SYS GROUP

annual report & accounts 2017

SysGroup Plc
Walker House
Exchange Flags
Liverpool L2 3YL

Company Number
06172239

www.sysgroup.com

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directors, secretary and advisers

directors, secretary & advisers

Board of Directors

John Michael Edelson
Non-Executive Chairman

Christopher Neil Evans
Chief Executive Officer

Julian Llewellyn
Chief Financial Officer

Robert Khalastchy
Non-Executive Director

Amy Yateman-Smith
Non-Executive Director

Company Secretary
Julian Llewellyn

Registered Office
Walker House
Exchange Flags
Liverpool L2 3YL

Company Number
06172239

Legal Entity Identifier (LEI)
213800D18GPZZJR9SH55

Company Website
www.sysgroup.com

Nominated Adviser

Shore Capital and Corporate Ltd
Bond Street House
14 Clifford Street
London W1S 4JU

Broker

Shore Capital Stockbrokers Ltd
The Corn Exchange
Fenwick Street
Liverpool L2 7RB

Registrar

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Lawyers

Kuit Steinart Levy LLP
3 St Mary's Parsonage
Manchester M3 2RD

Hill Dickinson LLP
No.1 St. Paul's Square
Liverpool L3 9SJ

Accountants

Grant Thornton UK LLP
Royal Liver Building
Liverpool L3 1PS

Independent Auditor

BDO LLP
3 Hardman Street
Manchester M3 3AT

Bankers

Santander (UK) plc
298 Deansgate
Manchester M3 4HH

Financial PR Advisers

Alma PR
1 Fore Street
London EC2Y 9DT

highlights

highlights

Financial

	2017	2016	2017 % increase / decrease
Revenue	**£7.87m**	£4.76m	**+65.3%**
Gross margin	**£4.82m**	£3.00m	**+60.7%**
Gross margin %	**61.3%**	63.2%	**(3.0%)**
Adjusted EBITDA [1] (continuing operations)	**£0.62m**	£0.54m	**+14.8%**
Adjusted EBITDA [1] (discontinued operations)	**£0.19m**	£0.12m	**+58.3%**
Adjusted PBT [2]	**£0.45m**	£0.31m	**+45.2%**
Profit/(loss) before tax	**£0.32m**	£0.25m	**+28.0%**
Operating cash inflow	**£1.22m**	£0.65m	**+87.7%**
Net Cash [3]	**£3.07m**	£0.21m	**-**

1. Adjusted EBITDA, is earnings before interest, taxation, depreciation, amortisation, acquisition and restructuring costs, fair value adjustments and share based payments
2. Adjusted PBT is profit before taxation after adding back share based payments, amortisation on acquired intangibles and costs relating to integration and restructuring
3. Net Cash represents cash balances less finance lease liabilities

Operational

- Acquisition of System Professional Ltd ("Sys-Pro") for an initial consideration of £4.0m
- Placing to raise £5.0m gross in July 2016
- Disposal of non-core SME Mass Market division for £2.7m (4.9x EBITDA) in July 2016
- Transformation to a Managed Services provider
- New banking facilities of £3.0m, incorporating a £2.5m acquisition facility agreed with Santander
- Continued investment in infrastructure and portfolio of services including use of 'hyper-scale' technologies
- First VEEAM Accredited Service Partner (VASP) in the UK
- Finance function successfully relocated and integrated across Group to a single location, closure of Nottingham office
- Existing customers overall net spend increasing
- Creation of an "integrations" team to enhance capabilities around acquisition integration and to ensure efficient execution

Post Period-End Developments

- Variation to terms of the Sys-Pro acquisition with settlement of all future potential deferred consideration by payment of £150,000 to the vendors of Sys-Pro
- Group no longer has any contingent amounts due in relation to acquisitions
- Further acceleration of integration and realisation of synergies

strategic report

strategic report

chairman's statement

The Board is pleased to report on a busy and successful year for the Group, which saw the business undergo a complete transformation to a Managed Services provider, delivering against our stated strategic objectives for the 2017 financial year. At the same time the Group achieved impressive growth in line with market expectations, delivering an increase in Group revenue of 65.1%, including 19.8% organic growth.

The Group's transformation consisted of the acquisition of Systems Professional Limited ("Sys-Pro") in early July, complementing the Group's existing managed services business, and an associated re-branding of the business from Daily Internet Plc to SysGroup Plc. This, combined with the subsequent disposal of the Company's legacy, non-core SME Mass Market hosting division, resulted in the formation of a business focused exclusively on servicing the high value managed services market, with a strong focus on cloud.

To facilitate the funding of the Sys-Pro, the Group completed an oversubscribed placing in July raising £5.0m gross and bringing a number of new institutional shareholders onto the Company's register. In conjunction with the placing and acquisition, the Company also undertook a 40 for 1 share consolidation and sought court approval for the cancellation of its share premium account, leaving the parent company able to pay dividends in the future should it be appropriate to do so (see note 22).

In order to support the new business composition and operational focus, a number of organisational changes were implemented to restructure the Group, including the appointment of Julian Llewellyn as CFO and Amy Yateman-Smith as Non-Executive Director. I would like to welcome both Julian and Amy to the Board and I look forward to working with them as we continue to execute our growth strategy.

The Board believes the Group now has in place the right platform, expertise and focused service offering to capitalise on a substantial market opportunity. The Managed Services market continues to evolve and remains highly fragmented, and the Board believes that a strategy of organic growth and targeted acquisitions, supported by the Group's strong gross cash position of £3.5m and unutilised £2.5m acquisition facility, will deliver sustained, long-term value for shareholders.

I would like to take this opportunity to thank all of our employees for their commitment and dedication to the business. We have started the new financial year with an improved operational structure and strong financial footing, which, combined with increasing levels of recurring revenue, leaves me optimistic for the Group's growth prospects ahead.

Michael Edelson
Chairman
06 June 2017

strategic report

chief executive officer's report

Introduction

The year to 31 March 2017 has been a year of both significant progress and change for SysGroup plc.

The acquisition of System Professional Ltd ("Sys-Pro") in July 2016 and subsequent disposal of the SME Mass Market business unit in the same month marked the firm transition to a Cloud and Managed Services business.

These were large undertakings for our business as firstly we acquired a business which had higher revenue and staff numbers than ourselves and then disposed of a business which represented almost half of the Group's size, before the acquisition of Sys-Pro.

Subsequent to the transactions, we reorganised the combined businesses and made several changes to the management team. We have created internal teams for managing the integration and have created liaisons between teams to maximise the cross-selling opportunity to customers to take advantage of the increased range of services from our growing product portfolio.

Not only did this work to create a business that is now focused on Managed Services with a cloud bias but it allowed us to put in place the foundations to better take advantage of the opportunities that present themselves in this growing market.

The above corporate activity was in line with the Board's stated strategy to exit from a light-touch, low margin and high volume mass hosting market, which was largely commoditised and subject to high customer churn, to a business focused exclusively on providing higher value Managed Services.

Notwithstanding the management time that was involved in this, we maintained focus on the core business and delivered results in line with market expectations for FY 2017.

Our revenues (from continuing and discontinued operations) in the year were £7.87m, an increase of 65.3% on the previous year (2016: £4.76m). Our adjusted EBITDA (from continuing and discontinued operations) increased by 22.7% to £0.81m (2016: £0.66m) and our adjusted profit before tax increased from £0.31m in 2016 to £0.45m representing a 45.2% increase. At the year-end, we had a healthy net cash position of £3.07m.

We believe that the foundations are now firmly laid for us to capture growth in our chosen markets and complement these with carefully considered acquisitions.

Market

The market for managed and cloud services is large and long term, driven by the structural move to cloud delivered solutions and IT outsourcing in general. IT is no longer seen as a cost base but is something which can really help drive profits and efficiencies in businesses, and corporations are embracing technologies that will put them at a commercial advantage compared with a competitor.

This desire to embrace the best of breed technologies which can drive these efficiencies means that knowledge of better, more cost effective, reliable and secure solutions in a changing environment drives customers to partner with us as we help guide and advise them along their journey. We become part of our customers' IT function and our close and increasing engagement with them is demonstrated by an overall net increase in customer spend year on year for the past three years.

Our Managed Service offerings include all forms of Cloud hosting (private, public and hybrid) but also outsourced service desk and various IT consulting services including public cloud (Azure and AWS services). Our Managed Services revenue is predominantly derived from Cloud and this element of our service is growing at the fastest rate, with organic growth of 19.8% in 2017.

Strategy

SysGroup's clear focus is to expand its position as a trusted provider of managed services and expert IT consultancy to clients in the UK and Ireland. We have positioned the Group as an extension to a customer's existing IT department guiding them through the complexities and developments in the market.

Our target market is servicing the UK corporate sector that has traditionally managed and housed their own IT infrastructure on premise. We operate in a variety of vertical sectors but have weighting in not for profit, education, health services, financial services, insurance, technology and merchant and distribution sectors with a variety of well-known clients in these verticals.

Being a Visa Level 1 PCI-DSS service provider (highest level) and with our ISO9001 and ISO27001 credentials we are an attractive partner to anyone who wishes to ensure platforms are built and maintained to the highest of security standards.

Our IT consulting services often result in customers taking Cloud services from us, and the legacy VAR (Value Added Reseller) element of the Sys-Pro business provides a feeder of cloud and managed service opportunities as customers favour OPEX over CAPEX models and the flexibilities that offers.

Along with seeking to engage with larger spending customers who have a specific need for a large custom built cloud platform we also seek to engage with customers in our chosen markets who are at different stages of their IT journey. This can initially be by partnering with us for functions like our monitoring services, remote service desk, backup and disaster recovery services. As our customers develop, the opportunity grows and results in more of their services being outsourced to us. The result is that these customers can be very sticky in nature as the increased level of services provided by the Group creates a greater reliance on the Group and significant barrier to entry for competitors. Customers typically sign up for a contract period of one to three years, with larger contracts tending to be three years.

We intend to supplement our organic growth with carefully considered acquisitions.

Acquisitions

In July 2016 the Group acquired Sys-Pro for an initial consideration of £4.0m, paid 85% cash and 15% in new ordinary shares at 60 pence per share, funded by way of a placing raising £5.0m gross. There have been certain operational challenges at Sys-Pro since its acquisition but overall integration of the business into the Group is continuing and was accelerated just prior to the year end, with a number of important milestones already reached.

