics plc and Connected Places Catapult. She is a lay member of council at Southampton University and a technical advisor to Telesoft Technologies, Arqit and UMotif. Alison has a PhD in cryptography and combinatorics from London University and is a fellow of the Royal Academy of Engineering, the British Computer Society and the Institution of Engineering and Technology.

External board appointments
Synectics plc, SEI Investments (Europe) Ltd, Connected Places Catapult.

Committees

Audit

Nomination

Remuneration

Mike Phillips
Senior independent
non-executive director

Nationality British
Age 59
Appointed 6 November 2020

Mike has served as an executive director at UK-listed companies for 17 years, most recently with Micro Focus International plc as CFO from 2010 to 2018, and as M&A director from 2018 to 2019. Before that, Mike was group finance director, then CEO, at Morse plc, which he left in 2010 following its turnaround and successful corporate sale to 2e2. He was previously group finance director at Microgen plc, playing a lead role in its transformation to a successful international software and services business. His earlier roles include corporate finance work at Smith & Williamson, and leading the UK technology team at PricewaterhouseCoopers. Mike qualified as a chartered accountant at Peat Marwick Mitchell & Co (now KPMG). He was a non-executive director of Parity Group plc from 2011 to 2013.

External board appointments
None

Committees

Audit

Nomination

Remuneration

● Chair

Board of directors

Dr Erika Schraner
Independent
non-executive director

Nationality British, American, Swiss
Age 54
Appointed 1 September 2021

Erika brings more than 25 years' experience in senior leadership positions to the Board of BTG. During her executive career, she spent more than 18 years working in Silicon Valley and held senior professional services roles with Ernst & Young and PricewaterhouseCoopers. Erika earned a PhD in management science and engineering at Stanford University. In 1994, she began her executive career with IBM, going on to hold roles at REL Consultancy Group, Computer Science Corporation and Symantec Corporation. During her tenure at Symantec, Erika led the team responsible for M&A in its sales and services division, completing 16 acquisitions including the $13.5 billion merger between Symantec and Veritas. Since then, Erika further built her transaction experience at Ernst & Young, where she led the firm's technology M&A advisory services for the Americas, and more recently with PwC, where she was the UK leader for M&A integration services and technology, media and telecommunications M&A advisory services.

External board appointments
JTC plc, Aferian plc (resigning with effect from 29 July 2022), Pod Point Group Holdings plc, Vitec Group plc, HgCapital Trust plc (appointed with effect from 1 August 2022).

Committees
Audit
Nomination
Remuneration

David Maw
Non-executive director

Nationality British
Age 71
Appointed 15 October 2020

David has been a non-executive director of the Bytes Group since 2000. He has extensive experience in international commerce, having held executive positions for a major global company. He started his career as a certified accountant (FCCA) before becoming a senior manager with Peat Marwick Mitchell & Co in Cardiff and Fiji, gaining experience in audit, M&A and receiverships. He then joined Rank Xerox where, in more than 20 years with the business, he was a board member of its holding company and several international subsidiaries. At Rank Xerox, where he was based in both the UK and the US, his roles included being director for tax, treasury and leasing, having responsibility for the company's M&A in EMEA, and being controller of its European manufacturing operations. David's two decades of support for the Bytes UK management team accompanied its growth from a small business to its current position as a FTSE 250 company. His previous non-executive positions in Bytes UK include being chair of the company and the Audit Committee and a member of the Remuneration Committee.

External board appointments
None

Committees
Attends by invitation
Audit
Nomination
Remuneration

WK Groenewald
Group Company Secretary

Nationality South African
Age 39
Appointed 7 October 2020

WK spent seven years at Altron, Bytes' former parent company, including four years as Group Company Secretary, before joining BTG. He holds a BCom LLB and LLM in corporate law and was admitted as an attorney to the High Court of South Africa. He also holds a post-graduate qualification in general management and is a fellow of The UK Chartered Governance Institute. Before joining Altron, WK worked in company secretarial and legal roles at Merchantec Capital and BDO.

Executive Committee

Our Executive Committee is made up of Neil Murphy, our CEO, Andrew Holden, our CFO, and the MDs of our two businesses, Phoenix's Sam Mudd and Jack Watson from Bytes. The committee was established during the year. It meets monthly and assists with the development and execution of BTG's strategy. Individual Executive Committee members are responsible for leading their directorates and ensuring they are run effectively and efficiently.

Neil Murphy
CEO, BTG
For biography see page 62

Andrew Holden
CFO, BTG
For biography see page 63

Sam Mudd
MD, Phoenix Software

Nationality British
Age 53
Appointed as MD November 2014

Sam joined Phoenix as a solutions sales manager in November 2003, having previously held senior roles at WordPerfect, Novell Inc., and Trustmarque Solutions.

Sam became a director of Phoenix in 2009 and moved into the role of MD in 2014. Through her leadership, the business has seen significant growth over the last number of years. Phoenix has won numerous IT sector awards during this period, including Microsoft UK Partner of the Year 2021. In October 2020, Sam won the Women in Channel 'Industry Achievement Award' from IT reseller magazine CRN. Two years earlier, she was named '2018 Business Leader of the Year' at the Women in IT awards.

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

Jack Watson
MD, Bytes Software Services

Nationality British
Age 38
Appointed as MD March 2021

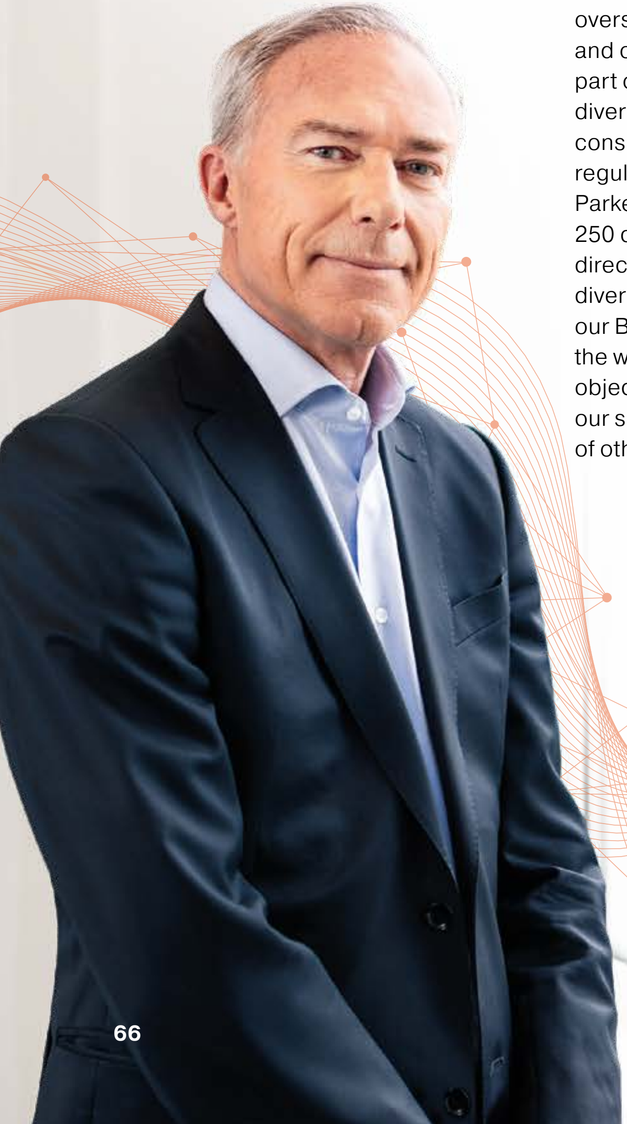
Jack joined Bytes as a new business account executive in November 2006. He was promoted to sales manager in 2012 and grew his team's sales profit by more than 200% in less than four years. He developed the '7 steps' sales programme, which boosted individual sales performance and accelerates new talent 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 roll out 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 Bytes MD in March 2021.

Chair's introduction to corporate governance

Welcome to our corporate governance report for 2021/22, a period when the Board focused on strengthening its composition, driving BTG strategy and evolving our approach to risk.

Creating a more diverse Board

During the year, we brought new skills and diversity to our Board with the appointment of Dr Erika Schraner as an additional non-executive director (NED). Erika has rich experience in international business, technology and M&A. She expands our number of independent directors; increases female representation on the Board to 29% (moving us closer towards our goal of 40%) and, having joined the Audit Committee when David Maw stepped down, enables the committee membership to be fully independent – aligning us with the UK Corporate Governance Code.



The committee continues to benefit from being able to draw on David's insights through his ongoing tenure on the Board.

Aside from leading Erika's recruitment, the Nomination Committee oversaw the appointment of our new CFO, Andrew Holden, who succeeded Keith Richardson. Andrew already knew our business and leadership team well, having served for 27 years with Altron, our former parent company. He brings extensive experience of the technology sector and strong financial and commercial acumen to our Board.

Erika and Andrew have fitted seamlessly into the Board, aided by the inductions overseen by the Nomination Committee and our Group Company Secretary. As part of our ongoing review of the broad diversity of the Board, we will continue to consider our composition in relation to regulatory requirements, including the Parker Review's 2024 target date for FTSE 250 companies to have at least one Board director of colour. Along with all prevailing diversity targets, we endeavour to align our Board membership with regulation, in the wider context of meeting our strategic objectives, delivering ongoing value to our shareholders and meeting the needs of other stakeholders.

Working with the executive to drive our strategy

Supporting the executive team in determining and pursuing the right strategy to deliver long-term sustainable success and shareholder value is one of our Board's key responsibilities. During the year, the directors and our business MDs held the first offsite BTG strategy day. At this event, we discussed such crucial issues as the optimum make-up of our portfolio of products and services and the comparative benefits of organic versus non-organic growth. A strategy agenda item, led by our CEO, is also on every Board meeting agenda. Reflecting our open and honest culture, NEDs freely challenge the executive during these sessions – and during all other discussions.

Another key theme this year, particularly for the Audit Committee, was the evolution of our approach to risk. A keystone process was our discussion around, and the documentation of, BTG's risk appetite, which will underpin all our future strategic decisions. We also appointed PwC to deliver our internal audit function, strengthening our risk controls and assurance. Since their appointment, PwC have played a meaningful role in assessing our Group risks, the quality of our controls and how we mitigate risks.

Addressing ESG risks and opportunities

The Board is also closely involved in BTG's management of the risks and opportunities within the environmental, social and governance (ESG) agenda. Our new sustainability and ESG reporting manual, which includes a foreword from the Board, is available on our website bytesplc.com/sustainability, emphasises the centrality of ESG to our success and highlights how we will address our ESG goals and monitor our progress. The 'social' element of ESG, particularly around the development and wellbeing of our employees and succession planning for directors and senior leaders, is extremely important for a people business like ours. We will continue to place particular focus on these areas.

Across BTG, our employees are engaged in, and proud of, our company. We know this from the findings of regular surveys and other feedback mechanisms and the work of our designated workforce engagement NED, David Maw. This year, David spoke to scores of our people, individually and in small groups, to glean their views on BTG. The insights gained, which David feeds back to the Board, help us to shape BTG into the type of employer our people want us to be. Such communication is particularly important – as we grow, evolve and take on new listing requirements – in enabling us to stay true to our values and entrepreneurial spirit. The Board intends to use opportunities during the coming year to spend more time in the business.

Learning from our inaugural Board evaluation

I am proud of the way the Board dynamic works in driving robust discussion and decision making. Our inaugural internal evaluation, when we surveyed all directors and our MDs for their perspectives on the Board and how we operate, returned largely positive feedback about our culture and abilities. We also identified opportunities to strengthen directors' succession planning and to refine the scope of papers presented to the Board. Our Group Company Secretary will monitor progress in these areas. In 2022/23, we will carry out our first externally conducted Board review.

Creating and maintaining a robust governance framework is a never-ending process, however I am pleased at how far we've come since our December 2020 IPO. We have methodically assessed our entire legacy governance framework, strengthened or replaced aspects that did not suit our business or strategy, and successfully filled gaps – as with the drafting of our first remuneration policy, which received overwhelming shareholder support at our July 2021 Annual General Meeting. We will continue to evolve our framework to build on our firm governance foundations.

Patrick De Smedt
Chair
23 May 2022

"Supporting the executive team in determining and pursuing the right strategy to deliver long-term sustainable success and shareholder value is one of the Board's key responsibilities."

Corporate governance report

Our Board has a pivotal role in guiding and embedding our purpose, values and strategy. This year, directors took significant steps to ensure our corporate governance framework continues to support these goals.

The Board's year

Board meeting attendance

Board member	Financial year ended 28 February 2022
Patrick De Smedt	9 / 9
Neil Murphy	9 / 9
Andrew Holden[1]	4 / 4
Keith Richardson[2]	1 / 4
Mike Phillips	9 / 9
Alison Vincent	9 / 9
David Maw	9 / 9
Erika Schraner[3]	6 / 6

1 Andrew Holden was appointed as CFO and BTG Board executive director on 21 October 2021.
2 Keith Richardson handed over the CFO function to Andrew on 13 September 2021 and formally stepped down as a BTG Board executive member on 21 October 2021. Apologies for non-attendances recorded above, noted and accepted at the time.
3 Erika Schraner was appointed as independent non-executive director of the BTG Board on 1 September 2021.

During the year, our Board continued to set the strategic direction of BTG as a listed entity and to position the Group for its next stage of growth.

This included:

- Reviewing BTG's strategy, including that of its underlying businesses, Bytes and Phoenix, and aligning management with its implementation
- Strengthening our corporate governance structures by:
  - Appointing another female independent non-executive director to the Board, increasing female representation from 17% to 29%. (See panel below)
  - Appointing a new CFO. (See panel on page 70)
  - Providing director inductions. (See panel on page 70)
  - Reconstituting our Audit Committee membership so that it is made of solely independent non-executive directors, as required by the UK Corporate Governance Code (the code)
  - Overseeing, through our Audit Committee, PwC's appointment as BTG's internal auditors and approving the firm's internal audit review plan. (See panel on page 69)
  - Reviewing and aligning our delegation of authority matrixes
- Approving BTG's environmental, social and governance (ESG) targets, including our net zero ambitions, and overseeing the development of our sustainability and ESG reporting manual
- Reviewing and approving BTG's capital allocation strategy
- Carrying out our first internal Board evaluation. (See panel on page 69)
- Through our Remuneration Committee, reviewing employee benefits across the Group
- Overseeing BTG's response to the easing of lockdown restrictions and our preparations for operational effectiveness in a post-Covid-19 environment.

Our Board met nine times during the year, with a combination of in-person and virtual meetings – as required under Covid-19 restrictions at the time. Going forward, the Board will continue to take a hybrid approach to meetings.

For much of the year, due to the restrictions, the Board was unable to visit the offices of our businesses, Bytes and Phoenix. However, our executive directors arranged numerous virtual sessions for our non-executive directors so they could engage with our leadership teams and gain further insights into how our business operates.

Appointment of new non-executive director

Erika Schraner joined us as a new independent non-executive director in September 2021. We recruited Erika via the Women on Boards network, having previously considered internal contacts and contenders from previous searches, and having had preliminary meetings with two executive search companies. Erika's international track record with large companies and her experience of technology and corporate finance, gained from more than 25 years in senior leadership positions – including M&A roles with EY and PwC – are a great asset. Her appointment, which is in line with our Board and Senior Leadership Diversity policy and the UK Corporate Governance Code, means that 29% of our Board is now women and all our Audit Committee members are independent. We have taken account of the FTSE Women Leaders Review around increased gender representation on boards and will continue to work towards its recommendations by the end of 2025.

During the year, the Audit Committee met on eight occasions, the Remuneration Committee met five times, and the Nomination Committee four times. Directors are expected to attend all Board and relevant committee meetings. The table opposite shows the attendance at scheduled and special Board meetings, including those in relation to Andrew's appointment as CFO and our strategic review session, with committee attendance outlined in each respective report.

Understanding the conditions in our markets

During the past year, the Board received presentations about the conditions and challenges in our markets and on the refined focus and actions being taken by BTG around ESG goals, including increased reporting of climate-related financial information under the Task Force on Climate-related Financial Disclosures (TCFD). Directors continued to spend time, individually and collectively, expanding their understanding of our operational areas, including meeting with senior management for insights into their businesses. Through this ongoing immersion into BTG's operations, our directors are better able to contribute their extensive expertise and experience and to challenge the business effectively as we continue to grow.

Over the coming year, the Board will focus on ensuring that BTG delivers on the priorities that underpin our strategic objectives. This will include:

- Building further on sustainability initiatives and commitment to ESG matters, with ongoing dialogue with stakeholders to gather valuable insights into sustainability risks and opportunities for BTG
- Maintaining momentum on the execution of the strategy, monitoring effectiveness and keeping stakeholders informed of progress
- Through the Audit Committee, continuing to focus on the effectiveness of the company's approach to risk management and system of internal controls, as well as monitoring future risks and challenges across businesses and markets.

Assessing feedback from directors

Our Chair and Group Company Secretary oversaw the internal Board evaluation and presented the results and recommended actions to the Board for discussion. Feedback from each director was considered, and areas which merited further scrutiny, along with opportunities for improvement in Board processes, were followed up for the February 2022 Board meeting.

The conclusions were that:

- The Board responded well to Covid-19 and is performing to a high standard
- BTG's strategy and strength of financial reporting continues to be assessed and challenged despite current economic challenges and that there are robust governance arrangements in place
- The Board is confident that it has the right approach and senior management team to successfully deliver for our shareholders
- Each committee is well managed and effective, and individual directors contribute sufficient time and effort during and outside meetings.

Future priorities

Following the review, several priorities were agreed that will help guide Board and committee objectives for our 2022/23 financial year. These include:

- Improving the scope and extent of Board reporting
- Reviewing the focus of Board agendas, to reassess the time devoted to key strategic topics
- Maintaining a high level of focus on governance and people.

As part of the Board effectiveness review, Mike Phillips, as senior independent director, evaluated the Chair's performance. To do so, Mike held discussions with each director and the Group Company Secretary in February 2022. He then discussed the collective feedback with the Chair.

Appointing PwC for internal audit

In August 2021, we appointed PwC as our internal audit partners. This followed careful consideration over how we should fulfil internal audit, which was previously carried out by Altron. Having considered all options – an internal function, an external offering and a hybrid method – we concluded that an external firm with expertise in internal audit and knowledge of all business functions was the best solution. We chose PwC after a competitive process in July 2021 between two firms, as we felt that they would be good partners in helping us to embed a culture of risk management, along with appropriate uniform processes, across BTG. During the year ended 28 February 2022, in line with its agreed internal audit review plan, PwC completed two reviews, on company level controls and key financial controls and began two further reviews on supplier and vendor management, and cybersecurity maturity assessment.

Conducting our first internal Board evaluation

We conducted our first internal effectiveness review of the Board and its committees during the year. To gain insights into their performance, we circulated an online questionnaire to members of the Board and senior management. Directors were asked to comment anonymously on subjects such as Board composition, succession and culture; the performance and engagement of the Board and committees; the level and depth of Board discussion and deliberations; the clarity of the strategic plan and execution; regulatory aspects and future concerns, the adequacy of implementation actions and reporting; risk management; and the Board's engagement with key stakeholder groups including the external and internal auditors, and investors.

Corporate governance report

How our Board operates

BTG recognises the importance of effective corporate governance in enabling the clear delegation of authority from the Board through to our Executive Committee and beyond, and in promoting clear, disciplined decision making and effective execution of our strategic priorities. We believe such robust governance, with effective risk management and controls, is crucial to the long-term success and growth of our Group.

Board leadership and company purpose

The Board has overall responsibility for establishing BTG's purpose, values 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 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 of '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'.

Board role and responsibilities

The Board is collectively responsible for leading and controlling the company, has overall oversight of our business and is responsible for our long-term success. It reviews important aspects of the business with management and monitors management performance against targets. Our non-executive directors provide strategic guidance to the Board, and constructive challenge to management. The Board sets and has oversight of the company's strategic goals, with management ensuring we have the right skills and resources to meet our objectives.

Board committees

The Board delegates a set of defined responsibilities and authorities to the Audit, Nomination and Remuneration Committees so they can undertake specific functions and duties. Each committee operates within written terms of reference which are reviewed annually to ensure that they remain appropriate and up to date. They were last reviewed by the Board in October 2021. Our terms of reference ensure that the committees focus their attention on matters which are relevant for, and promote, good governance across the business. The Board collectively assumes responsibility for the functions that would otherwise be undertaken by a disclosure committee. A summary of the key responsibilities of each committee is outlined in the following pages. The full terms of reference of our Audit, Remuneration and Nomination Committees are available on our website at bytesplc.com/investors.

Appointing our new CFO

Andrew Holden's appointment as our new CFO followed his initial recruitment as Chief Operating Officer (COO) on 1 June 2021, with close oversight and reporting lines of most underlying departments. Andrew was known well by our executive directors and David Maw, as Bytes UK had reported directly into him at our former parent, Altron, where he had worked for 27 years. As COO, Andrew made several presentations to the Board, so the independent non-executive directors had exposure to him and he was able to demonstrate his knowledge of the business. On 12 September 2021, on the announcement of Keith Richardson's intention to retire, Andrew was appointed as Acting CFO and immediately assumed responsibility for BTG's finance function. He was appointed to the Board, and to the role of CFO, on 21 October 2021. The Nomination Committee compared his skill set against the job specification and considered references from Altron's previous three CFOs, each of whom supported his skills and experience. He had one-to-one discussions with each of the independent non-executive directors. Following this process, the Nomination Committee recommended to the Board that Andrew be appointed CFO and join the Board.

New director inductions

We arranged two inductions this year, one for Erika, our new non-executive director, the other for Andrew, our CFO.

As part of her induction, Erika met each Board member individually, along with our two MDs, our Company Secretary, BTG operational specialists, including Bytes's Chief Technology Officer, and external advisors. She also immersed herself in Board strategy documents, papers and minutes. Although Covid-19 meant that most engagements were virtual, Erika was able to visit and attend meetings at our offices in Leatherhead.

Erika's induction was more comprehensive than Andrew's, as he had already gained a deep understanding of BTG in 27 years with our former parent, including exposure to and engagement with several Board members as part of our 2020 IPO. Andrew's induction included individual sessions with each Board member, engaging with Keith as part of his handover, and meeting senior leaders at Bytes and Phoenix, and our external advisors. As the pandemic restrictions have now lifted, both directors will spend additional time engaging with our employees.

Division of responsibilities

Operations of the Board

The Board is collectively responsible for the long-term success of BTG and ensures that we operate within a framework of effective controls.

Board information

The Board has a detailed workplan that ensures operational and financial performance, risk, governance, strategy, culture and stakeholder engagement are considered at appropriate times during the year.

Before and at Board meetings, directors receive and consider papers and presentations from the executive directors, senior management and specialist third parties. The Board challenges management to ensure that the flow and quality of information to members is of a high standard. This ensures that the Board is provided with accurate and relevant information in support of its decision-making processes.

If a director is unable to attend a Board or committee meeting, wherever possible the respective chair will discuss the matters proposed with them in advance, to seek their support and opinion. The Chair will then present their views at the meeting.

Board balance

The directors' collective experience and diverse skills underpin the functioning of the Board and ensure that leadership and decision making is focused, balanced and approached with independent thought and judgement. The relationship between our directors is based on trust and mutual respect; open and frank conversations ensure that challenging decisions are taken for the benefit of the entire company, with due consideration for all stakeholders.

Board roles

The code requires that we clearly set out certain Board roles. In line with this requirement, a formal Board document outlines the key aspects of the roles of the Chair, CEO and senior independent director. This was put in place in December 2020 and is reviewed annually, as it was in 2021/22. The detailed division of responsibilities can be found at bytesplc.com/investors. The division of responsibilities between the Chair and CEO, and the responsibilities of the senior independent director and non-executive directors to ensure challenge, debate and an independent and objective mindset are set out in role statements.

Chair

The Chair, Patrick De Smedt, is responsible for effective leadership of the Board and for maintaining a culture of openness and transparency at its meetings. He promotes good communications between executive and non-executive directors and ensures all directors contribute effectively to discussions and feel comfortable in engaging in healthy debate and constructive challenge. The Chair ensures all directors receive accurate, timely and clear information to assist them in their decision making. As part of the Nomination Committee's remit, the Chair identifies training and development needs and ensures that new directors have appropriate induction programmes.

CEO

The CEO, Neil Murphy, has day-to-day responsibility for effective management of BTG's business and for ensuring that Board decisions are implemented. He plays a key role in devising and reviewing BTG strategies for discussion and approval by the Board. The CEO is tasked with providing regular operational updates to the Board on all significant matters relating to BTG's business or reputation, and for ensuring effective communication with shareholders and other key stakeholders.

Senior independent director

The senior independent director, Mike Phillips, is a sounding board for the Chair and an intermediary for the non-executive directors, where necessary. He is available to shareholders with concerns, when communication through normal channels has not been successful or such channels are inappropriate. The senior independent director has regular contact with the non-executive directors, such as in discussing matters leading up to important financial year milestones and in leading the non-executive directors' appraisal of the Chair's performance.

Other non-executive directors

Our other non-executive directors, David Maw, Erika Schraner and Alison Vincent, bring insight and experience to the Board. They are responsible for constructively challenging the strategies proposed by the executive directors and scrutinising management's performance in achieving agreed goals and objectives. They also play leading roles in the Board committees, bringing an independent view to discussions. They meet with the senior independent director to review the Chair's performance and other matters.

Group Company Secretary

The Group Company Secretary, WK Groenewald, is secretary to the Board and oversees BTG's legal function. His responsibilities include ensuring the Board has the information, time and resources to discharge its duties and to function effectively and efficiently. He provides briefings and guidance to the Board on governance, legal and regulatory matters and facilitates induction programmes for new directors.

Matters reserved for the Board

The Board has a formal schedule of reserved matters which is subject to review and update. The schedule sets out those powers reserved for the Board and not delegated to the executive directors. It also contains some matters which the Board cannot legally delegate. While the Board has appointed committees to exercise certain of its powers, with specific areas of delegation set out in their terms of reference, the final decision on these matters must be taken by the whole Board.

Board-reserved matters include:

- Our long-term objectives, strategic direction and business plans to ensure we can deliver long-term value to our shareholders
- BTG's annual budget, including the operating and capital expenditure budgets and any material changes to them
- Overseeing the accuracy and timeliness of BTG's formal business disclosures, including those in the Group's half- and full-year results

Corporate governance report

- Trading statements and any preliminary announcement of the final results and the Annual Report and Accounts
- Our dividend policy, declaring the interim dividend and recommending the final dividend
- Material acquisitions, disposals and contracts
- Major changes to internal controls and our financial reporting policies and procedures
- Risk management policies and determining our risk appetite
- Changes to capital, corporate or management structure
- Changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee
- Succession planning for the Board and senior management.

The matters reserved for the Board were reviewed on 18 February 2022 and can be found at bytesplc.com/investors.

Our Board also oversees and has ultimate responsibility for the effective delivery of our sustainability and ESG strategy, as illustrated in our sustainability governance on page 37.

Time commitment

Regular Board and committee meetings are scheduled throughout the year to ensure directors allocate sufficient time to discharge their duties effectively. During the year, the Board held nine scheduled meetings and strategy and planning sessions, which included senior management presentations on each business area. As well as their scheduled meetings, the Board met to consider matters of a time-sensitive nature. The record of attendance at our scheduled Board and committee meetings are set out in this Annual Report. The nature of the non-executive director role means that it is not easy to be specific about the maximum time commitment involved. However, it is likely to take up at least 20 days each year, after the induction phase, plus additional time for preparation before each meeting. Directors are also required to regularly update and refresh their skills, knowledge and familiarity with the company. It may also be necessary to convene additional Board, committee or shareholder meetings at certain times. This was the case during 2021/22 when, for example, the Audit Committee met to appoint PwC as our internal auditor and the Nomination and Remuneration Committees met in relation to the appointment of our new CFO.

Before appointing a candidate, the Nomination Committee assesses their commitments, including other directorships, to ensure they have enough time for the role. The committee formally reassess the directors' time commitments every year to ensure they each still have sufficient time for their role; the Chair also does this periodically as part of his role. This takes into account the number of each director's external commitments and the potential additional time required in the event of corporate actions. Our directors are required to obtain approval before undertaking additional external appointments, as Erika Schraner did during 2021/22.

Conflicts of interest

The Group's Conflict of Interest Policy aims to protect BTG, and our Board and employees, from any appearance of impropriety. In addition to the policy, under section 175 of the Companies Act 2006, the directors have a duty to avoid situations in which they, or anyone connected to them, have an interest that conflicts or may possibly conflict with the company's interests. Directors are required to report actual or potential conflicts of interest to the Board for consideration and, if appropriate, authorisation. If such conflicts exist, directors excuse themselves from consideration of the relevant matter. All declarations of conflict of interest, whether actual or potential, and any authorisations given, are recorded in Board meeting minutes. The Chair is consulted about the procedure for handling conflicts of interest, should they occur, particularly if there is uncertainty about an aspect of the policy.

Details of our directors' service contracts and terms of appointment, and their interests in the company's shares, are shown in the directors' remuneration report on pages 96 to 112.

Independent advice

All directors can ask the Group Company Secretary for advice and, as appropriate, obtain independent professional advice at the company's expense. No requests for independent professional advice were made during 2021/22.

A directors' and officers' liability insurance policy is maintained for all directors, with each director also having a deed of indemnity.

Corporate governance framework

Our effective corporate governance framework supports the Board in delivering BTG's strategy and in furthering our long-term sustainable growth. Through such components as matters reserved for the Board, committee terms of reference and a robust delegated authority system, the framework sets out how the business is managed and ensures effective and efficient decision making. Efficient internal reporting, internal controls and oversight of current and emerging risks are embedded into our business processes which align to the Group's strategy, purpose and values.

The Board has delegated specific responsibilities to three key committees, which focus on specific areas of its responsibilities. They are each chaired by an independent non-executive director.

The Nomination Committee reviews the composition of each committee annually, and if the Board changes. Cross-committee membership provides visibility and awareness of matters relevant between the committees. Each chair provides a report on their committee's activities to the Board after each committee meeting. All Board members are invited to attend committee meetings where they are not formal members; committee papers and minutes are shared with all directors.

The Board delegates responsibility for the day-to-day operational management of the company to the CEO, who is supported by BTG's executive leadership. The Board convenes meetings to consider timely and accurate disclosure of sensitive information, when the need arises. It is supported by the activities of each of the committees, which ensures that the right level of attention and consideration are given to specific matters.

Committee roles

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities in relation to financial reporting, internal and external audits, risk management and internal controls. This includes reviewing BTG's interim and annual financial statements, considering the scope of the annual audit and the extent of non-audit work undertaken by external auditors, advising on the appointment of external and internal auditors and reviewing the effectiveness of BTG's internal control systems. The Audit Committee normally meets at least four times a year.

