Bytes Technology Group plc
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("BTG", or "the Group")

15 October 2024

Results for the six months ended 31 August 2024 and declaration of cash dividend
Strong performance, capitalising on continued demand

Bytes Technology Group plc (LSE: BYIT, JSE: BYI), one of the UK's leading software, security, cloud and AI services specialists, today announces its half year results for the 6 months ended 31 August 2024 (H1 FY25).

Sam Mudd, Chief Executive Officer, said:

"I am pleased to report another set of positive results for BTG, with a strong increase in operating profit, driven by continued demand for our broad range of software, solutions and services. Despite the challenging economic climate and political uncertainty over the past six months, we have increased our share of wallet amongst our existing customers as they continued to invest in their IT needs. We have also expanded our client base in both the public and corporate sectors."

"The Group has again made strategic investments in personnel, internal systems, and new vendor accreditations to drive future growth and support our customers in navigating the complexities of agile, yet secure, IT environments. Our strong relationships with Microsoft and other top tier vendors allow us to seize exciting opportunities in cloud adoption, workload migrations, storage, security, and virtualisation technologies. Meanwhile, we continue to collaborate with our customers to enable their teams to roll-out the use of emerging AI technology, such as Copilot. With sustained demand in all these areas, and our expanding technical capabilities, these will be our key focus areas in the remainder of FY25 and beyond."

"Our passionate, talented, and experienced staff continue to position BTG to provide high-quality licensing advice, technical enablement and support to meet our customers' needs. This differentiates us from the competition and underpins our confidence for continued growth during the remainder of the year."

Financial performance

£'million	**H1 FY25 (six months ended 31 August 2024)**	**H1 FY24 (six months ended 31 August 2023)**	**% change year on year**
Gross invoiced income (GII)[1]	£1,230.2m	£1,081.6m	13.7%
Revenue[2]	£105.5m	£108.7m	(2.9)%
Gross profit (GP)	£82.1m	£75.3m	9.0%
Gross margin % (GP/Revenue)	77.8%	69.3%	
GP/GII %	6.7%	7.0%	
Operating profit	£35.6m	£30.6m	16.3%
Operating profit/GP%	43.4%	40.6%	
Cash	£71.5m	£51.7m	38.3%
Cash conversion[3]	56.2%	54.0%	
Cash conversion (rolling 12 months)[3]	112.6%	119.7%	

Earnings per share (pence)	12.67	10.60	19.5%
Interim dividend per share (pence)	3.1	2.7	14.8%

Financial highlights

- GII increased by 13.7% to £1,230.2 million (H1 FY24 : £1,081.6 million), primarily driven by software. There continued to be a strong contribution from the public sector and the large prior year contract wins from NHS & HMRC have seen further growth.
- Revenue reduced by 2.9% to £105.5 million (H1 FY24 : £108.7 million) primarily due to a decrease in hardware GII (all of which is booked as revenue) and which exceeded the growth in software GP (where only the GP is included in revenue rather than the full GII). This has resulted in an increase in gross margin % (GP/revenue) from 69.3% to 77.8% with GP increasing against the slight decline in revenue.
- Growth in GP of 9.0% to £82.1 million (H1 FY24 : £75.3 million) in part reflects a greater weighting towards aggregated public sector sales under competitive tendering processes. This led to a corresponding small reduction in GP/GII from 7.0% last year to 6.7% this year. Behind this figure however we saw growth in our two key income streams, software and internal services, by 11.3% and 28.1% respectively.
- Operating profit increased by 16.3% to £35.6 million (H1 FY24: £30.6 million), with a corresponding rise in the ratio of operating profit to GP from 40.6% to 43.4%, reflecting the balance achieved between investing in the business whilst driving efficiencies.
- Earnings per share increased 19.5% to 12.67 pence (H1 FY24: 10.6 pence).
- Half year cash conversion of 56.2% is in line with our expectations reflecting the seasonal timing of cash flows, with a stronger weighting in the second-half of the financial year (H1 FY24: 54.0%). Our rolling cash conversion for the 12 months ended 31 August 2024 stood at 112.6%, meeting our sustainable annual target of 100%.
- Closing cash was £71.5 million (H1 FY24: £51.7 million).

Interim dividend

- Interim dividend of 3.1 pence per share, a 14.8% increase on last year's interim dividend (H1 FY24: 2.7 pence).

Operational highlights

- Customers that traded with BTG in H1 FY24 contributed 98% of our GP in this half year (H1 FY24: 98%), at a renewal rate of 107%.
- Increased headcount in the period by 7% to 1,130 (29 February 2024: 1,057) with particular focus on bolstering sales and service delivery teams.
- Continued to grow our physical footprint with the opening of offices in Sunderland and Portsmouth and expansion of floorspace in London.
- Sold over 130,000 Copilot licenses across our client base to date, generating annualised GII of circa £39 million, and Copilot now also used widely within our business.
- Renewed our Microsoft Azure Expert MSP status and secured further security and cloud specialisms.
- Received multiple vendor awards including from Palo Alto, HP, Nutanix, Checkpoint, Sophos, Cato Networks, Bitdefender, Adobe and Druva.
- Both Bytes Software Services and Phoenix Software named among the UK's top 50 Best Workplaces 2024.
- Vesting of our first Share Save Plan from 2021 which has seen participating staff able to exercise their options to become shareholders in BTG.

Current trading and outlook

The Group traded strongly in the first half of FY25 whilst operating in highly competitive markets and despite challenging macroeconomic conditions. Our focus remains on executing our growth strategy by nurturing customer relationships, extending our strong vendor partnerships, and leveraging the technical and commercial skills of our teams. We are well positioned to benefit from the structural demand drivers we see in our markets including cloud computing, cyber security and AI for the remainder of FY25.

Analyst and investor presentation

A presentation for sell-side analysts and investors will be held today at 9:30am (BST) via a video webcast that can be accessed using the link:

https://brrmedia.news/BYIT_HY_24

A recording of the webcast will be available after the event at www.bytesplc.com. The announcement and presentation will be available at www.bytesplc.com from 7.00am and 9.00am (BST), respectively.

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Forward-looking statements

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

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

About Bytes Technology Group plc

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

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

[1] 'Gross invoiced income' (GII) is a non-International Financial Reporting Standard (IFRS) alternative performance measure that reflects gross income billed to customers adjusted for deferred and accrued revenue items. GII has a direct influence on our movements in working capital, reflects our risks and shows the performance of our sales teams.

[2] 'Revenue' is reported in accordance with IFRS 15 Revenue from Contracts with Customers. Under this standard, the Group is required to exercise 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 (the gross profit achieved on the contract and not the gross income billed to the customer). Our key financial metrics of gross invoiced income, gross profit, adjusted operating profit and cash conversion are unaffected by this judgement.

[3] 'Cash conversion' is a non-IFRS alternative performance measure that divides cash generated from operations less capital expenditure (together, 'free cash flow') by operating profit. It is calculated over both the current 6 month reporting period and over a rolling 12 months, the latter taking the previous 12 months free cash flow divided by the previous 12 months operating profit, in order to reflect seasonal variations between the two halves of the year.

Chief Executive Officer's review

A strong performance delivering on our strategy

H1 FY25 was another set of strong results for BTG, with a 13.7% increase in gross invoiced income, a 9.0% rise in gross profit, and a 16.3% increase in operating profit. Despite the challenging economic climate, we have delivered a strong performance underpinned by our diverse range of software and IT services offerings from leading vendors and software publishers, and reflecting the robust nature of IT spending across the UK and Ireland.

Our continued success in securing large public sector contracts again illustrates our credibility and strength in bidding for significant government software opportunities under the Crown Commercial Services and other framework agreements. While these sales are initially won at reduced margins, due to the competitive tendering process, we have a strategy and track record of growing the size and profitability of these contracts over time as they predominantly take the form of multi-year agreements. This provides confidence in our future growth prospects and the potential for up-selling and cross-selling opportunities.

Customers choose to partner with BTG because of the broad range of solutions and services we offer, including multi-cloud migration and adoption, digital transformation, storage, and a wide array of security products. Many have built long standing relationships with us over many years underpinned by our excellent software advisory expertise and knowledge around procurement routes, which enables us to guide customers on best value. We intend to double down on this strength by investing further in pre-sales and specialist technical skills, allowing us to service a larger market and scale up to meet our customers' needs.

