Advising
our customers

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

Read more on page 14

Partnering
with our vendors

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

Read more on page 25

Mentoring
our people

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

Read more on page 35

Gross invoiced income (GII)[1]

£1,823.0m

(2023: £1,439.3m) **+26.7%**

Revenue[2]

£207.0m

(2023: £184.4m) **+12.3%**

Gross profit

£145.8m

(2023: £129.6m) **+12.5%**

Average gross profit per customer

£24,400

(2023: £21,800) **+11.9%**

Operating profit

£56.7m

(2023: £50.9m) **+11.4%**

Adjusted operating profit[3]

£63.3m

(2023: £56.4m) **+12.2%**

Employees

1,057

(up from 930)

Customers

5,978

(up from 5,941)

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

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

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

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

Strong history, strong prospects

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

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

Chair's statement

Patrick De Smedt
Chair

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

Navigating a change of CEO

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

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

Our thanks to the team

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

New Board members to support our growth

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

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

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

Engaging and investing in people for the long term

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

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

Shareholder dividends

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

Diversity on the Board

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

Monitoring the opportunities and risks from AI products

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

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

Our commitment to sustainability

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

A confident outlook

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

Patrick De Smedt
Chair
22 May 2024

CEO's review

Sam Mudd
CEO

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

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

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

Robust demand drives strong financial year performance

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

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

Doing more for our customers

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

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

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

The potential of tools supported by AI

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

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

Investment case

01

Proven track record and growth strategy

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

6-year GP compound average growth rate

18%

Customers served in 2023/24

5,978

02

Attractive market positioning

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

Number of vendors and distributors

>800

One of the biggest UK partners with Microsoft by revenue

03

Compelling growth opportunity

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

Strong GII growth

26.7%

04

Strong team culture

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

Employee net promoter score

71

CEO's review continued

Staying true to our culture

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

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

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

Deepening ties with our vendors

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

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

Strengthening our commitment to the environment

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

The road ahead

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

S. Mudd

Sam Mudd
CEO
22 May 2024

Our business model

What we do

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

Bytes Technology Group

comprises two independent and complementary operating companies.

Bytes Software Services

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

Phoenix Software

serves mainly public sector customers.

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

Why we're different

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

Our people

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

Our experience and expertise

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

Our vendors and broad product portfolio

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

Our trusted relationships with a broad base of customers

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

How we do it differently

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

Putting customers first

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

Unique team culture

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

Continual investment in our people and technology

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

Sustainable approach

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

How this creates value

Customers

Engaged partnerships, supporting customers' growth aspirations

NPS
82

Employees

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

eNPS
71

Shareholders

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

18.5%
3-year CAGR

Communities

Contribution to local employment and communities

1,500
hours volunteered

Vendors

Trusted partnerships and shared knowledge

Our strategy

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

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

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

Winning new customers

683

customers delivering £5.1m new gross profit

Doing more for existing customers

£11.1m

additional gross profit generated from existing customers

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

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

Sam Mudd
CEO

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

Putting customers first

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

This means we:

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

This year:

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

Investing in our people and our business

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

This means we:

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

This year:

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

Investing in innovation

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

This means we:

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

This year:

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

Our strategy works because we focus relentlessly on:

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

Our market environment

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

The trends shaping UK technology today

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

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

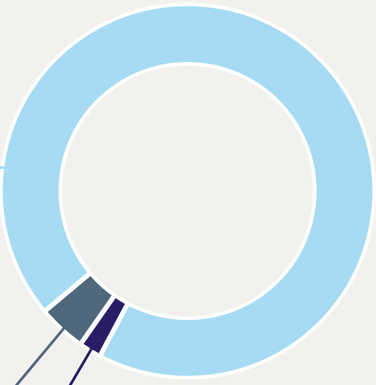
The move to the cloud
Switching from on-premise to hosted software offers more flexibility, scope for analytics and sustainable credentials.