Nomination Committee

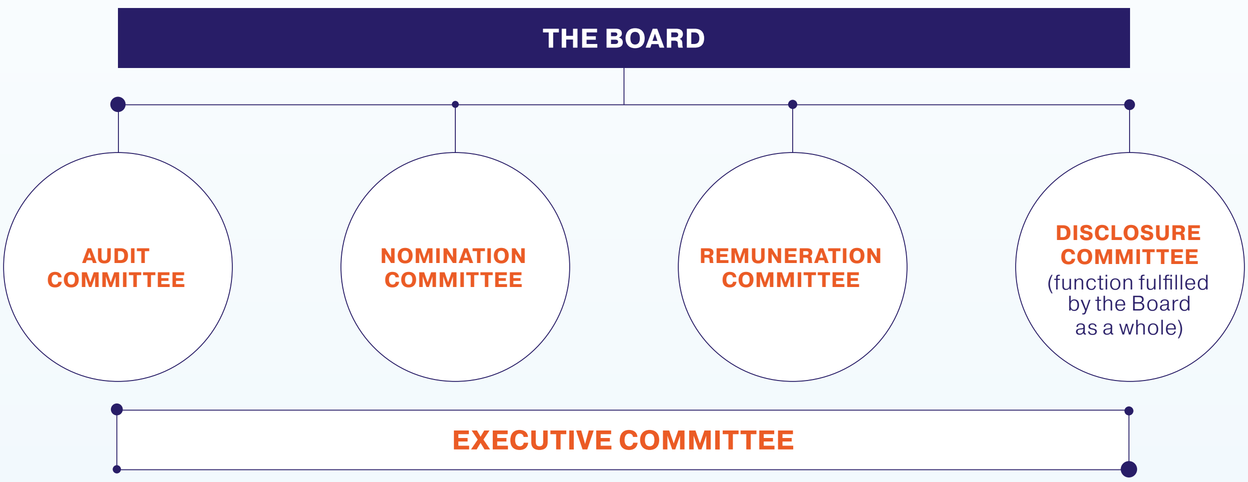
The Nomination Committee assists the Board in determining its composition and make-up. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates as directors, as the need arises, and ensuring the Board's diversity and balance of skills. It reviews executive succession plans, diversity performance and plans for improving diversity, and determines succession plans for the Chair. The committee oversees evaluation of the performance of the Board, its committees and individual directors. It normally meets three times a year.

Remuneration Committee

The Remuneration Committee sets, reviews and recommends BTG's policy on executive remuneration, determines the levels of each director's remuneration, and recommends and monitors the remuneration of senior management. It sets the pay of executive directors and agrees their participation in bonus plans and share-based incentives. The committee sets a remuneration policy for approval by shareholders, manages the policy's implementation and produces the annual remuneration report. It normally meets at least three times a year.

Terms of reference

Our committees' terms of reference are available on our corporate website – bytesplc.com. They are reviewed each year, or more often as required. We are satisfied that they reflect the roles and responsibilities in line with the code and associated regulations.



Composition, succession and evaluation

Executive management

Our executive leaders focus on strategy implementation, financial and competitive performance, commercial development, succession planning below Board-level, and organisational development.

The Board delegates responsibility for the day-to-day management of the Group to the CEO. He works with the executive management team, which is collectively responsible for developing and implementing our strategy, operational plans and budgets; monitoring overall operational and financial performance; overseeing key risks; and leadership development.

Executive Committee

Our Executive Committee is made up of our CEO, our CFO, and the MDs of Phoenix and Bytes. The committee was constituted during the year and meets monthly to address both strategic and operational issues that affect the Group. The committee is the leadership team responsible for executing strategy, by managing, monitoring and providing executive input to support BTG's strategic and operational decisions and ensure strong executive alignment on business priorities and actions, including business case investments. The committee's authority is delegated to it by BTG, as approved by the Board.

The executive directors and management remain responsible for the effective day-to-day running of the company, with due regard to both fiduciary responsibility and operational efficiency.

Operational boards

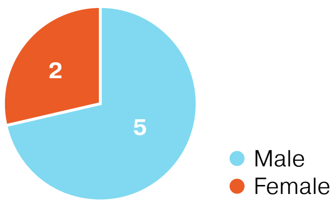
Bytes and Phoenix both have boards which meet once each quarter. Their annual workplans are aligned to the BTG Board and committees and the Group results cycles. The Bytes and Phoenix boards oversee the implementation of Group strategy in so far as it pertains to their businesses. Membership is made up of the BTG CEO and their respective MD and senior leaders, with our CFO a standing invitee at all meetings.

Board composition

(number of directors)

Chair (independent on appointment)	1
Independent non-executive directors	3
Non-executive director	1
Executive directors	2

Board gender split



The Group's stakeholders benefit from having a Board with varied expertise, perspectives, insights and viewpoints, as such diversity leads to better business performance.

Diversity and inclusion

BTG recognises the importance of diversity and inclusion across the Group, seeing it as a key driver towards our strategic goals. We are passionate about maintaining a positive and dynamic workplace culture where our employees can contribute and use their talents, skills and experiences to ensure we remain one of the UK's leading providers of software, security and cloud services. A diverse Board, with a broad range of skills, backgrounds, knowledge and experience, is essential to maintaining Board effectiveness and competitive advantage. Diversity of skills, background, knowledge and gender will be fundamental considerations for future appointments to the Board. All appointments are made on merit, taking into account a potential candidate's suitability for the role, and how well they will complement the composition and balance of the Board. The Board is committed to considering suitably qualified applicants from the widest possible range of backgrounds, with no restrictions on age, gender, religion or ethnicity. It has adopted a Board and Senior Management Diversity Policy which includes a commitment to aspire to having at least 40% female directors on the BTG Board by 28 February 2026 and maintaining the senior leadership team composition above 40% over the short to medium term. Under the policy, the Board also considers candidates in line with the Parker Review's target date for FTSE 250 companies to have at least one board director from a minority ethnic group by 2024. The Board ensures that procedures are in place to support our diversity policy, including in its succession planning for senior management.

Board effectiveness

Board appointments

The Board, on the recommendation of the Nomination Committee, makes decisions on appointing and removing directors, with an agreed formal and transparent procedure for future appointments. In line with the code, all our directors stand for re-election at every Annual General Meeting; as will be the case at our Annual General Meeting on 26 July 2022. The Board believes each director standing for election makes, and will continue to provide, an effective contribution and encourages shareholders to support their election.

Non-executive directors' independence

The Nomination Committee considers whether each non-executive director continues to be independent in character and judgement in line with the code. The independence of the non-executive directors was considered on their appointment and reviewed by the Nomination Committee during its meeting on 18 February 2022. The continued independence of the Chair, Alison Vincent, Mike Phillips and Erika Schraner were again confirmed, as was the non-independence of David Maw. As standard practice, the non-executive directors meet with the Chair in the absence of the executive directors, as occurred on 26 January 2022. The directors meet annually with the senior independent director to, among other things, review the Chair's performance.

Appointment, induction and development

Directors are nominated by the Nomination Committee and subsequently approved by the Board for election, or for annual re-election by shareholders at our Annual General Meeting. After three years' service, a non-executive director's performance will be thoroughly assessed by the Nomination Committee. Development needs, as and when identified, will be discussed between the Chair and the non-executive director and actions taken to address them. Each director's experience and expertise is set out in the Board biographies on pages 62 to 64 and in the 2022 Notice of Annual General Meeting.

New directors receive a comprehensive bespoke induction, to help them learn about BTG and operational aspects of our business. Our Chair and the Group Company Secretary assume responsibility for delivering the programme, which covers our core purpose and values, strategy, key business areas and corporate governance.

The Board is strongly committed to developing our directors and holds discussions around their training requirements. Corporate governance and technical updates are provided at Board and committee meetings to keep directors up to date with key regulatory and business events, as part of their ongoing development. Directors are also encouraged to attend training sessions and industry seminars to stay abreast of relevant legal, regulatory and financial developments.

Our effective Board is at the heart of BTG's robust corporate governance framework and business success. To ensure that the Board continues to operate effectively, and that each director is fully committed to their role, the Board conducts regular evaluations of its performance, and that of its committees and directors. Following our IPO in December 2020, our Chair led the first of these during 2021/22. They will continue on an annual basis, as covered above.

The Board will conduct an externally facilitated review of the effectiveness of its performance and that of its committees and directors every three years. Its first external review will be carried out during 2022/23, and reported on in next year's Annual Report.

Relations with shareholders

We are committed to communicating openly with our shareholders, to ensure that they fully understand our strategy and performance. Our CEO and CFO attended numerous engagements with existing and potential shareholders at investor roadshows, following the announcements of our financial results, and at other sessions during the year. Since our admission to the London Stock Exchange, we have continued to actively engage with shareholders as set out on page 76 in our Section 172 statement.

Results and routine announcements

We communicate with shareholders through full-year and half-year financial results announcements and trading updates. We invite institutional shareholders and analysts to attend presentations following our results announcements, which were conducted virtually this year. The presentation slides and webcasts of our full-year results presentation for the financial year ended 28 February 2022 are available at bytesplc.com/investors.

Shareholder meetings

Our Annual General Meeting is our principal forum for dialogue with private shareholders. We look forward to our second such meeting, which will be held on Tuesday, 26 July 2022 at our head office in Leatherhead, Surrey. The Board has decided that the interests of all our stakeholders are best served by holding our Annual General Meeting as a hybrid meeting. Shareholders will therefore be able to attend either in person or virtually. Our Board Chair, the chair of each committee and other directors, will be in attendance and will be available to answer shareholders' questions submitted in-person or electronically.

Details of the meeting, the resolutions to be proposed for voting by poll, and how shareholders can join and raise questions, are set out in the Notice of Annual General Meeting. This is available to download on our website, bytesplc.com/investors, and will be sent to shareholders at least 21 days before the meeting.

Website and shareholder communications

Our website, bytesplc.com, provides a range of corporate information on our business, results and financial performance, including copies of our Annual Report and Accounts, announcements and presentations. Our Annual Report and Accounts will be distributed in electronic format, with shareholders welcome to request hard copies from our Group Company Secretary at WK.Groenewald@bytes.co.uk.

Meetings and results roadshows

The directors actively seek to build understanding of our mutual objectives with institutional shareholders. The CEO and CFO primarily manage our shareholder relations, supported by our Chair and Group Company Secretary. As well as holding roadshows, we review analysts' notes and brokers' briefings to deepen our understanding of investors' views. The Board is kept informed of the views and concerns of major shareholders through briefings from the CEO, and investment reports from analysts. The non-executive directors, including our senior independent director, are available to meet with major shareholders to discuss issues as they arise.

Stakeholder engagement

Our customers, vendors, employees and investors are core members of the BTG team, while our support for our communities and the environment – which we also consider a stakeholder – underpins our values and purpose.

How we consider stakeholders in our decision making

All our key stakeholders are essential to BTG's growth story, as the table below shows. We consider the concerns of, and the impact on, stakeholders in all the decisions we make across BTG. The way our Board sets the right tone from the top further strengthens their interests.

Throughout the strategic report you'll see how our decisions and actions have been influenced by our relationships with stakeholders, to the benefit of the business as a whole. In this section we look more specifically at how the Board has factored stakeholder considerations into decision making in 2021/22. This is in line with the 2018 UK Corporate Governance Code and The Companies (Miscellaneous Reporting) Regulations 2018, which require boards to understand the views of their company's key stakeholders and to describe how their interests, and the matters outlined in Section 172 of the Companies Act 2006, have been considered in their discussions and decision making.

Section 172 imposes a duty on directors to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of all its members. The following summary demonstrates how BTG achieved this in 2021/22 for our primary stakeholder groups, that is, our employees, customers, suppliers and vendors, the environment and communities in which we operate, and investors. Further information on how our Board engages with our stakeholders is set out below.

Our key stakeholders

Employees	Our people are at the heart of our business and are instrumental to our continued growth and success
Customers	Building trusted relationships with our customers, based on a deep understanding of their needs, is critical to our strategy
Suppliers and vendors	Our well-established relationships with our suppliers and vendors help us to provide the best solutions and support for our employees and customers
Investors	Our investors own BTG and have made a financial commitment to our company's success
Community and environment	We recognise that we are part of the communities in which we operate and strive to make a meaningful contribution to sustainable environments

Engaging with our stakeholders

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 (the act). It is mindful of the potential impact on our stakeholders when considering BTG's strategy or other activity. Indeed, these responsibilities are rooted in our culture, values and purpose.

The Board considers that, in its decisions and actions during the year, it promoted the success of BTG for the benefit of its members as a whole, while having regard to stakeholders and the matters set out in Section 172(1) (a–f) of the act. It receives updates on each of our stakeholder groups and ensures that it remains well informed about them.

The Board believes strongly in doing business in the right way, with all its decisions underpinned by their impact on our five main stakeholder groups. We set out below two areas where our Board had regard to Section 172 when discharging its duties and how this affected its decisions.

Stakeholder engagement

How our stakeholders have shaped our actions

Hybrid-working arrangements

- Lockdown proved that BTG could operate successfully with our people working from different locations, and we are therefore introducing hybrid (combining home and office) working policies in both our businesses. This decision followed a great deal of thought and consultation. We considered emerging trends, our operational and business requirements, the way we work and how we engage with customers now – and are likely to in future. We also listened to the views of our people, including their sense of work/life balance and wellbeing. Following this process, we revised our approach to home-based working and adopted a policy around hybrid working arrangements which suits our customers and employees. Both represent key stakeholder groups and we have prioritised them in the new working environment, towards which we are all adapting as a society. We will continue to monitor the effectiveness of the new policy and keep our lines of communication open so that we will know if and when we need to make future adjustments.

Social value

- In 2021/22, BTG established our first environmental and social steering committees, with representation from some of our many employees with knowledge, passion and interest in these areas. Both Phoenix and Bytes already have forums where our people share ideas and views around social, community and environmental issues and how our business can make a positive difference to them. The committees provide a channel for employee initiatives to be considered at a Group level and, where appropriate, for the discussion of BTG's environmental, social and governance (ESG) actions. The committees form part of our overall ESG and sustainability governance frameworks, with ultimate Board oversight. The Board and executive management will ensure that the committees address the goals and aspirations set through our ESG strategy, and report our progress in these areas to stakeholders on an ongoing basis. The committees support our overall principle that technology has a positive impact on our communities, offering a path to sustainability, carbon neutrality, equality and education – so directly affecting all our stakeholders. This is certainly true for the cloud and security solutions we provide.

The detailed narrative in this Annual Report sets out how our directors strive to comply with their duty under Section 172 in considering stakeholders in BTG's decision-making process, so as to promote the company's success. The following content summarises our approach.

Long-term decision making

The Board has established a structured governance model, with scheduled Board meetings and clear documentation and authority levels to control its decision-making process. Our governance model supports BTG in ensuring that decisions are considered, documented and reported upon, to illustrate clear processes and alignment with our strategic plans. A detailed annual budget is prepared and presented for approval by the Board. Actual results for the month and year to date are compared against budget when presented to the Board. During the year, re-forecasts of the full year are presented to the Board. Together, this enables the Board to monitor the actual and forecast performance of the business and how this compares with market expectations so that any update to the stock market is provided in a timely way. The Board and individual directors operate within this structure, with the aim of promoting the success of the company and delivering long-term shareholder value. Business proposals are documented in line with, and performance tracked against, levels of authority.

High standards of business conduct

Our Code of Conduct sets out the behaviours and values expected of BTG and our people. These are communicated to our employees and third parties. We have processes to update our Board and management on the operation of our code and an independent whistleblowing service enables employees and third parties to anonymously raise concerns. Through its oversight and monitoring role, the Board requires BTG employees to work to the highest standards of business conduct. They are supported in this by ongoing communication and awareness of, and training in, acceptable conduct. Reports of inappropriate behaviour are independently investigated and action taken where necessary.

We set out below how the Board has engaged with, and been influenced by, the interests of our different stakeholders. Such engagements have been well established in BTG over several years; our investor community has become a well-established stakeholder group since our December 2020 listing.

1 Employees

Our employees work to the highest professional and corporate standards. They are rewarded fairly and incentivised to deliver our strategy.

Our employees are at the heart of our business, being BTG's most important asset and fundamental to our success. They directly contribute to the successful delivery of our strategy, performance and reputation, through their passion, motivation and skills. We know our people prioritise opportunities for personal development and career progression; a safe, diverse and inclusive working culture; and the ability to deliver market-leading solutions for our customers – and we ensure we deliver these positive working conditions.

The Board keeps abreast of the interests of our employees in many ways – from updates on talent and succession plans from our MDs and HR teams to details on employee remuneration, benefits (including pensions) and engagement through the Remuneration Committee. Our Board monitors our annual all-employee Sharesave scheme, which launched on 1 June 2021, and were pleased to see a strong uptake of the scheme in its first year. David Maw, our Board-appointed non-executive director with responsibility for employee engagement, reported back to the Board on many individual and group meetings held with our people during the year. Our non-executive directors also attended in-person and virtual meetings with our employees, as Covid-19 restrictions were lifted.

We aim to inspire individual leadership, with more people taking personal responsibility for managing their own work efficiently. This objective is underpinned by our coaching programmes, online staff feedback platforms, quarterly whole-company meetings, employee NPS surveys, and engagement with our leadership teams. These activities complement regular one-to-one meetings with management. We also encourage employees to help shape BTG into the company they'd like it to be. For example, our Better Bytes platform enables our people to share insights, feedback and ideas and to constructively challenge management on how we can improve.

The physical and mental health and safety of our employees is a top priority for the Board. We create opportunities for employees to talk with leadership team members, for example, through our 'What's bean happening?' sessions. These enable employees to ask questions, provide feedback, share experiences, and get to know each other better in small groups over coffee. We continue to offer health support networks for employees via internal qualified teams, and through partnering with an independent health and wellbeing specialist. We provide employee fitness, mindfulness and wellness sessions, with direct confidential channels available for anyone with personal concerns. The Board and management receive feedback on these activities, to enable them to further improve employee engagement and take action where required.

2 Customers

BTG aims to deliver the latest technology to a diverse and growing customer base.

We have a diverse customer base across both corporate sector (from small- and medium-sized businesses to enterprise customers) and public sector organisations. This includes organisations in professional services, technology, media and telecoms, manufacturing and retail, and in the areas of education, charities, housing, local and central government, healthcare and emergency services. We enable effective and cost-efficient technology sourcing, adoption and management across software, security and cloud services. Our customers look to us for help in identifying their software needs, selecting and deploying appropriate software products, managing licence compliance and, ultimately, optimising their software assets.

The Board is kept informed about our varied customers and their changing needs and buying patterns. BTG's people meet frequently with our customers both in person and via virtual events, including tradeshows, conferences, social media (including LinkedIn and Twitter) and podcasts. We regularly gather feedback and insights on our clients' strategies and future investment plans through contract reviews and our customer success teams. We also meet our customers in roundtable and summit events, like the 2021/22 Security Innovation 22 event series, which focused on the modern workplace, hybrid infrastructure and security, and brought together our network of vendor partners.

In conjunction with our partners, we host informative webinar series for many different industries, that are tailored to address their unique business challenges. These provide rich insights to help us keep evolving and adapting our offering to customers in ways that meet their needs.

We often screen customers for reputational and financial risks to identify issues that could damage BTG's reputation or finances. We clearly document terms and conditions, including service levels, payment terms and working practices.

Stakeholder engagement

3 Suppliers and vendors

We build close and mutually beneficial relationships with our suppliers and vendors to provide leading IT software offerings and solutions.

BTG has strategic relationships and trusted partnerships with some of the world's most successful software companies, in cloud, security and annuity software and services. The strength and depth of these partnerships is clear from our many accreditations and awards.

In 2021/22 Bytes was named the 2021 partner of the year by Darktrace (EMEA), Proofpoint and Varonis (UK/Ireland); the channel partner of the year by Forcepoint; the top cloud partner by Check Point (EMEA); the customer excellence partner of the year by Mimecast UK/Ireland; the enterprise partner of the year by Sophos; the subscription partner of the year by Veeam, and the Megabuyte100 best value added reseller of the year.

Phoenix also received awards such as BitDefender UK Public Sector Partner of the Year 2021; Dell's UK Technical Sales Person of the Year 2021; Sophos Education Partner of the Year UKI 2021; Veeam Fastest Growth Partner of the Year 2020, and Microsoft Partner of the Year 2021.

Phoenix built on its Azure Expert Managed Service Provider status, the highest level of Microsoft Azure accreditation, and achieved Azure Migration and Modernization Program status, as well as advanced specialisations for Microsoft Windows Server and SQL Server Migration to Azure, Azure Virtual Desktop and for Adoption and Change Management – taking its total to nine. Phoenix also renewed its Dell Titanium status for the current year and attained Rubrik Select, Barracuda Preferred, CrowdStrike Elite and Proofpoint Platinum partner status. They also became a Check Point 3★ partner.

The Board is kept informed about the major third parties with whom we do business, including our suppliers, banks and regulators. The integrity of our supplier arrangements – particularly robustness of supply – is a key consideration. We screen all our major third parties for reputational and financial risks to ensure that there are no apparent issues that could damage our reputation or finances. We clearly document terms and conditions, including service levels, payment terms and working practices.

Our Board recognises that BTG strives to comply with all legal obligations in the territories in which we operate.

4 Investors

Creating value for shareholders is a key objective for the Board; our mission, purpose, values and strategy are focused on delivering long-term, sustainable growth.

Our investors provide a source of capital, enabling us to grow and invest for future success. They are interested in a wide range of issues about BTG, including the execution of our strategy, our financial and operational performance, governance, remuneration, acquisitions and capital allocation. Our CEO, CFO and, as required, members of our senior leadership team, regularly engaged with our larger shareholders, and potential investors, during the financial year.

Our investor relations team continued to deliver regular market announcements, presentations, discussions with investors and an investor relations hub on BTG's website with relevant, up-to-date information for the market. Our executive directors also held virtual roadshows following key announcements, including our full-year and half-year results, complemented by follow-up one-to-one conversations with investors and analysts. Our Board Chair, senior independent director and committee chairs are also available to meet with shareholders as required. During the year, Alison Vincent, chair of our Remuneration Committee, led the committee's consideration of shareholder views on our remuneration policy, which was well-supported by shareholders. To keep in touch further with the market, the Board receives regular updates on shareholder and analyst sentiment and peer analysis.

Our Annual General Meeting is a key way for shareholders to meet face-to-face with the Board to discuss our annual performance, strategy and any other matters they wish to raise. We look forward to welcoming shareholders to our coming meeting.

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. Further details on our approach to shareholder engagement is set out on page 76.

5 Community and environment

Doing the right thing for our community and our environment is a core part of our values.

We aim to conduct business in an entirely ethical way. This means we take account of the social, economic and environmental impact of everything we do, and prioritise human rights. We encourage our employees to volunteer for charities and with people who need assistance. We support their efforts by making charitable donations and in giving them paid time off to volunteer. Employee welfare is one of our top priorities, with active and positive efforts to encourage diversity and inclusion at all levels within BTG being central to our philosophy.

Our directors are increasingly aware of the need to ensure that our operations, products and services do not adversely affect the environment and that we positively contribute to the communities in which we operate. We enhance our social responsibility by employing additional people, developing a more diverse workforce and partnering with organisations who share our values. We provide engaging and well-paid local employment, minimise our impact on the environment in our responsible use of raw materials, natural resources and energy, and cut down on waste and harmful emissions, components and by-products. A corporate social responsibility programme, with clear objectives, is in place across both our operating companies. In 2021/22, we adopted our first sustainability and ESG reporting manual, in response to the views and expectations of our stakeholders, our own values and our aspirations to contribute more to our communities and the environment. We set up steering committees to ensure we meet our environmental and social goals.

We are committed to delivering social value for our customers, employees and community. We have transformed our social value strategy, to become a more socially responsible business, and refined our UN Sustainable Development Goals to focus on a smaller number of goals, where we can make a more meaningful contribution. Our aim is to help shape the everyday practices of BTG and our people, so that everyone is involved in fulfilling our social purpose. Reflecting our expanded social value strategy, we implemented initiatives to manage our charity partnerships and fundraising activities in a more targeted way. We also engage with employees to select charities which we support with fundraising activities and form local and national charity partnerships where we can make a real difference.

BTG continues to be an active partner of, and makes regular donations to, the World Land Trust, which protects threatened land and supports rainforest restoration efforts. To protect the environment, we participate in and encourage many forms of recycling and carbon reduction. We have taken further action to reduce BTG's carbon footprint by engaging the services of a specialist third party to support our environmental management activities. During the year, we adopted carbon reduction targets, with actions to continuously reduce our carbon footprint, in line with our carbon reporting plan. For more on our carbon reduction targets, see pages 44 and 45, Our planet.

Audit Committee report

I am pleased to present BTG's 2021/22 Audit Committee report, following the completion of our first full financial year as a listed company.

"2021/22 was an active and fulfilling year for our committee and from 27 October 2021 we complied fully with the code with all three members being independent non-executive directors."

Mike Phillips
Audit Committee chair

2021/22 was an active and fulfilling year for our committee as we appointed PwC as our internal auditor, welcomed a new member and monitored the continuing impact of Covid-19 on our business. This report sets out how the committee discharged its duties during the year and highlights our areas of focus in 2021/22. As noted in our 2020/21 report, we identified a number of focus areas, such as risk management and assessing the review of supplier contracts. Progress on the material areas is noted in this report, as well as in our 'Managing risk and realising opportunities' section in our strategic report, and our Section 172 statement.

Our committee's duties cover financial and narrative reporting, internal control and risk management systems, compliance and fraud, and internal and external audit. During recent months, we have also paid keen attention to wider economic conditions, as the economy recovered from the impact of Covid-19, and as the business weathered pressures around financial performance, new and emerging risks, crisis management, business continuity and resilience.

Strengthening our internal control

The committee focused on a number of significant areas of internal control (including financial, operational and compliance controls). During the year, we:

- Monitored the business response to internal controls around, and impact on, BTG's financial performance and reporting of Covid-19
- 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
- Assessed the effectiveness of the external audit process and considered the reappointment of EY as the external auditor for 2021/22
- 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 appointment of BTG's first internal auditor, PwC, and the approval of its charter, internal audit plan and initial review findings' reports
- Continued to support the strong finance leadership team with insights from their own experience
- Reviewed our terms of reference for 2022/23
- Together with the Board, considered the committee's own effectiveness.

Aligning membership with the code

Our membership changed during the year. Erika Schraner was appointed as an independent non-executive director with effect from 1 September 2021, and serves as a member of the committee. Following a review of the committee's composition, David Maw stepped down as a member with effect from 27 October 2021. This allows the committee to align with the UK Corporate Governance Code (the code), as our membership is made up of three independent, non-executive directors. We wish to again express our appreciation to David for his valued contribution to the committee while he was a member and for his ongoing contributions to the Board. As a Board non-executive director, David now attends our meetings by invitation. Taking into account this change in membership, during the year, the committee comprised three non-executive directors, with all members fully independent at our financial year end.

As chair of the committee and senior independent non-executive director, I am satisfied that our membership includes directors with recent and relevant financial experience and competence in accounting, risk management and governance, and that as a whole it has competence relevant to the IT sector in which BTG operates. I am the committee's designated financial expert, for the purposes of the code. This reflects my role as a qualified chartered accountant and my previous experience as CFO of a UK-listed company, with American depositary receipts listed on the New York Stock Exchange. Alison Vincent has considerable sector expertise, particularly around cybersecurity and enterprise risk management, and Erika has substantial financial knowledge in accounting and corporate actions and is a qualified accountant.

Accounting judgements and estimates

The committee receives strong support from the BTG finance team. This enables us to consider the approach to take on the key areas of judgement and estimates that impact the financial results, before the end of our reporting period. The critical judgements and estimates, including principal estimates, that we considered during the review of the 2021/22 Annual Report and Accounts included:

Accounting judgements and matters

Area of focus	Issue or role of the committee
Inappropriate revenue recognition: misstatement of revenue recognised at or near the year end	The committee reviewed the Group's revenue recognition policy and discussed with management the processes applied to record revenue accurately at period end and concluded that the timing and disclosure is in line with current IFRS requirements. The management team gives the committee detailed monthly reports on business performance which include revenue recognition data and trends against budget and previous periods.
Misstatement of rebate income	The committee reviewed the Group's policy in relation to recognising supplier and vendor rebates, and discussed with the management team any significant changes to rebate schemes to ensure consistency of treatment. The committee concluded that there has been no material misstatement of rebate income during the year.
Application of IFRS 15: presentation and disclosure in respect of principal vs agent	The committee is aware that inappropriate application of IFRS 15 may result in erroneous presentation and disclosure of revenue. In continuing to review the application adopted by the Group, the committee receives monthly management accounts showing the movement from gross invoiced income to revenue and the percentage netting adjustment which can be tracked through the year, along with management commentary for any unusual peaks or troughs. After its publication in November 2021, the committee also consulted with management in respect of the IFRS Interpretations Committee (IFRIC) consideration paper on Principal versus Agent. The IFRIC acknowledged that the assessment of whether an entity is a principal or agent might require judgement, in particular when the specified good or service is intangible, and concluded that IFRS 15 provided an adequate basis for a reseller to determine whether it is a principal or agent for the standard software licences provided to a customer. Consequently, the IFRIC had tentatively decided not to add a standard-setting project to the work plan. The tentative agenda decision was discussed again at the International Accounting Standards Board (IASB) meeting held on 23 May 2022. Whilst awaiting the outcome the committee confirmed that the Group's current approach remained appropriate at the present time in respect of the presentation of revenue under IFRS 15. The committee will consider the final agenda decision when issued and will work with management to assess its implications on the current accounting policy.
Assessment of the 'expected' life of the company share option plan (CSOP)	The committee considered the appropriateness of the key assumptions underpinning the assessment of the CSOP expected life, being the average expected time for employees to exercise share options between the vesting date (three years from grant date) and the expiry date (ten years from grant date), to determine the share-based payment charge in the statement of profit or loss.
Bytes Technology Holdco Limited (Holdco) restrucuring	The committee considered the accounting and legal steps relating to the restructuring of the Holdco balance sheet in order to settle its intercompany balance with Bytes Technology Group plc. In consultation with its advisors on this matter, the committee confirmed the appropriateness of the steps including the issuance of new shares and reduction of capital leading to the creation of distributable reserves in Holdco, and satisfied itself that the directors of Holdco were able to make a statement of solvency confirming that the company would be able to meet its debts as they fell due over the next 12 months. The Holdco restructuring has not affected the Group consolidated financial statements for the year ended 28 February 2022.
The going concern basis for the preparation and presentation of the financial statements of Bytes Technology Group plc	The committee considered the appropriateness of the key assumptions underpinning the Group's going concern assessment, and the sensitivities modelled; the assessment continues to focus on any potential ongoing impact of Covid-19 on the Group as well as potential impact from general economic and geopolitical conditions affecting businesses in relation to rising inflation and the humanitarian crisis caused by the conflict in Ukraine. The committee reviewed the associated disclosures in the year-end financial statements and the outputs of the external auditor's review to confirm the appropriateness of the going concern conclusion.

Audit Committee report

Committee attendance

Committee member	Financial year ended 28 February 2022
Mike Phillips	8/8
Alison Vincent	8/8
David Maw[1]	6/6
Erika Schraner[2]	3/3

1 David Maw stepped down as a member of the Committee, with effect from 27 October 2021.
2 Erika Schraner was appointed as an independent non-executive director on the Board and a member of the committee, with effect from 1 September 2021.

The committee further approved the KPIs to be included in the strategic report, which we believe have been appropriately disclosed. EY also comments on many of the above key areas of judgement and estimates in its auditor's report on pages 120 to 129. The committee has carefully reviewed EY's opinion and considers that the auditor's views closely align with its own.

All committee members were BTG directors during the year under review. We therefore had full access to the financial, governance and risk management processes and systems across BTG. We benefited from a series of meetings with key members of the management teams of Bytes and Phoenix, as part of Board engagement sessions during the year.

During 2021/22, we met eight times. Additional meetings were held during the year to focus on the appointment of PwC as internal auditor, as set out in more detail below. Attendance at our meetings is shown above left.

Our committee has reviewed and approved its terms of reference, which were set on 30 November 2020, as part of our IPO process. We have also agreed a schedule of items for each of our six planned meetings for the 2022/23 financial year, with two of these dedicated to risk management.

How the committee operates

Our committee generally meets on the same day as Board meetings, to make interacting with the other directors as efficient 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. Leading up to our year-end and interim financial results, our committee meets to consider the status of our financial reporting and risk and governance aspects linked to our results. At this meeting, we consider any areas of the financial results which require attention or revision, before they are formally recommended to the Board at a subsequent meeting. To enable open dialogue and assurance, time is set aside during the year for the committee to meet the external and internal auditors without executive management.