Examples of our services delivery capability includes a consultancy team with expertise across the entire Microsoft Cloud and AI portfolio and our Security Operation Centre (SOC), plus Governance, Risk and Compliance (GRC) and Software Asset Management (SAM) offerings, including licensing spend optimisation supported by our own IP in the form of Quantum and Licence Dashboard. The expansion of our IT services capability is further enhanced by the renewal of our Microsoft Azure Expert status for the provision of managed services, along with attaining 11 service delivery specialisations (4 in security solutions) and 6 solution partner designations from Microsoft.

We have seen strong interest in AI products, including Microsoft's Copilot for M365, selling over 130,000 licenses into our customer base since its launch in H2 FY24, and we continue to develop associated in-house services to support customer readiness and adoption. We will further expand our existing in-house AI-dedicated teams, creating repeatable sector specific solutions with broader data and GenAI services across our vendor offerings as this income stream continues to grow in the second half of FY25 and beyond.

In addition to our partnership with Microsoft, we have also continued to deepen our relationships with other key partners and are especially pleased to have been recognised by leading industry vendors including Palo Alto, HP, Nutanix, Checkpoint, Sophos, Cato Networks, Bitdefender, Adobe and Druva, reflecting the status and high esteem that the Group has with global technology leaders. These awards are highly competitive and our success is testament to the expertise of our staff and the customer success stories that we deliver.

We work with our vendors to align our sales efforts and service offerings with their strategic objectives, and they incentivise us accordingly. While not yet finalised, a change to one of the key vendor's incentive plans is scheduled to take effect from 1 January 2025 as part of the evolution of their partner program, and while this might result in lower incentives in a few areas, the overall incentive opportunity is expected to grow. We have a long track record of successfully adapting to such changes and do not expect there to be a material impact in the current or next financial year.

We are proud of the energy, enthusiasm and professionalism demonstrated by our people, now totalling 1,130 staff across multiple offices and regions. They do a tremendous job supporting our customers and providing outstanding service. We continue to focus on targeted recruitment and training, and attracting talent into front-end sales, delivery teams and all supporting areas, and from apprentices through to senior roles to help with our ambitious growth plans.

As a management team, we are extremely pleased with the way our people continue to work hard in these challenging times, and embrace our collaborative, team-based culture. Our flexible working regime continues to deliver positive results for our business, while also meeting our people's aspirations for a healthy work/life balance. In August 2024, we launched our fourth Share Save Plan, which has again been well received by our employees, with over 50% participating in one or more of these plans. August 2024 also saw the vesting of our first Share Save Plan which was launched in 2021, with participants now able to exercise their options and become shareholders in the BTG Group.

To support the growth in sales and people, we are investing in both our internal and customer facing systems, and in our office environments including expanding our regional presence. This will improve our staff user experiences and drive internal efficiencies, whilst more closely supporting our customers and making it easier for them to do business with us.

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

Our dividend policy is to distribute 40%-50% of the Group's post-tax pre-exceptional earnings to shareholders by way of normal dividends. Accordingly, we are pleased to confirm that the Board has declared an interim dividend of 3.1 pence per share to be paid on 22 November 2024 to shareholders on the register at 8 November 2024.

I have been hugely impressed by the commitment and professionalism of all of our staff as they remained focused on delivering our strategic priorities in the first half of FY25 and wish to extend my gratitude for their hard work and dedication to the business. Finally, I would like to thank our clients for their support and entrusting their business to us; together, our staff and customers are our lifeblood and will always be our top priority.

Continued focus on environment, social and governance (ESG)

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

Achieved Science Based Targets initiative (SBTi) validation

At the end of June 2024 we received SBTi validation for our near-term and net zero carbon reduction targets and, further to this, we continue to align our activities to our Scope 1 and 2 targets for FY26. As part of the continual publication of our net zero efforts, we have submitted our annual Carbon Disclosure Project (CDP) for FY25.

We continue to monitor the progress of the IFRS S1 and S2 standards being adopted by the UK Government, through the UK Sustainability Disclosure Standards and will align to these as required. The standards will incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), so we expect to be in a good position to transition, having fully complied with the TCFD’s recommendations in our last Annual Report. Within our businesses, we are supporting the evolution to greener transport to reduce business travel and commuting emissions. The Group successfully implemented an electric vehicle scheme in FY24 which has expanded further in H1 FY25 across the business. Early in FY25 our York office saw the addition of solar panels, which further supports carbon reduction and increases energy security. Self-generated energy is also being assessed for our other owned offices.

Unity through diversity and inclusion

Employee support and wellbeing continue to be key focus areas for the Group, with wellbeing days an important part in driving a healthier and happier workforce, which we continue to measure through the annual employee Net Promoter Score (eNPS) survey. Understanding diversity within our business has also been a focus across the Group, with the roll-out of voluntary self-reporting for gender, ethnicity, disability and neurodiversity. A more detailed understanding of the demographics of our business will aid in attracting and retaining talent and support innovation through diversity of thought.

Our strong culture remains a driving force behind our successful growth. We continue to support this through staff events, incentive trips and the development of our people with continued learning and training opportunities. There has been an expansion of our apprenticeship scheme into more areas of the business and into degree-level apprenticeship programmes. We engage with staff through various channels and several improvements are made based on their ideas and initiatives. During H1 FY25, we have continued to support our communities through donations, fundraising events and volunteer days, such as with the Wildlife Aid Foundation, the Rainbow Trust and St Leonard’s Hospice.

Board composition and committee memberships

In H1 FY25 there have been some changes to the composition of the Board and committee memberships. On 25 March 2024, Erika Schraner was appointed as Senior Independent Director and Interim Chair of the Audit Committee, replacing Mike Phillips, who resigned as an Independent Non-Executive Director. At the same time Shruthi Chindalur assumed the role of Designated Non-Executive Director (DNED) for employee engagement. On 10 May 2024 Sam Mudd was appointed as CEO.

On 1 June 2024 additional Board appointments were made, and the ESG Committee was established. Ross Paterson was appointed as an Independent Non-Executive Director, Chair of the Audit Committee, and member of the Nomination, Remuneration and ESG Committees. Anna Vikström Persson was appointed as an Independent Non-Executive Director, Chair of the ESG Committee, and member of the Audit, Nomination and Remuneration Committees.

Following the aforementioned appointments of Ross Paterson and Anna Vikström Persson, we are now again compliant with provisions 24 and 32 of the UK Corporate Governance Code 2024.

Chief Financial Officer's review

Income statement	H1 FY25 £'m	H1 FY24 £'m	Change %
Gross invoiced income (GII)	**1,230.2**	**1,081.6**	**13.7%**
GII split by product:			
Software	1,187.2	1,027.3	15.6%
Hardware	12.5	24.1	(48.1)%
Services internal[1]	16.6	15.5	7.1%
Services external[2]	13.9	14.7	(5.4)%
Netting adjustment	(1,124.7)	(972.9)	15.6%
Revenue	**105.5**	**108.7**	**(2.9)%**
Revenue split by product:			
Software	74.7	67.1	11.3%
Hardware	12.5	24.1	(48.1)%
Services internal[1]	16.6	15.5	7.1%
Services external[2]	1.7	2.0	(15.0)%
Gross profit (GP)	**82.1**	**75.3**	**9.0%**
GP/GII %	6.7%	7.0%	
Gross margin %	77.8%	69.3%	
Administrative expenses	**46.5**	**44.7**	**4.0%**
Administrative expenses split:			
Employee costs	37.2	35.7	4.2%
Other administrative expenses	9.3	9.0	3.3%
Operating profit	**35.6**	**30.6**	**16.3%**
Operating profit/GP%	43.4%	40.6%	
Add back:			
Share-based payments	2.5	2.9	(13.8)%
Amortisation of acquired intangible assets	0.4	0.4	0.0%
Adjusted operating profit (AOP)	**38.5**	**33.9**	**13.6%**
Interest income	6.0	2.9	106.9%
Finance costs	(0.2)	(0.3)	(33.3)%
Share of profit of associate[3]	0.1	0.1	0.0%
Profit before tax	**41.5**	**33.3**	24.6%
Income tax expense	(11.1)	(7.9)	40.5%
Effective tax rate	26.7%	23.7%	
Profit after tax	**30.4**	**25.4**	19.7%

[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

Overview of H1 FY25 results

H1 FY25 has continued to see customers engaging with us for our core software licencing offerings. We have experienced increasing demand in areas such as cloud computing, cyber security and AI, which we have responded to by expanding our technical and service solutions.

This demand contributed to operating profit increasing by 16.3% to £35.6 million (H1 FY24: £30.6 million) and profit before tax rising by 24.6% to £41.5 million (H1 FY24: £33.3 million).