During the period the Group secured new banking facilities with Santander UK plc. The facilities comprise a £2.5m Revolving Credit Term Loan Facility to finance acquisitions alongside a £0.5 million overdraft facility and a £0.5m finance leasing facility.

In line with the Group's stated growth strategy, the Board remains alert to strategic acquisition opportunities to supplement organic growth. In a fragmented market, we believe we are well placed to make further astute acquisitions given our size and funding availability.

Disposal

On 22 July 2016 the Group announced the disposal of its SME Mass Market business for a total consideration of £2.7m in cash, less an amount of £0.5m in respect of advance receipts/payments.

As this business was based in the Group's former head office in Nottingham a necessary reorganisation occurred and a new finance function was established in the Liverpool office of the Group.

Operational Review

All of the Group's activities relate to delivering IT Managed Services with a Cloud bias along with consulting. The Group is segmented into Managed Services, VAR and SME Mass Market. The SME Mass Market division was discontinued following completion of the disposal of this division on 18 July 2016, and is therefore shown as discontinued in the table below. Managed Services segment consists of all the activities of Netplan Internet Solutions Ltd and that of Sys-Pro but excluding its VAR business.

The SME Mass Market and System Professional Ltd businesses are included in the results to their respective date of disposal or acquisition.

We have introduced a new operating segment of VAR. This is legacy activity from which Sys-Pro built its business. Traditionally Sys-Pro was a provider of hardware and software but has followed the transformation to Cloud and IT Managed Services and was at the beginning but established level of the curve in converting its traditional 'on premise' customers to Cloud delivered solutions. We continue our work educating our traditional customers of the benefits of Cloud delivered services and the concept of moving from a CAPEX to an OPEX model. Market drivers and overall trend underline the substantial opportunity to us in this base. We expect the VAR segment to decrease as customers continue to shift to Managed Services.

The revenue split of the divisions is shown below:

Revenue by operating segment	2017 £'000	2017 %	2016 £'000	2016 %
Managed Services	5,400	69%	2,515	53%
Value Added Reseller	1,765	22%	-	-
SME Mass Market (discontinued)	700	9%	2,249	47%
Total	**7,865**	**100%**	**4,764**	**100%**

Key Performance Indicator Review

Revenue Growth	2017	2016
Revenue (continuing)	£7.165m	£2.515m
Growth	184.9%	22.0%

Revenue from continuing operations grew by 184.9% driven by Managed Services and the acquisition of System Professional Ltd.

Adjusted EBITDA (including discontinued activities) improved 22.7% to £0.81m (2016: £0.66m).

The growth in Adjusted EBITDA is a combination of improved performance from the Netplan business unit and from contribution from Sys-Pro (acquired in the period)

Performance Review

Group revenue for the year grew by 65.3% to £7.865m for the year to 31 March 2017 (2016: £4.764m). Revenue growth was driven by the Managed Services division, which consists of the Netplan brand (incorporating Q4Ex) and the System Professional brand (acquired in the year), contributing revenues of £7.165m (2016: £2.52m). The SME Mass Market division generated revenues of £0.7m (2016: £2.2m) before being divested.

We continue to have good visibility of future revenues as the vast majority of our customers have entered into multi-year contracts. As at 31 March 2017 there is £0.47m of deferred revenue (2016: £0.71m) which will be released to profit in future periods.

Gross profit for the year on continuing and discontinued operations was £4.82m (2016: £3.01m) representing a gross margin of 61.3% (2016: 63.2%). The reduction in gross margin is attributable to the change of sales mix during the year and the slower conversion of Sys-Pro VAR customers into Managed Services revenue.

Adjusted earnings before interest, taxation, depreciation and amortisation ("EBITDA") for the year to 31 March 2017 is £0.81m (2016: £0.67m). Adjusted EBITDA is calculated after excluding acquisition and restructuring costs, share based payment costs and fair value adjustments. The Directors consider that an adjusted EBITDA figure is a more appropriate measure of the underlying performance of the business.

Balance Sheet

Net cash inflow from operating activities during the year amounted to £1.22m (2016: £0.65m). Cash at bank at 31 March 2017 was £3.47m (2016: £0.51m).

Payables falling due within one year are reported at £2.36m (2016: £1.64m). This figure includes an amount of £0.47m (2016: £0.71m) for deferred revenue which will be released to profit in future years.

Contingent consideration payable on the System Professional Ltd acquisition of £0.69m (2016: nil), which is the fair value of the amounts payable in shares, is included within liabilities falling due after more than one year. Contingent consideration on the acquisition of Q4Ex Ltd has now been fully settled given all performance criteria were satisfied.

Based on certain performance criteria, the vendors of Sys-Pro could be due further consideration of up to £1.865m. At the year-end the fair value of the contingent consideration stood at £0.69m. Post period end however this has now been settled by a one-off payment of £150,000. This is a post balance sheet event and has also removed some operational challenges by removing certain approval processes required with the vendors allowing for integration to be accelerated and is explained in more detail in note 24.

The Directors are confident there is sufficient working capital within the Group. The Group also has surplus cash, is cash generative and has £3.0m of committed but undrawn banking facilities (which includes a £2.5m acquisition facility). However, should accretive acquisitions become available to the Group that cannot be met from existing resources (or with enough headroom comfort), the Group may seek to raise additional finance either through debt, equity or a mixture of the two.

Our People

Our people are very highly valued and the Directors place considerable emphasis on employees sharing in the success of the Group. This is achieved through the participation in share option schemes. Due to the nature and size of the business, employees are constantly encouraged to communicate with the Group's senior management to discuss business issues and potential improvements.

It is the policy of the Group that there should be no unfair discrimination in recruiting and promoting staff, including applicants who are disabled. The Directors are committed to maintaining and developing communication and consultation processes with employees, who in turn are encouraged to develop an awareness of the issues affecting the Group.

Divisional split average as at 31 March	2017	2016
Board of Directors	5	4
SME Mass Market	-	12
Managed Services	59	14
Total	**64**	**30**

Gender diversity as at 31 March 2017	Men		Women	
	Number	%	Number	%
Board of Directors	4	80%	1	20%
Senior Managers	3	75%	1	25%
Employees	50	91%	5	9%
Total	**57**	**89%**	**7**	**11%**

Infrastructure and Technology

During the year, we invested in our capabilities and have begun deploying Cloud services from a newly fitted out location on our network in a datacentre in Manchester. We are utilising 'hyper-scale' technologies that the likes of Facebook, Microsoft and Amazon utilise, such as software defined networking and continuous integration. These technologies allow us to automatically roll-out a whole network deployment and virtual machine build in minutes whilst continuous integration means we can test changes in a virtual environment before pushing these to a live environment, minimising 'change control' risks.

Our work and contribution to the CEPH OpenSource community gained us recognition for the development of an industry leading low cost storage solution which lead us to become the first VEEAM accredited service partner in the UK. We will continue our R&D efforts and bring new and interesting services to our customers.

Principal Risks and Uncertainties

In line with the nature, size and complexity of the business the senior management team work very closely to identify and evaluate areas of risk whilst developing and monitoring action plans to deal with any potential threats.

All outcomes are reported to the Board and support is given as necessary to ensure actions are carried out. Identifiable areas of risk include:

- *Dependency on key suppliers* – the Group is dependent on certain key suppliers for the continued operation of its business, the most significant of which are the supply of third party software and datacentre services. If any of these suppliers fail in the provision of their services it may have an adverse effect on the Group's ability to provide services to its customers. However, the Group continually assess suppliers for both price competitiveness and technical innovation and are confident that alternative providers could be found.
- *Customer retention* – the Group provides an essential service to its customers. Any diminution in service levels could impact customer retention levels. However, the Group constantly monitors service levels and the low level of customer attrition is evidence of the Group's ability to provide the level of service required.
- *Network* – the datacentres we utilise are linked by fibre that we lease. Should the network fail there would be an adverse impact on the service provided to our customers. The Group has designed its network to have no single point of failure, it connects with transit providers at different geographical locations.
- *Employees* – the Group is a service organisation and as such, is dependent on the skills, knowledge and commitment of its staff. The performance of the Group is dependent on retaining its staff. We mitigate this risk by offering competitive reward packages.
- *Search engine optimisation* – a significant amount of the Group's sales revenues are generated from customers using internet search engines. Should the Group's search engine optimisation performance deteriorate, this could have an adverse impact on Group revenue. The Group continually monitors the position of its websites with respect to these search engines. The Group has experienced staff that work with specialist agencies to maintain or enhance the position of its websites for inclusion in search results.
- *Acquisitions* – the Group has stated that its strategy is to continue to make acquisitions to strengthen its growth. The risk is that we may not be able to find suitable acquisition targets. We mitigate this risk by regularly conducting searches for targets and also retain advisers who introduce targets.

Summary and Outlook

We are pleased with our results, delivered in a year of both significant progress and change for the Group. We have achieved our objectives of fundamentally transforming the business to focus on high growth managed services whilst delivering enhanced profitability and results in line with market expectations, while at the same time integrating a large acquisition. Our sales pipeline has grown by 28.8% from 30 September 2016 to £3.49m at 31 March 2017, showing the tangible impact of our growth strategy.

Due to operational challenges at Sys-Pro since its acquisition the Group expects growth to be slower than originally expected for FY 2018. The Board have taken the necessary remedial steps and following entry into the deed of variation with the vendors of Sys- Pro, the management team has the ability to accelerate the integration process.