The Board receives a monthly financial reporting pack 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, with further information provided around financial reporting periods.

Responsibilities

Our committee's principal responsibilities, as delegated by the Board, remained unchanged during the 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 taking into consideration relevant UK professional and regulatory requirements
- Developing and implementing policy on the supply of non-audit services by the external auditor and approving any such work.

Internal auditor

- The relationship with the internal auditor, advising on its appointment and effectiveness, and 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 driving an agenda of continuous improvement

- Reviewing BTG's finance and risk management policies for ensuring regulatory and legal compliance
- Identifying and assessing principal and emerging risks and risk exposures
- The effectiveness of anti-fraud and bribery systems, and whistleblowing arrangements where employees and contractors can raise concerns in confidence.

In addition, the committee:

- Supports the Board in discharging its responsibilities for UK Corporate Governance Code compliance
- Advises the Board on proposed full-year, half-year and periodic reporting, and related announcements
- Reviews the annual and half-year financial statements and accounting policies, internal and external audits and controls
- Recommends to the Board the payment of final, interim and special dividends
- Assesses the effectiveness of financial reporting procedures
- Advises the Board on the outcome of the external audit and whether it considers the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess BTG's position and performance, business model and strategy
- Makes recommendations to the Board on the appointment, reappointment or removal of the external or internal auditor
- Approves 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 committee has primary responsibility for overseeing the relationship between BTG and EY as the external auditor. This includes monitoring and reviewing the firm's objectivity and independence on an ongoing basis, recommending its appointment, reappointment and removal, and approving the scope of the statutory audit and fees. During the year, EY presented to the committee its detailed audit plan for the 2021/22 financial year, together with its engagement letter, 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 and financial controls and was comfortable that the audit work remained aligned to BTG's strategy.

The committee aims to ensure that the auditor feels able to challenge management and that it has all the access it requires to report on matters that may not be part of the statutory audit but which, in the opinion of the auditor, should be brought to the attention of the committee. EY gains such access through attendance at each committee meeting, supported by other meetings held during the year with the committee chair, without management present. When carrying out its statutory audit work, EY also has access to a broader range of employees and different parts of the business. For this year's audit, EY's team was able to visit the main offices of Bytes and Phoenix, whereas last year's audit was done remotely, due to Covid-19-related restrictions. If, as part of this process, it identifies any information that it believes the committee should know it will report it to us in line with its duties and responsibilities. As EY audit partner, James Harris had direct access to the committee chair to raise any matter of concern.

The audit fees paid to EY for the financial year to 28 February 2022 were £515,000 (2020/21: £425,000). EY's 2021/22 non-audit fees for the review of our financial half-year results at 31 August 2021 were £75,000. Our committee approved EY's fees, along with its engagement letter.

The committee assesses the quality, effectiveness, objectivity and independence of the audit provided by EY each year, seeking the views of the Board. In doing so, it considers:

- EY's confirmation that it maintains appropriate internal safeguards aligned with applicable professional standards
- The fulfilment of the agreed external audit plan
- The content, insights and value of EY's reports to the committee
- The robustness and perceptiveness of EY in handling key accounting and audit judgements
- The policies we have in place to safeguard EY's independent status, including our policy on non-audit services
- The tenure of the audit engagement partner not being greater than five years.

Based on this assessment, the committee concluded that EY had provided appropriate focus and challenge throughout the audit and had remained objective and independent. Following the most recent review, the committee recommended EY's reappointment as BTG's auditor, and EY expressed its willingness to continue. Resolutions to reappoint EY and to enable the directors to determine its remuneration will be proposed at the 2022 Annual General Meeting.

The committee does not intend to put BTG's audit out to competitive tender until June 2030, ten years from the December 2020 IPO and audit work tenders. However, we will continue to review the auditor's appointment and the need to tender the audit, ensuring BTG's best interests are considered. In this regard, the committee will continue to monitor the implementation of recommendations from Sir Donald Brydon's Report of the Independent Review into the Quality and Effectiveness of Audit (the Brydon Review) and the complementary reviews by Sir John Kingman on the effectiveness of the UK audit regulator, the FRC (the Kingman Review), and by the Competition and Markets Authority on the audit market for large listed entities (the CMA Review). In particular, the Committee will review the impact of the upcoming Audit Reform Bill that was announced as part of the most recent Queen's Speech.

Audit Committee report

Audit risks and areas of focus

As part of its audit planning process, EY advised our committee of the key audit risks and areas of audit focus. The key risks identified were:

Fraud risks

- Misstatement of revenue recognised at or near year end
- Misstatement of rebate income to overstate reported results
- Management override of controls.

Significant risks

- IFRS 15 revenue presentation and disclosure.

Other areas of audit focus

- Accounting for share-based payments
- Going concern and viability
- Reorganisation of distributable reserves in BTG
- Impairment of goodwill.

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

Working with the external auditor

EY was invited to, and attended, all our meetings up to the date of this report and received all committee papers. Time is set aside at each meeting for us to meet EY without executive managers. Outside our formal meetings, the external auditor has direct access to the committee chair.

External audit process effectiveness and auditor independence

Our committee approved EY's terms of engagement and reviewed the effectiveness of the external audit through the year-end reporting period. We considered the auditor's performance, based on our evaluation and the feedback of senior finance staff throughout BTG, across a range of factors relevant to audit quality. 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 2022 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 that the objectivity of the audit partner and staff is not impaired. Our committee further confirmed that BTG has adequate policies and safeguards to ensure EY remains objective and independent.

Non-audit services

The Board has a policy on BTG's relationship with EY and non-audit work. All proposals for any non-audit services above £50,000 must be approved in advance by our committee and must not be prohibited by the FRC Revised Ethical Standard 2019. EY may only provide such services if its advice does not conflict with its statutory responsibilities and ethical guidance. The committee is aware of the requirements of the Statutory Auditors and Third Country Auditors Regulations 2016. The regulations cap non-audit services in any financial year at less than 70% of the average audit fees paid on a rolling three-year basis.

As standard practice, our review of EY's performance during the year-end reporting period included non-audit services and the auditor's ability to maintain its independence while providing these services. EY did not perform any services during the year which the committee considers as non-audit related, with the exception of the half-year review which is permitted as a non-audit service. The ratio between audit and non-audit services performed by EY during the year was 6.9:1.

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, our 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, including the assessment of principal and emerging risks, and the viability statement.

Risk management is inherent to our management thinking and business-planning process, as highlighted in the strategy and risk sections of our strategic report. For more on our risks and mitigation and our risk management framework, see the risk report on pages 52 to 57. To gain a comprehensive understanding of the risks facing the business and management, the committee periodically receives presentations from senior managers and external advisors.

Assessing our principal risks twice-yearly

A robust assessment of the principal risks BTG faces is performed by the Board twice per year. This takes into account 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 which 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. Due to its importance, changes to BTG's risk register can only be formalised with approval from the committee or Board (changes to the principal risks during the year are on pages 52 to 57).

Risks not deemed to be principal to BTG are documented within the risk registers of our primary subsidiaries, which are maintained by the Executive Committee. The committee received updates on material aspects relating to these risk registers and intervals during the year. In addition, risks deemed to be key indicators of changes in BTG's risk profile, or deviation from the Board's risk tolerance, are identified and reported to the committee.

Following our reviews, the committee confirmed to the Board that it is satisfied that 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.

As part of a review of the company's approach to enterprise risk management (ERM), the committee adopted the Group's ERM policy and framework and our risk appetite framework. Our ERM approach determines our overall principles, requirements and responsibilities for a sound approach to risk management and an effective and continuous internal control assurance framework within the business.

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

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

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

As reported in our previous Annual Report, EY provided our committee with feedback from the IPO process on improvements that the company and its subsidiaries could make. This feedback covered specific issues in the areas of governance and oversight, financial accounting and reporting, and the IT environment. These items have been captured by management in a workplan, together with associated actions, implementation timelines and accountabilities. Our committee monitors progress around these during the year.

At our April 2021 meeting, the committee considered the process by which management evaluates internal controls across the business. Key themes included IT security risk in respect of data security breaches around the Group's own data and that held on behalf of third parties, and financial fraud, collusion, errors or omission risk in respect of receipts, payments and IT assets.

Our management teams monitored the effects of the Covid-19 pandemic as it continued in 2021/22, to allow us to respond swiftly to developments and new guidance. Our business continuity plans (BCPs) for Bytes and Phoenix enabled us to respond to the specific scenario of a mandatory office closure. While partial flooding at our Phoenix offices during the year, and Covid-19, tested BTG's resilience and limits, we maintained operations throughout and learnt a great deal about business continuity. Beyond Covid-19, our focus for the financial year was on reviewing and refreshing our full suite of BCPs to improve resilience and robustness, incorporate Covid-19 learnings and improve our scenario-specific plans. We embedded an annual BCP management cycle as part of our overall risk management process, to continuously track, review and evolve our business continuity plans.

Our committee is satisfied that BTG's risk management and internal controls systems operated effectively for the 2021/22 financial year, up to and including the date of this report.

Going concern and viability statements

The committee considered BTG's going concern and viability statements at our meeting in May 2022. 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 2023 for going concern and over the next three years for viability, conducted a principal risk assessment, and analysed the impact of sensitivities on cash and available funding, individually and collectively in a reasonable worst-case scenario. These scenarios considered the mitigating actions we could take. We are satisfied that our going concern statement, on page 117 of the directors' report, and our viability statement, on page 59 to 60 of the strategic report, have been prepared appropriately.

Internal audit

The primary role of our internal audit function is to support the Board in protecting BTG's assets, reputation and sustainability. The internal auditor provides independent assurance as to the adequacy and effectiveness of the Group's internal controls and risk management systems.

PwC was appointed as BTG's outsourced internal audit function in August 2021 following a competitive process. The committee considers the firm to be independent. The internal audit charter was reviewed and approved by the committee. It provides the framework for the conduct of the internal audit function in BTG and has been created with the objective of formally establishing the purpose, authority and responsibilities of the internal audit function. The internal audit plan for 2021/22, which is driven by BTG's organisational objectives and priorities, and the risks that may prevent the Group from meeting those objectives, was approved by the committee and included a combination of risk-based audits and projects.

Audit Committee report

During 2021/22, PwC completed two reviews, on company level controls and key financial controls (Phoenix), and began two others, on supplier and vendor management and cybersecurity maturity assessment. The outcomes of the completed audits presented to the committee, which was pleased with the level of assurance received, and reported to the Board.

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 other Board committees are kept updated on the outcome of any reviews which fall within their areas of responsibility. To ensure that actions arising from internal audit reviews are completed in a timely manner by management, PwC follows up on the completion and implementation of critical, high and medium findings after their nominated completion date. Follow-up reviews are performed through discussion with management and by examining supporting data to validate information provided.

The internal audit plan for 2022/23 was approved by the committee at the end of the financial year. It includes audits on business continuity; data governance; key financial controls (Bytes and Phoenix) and cybersecurity. In drafting the audit plan, the committee took account of the methodology used to prioritise the respective audits. This includes defining the audit universe, assessing the inherent risk and the strength of the control environment.

Effectiveness review of the internal auditor

A formal review of the effectiveness of the internal auditor and the internal audit process will be conducted in February 2023, following PwC's first completed year as our internal auditor. It will include the:

- Qualifications and expertise of PwC's internal audit team
- Relationship established and the extent to which PwC has built an understanding of our business and systems
- Depth and breadth of internal audits
- Quality of reporting, including that of the regular internal audit follow-up reports provided to the committee
- Quality of planning and ability to meet deadlines.

The committee will conclude on the internal audit process and the quality of audit and reporting, and provide a report in our 2023 Annual Report.

Financial reporting

Our committee's primary responsibility, in relation to BTG's financial reporting, is to review the quality and appropriateness of the annual and half-yearly financial statements with management and the 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
- Our advice to the Board on the long-term viability statement.

We 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.

Our committee paid specific attention to BTG's ERM framework, risk appetite and tolerance levels. We agreed that the following areas of risk remain relevant and should be reviewed and assessed in 2022/23:

- The IT security risk of security breaches of BTG's own data and that held on behalf of third parties
- Financial fraud, collusion, errors or omission risk in respect of receipts, payments and IT assets
- The ongoing impacts of higher inflation, increasing 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.

We reviewed the appropriateness of management's accounting in relation to each of these significant risks.

Dividends and distributable reserves

We declared our first dividend to shareholders since our December 2020 IPO, with an interim dividend of 2.0 pence per share paid on 3 December 2021. We are pleased to announce a proposed final dividend for the year ended 28 February 2022 of 4.2 pence per share and, reflecting our strong cash position at the year end, which is above the level required for the ongoing running of a business, a proposed special dividend of 6.2 pence per share. Both dividends are subject to shareholder approval at our AGM on 26 July 2022. If approved, these would both be payable on 12 August 2022 to shareholders on the register at 29 July 2022. During the year, we took steps to ensure that our distributable reserves within the Group and company are appropriate for the declaration of dividends. The committee reviewed BTG's dividend policy and confirmed in the interim results that 40% of post-tax but pre-exceptional earnings would be distributed to shareholders as normal dividends.

Fair, balanced and understandable statement

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

Process

- All team members involved in the process were properly briefed on the fair, balanced and understandable requirement.
- The core team responsible for the co-ordination of 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 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.

Review of the committee's effectiveness

This year's internal Board evaluation included the annual review of the committee's effectiveness. The committee is pleased with the positive outcome of that assessment, and its observations and recommendations. The committee improved its governance and annual planning cycle in the year and will continue to build on this in 2022/23. As chair, I regularly monitor and assess the effectiveness of the committee and invite input from the external and internal auditor.

Looking forward

During 2022/23, our committee will remain focused on the key areas of responsibility delegated to it by the Board, which include, among others:

- Monitoring that appropriate assurance is obtained across all areas of the business, with a particular focus on BTG's principal risks, control environment and approach to financial reporting taking into account developments in reporting responsibilities and the ongoing consideration of climate risk in preparation of the financial statements.
- Maintaining a strong relationship with our external auditor and engaging in the delivery of a robust, efficient and effective external audit.
- Monitoring and reviewing the effectiveness of the internal audit function.
- Ensuring that standards of good governance are maintained, including consideration to the impact of changes to corporate governance arising from the UK Department for Business, Energy & Industrial Strategy review *Strengthening Assurance* across the Group based on the Three Lines of Defence model (accountability, actions, assurance).

I welcome questions from shareholders on the committee's activities. If you wish to discuss any aspect of this report, please contact me via our Group Company Secretary at WK.Groenewald@bytes.co.uk.

Mike Phillips

Mike Phillips
Audit Committee chair
23 May 2022

Nomination Committee report

This has been a busy and satisfying year for our committee. As well as overseeing the appointment of a new CFO, we welcomed another non-executive director, who has brought valuable experience and skills and greater diversity and independence to the Board. We also oversaw the reconstitution of our Audit Committee to ensure that it fully aligned with the 2018 code and consists only of independent members.

Committee attendance

Committee member	For the financial year to 28 February 2022
Patrick De Smedt	3/3
Alison Vincent	3/3
Mike Phillips	3/3
Erika Schraner[1]	2/2

1 Erika Schraner was appointed as an independent non-executive director on the Board, and a committee member, with effect from 1 September 2021.

"The Board strives towards an open and inclusive culture that supports our core values."

Patrick De Smedt
Nomination Committee chair

Our Nomination Committee works to ensure that we have the right executive and non-executive leaders to execute our strategic plans and maximise our business potential, now, and in the future. As such, we drive BTG's processes for establishing and maintaining a Board that is 'fit for purpose', as set out in the 2018 code. The 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 support it in its role in developing and overseeing BTG strategy. As part of this, the committee reviews the structure, size and composition of the Board to ensure it is made up of the right people with the necessary skills and experience while striving to achieve a composition that promotes diversity of thought and approach. 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.

Our committee consists of four independent non-executive directors. I chair the committee, as well as the Board, with the Group Company Secretary acting as our committee secretary. We invite other Board members to attend our meetings, if there is no conflict of interest, where this may assist the committee in fulfilling its responsibilities. This occurs most notably with executive appointments and succession planning. More information about the committee members is contained in the directors' biographies section on pages 62 to 64.

Terms of reference

We put our committee terms of reference in place when we listed in December 2020. They are reviewed and approved annually and are available on our corporate website, bytesplc.com. They were last reviewed on 27 October 2021. We are satisfied that they reflect our roles and responsibilities in line with the code and associated regulations.

Responsibilities

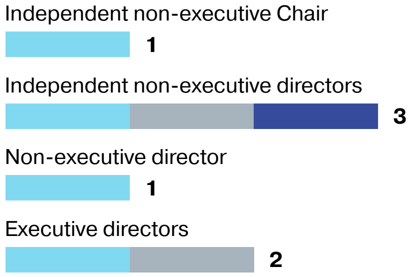
Our committee's main responsibilities are to:

- Regularly reassess the composition of the Board and committees (including size, skills, knowledge, experience and diversity), ensuring that they remain appropriate and making recommendations of 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 for Board approval candidates to fill Board vacancies as and when they arise, taking into account 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, identification of 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.

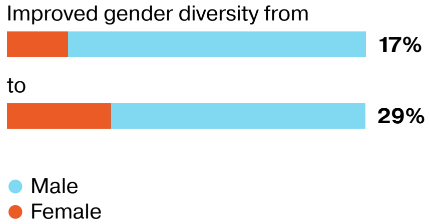
Strengthening our governance through improved independence and diversity

During the year, we improved our independence and diversity in three key ways, as illustrated below and set out in more detail in this report.

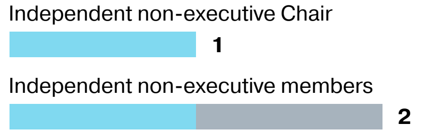
Increased independence on the Board, aligned with the code



Increased gender diversity on the Board

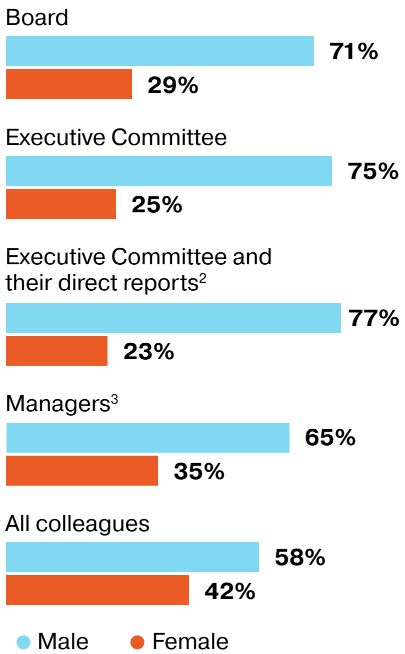


Full Audit Committee independence



Our executive and senior management diversity forms a key part of our ongoing efforts to become a more balanced organisation.

BTG gender balance[1]



1 The gender balance data reflects the information as at 28 February 2022.

2 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, excluding administrative and support roles.

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

At BTG, we know that there are more gender identities than the binary choice of male or female as per standard reporting requirements. We will continue to expand on our gender reporting to provide more relevant information going forward.

During the year under review, we once again focused on the composition and diversity of our Board and succession planning, as we discuss below.

Board composition and diversity

We are pleased with the strength of our Board and committees. During the year, we improved their independence and diversity by:

- Appointing Erika Schraner as an additional independent non-executive director and female Board member
- Reconstituting our Audit Committee to consist solely of independent non-executive members.

Erika's appointment has enabled us to comply with Provision 11 and 24 of the code.

BTG is committed to diversity across all parts of our business. We're keen to embed a culture which reflects the diverse communities in which we do business and that provides equal opportunity for all our people. We believe that a Board and senior management team which is diverse in skills, experience, knowledge, professional background, gender, tenure, expertise, age and ethnicity is central to our diversity commitment. The diversity and inclusion tone is set from the top and the Board strives towards an open and inclusive culture that supports our core values.

Raising our diversity aspirations

As well as being the right thing to do, establishing a truly diverse leadership team will ultimately benefit our stakeholders by enabling us to perform better. To this end, on the recommendation of our committee, the Board has a Board and Senior Management Diversity Policy, which was reviewed in February 2022. In the 2021/22 financial year, in line with new recommendations from the FTSE Women Leaders Review, we revised our policy as follows:

- To aspire to having at least 40% female directors on the Board and senior leadership team by the end of the 2025/26 financial year
- To appoint 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 racial backgrounds
- Develop a pipeline of diverse high-calibre candidates by encouraging a range of our workforce with different ethnic, gender and experiential backgrounds to take on additional responsibilities and roles.

Nomination Committee report

Independence of non-executive directors and potential conflicts of interests

On 18 February 2022, our committee reviewed the independence and potential conflicts of interests of the non-executive directors in line with the code. We concluded that Patrick De Smedt, Mike Phillips, Alison Vincent and Erika Schraner are independent and continue to make independent contributions and effectively challenge management. David Maw remains classified as a non-independent executive director. Notwithstanding his long-standing tenure with BTG, David demonstrates independent judgement and holds management to account, as a non-executive should, with the Board continuing to benefit from his knowledge of BTG. We were satisfied with the contributions and time commitment of all the non-executive directors during the year.

New director appointments

Our process

Our committee members work to identify suitable candidates, with BTG's external executive search consultants, where necessary. Our Board Chair, senior independent director and CEO hold initial interviews, after which a shortlist is created, reflecting candidates' skills and perceived cultural fit with the Board and senior management. Following further meetings, a preferred candidate is chosen. Each Board member then meets, or speaks with, them to ensure they have the right skills, diversity and cultural fit. Subject to the outcome of the search process, the Nomination Committee makes a formal recommendation on an appointment for the Board's approval. Our committee members are kept informed throughout the process, with the new director being announced once the Board has confirmed their appointment.

Step 1
Engage with search consultancy and provide them with a search specification

Step 2
Committee shortlists candidates

Step 3
Interview process with committee members and CEO

Step 4
Recommendation to the Board on the chosen candidate

Step 5
Appointment terms drafted and agreed with the selected candidate

Board changes

- During the year, Erika Schraner was appointed as an independent non-executive director and as a member of our Audit, Nomination and Remuneration Committees with effect from 1 September 2021. As part of our recruitment process for Erika, we used the Women on Boards network, which is otherwise independent of BTG and our individual Board members. Our Audit Committee now comprises solely independent non-executive directors, following David Maw's stepping down. Erika brings a wealth of highly valuable technology and corporate finance experience that complements and enhances the Board's existing skills and experience.
- Having been an integral part of the Group for nearly three decades, Keith Richardson retired as CFO and executive director in 2021/22. During his tenure he showed unquestionable dedication, and made a great contribution, to the company. When Keith's retirement was announced on 14 September 2021, Andrew Holden became Acting CFO and immediately assumed leadership of our finance function. Andrew had already made regular presentations to the Board since his recruitment as COO on 1 June 2021 when he joined us from JSE-listed technology company, Altron Limited, BTG's former parent company, from which we demerged in 2020. Andrew has extensive experience in the ICT sector, having spent nearly three decades at Altron, holding various senior leadership roles. Following Andrew's appointment as Acting CFO, all the independent non-executive directors had one-to-one meetings with him, and the Nomination Committee recommended to the Board that Andrew succeed Keith with effect from 21 October 2021.
  He strengthens the Board with strong financial and commercial acumen, a proven record of delivering insights into strategy implementation and executive decision making, and a long-standing relationship with our CEO, Neil Murphy.

Succession planning

During the year, we evaluated BTG's succession planning with a particular focus on senior executive roles. This included assessing the strengths of senior managers, areas which need improvement, and the plans to address them. We identified immediate and long-term candidates among internal leaders who would be ready to take on an enhanced role, if needed, and as to whether further training and development was required.

Our committee oversaw Andrew Holden's appointment as COO of BTG in June 2021 and his subsequent transition from this role to acting, and then permanent, CFO. We also oversaw the appointment of Paul Emms – formerly Phoenix Finance Director – as BTG's Director of Group Finance, along with other changes to strengthen the Group's primary subsidiary board and senior management teams. This is in line with our commitment to create opportunities for future leaders to grow into more senior company roles, and to ensure there is a robust succession plan for our Executive Committee and the wider senior leadership team, to ensure successful delivery of BTG's long-term strategy. Our review of senior management succession planning identified our key internal talent, provided valuable insight into BTG's strengths, and identified gaps that need to be addressed.

During 2021/22, we assessed the existing succession planning for our executive Board member roles. We continued our efforts to establish formal succession plans for each of our non-executive positions, although our members' collective experience will enable us to select alternative chairs of the Board and committees should the need arise. Although we could identify strong emergency successors from within our networks, some external recruitment is likely for permanent replacements, as the Board is not a large enough pool for a wide range of roles.

Board and committee evaluation

An effective Board is essential to BTG's success. The Board conducts a formal review of the performance of itself, its committees and the Chair each year. As set out on pages 67 and 93, the Board undertook an internal review during 2021/22.

The recommendations arising from the review, with aspects highlighted for improvement and greater focus, are set out below.

The review's aim, in assessing the effectiveness of the Board, is to identify and take actions required to make it more effective. The Chair and Group Company Secretary led the 2021/22 evaluation of the Board and committees. The review drew on a completed questionnaire and feedback from each Board member, along with interviews with senior management who interact regularly with the Board. The themes covered included:

- Oversight and implementation of strategy
- Board composition, expertise, decision making and dynamics
- Succession planning
- Meeting preparedness and the level and depth of discussions and deliberations
- Communication and relationships among the executive and non-executives and with external advisors
- The effectiveness of following up action points
- The effectiveness and transparency of stakeholder communications
- Board support, including resourcing and timing, and quality of papers and presentations.

Strong Board relationships with the executive

I am pleased to report that the evaluation concluded that the Board and its committees operate effectively. The review also indicated strong support for the quality of relationships between the Chair, non-executive directors and the executive. Good progress was acknowledged to have been made in the year to enhance the skills and experience on the Board and committees. The Board was also seen to be positively engaged with the strategic process and BTG's growth plan.

Having considered the recommendations of the final report, the Board and committees agreed follow-up actions, aligned to good practice. These focus on developing:

- The scope and nature of reports to the Board, to support directors' engagement, deliberations and decision making
- Board succession planning, building on the 2021/22 success in improving membership diversity
- Talent management, both for executive management and for senior leaders in our businesses
- Employee engagement. Following the growth in the role of the designated non-executive director for workforce engagement, the Board will establish further ways of gauging staff opinions and concerns.

The Group Company Secretary monitors progress on implementing the review recommendations and reports them to the Board.

Review of Chair's performance

The senior independent director met with the non-executive directors, executive directors and Group Company Secretary during the year to appraise my performance as the Chair.

In line with the code, an external consultancy will carry out our review for the coming year, with details of their findings and our steps to address their recommendations in our 2022/23 Annual Report.

2022/23 focus areas

During the course of the coming year, our committee will continue to monitor its compliance with the code and, in conjunction with the Board, review succession plans to further enhance the cultural diversity and skills balance across the business. This will include:

- Reviewing our directors' skills matrix to ensure they continue to support BTG's growth strategy and will maximise the potential of the business
- Considering and recommending the election of directors at our Annual General Meeting in July 2022
- Continuing our succession planning process with an emphasis on non-executive Board positions
- Making efficient use of non-executive director sessions, from which executive management is excluded.

Patrick De Smedt
Nomination Committee chair
23 May 2022

Compliance with the UK Corporate Governance Code

Our Board is committed to the highest standards of governance. During the year, reflecting the pledge in our 2020/21 Annual Report, we revised the membership of our Board and committees to comply fully with the UK Corporate Governance Code 2018 (the code).

The Board is intent on applying the principles of the code – as set out on the Financial Reporting Council website (frc.org.uk) – throughout BTG. It is responsible for monitoring compliance with the code and receives regular updates on this from its appointed committees and management. We have formally adopted Board-reserved matters, and our committee mandates and terms of reference are aligned to the code.

Board leadership and company purpose

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 framework within which decisions can be made and strategy delivered. Our delegation of authority matrix, which we reviewed and updated during the year, ensures that decisions are taken by the right people at the right level with accountability up to the Board, and 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 70 to 72. The Board ensures that BTG has the necessary resources to meet its objectives and to continuously measure its performance against them. Through the Audit Committee, it oversees BTG's control environment and risk management frameworks.

The Board's agenda is set to deal with those matters relating to BTG's strategic plan, risk management and systems of internal control, and corporate governance policies. The Board held a strategy meeting in November 2021 to consider the Group's strategy and to ensure it remains appropriate within the broader business, sector and economic context. The Board regularly reviews reports from the CEO, CFO and senior management that provide insight into the culture across the organisation and helps to ensure behaviours throughout the business align with BTG's purpose, values and strategy. The Board is also responsible for overseeing implementation of the Group's diversity and inclusion policies, monitoring their goals through the executive leadership team's formal reporting. For more detail on our culture, purpose and values, see page 16.

Division of responsibilities

Our Board has agreed a clear division of responsibilities between its leadership function, supported by our corporate governance framework, and the executive leadership of the business. To ensure that no individual has unrestricted powers of decision making and no sub-group of directors can dominate the Board, we have defined responsibilities clearly in our role statements and in the matters reserved for the Board. Committee terms of reference determine the authority given to each Board committee. For more on our Board composition, leadership and role statements see pages 70 to 75.

Our independent 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. As well as the Chair, the Board comprises three independent non-executive directors, one non-executive director and two executive directors. The roles of the Chair and CEO are clearly defined, with their role profiles being reviewed as part of the Board's annual governance review.

Mike Phillips, as senior independent director, serves as a sounding board for the Chair and as an intermediary for our other directors and shareholders. During the year, in line with the code, Mike oversaw an appraisal by the non-executive directors, executive directors and Group Company Secretary of the Chair's performance.

Our non-executive directors scrutinise the performance of the executive management team and hold it to account against agreed objectives. Our Chair holds discussions with the non-executive directors without the executive directors being present, a practice which continued in the past year. The responsibilities of our Chair, CEO and senior independent director, and our Board and committees, have been clearly defined, as set out on pages 71 to 72 and on our website.

Composition, succession and evaluation

The Board, with the Nomination Committee's support, continuously reviews the composition of itself and its committees, and of succession planning, diversity, inclusion and governance-related matters. Two areas which received specific attention during the 2021/22 financial year were around the composition of our Board and Audit Committee.

To ensure complete compliance with the code, we:

- Appointed Erika Schraner as an additional independent non-executive director. This improved our gender representation on the Board in line with our policy and the FTSE Women Leaders Review
- Reconstituted our Audit Committee to consist of solely independent non-executive Board members.

At least half of our Board, excluding the Chair, are now non-executive directors whom the Board considers to be independent.

Another key focus was executing an internal evaluation of the performance of the Board and the Chair during the 2021/22 financial year as set out on pages 67 and 93. The Board will annually review the effectiveness of itself, its committees and directors, by using a combination of self-assessment and external evaluation. See the Nomination Committee report for more details on Board effectiveness and our Nomination Committee's activities.

Audit, risk and internal control

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

- Adopted an enterprise risk management framework and policy
- Carried out a robust assessment of our risk appetite, and emerging and principal 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.

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. A description of the principal risks facing the Group is set out on pages 52 to 57. This sets out how the directors have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate (the 'viability statement').

See the Audit Committee report for more on audit, risk management and internal control and the Audit Committee's work.

In response to a key action identified in our previous Annual Report, after due consideration, BTG appointed PwC as internal auditor. The independent, objective assurance which the internal audit function brings adds value to and improves BTG's operations. And it helps to accomplish objectives by supporting a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. Following the adoption of an internal audit charter and review plan, a number of reviews were completed and considered by the Audit Committee at the end of the year, with findings acted upon, where required. Further reviews will follow in the year ahead.