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

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

Our target segments

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



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

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

$5tn
forecast worldwide IT spending in 2024

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

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

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

Case study

How we fit into the UK technology sector

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

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

Global IT spending forecast set to continue rising

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

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

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

AI to help drive longer-term growth

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

A focus on cost, value and agility

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

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

FEATURE

Advising our customers

Helping CFC Underwriting boost its cybersecurity

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

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

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

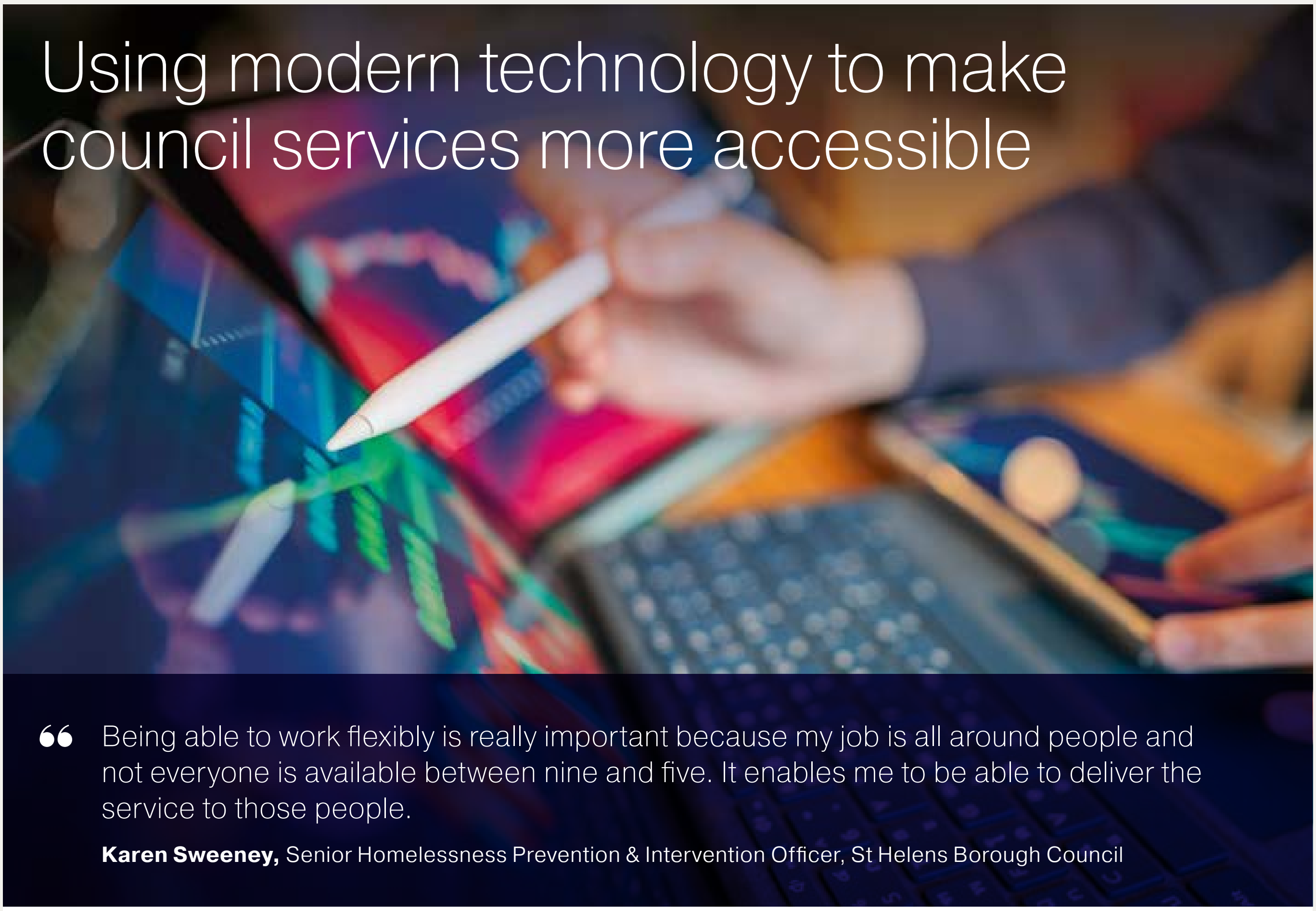
The Bytes team set about understanding what was needed from a technical, commercial and time perspective. Together with CFC, they agreed that the best solution was a 'Secure Access Service Edge', or SASE, a cloud-based architecture that delivers network and security services to protect users, data and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

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

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

PHOENIX

Using modern technology to make council services more accessible



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

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

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

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

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

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

Measuring progress

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

Financial

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

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

Revenue[2, 3] £207.0m +12.3%

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

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

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

Gross profit (GP) £145.8m +12.5%

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

Operating profit £56.7m +11.4%

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

Cash £88.8m +21.6%

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

Gross margin[3] 70.4%

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

AOP as a percentage of gross profit 43.4%

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

Cash conversion[5] 104.3%

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

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

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

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

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

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

Strategic

Customer numbers — 5,978 +0.6%

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

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

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

Renewal rate — 109%

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

Customer net promoter score — 82

2024	82
2023	77
2022	64
2021	63

% GP from existing customers — 97%

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

Sustainability

Employee numbers — 1,057 +13.7%

2024	1,057
2023	930
2022	773
2021	685

Employee net promoter score — 71

2024	71
2023	70
2022	69
2021	69

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

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

Review of the year

CFO's introduction

Andrew Holden
CFO

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

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

Broadening our customer base with notable contract wins

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

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

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

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

Continued robust demand in our market

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

Strong cash management

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

Investing for future growth

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

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

Looking ahead

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

Andrew Holden
CFO
22 May 2024

Operational review

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

Strong demand from the corporate and public sectors

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

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

Innovating to provide even better service and solutions

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

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

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

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

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

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

What Bytes and Phoenix share:

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

The businesses have their own:

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

Expanding our teams and strengthening our culture

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

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

BYTES

Key facts

Employees
631

Customers
3,344

HQ
Leatherhead, Surrey

Markets

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

Vendors

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

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

Jack Watson
MD Bytes

PHOENIX

Key facts

Employees
420

Customers
2,634

HQ
Pocklington, North Yorkshire

Markets

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

Vendors

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

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

Clare Metcalfe
MD Phoenix

Operational review continued

Doing more with existing customers – and winning new ones

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

Growing our business in 2023/24

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

Total number of customers

5,978 This year

5,941 Last year

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

Maintained a high renewal rate

109% This year

116% Last year

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

Improved our NPS

82 This year

77 Last year

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

Increased gross profit per customer

11.9% Across the Group

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

A trusted partner to our customers

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

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

Strong partnerships with industry-leading vendors

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

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

Awards in 2023/24

Bytes

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

Phoenix

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

Why our vendors partner with us

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

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

Some of our top vendors:

Microsoft
aws
Verkada
servicenow
wasabi

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

Jack Watson
MD Bytes

Financial review

How we performed in 2023/24

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

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

Overview of 2023/24 results

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

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

Gross invoiced income (GII)

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

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

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

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

Revenue

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

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

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

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

Gross profit (GP)

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

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

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

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

Financial review continued

Administrative expenses

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

Employee costs

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

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

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

Other administrative expenses

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

Adjusted operating profit and operating profit