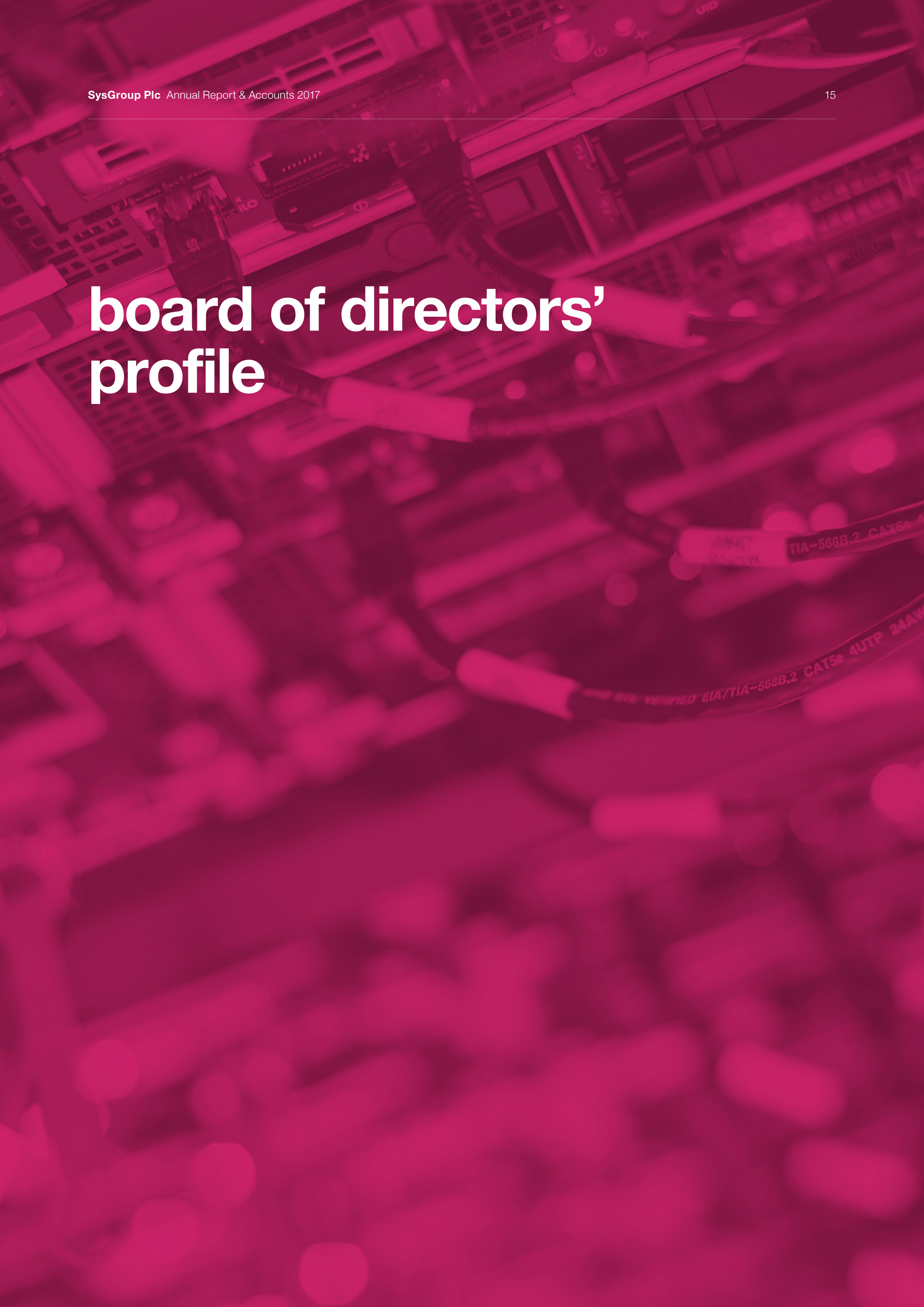
Our new management structure and internal teams will support further organic and acquisitive growth and given our healthy levels of recurring revenue and long term contracts with key customers, coupled with our cash generation, we are well placed to capture market opportunity.

We look forward to the future with confidence.

This Strategic Report was approved and signed by order of the board.

Chris Evans
Chief Executive Officer
06 June 2017

board of directors' profile



board of directors' profile

John Michael Edelson

Non-Executive Chairman

Michael brings a wealth of experience as a Board Director to SysGroup plc. He has been a Founding Director or Chairman of a number of companies admitted to the AIM market, including Prestbury Group plc, Knutsford Group plc, Mercury Recycling Group plc (now Ironveld plc) and ASOS PLC. He was a non-executive Chairman of Bramhall plc, subsequently renamed Magic Moments Internet plc and then Host Europe plc, which acquired Magic Moments Design Limited in September 1999. He has also been on the Board of Manchester United Football Club since 1982.

Christopher Evans

Chief Executive Officer

Chris studied Software Engineering at Liverpool John Moores University before founding Switch Media Ltd, a web hosting provider. Switch Media was listed in the Deloitte Fast 50 for two years running in 2007 and 2008 before being acquired by iomart Group PLC in April 2011. Following the acquisition by Iomart, he was a Director of Iomart's Easyspace division involved in integrating divisional acquisitions and delivering the financial budget ahead of plan. He was a founder of Q4Ex Ltd (a company acquired by SysGroup).

Julian Llewellyn

Chief Financial Officer

Julian was appointed as Chief Financial Officer on 23rd January, 2017 and formally joined the Board on 6th April, 2017. Julian has over 25 years' senior finance experience. Julian's two previous roles were as Interim Chief Financial Officer of Redcentric PLC and Business Improvement Director at Exertis (part of DCC PLC). Prior to those two roles, from 2010 to 2014, Julian was Group Financial Controller of Greenergy International Ltd. Julian has also held senior finance roles in the IT sector at SurfControl PLC and IFS AB, and with BAE SYSTEMS PLC and Premier Brands Ltd. Julian is a graduate of Lancaster University and a fellow of The Institute of Chartered Accountants in England and Wales.

Robert Khalastchy

Non-Executive Director

Mr Khalastchy is a graduate from the University of Sussex where he received a Bachelor's degree in Electronic Engineering. For the past 20 years he has been involved in commercial property management working with high net worth overseas clients, assisting in the management of their total UK portfolio and various planning applications, as well as the day to day management of the portfolio. In 2001 he set up RK Management Limited, a commercial property management company handling a portfolio in excess of £35 million. In 2011 he set up Sterling Property Management, a residential block property management company which manages several prestigious blocks in Central and West London.

Amy Yateman-Smith

Non-Executive Director

Amy is an Investment Director at private equity firm Livingbridge Equity Partners LLP ("Livingbridge"), where she has worked since 2011. In recent years, Amy managed Livingbridge's investment in Onyx, the IT infrastructure services provider and was also a non-executive director of Onyx up until its sale to Pulsant, one of the UK's largest datacentre providers. Prior to Livingbridge, Amy spent six years at KPMG where she qualified as an accountant before joining the TMT Transaction Services team helping to advise private equity and corporate clients on due diligence and strategic option development across a wide variety of transactions. Amy is a graduate of Warwick University.

directors' report

directors' report

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 March 2017.

Principal Activities

The principal activities of the business are the provision of IT Managed Services and are explained in detail in the strategic report.

Business Review and Future Developments

A review of the Group's operations and performance during the financial year, setting out the position at the year-end, significant changes in the year and providing an indication of the outlook for the future is contained in the Strategic report on pages 8 to 14.

Results and Dividends

The Consolidated Statement of Comprehensive Income for the year is set out on page 34. The Directors do not propose the payment of a Dividend for the year ended 31 March 2017.

Financial Instruments

The Group uses various financial instruments. These include revolving credit facilities, bank loans, finance leases, cash and various items (such as trade receivables and trade payables) that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

Liquidity Risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved through available cash balances and its revolving credit facility.

Interest Rate Risk

The Group finances its operations through a mixture of revolving credit facilities, bank loans, finance leases and the placing of new ordinary shares. The Group's loan and revolving credit facilities were undrawn at the year end.

Credit Risk

The Group's principal financial assets are cash, and trade and other receivables. These balances are actively monitored to avoid significant concentrations of credit risk however the total of the cash balances and trade and other receivables represents the maximum exposure to credit risk.

In order to manage credit risk, the agreement with the customer states preferred collection by direct debit and limits are set for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit control team on a regular basis in conjunction with debt ageing and collection history. For hosting services, the Group predominantly invoices in advance and the agreement with the customer states preferred collection by direct debit, therefore the financial risk in respect of these debtors is limited.

Directors

The Directors of the Company who held office during the year are as follows:

- **Michael Edelson** *Non-Executive Chairman*
- **Christopher Evans** *Chief Executive*
- **Julie Joyce** *Finance Director (resigned 15 August 2016)*
- **Michael Hogan** *Chief Financial Officer (appointed 15 August 2016, resigned 01 December 2016)*
- **Julian Llewellyn** *Chief Financial Officer (appointed 06 April 2017)*
- **Robert Khalastchy** *Non-Executive Director*
- **Amy Yateman-Smith** *Non-Executive Director (appointed 21 September 2016)*

The interests of current Directors in shares and options are detailed in the Directors' Remuneration Report on page 22.

Significant Shareholdings

As of 05 June 2017 the Company has been notified of the following significant shareholdings:

Name	Number of shares	Percentage holding
Livingbridge EP LLP	4,603,700	19.93%
Hargreave Hale Limited (discretionary clients)	3,124,695	13.52%
Downing LLP	1,906,517	8.25%
Legal & General Investment Management Ltd	1,889,355	8.18%
Herald Investment Management Limited	1,048,966	4.54%
Chris Evans	1,040,611	4.50%
Hawk Investment Holdings Limited	837,120	3.62%
Paul Jones	794,291	3.53%
Arthur Duffy	717,927	3.19%

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going Concern

The Directors have reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future. For this reason they adopt the going concern basis for preparing the financial statements.

Post Balance Sheet Event

On 06 June 2017 the company entered into a deed of variation with the vendors of Sys-Pro, the resulting impact is a cash payment of £150k from the company to the vendors and a reduction of the contingent consideration (shown at fair value of £690k) to nil (see note 24).

Auditors

A resolution to re-appoint BDO LLP as auditors of the company will be put to the Annual General Meeting.

By order of the Board

Julian Llewellyn
Company Secretary
06 June 2017

directors' remuneration report

directors' remuneration report

Remuneration Policy

The Group has a policy to attract, motivate and reward individuals of the highest calibre who are committed to growing the value of the business and to maximising returns to shareholders.

The policy is as relevant to Executive Directors as it is to employees, as we aim to reward Executive Directors and senior employees aligned to the performance of the Group.

The remuneration structure for all employees considers remuneration rates of competitors to ensure continuity and commitment.

Directors' Service Contracts

Copies of Directors' service contracts will be available for inspection at the Annual General Meeting.

The Group does not operate a final salary pension scheme. Executive Directors who are entitled to receive pension contributions may nominate a defined contribution scheme into which the Company makes payments on their behalf.