Remuneration

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 takes into account overall BTG remuneration policies and practices, including linking executive remuneration more closely with the achievement of our ESG targets. No director is involved in deciding their own remuneration. See our directors' remuneration report for more on our remuneration policy and its implementation.

Our remuneration policy was well supported and approved by shareholders at the 2021 Annual General Meeting. The directors' remuneration policy is set out on pages 100 to 106. Details of the composition and work of the Remuneration Committee are set out in the directors' report on remuneration on pages 96 to 112.

Further details on how we have applied the code's principles and provisions can be found throughout this Annual Report, as set out on the right.

Compliance with the UK Corporate Governance Code

Directors' remuneration report

This has been a productive year for the Remuneration Committee. We finalised our first binding directors' remuneration policy, which was strongly approved at our 2021 Annual General Meeting; oversaw the company share option plan awards and the launch of our save as you earn plan, and set the remuneration arrangements for our departing CFO and his successor.

Annual statement from the Remuneration Committee chair

Committee attendance

Committee member	For the financial year to 28 February 2022
Alison Vincent	5/5
Patrick De Smedt	5/5
Mike Phillips	5/5
Erika Schraner[1]	3/3

1 Erika Schraner was appointed as an independent non-executive director of the BTG Board on 1 September 2021.

"Our committee oversaw some major events related to the reward of BTG's leaders during the year."

Dr Alison Vincent
Remuneration Committee chair

Welcome to our directors' remuneration report for 2021/22, which is divided into three sections:

- The annual statement, which summarises the work of the committee and our approach to remuneration
- A summary of the directors' remuneration policy, which took effect from the date of our 2021 Annual General Meeting. This provides details of BTG's approach to remuneration, the parameters within which we will implement our pay arrangements, and how this links to our strategy
- The annual report on remuneration for 2021/22, which sets out the remuneration arrangements and incentive outcomes for that period, and how the committee intends to implement the remuneration policy in the 2022/23 financial year.

Our committee oversaw some major events related to the reward of BTG's leaders during the year. We sought shareholder approval for our directors' remuneration policy for the first time following our admission to the London Stock Exchange at our 2021 Annual General Meeting. The policy was approved with more than 94% of votes cast in favour.

Following a review of the policy during the year, the committee concluded that it remains effective and that no changes are required currently. We will therefore not seek approval for a new policy at the 2022 Annual General Meeting but will present a single advisory vote for both the annual statement and the annual report on remuneration.

Changes to the Board

Our longstanding CFO, Keith Richardson, stepped down from the Board on 21 October 2021, following the announcement of 14 September 2021, and left the company at the end of October. Details of his termination arrangements – which were fully in line with our directors' remuneration policy – can be found on page 110. The remuneration paid to Keith up to the date of his retirement is set out on page 108. Andrew Holden, who joined BTG as COO on 1 June 2021, became acting CFO on the announcement of Keith's retirement and was promoted to the Board on 21 October 2021 as CFO. Details of his remuneration as CFO are set out below. We also welcomed Erika Schraner to the Board and to the Remuneration Committee in her role as independent non-executive director, with effect from 1 September 2021.

Remuneration outcomes for 2021/22

The 2021/22 bonus opportunity for the executive directors was 100% of base salary. Eighty per cent of the bonus was based on adjusted operating income and 20% on key strategic objectives. Our performance resulted in an annual bonus payout of 95% of salary to the CEO and 95% of salary to the CFO (pro rata since date of appointment), reflecting both strong Group and personal performance over the year (see further details on page 109). These bonuses will be paid two-thirds in cash and one-third in shares deferred for two years. The committee considered this level of payout was appropriate, having assessed the company's overall performance, including the actions taken by the senior executive team to promote staff wellbeing throughout the Covid-19 period. No discretion was applied in the remuneration outcomes for the year.

As set out in the full-year trading update on 16 March 2022, BTG enjoyed another upbeat year with results ahead of expectations. The Group saw double-digit growth throughout 2021/22 in its three key financial performance metrics (26.1% GII, 19.9% GP and 23.6% AOP), with accelerated growth in the second half of the year. Cash collections remained strong and cash conversion for the business was again well over 100%.

Implementation of the remuneration policy in 2022/23

Base salary	We increased the salary of our CEO by 4% from £375,000 to £390,000, from 1 March 2022. The salary of our CFO was set at £300,000 on his appointment to the Board on 21 October 2021 (6.25% lower than his predecessor's) and was increased by 6% to £318,000 from 1 March 2022. Our average workforce increase for eligible employees for the 2022/23 financial year is 5%.
Pension	Executive directors' pension contributions as percentages of salary are aligned to (or are lower than) the rate of contribution of most employees. The CEO's contribution rate is 1.48% of salary and the CFO's is 4%.
Benefits	Executive directors' benefits are unchanged from 2021/22.
Annual bonus	The annual bonus opportunity for 2022/23 will be 100% of salary, subject to the achievement of challenging targets based on adjusted operating income (up to 80% of salary) and key strategic objectives (up to 20% of salary). Two-thirds of any bonus will be paid in cash, with the remaining one-third deferred in shares for two years.
Long-term incentives	Our CEO and CFO will participate in long-term incentive arrangements for the 2022/23 financial year. This will be through the performance share plan (PSP) under which our CEO and CFO will receive awards of 150% of salary with vesting subject to adjusted earnings per share (EPS) and relative total shareholder return (TSR) performance targets. The committee believes the use of EPS and TSR in conjunction provides an appropriate balance between focusing on the delivery of profitable growth and share price performance.

The work of the committee

In designing our post-IPO remuneration policy, and in planning for its implementation, we drew fully on good governance principles and the provisions of the UK Corporate Governance Code (the code), which is a key touchstone for the committee. We also considered the views of institutional shareholders and the major shareholder representative bodies, with which we will continue to engage.

Promoting the Group's long-term success is the overarching goal of our remuneration policy. That goal, and the design of the policy, is underpinned by the following principles:

- Arrangements should be clear, simple and aligned with the interests of shareholders and other stakeholders
- A significant proportion of the package should be linked to the Group's performance and KPIs
- Remuneration should be competitive, but not excessive, and sufficient to recruit, retain and motivate individuals of the calibre to deliver long-term success
- The approach should support our culture and values.

The framework supports the building and sustenance of an entrepreneurial culture and, in complement, aims to instil a culture of shared ownership via share-based incentives. Our CEO owns 3.7 million shares and many of our people have meaningful share interests. In recognition of the contribution made by many key employees to the success of our IPO, we awarded around 280 of our people, excluding executive directors, restricted share awards in December 2020. We followed this up in June 2021 with awards of market value share options under our company share option plan (CSOP) and the launch of an approved save as you earn plan. We were pleased to note a high level of take up for the save as you earn plan, from 65% of eligible employees.

Reflecting these principles and considerations, the directors' remuneration policy provides a simple and transparent structure comprising salary, modest benefits and pension and, subject to stretching performance conditions, an annual bonus and a single long-term incentive plan (LTIP) – the PSP. Incentive pay is subject to withholding and recovery provisions; part of any annual bonus payment is deferred into shares for a period of time; the LTIP has a post-vesting holding period, and significant in-employment and post-cessation share ownership guidelines apply. These features align the interests of our executive directors and shareholders and contribute to risk mitigation.

Engagement

We are committed to a responsible approach to executive pay, as I trust this report demonstrates. In line with this commitment, the committee recognises the importance of building a close relationship with shareholders and other key stakeholders in developing and operating our pay arrangements.

David Maw is our designated non-executive director for workforce engagement. In this capacity, he talks to employees regularly on a range of issues, including pay. David attends Remuneration Committee meetings by invitation and provides feedback from employees on pay-related issues as appropriate.

The committee was pleased with the level of support for the remuneration-related resolutions at the 2021 Annual General Meeting with, as mentioned above, more than 94% of votes cast in favour of our Directors' Remuneration Policy and over 95% supportive of our remuneration report. The committee looks forward again to receiving your support at our 2022 Annual General Meeting.

If you have any questions or feedback on our approach to executive remuneration or on this report, I would be happy to meet or speak with you. Please get in touch via our Group Company Secretary at WK.Groenewald@bytes.co.uk.

Dr Alison Vincent
Remuneration Committee Chair
23 May 2022

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

Compliance with the 2018 UK Corporate Governance Code

In designing our 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 proposed 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 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 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' arrangements and their building and maintaining of 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.

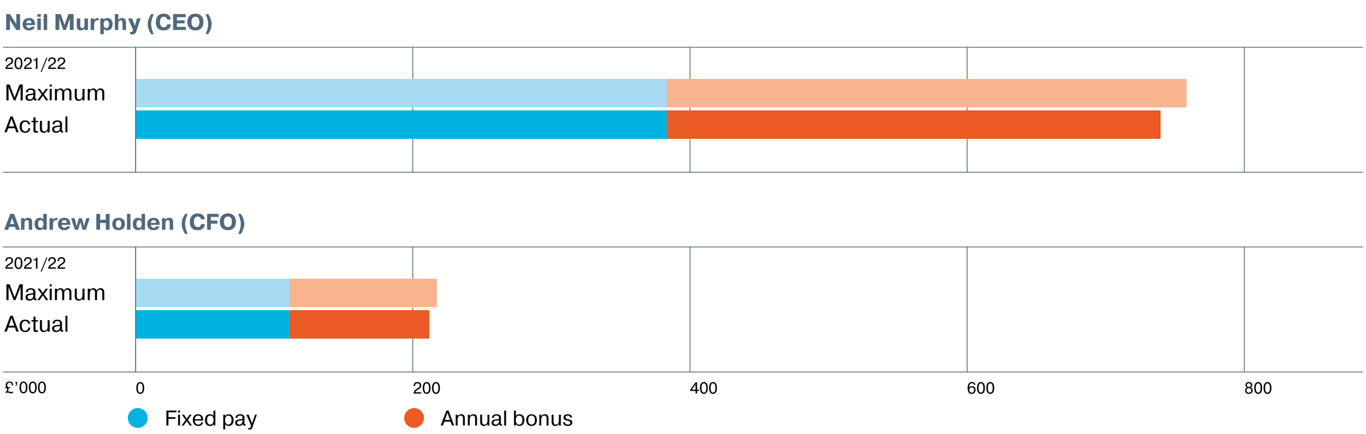
Implementation of our policy in 2022/23

Fixed pay	Salary	– CEO – £390,000 (increased by 4%, from 1 March 2022) – CFO – £318,000 (increased by 6%, from 1 March 2022)
	Pension	– CEO – 1.48% of salary – CFO – 4% of salary – Executive director pension contributions will be no higher than the rate for most employees
	Benefits	– Medical and life insurance
Annual bonus	Maximum	– 100% of salary
	Performance measures	– Adjusted operating profit (80%) – Key strategic objectives (including ESG targets) (20%)
	Operation	– One-third deferred into shares for two years – Recovery and withholding provisions operate
Performance share plan	Award level	– CEO 150% of salary in 2022/23 – CFO 150% of salary in 2022/23
	Performance measures	– Adjusted earnings per share (75%) – Relative total shareholder return (25%)
	Operation	– Performance measured over three years – Two-year additional holding period applies to vested awards – Recovery and withholding provisions apply
Share ownership guidelines	In-employment guideline	– 200% of salary
	Post-cessation guideline	– 200% of salary to be held for two years post-employment
	Current shareholding	– CEO – 45.31 times salary – CFO – 1.12 times salary

Implementation of our policy in 2021/22

During 2021/22, the goals of our remuneration policy were met.

2021/22 remuneration outcomes versus policy maximum



No long-term incentives were capable of vesting during the year. Andrew Holden joined the Board during the year and his maximum and actual total remuneration figures have been pro rated for the period from joining.

Directors' remuneration policy

This part of the directors' remuneration report sets out an abridged version of the Directors' Remuneration Policy which was approved by shareholders at our 2021 Annual General Meeting on Thursday, 22 July 2021, and which took formal effect from that date. The policy will formally apply until the 2024 Annual General Meeting unless a new policy is presented to shareholders before then. The full shareholder-approved policy is in the 2021 Annual Report which can be viewed via our website at bytesplc.com.

Considerations in determining our policy

The main goal of our remuneration policy is to promote the Group's long-term success. In pursuit of this objective, the Remuneration Committee adheres to the following principles:

- Remuneration packages should be clear and simple
- Arrangements should be closely aligned with the interests of shareholders and other key stakeholders
- Remuneration should align with, and support, our values and entrepreneurial culture
- A significant proportion of remuneration should be based on performance-related components. Rewards should be subject to achieving challenging performance targets based on measures linked to the Group's KPIs and the best interests of stakeholders
- Salaries, and the overall level of potential remuneration, should be competitive but not excessive when compared with companies of a similar size, scale and geographical reach. They should be sufficient to recruit, retain and motivate individuals of the calibre to deliver long-term success.

Considering shareholders' views

The committee is committed to ongoing dialogue with shareholders and welcomes feedback on our directors' remuneration. We will seek to engage with major shareholders and their representative bodies on changes to the policy. The committee will also consider shareholder feedback on remuneration-related resolutions following each year's Annual General Meeting. This, along with any additional feedback received (including on any updates to shareholders' remuneration guidelines), will be considered as part of our annual review of our remuneration policy and its implementation.

The committee also actively monitors changes in the expectations of institutional investors and considers good practice guidelines from institutional shareholders and shareholder bodies.

Assessing the Group-wide employment environment

The committee closely monitors the pay and conditions of the wider workforce and has drawn on the Group-wide policy for employees in designing the directors' remuneration policy. While employees are not formally directly consulted on the design of the policy, the Board engages with our people more broadly through, among other things, CEO townhall sessions and the non-executive director for employee engagement, David Maw. The committee also receives periodic updates on remuneration arrangements and employment conditions across the Group from our HR functions.

Differences in pay policy between executive directors and employees

The overall approach to employee reward is a key reference point when setting executive directors' remuneration. As with the executive directors, to attract and retain employees, our general practice is to recruit people at competitive market levels of remuneration, incentives and benefits, in line with national and regional talent pools. When reviewing our executive directors' salaries, the committee pays close attention to pay and employment conditions across the wider workforce. An increase for executive directors will normally be no higher than the average increase for employees. The pension contribution for current and future executive directors will be no higher than for most of our people. All employees can earn annual bonuses for exceptional performance.

We foster a culture of share ownership across BTG; all employees, including executive directors, will have the opportunity to participate in any UK HMRC-approved share incentive plans that we operate. In recognition of the contribution made by certain employees to our success and to ensure key employees are retained and motivated, on listing, restricted share awards were made to around 280 of our people. On 1 June 2021, we made awards of market value share options under our CSOP to eligible participants within our workforce. We intend to continue making such awards periodically.

The key difference between executive directors' and employees' reward is that, at senior levels, remuneration is increasingly long term and 'at risk' with an emphasis on performance-related pay linked to business results and share-based remuneration. This ensures that senior-level remuneration will increase or decrease in line with business performance and aligns the interests of executive directors and shareholders. In particular, performance-based long-term incentives only go to the most senior executives as they are considered to have the greatest potential to influence overall performance levels.

Policy table for executive directors

The table below sets out the main components of the approved policy. The committee has the discretion to amend remuneration to the extent described below.

Base salary

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To provide competitive fixed remuneration. To attract and retain executives of a superior calibre.	Salaries are usually reviewed annually, with any increases typically effective on 1 March. Salaries are generally set after considering: – Pay and conditions elsewhere in BTG – Overall Group performance – Individual performance and experience – Progression within the role – Competitive salary levels in companies of a broadly similar size, scale and complexity.	While there is no prescribed maximum salary or increase, rises will normally be in line with the typical range awarded (in percentage of salary terms) to the wider workforce. Larger salary increases may be awarded to take account of individual circumstances, such as where: – An executive director has been promoted or had a change in scope or responsibility – The committee set the salary of a new hire at a discount to the market level and a series of planned increases can be implemented in the next few years to raise it to the appropriate market position, subject to individual performance – The committee considers it fitting to adjust salaries to reflect the company's continuing development. This may be appropriate as the company develops post-IPO, but would normally only be considered where adjustments could be made on a phased basis (and after consultation with leading shareholders). Increases may be implemented over a time period that the committee deems appropriate.	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of an individual's contribution and performance and with regard to the factors in this table's 'operation' column.

Benefits

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To provide competitive fixed remuneration. To attract and retain executives of a superior calibre.	Executive directors are entitled to benefits, including medical and life insurance. Executive directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms, and for other benefits that might be provided based on individual circumstances, if the committee decides it is appropriate. BTG may pay certain relocation and/or incidental expenses as appropriate (for up to two years from recruitment), for external and internal appointments or relocations. Any reasonable business-related expenses can be reimbursed (and any related tax met if determined to be a taxable benefit). Executive directors can also participate in any all-employee share plans on the same basis as other employees.	As it is not possible to calculate in advance the cost of all benefits, a maximum is not pre-determined. The maximum level of participation in all-employee share plans is subject to the limits imposed by the relevant tax authority.	Not applicable

Directors' remuneration report

Policy table for executive directors continued

Pension

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To provide employees with long-term savings to allow for retirement planning.	BTG may offer participation in a defined contribution pension plan or permit executive directors to take a cash supplement in lieu of pension up to the same value.	The maximum defined contribution or cash allowance in lieu of pension is limited to the contribution level available to most other employees (currently 4% of salary).	Not applicable

Annual bonus

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Rewards achievement of annual financial and business targets aligned with BTG's KPIs. Bonus deferral encourages long-term shareholding, supports retention and discourages excessive risk taking.	Awards are based on performance, typically measured over one year. Any payment is discretionary and payout levels are determined by the committee after the year end based on performance against pre-set targets. Bonus is normally paid in cash, except one-third of any bonus which is deferred into shares, typically for a two-year period. Dividends or dividend equivalents may accrue on deferred shares. The vesting of deferred shares is not subject to any additional performance conditions. The annual bonus plan includes provisions which enable the committee (in respect of both the cash and the deferred elements of bonuses) to recover or withhold value in the event of certain defined circumstances; in cases such as misconduct, material misstatement of financial results, error in calculation of a bonus and reputational damage.	The maximum annual bonus opportunity is 100% of base salary.	Targets are set annually with measures linked to our strategy and aligned with key financial, strategic and/or individual targets. The performance measures applied may be financial or non-financial, corporate, divisional or individual, and in such proportions as the Remuneration Committee considers appropriate. The committee would, however, expect to consult with its major shareholders if it proposed changing materially the current performance measures applied for the annual bonus (or the relative weightings between such measures) in subsequent financial years. A graduated scale of targets is set for each measure, with no payout for performance below the threshold level. The committee has the discretion to amend the payout should any formulaic outcome not reflect its assessment of overall business performance.

Policy table for executive directors continued

Performance share plan (PSP)

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To incentivise executive directors and deliver true long-term performance-related pay, with a clear line of sight for executives and direct alignment with shareholders' interests.	Awards will be in the form of nil-cost share options, conditional shares or other forms that have the same economic effect. Awards will be granted with vesting dependent on the achievement of performance conditions set by the committee, with performance normally measured over at least three years. Awards will be subject to a two-year holding period following the end of the performance term, with shares typically not being released to participants until the end of the holding period. Dividends or dividend equivalents may accrue on awards, to the extent they vest. The PSP includes provisions which enable the committee to recover or withhold value in the event of certain defined circumstances (that is, in cases of misconduct, material misstatement of financial results, error in calculation of a bonus and reputational damage).	The normal maximum PSP award is 150% of salary in a financial year. The normal maximum will only be exceeded in exceptional circumstances, such as on the recruitment of an executive director, and is subject to an overall limit of 300% of salary in a financial year.	PSP performance measures may include, but are not limited to, financial, TSR, strategic and ESG-related objectives. The committee retains the discretion to set alternative measures and weightings for awards over the life of the policy. Targets are set and assessed by the committee on its discretion. A maximum of 20% of any element vests for achieving the threshold target, with 100% for maximum performance. The committee has the discretion to amend the vesting level should any formulaic outcome not reflect its assessment of overall business performance.

Non-executive directors' fees

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To attract high-calibre individuals and appropriately reflect knowledge, skills and experience.	Fees are normally reviewed annually, taking into account factors such as the time commitment and contribution of the role and market levels in companies of comparable size and complexity. The Chair is paid an all-inclusive fee for all Board responsibilities. Fees for the other non-executive directors may include a basic fee and additional fees for further responsibilities (for example, chairing Board committees or holding the office of senior independent director). BTG repays any reasonable expenses that a non-executive director incurs in carrying out their duties, including travel, hospitality-related and other modest benefits and related tax liabilities, if appropriate. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for non-executive directors, the Board may pay extra fees on a pro rata basis to recognise the additional workload. Non-executive directors cannot participate in any of BTG's incentive arrangements.	There is no prescribed maximum fee or maximum fee increase. Increases will be informed by internal benchmarks, such as the salary increase for the general workforce, with due regard to the factors in this table's 'operation' column.	Not applicable

Directors' remuneration report

Explanation of performance measures

Annual bonus performance measures are selected yearly to align with BTG's KPIs and strategic imperatives and the interests of our shareholders and other stakeholders. Financial measures (for example, operating profit levels, gross margin increase and year-on-year growth) will normally influence most of the bonus with any remainder based on key strategic and/or personal objectives designed to ensure executive directors are incentivised across a range of objectives. Target performance is typically set in line with the year's business plan, with the threshold to stretch targets set around the plan, based on a sliding scale that reflects relevant commercial factors. Only modest rewards are available at threshold performance levels, with rewards at stretch requiring material outperformance of the business plan. Details of the specific measures used for the annual bonus are set out in the annual report on remuneration.

PSP performance measures will be selected to: provide a robust and transparent basis on which to measure the Group's performance; link remuneration outcomes to delivery of the business strategy over the longer term; and provide strong alignment between senior management and shareholders. The policy provides for committee discretion to alter the PSP measures and weightings from year to year. This is to ensure that it can continue to measure performance appropriately, if the Group's strategic ambitions evolve over the life of the policy.

When setting performance targets for the bonus and PSP, the committee will take into account a number of different factors. These may include the Group's business plans and strategy, external forecasts and the wider economic environment.

The committee retains the discretion to amend the bonus payout and to reduce the PSP vesting level if any formulaic outcome does not reflect its assessment of overall business performance over the relevant period.

Flexibility, discretion and judgement

The Remuneration Committee operates the annual bonus and LTIP according to the rules of each respective plan which, consistent with market practice, include discretion in a number of respects to the operation of each plan. Discretions include:

- Who participates in the plan, the quantum of an award and/or payment, and the timing of awards and/ or payments
- Determining the extent of vesting
- Treatment of awards and/or payments on a change of control or restructuring of BTG
- Whether an executive director or senior manager is a good/bad leaver for incentive plan purposes and if the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s)
- How and whether an award may be adjusted in certain circumstances (for example, for a rights issue, a corporate restructuring or special dividends)
- What the weighting, measures and targets should be for the annual bonus plan and LTIP awards from year to year
- The ability, within the policy, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan and LTIP awards, if the committee determines that the original conditions are no longer appropriate or do not fulfil their initial purpose. Such changes would be explained in the subsequent directors' remuneration report and, if appropriate, discussed with our major shareholders
- The ability to override formulaic outcomes in line with policy.

All assessments of performance are ultimately subject to the committee's judgement. Any discretion exercised, and the rationale, will be disclosed in the annual remuneration report.

Shareholding guidelines

To further align executive directors' and shareholders' long-term interests, BTG operates share ownership guidelines. These require executive directors to build up and maintain (as relevant) a level of shareholding in the Group equivalent to 200% of base salary. This guideline applies while executive directors are in post and for two years afterwards.

Recruitment remuneration

The policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business, execute BTG's strategy effectively and promote our long-term success for the benefit of our shareholders and other stakeholders. When appointing a new executive director, the committee seeks to ensure that arrangements are in the best interests of BTG and to not pay more than is appropriate.

The committee will take into consideration a number of relevant factors. These may include the calibre and experience of the candidate, their existing remuneration package, and their specific circumstances, including from where they are recruited.

When hiring a new executive director, the committee will typically align the remuneration package with the above policy. It may include other elements of pay which it considers are appropriate; however, this discretion is capped and subject to the following principles and limits:

- New executive directors will be offered a basic salary in line with the policy. This will take into consideration such factors as external market forces, the individual's expertise, experience and calibre and their current level of pay. Where the committee has set the salary of a new appointment at a discount to the market level until proven, the individual may receive an uplift, or a series of planned increases, to raise the salary to the appropriate market position over time
- The committee may agree that we will meet relocation and/or incidental expenses as appropriate, for both external and internal appointments
- Annual bonus awards, LTIP awards and pension contributions would not be above the levels stated in the policy table above
- Depending on the appointment's timing, the committee may set different annual bonus performance conditions for the first year of performance. An LTIP award can be made following an appointment (assuming BTG is not in a close period)
- Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements will be allowed to continue according to the original terms, adjusted as relevant to the appointment
- The committee may also offer additional cash and/or share-based buy-out awards when it considers it is in the best interests of BTG (and therefore shareholders) to take account of remuneration given up at the individual's former employer. This includes the use of awards made under 9.4.2 of the Listing Rules. Such awards would represent a reasonable estimate of the value foregone and reflect, as far as possible, the delivery mechanism and time horizons and whether performance requirements are attached to that remuneration. Shareholders will be informed of any such payments at the time of appointment and/or in the next Annual Report. The value of buy-out awards is not capped
- For the appointment of a new chair or non-executive director, the fee arrangement would be set in accordance with the approved remuneration policy.

Service contracts and letters of appointment

BTG's policy is that executive directors should normally be employed under rolling service contracts with notice periods of either 12 or six months (both from each party), as shown below. All non-executive directors have letters of appointment on a rolling annual basis, which may be terminated with one month's notice by either party, also as shown below. All director appointments are subject to Board approval and election and re-election by shareholders at each Annual General Meeting. The service contract and letters of appointment are kept at the company's registered office and are available for inspection on request. The service contract and letters of appointment are kept at the company's registered office and are available for inspection on request.

Executive directors' service contracts

The table below summarises key details of the executive directors' contracts:

	Date of joining	Date of service contract	Notice period (from either party)
Neil Murphy	1997[1]	30 October 2020	12 months
Andrew Holden	2021[2]	21 October 2021	6 months

1 Neil Murphy, appointed as CEO in 2020, has been MD of the Bytes Group since 2000, before which he was its Sales Director for three years.
2 Andrew Holden 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	Date of letter of appointment	Notice period (from either party)
Patrick De Smedt	27 July 2020	27 July 2020	1 month
David Maw[3]	15 October 2020	23 October 2020	1 month
Mike Phillips	6 November 2020	19 October 2020	1 month
Alison Vincent	6 November 2020	21 October 2020	1 month
Erika Schraner	1 September 2021	1 September 2021	1 month

3 David Maw has been a Bytes Group non-executive director since 2000.

Payments for loss of office

The principles underpinning determination of payments for loss of office are set out below:

Payment in lieu of notice	BTG may terminate a contract with immediate effect with or without cause by making a payment in lieu of notice of base salary. The default approach will be to make the payment in lieu of notice by monthly instalments, with reductions for any amounts received from providing services to others during this period. However, the committee retains the discretion to make the payment as a lump sum. There are no obligations to make payments beyond those disclosed in this report.
Annual bonus	This will be at the discretion of the committee on an individual basis. The decision as to whether to award an annual bonus in full or part depends on a number of factors, including the circumstances of the individual's departure and their contribution to the business during the relevant annual bonus period. Any amounts paid will be prorated for time in service during the annual bonus period and will, subject to performance, be paid at the usual time (although the committee retains the discretion to pay the annual bonus award earlier). Any bonus earned for the year of departure and, if relevant, for the prior year may be paid wholly in cash at the committee's discretion. On a change of control, annual bonuses will either continue for the full year or be paid to the time of completion on a pro-rata basis.
Deferred bonus awards	The extent to which any unvested deferred bonus award will vest will be determined in accordance with the rules of the deferred bonus plan. If a participant leaves BTG for any reason (other than summary dismissal, in which case the award will lapse), the award will usually continue until the normal vesting date. The committee retains the discretion to release awards when the participant leaves. On a change of control, awards will generally vest on the date that control alters, unless the committee permits (or requires) awards to roll over into equivalent shares in the acquirer.
PSP	The extent to which any unvested award will vest will be determined in accordance with the rules of the PSP. Any outstanding awards will ordinarily lapse. However, in 'good leaver' cases, awards will generally vest subject to the original performance condition and time proration and the holding period will continue to apply. For added flexibility, the policy allows the committee to decide not to prorate (or to prorate to a different extent) if it decides it is appropriate, and to allow vesting to be triggered at the point of leaving, rather than waiting until the end of the performance period. On a change of control, any vesting of awards will be subject to assessment of performance against the performance conditions and will normally be prorated.
Mitigation	The committee strongly endorses the obligation on an executive director to mitigate any loss on early termination and will seek to reduce the amount payable on termination where appropriate. The committee will also take care to ensure that, while meeting its contractual obligations, poor performance is not rewarded.
Buy-out awards	Where a buy-out award is made under the Listing Rules, the leaver provisions would be determined at the time of the award.
Other payments	BTG may pay outplacement and professional legal fees incurred by executives in finalising their termination arrangements, where appropriate. It may also pay any statutory entitlements or settle compromise claims in connection with a termination of employment, in the best interests of the company. Outstanding savings/shares under all-employee share plans would be transferred in accordance with the terms of the plans.

Where the committee retains discretion, it will be used to provide flexibility in certain situations, taking into account the circumstances of the director's departure and performance.

External appointments

BTG recognises that its executive directors may be invited to become non-executive directors of other companies, and that such appointments can broaden a director's experience and knowledge to the Group's benefit. Subject to approval by the Board, executive directors are allowed to accept non-executive appointments, provided that they are not likely to lead to conflicts of interest. The committee will consider its approach to fees received by executive directors for external non-executive roles as they arise.

Annual report on remuneration

The Remuneration 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, including the requirements relating to clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.

The committee is formally constituted and operates on written terms of reference, which are available on our website at bytesplc.com.

The committee comprises Alison Vincent (Chair), Mike Phillips, Erika Schraner and Patrick De Smedt. Alison, Mike and Patrick were members throughout the year ended 28 February 2022, while Erika joined the committee on 1 September 2021. The committee met five times during the year, with full attendance at all meetings.

By invitation of the committee, the CEO, CFO, David Maw and the Group Company Secretary (who acts as committee secretary) also attend its meetings. They are consulted on matters discussed by the committee, unless these relate to their own remuneration. Advice or information is sought from other employees where the committee feels it will assist their decision making.

The committee is authorised to take such internal and external advice as it considers appropriate in carrying out its duties, including the appointment of external remuneration advisors. During the year, it was assisted by FIT Remuneration Consultants LLP. FIT was appointed by the Board in September 2020 and provided advice during the year on general remuneration matters and the design of the policy. Fees paid to FIT for advising the committee during the year to 28 February 2022 were £12,597 (excluding VAT), charged on a time/cost basis. FIT did not provide any other services to BTG. 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 undertook the following significant activities during the year:

- Finalising the preparation of BTG's first binding directors' remuneration policy, as approved by shareholders at the 2021 Annual General Meeting
- Reviewing and approving remuneration packages for the current executive directors, including specifically around the appointment of our new CFO, and in relation to Erika as an additional Board member
- Approving the annual bonus outcomes and annual bonus plan for 2021/22
- Reviewing and approving the terms of the 2021/22 PSP awards
- Overseeing the CSOP awards and the launch of the save as you earn plan
- Monitoring external market practice, and developments in the governance expectations of institutional shareholders and shareholder representative bodies.