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

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

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

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

Interest receivable and finance costs

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

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

Share of profit in associate

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

Profit before tax

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

Income tax expense

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

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

Profit after tax

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

Earnings per share

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

Balance sheet and cash flow

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

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

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

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

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

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

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

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

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

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

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

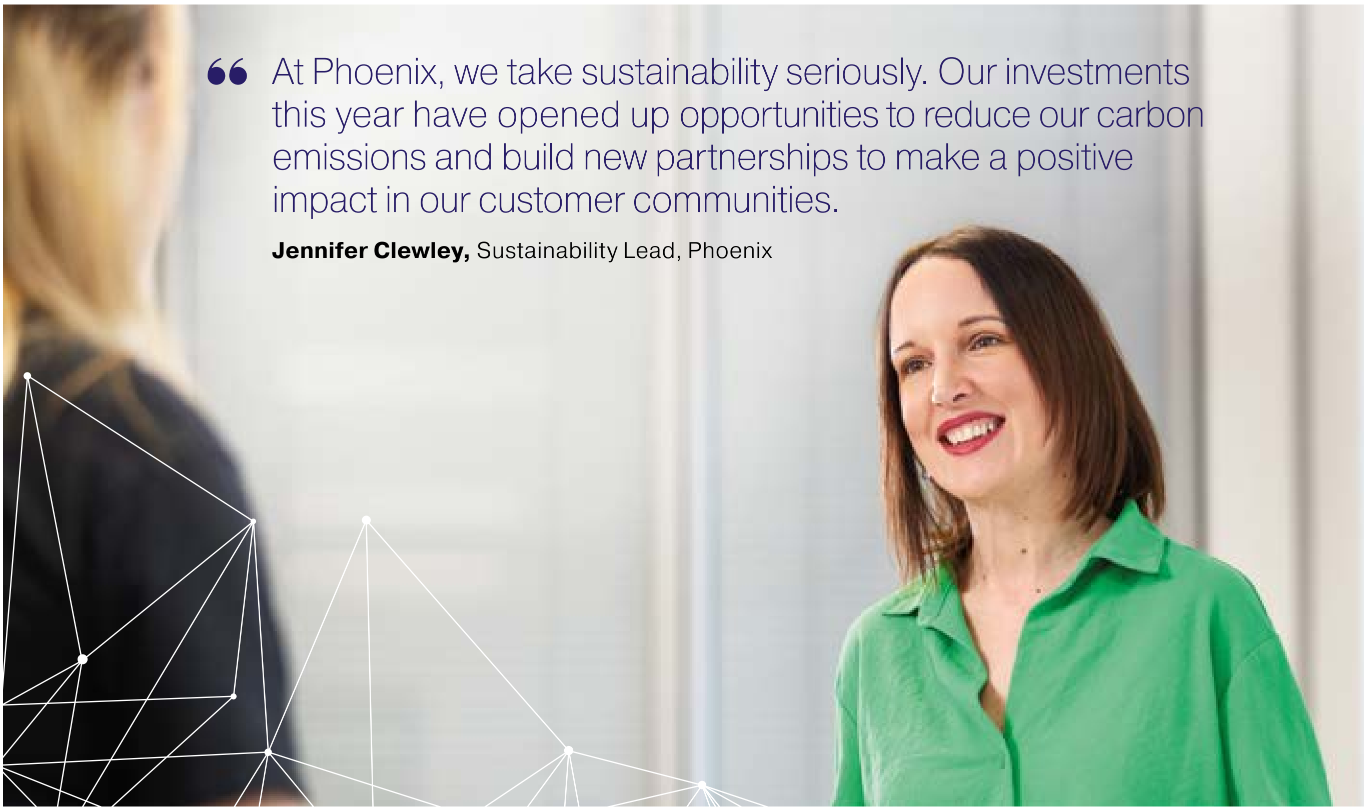
Proposed dividends

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

Sustainability review

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

Lisa Prickett, Group Sustainability Manager



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

Jennifer Clewley, Sustainability Lead, Phoenix

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

Our people

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

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

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

Our communities

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

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

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

Our planet

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

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

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

Our Sustainability Framework

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

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

Our people

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

Two leading brands, one set of values

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

Communicating with our employees

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

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

Growing our great team

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

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

>50%

of our people participate in our Sharesave schemes

Impressive outcomes from our Great Place to Work surveys

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

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

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

Rewarding our people, whatever their roles

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

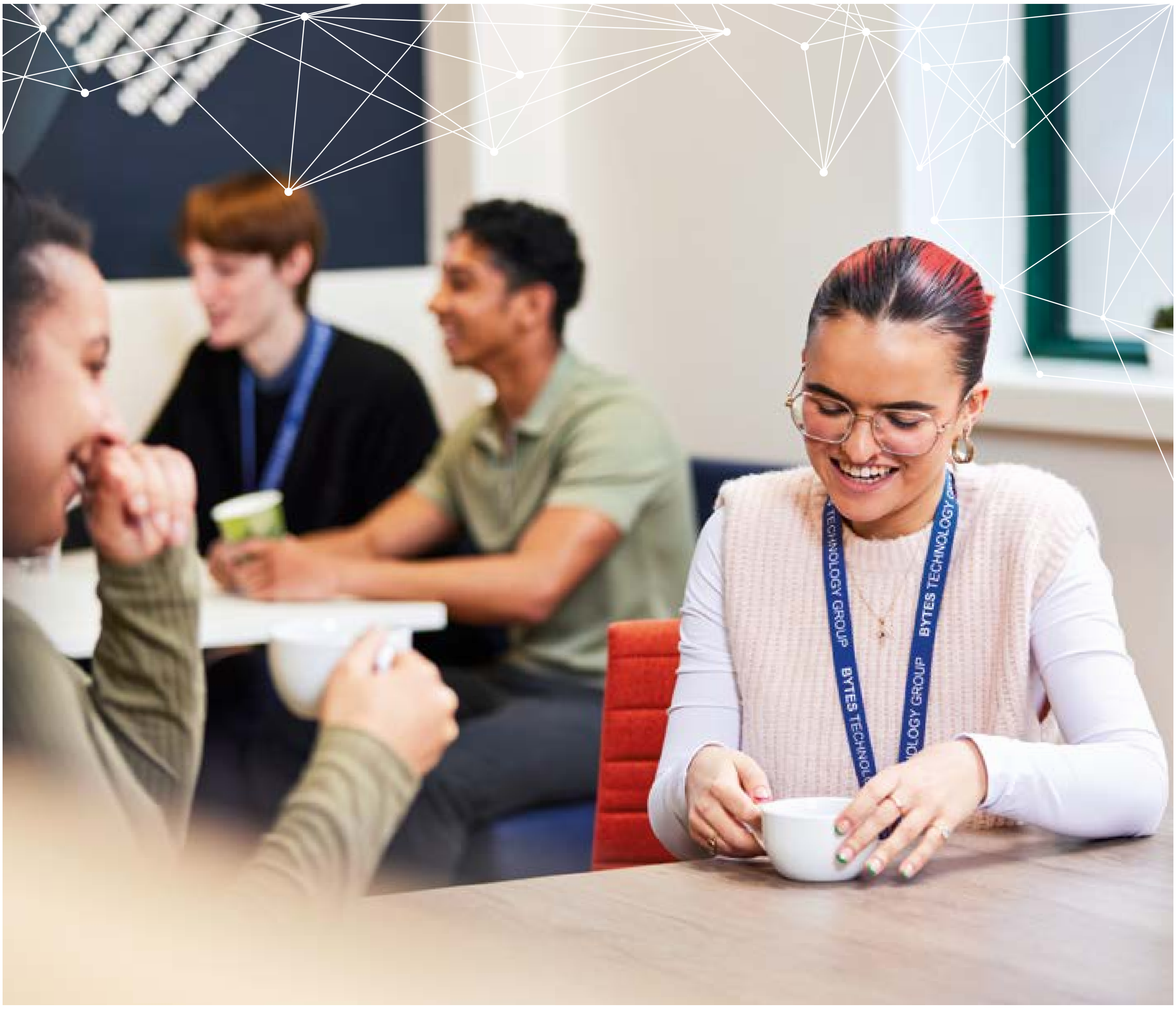
We also recognise and reward long service. This year, Phoenix aligned its policy with Bytes, to give an additional day of annual leave for anyone who has been with us for five years, rising to an extra five days' paid holiday for those with 25 years of service.