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 measure which best enables us 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, customers, suppliers and shareholders for them to understand our business.

GII increased by 13.7% year on year, with growth coming from our core software and internal services income streams. Software remains the largest contributor, providing 97% of the total GII for the period (H1 FY24: 95%). Whilst growth has reduced compared to FY24, the prior year saw some exceptionally large public sector contracts won. These are now in their second year in H1 FY25, with the agreements running over five years.

Hardware, whilst not the primary focus for the Group (representing only 1% of GII), has seen a 48% reduction, reflecting the more one-off nature of sales as they typically reflect the timing of large infrastructure projects by customers, and a more general reduction in hardware spend across the IT sector.

We have seen a small reduction in GII from external services delivered in the period, which will fluctuate according to customer requirements and whether we have the capability and capacity to deliver these projects in house. Correspondingly we have seen a rise in our internally delivered services figure and will continue to invest in this part of the business to meet future demand.

The 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 £141.0 million, up 19.5%, to £862.8 million (H1 FY24: £721.7 million). Our corporate GII has been more impacted by the ongoing economic uncertainty but still increased by 2.1% to £367.4 million (H1 FY24: £359.9 million).

This means that our overall GII mix has moved slightly compared to last year, with 70% in public sector (H1 FY24: 67%) against corporate of 30% (H1 FY24: 33%).

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.

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.

Our judgements around this area are set out in notes 1.4 and 1.10 of the financial statements for FY24 but in summary, software and external services revenue is treated on an agency basis while hardware and internal services revenue is treated as principal. With software being our dominant income stream, this therefore gives rise to our GII being subject to a substantial "netting adjustment" to arrive at a much lower revenue position.

This reporting of revenue as a mix of GP and GII across the four income streams has given rise to a 2.9% reduction to £105.5 million (H1 FY24: £108.7 million) as the growth in software GP (where only the GP is included in revenue rather than the full GII) is outweighed by the reduction in the hardware GII (all of which is taken to revenue). Hence, due to revenue being a mix of metrics, we focus on GII to provide a consistent measure of our sales performance and billed income.

Gross profit (GP)

GP increased by 9.0% to £82.1 million (H1 FY24: £75.3 million).

Breaking this down by income stream, for the Group's two most strategic focus areas, we have seen both achieving double digit growth, software GP up by 11.3%, and with only a very small decline in its GP/GII%, while internal services GP is up by 28.1%, driving it's GP/GII margin up to over 20%. Against these positive trends, the declining hardware GII noted above, and to a smaller degree the reduction in external services, have brought about corresponding reductions in GP for those income streams.

Looking across our two main customer segments, the Group has seen strong growth in public sector GII, bidding 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. Despite more pressure on margins under this process the public sector GP has grown by over 20%. Against this, the relatively low growth in GII from the corporate sectors is mirrored by GP growth there of 3%.

Lower margins in public sector are as expected but in fact our GP/GII% for both public and corporate sectors has improved slightly from the previous year. However, the greater mix of GII derived from public sector has resulted in an overall reduction in GP/GII from 7.0% in H1 FY24 to 6.7% this year. When comparing GP to revenue, we have seen an increase in the gross margin % from 69.3% to 77.8% due to the GP increasing against the slight decline in revenue noted above.

The growth in the public sector again demonstrates the Group's strategy of winning new customers and then expanding share of wallet. Our objective is to ensure we build our profitability within each contract over its term, typically three to five years, by adding additional higher-margin products into the original agreement as the customers' requirements grow and become more advanced. Adding AI products such as Copilot will become part of these contract expansions going forward. This process is 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 H1 FY25 with 98% of our GP coming from customers that we also traded with last year (H1 FY24: 98%), at a renewal rate of 107% (which measures the GP from existing customers this period compared to total GP in the prior period).

Administrative expenses

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

Employee costs

Our success in growing the business continues to be as a direct result of the investments we have made over the years in our 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.

During the half year we have seen total staff numbers rise to 1,130 on our August 2024 payroll, up by 6.9% from the year-end position of 1,057 on 29 February 2024 and up 10.1% over the full year period since 31 August 2023.

Employee costs, included in administrative expenses, rose by 4.2% to £37.2 million (H1 FY24: £35.7 million). However, this figure has been impacted by the effects of:

- a reduction in share-based payment charges by £0.4 million as our first three share option schemes issued post-IPO have now vested and the cost of the new schemes launched in FY24 and FY25 have been slightly lower.
- capitalising £0.7 million of staff costs onto the balance sheet. This relates to the salaries of employees who are developing new IT platforms, one to provide a 'marketplace' gateway for our customers to more seamlessly purchase products online from a range of vendors and the other to enable us to improve our operational processes around customer order processing. This treatment is in line with our accounting policy for intangible assets which can be found in our Annual Report and Accounts.

Without the impact of these two items, the underlying increase in our employee costs is 7.3%, hence in line with the increase in headcount and less than our GP growth, reflecting the balanced and proportional way in which staff investments are made.

Other administrative expenses

Other administrative expenses increased by 3.3% to £9.3 million (H1 FY24: £9.0 million) including continued investment in staff welfare and internal systems.

As part of the software development project referred to above, we have also spent £0.9 million with a third party development company to supplement our own internal resources. This engagement was taken wholly for this purpose, hence not in the prior year figures, and the cost has been capitalised in full alongside our own salary costs, making a total of £1.6 million added to intangible software assets during the period (see balance sheet below).

Operating profit and adjusted operating profit (AOP)

Our operating profit increased by 16.3% from £30.6 million to £35.6 million, which shows the balance we have achieved between growing GP in a challenging market whilst effectively managing our cost base.

Some of this increase has been positively impacted by the £0.7 million capitalisation of software developers staff costs noted above (previously expensed in the prior half year when their work was focused on maintaining legacy systems). Even after adjusting for this, the increase remains very positive at 14.1% with a like for like comparative operating profit figure of £34.9 million in H1 FY25.

Our operating efficiency ratio which measures operating profit as a percentage of GP is a key performance indicator in understanding the Group's operational effectiveness in running day-to-day operations. We aim to sustain it in excess of 40% and have achieved this, with an increased ratio of 43.4% (H1 FY24: 40.6%). Excluding the capitalised staff costs, the ratio for this period is 42.5%.

In previous results announcements we have also focused on AOP which removes the effects of share-based payment (SBP) charges and amortisation of acquired intangibles, notably due to the growth of the SBP over the time since IPO from a near zero starting position in FY21 of £0.3 million to £5.7 million in FY24. Given that we have now moved out of that growth cycle (as older schemes vest and new schemes are introduced), the current SBP are now viewed to be stable and normalised as business as usual recurring expenses. Similarly, our amortisation charges are stable at £0.4 million for the current and prior half year. Hence AOP is no longer considered to add value to understanding our results. We will therefore now focus on operating profit which brings us in line with other similar businesses in our market segment.

For reference, our AOP has increased by 13.6% to £38.5 million (H1 2024: £33.9 million) and the ratio of AOP to GP increased from 45.0% to 46.9%.

Interest income and finance costs

This half year has seen significant interest being earned from money market deposits, totalling £6.0 million (H1 FY24: £2.9 million). Whilst last half year included only four months of earnings, we have nevertheless substantially increased this income stream, backed up by our strong cash management which has enabled us to place more cash on deposit and for longer periods.

This effort has been so effective that our half year figure has already exceeded the £5.1 million we generated in the whole of FY24. There is some seasonal impact here, due to the timing of the largest Microsoft enterprise agreements which primarily transact in our first six months, and hence our interest earnings will be lower in our second half.

Our finance costs primarily comprise arrangement and commitment fees associated to our revolving credit facility (RCF), noting that to date the Group has not drawn down any amount. This balance also includes a small amount of finance lease interest on our right-of-use assets, including from our staff 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 and Joint Ventures we have accounted for the Group's share of its profits amounting to £0.1 million for H1 FY25 (H1 FY24: £0.1 million).

Profit before tax

The combined impact of increased operating profits and high levels of interest received has seen our profit before tax increasing by 24.6% to £41.5 million (H1 FY24: £33.3 million).

Income tax expense

The £3.2 million (40.5%) rise in our income tax expense to £11.1 million (H1 FY24: £7.9 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. Hence March 2023 in the prior year was at the lower rate giving rise to an effective rate of tax of 23.7% last year. The higher effective rate in H1 FY25 of 26.7% is also attributed to a re-statement of the deferred tax asset from February 2024 relating to our unexercised share options, given the reduction in the share price since year end.