Directors' Remuneration

A summary of the total remuneration paid to current Directors is set out below:

	2017			2016		
Director	**Salary £'000**	**Benefits in kind £'000**	**Total £'000**	**Salary £'000**	**Benefits in kind £'000**	**Total £'000**
Michael Edelson	40	-	40	40	-	40
Christopher Evans	96	-	96	96	-	96
Michael Hogan	80	-	80	-	-	-
Julie Joyce	126	2	128	86	2	88
Robert Khalastchy	12	-	12	12	-	12

The following pension contributions were paid within the year:

Director	2017 Total £'000	2016 Total £'000
Michael Edelson	-	-
Christopher Evans	5	-
Michael Hogan	1	-
Robert Khalastchy	-	-

Directors' Interests in Ordinary Shares of SysGroup plc

The Directors in office at the end of the year had interests in the ordinary share capital of the company as shown below:

Employee	Number of Ordinary Shares	Percentage Interest
Christopher Evans	1,040,611	4.50%
Michael Edelson	689,600	2.98%
Robert Khalastchy	6,346	0.03%
Amy Yateman-Smith	-	-

Directors' Interests in Share Options

The Directors had interests in options over ordinary shares of the Company at the end of the year as shown below:

Director	Total Options Over Ordinary Shares	Grant Date	Expiry Date
Michael Edelson	-	-	-
Robert Khalastchy	7,500	19/12/2012	18/12/2022
Amy Yateman-Smith	-	-	-
Christopher Evans	-	-	-

Directors' Warrants

The Directors held the following warrants over the ordinary shares of the Company at the end of the year as follows:

Director	Exercise Price	No. of Warrants	Grant Date	Expiry Date
Michael Edelson	200p	2,500	09/01/2012	08/01/2022

Mr Edelson's warrants are exercisable at any time before 8 January 2022, provided that the Company may require the exercise of these warrants if its shares are traded at a price in excess of 320p per share for a period of 60 business days and an aggregate value of bargains exceeding £60,000 occurs over that period.

corporate governance report

corporate governance report

Introduction

The Directors recognise the importance of, and are committed to, high standards of corporate governance. Although compliance with the UK Corporate Governance Code is not compulsory for AIM companies, and therefore the Directors do not claim compliance with the code, the Directors intend to apply the principles as they consider appropriate to a public company of the size of SysGroup plc quoted on AIM, taking into account the recommendations contained in the QCA Guidelines.

Board of Directors

The Board comprises five Directors - two Executives and three Non-Executives - and reflects a blend of different experience and backgrounds. The roles of Chairman (which is a Non-Executive position) and Chief Executive have been split by the Board and there is a clear division of responsibility between the two. The Board considers Michael Edelson, Robert Khalastchy and Amy Yateman-Smith to be independent in character and judgement notwithstanding their shareholding and/or share options in the Group. The Board, through the Chairman and the Non-Executive Director as well as the Executive Directors, maintains regular contact with its advisers and seeks to ensure that the Board develops an understanding of the views of the major shareholders about the Company. The Board meets regularly throughout the year and is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day-to-day management is delegated to the Executive Directors who are charged with consulting the Board on all significant matters. Consequently, decisions are made promptly following consultation amongst the Directors concerned where necessary and appropriate. All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively and all Directors have access to independent professional advice at the Company's expense, as and when required. The Chairman is available to meet with institutional shareholders to discuss any issues and concerns regarding the Group's governance. The participation of the private and institutional investors at the AGM is welcomed by the Board.

Internal Controls

The Directors acknowledge their responsibility for the Company's and the Group's systems of internal controls, which are designed to safeguard the assets of the Group and ensure the reliability of financial information for both internal use and external publication. Overall control is achieved by a regular detailed reporting system covering both technical progress of a project and the state of the Group's financial affairs. Any system of internal controls can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that risk of failure to achieve business objectives is eliminated.

The Directors consider that the system of internal controls operated effectively throughout the financial year and up to the date the financial statements were signed. Based on the size and complexity of the Group, the Board of Directors do not consider that there is a need for any internal audit function.

Committees

Audit Committee

The Company has established an Audit Committee that comprises of Michael Edelson, Robert Khalastchy and Amy Yateman-Smith. Michael Edelson is the Chairman of this Committee. The Audit Committee meets at least twice a year and is responsible for reviewing the integrity of the financial statements of the Group, the Group's compliance with legal and regulatory requirements, and the adequacy and effectiveness of the Group's internal financial controls and risk management processes including the extent to which internal audit review is required. It reviews the external auditors' performance and independence and makes recommendations to the Board on the appointment of the auditors.

Remuneration Committee

The Company has established a Remuneration Committee that comprises Michael Edelson, Robert Khalastchy and Amy Yateman-Smith. Michael Edelson is the Chairman. The Committee meets at least twice a year and is responsible for determining and reviewing with the Board the policy for the remuneration of the Executive Directors and such other members of the executive management it is designated to consider. Within the terms of the agreed policy, it determines the total individual remuneration of the Executive Directors. The Remuneration Committee also approves the design of, and determines targets for, any performance related pay schemes, reviews the design of any share incentive plans, determines the awards to the Executive Directors and determines the policy for, and scope, of pension arrangements for each Executive Director.

Rule 21 of The AIM Rules for Companies and MAR ("Market Abuse Regulation")

The Group will comply with Rule 21 of the AIM Rules (as amended to incorporate the provisions of MAR) relating to dealing during close periods. The Group has a reasonable and effective dealing policy in place. All employees are notified when the company enters and exits close periods but the dealing code in any event requires that an employee seek permission from certain designated people before trading in the shares of the Group. The Market Abuse Regulation (MAR) came into effect on 3 July 2016. It aims to increase market integrity and investor protection, enhancing the attractiveness of securities markets for capital raising.

Human Resources

The Group endeavours to appoint employees with appropriate skills, knowledge and experience for the roles they undertake. The Group has a range of polices which are aimed at retaining and providing incentives for key staff. Objectives are set for departments and employees that are derived from the Group's business objectives. The Group has a clear and well-understood organisational structure and each employee knows his or her line of accountability.

statement of directors' responsibilities

statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on Alternative Investment Market.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

Julian Llewellyn
Company Secretary
06 June 2017

independent auditor's report to the members of sysgroup plc

independent auditor's report to the members of sysgroup plc

We have audited the financial statements of SysGroup plc for the year ended 31 March 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP
Statutory Auditor
Manchester
United Kingdom

06 June 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

consolidated statement of comprehensive income

consolidated statement of comprehensive income

for the year ended 31 march 2017

	Notes	2017 Group £'000	2016 Group £'000
Revenue			
Total group revenue – continuing and discontinued operations	4	7,865	4,764
Revenue – discontinued operations		700	2,249
Revenue – continuing operations		**7,165**	**2,515**
Cost of sales		(2,783)	(829)
Gross profit		**4,382**	**1,686**
Operating expenses before depreciation, amortisation, acquisition and integration costs, fair value adjustment and share based payments		(3,764)	(1,579)
Adjusted EBITDA - continuing		**618**	**107**
Depreciation – continuing	14	(324)	(241)
Amortisation of intangibles – continuing	13	(326)	(205)
Acquisition and restructuring costs – continuing	8	(791)	(11)
Fair value adjustment – continuing		(300)	270
Share based payments – continuing		-	10
Administrative expenses		(5,505)	(1,756)
(Loss) from operations		**(1,123)**	**(70)**
Finance costs	6	(27)	(44)
Loss before taxation		(1,150)	(114)
Taxation	12	20	41
(Loss) from continuing operations		**(1,130)**	**(73)**
Profit from discontinued operations – net of income tax	**23**	**1,508**	**375**
Total comprehensive profit attributable to the equity holders of the company		**378**	**302**
Basic earnings per share (EPS)	11	£0.019	£0.021

consolidated statement of financial position

consolidated statement of financial position

as at 31 march 2017

	Notes	2017 Group £'000	2016 Group £'000
Assets			
Non-current assets			
Goodwill	13	7,620	4,454
Intangible assets	13	1,617	1,329
Property, plant and equipment	14	666	450
		9,903	6,233
Current assets			
Trade and other receivables	16	1,311	598
Cash and cash equivalents		3,473	513
		4,784	1,111
Total Assets		**14,687**	**7,344**
Equity and Liabilities			
Equity attributable to the equity shareholders of the parent			
Called up share capital	22	4,620	2,552
Share premium reserve		-	6,493
Other reserve		1,622	1,008
Translation reserve		4	-
Retained earnings / (losses)		4,843	(5,118)
		11,089	4,935
Non-current liabilities			
Obligations under finance leases	19	184	91
Contingent consideration due on acquisitions	17	690	435
Deferred taxation	12	365	242
		1,239	768

	Notes	2017 Group £'000	2016 Group £'000
Current liabilities			
Trade and other payables	17	1,671	718
Deferred Income	17	465	707
Other loans	18	-	105
Obligations under finance leases	19	223	111
		2,359	1,641
Total Equity and Liabilities		**14,687**	**7,344**

The notes on pages 51 to 79 are an integral part of these financial statements. The consolidated financial statements on pages 33 to 79 were approved by the Board on 06 June 2017.

Chris Evans
Director

Julian Llewellyn
Director

Registered number 06172239

company statement of financial position

company statement of financial position

as at 31 march 2017

	Notes	2017 Company £'000	2016 Company £'000
Assets			
Non-current assets			
Investments	15	10,429	6,576
Property, plant and equipment	14	56	33
		10,485	6,609
Current assets			
Trade and other receivables	16	100	34
Cash and cash equivalents		2,077	12
		2,177	46
Total Assets		**12,662**	**6,655**
Equity and Liabilities			
Called up share capital	22	4,620	2,552
Share premium reserve		-	6,493
Other reserve		1,622	1,008
Retained earnings / (losses)		4,048	(5,447)
		10,290	4,606
Non-current liabilities			
Amounts due from subsidiary undertakings		1,531	1,543
Contingent consideration due on acquisitions	17	690	435
		2,221	1,978
Current liabilities			
Trade and other payables	17	151	71
		151	71
Total Equity and Liabilities		**12,662**	**6,655**

As permitted by section 408 of the Companies Act 2006, the holding company's profit and loss statement has not been included in the financial statements.

For the year ended 31 March 2017, the Company made a loss of £86,000 (2016: loss of £386,000)

The notes on pages 51 to 79 are an integral part of these financial statements. The consolidated financial statements on pages 33 to 79 were approved by the Board on 06 June 2017.