Our values

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

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

Sustainability review continued



Supporting wellbeing and promoting good mental health

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

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

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

282
new BTG employees this year

1,057
BTG total headcount

Helping our people fulfil their potential

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

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

Working towards greater gender and ethnic diversity

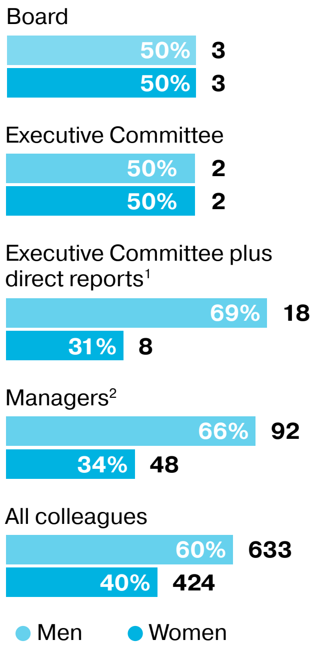
Providing equal opportunities to people of all genders and ethnicities is not just something we believe in – we see it as our responsibility. In recent years we've made good progress in gender parity. Sam Mudd is our CEO, and Clare Metcalfe the new MD Phoenix. Women now represent 34% of the combined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

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

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

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

BTG gender balance
as at 29 February 2024



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

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

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

Our communities

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

432
hours of volunteering by Phoenix staff

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

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

Giving our time to help others

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

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

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

Case study

Partnering with the Rio Ferdinand Foundation to promote IT to girls

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

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


1


2


3


4

Community activities

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

1,110
hours of volunteering by Bytes staff

Raising and donating money for good causes

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

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

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

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

Delivering social value in areas where we work

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

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

Our planet

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

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

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

Our science-based targets

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

Adding to our targets and revising our Scope 3 baseline year

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

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

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

*Actual, 0.0000014%

Our targets

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

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

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

A joined-up approach to net zero

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

How we contribute to the environment

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

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

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

The road to 2040 – our journey so far

2020/21

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

2021/22

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

2022/23

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

2023/24

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

2024/25

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

Taking responsibility for our environmental footprint across the value chain

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

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

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

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

50%

targeted reduction in Scope 1 emissions by 2025/26

Our total carbon footprint (2023/24)

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

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

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

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

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

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

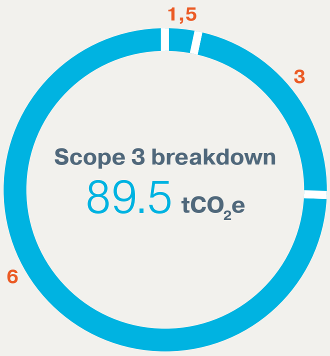
Our 2022/23 restated total carbon footprint (baseline for Scope 3)*

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

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

Our 2021/22 total carbon footprint

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



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

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

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

Category		
6	Business travel	27.6

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

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

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

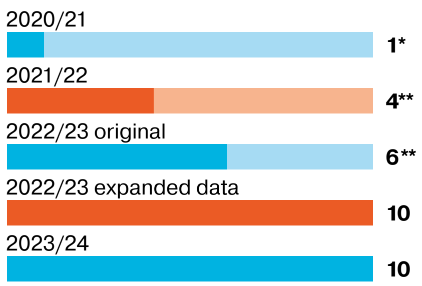
Expanded categories: Scope 3, categories 1 and 7 = +105,819.8.

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

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

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

Number of Scope 3 categories reported



* car only for category 6

** paper, water and wastewater only for category 1

Sustainability review continued

Performance in 2023/24

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

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

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

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

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

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

Energy and carbon data*

Showing expanded Scope 3 from prior year 2022/23

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

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

Entrenching sustainability in our culture

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

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

Supporting our customers to reduce their emissions

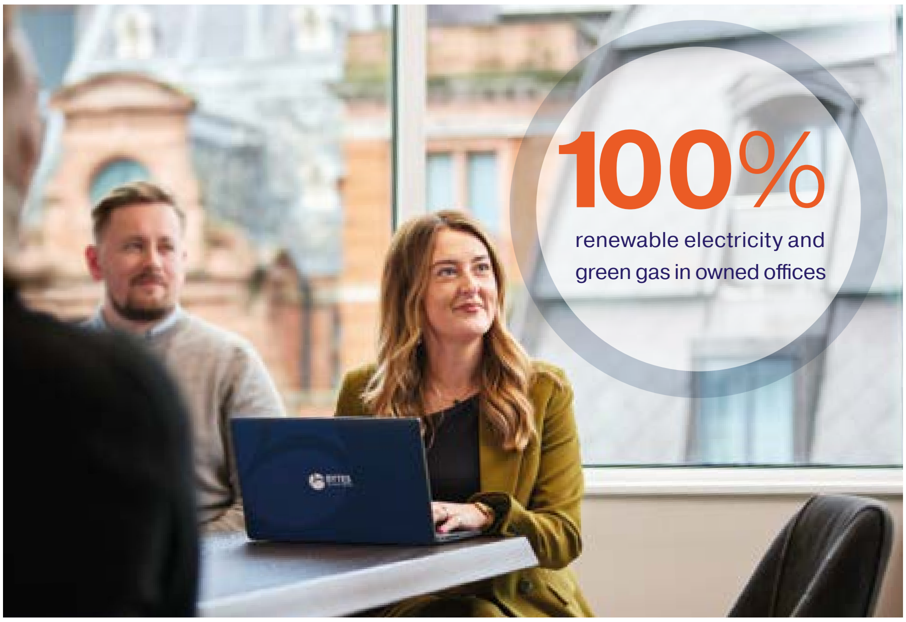
While reducing our own environmental impact is crucial, one of the biggest contributions we can make to hastening the UK's move to a low-carbon economy is through the software and technical solutions we sell to our customers. In particular, we do this by supporting them in moving their on-site servers,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