Since the end of the financial year, the committee has:

- Determined the outcomes under the 2021/22 bonus plan
- Agreed the 2022/23 annual bonus structure for the year ending 28 February 2023
- Agreed the performance targets of executive directors and senior management for the PSP grants to be made shortly.

The information that follows has been audited (where indicated) by BTG's auditors, EY.

Directors' remuneration report

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 2022. The 2020/21 figures reflect the period from our admission to the London Stock Exchange on 17 December 2020 to 28 February 2021. The amounts in the table for that year have been pro-rated.

Directors' total remuneration

£		Base salary/ Fees	Benefits[1]	Annual bonus	Long-term incentives[2]	Pension[3]	Total	Total fixed	Total variable
Executive directors									
Neil Murphy	2021/22	375,000	4,097	356,250	–	4,017	739,364	383,114	356,250
	2020/21	54,279	372	36,638	–	736	92,025	55,387	36,638
Andrew Holden[4]	2021/22	106,506	–	101,180	–	4,260	211,946	110,766	101,180
	2020/21	–	–	–	–	–	–	–	–
Keith Richardson[5]	2021/22	204,731	1,293	–	–	2,559	208,583	208,583	–
	2020/21	47,198	–	31,859	–	733	79,790	47,931	31,859
Non-executive directors									
Patrick De Smedt[6]	2021/22	180,000	–	–	–	–	180,000	180,000	–
	2020/21	36,000	–	–	–	–	36,000	36,000	–
David Maw[6]	2021/22	51,750	–	–	–	–	51,750	51,750	–
	2020/21	10,000	–	–	–	–	10,000	10,000	–
Mike Phillips[7]	2021/22	70,000	–	–	–	–	70,000	70,000	–
	2020/21	14,000	–	–	–	–	14,000	14,000	–
Erika Schraner[8]	2021/22	25,000	–	–	–	–	25,000	25,000	–
	2020/21	–	–	–	–	–	–	–	–
Alison Vincent[7]	2021/22	60,000	–	–	–	–	60,000	60,000	–
	2020/21	12,000	–	–	–	–	12,000	12,000	–
Total	**2021/22**	**1,072,987**	**5,390**	**457,430**	**–**	**10,836**	**1,546,643**	**1,089,213**	**457,430**
	2020/21	173,477	372	68,497	–	1,469	243,815	175,318	68,497

1 Non-salary benefits include the provision of private medical insurance.
2 No post-IPO long-term incentives were capable of vesting for performance ending in the period.
3 The amount of employer contribution based on a fixed percentage of base salary.
4 Joined the Board on 21 October 2021. Annual bonus pro-rated over the period from joining the Board.
5 Stepped down from the Board on 21 October 2021 and left BTG on 31 October 2021. Amounts shown in the table above represent payments for the period to 21 October 2021. Details of Keith Richardson's termination arrangements can be found on page 110.
6 Joined the Board on 15 October 2020.
7 Joined the Board on 6 November 2020.
8 Joined the Board on 1 September 2021.

Annual bonus for the year ending 28 February 2022 (audited)

For the 2021/22 financial year, executive directors were eligible for an annual discretionary bonus, for which performance objectives with suitably challenging 12-month goals were set at the beginning of the period. These comprised measures based 80% on operating income (adjusted for amortisation, share-based payment charge and exceptional costs) and 20% on key strategic objectives. No discretion was applied in relation to the annual bonus outcome in the year. The maximum annual bonus payable was 100% of salary. The performance-related outcomes were as follows:

Performance metric	Proportion of bonus determined by metric	Threshold performance (25% of max payable linear to target performance)	Target performance (50% of max payable)	Stretch performance (100% of max payable)	Actual performance	Bonus earned (% of max)
Adjusted operating income (£m)	80%	£37,135	£41,261	£43,324	£46,333	100%
Key strategic objectives	20%		In respect of 2021/22, the bonus awards payable to executive directors in relation to the achievement of key strategic objectives were agreed by the committee. These consisted of targets (of equal weighting) relating to commercially sensitive goals around the successful delivery of growth in strategic areas of the business and efficiency ratios, and levels of employee (eNPS) and customer satisfaction (NPS). After careful review by the committee, it was determined that the achievement of these by the executive directors was at 75% of the target.			75%
Total						**95%**

Two-thirds of the bonus is paid in cash and one-third will be deferred in shares which will vest after a two-year period.

PSP awards vesting in the year (audited)

There were no long-term incentive awards capable of vesting in relation to performance during the year.

PSP awards granted in the year (audited)

No PSP awards were granted during the year.

Executive directors' share awards outstanding at the year end (audited)

Details of share options and share awards outstanding at the financial year end are shown in the following table:

Andrew Holden[1]

Scheme	No. of shares/ options at 28 February 2021	Shares/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	No. of shares/ options at 28 February 2022	Date of grant	Share price at date of grant	Exercise price	Date from which exercisable	Expiry date
CSOP[2]	–	45,000	–	–	45,000	1 June 2021	£5.00	£5.00	1 June 2024	31 May 2031
SAYE[2]	–	4,500	–	–	4,500	22 June 2021	£4.53	£4.00	1 August 2024	1 February 2025

Key:

PSP: Performance share plan
DBP: Deferred bonus plan
CSOP: Company share option plan
SAYE: Save as you earn plan

1 Andrew Holden was promoted to the Board on 21 October 2021 – all awards were made before he joined the Board and taking into account his level of employment and salary level at the time.

2 The face value of the CSOP award granted was £225,000 based on the share price at the date of grant. The face value of the SAYE was £20,385 based on the share price at the effective date on 22 June 2021.

The closing share price of the company's ordinary shares at 28 February 2022 was £4.60, and the closing price range during the year ended 28 February 2022 was £3.84 to £5.79.

Directors' remuneration report

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 2022.

	Number of shares owned outright (including those connected) 2020/21	2021/22	Unvested shares not subject to performance conditions	Unvested shares subject to performance conditions	Shareholding as a % of salary at 28 February 2022	Shareholding guideline as a % of salary	Company shareholding guideline met
Neil Murphy	4,190,941	3,690,941	–	–	4531.49%	200%	Yes
Andrew Holden[1]	N/A	72,990	49,500	–	112.02%	200%	No
Keith Richardson[2]	4,190,941	N/A	–	–	N/A	N/A	N/A
Patrick De Smedt	92,593	92,593	–	–	N/A	N/A	N/A
David Maw	14,815	14,865	–	–	N/A	N/A	N/A
Mike Phillips	74,074	74,074	–	–	N/A	N/A	N/A
Erika Schraner[3]	N/A	10,037	–	–	N/A	N/A	N/A
Alison Vincent	3,704	3,704	–	–	N/A	N/A	N/A

1 Joined the Board on 21 October 2021.
2 As at date of stepping down from the Board on 21 October 2021, Keith Richardson held 4,190,941 ordinary shares in BTG.
3 Joined the Board on 1 September 2021.

These interests did not change between 28 February 2022 and the date the financial statements and reports were signed.

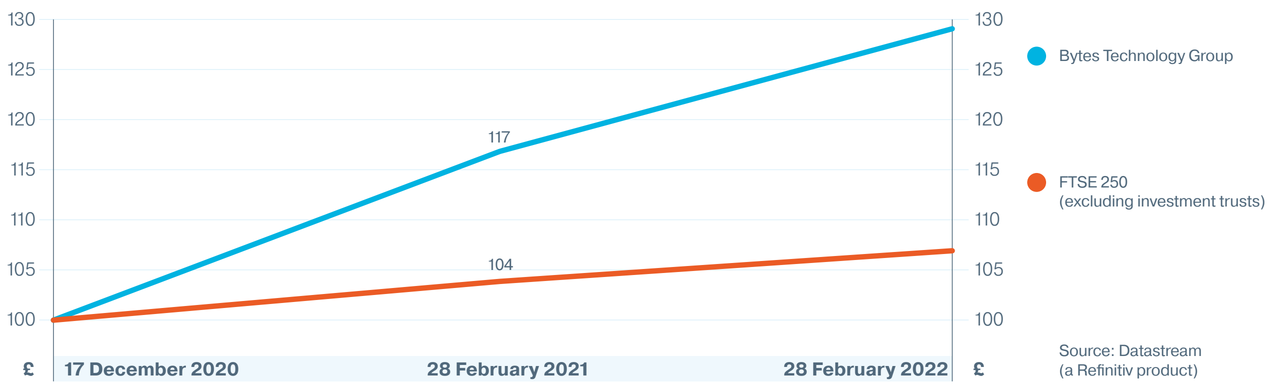
Payments for loss of office and to past directors (audited)

Keith Richardson stepped down from the Board on 21 October 2021 and remained an employee of the company until 31 October 2021. Keith was paid salary that was due to him and received contractual benefits up to and including 31 October 2021. For the period from 21 October to 31 October 2021, he received payments in relation to salary and benefits of £8,772. Keith waived his right to receive an annual bonus for 2021/22. He did not receive a payment in lieu of a notice period, with no other payments to him outstanding at year end.

Total shareholder return performance

The graph below shows the value at 28 February 2022 of £100 invested in BTG on 17 December 2020, the date of our admission to trading on the London Stock Exchange, compared to £100 invested in the FTSE 250 Index (excluding investment trusts), on the assumption that dividends are reinvested for additional equity.

The FTSE 250 Index (excluding investment trusts) was selected as a comparator as BTG is a constituent. This allows our performance to be compared against the index as a whole.



Source: Datastream
(a Refinitiv product)

CEO's remuneration

The total remuneration figure for the CEO in 2021/22 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	CEO single figure of total remuneration	Annual bonus payout % of maximum	PSP vesting % of maximum
2021/22	Neil Murphy[1]	£739,364	95%	N/A
2020/21	Neil Murphy[1,2]	£92,025	100%	N/A

1 No PSP awards were eligible to vest during the period.
2 Total remuneration is the pro-rated post-IPO figure (for the period from admission to the London Stock Exchange to 28 February 2021).

Change in directors' remuneration compared with other employees

As we do not yet have data for two full years since listing, it is not possible to provide meaningful year-on-year comparisons. Full disclosure of year-on-year movements will be provided in next year's remuneration report.

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
2021/22	£62.7m	£4.8m[1]
2020/21	£53.3m	£48.6m[2]
% increase	17.6%	N/A

1 2021/22 gross interim dividend.
2 2020/21 dividend was paid pre-IPO to former parent, Altron.

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 workforce. This table will expand to show a rolling 10 years' worth of data over time.

Year	Method	25th percentile	50th percentile	75th percentile
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. As 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 to exclude anyone not employed throughout the entire financial year. The 25th, 50th and 75th percentile employees were identified on 28 February 2022.

The CEO pay figure is the total remuneration sum set out in the single figure table, with corresponding figures (on a full-time equivalent basis) calculated for the 25th, 50th and 75th percentile employees. The total pay and benefits amounts used to calculate the ratios for each of the 25th percentile, median and 75th percentile employees are £31,287, £49,730 and £88,222 respectively. The salary element for each are £29,000, £30,000 and £40,000, respectively. The increase in ratios against the prior year is primarily due to the CEO's bonus for 2021/22 at 95% being relatively higher than 67% earned in 2020/21.

The committee is satisfied that the CEO's remuneration is reasonable and consistent with our wider policies on employee pay, reward and progression.

External appointments

No executive directors are currently non-executive directors of any company outside BTG.

Directors' remuneration report

Implementation of policy for the year ending 28 February 2023

Basic salary

The committee reviews the executive directors' base salaries annually, with any increases taking effect from 1 March each year. Base salaries effective from 1 March 2022 are set out below:

	Base salary 2021/22 £000	Base salary 2022/23 £000	Increase
Neil Murphy	£375	£390	4%
Andrew Holden[1]	£300	£318	6%

1 Andrew Holden joined the Board on 21 October 2021, from when his salary was set at £300,000.

Benefits and pension

No changes are proposed to pension and benefits for 2022/23. Executive directors will continue to receive benefits that include private medical and life insurance and pension contributions equal to 1.07% of salary for the CEO and 4% for the CFO, in line with the policy.

Annual bonus

The maximum opportunity under the annual bonus plan will be 100% of base salary for both executive directors. One-third of the total bonus payment will be deferred into shares for two years.

Bonuses will be based on targets relating to adjusted operating profit (80% of bonus) and a number of key strategic objectives (20% of bonus). The strategic objectives will include targets relating to maintenance of efficiency ratios, employee satisfaction, customer satisfaction and ESG targets. The committee has not disclosed the detailed performance targets for the forthcoming year in advance, as 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.

Remuneration voting outcomes

At our 2021 AGM, our remuneration report was approved with 94.87% of votes cast in favour, 5.13% of votes against and 18,603 votes withheld. Our remuneration policy was approved with 94.29% of votes cast in favour, 5.71% of votes against and 18,603 votes withheld.

PSP

The CEO and CFO will participate in the PSP in 2022/23 and will receive awards of 150% of salary with vesting subject to the following performance conditions:

Measure	Adjusted earnings per share (EPS)	Total shareholder return (TSR)
Weighting	75%	25%
Calculation	Adjusted EPS target relating to the 2024/25 financial year, i.e. the third year of the three-year performance period	Relative TSR target measured against the constituents of the FTSE 250 (excluding real estate and equity investment trusts) measured over a three-year performance period
Targets	– 20% vesting of this element for a threshold adjusted EPS at the end of the performance period of 18.4 pence – 50% vesting adjusted EPS 21.7 pence – full vesting at or exceeding 24.1 pence	Median (20% vests) to upper quartile (100% vests)

Vesting will be on a pro-rata basis between the threshold and maximum vesting figures. In addition, the committee retains discretion to reduce the overall LTIP vesting level (potentially to zero) if it considers that the underlying business performance of the company does not justify it.

Non-executive directors' fees

Since admission, the base and committee fees for non-executive directors have been increased by an inflationary adjustment of 4%, with effect from March 2022. The designated non-executive director fee was introduced from 1 December 2021 to reflect the additional time and commitment associated with this important function. For 2022/23, they are as follows:

	Fee 2022/23
Chair	£187,200
Base	£52,000
Senior independent director	£10,400
Audit Committee chair	£10,400
Remuneration Committee chair	£10,400
Designated non-executive director for workforce engagement	£7,280

On behalf of the Board.

Dr Alison Vincent
Remuneration Committee chair
23 May 2022

Directors' report

This report covers a variety of useful information, from our greenhouse gas emissions and going concern statement to the details of our main shareholders and our forthcoming Annual General Meeting.

"The company places considerable value on the involvement of its people and continues to keep them informed on matters affecting them."

WK Groenewald FCG
Group Company Secretary

The directors of BTG present this report together with the audited consolidated financial statements for the year ended 28 February 2022.

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 which 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 8-13
- An indication of likely future developments in the business of BTG and its subsidiaries, Bytes Software Services and Phoenix Software, on pages 10-13
- Financial performance on pages 28-32
- Business environment on pages 14-15
- Outlook and financial management strategies, including particulars of any important events affecting the company since the year end (with subsidiary undertakings included in consolidated statements), on pages 10-15
- Internal controls, principal risks and risk management framework on pages 52-57
- Stakeholder, including employee, engagement on pages 77-81
- Directors' biographies on pages 62-64
- Section 172 statement on pages 60.

Requirements of Listing Rule 9.8.4

Information to be included in the Annual Report and Accounts under Listing Rule 9.8.4 may be found as follows:

Relevant Listing Rule	Page
LR 9.8.4R (4): Details of any long-term incentive schemes and directors' interests.	96–112
LR 9.8.4R (5): Details of any arrangements under which a director has waived emoluments, or agreed to waive any future emoluments, from the company.	96–112

The strategic report and the directors' report together form the management report for the purposes of the Disclosure Guidance and Transparency Rules (DTR) 4.1.8R. Information relating to financial instruments can be found on page 160 and is incorporated by reference. For information on our approach to social, environmental and ethical matters, please refer to our strategic report, including our TCFD statement on page 46.

Financial risk management instruments

The company's exposure to financial risks and how these risks affect the company's future financial performance are disclosed in Note 25 to the financial statements.

Research and development

The company did not carry out any research and development activities during the year (2020/21: none).

Directors' report

Directors

The directors who held office at 28 February 2022, and up to the date of this report, are set out below and on pages 62 to 64 with their biographies. During the year ended 28 February 2022, Erika Schraner was appointed as an independent non-executive director, Keith Richardson stepped down as CFO, and Andrew Holden was appointed as CFO. The effective dates of these changes are set out in the table below. There were no other changes to the Board from the appointment of the directors up to the date of approval of the financial statements.

Directors

Name	Effective date of joining BTG Board	Position
Patrick De Smedt	15 October 2020	Independent non-executive Chair
Neil Murphy	7 October 2020 (Bytes Group managing director since 2000)	CEO
Keith Richardson	Retired from the Board on 21 October 2021	CFO
Andrew Holden	21 October 2021 (Various senior leadership positions held for more than 27 years with BTG's previous parent company, including COO and acting CFO)	CFO
David Maw	15 October 2020 (Bytes Group non-executive director since 2000)	Non-executive director
Alison Vincent	6 November 2020	Independent non-executive director
Mike Phillips	6 November 2020	Independent non-executive director
Erika Schraner	1 September 2021	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 current directors will be standing for appointment at the AGM on Tuesday, 26 July 2022. The remuneration of the directors, including their respective shareholdings in the company, is set out in the remuneration report on pages 96 to 112.

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 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 practicable. 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 2022 and up to the date of approval of the financial statements.

Share capital

The issued share capital of the company at 28 February 2022 was 239,482,333 ordinary shares of 0.01 pence nominal value, with no shares held in treasury. No additional shares were issued after the year ended 28 February 2022. Note 20 to the consolidated financial statements on page 162 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 which 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 on the page opposite. The closing mid-market price of a share of the company on 28 February 2022, together with the range since admission to the London Stock Exchange, is also shown on page 110.

Dividends and dividend policy

Our dividend policy remains a progressive one which targets an annual dividend of 40% of the company's profits after tax before any exceptional items in each financial year. Subject to any cash requirements for ongoing investment, the Board considers returning excess cash to shareholders, as and when appropriate.

We recommend a final dividend of 4.2 pence per ordinary share, taking the total dividend to 6.2 pence per ordinary share. In addition, we recommend a special dividend of 6.2 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 26 July 2022.

Substantial shareholdings

As at 30 April 2022, the company had been notified under the Disclosure Guidance and Transparency Rules, 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 if its ordinary share capital:

Shareholder	Number of voting rights	% of voting rights
abrdn	22,140,298	9.25%
Biltron	18,262,478	7.63%
JPMorgan Asset Management	14,839,216	6.20%
Capital Group	14,832,601	6.19%
BlackRock	12,477,307	5.21%
Vanguard Group	8,962,786	3.74%

Committees of the Board

The Board has established Audit, Nomination and Remuneration Committees. The Audit Committee has been mandated to oversee and monitor BTG's enterprise risk management. Further details of these committees, including membership and key focus areas for the 2022/23 financial year, are contained in this section of this Annual Report.

Remuneration voting outcomes

At our 2021 AGM, our remuneration report was approved with 94.87% of votes cast in favour, 5.13% of votes against and 18,603 votes withheld. Our remuneration policy was approved with 94.29% of votes cast in favour, 5.71% of votes against and 18,603 votes withheld.

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
- There exist no securities carrying 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 table above
- No shares were awarded under the company's deferred bonus plan for the year ended 28 February 2022. The deferred bonus plan will be implemented from 1 March 2022
- The rules concerning 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
- There exist no agreements 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.

Political donations

No donations were made for the year ended 28 February 2022 and up to the date of this report (2020/21: £nil). Generally, the company's policy is to not make political donations, either directly or through a subsidiary. However, authority will be sought at the 2022 AGM to authorise the company to make political donations provided that the aggregate amount is not more than £100,000. This resolution has been proposed to ensure BTG and its subsidiaries do not, because of the wide-reaching definition in the Companies Act 2006, unintentionally breach the act.

Equality and diversity

The company has an equal opportunities philosophy which 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 enable disabled applicants to receive training to perform safely and effectively, and to provide development opportunities to ensure they reach their full potential. Where an individual 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. Details of the company's gender and ethnicity breakdown are given on page 91.

The company places considerable value on the involvement of its people and continues to keep them informed on matters affecting them as employees. This is undertaken through a variety of methods including, but not limited to, whole-company meetings, team briefings, company days, emails and the intranet. The Board has also appointed David Maw as the designated non-executive director for workforce engagement. 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 ensure that the views of employees are taken into account in company decisions which are likely to affect their interests.

Directors' report

Greenhouse gas (GHG) disclosure

We recognise that reducing our GHG emissions and operating in a more environmentally sustainable way is important in driving cost efficiencies and meeting the expectations of all our stakeholders. Reflecting our strong commitment to environmental improvement, we took further steps to reduce our emissions in 2021/22: our Board adopted our low carbon action plan; we initiated various energy efficiency projects; we managed our increased emissions as activity increased when Covid-19 restrictions ended; and we strengthened our alignment with science-based targets to further reduce our carbon emissions. We also worked with environmental consultants to draft our first Task Force on Climate-related Financial Disclosures which are set out on pages 46 to 51.

Large organisations must now include energy and carbon data in their annual reports, under the Streamlined Energy and Carbon Reporting (SECR) regulations. Following our review of our relevant activities relating to buildings and business travel, we outline our calculations below.

Our carbon emissions for 2021/22 amounted to 382 tCO_2e, with 64% arising from electricity. When our purchase of green energy is taken into account, our total 'market-based' emissions reduce to 184 tCO_2e. Our overall emissions rose by 1% from last year; with our green electricity taken into consideration, they fell by 52%.

Energy and carbon data

Energy and carbon emissions (kWh and tCO_2e)	2021/22		2020/21[1]		
Group	kWh	tCO_2e	kWh	tCO_2e	% change
Energy consumption	**1,513,363**		**1,407,752**		8%
Scope 1 – Direct emissions	253,094	62.1	290,355	71.2	
Scope 2 – Energy indirect emissions location-based	1,059,077	224.9	999,135	232.9	
Scope 2 – Energy indirect emissions market-based		26.7		232.9	
Scope 3 – Other indirect emissions	201,193	89.5	118,262	74.6	
Total emissions – location-based		**376.5**		**378.7**	**-1%**
Relative emissions – location-based tCO_2e/£m		**0.3**		**378.7**	**-100%**
Taking our green energy into account					
Total emissions – market-based		**178.3**		**378.7**	**-53%**
Relative emissions[2] – market-based tCO_2e/£m		**0.1**		**0.4**	**-63%**

1 In our 2021 Annual Report, we only included the SECR mandatory carbon reporting requirements of electricity, gas, company cars, grey fleet and hire cars. For this year, in keeping with our net zero and footprinting work, we included a wider set of emissions our reporting. Further activities, which are non-mandatory under SECR) are: Scope 1: generator diesel and refrigerants. Scope 3: Electricity transmission and distribution, travel by air, taxi and train, hotel accommodation, waste, and paper and water.
To allow year-on-year comparison, the full emissions for 202/21 have been restated in this year's report.

2 Relative emissions (energy intensity ratio) is based on tCO_2e as a percentage of gross invoiced income, being one of BTG's KPIs.

Environmental projects

During 2021/22, we established a Group environmental steering committee, including members from both businesses, to coordinate and embed environmental activities across BTG. Both Phoenix and Bytes continued to run ISO 14001 environmental management systems.

We carried out a range of energy efficiency projects, including installing new, more sustainable boilers, reducing our number of office printers, and making renewable energy a requirement of a new electricity procurement contract.

We also installed more electric vehicle charging points and encouraged staff not to drive to work by setting up a car-share network and installing secure cycle parking.

Other environmental projects aimed to save water, such as by harvesting rainfall and feeding it into a nearby pond; reducing waste, for instance, by composting kitchen waste and recycling crisp packets; improving biodiversity, with new hedgehog homes complementing existing bat and bird boxes; and encouraging staff to save energy when working from home.

We appointed Ecologi, a leading carbon offset provider, to ensure BTG is carbon neutral each year, and made the commitment to reduce our carbon emissions by 50% in just five years.

SECR emissions calculation methodology

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 statement.

We followed the methodology of ISO 14064-1, which provides guidance at the organisational level for the quantification and reporting of greenhouse gas emissions and removals, and emission factors from the UK Government's 2021 conversion factors for company reporting of greenhouse gas emissions.

Emissions scope

We report Scope 1, 2 and 3 emissions as defined by the Greenhouse Gas Protocol, and for SECR reporting as follows:

- **Scope 1** (Direct) emissions arise from natural gas heating and company vehicles
- **Scope 2** (Energy indirect) emissions are from electricity
- **Scope 3** (Other indirect) emissions come from grey fleet and hire vehicles.

Further activities included (non-mandatory under SECR) are:

- **Scope 1** Generator diesel, refrigerants
- **Scope 3** Electricity transmission and distribution; travel by air, taxi and train; hotel stays; waste; paper and water.

We did not report on these non-mandatory activities last year.

Location-based emissions are calculated as the average emissions intensity of the electricity grid; market-based emissions take green 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 GHG Protocol Corporate Accounting and Reporting Standard to calculate our GHG emissions and applied the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019. We have worked with external consultants to enable us to have an up-to-date view of BTG's carbon footprint and will continue these engagements as part of our environmental management efforts going forward.

Energy efficiency projects

In 2021/22, we completed a number of projects to reduce our carbon emissions. These included:

- Installing further electric car charging points at our main locations, setting up a car sharing network and installing secure cycle parking
- Continuing to move services to the cloud where they are supported by less carbon intensive third-party datacentres rather than by our own servers. Bytes, for instance, moved their emails and disaster recovery to the cloud
- Adopting environmental criteria in major equipment purchases with, for example, our new Phoenix gas boilers being 90% more energy efficient
- Reducing the number of our office printers
- Ensuring our office temperatures are controlled in a smart manner.

We also worked closely with customers to help many move their servers to the cloud, rather than on their own premises.

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 22 to 32 and 59 to 60. Details of its objectives and policies on financial risk management are set out in Note 25 to the financial statements on pages 164 to 166.

The directors have made appropriate enquiries and consider that BTG has adequate resources to continue in operational existence for the foreseeable future, which comprises the period of at least 12 months from the date of approval of the financial statements, that is 28 February 2022. 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.

Important events since the end of the financial year

Details of those important events affecting BTG which have occurred since the end of the financial year are set out in the strategic report and Note 32 to the consolidated financial statements on page 171.

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.

EY has expressed its willingness to continue in office as auditor. Separate resolutions will be proposed at the forthcoming Annual General Meeting concerning its appointment and to authorise the Board to agree its remuneration.

Annual General Meeting

The 2022 AGM will be held at 09:30 on Tuesday, 26 July 2022, online and at Bytes House, Randalls Way, Leatherhead, KT22 7TW. 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 further information, please refer to the section on online services and electronic voting in the notes to the notice of meeting.

The notice of the 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 Board fully supports all the resolutions set out in the notice, and encourages shareholders to vote in favour of each of them as they intend to in respect of their own shareholdings.

By order of the Board.

WK Groenewald FCG
Group Company Secretary
23 May 2022

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 IFRSs (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 hence for taking reasonable steps for the prevention and detection of 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

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 auditors are unaware
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and parent company's auditors are aware of that information.

This responsibility statement was approved by the Board of directors on 23 May 2022 and is signed on its behalf.

WK Groenewald FCG
Group Company Secretary
23 May 2022

Financial statements

Independent auditor's report to the members of Bytes Technology Group plc

Opinion

In our opinion:

- Bytes Technology Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 28 February 2022 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 2022 which comprise:

Group	Parent company
Consolidated statement of financial position as at 28 February 2022	Balance sheet as at 28 February 2022
Consolidated statement of profit and loss 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	Statement of cash flows for the year then ended
Consolidated statement of cash flows for the year then ended	Related notes 1 to 12 to the financial statements including a summary of significant accounting policies
Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included the following:

- 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 we identified were considered in their assessment.
- Obtaining management's going concern assessment, including the cash flow forecasts and covenant calculations for the going concern period which covers the period to 31 August 2023, then performing procedures to confirm the clerical accuracy of the underlying model including validating the credit facility assumptions.
- Assessing the Group's base scenario for consistency with cash flow forecasts used in the goodwill impairment assessment over which we have performed detailed audit procedures to challenge the base case assumptions.

- The Group has modelled a base scenario and then two downside scenarios, being a severe but plausible downside scenario and a stressed scenario in order to incorporate unexpected changes to the forecasted liquidity of the Group. We have performed audit procedures to challenge the base case and the severe case assumptions included in each modelled scenario for the cash forecast and covenant calculation and we have considered the potential impact of new and emerging risks which exist in the wider economy such as supply chain problems; product shortages; general price rises particularly in relation to fuel, gas and electricity; and wage inflation.

  We noted that the key assumptions present were forecast gross invoiced income growth rates, gross profit growth rates, headcount and base pay growth rates, overhead growth rates and debtor days. We performed enquiries with management to understand the basis of the key assumptions and performed substantive procedures to assess their appropriateness, such as reviewing the growth rate assumptions within the context of historic performance, critically assessing management's ability to accurately forecast through lookback analysis on the last three years of historic financial data and, where possible, corroborating these assumptions to external data points such economic forecasts and competitor trading updates.
- Reviewing 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 the control of the Group, such as freezing planned growth in headcount, pay rises and bonus payments, 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.

We observed that at 28 February 2022 the Group had cash and cash equivalents of £67.1 million in addition to the Group's RCF facility of £40 million which is undrawn. We also noted as part of our enquiries that the RCF facility reduces to £30 million in December 2022 and is due for renewal in January 2024 – this is however not forecast to be utilised in any of management's scenarios. 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 2023, being the going concern assessment period.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview of our audit approach

Audit scope	–	We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further six components.
	–	The components where we performed full or specific audit procedures accounted for 100% of the Group's profit before tax, 100% of the Group's revenue and 100% of the Group's total assets.
Key audit matters	–	Misstatement of revenue recognised at or near year end.
	–	Misstatement of rebate income to overstate reported results.
	–	IFRS 15 presentation and disclosure in respect of principal vs agent.
Materiality	–	Overall Group materiality of £2 million which represents 5% of profit before tax.

Independent auditor's report to the members of Bytes Technology Group plc

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the nine reporting components of the Group, all being entities in the UK, and which represent the principal business units within the Group.

Of the nine components selected, we performed an audit of the complete financial information of three components ("full scope components") which were selected based on their size or risk characteristics. For the remaining six components ("other scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

Audit procedures performed on the three full scope components, located in two different locations in the UK, accounted for 100% of the Group's profit before tax, 100% of the Group's revenue and 89% of the Group's total assets. The remaining six components together represent less than 1% of the Group's profit before tax and revenue and 11% of Group's total assets. To respond to any potential risks of material misstatement to the Group financial statements, we performed a number of 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.

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 solely 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 on all of these 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

There has been increasing interest from stakeholders as to how climate change will impact companies. Bytes Technology Group plc has determined that there are no future impacts from climate change on its operations. This is explained on pages 46 to 51 in the Task Force on Climate-related Financial Disclosures and on pages 54 to 57 in the principal risks and uncertainties, which form part of the "Other information" rather than the audited financial statements. Our procedures on these 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.