Profit after tax

Profit after tax increased by 19.7% to £30.4 million (H1 FY24: £25.4 million), underlining our growth in operating profits and interest income, offset by the higher effective rate of tax.

Earnings per share

As a result of this strong growth in profits attributable to owners of the company (post tax), our earnings per share have risen accordingly. Basic earnings per share are up 19.5% from 10.6 pence to 12.67 pence.

Balance sheet and cash flow

	As at	
	31 August 2024	**29 February 2024**
Balance sheet	**£'m**	**£'m**
Investment in associate	3.3	3.2
Property plant and equipment	8.2	8.5
Intangible assets	41.9	40.6
Other non-current assets	3.3	4.9
Non-current assets	**56.7**	**57.2**
Trade and other receivables	211.8	221.8
Cash	71.5	88.8
Contract assets	10.9	11.8
Current assets	**294.2**	**322.4**
Trade and other payables	250.6	277.9
Lease liabilities	0.5	0.4
Contract and tax liabilities	18.8	19.6
Current liabilities	**269.9**	**297.9**
Lease liabilities	1.3	1.3
Other non-current liabilities	2.1	2.1
Non-current liabilities	**3.4**	**3.4**
Net assets	**77.6**	**78.3**
Share capital	2.4	2.4
Share premium	635.6	633.7
Share-based payment reserve	12.5	11.0
Merger reserve	(644.4)	(644.4)
Retained earnings	71.5	75.6
Total equity	**77.6**	**78.3**

Closing net assets stood at £77.6 million (29 February 2024: £78.3 million and 31 August 2023: £60.0 million) including the Group’s £3.3 million interest (25.1%) in Cloud Bridge Technologies (which includes our £0.3 million share of profits since it was acquired in April 2023).

Intangible assets includes the £1.6 million addition in the period of capitalised software development costs, a combination of internal staff costs of £0.7 million and £0.9 million of external contractor costs, both referred to above. As this work continues through the second-half of the year, we expect this asset to stand at £3.2 million by our February 2025 year end, and ultimately to be in the region of £5.0 million when the work is complete. Currently, while we are in development phase, there is no amortisation of the asset, this will commence once we move to live production mode, scheduled for FY26.

There is an unrelated £0.4 million amortisation which is included in the current income statement in respect of the historic customer relationships intangible asset carried on the balance sheet.

Net current assets closed at £24.3 million (29 February 2024: £24.5 million and 31 August 2023: £5.3 million).

Our debtor days at the end of the half year stood at 41, in line with August 2023, and our average debtor days for the period was 37 (H1 FY24: 36). Our closing loss allowance provision at 31 August 2024 reduced to £2.2m, down from £2.5 million at the February 2024 year end, with £0.4 million bad debts written off against the provision but a further £0.1 million added to reflect our current expected loss calculated under IFRS9. We believe this remains a prudent position given that our gross trade receivables have reduced since year end and the level of write offs is very low considering our GII of £1.2 billion.

The Group has paid its suppliers on schedule through the year, with its average creditor days remaining in line with prior year at 48 for the six months and standing at 49 at the end of the period.

The consolidated cash flow is set out below:

	H1 FY25	H1 FY24
Cash flow	**£'m**	**£'m**
Cash generated from operations	**22.0**	**17.4**
Payments for fixed and intangible assets	(2.0)	(0.9)
Free cash flow	**20.0**	**16.5**
Net interest received	5.9	2.7
Taxes paid	(9.5)	(7.2)
Lease payments	(0.2)	(0.1)
Dividends	(35.4)	(30.2)
Issue of share capital	1.9	-
Investment in associate	-	(3.0)
Net decrease in cash	(17.3)	(21.3)
Cash at the beginning of the period	88.8	73.0
Cash at the end of the period	**71.5**	**51.7**
Operating Profit	**35.6**	**30.6**
Cash conversion	**56.2%**	**54.0%**
Cash conversion (rolling 12 months)	**112.6%**	**119.7%**

Cash at the end of the period was £71.5 million (31 August 2023: £51.7 million), which is after the payment of dividends totalling £35.4 million during the period – being the final and special dividends for FY24.

Cash flow from operations after payments for fixed and intangible assets (free cash flow) generated a positive cash flow of £20.0 million (H1 FY24: £16.5 million). The Group's cash conversion ratio for the year has historically been measured as free cash flow divided by AOP but in line with the other profit and efficiency measures referred to above we are now measuring free cash flow against operating profit which was 56.2% in the period (H1 FY24: 54.0%). Whilst we target our long term sustainable cash conversion at 100%, a figure closer to the 50% we have seen in H1 this year and H1 last year is in line with our expectations given the seasonality of our cash flows, particularly around the timing of receipts and payments for our large Microsoft enterprise agreements. For reference, our rolling 12 month cash conversion measured across the full year up to the end of August has exceeded the 100% target.

The £1.9 million cash received from the issue of share capital relates to the exercising of circa 500,000 share options by participating staff, primarily under our 2021 CSOP & SAYE (Share Save) plans which vested in June 2024 and August 2024 respectively. There is a corresponding increase in the share premium value in the balance sheet above.

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

Interim dividend

The Group's dividend policy is to distribute 40-50% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to declare a gross interim dividend of 3.1 pence per share. The aggregate amount of the interim dividend expected to be paid out of retained earnings at 31 August 2024, but not recognised as a liability at the end of the half year, is £7.5 million.

The salient dates applicable to the dividend are as follows:

Dividend announcement date	Tuesday, 15 October 2024
Currency conversion determined and announced together with the South African (SA) tax treatment on SENS by 11:00	Monday, 4 November 2024
Last day to trade cum dividend (SA register)	Tuesday, 5 November 2024
Commence trading ex-dividend (SA register)	Wednesday, 6 November 2024
Last day to trade cum dividend (UK register)	Wednesday, 6 November 2024
Commence trading ex-dividend (UK register)	Thursday, 7 November 2024
Record date	Friday, 8 November 2024
Payment date	Friday, 22 November 2024

Additional information required by the Johannesburg Stock Exchange:

1. The GBP:ZAR currency conversion will be determined and published on SENS on Monday, 4 November 2024.
2. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register unless a shareholder qualifies for exemption not to pay such dividend withholding tax.
3. The dividend payment will be made from a foreign source (UK).
4. At Tuesday, 15 October 2024, being the declaration announcement date of the dividend, the company had a total of 240,917,315 shares in issue (with no treasury shares).
5. No transfers of shareholdings to and from South Africa will be permitted between Monday, 4 November 2024 and Friday, 8 November 2024 (both dates inclusive). No dematerialisation or rematerialisation orders will be permitted between Wednesday, 6 November 2024 and Friday, 8 November 2024 (both dates inclusive).

Principal risks

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

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

For us, risk management is a continuous 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 with the inclusion of risk management as a standing agenda item at each of the subsidiary board meetings illustrating the Group's bottom-up approach to risk.

The ongoing unsettled geopolitical and macroeconomic environment, particularly Russia's war in Ukraine and the continuing tensions across the Middle East has served as a strong reminder of the importance of having a robust, agile approach to managing risk. Our ongoing risk monitoring process enables us to assess current and emerging risks, and while we remain vigilant, our business has performed strongly through various external crises in recent years, demonstrating its resilience.

Our 14 principal risks which were set out in our last Annual Report have been updated and included below. Whilst the risks themselves have not changed, with no additions or deletions, in some cases we have updated the status of the risk with increased focus, and for one there is now a decrease in focus.

Additionally, we continue to monitor our three emerging risks relating to the physical risk from climate change, keeping pace with social change, and the impact of AI.

Financial	**1 Economic disruption** **increase focus due to conflict escalations in Middle East**	**Risk owner** CEO
	The risk This risk includes the impact of the conflicts in the Middle East and in Ukraine. It encompasses the uncertainties caused by global economic pressures and geopolitical risk within the UK.	**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 with the conflict in the Middle East. The recent 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.
	The impact Major economic disruption and potentially higher taxes could see reduced demand for software licensing, hardware and IT services, which could be compounded by government controls. Lower demand could also arise from reduced customer budgets, cautious spending patterns or clients 'making do' with existing IT. Economic disruption could also affect the major financial markets, including currencies, interest rates 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.	
	2 Margin pressure **no change**	**Risk owner** MDs of subsidiary businesses
	The risk BTG faces pressure on profit margins from a myriad of directions, including increased competition, changes in vendors' commercial behaviour, certain offerings being commoditised and changes in customer mix or preferences.	**How we manage it** Profit margins are affected by many factors at customer and micro levels. We can control some of 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
	The impact These changes could have an impact on our business performance and profitability.	