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

Looking ahead

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

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



100%

renewable electricity and green gas in owned offices

Task Force on Climate-related Financial Disclosures (TCFD)

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

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

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

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

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

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

Compliance with TCFD

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

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

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

Governance

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

The Board

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

Executive Committee, management and Group sustainability manager

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

Sustainability Steering Committee

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

Operational teams (Better Bytes team and Phoenix Sustainability Network)

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

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

Focused oversight at Board and management levels

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

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

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

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

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

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

Strategy

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

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

Analysing our climate-related risks and opportunities

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

Scenario methodology

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

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

Physical risk scenarios

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

Transition risk scenarios

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

1 From the IEA World Energy Outlook 2023.

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

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

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

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

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

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

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

Risks and opportunities

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

Focusing on Scope 3 opportunities

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

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

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

Summary of our key climate-related risks

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

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

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

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

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

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

Summary of our key climate-related opportunities

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

Risk management

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

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

Board responsibilities – Audit Committee

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

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

Executive and operational management

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

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

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

Metrics and targets

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

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

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

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

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

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

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

Maintaining a robust and agile approach to risk

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

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

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

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

Managing existing risks and identifying new ones

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

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

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

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

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

Increasing the scope of internal audit

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

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

Andrew Holden
CFO
22 May 2024

Risk management

How we manage risk

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

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

Our ERM-based approach

The purpose of ERM is to achieve three key objectives:

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

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

Our risk appetite

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

Our risk governance structure

BTG

Board

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

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

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

Audit Committee

Reviews Group and operating company risks

Reviews effectiveness of risk management frameworks

Ensures operating company risk processes are aligned

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

ERM framework

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

Operating companies

Operating company boards

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

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

Operating company risk committees

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

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

Operating company risk owners

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

Internal review

Using control standards to measure risk management and control effectiveness

External review

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

Internal experts

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

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

Day to day, our ERM is about:

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

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

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

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

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

Our primary emerging risk

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

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

Climate change

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

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

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

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

Our secondary emerging risk

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

Keeping pace with social change

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

Risk management continued

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

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

Our tertiary emerging risk

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

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

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

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

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

Our principal risks and uncertainties

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

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

Financial

1 Economic disruption (Increase)	Risk owner CEO
The risk This risk includes the impact of the crises in Palestine and the Red Sea and the continuing conflict in Ukraine. It encompasses the uncertainties caused by global economic pressures and geopolitical risk within the UK. **The impact** Major economic disruption and potentially higher taxes could see reduced demand for software licensing, hardware and IT services, which could be compounded by government controls. Lower demand could also arise from reduced customer budgets, cautious spending patterns or clients 'making do' with existing IT. Increased costs from shipping diversions away from the Red Sea could have time and cost implications for imported goods. Economic disruption could also affect the major financial markets, including currencies, interest rates and the cost of borrowing. The high inflation rates seen in 2022 and 2023 have decreased but are still above target rates. Economic deterioration like this could have an impact on our business performance and profitability. Inflationary pressure could still create an environment in which customers redirect their spending from new IT projects to more pressing needs.	**How we manage it** We have so far continued to perform well during high inflation, the conflict in Ukraine and the UK leaving the EU, as well as during the current cost-of-living crisis, disruption to shipping through the Red Sea and the Israel–Palestine conflict. These real-life experiences of high inflation, rising cost of living, Covid-19, exchange rate fluctuations and the UK leaving the EU have shown us to be resilient through tough economic conditions. The diversity of our client base has also helped us maintain and increase business in this period. We are not complacent, however – economic disruption remains a risk and we keep our operations under constant review. Our continued focus on software asset management means that we advise customers of the most cost-effective ways to fulfil their software needs. Changes to economic conditions mean many organisations will look to IT to drive growth and/or efficiency. Externally, we have seen more customers looking to avoid increased staff costs through outsourcing their IT to managed services. This may create an opportunity to accelerate our service offerings.
2 Margin pressure (No change)	**Risk owner** MDs of subsidiary businesses
The risk BTG faces pressure on profit margins from myriad directions, including increased competition, changes in vendors' commercial behaviour, certain offerings being commoditised and changes in customer mix or preferences. **The impact** These changes could have an impact on our business performance and profitability.	**How we manage it** Profit margins are affected by many factors at customer and micro levels. We can control some of the factors that influence our margins but some, such as economic and political factors, are beyond our control. In the past year we have again sought to increase margins where possible, while cost increases from vendors have grown our margins organically. Our diverse portfolio of offerings, with a mix of vendors, software and services, has enabled us to absorb any changes – and we continue to innovate to find new ways to deliver more value for our customers. Services delivered internally are consistently measured against our competition to ensure we remain competitive and maximise margins. We aim to agree acceptable profit margins with customers upfront. Keeping the correct level of certification by vendor, early deal registration and rebate management are three methods we use to make sure we are procuring at the lowest cost and maximising the incentives we earn. This risk area is reviewed monthly.