Chris Evans
Director

Julian Llewellyn
Director

Registered number 06172239

consolidated statement of changes in equity

consolidated statement of changes in equity

for the year ended 31 march 2017

	Attributable to equity holders of the parent					
	Share capital £'000	**Share premium account £'000**	**Other reserve £'000**	**Translation reserve**	**Accumulated losses £'000**	**Total £'000**
At 1 April 2015	**2,399**	**6,493**	**656**	**-**	**(5,420)**	**4,128**
Profit and comprehensive profit	-	-	-	-	302	302
Issue of share capital	153	-	367	-	-	520
Expenses of share issue	-	-	(7)	-	-	(7)
Movement in share option reserve	-	-	(8)	-	-	(8)
At 31 March 2016	**2,552**	**6,493**	**1,008**	**-**	**(5,118)**	**4,935**
Profit and comprehensive profit	-	-	-	-	378	378
Translation of foreign subsidiaries	-	-	-	4	-	4
Issue of share capital - placing	1,686	3,367	-	-	-	5,053
Issue of share capital - consideration	382	-	616	-	-	998
Expenses of share issue	-	(277)	-	-	-	(277)
Capital re-organisation (note 22)	-	(9,583)	-	-	9,583	-
Movement in share option reserve	-	-	(2)	-	-	(2)
At 31 March 2017	**4,620**	**-**	**1,622**	**4**	**4,843**	**11,089**

The following describes the nature and purpose of each reserve within equity:

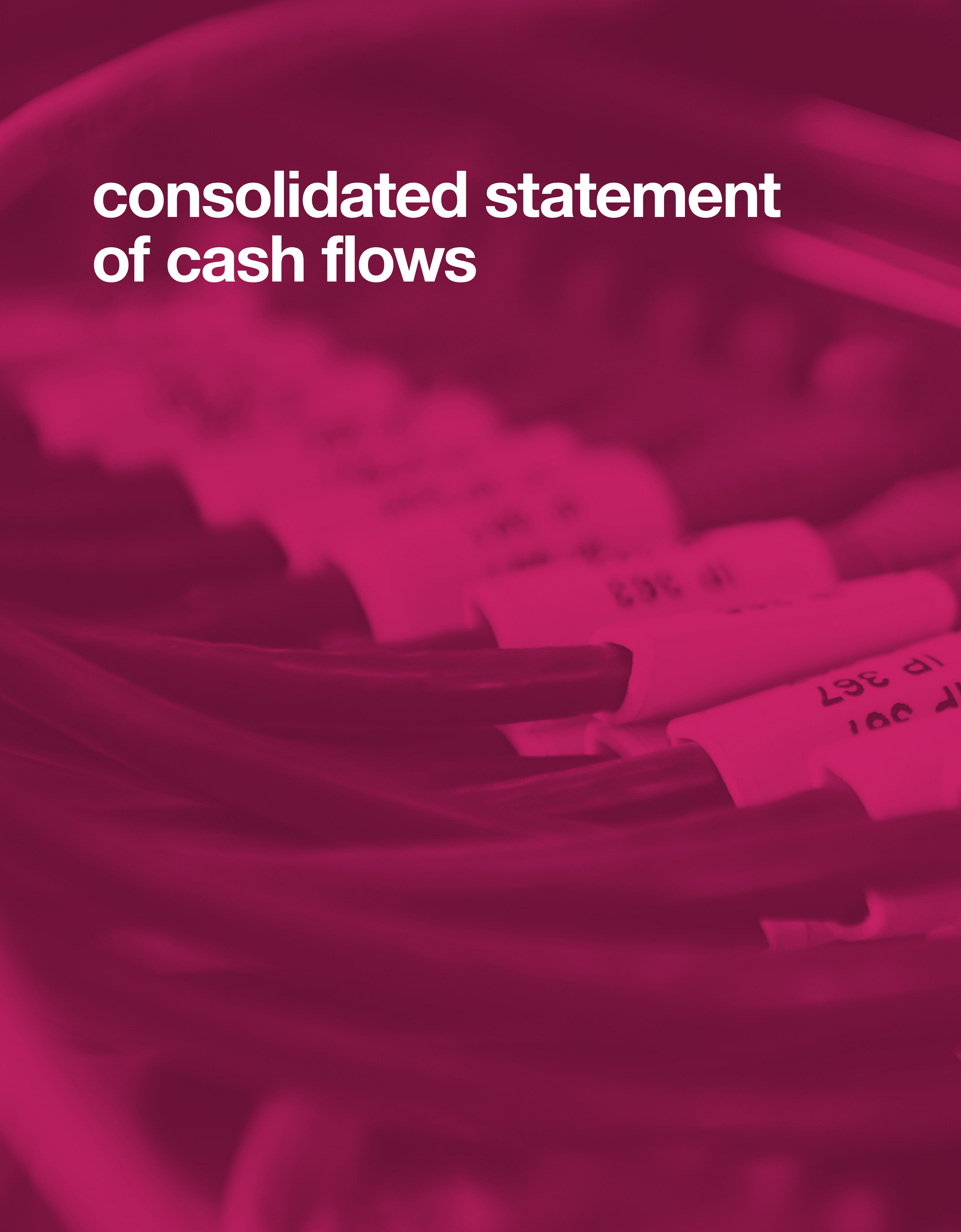
Reserve	**Description and purpose**
Share Premium Reserve	Amount subscribed for share capital in excess of nominal values.
Other Reserve	Amount reserved for share based payments to be released over the life of the instruments and the equity element of convertible loans and the amount subscribed for share capital in excess of nominal value on acquisition of another company
Accumulated losses	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

company statement of changes in equity

company statement of changes in equity

for the year ended 31 march 2017

	Attributable to equity holders of the Company				
	Share capital £'000	**Share premium reserve £'000**	**Other reserve £'000**	**Accumulated losses £'000**	**Total £'000**
At 1 April 2015	**2,399**	**6,493**	**656**	**(5,061)**	**4,487**
Loss for the period	-	-	-	(386)	(386)
Issue of share capital	153	-	367	-	520
Movement in share option reserve	-	-	(8)	-	(8)
Expenses of share issue	-	-	(7)	-	(7)
At 31 March 2016	**2,552**	**6,493**	**1,008**	**(5,447)**	**4,606**
Loss for the period	-	-	-	(86)	(86)
Issue of share capital – share placing	1,686	3,367	-	-	5,053
Issue of share capital - consideration	382	-	616	-	998
Expenses of share issue	-	(277)	-	-	(277)
Capital re-organisation (note 22)	-	(9,583)	-	9,583	-
Movement in share option reserve	-	-	(2)	(2)	(4)
At 31 March 2017	**4,620**	**-**	**1,622**	**4,048**	**10,290**



consolidated statement of cash flows

consolidated statement of cash flows

for the year ended 31 march 2017

	Group 2017 £'000	Group 2016 £'000
Cash flows used in operating activities		
Profit after tax	378	302
Profit net of tax - discontinued operations	(1,508)	(375)
Adjustments for:		
Depreciation and other amortisation	650	446
Fair Value adjustment on contingent consideration	300	(270)
Finance costs	27	44
Acquisition and integration costs	791	34
Share based payments	-	(10)
Taxation	(20)	(41)
Operating cash flows before movement in working capital	**618**	**130**
Increase in trade and other receivables	(163)	61
Increase in trade and other payables	544	(35)
Cash generated from operations	**999**	**156**
Cash flows from investing activities		
Payments to acquire property, plant & equipment	(380)	(111)
Acquisition and integration costs	(742)	(34)
Acquisition of subsidiary net of cash acquired	(3,425)	-
Net cash used in investing activities	**(4,547)**	**(145)**
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	4,722	(7)
Drawdown of loan facility	-	105
Repayment of loan facility	(105)	(175)
Repayment of loan notes	-	(105)
Loan note interest paid	-	(9)
Taxation paid	(197)	-

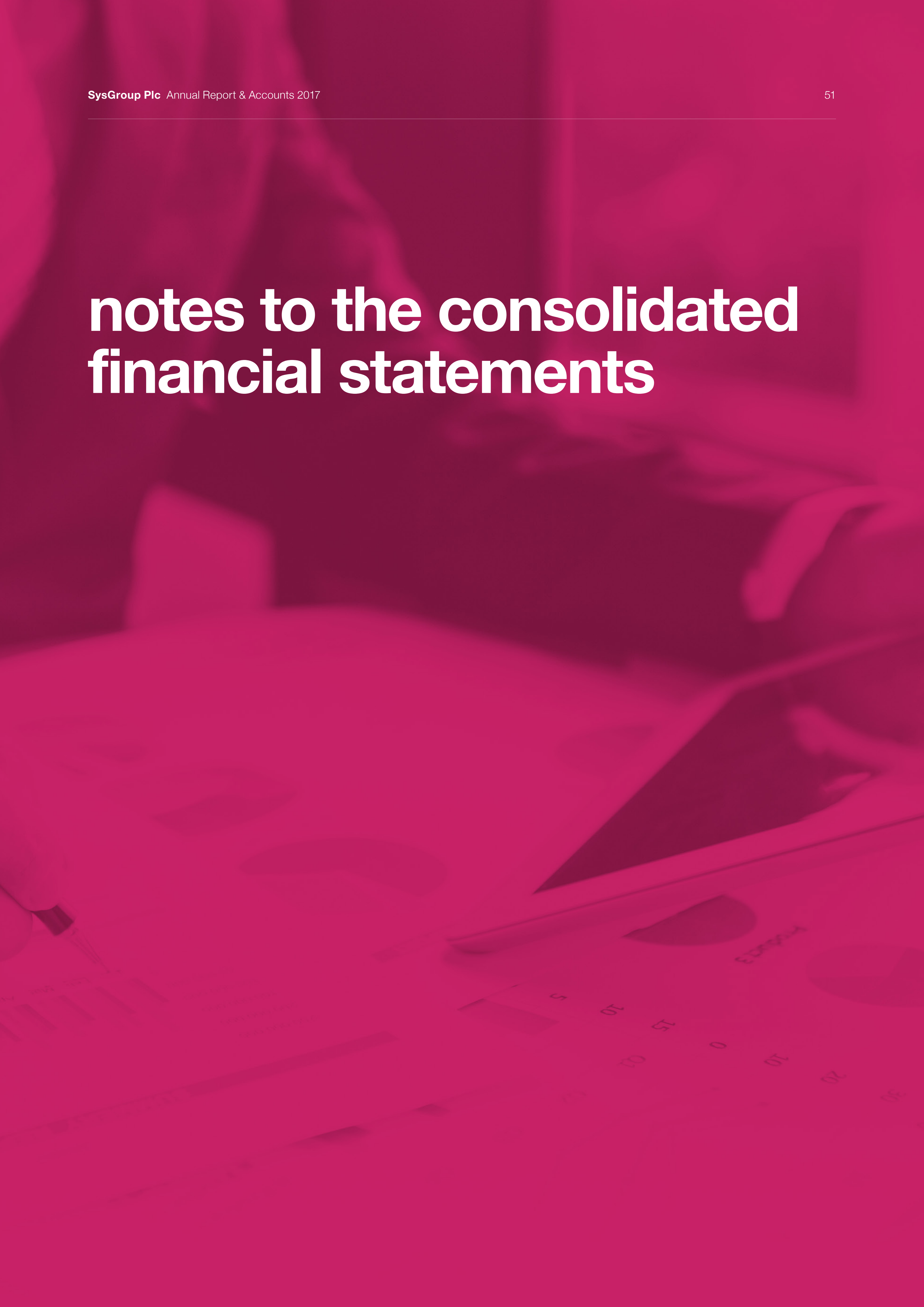
	Group 2017 £'000	Group 2016 £'000
Interest element of finance lease payments	(27)	(33)
Drawdown of finance lease facility	189	-
Capital repayment of finance leases	(153)	(110)
Net cash from financing activities	**4,429**	**(334)**
Net increase (decrease) in cash and cash equivalents from continuing operations	**881**	**(323)**
Cash flows from discontinued operations		
Net cash used for operating activities	99	518
Net cash provided for investing activities	1,987	(39)
Net cash used for financing activities	(7)	(69)
Net increase in cash and cash equivalents from discontinued operations	**2,079**	**410**
Cash and cash equivalents at the beginning of the year	**513**	**426**
Cash and cash equivalents at the end of the year	**3,473**	**513**