Our audit effort in considering climate change was focused on evaluating management's assessment that there is no impact of climate change risk, 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 2022. We also challenged the directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

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 year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Misstatement of revenue recognised at or near year end Refer to the Audit Committee Report (page 83); Accounting policies (page 141); and Note 3 of the Consolidated Financial Statements (page 150). The Group has reported revenue of £447.9 million (2021: £393.6 million). Revenue is a key value driver for the business as a whole and is one of the key performance indicators used to measure the performance of the business. Compensation incentives are also based on sales or margin 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 and fictitiously.	We performed the following audit procedures: – Re-confirmed our understanding of management's process in determining the revenue recognition point and understood the process of entering into a contract and agreeing terms with customers, and how contracts are then assessed to ensure correct revenue recognition terms are applied through discussions held. – Assessed revenue cut-off by testing transactions recorded before and after the year end on a sample basis by vouching to invoices and proof of satisfaction of the related evidence of whether or not performance obligations had been satisfied. – Addressed the risk of management override by testing a sample of manual journal entries recorded at or near year end by verifying these to supporting documentation and testing credit notes issued subsequent to the year end. – Tested a sample of sales transactions related to the rendering of services which were deferred at the year end and recalculated the deferred elements to obtain assurance over the calculation of deferred revenue. – Utilised data analytics tools to analyse the full population of sales-related journal entry data to track sales from revenue through to accounts receivable through to cash collection. We used this analysis to validate the appropriateness of transaction flows and tested a sample of transactions to determine if the journals accurately reflected the substance of transactions recorded. We performed full scope audit procedures over this area in two components, which covered 100% of the risk amount.	Through our procedures performed we have not identified any unsupported manual adjustments to revenue, or any unexplained anomalies. We conclude that the revenue recognised at or near year end was properly accounted for and that revenue has been appropriately recognised in accordance with IFRS 15.

Independent auditor's report to the members of Bytes Technology Group plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Misstatement of rebate income to overstate reported results Refer to the Audit Committee Report (page 83) and Accounting policies (page 144). The Group has reported rebate income of £28.9 million (2021: £24.4 million) and a year-end rebate receivable of £3.5 million (2021: £2.9 million). Bytes Technology Group plc has rebate arrangements with suppliers, which are based on agreed percentages of sales made to the customers during the rebate period. Most rebates are agreed with the supplier and received during the year. However, there is an increased degree of estimation at or around the year end when the rebate is accrued ahead of the full information on the rebate being available. The resulting estimation uncertainty around the rebate receivable balance therefore provides scope for the use of management override to influence reported amounts through the estimated rebate adjustments posted to cost of sales.	We performed the following audit procedures: – Updated our understanding of the procedures and controls in place over the recognition and recording of rebates including holding a workshop with management to understand key assumptions used within management's determination of the estimate. – Tested the year end rebate receivable by confirming a sample of rebates due from suppliers to third-party source documentation, including subsequent cash collections and credit notes. – Tested a sample of rebate transactions recorded to the statement of profit and loss through the year and obtained underlying support to consider whether the transactions have been recorded in the correct period and if they have been classified appropriately against cost of goods sold. – On a sample basis, reviewed significant rebate agreements to ensure that income has been calculated in accordance with requirements of the agreement. Where this has not been possible, we have performed alternative procedures that included performing substantive analytical review procedures on the relationship between rebate income and gross invoiced income. – Analysed the rebate receivable by vendor and compared the largest vendor level balances against 28 February 2021. Performed analysis to understand the drivers of increases or decreases in the underlying balances for rebates income and rebates receivable. – Assessed the cash conversion of rebates accrued at the year end and test a sample of subsequent receipts – Assessed completeness of rebate income by testing, on a sample basis the cash and credit notes received after year end and determined that rebates earned in the current year but received post year end is appropriately recorded. – Analysed actual rebates received after the year end. Also enquired of management to understand movements in rebate trends that are not in line with our expectation or understanding of the business. We performed full scope audit procedures over this area in two components, which covered 100% of the risk amount.	We concluded that the rebates income recognised during the year and the receivable at the year end is appropriate in accordance with IFRS.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
IFRS 15 presentation and disclosure in respect of principal vs agent Refer to the Audit Committee Report (page 83); Accounting policies (page 141); and Note 3 of the Consolidated Financial Statements (page 150). The Group has recognised an agency adjustment of £760.2m (2021: £564.4m) in respect of income to be recognised net as an agent under IFRS 15. For each product sold or service provided the Group assesses whether it is acting as principal or agent. This requires consideration of the nature of the product or service and how this is delivered to the customer, including judgement around the level of control that the Group has in these transactions. The process to categorise the population between principal or agent treatment is highly manual and judgemental and therefore it is susceptible to error. The risk is that sales for which the Group acts as agent are inappropriately recognised on a gross basis in revenue (as they are when the Group acts as principal) resulting in an overstatement of reported revenue.	We performed the following audit procedures: – Re-confirmed our understanding of management's process, methodologies and judgements in identifying and categorising revenue transactions as principal (gross) or agent (net). – Reperformed management's filtering process to identify and categorise transactions as principal (gross) or agent (net). We verified that the filtering process appropriately considers any new product types. – Tested a sample of transactions across the year by obtaining evidence for each transaction and agreeing back to contracts to determine the Group's control over the product or service and therefore if the Group is principal or agent. We also challenged the presentation of revenue as gross or net by holding meetings with relevant individuals and inspected correspondence with customers. – Ensured that any alternative performance measures (APM), such as gross invoiced income, are appropriately defined and reconciled to GAAP measures. – Assessed the disclosures in the financial statements relating to revenue. We performed full scope audit procedures over this area in two components, which covered 100% of the risk amount.	Audit procedures have identified that management's judgements are consistent with the level of control present within each revenue transaction. We concluded that the presentation of revenue transactions are appropriate and have been prepared in accordance with IFRS 15.

In the prior year, our auditor's report included a key audit matter in relation to accounting for demerger and IPO-related costs and transactions as the risk was specific to these transactions in the prior year which does not recur in the current year.

Independent auditor's report to the members of Bytes Technology Group plc

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 £2 million (2021: £1.7 million), which is 5% of profit before tax (2021: 5% of profit before tax, adjusted for non-recurring costs relating to IPO costs). We believe that this basis provides us with the most relevant performance measure to the stakeholders of the entity.

We determined materiality for the parent company to be £6.7 million (2021: £12.7 million), which is 1% of total equity (2021: 2% of total equity).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely £1 million (2021: £0.9 million). We have set performance materiality at this percentage due to our risk assessment and our expectations on misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.2 million to £0.9 million (2021: £0.4 million to £0.7 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1 million (2021: £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 118, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate govenance statement has not been prepared by the company.

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 117;
- 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 page 117;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 117;
- Directors' statement on fair, balanced and understandable set out on page 118;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 52 to 57;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 86 to 88; and;
- The section describing the work of the audit committee set out on pages 82 to 89.

Independent auditor's report to the members of Bytes Technology Group plc

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 118, 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 that relate to the reporting framework (UK adopted international accounting standards, and as regards the parent company financial statements, as applied in accordance with 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 enquiries of management and those responsible for legal and compliance. We corroborated our enquiries through our review of board minutes and discussions with those charged with governance.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by discussing 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 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 and rebates detailed above as well as testing manual journals; and were designed to provide reasonable assurance that the financial statements were free from fraud and error. We performed journal entry testing, focusing on the key audit matters, as described in the section above, the testing of manual consolidation journals and journals that indicated large or unusual transactions based on our understanding of the business.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a focus on compliance with the accounting and regulatory frameworks through our walkthroughs and 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 ensuring that dividend payments complied with the relevant legal requirements.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the company on 25 February 2021 to audit the financial statements for the year ended 28 February 2021 and subsequent financial periods.
- The period of total uninterrupted engagement is 2 years, covering the years ended 28 February 2021 to 28 February 2022.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

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

24 May 2022

Consolidated statement of profit or loss

For the year ended 28 February 2022

	Note	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Revenue	3	**447,937**	393,569
Cost of sales		**(340,576)**	(303,995)
Gross profit		**107,361**	89,574
Administrative expenses	4, 5	**(65,057)**	(62,397)
Increase in loss allowance on trade receivables	17	**(149)**	(333)
Operating profit		**42,155**	26,844
Finance income		**–**	12
Finance costs		**(589)**	(193)
Finance costs – net	8	**(589)**	(181)
Profit before taxation		**41,566**	26,663
Income tax expense	9	**(8,712)**	(6,730)
Profit after taxation		**32,854**	19,933
Profit for the period attributable to owners of the parent company		**32,854**	19,933
		Pence	Pence
Basic earnings per ordinary share	30	**13.72**	8.52
Diluted earnings per ordinary share	30	**13.42**	8.47

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

For the year ended 28 February 2022

	Note	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	**8,049**	8,275
Right-of-use assets	11	**928**	1,097
Intangible assets	12	**42,832**	44,443
Contract assets	13	**125**	214
Deferred tax assets	9	**–**	357
Total non-current assets		**51,934**	54,386
Current assets			
Inventories	15	**96**	591
Contract assets	13	**6,591**	7,179
Trade and other receivables	17	**157,610**	106,664
Current tax asset		**219**	–
Cash and cash equivalents	18	**67,118**	20,734
Total current assets		**231,634**	135,168
Total assets		**283,568**	189,554
Liabilities			
Non-current liabilities			
Lease liabilities	11	**(992)**	(1,176)
Contract liabilities	14	**(1,495)**	(2,324)
Deferred tax liabilities	9	**(1,189)**	(1,738)
Total non-current liabilities		**(3,676)**	(5,238)
Current liabilities			
Trade and other payables	19	**(217,612)**	(157,121)
Contract liabilities	14	**(14,528)**	(10,038)
Current tax liabilities		**–**	(207)
Lease liabilities	11	**(185)**	(202)
Total current liabilities		**(232,325)**	(167,568)
Total liabilities		**(236,001)**	(172,806)
Net assets		**47,567**	16,748
Equity			
Share capital	20	**2,395**	2,395
Share premium	20	**633,636**	633,636
Other reserves	21	**3,072**	317
Merger reserve	22	**(644,375)**	(644,375)
Retained earnings	23	**52,839**	24,775
Total equity		**47,567**	16,748

The consolidated financial statements on pages 130 to 171 were authorised for issue by the Board of directors on 23 May 2022 and were signed on its behalf by:

Neil Murphy
Chief Executive Officer

Andrew Holden
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 28 February 2022

		Attributable to owners of the company					
	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2020		2,325	625,373	1,170	(644,375)	51,612	36,105
Total comprehensive income for the year		–	–	–	–	19,933	19,933
Dividends paid	26(b)	–	–	–	–	(48,600)	(48,600)
Shares issued during the year	20	70	8,263	–	–	–	8,333
Deferred tax	9	–	–	15	–	–	15
Transfer to retained earnings	21	–	–	(1,830)	–	1,830	–
Share-based payment transactions	29	–	–	962	–	–	962
Balance at 28 February 2021		2,395	633,636	317	(644,375)	24,775	16,748
Total comprehensive income for the year		–	–	–	–	32,854	32,854
Dividends paid	26(b)	–	–	–	–	(4,790)	(4,790)
Deferred tax	9	–	–	192			192
Share-based payment transactions	29	–	–	2,563	–	–	2,563
Balance at 28 February 2022		**2,395**	**633,636**	**3,072**	**(644,375)**	**52,839**	**47,567**

Consolidated statement of cash flows

For the year ended 28 February 2022

	Note	**Year ended 28 February 2022 £'000**	Year ended 28 February 2021 £'000
Cash flows from operating activities			
Cash generated from operations	24	**61,719**	41,546
Interest received	8	**–**	12
Interest paid	8	**(532)**	(122)
Income taxes paid		**(9,138)**	(10,213)
Net cash inflow from operating activities		**52,049**	31,223
Cash flows from investing activities			
Payments for property, plant and equipment	10	**(617)**	(607)
Deferred consideration payments	20	**–**	(16,677)
Net cash outflow from investing activities		**(617)**	(17,284)
Cash flows from financing activities			
Proceeds from issues of shares	20	**–**	8,333
Principal elements of lease payments	11	**(258)**	(295)
Dividends paid to shareholders	26(b)	**(4,790)**	(48,600)
Net cash outflow from financing activities		**(5,048)**	(40,562)
Net increase/(decrease) in cash and cash equivalents		**46,384**	(26,623)
Cash and cash equivalents at the beginning of the financial year		**20,734**	47,357
Cash and cash equivalents at end of year	18	**67,118**	20,734

Notes to the financial statements

1 Accounting policies

1.1 General information

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

1.2 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006. On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted International Accounting Standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The consolidated financial statements transitioned to UK-adopted international accounting standards for the first financial period beginning after 1 January 2021. There was no impact or change in accounting policies from the transition. UK-adopted International Accounting Standards differs in certain respects from International Financial Reporting Standards as adopted by the EU, the differences have no material impact on the Group's consolidated financial statements for the periods presented.

The Group's accounting 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 possible ongoing impacts of the global Covid-19 pandemic on the Group, the current geopolitical environment, the current challenging economic conditions, and reviews of future liquidity headroom on existing facilities and against the facility financial covenants during the period under assessment. The approach and conclusion are set out fully in note 1.4.

The consolidated financial statements have been prepared on a historical cost basis, as modified to include derivative financial assets and liabilities at fair value through the consolidated statement of profit or loss.

1.3 Demerger and re-organisation transactions

Background

On 2 April 2020, Allied Electronics Corporation Limited ("Altron" and together with its subsidiaries "Altron Group") a South African, JSE-listed technology company announced its intention to demerge the Bytes business and pursue a potential LSE listing with a secondary JSE listing. The parties entered into a share purchase agreement ("Demerger SPA") on 2 November 2020 with the separation and initial public offering ("IPO") taking place on 17 December 2020 (the "Date of the Demerger" and the "Admission date"). The separation was implemented by way of a demerger of the Bytes business to two newly incorporated companies, Bytes Technology Group plc and Bytes Technology Holdco Limited. Bytes Technology Group plc became the ultimate parent company of the newly demerged group with Bytes Technology Holdco Limited, a wholly owned subsidiary held directly by Bytes Technology Group plc. Both companies are incorporated in England and Wales under the UK Companies Act 2006.

Bytes Technology Limited was previously the parent company of the Bytes business with the two main operating subsidiaries being Bytes Software Services Limited (BSS) and Phoenix Software Limited (Phoenix). BSS is a direct subsidiary of Bytes Technology Limited and Phoenix was held indirectly through an intermediate holding company, Blenheim Group Limited. As a result of the demerger of the Bytes business, both Bytes Technology Group plc and Bytes Technology Holdco Limited became holding companies of the Bytes business, through a combination of issuing new Bytes Technology Group plc shares and cash consideration paid to Altron, the Altron shareholders and to management in exchange for shares held by them in Bytes Technology Limited and Blenheim Group Limited.

The Demerger Transactions – new shares issued

In the comparative period Bytes Technology Group plc issued a total of 232,480,611 new ordinary shares at an issue price of £2.70 per share with an aggregate value of £627.7 million:

- 123,514,420 ordinary shares with an aggregate value of £333.5 million were issued for cash to new institutional and individual investors (including the non-executive directors) introduced by the Group's brokers, Numis Securities. This cash was paid to Altron and Altron shareholders. For the purposes of the Demerger Transactions, the Group has accounted for the cash proceeds received from issuing these shares and the cash paid to Altron and Altron shareholders on a net basis, since both transactions took place simultaneously, were of an equal amount and conducted between the Group's brokers, the new institutional and individual investors, Altron and Altron shareholders
- 96,992,074 ordinary shares with an aggregate value of £261.9 million were issued directly to Altron shareholders
- 11,974,117 ordinary shares with an aggregate value of £32.3 million were issued to the Bytes Technology Limited management for the Bytes Technology Limited B ordinary shares.

The Demerger Transactions – cash consideration

In the prior year the Group paid a total cash consideration of £16.7 million:

- A further £14.3 million of cash consideration was paid by the Group to the Bytes Technology Limited management for the Bytes Technology Limited B ordinary shares
- £2.4 million of cash consideration was paid by Bytes Technology Limited Blenheim Group Limited management for the Blenheim Group Limited B ordinary shares.

The investments in the Bytes Technology Limited A ordinary shares and B ordinary shares are held in Bytes Technology Holdco Limited and Bytes Technology Group plc, respectively. On completion of the transaction, Bytes Technology Group plc, together with its direct and indirect subsidiary undertakings, operated as a single corporate group.

IPO costs – shares issued

In addition to the share issues discussed above, Bytes Technology Group plc issued a total of 7,001,720 new ordinary shares last year at an issue price of £2.70 per share with an aggregate value of £18.9 million. The cash proceeds of £18.9 million were used to pay commission costs of £10.6 million associated with the issue of the shares. The remaining net share issue proceeds of £8.3 million were used by the Group to pay the other IPO costs of £8.1 million.

Accounting considerations for the demerger

Reorganisation of the Bytes business

The insertion of both Bytes Technology Group plc and Bytes Technology Holdco Limited into the Group via a combination of a share-for-share exchange and cash consideration with the original stakeholders of the Bytes business (the "Demerger Transactions") were determined not to be a business combination in the prior year; see key accounting judgements, note 1.5 below. Instead, this constitutes a reorganisation of the Bytes business for which the pooling of interests method has been applied.

A separate reserve in equity, the "merger reserve", was created, representing the difference between the total consideration of £644.4 million and the total nominal value of issued share capital acquired in Bytes Technology Limited of £1.10.

Presentation and disclosure including comparative periods

Under the pooling of interest method, the consolidated financial statements have been prepared as if the Group had already existed before the start of the earliest period presented. The comparative information is, therefore, presented as if the Demerger Transactions had occurred at 1 March 2019. The cash consideration of £16.7 million paid on the date of the demerger has been presented within cash flows from investing activities in the consolidated statement of cash flows in the prior year.

Share-based payments

Prior to the IPO, the Bytes business operated two equity settled share-based payment incentive schemes, the Bytes Technology Limited scheme and the Blenheim Group Limited scheme. The Bytes Technology Limited scheme was due to vest on 1 March 2021 and the Blenheim Group Limited scheme on 1 March 2023. Both schemes vested on the date of the IPO.

(1) Bytes Technology Limited scheme

On 15 November 2016, Bytes Technology Limited issued B ordinary share awards to certain members of its management at an option price of 0.001 per share. The IPO and divestiture of the Bytes business by Altron Group was deemed to be a conversion event in terms of the rules of the scheme and the B ordinary shareholders received cash consideration of £14.3 million and 5% of the issued share capital of the company (equivalent to £32.3 million) for the purchase of the B ordinary shares.

The cash consideration was deemed to be less than the fair value of the equity instruments measured at the settlement date, so no additional expense was recognised. This was determined with the use of a market valuation approach.

(2) Blenheim Group Limited scheme

On 10 February 2020, Blenheim Group Limited issued and allotted B ordinary share awards to certain members of its management at 0.001 per share. On vesting, these B ordinary shares would be converted into A ordinary shares in Blenheim Group Limited or Altron shares, at Altron's election. The IPO and divestiture of the Bytes business by Altron Group was deemed to be a conversion event in terms of the rules of the scheme and the B ordinary shareholders received cash consideration of £2.4 million for the purchase of the B ordinary shares.

The cash consideration was deemed to be less than the fair value of the equity instruments measured at the settlement date, so no additional expense was recognised. This was determined with the use of a market valuation approach.

1.4 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 a number of principal risks which are set out in the Group's risk report within the strategic report in addition to ever present risks such as the Group's exposure to credit risk as described in note 17 and liquidity risk, currency risk and foreign exchange risk as described in note 25. The directors continue to monitor the effects of the Covid-19 pandemic on the business and will react accordingly if associated risks present themselves.

When assessing the going concern of the Group, the directors have reviewed the year-to-date financial actuals, as well as detailed financial forecasts for the period up to 31 August 2023.

Notes to the financial statements

1.4 *Going concern continued*

The assumptions used in the financial forecasts are based on the group's historical performance, management's extensive experience of the industry and reflect expectations of future market conditions. Taking into consideration the impact of the current geopolitical environment on the wider economic environment, the forecasts have been assessed and stress tested to ensure that a robust assessment of the Group's working capital and cash requirements has been performed.

Further details, including the analysis performed and conclusion reached, are set out below.

Operational performance

In preparing its going concern assessment, management have considered the potential future impact of Covid-19 on the business, given the limited impact it has had to date, with the Group now reporting its second year of strong growth since the onset of the pandemic in March 2020. In the current year of reporting, the Group has achieved double-digit growth in revenue, gross profit and operating profit and finished the year with £67.1 million of cash compared to the prior year £20.7 million.

During the year customers have continued to move their software products and data off-site and into the cloud and increasingly required the Group's advice and ongoing support around this as well as needing flexibility and added security with customers' employees working a hybrid mix between home and office.

The directors therefore believe that the group operates in a resilient industry enabling it to continue its profitable growth trajectory but also aware of new and emerging risks which exist in the wider economy such as: supply problems affecting the movement of goods caused by the conflict in Ukraine; product shortages; general price rises particularly in relation to fuel, gas and electricity; climate change; and wage inflation. These are considered further below.

- The Group's supply chain is largely unaffected by global supply issues, given that 98% of its gross income is derived from software licensing and provision of IT Services. Only 2% is generated from sales of hardware where there may be supply and transportation considerations.
- The Group is not a significant consumer of gas, electricity and fuel and hence is not materially affected by rising prices for those commodities.
- The Group does not consider that the effects of climate change will have a material impact on its operations and performance over the going concern review period considering the small number of UK locations it operates from, a customer base substantially located within the UK and a supply chain which is not reliant on international trade and does not source products and services from parts of the world which may be impacted more severely by climate change. The Group sells predominantly electronic software licences and so has no manufacturing or storage requirements, and the workforce can work seamlessly from home should any of their normal work locations be impacted by a climatic event. In the UK however these tend to be thankfully infrequent and not extreme. Climate risks are considered fully in the Task Force on Climate-related Financial Disclosures (TCFD) included in the Annual Report.
- The Group has experienced the impact of wage inflation in the UK economy over the past 12 months and had to react by increasing wages to retain key staff in the light of approaches from competitors, especially where staff have specialist or technical skills. Hence the Group has already undertaken steps to align staff salaries to market rates. Nevertheless, the Group is not shielded from ongoing wage pressures and therefore further expected rises have been factored into the financial forecasts in line with those awarded in the past year. Despite the rises, the Group still grew operating profit in the year just ended and is forecast to continue to do so.

Further resilience continues to be built into the Group's operating model from its' wide customer base, high levels of repeat business and strong vendor relationships.

- The Group's income includes a large volume of non-discretionary spend from UK corporates as IT is vital to establish competitive advantage in an increasingly digital age. Public sector organisations, also a large and fast-growing area of the business, have shown minimal negative sensitivity to Covid-19 to date as they've sought efficiencies, resilience and security within their IT infrastructures. This mix of private and public customers means that a downturn in one area can be compensated for by upturns in others. Risk is further mitigated by the fact that the Group's business is derived from a wide range of customers, none of which contribute more than 5% of total gross income or more than 1% of total gross profit.
- 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. The most significant software contracts, the 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 agreements and winning new ones. The renewal rate for the year was 111%, a measure of the rate of growth in gross profit from existing customers, who also contributed 93% of total gross profit in the year. The Group will continue to focus on increasing its customer base and spend per customer during the going concern period.
- With over 50% of the Group's gross invoiced income and 50% of gross profit generated from sales of Microsoft products and associated service solutions, this is a very important partnership for both parties. Just as from the customer side, the licencing of a large proportion of EA software over three-year terms reduces the risk of income falling away quickly. Whilst

there is a notable move towards more agile "pay as you go" contracts around cloud-based applications, this makes agreements even more "sticky" by increasing the dependency of the customer on the cloud infrastructure and products which Microsoft provides.

- Further, it 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 licencing requirements from a programmatic, purchasing and consumption perspective. To this end, the Group has attained the highest levels of Microsoft Expert status, specialist Competencies and Advanced Specialisations in numerous Microsoft technology areas. In turn, Microsoft rewards partners who have these awards with additional levels of funding. The Board is engaged directly with Microsoft Executives in developing the partnership further and Microsoft business is currently growing at high double-digit rates.

Liquidity and financing position

At 28 February 2022, the Group held instantly accessible cash and cash equivalents of £67.1 million.

While the balance sheet shows a small net current liability of £0.7 million at year end, this amount is after the Group paid an interim dividend of £4.8 million during the year. 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. This is on top of the funding available noted below.

The Group has access to a committed revolving credit facility of £40 million with HSBC, which reduces to £30 million in December 2022 and terminates in December 2023. To date, the group has not been required to use the revolving credit facility and we do not forecast use of this over the going concern assessment period.

Approach to stress testing

The going concern analysis reflects the actual trading experience through the financial year to date, as well as detailed financial forecasts for the period up to 31 August 2023. 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 a generalised economic downturn which may result from a combination of factors including general inflation, wage inflation, the conflict in Ukraine and climate change. If any of these factors leads to a reduction in spending by the Group's customers, there may be an adverse effect on the Group's future gross invoiced income, gross profit, operating profit and debtor collection periods. Under such downsides the Board has factored in the extent to which they might be offset by savings in commissions and bonuses and discretionary areas of spend. As part of the stressed scenario, where only partial mitigation of downsides is possible, the Board confirmed that the revolving credit facility would not need to be used during the going concern period up to 31 August 2023.

Details of stress 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 2023 and extended across the first six months of the following year to 31 August 2023.
- 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 22.
- 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 22.
- Partial mitigation measures modelled for the downsides were to freeze future pay and new recruitment from March 23 and "self-mitigating" reduction of commissions in line with falling gross profit.
- Full mitigation additionally modelled headcount reductions from March 23 in line with falling gross profit.

The mitigations applied in the downside scenarios relate to pay costs and headcount which are within the control of the Group to implement quickly in response to any downward trends should they be necessary. While these additional mitigating actions could be implemented more quickly, they have only been forecast from March 23 for the purposes of the going concern assessment.

Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period with dividends forecast to continue to be paid in line with the Group's dividend policy to distribute 40% of the post-tax pre-exceptional earnings to shareholders.

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 2023. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

Notes to the financial statements

1.5 Critical accounting estimates and judgements

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

This note provides an overview of the areas that involved significant judgement or complexity. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Detailed information about each of these estimates and judgements is included in other notes, together with information about the basis of calculation for each affected line item in the consolidated financial statements.

Climate change

The effect of climate change has been considered to determine any critical judgements or adjustments required in the preparation of the Group's financial statements. During the current year, and within the next financial year, the impact, if any, is not expected to create any significant risks which result in a material misstatement to the financial statements occurring. However, the effects of climate change over the longer term are more uncertain and may be more significant.

The following areas of accounting have been included in this review for the current year:

- *Property, plant and equipment (see notes 1.23 and note 10) and leases (see notes 1.16 and 11).*

  The Group's net assets under these categories primarily comprise freehold land and buildings and leasehold buildings with much smaller net book values reported for computer equipment, furniture and fittings. IAS 16 Property, Plant and Equipment requires an item of property, plant and equipment (PPE) to be recognised if it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably.

  Consideration has been made as to whether climate-related matters may affect the value of any items of PPE, their economic life or residual value. As noted in the Task Force on Climate-related Financial Disclosures (TCFD) statement with the strategic report, none of the Group's items of PPE, the properties and the assets included within them, are deemed to be at risk or prone to damage from acute or chronic weather events which could arise as part of climate change. Also, none of the items of PPE is deemed susceptible to being phased out, replaced or made redundant under any climate-related legislative changes.

  Hence it is judged that there is no material risk from climate change to the carrying values of any items of PPE on the balance sheet at 28 February 2022.

- *Impairment of intangible assets (see notes 1.18, 1.24 and 12).*

  The Group's net assets under this category comprise goodwill, customer relationships and brands, arising on acquisition of subsidiaries. Goodwill is not amortised but is tested for impairment at least annually at the level of the cash generating unit (CGU) to which it relates. Customer relationships and brands are recognised at fair value after deduction of accumulated amortisation over their useful lives. IAS 36 Impairment of Assets requires an entity to assess, at the end of each reporting period, whether there are any impairment indicators for an entity's assets. Impairment indicators include significant changes in the technological, market, economic or legal environment in which the entity operates.

  Consideration has been made as to whether climate-related matters may affect any of these conditions which in turn may affect the economic performance of an asset or CGU, or its long-term growth rates. For example, customer buying behaviours, requirement to make significant investments in new technologies, or an increase in costs generally charged by suppliers. Further, climate change indirectly resulting in an increase in market interest rates is likely to affect the discount rate used in calculating an asset's or CGU's value in use. This, in turn, could decrease the asset's or CGU's recoverable amount by reducing the present value of the future cash flows and result in a lower value in use.

  However, as noted in the TCFD statement contained within the strategic report on pages 46 to 51, the Group continually monitors the regulatory and legal environment and takes external advice as required. It expects the impact from changing customer behaviours to be small given the Group's primary business is the supply of critical cloud, security and software products and IT services. Further, the Group does not rely on overseas operations, or require colleagues to work on-site at all times. Nor does it need to have physical products transported to maintain the economic performance of its CGUs.

  Hence it is judged that there is no material risk from climate change to the carrying values of any intangible assets on the balance sheet at 28 February 2022.

- *Provisions (see note 1.27)*

  IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be recognised when an entity has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. If any of the conditions for recognition are not met, no provision is recognised, and an entity may instead have a contingent liability. Contingent liabilities are not recognised, but explanatory disclosures are required, unless the possibility of an outflow in settlement is remote. In the case of an onerous contract, the provision reflects the lower of the costs of fulfilling the contract and any compensation or penalties from a failure to fulfil it.

Consideration has been made as to whether climate-related matters may result in the recognition of new liabilities or, where the criteria for recognition are not met, new contingent liabilities may have to be disclosed. Further consideration has been made as to whether climate change, and any resulting associated legislation, may require past judgements to be reconsidered.

The Group has judged that there is no material risk from climate change which requires new provisions to be made or existing provisions to be reconsidered at 28 February 2022.

The Group will continue to review and assess potential climate change impacts when making judgements in relation to its accounting for assets and liabilities or for its future earnings and cash flows. However, for the financial statements for the year ended 28 February 2022, the Group believes there is no material impact or risk of misstatement.

(i) Significant accounting estimates and uncertainties

The areas involving significant accounting estimates are:

- Estimation of recoverable amount of goodwill – the Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.18. The recoverable amounts of cash generating units (CGUs) have been determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on forecasts approved by management covering a five-year period. The growth rates used in the forecasts are based on historical growth rates achieved by the Group. Cash flows beyond the five-year period are extrapolated using the estimated growth rates disclosed in note 12. The forecast cash flows are discounted, at the rates disclosed in note 12, to determine the CGUs value-in-use.

(ii) Key accounting judgements

The areas involving key accounting judgements are:

- *Revenue recognition – Principal versus agent, see note 1.11.*

  Under IFRS 15, Revenue from Contracts with Customers, when recognising revenue, the Group is required to assess whether its role in satisfying its various performance obligations is to provide the goods or services itself (in which case it is considered to be acting as principal) or arrange for a third party to provide the goods or services (in which case it is considered to be acting as agent). Where it is considered to be acting as principal, the Group recognises revenue at the gross amount of consideration to which it expects to be entitled. Where it is considered to be acting as agent, the Group recognises revenue at the amount of any fee or commission to which it expects to be entitled or the net amount of consideration that it retains after paying the other party.

To determine the nature of its obligation, the entity shall:

(a) Identify the specified goods or services to be provided to the customer (which, for example, could be a right to a good or service to be provided by another party).

(b) Assess whether it controls each specified good or service before that good or service is transferred to the customer.

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

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

The IFRIC, after deliberations, concluded that the principles and requirements in IFRS 15 provide an adequate basis for a reseller to determine whether – in the fact pattern described in the request – it is a principal or agent for the standard software licences provided to a customer. Consequently, the IFRIC had tentatively decided not to add a standard-setting project to the work plan.