Changes since last financial year

- Increase
- No change
- Decrease

Our principal risks and uncertainties continued

Financial

3 Changes to vendors' commercial model

Risk owner CEO

The risk

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

The impact

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

How we manage it

We maintain a diverse portfolio of vendor products and services. Although we receive major sources of funding from specific vendor programmes, if one source declines, we can offset it by gaining new certifications in, and selling, other technologies where new funding is available. Where vendors have changed, such as Broadcom purchasing VMware, we have also seen AWS and Dell increasingly embrace the reseller community. So, overall, for BTG the severity of this risk is unchanged.

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

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

4 Inflation

Risk owner CFO

The risk

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

The impact

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

If our competitors increase wages to a higher level, then we potentially have a risk for retaining and attracting employees and customers.

How we manage it

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

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

5 Working capital

Risk owner CFO

The risk

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

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

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

The impact

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

How we manage it

Our credit collections teams are focused on collecting customer debts on time and maintaining our debtor days at or below target levels. Debt collection is reported and analysed continually and escalated to senior management as required. In the past financial year, BTG hasn't had any significant bad debt or write-offs.

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

Strategic

6 Vendor concentration

Risk owner CEO

The risk

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

The impact

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

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

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

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

How we manage it

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

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

7 Competition

Risk owner CEO

The risk

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

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

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

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

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

The impact

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

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

How we manage it

We closely watch commercial and technological developments in our markets.

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

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

We currently work with AWS Marketplace and can sell to our vendors through its platform, which gives discounts to the customer versus buying directly.

AI/machine learning has been identified as a new emerging risk, and so will be explored and monitored for risks and opportunities to our business.

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

Our principal risks and uncertainties continued

Strategic

8 Relevance and emerging technology

Risk owner CEO

The risk

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

The impact

Customers have wide choice and endless opportunities to research options. If we do not offer cutting-edge products and relevant services, we could lose sales and customers, which would affect our profitability.

How we manage it

We stay relevant to our customers by:

- Continuing to offer them expert advice and innovative solutions
- Specialising in high-demand areas
- Holding superior levels of certification
- Maintaining our good reputation and helping clients find the right solutions in a complex, often confusing IT marketplace.

We defend our position by keeping abreast of new technologies and the innovators who develop them. We do this, for example, by running a cyber accelerator programme for new and emerging solution providers, joining industry forums and sitting on new technology committees. We have expanded the number and range of our subject-matter experts, who stay ahead of developments in their areas and communicate this internally and externally.

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

Processes and systems

9 Cyberthreats – direct and indirect

Risk owner Chief Information Security Officer

The risk

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

The impact

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

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

How we manage it

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

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

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

Operational

10 Business continuity failure

Risk owner CFO

The risk

Any failure or disruption of BTG's people, processes and IT infrastructure may negatively affect our ability to deliver to our customers, cause reputational damage and lose us market share.

The impact

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

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

People are a huge part of our operational success, and processes rely on people as much as technology to deliver effectively to our customers. Insider threats, intentional or otherwise, could compromise our ability to deliver and damage our reputation. Employee illness and absence – if in significant numbers, such as a communicable disease in a particular team – could make effective delivery difficult.

How we manage it

Our Chief Technology Officer and Head of IT manage and oversee our IT infrastructure, network, systems and business applications. All our operational teams are focused on the latest vendor products and educate sales teams appropriately.

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

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

Employees are encouraged to work from home or take time off when sick, to avoid transmitting illness within the workplace. We also have processes to make sure there isn't a single point of failure, and that resiliency is built into employees' skillsets.

Increased automation means a heavier reliance on technology. Although it can reduce human error, it can also potentially increase our reliance on other vendors.

Our efforts to reduce the risk from insider threats are multifaceted and involve pre-employment screening, contracts, training, identifying higher-risk individuals and technology to reduce potential data loss. This risk is reviewed through frequent vulnerability assessments.