company statement of cash flows

company statement of cash flows

for the year ended 31 march 2017

	2017 Company £'000	2016 Company £'000
Cash flows used in operating activities		
Loss after tax	(86)	(386)
Adjustments for:		
Depreciation and other amortisation	15	12
Fair Value adjustment on contingent consideration	300	(270)
Impairment of investments following disposal	1,099	-
Finance costs	-	12
Acquisition costs	791	11
Share based payments	-	(12)
Operating cash flows before movement in working capital	**2,119**	**(633)**
Increase in trade and other receivables	(66)	(25)
Increase in trade and other payables	86	26
Cash generated from operations	**2,139**	**(632)**
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(37)	(42)
Acquisition and costs	(742)	(11)
Payment for shares in subsidiaries	(3,720)	-
Net cash used in investing activities	**(4,499)**	**(53)**
Cash flows from financing activities		
Net proceeds from issue ordinary share capital	4,722	(7)
(Paid to)/Received from subsidiary company	(297)	817
Repayment of convertible loan	-	(105)
Loan note interest paid	-	(10)
Net cash from financing activities	**4,425**	**695**
Net increase (decrease) in cash and cash equivalents	2,065	10
Cash and cash equivalents at the beginning of the year	12	2
Cash and cash equivalents at the end of the year	**2,077**	**12**



notes to the consolidated financial statements

notes to the consolidated financial statements

for the year ended 31 march 2017

1. Accounting Policies

SysGroup Plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. The company's registered office is at Walker House, Exchange Flags, Liverpool, L2 3YL. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

Statement of Compliance

These Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as endorsed by the European Union ("endorsed IFRS") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under endorsed IFRS.

Basis of Preparation

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost basis, except for the revaluation of certain financial liabilities which have been valued in accordance with IAS 39.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the Financial Statements and their effect are disclosed in note 2. The financial statements are presented in pounds' sterling, rounded to the nearest thousand, unless otherwise stated.

Going Concern

The Directors have prepared the Financial Statements on a going concern basis which assumes that the Group and the company will continue to meet liabilities as they fall due.
The directors have reviewed forecasts prepared for the period ending 31 March 2018 and considered the projected trading forecasts and resultant cash flows together with confirmed loan facilities and other sources of finance.
The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group can continue to operate within the current facilities available to it.
The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

New Standards and Interpretations Not yet Adopted

At the date of authorisation of these financial statements, the following standards and interpretations, issued by the International Accounting Standards Board (IASB), have been adopted for the first time by the Group with no significant impact on its consolidated results or financial position:

- Annual Improvements to IFRSs (2012–2014 Cycle)
- Disclosure Initiative: Amendments to IAS 1

A number of new standards, amendments to standards and interpretations have been issued during the year ended 31 March 2017 but are not yet effective, and therefore have not yet been adopted by the Group:

- Amendments to IAS12 'Recognition of Deferred Tax Assets for Unrealised Losses' have not yet been endorsed but the IASB effective date will be 1 January 2017.
- IFRS 9 'Financial Instruments' is effective from 2018. This standard will simplify the classification of financial assets for measurement purposes, but is not anticipated to have a significant impact on the financial statements.
- IFRS 15 Revenue from Contracts with Customers is effective after 1 January 2018. This standard will change how revenue is recognised based on a framework. The potential impact on the Group has not yet been fully assessed by management.
- IFRS 16 Leases is expected to be applicable after 1 January 2019. If endorsed, this standard will affect the presentation of the Group financial statements with all leases apart from short term leases being recognised as on-balance sheet finance leases with a corresponding liability being the present value of lease payments. The potential impact on the Group has not yet been assessed by management.

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future reporting periods.

The adoption of these standards in future periods may have an impact on the results and net assets of the Group, however it is too early to quantify this.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group. Revenue represents the fair value of amounts received or receivable for goods and services provided net of trade discounts and VAT. Revenue from the sale of domain name registrations is recognised when the domain name is registered or renewed. Revenue from value added resale is recognised as these products or services are delivered. Revenue from managed services is taken to deferred income on the balance sheet and recognised over the life of each contract.

Basis of Consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee; and the ability of the investor to use its power to affect those variable returns. Control is re-assessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method.

In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Business Combinations

All business combinations are accounted for by applying the purchase method. On acquisition, all the subsidiaries' assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting the conditions at that date. The results of subsidiaries acquired in the period are included in the income statement from the date on which control is obtained.

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised but is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. In determining the fair value of consideration, the fair value of equity issued is the market value of equity at the date of completion, and the fair value of contingent consideration is based on the expected future cashflows based on whether the directors believe performance conditions will be met and thus the extent to which the further consideration will be payable. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Impairment of Non-Financial Assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest Group of assets in which the asset belongs for which there are separable identifiable cash flows that are largely independent of the cash flows from the other assets or Groups of assets). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the consolidated statement of comprehensive income. The results of foreign subsidiaries that have a functional currency different from the group's presentation currency are translated at the average rates of exchange for the year. Assets and liabilities of foreign subsidiaries that have a functional currency different from the group's presentation currency, are translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising from the translation of the results of foreign subsidiaries and their opening net assets are recognised as a separate component of equity.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial Assets

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Trade receivables are stated at their nominal value and an impairment provision will be recognised if there is evidence that the amount is irrecoverable and will be shown in administrative expenses in the Consolidated Statement of Comprehensive Income. Cash and cash equivalents includes cash in hand, deposits held at call with banks.

Share Capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments and are recorded at the proceeds received, net of direct issue costs.

Financial Liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which it was acquired. The Group's accounting policy for each category is as follows:

- Fair Value Through Profit or Loss – This category comprises only contingent consideration. They are carried in the statement of financial position at fair values with changes in fair value recognised in the consolidated income statement.
- Other Financial Liabilities – Other financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Fair Value Measurement Hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value to reflect the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

a. Quoted prices in active markets for identical assets or liabilities (Level 1)
b. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c. Inputs from the asset or liability that are not based on observable market data (Level 3)

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Share Based Payments

The fair value of employee options granted is charged to the consolidated statement of comprehensive income with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black Scholes pricing model, taking into account the terms and conditions upon which the options were granted.

Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in payables net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the consolidated statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period. Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

Property Plant and Equipment

Items of property, plant and equipment are stated at cost less depreciation. Depreciation is provided at annual rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

IT hardware	20% - 33.3% both reducing balance and straight line
Furniture and fittings	20% – 33.3% reducing balance

Investment in Subsidiaries

Fixed asset investments in the Parent Company are shown at cost less any provision for impairment as necessary.

Research and Development

Research expenditure is written off to the consolidated statement of comprehensive income in the year in which the expenditure occurs. Development expenditure is treated in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects, there is an intention to complete and sell the product and the costs can be easily measurable. In this situation, the expenditure is capitalised and amortised expense is included in administrative expenses in the Consolidated Statement of Comprehensive Income over the years during which the Group is to benefit.

Intangible Assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual / legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

The significant intangibles recognised by the Group, their estimated useful economic lives and the methods used to determine the cost of intangibles acquired in business combinations are as follows:

Intangible asset	Customer relationships
Estimated UEL	5-7 years
Valuation method	Estimated discounted cash flow

Deferred Taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is highly probable that relief against taxable profit will be available.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax liabilities are recognised on intangible assets and other temporary differences recognised in business combinations.

2. Significant Accounting Estimates and Judgements

The preparation of this financial information requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the period end date and the amounts reported for revenues and expenses during each period. However, the nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below.

Impairment of Goodwill and Other Intangibles

The Group tests goodwill for impairment on an annual basis in line with the accounting policy noted above. This involves judgement regarding the future development of the business and the estimation of the level of future profitability and cash flows to support the carrying value of goodwill. An impairment review has been performed at the reporting date and no impairment has been identified. More details including carrying values are included in note 13.

Impairment of Other Assets

The Group reviews the carrying value of all other assets for indications of impairment at each period end. If indicators of impairment exist, the carrying value of the asset is subject to further testing to determine whether its carrying value exceeds its recoverable amount.

Valuation of Intangibles Acquired in Business Combinations

Determining the fair value of customer relationships acquired in business combinations requires estimation of the value of the cash flows related to those relationships and a suitable discount rate in order to calculate the present value. More details including carrying values are included in note 13.