The tentative agenda decision issued by the IFRIC was discussed at the International Accounting Standards Board (IASB) meeting held on 23 May 2022. Bytes currently recognises revenue from indirect licence sales (which are non-cloud services and without critical upgrades) on a 'gross' basis as a principal. Bytes will consider the final agenda decision when issued and assess its implications on the current accounting policy. If Bytes were to change its accounting policy to recognise revenue for the sale of indirect licence sales (which are non-cloud services and without critical upgrades) as agent rather than principal, revenues and cost of sales would decrease by an estimated £302 million (2021: £268 million). Gross profit, operating profit and profit before and after taxes will be unchanged in all periods.

Judgement is therefore required as to whether the Group is a principal or agent. The Group has identified its revenue streams within its revenue recognition

Notes to the financial statements

1.5 *Critical accounting estimates and judgements continued*

policy (see note 1.11) and applied the following judgements in respect of principal versus agent.

For direct licence sales the Group is considered to be acting as agent. This is because the Group does not control the goods or services prior to their delivery to the customer. The Group's role is to facilitate the sale on behalf of the software vendor that controls the goods or services. It is the software vendor that contracts with and subsequently invoices the customer. The Group does not set the prices paid by the customer and it is remunerated in the form of a sales-based fee.

For those revenue streams that involve the indirect resale of software licences and software assurance (additional benefits over the licence term including software updates), there is often considerable judgement in determining whether the Group is acting as principal or agent. The Group's assessment is based primarily on whether it controls the goods or services prior to their transfer to the customer. However, the nature of these products and services means that a purely control-based assessment does not always lead to a clear conclusion. Consequently, the Group additionally considers the other characteristics of principal set out in IFRS 15. These include whether the Group has primary responsibility for fulfilling the contractual promises made to the customer, whether the Group assumes inventory risk and whether the Group has discretion in establishing the selling price.

1. For indirect licence sales related to cloud services and licences with critical updates the Group is considered to be acting as agent. This is because cloud services and licences with critical updates require the significant ongoing involvement of the software vendor. The Group does not control the service prior to it being passed to the customer as it is provided as a service delivered by the vendor. Any technical and administrative services provided by the Group are critically dependent on, and so inseparable from, the service provided by the vendor. The Group's role is to arrange for the cloud service/updates to be provided by another party although the vendor invoices the Group and the Group then invoices the customer.

2. For all other indirect licence sales (those not related to cloud services and without critical upgrades) the Group is considered to be acting as principal. This is because, unlike for cloud licences, the Group's performance obligation requires it to take responsibility for agreeing licence types and quantities with the customer in advance and for fulfilling the promise to provide those licences to the customer. If orders are not placed correctly with the manufacturer, resulting in incorrect licences being rejected by the customer, the Group remains liable to pay the manufacturer. Where licences are also accompanied by the right to software assurance benefits from the software vendor to the customer, the non-critical nature of the software updates means that the customer's ability to derive benefit from the software is not dependent on the continued involvement of the software vendor. This results in the balance of the obligation to manage the transfer of the benefits resting more with the Group than is the case with critical updates, as the Group will advise the customer of their un-activated benefits and arrange for them to be provided by third parties on behalf of the vendor where required. Hence the Group is primarily responsible for fulfilling the contractual promise to provide the specified good or service to the customer, managing its delivery, and typically has responsibility for acceptability of the specified good or service. The Group assumes inventory risk in the event of customers not accepting incorrect licences and has discretion in establishing the prices of the goods and services.

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.

When selling internally provided services, the Group acts as principal as there are no other parties involved in the process.

When selling hardware, the Group acts as principal, as it assumes responsibility for fulfilling the contractual promises made to the customer.

1.6 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards for the first time in the annual reporting period commencing 1 March 2021:

- Proceeds before intended use – Amendments to IAS 16
- Onerous contracts – Amendments to IAS 37.

For the annual reporting period commencing 1 March 2021, the Group applied the following standards for the first time:

- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting.

The Group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle
- Where applicable, Covid-19-Related Rent Concessions – Amendments to IFRS.

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 28 February 2022 reporting periods and have not been adopted early by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1.7 Principles of consolidation

1.7.1 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.

The acquisition method of accounting is used to account for business combinations by the Group, see note 1.17. For Group reorganisations, the Group applies the pooling of interest method, see note 1.7.2.

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.

1.7.2 Pooling of interests method for Group reorganisations

The pooling of interests method is used by the Group for Group reorganisations, which are transactions between entities that are ultimately controlled by the same party or parties. This method treats the combined entities as if they had been combined throughout the current and comparative accounting periods. Accordingly, the consolidated financial statements have been prepared as if the Group had already existed before the start of the earliest period presented. The assets and liabilities of the combining entities are stated at predecessor carrying values and no fair value measurement is performed. No new goodwill arises in applying the pooling of interests method. The difference between the total consideration given and the total nominal value of the Bytes Technology Limited issued share capital acquired, is included in equity as a separate reserve, the 'merger reserve'.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, and costs incurred in relation to the Group reorganisation transactions that are to be accounted for by using the pooling of interests method of accounting are recognised as an expense in the year in which they are incurred.

1.8 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group has therefore determined that it has only one reportable segment under IFRS 8, which is that of 'IT solutions provider'.

1.9 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.

1.10 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)'.

1.11 Revenue recognition

The Group has applied the relevant principles of IFRS 15 Revenue from Contracts with Customers to each of its key revenue streams as follows:

Resale of software licences

As a software reseller, the Group acts as an advisor, analysing customer requirements and designing an appropriate mix of licences and technology. The Group's resale of software licences takes place in three principal forms:

- *Direct licence sales* – under direct licence sale arrangements, the Group is not a party to the contract between the software vendor and the customer. Activation of the licences, invoicing and payment all take place directly between the software vendor and the customer

Notes to the financial statements

1.11 *Revenue recognition continued*

- *Indirect licence sales – resale of cloud-based licences and licences requiring critical updates* – the Group operates as reseller of a variety of cloud-based licence products and security software, the functionality of which is critically dependent on future updates provided by the software vendor
- *Indirect licence sales – resale of non-cloud (on-premise) licences including software assurance and licences not requiring critical updates* – the Group operates as reseller of a variety of non-cloud-based products that are not critically dependent on future updates provided by the software vendor. Alongside or separately to such licences, the Group also acts as a reseller of software assurance – a package of benefits provided by the software vendor that includes access to future (non-critical) updates at no extra cost.

Identifying the performance obligations

When selling indirect licences, the Group's performance obligation is to fulfil customers' requirements through the procurement of relevant and necessary software licences and software assurance. When selling direct licences, the Group's performance obligation is to facilitate transactions between vendors and customers.

For direct licence sales, and indirect licence sales related to cloud services and licences with critical updates, the Group acts as agent. As such, for the indirect sales, the Group recognises revenue as the amount retained after paying the software vendor for the licences and services provided and, for the direct licence sales, the Group recognises revenue as the fee received from the software vendor. The judgements made in arriving at this conclusion are set out at note 1.5.

For other indirect licence sales related to non-cloud (on premise) licences including software assurance and licences not requiring critical updates, the Group acts as principal. As such, the Group recognises revenue at the gross amount receivable from the customer for the goods and services provided. The judgements made in arriving at this conclusion are set out at note 1.5.

Determining the transaction price

For direct licence sales, the transaction price between the customer and software vendor is set by the vendor with no involvement from the Group. The fee received by the Group is based on fixed rates set by the software vendor applied to the customer transaction price and determined according to the quantity and type of products sold.

The transaction price for all other forms of indirect software licence sales is fixed at the amount specified in the contract between the customer and the Group and has no variable element.

Allocating the transaction price

When reselling software licences and/or software assurance, which together represent one performance obligation, together with other goods and services that represent additional separate performance obligations, such as hardware, the Group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e. their standalone selling prices.

Recognising revenue

The Group recognises all licence sale revenue on a point-in-time basis. This is because the Group's activities in satisfying its performance obligations do not satisfy any of the criteria for over-time revenue recognition set out in IFRS 15. As a reseller, the Group's performance obligations are fully satisfied at the point it has fulfilled its contractual requirements with both the customer and the software vendor, ensuring that orders are processed within any contractual timescales stipulated by the customer and vendor and that billing of the customer has taken place. Thereafter, the Group has no ongoing performance obligations. The software vendor is responsible for issuing the licences and for the software's functionality and is therefore responsible in those respects for fulfilling the promise to provide the licences to the customer.

Revenue arising from monthly billed cloud-based licence sales, where the Group is acting as agent, is recognised in monthly instalments based on the customer's previous month's usage. This is because the responsibilities of the Group to monitor, review, advise and undertake other ongoing activities, including billing, in relation to customer usage mean that its performance obligation is not satisfied at the point the contract is initiated. Rather, the customer receives the benefits of the Group's activities, after the initial contract set up, as they are performed. The Group is rewarded for its performance across the contract term at each point in time that the usage occurs, and revenue is recognised accordingly. Revenue is recognised in the month after the usage takes place when the amount consumed by the customer is confirmed by the software vendor who is providing the service and the Group has analysed the usage data, advised the customer and billing of the customer has taken place.

Where the Group's customer offering includes multi-year deals of typically three years in duration, the contractual arrangements for such deals take two alternative forms – the customer may elect to make a single up-front payment or may elect to pay through annual instalments. For up-front payment contracts, the Group recognises the total contract price when the contract is executed and invoiced because its performance obligation is fully satisfied at that point. For annual instalment contracts, which are more common, the Group recognises revenue for each instalment when it is billed. This is because, in contrast to up-front payment contracts, the Group's performance obligation is not fully satisfied when the contract is executed. Under annual instalment plans, the Group is required to undertake various contract review activities at each anniversary date, and at that point the customer also has the option of moving to a different reseller should they wish to do so. The contract term is therefore considered to be one year as this is the period during which the parties to the contract have present enforceable rights and obligations.

Fees earned from direct licence sales are recognised (accrued) in the month when the vendor's invoicing to the customer takes place.

Externally provided services

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.

Identifying the performance obligations

The Group's sale of externally provided services is generally distinct from other goods and services that the Group might provide to the same customer under the same or separate contracts. This is because the customer can benefit from the services on their own or from other resources (as is evidenced by the fact that the services are provided by another party). Additionally, the services are not generally integrated with, or dependent on, other services that might be provided to the customer.

When selling externally provided services, the Group acts as agent and so recognises revenue at the amount retained after paying the service provider for the services delivered to the customer, i.e., the gross profit earned. The judgements made in arriving at this conclusion are set out at note 1.5.

Determining the transaction price

The transaction price for the services is fixed at the amount specified in the contract and has no variable element.

Allocating the transaction price

When selling services provided through third-party contractors, together with other goods and services under the same or linked contracts, those goods and services represent more than one performance obligation, the Group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e. their standalone selling prices.

Recognising revenue

The Group recognises all revenue from externally provided services on a point-in-time basis. This is because the Group's activities in satisfying its performance obligation do not satisfy any of the criteria for over-time revenue recognition set out in IFRS 15. The Group's performance obligations are fully satisfied at the point the service has been fully delivered by the third party and the Group has confirmed with the customer that they are satisfied all requirements have been met such that billing of the customer can take place.

Internally provided consulting services

The Group's activities under this revenue stream comprise the provision of consulting services using its own internal resources. The services provided include, but are not limited to, helpdesk support, cloud migration, implementation of security solutions, infrastructure, and software asset management services. The services may be one-off projects where completion is determined on delivery of contractually agreed tasks, or they may constitute an ongoing set of deliverables over a contract term which may be multi-year.

Identifying the performance obligations

The Group's sale of internally provided consulting services is generally distinct from other goods and services that the Group might provide to the same customer under the same or separate contracts. This is because the customer can benefit from the services on their own or from other resources. Additionally, the services are not generally integrated with, or dependent on, other services that might be provided to the customer. When selling internally provided consulting services, the Group acts as principal and so recognises revenue at the gross amount receivable from the customer for the services provided.

Determining the transaction price

The transaction price for consulting services is fixed by the day rates or milestone prices specified in the contract and has no variable element.

Allocating the transaction price

When selling internally provided consulting services together with other goods and services under the same or linked contracts and those goods and services represent more than one performance obligation, the Group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e. their standalone selling prices.

Recognising revenue

The Group recognises all revenue from internally provided consulting services on an over-time basis. This is because the customer benefits from the Group's activities as the Group performs them. For service projects extending over more than one month the Group applies an inputs basis by reference to the hours expended to the measurement date, and the day rates specified in the contract. For managed services and support contracts the revenue is recognised evenly over the contract term.

Hardware sales

The Group's activities under this revenue stream comprise the sale of hardware items such as servers, laptops, and devices.

Identifying the performance obligations

The Group's sale of hardware, which is made in the capacity of principal, is generally distinct from other goods and services that the Group might provide to the same customer under the same or separate contracts. This is because the customer can usually benefit from the hardware either on its own or with other resources. Occasionally, the hardware may be integrated with software licences resold by the Group in such a way that the customer's ability to benefit from the software and hardware products is interdependent. In such instances, the sale of the hardware and related licence together represent a single performance obligation. When selling hardware, the Group acts as principal and so recognises revenue at the gross amount receivable from the customer for the hardware provided.

Notes to the financial statements

1.11 *Revenue recognition continued*

Determining the transaction price

The transaction price for sales of hardware is fixed at the amount specified in the contract and has no variable element.

Allocating the transaction price

When selling hardware together with other goods and services under the same or linked contracts and those goods and services represent more than one performance obligation, the Group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e. their standalone selling prices.

Recognising revenue

The Group recognises all revenue from sales of hardware on a point-in-time basis. This is because the Group's activities in satisfying its performance obligation do not satisfy any of the criteria for over-time revenue recognition set out in IFRS 15. Revenue is recognised on delivery when control of the hardware passes to the customer.

1.12 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 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.

1.13 Rebates

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

1.14 Non-underlying items

Non-underlying items are those items that, by virtue of their nature, size or expected frequency, warrant separate additional disclosure in the consolidated financial statements, to fully understand the underlying performance of the Group. Such items have been included within administrative expenses but have also been disclosed separately in note 5 in the notes to the consolidated financial statements.

1.15 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 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.

1.16 Leases

Lessee

The Group leases a property and various motor vehicles. Lease agreements are typically made for fixed periods but may have extension options included. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group is depreciating the right-of-use assets over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured at the net present value of the minimum lease payments. The net present value of the minimum lease payments is calculated as follows:

- Fixed payments, less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease; where this rate cannot be determined, the Group's incremental borrowing rate is used.

Right-of-use assets are measured at cost comprising the following:

- The net present value of the minimum lease payments
- Any lease payments made at, or before, the commencement date less any lease incentives received
- Any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Depreciation

Depreciation is recognised in profit or loss for each category of assets on a straight-line basis over the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings, 8 years
- Motor vehicles, 2 to 3 years.

The depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate. Gains and losses arising on the disposal of leased assets are included as capital items in profit or loss.

1.17 Business combinations

The acquisition method of accounting is used to account for all business combinations, except for those between entities under common control. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the Group
- Fair value of any asset or liability resulting from a contingent consideration arrangement
- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity, on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Notes to the financial statements

1.17 *Business combinations continued*

Acquisition-related costs are expensed as incurred. The excess of the:

- Consideration transferred
- Amount of any non-controlling interest in the acquired entity
- Acquisition date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

1.18 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.

1.19 Cash and cash equivalents

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

1.20 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.

1.21 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.

1.22 Financial instruments

Financial instruments comprise investments in equity, loans receivable, trade and other receivables (excluding prepayments), investments, cash and cash equivalents, restricted cash, non-current loans, current loans, bank overdrafts, derivatives and trade and other payables.

Recognition

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments. Financial assets are recognised on the date the Group commits to purchase the instruments (trade date accounting).

Financial assets are classified as current if expected to be realised or settled within 12 months from the reporting date; if not, they are classified as non-current. Financial liabilities are classified as non-current if the Group has an unconditional right to defer payment for more than 12 months from the reporting date.

Classification

The Group classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL) based on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Financial assets are classified as follows:

- Financial assets to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss)
- Financial assets to be measured at amortised cost.

Financial assets are not reclassified unless the Group changes its business model. In rare circumstances where the Group does change its business model, reclassifications are done prospectively from the date that the Group changes its business model.

Financial liabilities are classified and measured at amortised cost except for those derivative liabilities and contingent considerations that are measured at FVTPL.

Measurement on initial recognition

All financial assets and financial liabilities are initially measured at fair value, including transaction costs, except for those classified as FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Subsequent measurement: financial assets

Subsequent to initial recognition, financial assets are measured as described below:

- *FVTPL* – these financial assets are subsequently measured at fair value and changes therein (including any interest or dividend income) are recognised in profit or loss
- *Amortised cost* – these financial assets are subsequently measured at amortised cost using the effective interest method, less impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss
- *Equity instruments at FVOCI* – these financial assets are subsequently measured at fair value. Dividends are recognised in profit or loss when the right to receive payment is established. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

Subsequent measurement: financial liabilities

All financial liabilities, excluding derivative liabilities and contingent consideration, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset or liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Offsetting financial instruments

Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

Impairment

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on credit risk characteristics and the days past due.

The expected credit loss (ECL) rates are based on the payment profiles of sales over a 12-month period before 28 February 2022, 28 February 2021 and 1 March 2020 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.

1.23 Property, plant and equipment

Owned assets

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

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

Notes to the financial statements

1.23 *Property, plant and equipment*

Subsequent costs

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

Depreciation

Depreciation is recognised in profit or loss for each category of assets on a straight-line basis over their expected useful lives up to their respective estimated residual values. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings, 20 to 50 years
- Leasehold improvements (included in land and buildings), shorter of lease period or useful life of asset
- Plant and machinery, 3 to 20 years
- Motor vehicles, 4 to 8 years
- Furniture and equipment, 5 to 20 years
- IT equipment and software, 2 to 8 years.

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

1.24 Intangible assets

Goodwill

Goodwill is measured as described in note 1.18. 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.

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.

1.25 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.

1.26 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.

1.27 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.

1.28 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. Before the demerger, the Bytes business had two share schemes, the Bytes Technology Limited equity settled share-based payment incentive scheme and the Blenheim Group Limited equity settled share-based payment incentive scheme. Information relating to all schemes is provided in note 29.

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 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.

Employee shares

The fair values of shares issued under the Bytes Technology Limited and the Blenheim Group Limited equity settled share-based payment incentive schemes are recognised as employee benefit expenses, with corresponding increases in equity. The total amount to be expensed is determined by reference to the fair values of the shares issued. The fair values of the shares issued are measured using generally accepted valuation techniques.

The total expenses are 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 shares issued that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

1.29 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.

1.30 Dividends

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

1.31 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.

1.32 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 non-underlying items, intangible assets amortisation and share-based payment charges.

Adjusted operating profit reconciles to operating profit as follows:

	Note	**Year ended 28 February 2022 £'000**	Year ended 28 February 2021 £'000
Adjusted operating profit		**46,329**	37,481
Share-based payment charges	29	**(2,563)**	(962)
Amortisation of acquired intangible assets	4	**(1,611)**	(1,610)
Non-underlying items	5	**–**	(8,065)
Operating profit		**42,155**	26,844

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[1]	**Year ended 28 February 2022 £'000**	Year ended 28 February 2021 (Restated) £'000
Software	**393,764**	348,075
Hardware	**28,807**	24,073
Services internal[2]	**21,761**	18,437
Services external[3]	**3,605**	3,120
Total revenue from contracts with customers	**447,937**	393,569

1 In line with the revenue streams disclosed in note 1.11 Revenue recognition, services revenue has been split between internally provided services and externally provided services. The prior year figures have been restated, with reclassification of £5 million revenue now correctly presented within software revenue, having previously been incorrectly presented as services revenue for the year ended 28 February 2021. The correction of the prior year categorisation of revenue has no change to total revenue and there is no change in the financial position and financial performance.

2 Provision of services to customers using the Group's own internal resources.

3 Provision of services to customers using third-party contractors.

Hardware

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

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.

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 2022 £'000	Year ended 28 February 2021 £'000
United Kingdom	**430,875**	380,616
Europe	**13,289**	9,594
Rest of world	**3,773**	3,359
	447,937	393,569

3(b) Gross invoiced income by type

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Software	**1,136,039**	899,155
Hardware	**28,807**	24,073
Services internal	**21,761**	18,301
Services external	**21,517**	16,523
	1,208,124	958,052
Gross invoiced income	**1,208,124**	958,052
Adjustment to gross invoiced income for income recognised as agent	**(760,187)**	(564,483)
Revenue	**447,937**	393,569

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

4 Material profit or loss items

The Group has identified several items included within administrative expenses which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group:

	Note	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Depreciation of property, plant and equipment	10	**828**	835
Depreciation of right-of-use assets	11	**169**	235
Loss on disposal of property, plant and equipment		**15**	18
Amortisation of acquired intangible assets	12	**1,611**	1,610
Consulting fees		**2,215**	2,290
Share-based payment expenses	29	**2,563**	962
Operating lease charges:	11	**16**	54
– Property		**16**	54
– Plant, equipment and vehicles		**–**	–
Foreign exchange (gains)/losses		**(38)**	11

Notes to the financial statements

5 Non-underlying items

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
IPO costs	–	8,065
	–	8,065

Items included in administrative expenses that are material, either because of size or their nature and that are non-recurring are considered as non-underlying items. In the current year the Group incurred no costs considered to be non-underlying items. In the prior year the Group incurred costs of £8.1 million in respect of its IPO. These costs specifically related to stamp duty taxes and other legal and professional costs. In addition, in the prior year, commission costs of £10.6 million were incurred for raising gross proceeds of £352.4 million on IPO. £333.5 million of the proceeds were used to settle the Group's obligations under the Demerger SPA with Altron and Altron's shareholders, with the remaining £18.9 million being used to pay the commission costs of £10.6 million and the IPO costs of £8.1 million. The £10.6 million of commission costs was offset against the share premium created on the issue of the shares, see note 20.

6 Employees

Employee benefit expense:	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Employee remuneration (including directors' remuneration[1])	**34,027**	29,980
Commissions and bonuses	**18,552**	15,982
Social security costs	**6,437**	5,326
Pension costs	**1,169**	1,038
Share-based payments expense	**2,563**	962
	62,748	53,288
Classified as follows:		
Cost of sales	**9,282**	7,875
Administrative expenses	**53,466**	45,413
	62,748	53,288

1 Directors' remuneration is included in the directors' remuneration report on pages 96 to 112.

The average monthly number of employees during the year was:

	Year ended 28 February 2022 Number	Year ended 28 February 2021 Number
Sales	**284**	255
Technical	**299**	272
Administration	**141**	120
	724	647

7 Auditors' remuneration

During the year, the Group obtained the following services from the company's auditors and its associates:

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Fees payable to the company's auditors and its associates for the audit of the parent company and consolidated financial statements	**198**	161
Fees payable to the company's auditors and its associates for other services:		
Audit of the financial statements of the company's subsidiaries	**317**	264
Non-audit services[1]	**75**	1,243
	590	1,668

1 Non-audit services in the current year relate to the auditors' review of our interim report issued in October 2021, in the prior year they relate to pre-IPO services provided which are of a one-off nature.

8 Finance income and costs

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Finance income		
Bank interest received	**–**	12
Finance income	**–**	12
Finance costs		
Interest expense on financial liabilities measured at amortised cost	**(532)**	(122)
Interest expense on lease liability	**(57)**	(71)
Finance costs expensed	**(589)**	(193)
Net finance costs	**(589)**	(181)

9 Income tax expense

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

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Current income tax charge in the year	**8,561**	7,049
Adjustment in respect of current income tax of previous years	**150**	165
Double taxation relief	**–**	(5)
Foreign taxation	**1**	20
Total current income tax charge	**8,712**	7,229
Current year	**(434)**	(298)
Adjustments in respect of prior year	**5**	(201)
Effect of changes in tax rates	**429**	–
Deferred tax credit	**–**	(499)
Total tax charge	**8,712**	6,730

Notes to the financial statements

9 *Income tax expense continued*

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 2022 £'000	Year ended 28 February 2021 £'000
Profit before income tax	**41,566**	26,662
Income tax charge at the standard rate of corporation tax in the UK of 19% for all periods	**7,898**	5,066
Effects of:		
Non-deductible expenses	**229**	1,637
Foreign tax credits	**1**	14
Adjustment to previous periods	**155**	(36)
Effect of changes in tax rate	**429**	–
Other differences	**–**	49
Income tax charge reported in profit or loss	**8,712**	6,730

Amounts recognised directly in equity

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity:		
Deferred tax: share-based payments	**192**	15
	192	15

Changes affecting the future tax charge

The UK Finance Act 2021 has been substantively enacted, increasing the corporate tax rate to 25% effective from 1 April 2023. Since this change has been substantively enacted this has resulted in rebasing of the deferred tax liability.

Deferred tax liabilities	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000
The balance comprises temporary differences attributable to:		
Intangible assets	**(1,309)**	(1,207)
Property, plant and equipment	**(769)**	(531)
Employee benefits	**145**	241
Provisions	**53**	101
Share-based payments	**691**	15
	(1,189)	(1,381)

Deferred tax assets	As at 28 February 2022 £'000	As at 28 February 2021 £'000
At 1 March	**357**	–
Credited to profit or loss	**340**	342
Credited to equity	**192**	15
Carrying amount at end of year	**889**	357
Deferred tax liabilities		
At 1 March	**(1,738)**	(1,895)
(Charge)/credited to profit or loss	**(340)**	157
Carrying amount at end of year	**(2,078)**	(1,738)
Net deferred tax liabilities	**(1,189)**	(1,381)

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.

10 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 2020	8,290	1,424	973	624	83	11,394
Transfers	509	1,806	332	–	–	2,647
Additions	81	471	27	–	28	607
Disposals	–	(35)	(29)	–	(22)	(86)
At 28 February 2021	8,880	3,666	1,303	624	89	14,562
Additions	41	435	2	122	17	617
Disposals	–	(226)	–	–	(5)	(231)
At 28 February 2022	**8,921**	**3,875**	**1,305**	**746**	**101**	**14,948**
Depreciation						
At 1 March 2020	1,003	758	514	563	35	2,873
Transfers	440	1,893	314	–	–	2,647
On disposals	–	(35)	(19)	–	(14)	(68)
Charge for the year	348	327	104	38	18	835
At 28 February 2021	1,791	2,943	913	601	39	6,287
On disposals	–	(213)	–	–	(3)	(216)
Charge for the year	352	353	76	25	22	828
At 28 February 2022	**2,143**	**3,083**	**989**	**626**	**58**	**6,899**
Net book value						
At 28 February 2021	7,089	723	390	23	50	8,275
At 28 February 2022	**6,778**	**792**	**316**	**120**	**43**	**8,049**

11 Leases

(i) Amounts recognised in the balance sheet

Right-of-use assets	Buildings £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 March 2020	1,377	245	1,622
At 28 February 2021 and 28 February 2022	**1,377**	**245**	**1,622**
Depreciation			
At 1 March 2020	162	128	290
Charge for the year	142	93	235
At 28 February 2021	304	221	525
Charge for the period	145	24	169
At 28 February 2022	**449**	**245**	**694**
Net book value			
At 1 March 2020	1,215	117	1,332
At 28 February 2021	1,073	24	1,097
At 28 February 2022	**928**	**–**	**928**

Lease liabilities	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000	As at 1 March 2020 £'000
Current	**185**	202	307
Non-current	**992**	1,176	1,295
	1,177	1,378	1,602

There were no additions to the right-of-use assets in the financial year ended 28 February 2022 (financial year ended 28 February 2021: £Nil).

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	**Year ended 28 February 2022 £'000**	Year ended 28 February 2021 £'000
Buildings	**145**	142
Motor vehicles	**24**	93
	169	235
Interest expense (included in finance cost)	**57**	71
Expense relating to short-term leases (included in administrative expenses)	**16**	54
Expense relating to leases of low-value assets (included in administrative expenses)	**–**	–

(iii) Changes in liabilities arising from financing activities

	As at 1 March 2021 £'000	Cash flows £'000	Interest £'000	**As at 28 February 2022 £'000**
Lease liabilities	1,378	(258)	57	**1,177**
Total liabilities from financing activities	1,378	(258)	57	**1,177**

	1 March 2020 £'000	Cash flows £'000	Interest £'000	28 February 2021 £'000
Lease liabilities	1,602	(295)	71	1,378
Total liabilities from financing activities	1,602	(295)	71	1,378

12 Intangible assets

	Goodwill £'000	**Customer relationships £'000**	**Brand £'000**	**Total £'000**
Cost				
At 1 March 2020, 28 February 2021 and 28 February 2022	**37,493**	**8,798**	**3,653**	**49,944**
Amortisation				
At 1 March 2020	–	2,127	1,764	3,891
Charge for the year	–	880	730	1,610
At 28 February 2021	–	3,007	2,494	5,501
Charge for the year	–	880	731	1,611
At 28 February 2022	**–**	**3,887**	**3,225**	**7,112**
Net book value				
At 28 February 2021	37,493	5,791	1,159	44,443
At 28 February 2022	**37,493**	**4,911**	**428**	**42,832**

Determination of recoverable amount

The carrying value of indefinite useful life intangible assets and goodwill are tested annually for impairment. For each CGU and for all periods presented, the Group has assessed that the value in use represents the recoverable amount. The future expected cash flows used in the value-in-use models are based on management forecasts, over a five-year period, and thereafter a reasonable rate of growth is applied based on current market conditions. The recoverable amount of Bytes Software Services and Phoenix Software is £778.6 million and £273.6 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 2022	**Long-term growth rate %**	**Discount rate %**	**Goodwill carrying amount £'000**
Bytes Software Services	**2**	**8.54**	**14,775**
Phoenix Software	**2**	**8.54**	**22,718**
			37,493

Notes to the financial statements

12 *Intangible assets continued*

28 February 2021

During the financial year to 28 February 2021, the Group successfully integrated the Bytes Security Partnership into the Bytes Software Services business. The £6.9 million carrying value of goodwill previously allocated to Bytes Security Partnership has been re-allocated to the Bytes Software Services CGU. The goodwill per CGU as at 28 February 2021 is as follows:

	Long-term growth rate %	Discount rate %	Goodwill carrying amount £'000
Bytes Software Services	2	8.44	14,775
Phoenix Software	2	8.44	22,718
			37,493

Growth rates

The Group used a conservative growth rate of 2% which was applied beyond the approved budget periods. The growth rate was consistent with publicly available information relating to long-term average growth rates for the market in which the respective CGU operated.

Discount rates

Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU. Pre-tax discount rates have been applied.

Sensitivities

The impacts of variations in the calculation of value-in-use of assumed growth rate and pre-tax discount rates applied to the estimated future cash flows of the CGUs have been estimated as follows:

28 February 2022	**Bytes Software Services £'000**	**Phoenix Software £'000**
Headroom	**738,557**	**240,596**
1% increase in the pre-tax discount rate applied to the estimated future cash flows	**(104,467)**	**(36,204)**
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	**142,534**	**49,408**
0.5% increase in the terminal growth rate from 2023 to 2027	**51,412**	**17,836**
0.5% decrease in the terminal growth rate from 2023 to 2027	**(44,109)**	**(15,302)**

28 February 2021	Bytes Software Services £'000	Phoenix Software £'000
Headroom	377,502	127,899
1% increase in the pre-tax discount rate applied to the estimated future cash flows	(55,339)	(21,190)
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	75,769	29,016
0.5% increase in the terminal growth rate from 2022 to 2026	30,790	11,715
0.5% decrease in the terminal growth rate from 2022 to 2026	(26,351)	(10,026)

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.