11 Attract and retain staff while keeping our culture

Risk owner CEO

The risk

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

Three factors are affecting this:

- Inflation, which is still influencing salary expectations and wage growth
- Skills shortage in emerging, high-demand areas, such as AI and machine learning
- With remote or hybrid working becoming the norm, potential employees in traditionally lower-paid geographical regions being able to work remotely in higher-paying areas like London.

Maintaining our BTG culture also affects how we attract and retain staff, which might be affected by growth.

The impact

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

How we manage it

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

One of the ways we manage this risk is by growing our own talent pools. We've used this approach successfully in our graduate intakes for sales, for example. BTG also runs an extensive apprenticeship programme across multiple business divisions. We also review the time that management has to coach new staff.

Maintaining our culture is important to retaining current staff. We maintain our small-company feel through regular communications, clubs, charity events and social events. We aim to absorb growth while keeping our culture.

Our principal risks and uncertainties continued

Operational

12 Supply chain management

Risk owner CEO

The risk

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

The impact

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

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

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

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

How we manage it

Supplier set-up forms include questions to ask suppliers to disclose information relating to compliance and adherence to our Supplier Code of Conduct. Any unethical, illegal or corrupt behaviour that comes to light is escalated and appropriate action is taken.

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

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

Regulatory

13 Sustainability/ESG

Risk owner CEO

The risk

The growing importance of sustainability and ESG for our customers, investors and employees means we need to stay at the forefront of reporting and disclosure, especially given that requirements and standards are continually updated.

The impact

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

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

How we manage it

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

The Group sustainability manager continues to drive sustainability reporting and initiatives, and to work with an appointed third party to provide guidance and assurance on reported data.

Our Sustainability Steering Committee enables decision makers from across the Group and our two operating companies to work towards a common goal and report on challenges.

Disclosures are made through several channels, including CDP. We submitted our carbon reduction targets to the SBTi in December 2023, as part of our programme to drive sustainability through best practice approaches. Feedback from disclosures is used to guide changes in the business. So, as disclosure methodologies stay current, so should the business, where possible and relevant.

14 Regulatory and compliance

Risk owner CEO

The risk

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

The impact

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

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

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

How we manage it

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

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

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

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

Non-financial and sustainability information statement

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

More about us

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

Environmental and social matters

	Relevant policies
This year, we provided more disclosure on BTG's environmental and social commitments, including again reporting on the Task Force on Climate-related Financial Disclosures (TCFD). We reported progress on our environmental and social approach, including expanding our emissions reporting to all relevant ten categories of Scope 3 and exceeding our target on Scope 2 by switching to renewable electricity. This year, BTG employees spent more than 1,500 hours volunteering for local charities and in their communities. For more information, see our sustainability review from pages 30 to 43 and the TCFD section on pages 44 to 52.	**BTG:** Sustainability Framework; CSR policy statement; Low-carbon action plan **Bytes and Phoenix:** Environmental matters; CSR/Sustainability

Our employees

Our positive and inclusive culture, good employee engagement, and commitment to diversity, equality and inclusion are integral to BTG's success. We support initiatives to help improve diversity, equality and inclusion, with progress monitored by senior management and the Board. Our Board acknowledges there is more we need to do to improve diversity and we will continue with our efforts. Employees can report whistleblowing concerns directly to the CEO or through an independent charity offering a confidential helpline. We have a process for investigating whistleblowing reports and our whistleblowing policy is available at bytesplc.com. There were no whistleblowing reports this financial year. Encouraging outcomes of our employee engagement included achieving a 71 employee net promoter score, and Bytes and Phoenix being again Great Place to Work-certified in 2023. For more information, see our people section on pages 32 to 35 the Board's year on page 77, stakeholder engagement on page 79, and the Nomination Committee report on pages 94 to 97.	**Bytes and Phoenix:** Health and safety; Diversity, equality and inclusion; Gender pay gap report

Respect for human life

We believe that modern slavery and human trafficking are the key human rights areas that our operations could be affected by. Given, though, that we operate predominantly in the UK and Ireland, where established legislation and systems protect human rights, we believe that this is not a material issue for BTG.	**BTG:** Modern slavery and human trafficking; Supplier code of conduct **Bytes and Phoenix:** Modern slavery and human trafficking

Anti-corruption and anti-bribery

We operate anti-corruption and anti-bribery procedures that support compliance with the UK Bribery Act and other legislation.	**Bytes and Phoenix:** Fraud, bribery and money laundering

Business model and KPIs

Our business model includes non-financial inputs and outputs. Our Board regularly reviews both financial and non-financial KPIs, which are relevant for monitoring the performance of the business and have a clear link to delivering against our strategy. We disclose performance against our KPIs. For more information, see our business model on page 9 and our KPIs on pages 16 to 17.

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

Our viability statement

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

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

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

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

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

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

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

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

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

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

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

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

How we stress-tested our business

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

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

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

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

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

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

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

Details of our stress-testing

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

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

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

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

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

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

Our confirmation of viability

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

Section 172 statement

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

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

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

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

Patrick De Smedt
22 May 2024