Valuation of Contingent Consideration

When valuing the contingent consideration still payable on acquisitions, the Group considers various factors including the performance of the acquired entity since acquisition together with its expected performance to the end of the earn-out period. Following the adoption of IFRS 3 (revised) – Business Combinations, contingent consideration is recognised at, and carried thereafter at, fair value. All changes in fair value (other than measurement period adjustments) are reflected in the income statement.

Useful Economic Lives of Intangible Assets

Intangible assets are amortised over their useful economic lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in changes in the carrying values and hence amounts charged to the income statement in particular periods which could be significant.

3. Financial Instruments – Risk Management

The Group's financial instruments comprise cash and liquid resources and various items such as trade receivables and trade payables that arise directly from its operations. There have been no substantive changes in the Group's objectives, policies and processes for managing those risks or the methods used to measure them from previous periods. The Group's objective is to ensure adequate funding for continued growth and expansion.

All the Group's financial instruments are carried at amortised cost with the exception of contingent consideration. There is no material difference between the carrying and fair value of its financial instruments, in the current or prior year, due to the instruments bearing interest at fixed rates or being of short term nature.

A summary of financial instruments held by category is shown below:

	Group		Company	
Financial assets	**2017 £'000**	**2016 £'000**	**2017 £'000**	**2016 £'000**
Loans and receivables				
Cash and cash equivalents	3,473	513	2,077	12
Trade receivables	902	306	-	-
Total financial assets	**4,375**	**819**	**2,077**	**12**

	Group		Company	
Financial liabilities	**2017 £'000**	**2016 £'000**	**2017 £'000**	**2016 £'000**
At amortised cost				
Trade and other payables	1,409	563	134	71
Loans and other borrowings	407	105	-	-
At fair value	1,816	668	134	71
Contingent consideration	690	435	690	435
Total financial liabilities	**2,506**	**1,103**	**824**	**506**

Per the fair value hierarchy classifications under IFRS 7 Financial Instruments the contingent consideration due on acquisitions shown above are considered to be level 3 financial liabilities as there are no observable inputs for valuation.

	Group £'000	**Company £'000**
Contingent consideration At 1 April 2015	1,225	1,225
Settled during the year	(520)	(520)
Notional interest charged	132	132
Fair value adjustment through Income Statement	(402)	(402)
At acquisition	435	435
At 31 March 2016	**435**	**435**
Settled during the year	(666)	(666)
Notional interest charged	116	116
Fair value adjustment through Income Statement	184	184
Fair value adjustment through Income Statement	621	621
At 31 March 2017	**690**	**690**

The fair value adjustment related to the change in fair value calculation of the contingent consideration payable on the Q4Ex acquisition.

Liquidity Risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to prepare periodic working capital forecasts, allowing an assessment of the cash requirements of the Group and Company, to manage liquidity risk. Cash resources are managed in accordance with planned expenditure forecasts and the Directors have regard to the maintenance of sufficient cash resources to fund the Group and Company's immediate operating requirements and capital expenditure.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Group **At 31st March 2016**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	563	-	-	-	-
Contingent consideration	-	-	435	-	-
Loans and borrowings	28	188	91	-	-
Total	**591**	**188**	**526**	**-**	**-**

Group **At 31st March 2017**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	1,409	-	-	-	-
Contingent consideration	-	-	690	-	-
Loans and borrowings	56	167	136	48	-
Total	**1,465**	**167**	**826**	**48**	**-**

Company **At 31st March 2016**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	71	-	-	-	-
Contingent consideration	-	-	435	-	-
Loans and borrowings	-	-	-	-	-
Total	**71**	**-**	**435**	**-**	**-**

Company **At 31st March 2017**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	134	-	-	-	-
Contingent consideration	-	-	690	-	-
Loans and borrowings	-	-	-	-	-
Total	**134**	**-**	**690**	**-**	**-**

Interest Rate Risk

The Group seeks to minimise exposure to interest rate risk by borrowing at fixed interest rates.

Credit Risk

The Group generally gives 30 day credit terms on its continuing business and provides against doubtful debts only when recoverability is considered to be at risk. For cash and cash equivalents, the Group only uses recognised banks with high credit ratings.

Capital Disclosures

The Group monitors “adjusted capital” which comprises all components of equity (i.e. share capital, share premium and retained earnings).

The Group’s objective when maintaining capital are:

- to safeguard the entity’s ability to continue as a going concern, so that it can provide returns for shareholders in future periods and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

4. Segmental Analysis

The chief operating decision maker for the Group is the Board of Directors. The Group reports in three segments:

- SME Mass Market – this segment provides a range of VPS, shared hosting, email and domain registration services to individuals and SME’s. This business was divested during the year.
- Managed Services – this segment provides all forms of Managed Services to customers. This segment was created on the acquisition of Netplan in November 2013 and has been further expanded with the acquisition of Q4Ex Ltd and System Professional Ltd. This segment was previously referred to as Managed Hosting.
- Value Added Resale (VAR) of products/services – this segment provides all forms of VAR sales where the business is acting as a reseller. This segment was created following the acquisition of System Professional Ltd

Information regarding the operation of the reportable segments is included below. The performance of each operating segment is based on revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) before any allocation of Group overheads, share based payments, fair value adjustments or acquisition costs, as the Board believe this is the best measure for performance. The Group’s Adjusted EBITDA has been calculated after deducting Group overheads which include the cost of the Board, Group marketing, legal and professional fees, share based payments, fair value adjustments and acquisition costs.

Assets and liabilities are not reviewed on a segmental basis. All segments are continuing operations. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between segments are accounted for using an arm’s length commercial basis.

Revenue by operating segment	**2017 £'000**	**2017 %**	**2016 £'000**	**2016 %**
SME Mass Market (discontinued)	700	9%	2,249	47%
Managed Services	5,400	69%	2,515	53%
Value Added Resale (VAR)	1,765	22%	-	-
Total	**7,865**	**100%**	**4,764**	**100%**

No individual customer accounts for more than 10% of the Group's revenue.

The Group operates out of the UK and sells services to the following geographical locations:

	2017 £'000	**2017 %**	**2016 £'000**	**2016 %**
UK	7,267	92%	3,792	80%
Rest of World	598	8%	972	20%
Total	**7,865**	**100%**	**4,764**	**100%**

	2017			**2016**		
	EBITDA before acquisition costs and share based payments £'000	**Depreciation and amortisation £'000**	**Profit (loss) before tax £'000**	**EBITDA before acquisition costs and share based payments £'000**	**Depreciation and amortisation £'000**	**Profit (loss) before tax £'000**
SME Mass Market	193	(45)	148	558	(164)	394
Managed Services	905	(635)	270	-	-	-
Value Added Resale (VAR)	468	-	468	-	-	-
	1,566	(680)	886	1,300	(599)	701
Group overheads	(737)	(15)	(771)	(634)	(12)	(646)
Acquisition costs	-	-	(804)	-	-	(34)
Share based payments	-	-	-	-	-	8
Fair value adjustment	-	-	(300)	-	-	270
Group interest	-	-	(27)	-	-	(51)
Profit on sale of SME	-	-	1,336	-	-	-
Total	**829**	**(695)**	**320**	**666**	**(611)**	**248**

5. Operating loss

		2017 £'000	2016 £'000
Operating loss is after charging the following:			
Auditor's remuneration			
Group	Audit	36	31
	Taxation - compliance	4	4
	Corporate finance	75	-
	Other advisory	1	1
Company	Audit	4	4
Depreciation of tangible fixed assets			
Owned		189	134
Held under finance leases		135	107
Amortisation of intangible assets		326	205
Share based payments		-	(8)
Rentals payable under operating leases		89	81
Acquisition and integration costs		791	34

6. Finance Expense

	2017 £'000	2016 £'000
Interest payable on finance leases	27	32
Interest payable on loan notes	-	12
Total	**27**	**44**

7. Staff Numbers and Costs

The average number of full time persons employed by the Group, including executive Directors during the year was:

	2017	2016
Research and Development	6	4
Technical Support	37	20
Sales and Marketing	5	1
Executive and Administration	8	6
Total	**56**	**31**

The aggregate payroll costs including executive Directors but excluding Non-Executive Director service fees were as follows:

	2017 £'000	2016 £'000
Wages and salaries	3,278	1,387
Social security costs	289	156
Benefits in kind	24	6
Pension benefits accrued	31	23
Share based payment expense	-	(8)
Total	**3,622**	**1,564**

Total staff costs for the company are £339,599 (2016: £328,376). Average staff numbers for the year for the company are 5.

Directors and Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, they are also the Directors of the Company listed on page 19.

	2017 £'000	2016 £'000
Fees and salaries	395	287
Social security costs	27	156
Benefits in kind	3	3
Pension	12	23
Share based payment expense	-	(8)
Total	**437**	**290**

The emoluments of the highest paid director Julie Joyce were £126,000 (2016: Christopher Evans £96,000).

The Group does not operate a defined benefit pension scheme and executive Directors who are entitled to receive pension contributions may nominate a defined contribution scheme into which the Company makes pension contributions.

The fees relating to Non-Executive Directors are in some cases payable to third parties in connection with the provision of their services.

8. Acquisition and Restructuring Costs

	2017 £'000	2016 £'000
Professional fees on acquisition of System Professional Ltd	414	4
Professional fees on aborted transaction	38	30
Integration and restructuring of continuing business*	339	-
Total	**791**	**34**

*Integration and restructuring costs relate to closing and relocating offices/teams, streamlining operations and establishing single front and back office IT platforms/systems. This includes costs of £161k in relation to the use of internal management and technical staff resources to deliver the changes.

9. Share Based Payments and Warrants

The Company has granted a number of EMI options. The Directors have the discretion to grant options to subscribe for ordinary shares up to a maximum of 10 per cent of the Company's issued share capital. Options can be granted to any employee of the Group. There are no performance criteria associated with the options. The weighted average exercise price is 50.97p per share.