		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.
	3 Changes to vendors' commercial model **increase focus for potential upcoming changes**	**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. Vendors, such as Microsoft, which form a significant part of BTG's gross profit, have previously changed their commercial models and are again doing so in the near future. The Group has successfully adapted to different commercial models over time. So, although we see this risk increasing, we are confident in our ability to adapt and maintain profitability. 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.

	4 Inflation **decrease focus as CPI has reduced to close to BoE target**	**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. At September 2024 this is now 2.2%. This rate is above the Bank of England's target of 2%. **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.
	5 Working capital **increase focus in line with rise in economic disruption**	**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. We have seen debtor days stabilise as inflation has reduced, but the number of days is yet to return to historic low levels. **The impact** This could adversely affect our businesses' profitability and/or cash flow.	**How we manage it** Our credit collections teams are focused on collecting customer debts on time and maintaining our debtor days at or below target levels. Debt collection is reported and analysed continually and escalated to senior management as required. 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** **no change**	**Risk owner** CEO
	The risk Over-reliance on any one technology or supplier could pose a potential risk, should that technology be superseded or exposed to economic down cycles, or if the vendor fails to innovate ahead of customer demands **The impact** Relying too heavily on any one vendor could have an adverse effect on our financial performance, should that relationship break down. Uptake of AI is expected to increase rapidly. While this represents an opportunity, the	**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.

	development of AI by a handful of companies, including Microsoft, has the potential to further concentrate revenue and profit across fewer vendors. An increase in the use of marketplaces, heightens the risk of more transactions going through the same route. This risk is also heightened by changes to shipping routes, if certain channels are made unsafe.	Group has a diversified vendor list, as well as a focus on services, using in-house and third-party specialists, which diversifies and mitigates some of the vendor concentration risk.
	7 Competition **no change**	**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	**How we manage it** We closely watch commercial and technological developments in our markets. The threat of disintermediation by vendors has always been present. We minimise this threat by continuing to increase the added value we bring to customers directly. This reduces clients' desire to deal directly with vendors. Equally, vendors cannot engage with myriad organisations globally without the sort of well-established network of intermediaries that we have. We currently work with the dominant marketplace providers and can sell 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.

	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.	
	8 Relevance and emerging technology **no change**	**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** **increase focus as this is a growing risk worldwide**	**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.	**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. Internal IT policies and processes are in place to mitigate some of these risks, including regular training, working abroad procedures and the use of enterprise-level security software.

	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.	We have established controls that separate customer systems and mitigate cross-breaches. Our cyberthreat-level system also lets us tailor our approach and controls in line with any intelligence we receive. Our two subsidiaries share insights and examples of good practice on security controls with one another. Both businesses use a security operations centre and have internal specialists to provide up-to-date threat analysis.
Operational	**10 Business continuity failure** **no change**	**Risk owner** CTOs of subsidiary businesses
	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.	**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. The risk is also mitigated through policies and process implementation such as Phoenix achieving ISO 22301 and Bytes Software Services implementing an incident management policy.
	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.	

		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 **increase focus due to scarcity of suitable applicants, as well as higher salary expectations**	**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: • Salary and benefit expectations • BTG's high rate of growth • Skills shortage in emerging, high-demand areas, such as AI and machine learning • With remote or hybrid working becoming the norm, potential employees in traditionally lower-paid geographical regions being able to work remotely in higher-paying areas like London.	**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. BTG regularly engages with employees through surveys, such as the employee Net Promoter Score (eNPS) and Great Places to Work, feedback from this and other feedback avenues is used to review and develop our employee benefits. We maintain our small company feel through regular communications, clubs, charity events and social events. We aim to absorb growth while keeping our culture.
	The impact Double impact from scarcity of appropriate candidates for new roles and salary expectations will challenge our ability to attract and retain the talent pool we need to deliver our planned growth. In addition, we may lose talented employees to competitors.	
	12 Supply chain management **no change**	**Risk owner** CEO
	The risk Failure to understand suppliers may lead to regulatory, reputational and financial risks, if they expose our business to practices that we would not tolerate in our own operations. The time and effort to monitor and audit suppliers is considered a risk. There is a risk to our business if we engage with suppliers that: • Provide unethical working conditions and pay.	**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. Onboarding questionnaires have been reviewed and improved.

	• Are involved in financial mismanagement and unethical behaviour. • Cause environmental damage. • Operate in sanctioned regions.	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.
	The impact The impact to the business is across multiple streams from legal, financial, reputational, ethical and environmental. Escalating conflicts could also affect our supply chain – for example, rerouting shipping around southern Africa adds journey time and increases carbon emissions.	
Regulatory	**13 Sustainability/ESG** **no change**	**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.	**How we manage it** Our Board manages and monitors this risk closely, with oversight from the ESG and Audit Committees. The Group sustainability manager continues to drive sustainability reporting and initiatives, and to work with an appointed third party to provide guidance and assurance on reported data. Environmental Management Systems are also in place and certified by ISO 14001. Our Sustainability Steering Committee enables decision makers from across the Group and our two operating companies to work towards a common goal and report on challenges. In June 2024 we enhanced the governance of ESG, through the creation of the Board's ESG Committee. Disclosures are made through several channels, including CDP and EcoVadis. We had our near-term and net zero targets validated by the SBTi in June 2024, as part of our programme to drive sustainability through best practice approaches. Feedback from disclosures is used to guide changes in the business. So, as disclosure methodologies stay current, so should the business, where possible and relevant.
	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.	
	14 Regulatory and compliance **increase focus as regulations expand**	**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	**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

	affect our operations, financial stability and reputation.	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 signoffs 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.
	The impact Operational teams and processes face administrative burdens and effects under rapidly changing regulations. Failing to keep up with regulatory, reporting and compliance changes could lead to fines, legal challenges and reputational damage. If regulatory compliance is not maintained, there are risks to the Group and to individuals, which could lead to expensive legal challenges and reputational damage to the business among all stakeholders.	

Going concern disclosure

The Group has performed a full going concern assessment from 31 August 2024 for the period up to 28 February 2026. As outlined in the Chief Financial Officer's review above, trading during the year demonstrated the Group's strong performance in the period and our resilient operating model. The Group has a healthy liquidity position with £71.5 million of cash and cash equivalents available at 31 August 2024. The Group also has access to a committed revolving credit facility that covers the going concern period to 28 February 2026 and that remains undrawn. The directors have reviewed trading and liquidity forecasts for the Group, as well as continuing to monitor the effects of macroeconomic, geopolitical, and climate-related risks on the business. The directors have also considered a number of key dependencies, which are set out in the Group's principal risks report, and including BTG's exposure to inflation pressures, credit risk, liquidity risk, currency risk and foreign exchange risk. The Group continues to model its base case, severe but plausible and stressed scenarios, including mitigations, consistently with those disclosed in the annual financial statements for the year ended 29 February 2024, with the key assumptions summarised within the financial statements below. Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period without needing to utilise the revolving credit facility.

Going concern conclusion
Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 28 February 2026. Accordingly, the directors conclude it to be appropriate that the consolidated financial statements be prepared on a going concern basis.

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

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

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

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

On behalf of the Board

Sam Mudd	Andrew Holden
Chief Executive Officer	Chief Financial Officer

15 October 2024

Sponsor: Investec Bank Limited

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

	Note	Six months ended 31 August 2024 Unaudited £'000	Six months ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
Revenue	3	105,472	108,699	207,021
Cost of sales		(23,355)	(33,365)	(61,243)
Gross profit		**82,117**	**75,334**	**145,778**
Administrative expenses		(46,377)	(44,725)	(87,839)
Increase in loss allowance in trade receivables		(127)	-	(1,227)
Operating profit		**35,613**	**30,609**	**56,712**
Finance income	4	5,979	2,859	5,111
Finance costs	4	(158)	(244)	(393)
Share of profit of associate	7	72	120	166
Profit before taxation		**41,506**	**33,344**	**61,596**
Income tax expense	5	(11,059)	(7,956)	(14,745)
Profit after taxation		**30,447**	**25,388**	**46,851**
Profit for the period attributable to owners of the parent company		**30,447**	**25,388**	**46,851**
		Pence	**Pence**	**Pence**
Basic earnings per ordinary share	15	12.67	10.60	19.55
Diluted earnings per ordinary share	15	12.19	10.17	18.85

The consolidated statement of profit or loss has been prepared on the basis that all operations are continuing operations.