13 Contract assets

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Contract assets	**6,716**	7,393

Contract assets is further broken down as:	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Short-term contract assets	**6,591**	7,179
Long-term contract assets	**125**	214
	6,716	7,393

14 Contract liabilities

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Contract liabilities	**16,023**	12,362

Contract liabilities is further broken down as:	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Short-term contract liabilities	**14,528**	10,038
Long-term contract liabilities	**1,495**	2,324
	16,023	12,362

During the year, the Group recognised £10 million (2021: £10 million) of revenue that was included in the contract liability balance at the beginning of the period.

15 Inventories

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Inventories	**96**	591
	96	591

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 £495,000 (28 February 2021: £97,000).

Notes to the financial statements

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 2022 £'000**	As at 28 February 2021 £'000
Financial assets at amortised cost:			
Trade receivables	17	**154,928**	103,455
Other financial assets	17	**1,501**	1,193
		156,429	104,648

Financial liabilities	Note	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000
Financial liabilities at amortised cost:			
Trade and other payables – current, excluding Payroll tax and other statutory tax liabilities	19	**208,183**	150,354
Lease liabilities	11	**1,177**	1,378
		209,360	151,732

The Group's exposure to various risks associated with the financial instruments is discussed in note 25. 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 2022 £'000	As at 28 February 2021 £'000
Financial assets		
Gross trade receivables	**155,678**	104,179
Less: impairment allowance	**(750)**	(724)
Net trade receivables	**154,928**	103,455
Other receivables	**1,501**	1,193
	156,429	104,648
Non-financial assets		
Prepayments	**1,181**	2,016
	1,181	2,016
Trade and other receivables	**157,610**	106,664

(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 1.22.

(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 2021	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	0.05%	0.58%	6.08%	25.87%	100%	
Gross carrying amount – trade receivables	87,557	12,077	3,764	545	236	104,179
Loss allowance	48	70	229	141	236	724

28 February 2022	**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		**0.56%**	**6.67%**	**20.25%**	**100%**	
Gross carrying amount – trade receivables	**133,031**	**16,968**	**5,027**	**514**	**138**	**155,678**
Loss allowance	**78**	**95**	**335**	**104**	**138**	**750**

The closing loss allowances for trade receivables reconcile to the opening loss allowances as follows:

Trade receivables	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000
Opening loss allowance at 1 March	**724**	402
Increase in loss allowance recognised in profit or loss during the period	**149**	333
Receivables written off during the year as uncollectable	**(123)**	(11)
Closing loss allowance	**750**	724

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.

18 Cash and cash equivalents

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Cash at bank and in hand	**67,118**	20,734
	67,118	20,734

Notes to the financial statements

19 Trade and other payables

	As at 28 February 2022 £'000	As at 28 February 2021 (Restated) £'000
Trade and other payables	**129,430**	99,079
Accrued expenses	**78,753**	51,275
Payroll tax and other statutory liabilities	**9,429**	6,767
	217,612	157,121

The prior year figures have been restated with a reclassification of £26 million from trade and other payables to accrued expenses representing supplier invoices not received at the prior year end. The correction of the prior year has no impact on the total trade and other payables and there is no change in the financial position of the Group.

Trade payables are unsecured and are usually paid within 45 days of recognition. Included in other payables is £15 million of funds received from customers in advance, prior to confirming the goods or services required. 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

Authorised, allotted, called up and fully paid	Number of shares	Nominal value £'000	Share premium £'000	Total £'000
At 1 March 2020[1]	232,480,613	2,325	625,373	627,698
Shares issued during the year[2]	7,001,720	70	8,263	8,333
At 28 February 2021 and **28 February 2022**[3, 4]	**239,482,333**	**2,395**	**633,636**	**636,031**

1 Demerger Transactions
The comparative figures are presented as if the Demerger Transactions had occurred on 1 March 2019. On the Date of the Demerger, the company had 2 ordinary shares in issue and issued a further 232,480,611 ordinary shares in the company at an issue price of £2.70 per share with an aggregate value of £627.7 million. This amount, together with the cash payments of £16.7 million to management for the acquisition of the Bytes Technology Limited and Blenheim Group Limited B ordinary shares, is the total consideration of £644.4 million paid to Altron and the management under the Demerger SPA to acquire the entire issued share capital of Bytes Technology Limited. The issue of 232,480,611 ordinary shares by the company at an issue price of £2.70 per share, gave rise to share capital of £2.3 million, being the nominal value of the shares issued and share premium of £625.4 million with a contribution to the merger reserve of £627.7 million, see note 22.

2 Shares issued during the prior year
During the prior year the company issued 7,001,720 new ordinary shares at an issue price of £2.70 per share to institutional investors introduced by Numis Securities. This resulted in gross share proceeds of £18.9 million consisting of share capital of £70,000 and a share premium of £18.9 million which was offset by £10.6 million of commission costs paid on the issue of the shares. The remaining net share issue proceeds of £8.3 million were used by the company to pay the other IPO costs of £8.1 million included in note 5. The £10.6 million of commission costs were paid to Numis Securities for raising total gross proceeds of £352.4 million for the introduction of the new institutional and individual investors on the Date of the Demerger and during the year.

3 Ordinary shares
Ordinary shares have a nominal value of £0.01. All ordinary shares in issue rank pari passu and carry the same voting rights and entitlement to receive dividends and other distributions declared or paid by the Group. The company does not have a limited amount of authorised share capital.

4 Share options
Information related to the company's share option schemes, including options issued during the financial year and options outstanding at the end of the reporting period is set out in note 29.

21 Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. All movements relate to the Group's share-based payment schemes; further details are provided in note 29.

	Note	Bytes Technology Group plc £'000	Bytes Technology Limited £'000	Blenheim Group Limited £'000	Total other reserves £'000
Balance at 1 March 2020		–	818	352	1,170
Share-based payment expenses	29	302	129	531	962
Deferred tax	9	15	–	–	15
Transfer to retained earnings[1]	23	–	(947)	(883)	(1,830)
At 28 February 2021		317	–	–	317
Share-based payment expenses	29	2,563	–	–	2,563
Deferred tax	9	192	–	–	192
At 28 February 2022		**3,072**	**–**	**–**	**3,072**

1 Transfer to retained earnings
On the Date of the Demerger, both the Bytes Technology Limited scheme and the Blenheim Group Limited scheme were exercised. The equity amounts relating to both schemes were transferred to retained earnings on settlement.

22 Merger reserve

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Balance at 1 March 2020, 28 February 2021 and **28 February 2022**	**(644,375)**	(644,375)
	(644,375)	(644,375)

The merger reserve of £644.4 million effective on the Date of the Demerger 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. The total consideration was satisfied by the issue of new shares in the company for a consideration of £627.7 million, see note 18 and further cash consideration of £16.7 million for the acquisition of the Bytes Technology Limited and Blenheim Group Limited B ordinary shares. £14.3 million of the cash consideration was satisfied by the company to acquire the Bytes Technology Limited B ordinary shares and £2.4 million was satisfied by Bytes Technology Limited to acquire the Blenheim Group Limited B ordinary shares.

23 Retained earnings

Movements in retained earnings were as follows:	Note	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Balance at 1 March		**24,775**	51,612
Net profit for the period[1]		**32,854**	19,933
Transfer from other reserves	21	**–**	1,830
Dividends	26(b)	**(4,790)**	(48,600)
		52,839	24,775

1 Net profit in the prior period is stated after £8.1 million of IPO costs, see note 5.

Notes to the financial statements

24 Cash generated from operations

	Note	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Profit before taxation		**41,566**	26,663
Adjustments for:			
Depreciation and amortisation	4	**2,608**	2,680
Loss on disposal of property, plant and equipment	4	**15**	18
Non-cash employee benefits expense – share-based payments	6	**2,563**	962
Finance costs – net	8	**589**	181
Decrease/(increase) in contract assets		**677**	(1,252)
Increase in trade and other receivables		**(50,946)**	(29,570)
Decrease in inventories		**495**	97
Increase in trade and other payables		**60,491**	40,611
Increase in contract liabilities		**3,661**	1,156
Cash generated from operations		**61,719**	41,546

25 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 on 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.

25(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.

25(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 2022			As at 28 February 2021		
	USD £'000	EUR £'000	NOK £'000	USD £'000	EUR £'000	NOK £'000
Trade receivables	5,375	1,423	–	11,468	605	–
Cash and cash equivalents	3,093	75	–	424	717	–
Trade payables	(15,243)	(2,078)	(97)	(11,163)	(6,557)	(1,294)
	(6,775)	(580)	(97)	729	(5,235)	(1,294)

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 2022			As at 28 February 2021		
	GBP:USD £'000	GBP:EUR £'000	GBP:NOK £'000	GBP:USD £'000	GBP:EUR £'000	GBP:NOK £'000
5% increase in rate	323	28	5	(35)	249	62
5% decrease in rate	(357)	(31)	(5)	38	(276)	(68)

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

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Total net foreign exchange gains/(losses) in profit or loss	38	(11)
	38	(11)

25(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 2022, the Group had cash and cash equivalents of £67.1 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

The Group entered into a three-year committed Revolving Credit Facility (RCF) in December 2020. In December 2021 the RCF reduced to £40 million and in December 2022 will reduce to £30 million. The Group incurred arrangement fees of £0.4 million representing 0.75% of the initial £50 million facility available. The Group has so far not drawn down any amount on this facility and to the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee has been capitalised as a prepayment and amortised over the three-year period of the facility. The facility also incurs a commitment fee and utilisation fee, both of which are payable quarterly in arrears. Under the terms of the facility, the Group is required to comply with the following financial covenants:

- Interest cover: EBITDA (earnings before interest, tax, depreciation and amortisation) to net finance charges for the 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 2022, EBITDA to net finance charges was approximately 76 times (2021: 208 times). The Group has been in a net cash position as at 28 February 2022 and 28 February 2021 and has therefore complied with the Net debt to EBITDA covenant.

Notes to the financial statements

25 *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 2022	**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	**16**	**208,183**	**–**	**–**	**–**	**208,183**	**208,183**
Lease liabilities	**11**	**231**	**116**	**694**	**313**	**1,354**	**1,177**
		208,414	**116**	**694**	**313**	**209,537**	**209,360**

28 February 2021	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	16	150,354	–	–	–	150,354	150,354
Lease liabilities	11	257	231	578	545	1,611	1,378
		150,611	231	578	545	151,965	151,732

26 Capital management

26(a) Risk management

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

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

26(b) Dividends

	2022		2021	
Ordinary shares	**Pence per share**	**£'000**	Pence per share	£'000
Interim dividend paid	2.00	4,790	8.00	18,600
Dividend paid prior to Demerger	–	–	12.90	30,000
Total dividends attributable to ordinary shareholders	**2.00**	**4,790**	20.90	48,600

Final and interim dividends paid for the year ended 28 February 2021 relates to the distributions of profits prior to the Date of Demerger. For more information on the Group's demerger from its former parent group, see the Group's annual consolidated financial statements for the year ended 28 February 2021. 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 4.2 pence and a special dividend of 6.2 pence per share for the year ended 28 February 2022 to be paid to shareholders on the register as at 29 July 2022. The aggregate of the proposed dividends expected to be paid on 12 August 2022 is £24.9 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.

27 Capital commitments

At 28 February 2022, the Group had £Nil capital commitments (28 February 2021: £Nil).

28 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:

28(a) Transactions with key management personnel

In the prior year, prior to the Date of the Demerger, the key management personnel were defined as the directors of the Bytes business. Certain directors were not paid directly by the Bytes business but received remuneration from Altron, in respect of their services to the larger Group which included the Bytes business. The Group was not recharged for these services, since it was not possible to make an accurate apportionment of their remuneration. The total remuneration relating to these directors was included in the aggregate of directors' remuneration disclosed in the consolidated financial statements of the Altron group. Following the Date of Demerger, the 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 within the remuneration report on pages 96 to 112.

28(b) Subsidiaries

Interests in subsidiaries are set out in note 31.

28(c) Transactions with former parent group, Altron

The following transactions occurred with related parties:

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Purchase of services		
Management services provided by fellow Group company	–	42
Other transactions		
Dividends paid to former parent group	–	(48,600)

28(d) Outstanding balances arising from sales/purchases of services

There were no outstanding balances at the end of each reporting period.

29 Share-based payments

The Group established new equity settled share-based payment incentive schemes with effect from the Admission Date. These share option awards have been accounted for as equity settled share-based payments. The fair value of the awards granted is recognised as an expense over the vesting period.

Performance Incentive Share Plan

On 17 December 2020, 1,480,110 share options were granted to eligible employees under the Performance Incentive Share Plan (PIP). Options granted in the scheme are for shares in Bytes Technology Group plc. The exercise price of the options is a nominal amount of £0.01. 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 was £3.40 per option, based on the share price at grant date. The share price at the date of grant was deemed to be the fair value of the option – given that there are no performance conditions; the exercise price is a nominal amount, being £0.01; and option holders are entitled to dividend equivalents. The normal vesting date shall be not 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. For the year ended 28 February 2022, 45,153 options were forfeited, and no options were exercised or expired.

Notes to the financial statements

29 *Share-based payments continued*

Company Share Option Plan

On 1 June 2021, 2,802,000 share options were granted to eligible employees under the Company Share Option Plan (CSOP). Options granted in the scheme are for shares in Bytes Technology Group plc. The exercise price of the options of £5.00 was equal to the market price of the shares on the last business day before the date of grant, being 28 May 2021. 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 using a Black-Scholes option-pricing model, taking into account the terms and conditions on which the options were granted. The contractual life of each option granted is the earliest date (or dates) on which the award may be exercised, unless an earlier event occurs to cause the award to lapse or become exercisable. The normal vesting date shall be not 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. For the year ended 28 February 2022, 63,000 options were forfeited, and no options exercised or expired.

Save as You Earn Scheme

On 1 August 2021, 1,103,220 share options were granted to eligible employees under the Save As You Earn Scheme (SAYE). Under the SAYE scheme, employees enter a three-year savings contract in which they save a fixed amount each month in return for their SAYE options. At the end of the three-year period, employees can either exercise their options in exchange for shares in Bytes Technology Group plc or have their savings returned to them in full.

The exercise price of the options of £4.00 represents a 20% discount to the market price of the shares on the last business day before 1 June 2021, being 28 May 2021. The fair value at grant date is estimated using a Black-Scholes option-pricing model, taking into account the terms and conditions on which the options were granted. There is no cash settlement of the options. For the year ended 28 February 2022, 49,815 options were forfeited, and no options exercised or expired.

Bytes Technology Limited Scheme

This scheme was settled on the Date of the Demerger. For more information on the Group's demerger from its former parent group and the settlement of these schemes, see the Group's annual consolidated financial statements for the year ended 28 February 2021.

Blenheim Group Limited Scheme

This scheme was settled on the Date of the Demerger. For more information on the Group's demerger from its former parent group and the settlement of these schemes, see the Group's annual consolidated financial statements for the year ended 28 February 2021.

Share-based payment employee expenses

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Equity settled share-based payment expenses	**2,563**	962
	2,563	962

Assumptions	PIP	CSOP	SAYE
Grant date	17 Dec 20	1 Jun 21	1 Aug 21
Vesting period	3 years	3 years	3 years
Expected volatility	n/a	35%	35%
Risk-free interest rate	n/a	0.16%	0.22%
Expected dividend yield	n/a	1.26%	1.26%
Expected forfeitures	9%	9%	11%

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.

30 Earnings per share

The Group calculates earnings per share (EPS) on several different bases in accordance with IFRS and prevailing South Africa requirements.

The share issues in respect of the Demerger Transactions in the prior year are reflected in the EPS denominator as if these shares were in issue on 1 March 2020.

	Year ended 28 February 2022 pence	Year ended 28 February 2021 pence
Basic earnings per share	**13.72**	8.52
Diluted earnings per share	**13.42**	8.47
Headline earnings per share	**13.72**	8.52
Diluted headline earnings per share	**13.42**	8.47
Adjusted earnings per share	**15.46**	13.07
Diluted adjusted earnings per share	**15.12**	12.99

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

	Year ended 28 February 2022 Number	Year ended 28 February 2021 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and headline earnings per share	**239,482,333**	233,900,138
Adjustments for calculation of diluted earnings per share and diluted headline earnings per share:		
– share options[1]	**5,385,330**	1,480,110
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	**244,867,663**	235,380,248

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 29.

30(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 2022 pence**	Year ended 28 February 2021 pence
Profit for the period attributable to owners of the company		**32,854**	19,933
Adjusted for:			
Loss on disposal of property, plant and equipment	4	**15**	18
Tax effect thereon		**(3)**	(3)
Headline profits attributable to owners of the company		**32,866**	19,948

Notes to the financial statements

30(c) Adjusted earnings per share

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

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

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

	Note	**Year ended 28 February 2022 £'000**	Year ended 28 February 2021 £'000
Profits attributable to owners of the company		**32,854**	19,933
Adjusted for:			
– Amortisation of acquired intangible assets	4	**1,611**	1,610
– Non-underlying items	5	**–**	8,065
– Share-based payment charges	29	**2,563**	962
Adjusted profits attributable to owners of the company		**37,028**	30,570

31 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 sector sectors
Bytes Security Partnerships Limited	UK	100%	Dormant in current year. Provided cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors in prior year
Blenheim Group Limited	UK	100%	Holding company in prior year. The company transferred its investment in Phoenix Software Limited to Bytes Technology Limited and became dormant during February 2022
Phoenix Software limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors
License Dashboard Limited	UK	100%	Dormant in current year. Provided cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors in prior year
Bytes Technology Group Holdings Limited	UK	100%	Dormant for all periods
Bytes Technology Training Limited	UK	100%	Dormant for all periods
Elastabytes Limited	UK	50%	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.

The registered address of all of the Group subsidiaries included above is Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW.

32 Events after the reporting period

On 24 February 2022, Russia commenced a military invasion of Ukraine which is still ongoing. In response, multiple jurisdictions have imposed economic sanctions and restrictions on Russia. The Group has no business involvement in either Ukraine or Russia and the economic and market effects of the war are uncertain and cannot be predicted at this stage. Therefore, management concludes that there are no events after the reporting period that require disclosure in these financial statements.

Parent company financial statements of Bytes Technology Group plc

Company balance sheet

As at 28 February 2022

	Note	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Assets			
Non-current assets			
Investments	5	**641,998**	46,630
Total non-current assets		**641,998**	46,630
Current assets			
Trade and other receivables	6	**41,615**	603,384
Cash and cash equivalents		**3,718**	–
Total current assets		**45,333**	603,384
Total assets		**687,331**	650,014
Current liabilities			
Trade and other payables	7	**(14,665)**	(18,600)
Total current liabilities		**(14,665)**	(18,600)
Total liabilities		**(14,665)**	(18,600)
Net assets		**672,666**	631,414
Equity			
Share capital	9	**2,395**	2,395
Share premium	9	**633,636**	633,636
Other reserves	10	**2,864**	–
Retained earnings[1]	11	**33,771**	(4,617)
Total equity		**672,666**	631,414

1 The profit for the company for the period was £43,178,000 (2021: £4,617,000 loss).

The financial statements on pages 172 to 182 were approved by the Board of directors on 23 May 2022 and signed on its behalf by:

Neil Murphy
Chief Executive Officer

Andrew Holden
Chief Financial Officer

Company statement of changes in equity

For the year ended 28 February 2022

		Attributable to owners of the company					
	Note	Share capital £'000	Redeemable preference shares £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At the date of incorporation	9	–	50	–	–	–	50
Shares issued during the period	9	2,395	–	633,636	–	–	636,031
Redemption of preference shares	9	–	(50)	–	–	–	(50)
Total comprehensive loss for the period	11	–	–	–	–	(4,617)	(4,617)
Balance at 28 February 2021		2,395	–	633,636	–	(4,617)	631,414
Total comprehensive loss for the period	11	–	–	–		43,178	43,178
Share-based payment transactions	10	–	–	–	2,864	–	2,864
Dividends paid		–	–	–	–	(4,790)	(4,790)
Balance at 28 February 2022		**2,395**	**–**	**633,636**	**2,864**	**33,771**	**672,666**

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 2022 were approved by the Board of directors on 23 May 2022 and signed on its behalf by the Chief Executive Officer and the Chief Financial Officer. 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 185. 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 2022.

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 1.4 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.

This note provides an overview of the areas that involved significant judgement or complexity. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Detailed information about each of these estimates and judgements is included in other notes, together with information about the basis of calculation for each affected line item in the financial statements.

Significant estimates and judgements

The areas involving significant estimates and judgements are:

Impairment of investments

The investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired. The recoverable amounts are determined based on a value-in-use calculation and compared to the carrying value of the investment. The value-in-use calculation is based on forecasts approved by management. The cash flows beyond the forecast period are extrapolated using estimated long-term growth rates. The forecast cash flows are discounted at the company's discount rate. The assumptions used are consistent with those disclosed in note 12 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 company has applied the following standards for the first time in the annual reporting period commencing 1 March 2021:

- Proceeds before intended use – amendments to IAS 16
- Onerous contracts – amendments to IAS 37.

For the annual reporting period commencing 7 October 2020 the company applied the following standards for the first time:

- Definition of Material – amendments to IAS 1 and IAS 8; and
- Revised Conceptual Framework for Financial Reporting.

In the prior year the company also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 28 February 2022 reporting periods and have not been adopted early by the company. These standards are not expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

1.6 Investments

Investments in subsidiary undertakings are included in the balance sheet at cost less any provision for impairment in value. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. Where these circumstances have reversed, the impairment previously made is reversed to the extent of the original cost of the investment.

1.7 Functional and presentation currency

The financial statements are presented in pounds sterling (£), which is the company's functional and presentation currency. All transactions undertaken by the company are denominated in pounds sterling.

1.8 Revenue recognition

The company provides management services to subsidiary undertakings which are invoiced quarterly in arrears. Revenue from providing such services is recognised in the accounting period in which the services are rendered on an over time basis. In measuring its performance and the amount of revenue to be recognised, the company applies an inputs basis by reference to the costs incurred by the company and the hours expended by management for providing services to the measurement date.

1.9 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the UK. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the financial statements

1.9 *Income tax continued*

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1.10 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.

1.11 Cash and cash equivalents

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

1.12 Financial instruments

Financial instruments comprise investments in equity, loans receivable, trade and other receivables (excluding prepayments), investments, cash and cash equivalents, restricted cash, non-current loans, current loans, bank overdrafts, derivatives and trade and other payables.

Recognition

Financial assets and liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instruments. Financial assets are recognised on the date the company 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 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.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 Dividends

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

1.18 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

2 Directors' remuneration

Remuneration of directors:	Period ended 28 February 2022 £'000	Period ended 28 February 2021 £'000
Directors' remuneration[1]	**1,577**	153
Social security costs	**150**	20
Pension costs	**11**	1
	1,738	174

1 Directors' remuneration
The amounts in the prior year comprise fees paid to the non-executive directors and, for executive directors, salary and benefits earned for the period from 1 January 2021 to 28 February 2021. Prior to 1 January 2021, salary and benefits earned by the executive directors were paid by Bytes Software Services Limited, an indirect wholly owned subsidiary of the company. Further information is provided in the directors' remuneration report on pages 96 to 112.

3 Employee costs and numbers

Employee benefit expense:	Period ended 28 February 2022 £'000	Period ended 28 February 2021 £'000
Employee remuneration	**461**	36
Social security costs	**121**	5
Pension costs	**13**	1
	595	42

The average monthly number of employees during the period was:

	Period ended 28 February 2022 Number	Period ended 28 February 2021 Number
Administration	**4**	2
	4	2

4 Income tax expense

The major components of the company's income tax expense for the period was:

Current tax expense	**Period ended 28 February 2022 £'000**	Period ended 28 February 2021 £'000
Current income tax charge in the period	–	–
Total current income tax charge	–	–
Deferred tax credit/(expense)		
Origination and reversal of timing differences	–	–
Deferred tax credit/(expense)	–	–
Total tax charge	–	–

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:

	Period ended 28 February 2022 £'000	Period ended 28 February 2021 £'000
Profit/(loss) before income tax	**43,178**	(4,617)
Profit/(loss) before income tax at the standard rate of corporation tax in the UK of 19% for all periods	**8,204**	(877)
Effects of:		
Non-deductible expenses	–	777
Non-taxable income	**(8,479)**	–
Group relief surrendered	**275**	100
Income tax charge reported in profit or loss	–	–

Changes affecting the future tax charge

The UK Finance Act 2021 has been substantively enacted, increasing the corporate tax rate to 25% effective from 1 April 2023. The company does not have a deferred asset or liability to rebase.

Notes to the financial statements

5 Investments in subsidiaries

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Opening balance	**46,630**	–
Acquisition of subsidiaries[2]	–	641,998
Transfer to Bytes Technology Holdco Limited[2]	–	(595,368)
Capital contribution[1]	**595,368**	–
	641,998	46,630

1 Capital contribution
On 26 August 2021, Bytes Technology Holdco Limited issued ordinary shares to the company for a consideration of £595.4 million. The consideration resulted in the settlement of the intercompany receivable from Bytes Technology Holdco Limited.

2 Demerger Transactions – acquisition of Bytes Technology Limited
On the Date of the Demerger, 17 December 2020, the company acquired the entire issued share capital, which included the A ordinary and B ordinary shares of Bytes Technology Limited from Altron for a total consideration of £642.0 million.

Acquisition of Bytes Technology Limited A ordinary shares

The company acquired the A ordinary shares for a total consideration of £595.4 million. 220,506,494 new ordinary shares were issued by the company at an issue price of £2.70 per share to acquire the A ordinary shares of Bytes Technology Limited. Bytes Technology Holdco Limited, a direct subsidiary of the company immediately acquired the Bytes Technology Limited A ordinary shares from the company at cost in exchange for an intercompany payable due to the company of £595.4 million.

Acquisition of Bytes Technology Limited B ordinary shares

The company acquired the B ordinary shares for a total consideration of £46.6 million. £32.3 million of the total consideration was satisfied by the issue of 11,974,117 new ordinary shares by the company at an issue price of £2.70 per share. The company paid a further £14.3 million cash consideration to acquire the B ordinary shares, which was satisfied on its behalf by Bytes Software Services Limited in exchange for the settlement of an intercompany receivable due by the company of £14.3 million.

For further information on the Demerger Transactions, see note 1.3 in the notes to the financial information in the consolidated financial statements of the Group.

3 Subsidiary undertakings
A detailed listing of the company's direct and indirect subsidiaries is set out in note 31 in the notes to the consolidated financial statements of the Group.

6 Trade and other receivables

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Amounts due from other Group companies[1]	**41,280**	602,969
Prepayments	**335**	415
	41,615	603,384

1 During the year, Bytes Technology Holdco Limited issued ordinary shares to the company for a consideration of £595.4 million. The consideration resulted in the settlement of the intercompany receivable from Bytes Technology Holdco Limited that was outstanding at 28 February 2021.

7 Trade and other payables

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Trade and other payables	**1,015**	410
Amounts due to other Group companies[1]	**13,650**	18,190
	14,665	18,600

1 Amounts due to other Group companies are unsecured, interest free and repayable on demand.

8 Borrowings

On 17 December 2020 the company entered into a three-year committed Revolving Credit Facility (RCF). In December 2021 the RCF reduced to £40 million and in December 2022 will reduce to £30 million. The company incurred arrangement fees of £0.4 million representing 0.75% of the initial £50 million facility available. Neither the company, nor any of its subsidiaries, has drawn down any amount in this facility, 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 25(c) in the notes to the consolidated financial statements of the Group.

9 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 the date of incorporation	2	–	–	–
Shares issued during the period[1]	239,482,331	2,395	633,636	636,031
At 28 February 2021 and **28 February 2022**[3]	**239,482,333**	**2,395**	**633,636**	**636,031**

Redeemable preference shares of £1 each	**Number of shares**	**Total £'000**
At the date of incorporation	50,000	50
Redemption of preference shares[2]	(50,000)	(50)
At 28 February 2021 and **28 February 2022**	–	–

1 Shares issued during the period
In the prior year on the Date of the Demerger, the company acquired the entire issued share capital of Bytes Technology Limited from Altron, for a total consideration of £642.0 million. £627.7 million of the total consideration was satisfied by the issue of new ordinary shares by the company. The company issued 220,506,494 new ordinary shares at an issue price of £2.70 per share, giving rise to a share premium of £593.2 million, in exchange for the Bytes Technology Limited A ordinary shares, see note 5. The company also issued 11,974,117 new ordinary shares at an issue price of £2.70 per share, giving rise to a share premium of £32.2 million, in exchange for the Bytes Technology Limited B ordinary shares, see note 5. The company issued a further 7,001,720 new ordinary shares at an issue price of £2.70 per share, giving rise to a share premium of £18.9 million which was offset by £10.6 million of commission costs paid on the issue of the above shares.

No shares were issued during the current period.

2 Redemption of preference shares
The company fully redeemed 50,000 redeemable preference shares from the subscriber at nominal value during the prior period.

3 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.

Notes to the financial statements

10 Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. All movements relate to the Group's share-based payment schemes per accounting policy note 1.15. Further details are also provided in note 29 in the notes to the consolidated financial statements of the Group.

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Balance at 1 March	**–**	–
Share-based payment charges	**2,864**	–
	2,864	–

11 Retained earnings

Movements in retained earnings were as follows:	**As at 28 February 2022 £'000**	As at 28 February 2021 £'000
Balance at 1 March	**(4,617)**	–
Net profit/(loss) for the period	**43,178**	(4,617)
Dividends	**(4,790)**	–
	33,771	(4,617)

12 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 7 – Auditors' remuneration

Note 28(a) – Transactions with key management personnel

Note 29 – Share-based payments

Other information

Glossary

Admission: the admission of BTG's shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market and on the Main Board of the Johannesburg Stock Exchange via secondary inward listing

Altron: Allied Electronics Corporation Limited, a public company incorporated and registered in accordance with South African law, with registration number 1947/024583/06

Articles: the articles of association of the company

Bytes: Bytes Software Services Limited a private limited company incorporated under English and Welsh law, with registered number 01616977

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 registered number 12935776

CSP: the Microsoft Cloud Solutions Provider programme

Executive directors: the executive directors of the company, being Neil Murphy and Andrew Holden

Existing customers: customers with which the Group has previously transacted

FCA: the Financial Conduct Authority

GDPR: the General Data Protection Regulation 2016/679

HMRC: HM Revenue and Customs

IT channel: the method by which the Group products are made available to its resellers

JSE: as the context requires, either: JSE Limited (registration number 2005/022939/06), a limited liability public company incorporated in accordance with South African law and licensed as an exchange under the South African Financial Markets Act, No. 19 of 2012 (and amendments thereto), or the securities exchange operated by the aforementioned company

License Dashboard: License Dashboard Limited, a private limited company incorporated under English and Welsh law, with registered number 06599902

Listing Rules: the listing rules of the FCA made under section 74(4) of the Financial Services and Markets Act 2000, as amended

London Stock Exchange: London Stock Exchange plc

Main Market: the London Stock Exchange's main market for listed securities

Microsoft certified professional: a sales team member who has passed Microsoft's certified professional exam

Non-executive directors: the non-executive directors of the company, being Patrick De Smedt, Mike Phillips, Alison Vincent, Erika Schraner and David Maw

Numis: Numis Securities Limited

Official List: the Official List of the FCA

Phoenix: Phoenix Software Limited, a private limited company incorporated under English and Welsh law, with registered number 02548628

Shareholders: the holders of shares in the capital of the company

UK Corporate Governance Code: the UK Corporate Governance Code published by the Financial Reporting Council in July 2018, as amended from time to time

United Kingdom or UK: the United Kingdom of Great Britain and Northern Ireland

VAR: value-added reseller

VAT: value-added tax

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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South Africa

Financial calendar

24 May 2022
Release of results for the financial year ended 28 February 2022

26 July 2022 9.30am (BST)
Annual General Meeting

October 2022
Interim results

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