There are no items to be recognised in other comprehensive income and hence, the Group has not presented a statement of other comprehensive income.

Interim condensed consolidated statement of financial position

	Note	As at 31 August 2024 Unaudited £'000	As at 31 August 2023 Unaudited £'000	As at 29 February 2024 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment		8,215	8,654	8,478
Right-of-use assets		1,517	1,134	1,411
Intangible assets	6	41,848	41,086	40,646
Investment in associate		3,265	3,147	3,193
Contract assets		1,327	3,020	2,689
Deferred tax assets		525	436	834
Total non-current assets		**56,697**	**57,477**	**57,251**
Current assets				
Inventories		17	58	60
Contract assets		10,898	13,985	11,756
Trade and other receivables	8	211,756	180,148	221,815
Cash and cash equivalents	9	71,507	51,663	88,836
Total current assets		**294,178**	**245,854**	**322,467**
Total assets		**350,875**	**303,331**	**379,718**
Liabilities				
Non-current liabilities				
Lease liabilities		(1,337)	(1,170)	(1,314)
Contract liabilities		(2,049)	(1,567)	(2,137)
Total non-current liabilities		**(3,386)**	**(2,737)**	**(3,451)**
Current liabilities				
Trade and other payables	10	(250,593)	(222,909)	(277,917)
Contract liabilities		(17,059)	(16,046)	(19,348)
Current tax liabilities		(1,732)	(1,460)	(243)
Lease liabilities		(520)	(188)	(423)
Total current liabilities		**(269,904)**	**(240,603)**	**(297,931)**
Total liabilities		**(273,290)**	**(243,340)**	**(301,382)**
Net assets		**77,585**	**59,991**	**78,336**
Equity				
Share capital		2,408	2,395	2,404
Share premium		635,554	633,636	633,650
Other reserves		12,539	10,516	11,050
Merger reserve		(644,375)	(644,375)	(644,375)
Retained earnings		71,459	57,819	75,607
Total equity		**77,585**	**59,991**	**78,336**

Interim condensed consolidated statement of changes in equity (unaudited)

	Note	Attributable to owners of the company					
		Share capital £'000	**Share premium £'000**	**Other reserves £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 March 2024		**2,404**	**633,650**	**11,050**	**(644,375)**	**75,607**	**78,336**
Total comprehensive income for the period		-	-	-	-	30,447	30,447
Dividends paid	12	-	-	-	-	(35,373)	(35,373)
Shares issued during the year		4	1,904		-	-	1,908
Transfer to retained earnings		-	-	(778)	-	778	-
Share-based payment transactions	14	-	-	2,489	-	-	2,489
Tax adjustments		-	-	(222)	-	-	(222)
Balance at 31 August 2024		**2,408**	**635,554**	**12,539**	**(644,375)**	**71,459**	**77,585**
Balance at 1 March 2023		**2,395**	**633,636**	**7,235**	**(644,375)**	**62,606**	**47,567**
Total comprehensive income for the period		-	-	-	-	25,388	25,388
Dividends paid	12	-	-	-	-	(30,175)	(30,175)
Share-based payment transactions	14	-	-	2,900	-	-	2,900
Tax adjustments		-	-	381	-	-	381
Balance at 31 August 2023		**2,395**	**633,636**	**10,516**	**(644,375)**	**57,819**	**59,991**
Balance at 1 March 2023		**2,395**	**633,636**	**7,235**	**(644,375)**	**62,606**	**61,497**
Total comprehensive income for the period		-	-	-	-	46,851	46,851
Dividends paid	12	-	-	-	-	(36,641)	(36,641)
Shares issued during the year		9	14	-	-	-	23
Transfer to retained earnings		-	-	(2,791)	-	2,791	-
Share-based payment transactions	14	-	-	5,708	-	-	5,708
Tax adjustments		-	-	898	-	-	898
Balance at 29 February 2024		**2,404**	**633,650**	**11,050**	**(644,375)**	**75,607**	**78,336**

Interim condensed consolidated statement of cash flows

	Note	Period ended 31 August 2024 Unaudited £'000	Period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
Cash flows from operating activities				
Cash generated from operations	11	22,009	17,417	67,333
Interest received		5,979	2,859	5,111
Interest paid		(113)	(196)	(330)
Income taxes paid		(9,483)	(7,222)	(15,109)
Net cash inflow from operating activities		**18,392**	**12,858**	**57,005**
Cash flows from investing activities				
Payments for property, plant and equipment		(354)	(885)	(1,334)
Payments for intangible asset		(1,642)	-	-
Investment in associate		-	(3,027)	(3,027)
Net cash outflow from investing activities		**(1,996)**	**(3,912)**	**(4,361)**
Cash flows from financing activities				
Proceeds from issue of shares		1,908	-	23
Principal elements of lease payments		(260)	(127)	(209)
Dividends paid to shareholders	12	(35,373)	(30,175)	(36,641)
Net cash outflow from financing activities		**(33,725)**	**(30,302)**	**(36,827)**
Net (decrease)/increase in cash and cash equivalents		**(17,329)**	**(21,356)**	**15,817**
Cash and cash equivalents at the beginning of the financial year		88,836	73,019	73,019
Cash and cash equivalents at end of year	9	**71,507**	**51,663**	**88,836**

1. Accounting policies

1.1 General information

The interim condensed consolidated financial statements of Bytes Technology Group plc, together with its subsidiaries ("the Group" or "the Bytes business") for the six months ended 31 August 2024 were authorised for issue in accordance with a resolution of the directors on 14 October 2024.

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

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

1.2 Basis of preparation

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

The interim condensed consolidated financial statements for the six months ended 31 August 2024 have been prepared in accordance with UK-adopted International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The interim condensed consolidated financial statements have been reviewed, but not audited, by Ernst & Young LLP and were approved by the Board of Directors on 14 October 2024. The financial information contained in this report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 29 February 2024, which were prepared in accordance with UK-International Accounting Standards in conformity with the requirements of the Companies Act 2006. The annual financial statements for the year ended 29 February 2024 were approved by the Board of Directors on 22 May 2024 and have been delivered to the registrar. The auditor's report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

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

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

Going concern

The going concern of the Group is dependent on maintaining adequate levels of resources to continue to operate for the foreseeable future. The directors have considered the principal risks, which are set out above, in addition to ever-present risks such as the Group's exposure to credit risk, liquidity risk, currency risk and foreign exchange risk.

When assessing the going concern of the Group, the directors have reviewed the year-to-date financial actuals, as well as detailed financial forecasts for the period up to 28 February 2026, being the going concern assessment period. This represents 18 months from the end of the reporting period, rather than the minimum 12 months required under International Accounting Standard (IAS) 1, to reflect the possible effect of events occurring after the end of the reporting period up to the date that the interim condensed consolidated financial statements are authorised for issue.

The assumptions used in the financial forecasts are based on the Group's historical performance and management's extensive experience of the industry. Taking into consideration the Groups principal risks, the impact of the current economic conditions and geopolitical environment, and future expectations, the forecasts have been stress-tested through a number of downside scenarios to ensure that a robust assessment of the Group's working capital and cash requirements has been performed.

Operational performance and operating model
Following the previous years of strong growth, in the current period of reporting the Group has again achieved double-digit growth in gross invoiced income and operating profit and high single digit growth in gross profit. It finished the period with £71.5 million of cash.

Resilience is built into the Group's operating model from its wide customer base, high levels of repeat business, strong vendor relationships, and the back-to-back nature of most of its sales, with increased demand driven by our customers navigating the complexities of agile, yet secure, IT environments. The key elements of the model are explained in further detail on pages 150-151 in the annual financial statements for the year ended 29 February 2024. Our strong relationships with Microsoft and our other top tier vendors allows us to take advantage of opportunities in cloud adoption, workload migrations, storage, security, and virtualisation technologies. Additionally, we continue to collaborate with our customers to enable their teams to experiment with, trial, and internalise the use of emerging AI technology, such as Copilot which has generated huge interest since its launch.

As a result, the directors believe that the Group continues to operate in a resilient industry, which will enable it to continue its profitable growth trajectory but are also very aware of the risks which exist in the wider economy and political landscape. These risks align to those identified in our principal risks statement, notably economic disruption, inflation, and attraction and retention of staff. The Board monitor these macroeconomic and geopolitical risks on an ongoing basis. They are considered further below.

Macroeconomic risks

- Cost of sales inflation and competition leading to margin pressure – While pricing from our suppliers may be at risk of increasing, as they too face the same macroeconomic pressures as ourselves, our commercial model is based on passing on supplier price increases to our customers. We also see pressure from our customers, notably in the public sector space where new business must often be won under highly competitive tendering processes. Our sales mix has moved a little in favour of public sector during the period, hence resulting in a reduction in our gross profit/gross invoiced income (GP/GII%) although underlying this impact of the change in mix, the respective margins in each of our public and corporate customer bases have improved slightly, and this remains one of the biggest focus areas in our business.
- Wage inflation – The business has been facing pressure from wage inflation in recent years. Where strategically required, we have increased salaries to retain key staff in the light of approaches from competitors, especially where staff have specialist or technical skills. We monitor our staff attrition rate and have maintained a level around 16%, which is consistent with last year. We do not believe there has been any significant outflow of staff due to being uncompetitive with salaries. We have a strong, collaborative and supportive culture and offer our staff employment in a business that is robust and they are proud of. This is a key part of our attraction and retention strategy.

  In addition, when we look at our key operational efficiency ratio of operating profit/gross profit, we have achieved 43%, which is up on last year, demonstrating the control over staff costs in response to the growth of the business. While we have already aligned staff salaries to market rates, further expected rises have been factored into the financial forecasts in line with those awarded in the past year.
- Interest rates – The Group has only a very small level of debt in respect of its property and vehicle leases and so minimal interest cost exposure, nor has it ever needed to call on its revolving credit facility (RCF). During the period we have continued to take advantage of the recent high interest rates to generate a significant £6.0 million of interest income in the reporting period by placing available cash on the money markets through our monthly cash cycle. While there are indications that interest rates may start to fall in the coming months, as inflation comes down, we still see substantial earnings opportunity over the going concern period.
- Foreign currency rate changes – The vast majority of our business is transacted in GBP. Where we do transact in foreign currencies, fluctuations in the value of the pound sterling can have both positive and negative impacts but we have the ability to self-hedge as we make both sales and purchases in US dollars and euros.
- Economic conditions impacting on customer spending – While customers may consider reducing spending on IT goods and services, if they are seen as non-essential, we have seen increased spending by our customers, because

IT may be a means to efficiencies and savings elsewhere. As our customers undergo IT transformation, trending to the cloud, automation and managed service, and with growing cybersecurity concerns also heightening the requirements for IT security, we are seeing no let-up in demand, as illustrated by our reported trading performance. This is supported by our very robust operating model, with business spread over many customers in repeat subscription programs and service contracts, and high renewal rates.

- Economic conditions impacting on customer payments – Across the period we have seen our average debtor days maintained year on year at 37, and with minimal evidence that customers ultimately do not pay. We have suffered only a small level of bad debt during the period: £0.4 million against GII of £1.2 billion. As in previous years, the majority of our GII (70%), came from the public sector, traditionally very safe and with low credit risk, while our corporate customer base includes a wide range of blue-chip organisations and with no material reliance on any single customer.

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

- Increasing energy prices are not having a noticeable impact on our profitability.
- In terms of supply chain, we are not significantly or materially dependent on the movement of goods, so physical trade obstacles are not likely to affect us directly, with hardware only making up 1% of our GII during the period. Nevertheless, we have ensured that we have a number of suppliers with substitute, or alternative, technologies that we can rely on if one supplier cannot meet our requirements or timescales. This indicates that we have managed the supply chain well.
- Software sales, though, continue to be the dominant element of our overall GII and so are not inherently affected by cross-border issues.

Climate change risks
The Group does not believe that the effects of climate change will have a material impact on its operations and performance over the going concern review period considering:

- The small number of UK locations it operates from.
- A customer base substantially located within the UK.
- A supply chain which is not reliant on international trade and does not source products and services from parts of the world which may be impacted more severely by climate change.
- It sells predominantly electronic software licences and so has no manufacturing or storage requirements.
- Its workforce can work seamlessly from home should any of their normal work locations be impacted by a climatic event, although in the UK these tend to be thankfully infrequent and not extreme.

Climate risks are considered fully in the Task Force on Climate-related Financial Disclosures (TCFD) included in the Annual Report for the year ended 29 February 2024.

Liquidity and financing position
At 31 August 2024, the Group held instantly accessible cash and cash equivalents of £71.5 million and the balance sheet shows net current assets of £24.3 million; these amounts are after the Group paid final and special dividends for the prior year totalling £35.4 million.

The Group has access to a committed RCF of £30 million with HSBC. The facility commenced on 17 May 2023, replacing the Group's previous facility for the same amount, and runs for three years, until 17 May 2026. The new facility includes an optional one-year extension to 17 May 2027 and a non-committed £20 million accordion to increase the availability of funding should it be required for future activity. To date, the Group has not been required to use either its previous or new facilities, and we do not forecast use of the new facility over the going concern assessment period.

Going concern assessment
The Group continues to forecast cashflows under a base case scenario modelled on continued growth, and then two downside scenarios, severe but plausible and stressed, both of which include certain appropriate mitigations. This

approach to stress testing is consistent with the disclosure on pages 153 and 154 in the annual financial statements for the year ended 29 February 2024.

In its assessment, the Board has considered the potential impact of the current economic conditions and geopolitical environment as described above. Whilst there is resilience against such pressures, if any of these factors leads to a reduction in spending by the Group's customers, there may be an adverse effect on the Group's future gross invoiced income, gross profit, operating profit, and debtor collection periods.

In the most stressed scenario, we have forecast both gross invoiced income and gross profit falling by 30% year on year, commencing in December 2024, and debtor days increasing by 10 at that same point in time. The directors consider that the level of stress-testing is appropriate to reflect the potential collective impact of all the macroeconomic and geopolitical matters described and considered above.

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

Under all scenarios assessed, the Group would remain cash positive throughout the whole of the going concern period, with no requirement to call upon the revolving credit facility and remaining compliant with the facility covenants. Dividends are forecast to continue to be paid in line with the Group's dividend policy to distribute 40% of the post-tax pre-exceptional earnings to shareholders.

Going concern conclusion
Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period up to 28 February 2026, being the going concern assessment period. Accordingly, the directors conclude it to be appropriate that the interim condensed consolidated financial statements be prepared on a going concern basis.

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

The accounting estimates and judgements adopted for these interim condensed consolidated financial statements are consistent with those of the previous financial year as disclosed in the Group's annual report and accounts for the year ended 29 February 2024.

1.4 New standards, interpretations and amendments adopted by the Group
There were no new standards, interpretations and amendments adopted by the Group during the period to 31 August 2024 that have a material impact on the interim condensed consolidated financial statements of the Group.

1.5 Changes in accounting policies and disclosures
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those set out in the Group's annual consolidated financial statements for the year ended 29 February 2024.

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

3. Revenue from contracts with customers

3(a) Disaggregation of revenue from contracts with customers:

The Group derives revenue from the transfer of goods and services in the following major product lines and geographical regions:

Revenue by product	Period ended 31 August 2024 Unaudited £'000	Period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
Software	74,719	67,088	130,365
Hardware	12,464	24,112	41,389
Services internal	16,619	15,473	31,517
Services external	1,670	2,026	3,750
Total revenue from contracts with customers	**105,472**	**108,699**	**207,021**

Software

The Group's software revenue comprises the sale of various types of software licences from a range of software vendors.

Hardware

The Group's hardware revenue comprises the sale of items such as servers, laptops and other devices.

Services internal

The Group's internal services revenue comprises internally provided consulting services through its own internal resources.

Services external

The Group's external services revenue comprises the sale of externally provided training and consulting services through third-party contractors.

Revenue by geographical regions	Period ended 31 August 2024 Unaudited £'000	Period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
United Kingdom	102,178	105,296	199,912
Europe	1,928	2,111	4,326
Rest of world	1,366	1,292	2,783
	105,472	**108,699**	**207,021**

3(b) Gross invoiced income by type	Period ended 31 August 2024 Unaudited £'000	Period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
Software	1,187,279	1,027,305	1,721,993
Hardware	12,464	24,112	41,389
Services internal	16,619	15,473	31,517
Services external	13,887	14,751	28,103
	1,230,249	**1,081,641**	**1,823,002**
Gross invoiced income	1,230,249	1,081,641	1,823,002
Adjustment to gross invoiced income for income recognised as agent	(1,124,777)	(972,942)	(1,615,981)
Revenue	**105,472**	**108,699**	**207,021**

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items amounting to a net increase of £1.0 million (2023: £15.7 million increase; 29 February 2024: £8.5 million increase). The Group reports gross invoiced income as an alternative financial KPI as management believes this measure allows further understanding of business performance and position particularly in respect of working capital and cash flow.

4. Finance income and costs

	Period ended 31 August 2024 Unaudited £'000	Period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
Bank interest received	5,979	2,859	**5,111**
Finance income	**5,979**	**2,859**	**5,111**
Interest expense on financial liabilities	(113)	(219)	(330)
Interest expense on lease liability	(45)	(25)	(63)
Finance costs expensed	**(158)**	**(244)**	**(393)**
Net finance income	**5,821**	**2,615**	**4,718**

5. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual rate used for the period to 31 August 2024 is 26.6%, compared to 23.9% for the period to 31 August 2023. The tax rate is higher in the current period, due primarily to the increase in the UK corporate tax rate from 19% to 25% effective from 1 April 2023.

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

	Period ended 31 August 2024 Unaudited £'000	Period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
Current income tax charge	10,972	8,646	15,807
Deferred tax charge/(credit)	87	(690)	(1,062)
Total tax charge	**11,059**	**7,956**	**14,745**

Amounts recognised directly in equity	Period ended 31 August 2024 Unaudited £'000	Period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly charged or credited to equity:			
Deferred tax: share-based payments (charge)/credit	(222)	381	407
Current tax: share-based payments credit	-	-	491
	(222)	**381**	**898**

6. Intangible assets

	Goodwill £'000	Customer relationships £'000	Brand £'000	Software £'000	Total £'000
Cost					
At 1 March 2023, 31 August 2023 and 29 February 2024	37,493	8,798	3,653	-	49,944
Additions	-	-	-	1,642	1,642
At 31 August 2024	**37,493**	**8,798**	**3,653**	**1,642**	**51,586**
Amortisation					
At 1 March 2023	-	4,765	3,653	-	8,418
Charge for the period	-	440	-	-	440
At 31 August 2023	-	5,205	3,653	-	8,858
Charge for the period	-	440	-	-	440
At 29 February	-	5,645	3,653	-	9,298
Charge for the period	-	440	-	-	440
At 31 August 2024	-	**6,085**	**3,653**	-	**9,738**
Net book value					
At 31 August 2023	37,493	3,593	-	-	41,086
At 29 February 2024	37,493	3,153	-	-	40,646
At 31 August 2024	**37,493**	**2,713**	-	**1,642**	**41,848**

7. Financial assets and financial liabilities

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

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

The Group holds the following financial instruments:

Financial assets	Note	As at 31 August 2024 Unaudited £'000	As at 31 August 2023 Unaudited £'000	As at 29 February 2024 Audited £'000
Financial assets at amortised cost:				
Trade receivables	**8**	194,709	165,293	212,432
Other receivables	**8**	13,854	12,015	7,415
		208,563	**177,308**	**219,847**

Financial liabilities	Note	As at 31 August 2024 Unaudited £'000	As at 31 August 2023 Unaudited £'000	As at 29 February 2024 Audited £'000
Financial liabilities at amortised cost:				
Trade and other payables – current, excluding Payroll tax and other statutory tax liabilities	**10**	246,843	218,970	259,661
Lease liabilities		1,857	1,358	1,737
		248,700	**220,328**	**261,398**

8. Trade and other receivables

	As at 31 August 2024 Unaudited	As at 31 August 2023 Unaudited	As at 29 February 2024 Audited
Financial assets	**£'000**	**£'000**	**£'000**
Gross trade receivables	196,881	166,835	214,922
Less: loss allowance	(2,172)	(1,542)	(2,490)
Net trade receivables	194,709	165,293	212,432
Other receivables	13,854	12,015	7,415
	208,563	177,308	219,847
Non-financial assets			
Prepayments	3,193	2,840	1,968
	3,193	2,840	1,968
Trade and other receivables	**211,756**	**180,148**	**221,815**

9. Cash and cash equivalents

	As at 31 August 2024 Unaudited £'000	As at 31 August 2023 Unaudited £'000	As at 29 February 2024 Audited £'000
Cash at bank and in hand	71,507	51,663	88,836
	71,507	**51,663**	**88,836**

10.Trade and other payables

	As at 31 August 2024 Unaudited £'000	As at 31 August 2023 Unaudited £'000	As at 29 February 2024 Audited £'000
Trade and other payables	190,137	172,447	168,777
Accrued expenses	56,706	46,523	90,884
Payroll tax and other statutory liabilities	3,749	3,939	18,256
	250,592	**222,909**	**277,917**

11. Cash generated from operations

	Note	Period ended 31 August 2024 Unaudited £'000	Period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
Profit before taxation		41,506	33,344	61,596
Adjustments for:				
Depreciation and amortisation		1,286	1,145	2,379
Non-cash employee benefits expense – share based payments	**15**	2,489	2,900	5,708
Finance (Income)/costs – net		(5,821)	(2,615)	(4,718)
Share of profit of associate		(72)	(120)	(166)
Decrease/(increase) in contract assets		2,220	(5,924)	(3,364)
Decrease/(increase) in trade and other receivables		10,059	5,772	(35,895)
Decrease/(increase) in inventories		43	-	(2)
(Decrease)/increase in trade and other payables		(27,324)	(8,808)	46,200
Decrease in contract liabilities		(2,377)	(8,277)	(4,405)
Cash generated from operations		**22,009**	**17,417**	**67,333**

12. Dividends

Declared and paid during the period	Period ended 31 August 2024 Unaudited £'000	Period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
Interim dividend	-	-	6,466
Final dividend	14,438	12,214	12,214
Special dividend	20,935	17,961	17,961
Total dividends attributable to ordinary shareholders	**35,373**	**30,175**	**36,641**

Dividends not recognised at 31 August 2024
Since the end of the half year the directors have recommended the payment of an interim dividend of 3.1 pence per fully paid ordinary share (2023: 2.7 pence). The aggregate amount of the proposed dividend expected to be paid on 22 November 2024 out of retained earnings at 31 August 2024, but not recognised as a liability at the end of the half year, is £7.5 million.

13. Related party transactions

In the ordinary course of business, the Group carries out transactions with related parties, as defined by IAS 24 'Related Party Disclosures'. Group companies made purchases from the associate of £2.3 million during the six months ended 31 August 2024, with a trade payable of £0.3 million at 31 August 2024.

14. Share-based payments

For the six months ended 31 August 2024, 1,427,638 share options were granted to eligible employees under the PISP, SAYE and DBP schemes (2023: 1,578,955 share options were granted).

	Period ended 31 August 2024 Unaudited £'000	Period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
Share-based payment employee expenses	2,489	2,900	5,708
	2,489	**2,900**	**5,708**

15. Earnings per share

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

	Period ended 31 August 2024 Unaudited pence	Period ended 31 August 2023 Unaudited pence	Year ended 29 February 2024 Audited pence
Basic earnings per share	12.67	10.60	19.55
Diluted earnings per share	12.19	10.17	18.85
Headline earnings per share	12.67	10.60	19.55
Diluted headline earnings per share	12.19	10.17	18.85

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

	Period ended 31 August 2024 Unaudited Number	Period ended 31 August 2023 Unaudited Number	Year ended 29 February 2024 Audited Number
Weighted average number of ordinary shares used as the denominator in calculating both basic EPS and HEPS	240,222,961	239,482,333	239,693,670
Adjustments for calculation of both diluted EPS and diluted HEPS:			
– share options(1)	9,515,378	10,105,688	8,813,260
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating both diluted EPS and diluted HEPS	249,738,339	249,588,021	248,506,930

[1] Share options

Share options granted to employees under the Save As You Earn Scheme, Company Share Option Plan and Bytes Technology Group plc performance incentive share plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share on the basis that all employees are employed at the reporting date, and to the extent that they are dilutive. The options have not been included in the determination of basic earnings per share.

15(b) Headline earnings per share

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

	Period ended 31 August 2024 Unaudited £'000	Period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 Audited £'000
Profits attributable to owners of the company	30,447	25,388	46,851
Adjusted for:			
- Loss on disposal of property, plant and equipment	-	-	-
- Tax effect thereon	-	-	-
Headline profits attributable to owners of the company	**30,447**	**25,388**	**46,851**

16. Events after the reporting period

There were no events after the period that require disclosure.