Rights to options over ordinary shares of the Company are summarised as follows:

			No. of Ordinary Shares			
Grant date	**Exercise period**	**Exercise price**	**At 31 March 2016**	**Granted**	**Waived**	**At 31 March 2017**
24/08/07	31/07/07 to 30/07/17	28p	89,286	-	-	89,286
19/12/12	19/12/12 to 18/12/22	40p	2,175,000	-	-	2,175,000
12/12/13	12/12/13 to 11/12/23	60p	625,000	-	-	625,000
02/03/15	02/03/15 to 01/03/25	62.8p	100,000	-	-	100,000
14/08/15	14/08/15 to 13/08/25	68p	1,000,000	-	-	1,000,000

			No. of Ordinary Shares			
Grant date	**Exercise period**	**Exercise price**	**At 31 March 2016**	**Granted**	**Waived**	**At 31 March 2017**
21/02/16	21/02/16 to 20/02/26	55.2p	475,000	-	-	475,000
15/08/16	15/08/16 to 14/08/26	60.5p	-	125,000	(125,000)	-
13/09/16	13/09/16 to 12/09/26	60.5p	-	5,000	-	5,000
Total	**-**	**-**	**4,464,286**	**130,000**	**(125,000)**	**4,469,286**

The options have been valued, using the Black Scholes method, using the following assumptions:

Number of instruments granted	89,286	2,175,000	625,000	100,000
Grant date	23/03/09	19/12/12	12/12/13	02/03/15
Expiry date	30/07/17	18/12/22	11/12/23	01/03/25
Contract term (years)	8.2	10	10	10
Exercise price	287p	40p	60p	62.8p
Share price at granting	200p	100p	85p	62p
Annual risk free rate (%)	5%	0.5%	0.5%	0.5%
Annual expected dividend yield (%)	0%	0%	0%	0%
Volatility (%)	50%	40%	90%	40%
Fair value per grant instrument	18.4p	54.4p	74.46p	32p

Number of instruments granted	1,000,000	475,000	5,000
Grant date	14/08/15	21/02/16	13/09/16
Expiry date	13/08/25	20/02/26	12/09/26
Contract term (years)	10	10	10
Exercise price	68p	55.2p	60.5p
Share price at granting	68p	70.8p	60.5p
Annual risk free rate (%)	0.5%	0.5%	0.5%
Annual expected dividend yield (%)	0%	0%	0%
Volatility (%)	90%	55%	55%
Fair value per grant instrument	57.6p	47.6p	52.17p

The inputs to the share valuation model utilised at the grant of option is shown in the tables above.

Management has determined volatility using their knowledge of the business.

At 31 March 2017 there were 140,000 outstanding warrants to subscribe for the ordinary share capital of the Company as follows:

		No. of Warrants and Exercise price	
Grant date	**Exercise period**	**200p**	**Total**
09/01/2012	08/01/2022	140,000	140,000

The fair value of the convertible loan warrants has been calculated at 0.36p based on the following assumptions – share price at granting 50p, annual risk free rate 0.5%, and volatility 20%. No provision has been made for the convertible loan note warrants in shared based payments.

10. Acquisitions

There has been one acquisition during the period. The Board strategically expect acquisitions to be a common component of growth in the future.

Acquisitions made during the year to 31 March 2017 were:

System Professional Ltd

The Group acquired 100% of the share capital of System Professional Ltd (Sys-Pro) on 4 July 2016. Sys-Pro provides managed services, cloud hosting, value added resale services, and IT consultancy support.

During the year to 31 March 2017 the Group incurred £414,000 of costs in relation to this acquisition. These costs are included in administrative expenses in the Group's consolidated statement of comprehensive income for the year ended 31 March 2017.

The amount of identifiable net assets assumed at the acquisition date is shown below:

Recognised amounts of net assets acquired and liabilities assumed	Fair Values £'000
Cash and cash equivalents	289
Trade and other receivables	589
Property, plant and equipment	96
Stock and work in progress	69
Intangible assets	948
Trade and other payables	(579)
Current income tax liability	(383)
Deferred tax liability	(203)
Identifiable net assets	826
Goodwill	3,844

Recognised amounts of net assets acquired and liabilities assumed	Fair Values £'000
Total consideration	**4,670**
Satisfied by:	
Cash consideration - paid on acquisition	**3,464**
Consideration - new ordinary shares issued at 60p per share	**585**
Contingent consideration	**621**
Total consideration	**4,670**

The fair value of acquired customer relationships intangible asset has been estimated using a discounted cashflow method, based on the estimated level of profit to be generated from them. A post tax discount rate of 19% was used in the valuation. Customer relationships are being amortised over an estimated useful life of 5 years. The acquisition of Sys-Pro included a contingent consideration which is payable 85% in cash and 15% in shares at 60p (resulting in the issue of 975,000 consideration shares in respect of the 15%). The contingent consideration payable is based on delivering certain performance criteria and is capped at £1.865m. The earn out period is to 31 March 2018 (unless achieved in 31 March 2017). If EBIT (earnings before interest and tax) of less than £714k in the year ended 31 March 2018 then no consideration is payable, there is a ratchet mechanism and a set of ranges. Achieving the maximum potential consideration would require Sys-Pro to deliver £1.3m or more of EBIT for the respective full financial year.

Since the acquisition date to 31 March 2017, System Professional Limited has contributed £4,058,034 to Group revenue and £331,472 to Group EBITDA. Had the acquisition taken place on 1 April 2016, the contribution to Group revenue would have been £5,208,639 and £911,283 to Group EBITDA.

11. Earnings Per Share

	2017	2016
Profit for the financial year attributable to shareholders	£378,000	£248,000
Weighted number of equity shares used in basic EPS	19,805,397	12,076,486
Weighted number of equity shares used in diluted EPS	20,164,861	12,076,486
Basic earnings per share	£0.0190	£0.0205
Diluted earnings per share	£0.0187	£0.0205

Basic earnings per share is calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year, excluding treasury shares which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue during the year is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

12. Taxation

	2017 £'000	2016 £'000
Current tax charge	65	31
Deferred tax		
Timing differences	(123)	(85)
Total tax charge	**(58)**	**(54)**
Factors affecting the tax charge for the year		
Profit (loss) on ordinary activities before taxation	**320**	**248**
Profit (loss) on ordinary activities before taxation multiplied by the Standard rate of UK corporation tax of 20% (2016:20%)	65	34
Effects of:		
Tax losses	-	(3)
Deferred tax movements	(123)	(85)
Total tax charge	**(58)**	**(54)**

The Group recognised deferred tax assets and liabilities as follows:

	2017 £'000	2016 £'000
Deferred tax on customer relationships	(242)	(267)
Capital allowances timing differences	(123)	25
Deferred tax (liability)	**(365)**	**(242)**

Recognition of deferred tax assets is restricted to those instances where it is highly probable that relief against taxable profit will be available.

The movement in the deferred tax account during the year was:

	Capital allowances timing differences £'000	Customer relationships £'000	Total £'000
Balance at 1 April 2016	**25**	**(267)**	**(242)**
Credited to statement of comprehensive income	(25)	(98)	(123)
Balance at 31 March 2017	**-**	**(365)**	**(365)**

13. Intangible Assets

Group	Website Cost £'000	Development Cost £'000	Software Cost £'000	Customer Relationships £'000	Positive Goodwill £'000	Total £'000
At 1 April 2015	197	232	7	1,914	4,454	**6,804**
Additions	-	-	54	-	-	**54**
Acquired from acquisition	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	**-**
At 31 March 2016	**197**	**232**	**61**	**1,914**	**4,454**	**6,858**
At 1 April 2016	197	232	61	1,914	4,454	**6,858**
Acquired from acquisitions			-	948	3,844	**4,792**
Additions	-	-	11	-	-	**11**
Disposals	-	(232)	-	(479)	(678)	**(1,389)**
At 31 March 2017	**197**	**-**	**72**	**2,383**	**7,620**	**10,272**
Accumulated amortisation and impairment						
At 1 April 2015	169	232	1	354	-	**756**
On disposals	-	-	-	-	-	**-**
Charge for the year	11	-	7	301	-	**319**
At 31 March 2016	**180**	**232**	**8**	**655**	**-**	**1,075**
At 1 April 2016	180	232	8	655	-	**1,075**
On disposals	-	(232)	-	(479)	-	**(711)**
Charge for the year	11	-	22	638	-	**671**
At 31 March 2017	**191**	**-**	**30**	**814**	**-**	**1,035**
Net book value						
At 31 March 2016	**17**	**-**	**53**	**1,259**	**4,454**	**5,783**
At 31 March 2017	**6**	**-**	**42**	**1,569**	**7,620**	**9,237**

The Company held no intangible assets at 31 March 2017 or 31 March 2016.

All amortisation and impairment charges are included in the depreciation, amortisation and impairment of non-financial assets classification, which is disclosed as administrative expenses in the statement of comprehensive income.

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charges arose as a result of this review.

The recoverable amount is determined based on a discounted cash flow basis and is allocated to individual cash generating units. The calculation uses pre-tax cash flow projections based on financial budgets approved by the Board covering a two year period. Cash flows beyond the two year period are extrapolated using the estimated growth rates stated below. The growth rates and margins used to estimate future performance are based on past performance and the experience of growth rates.

The carrying value of each CGU is as follows:

	2017 £'000	**2016 £'000**
SME Mass Market (divested in year)	-	620
Netplan	5,348	4,977
System Professional	4,585	-
Total	**9,932**	**5,597**

The assumptions used for the impairment reviews are as follows:

	System Professional	**Netplan**
Discount rate	19%	19%
Growth rate year 2 to year 5	10%	10%
Terminal growth rate	5%	5%
Forecast period for which cashflows are estimated	2 years	2 years

The Group had no contractual liability for development costs at 31st March 2017. As a result of the impairment testing carried out on the basis of these estimates and assumptions, no impairment provisions are required.

The recoverable amount for the Netplan and System Professional businesses exceeds the carrying value of the total net assets by £2.8m. A 1% increase in the discount rate would reduce the recoverable amount by approximately £0.5m. A 4% reduction in the growth rate would reduce the recoverable amount by approximately £0.27m.

14. Property Plant and Equipment

Group	Furniture and equipment £'000	Total £'000
At 1 April 2015	1,341	**1,341**
Additions	161	**161**
Acquisition of subsidiary	-	**-**
Disposals	(11)	**(11)**
At 31 March 2016	**1,491**	**1,491**
At 1 April 2016	1,491	**1,491**
Additions	571	**571**
Acquisition of subsidiary	96	**96**
Disposals	(737)	**(737)**
At 31 March 2017	**1,421**	**1,421**
Accumulated depreciation		
At 1 April 2015	749	**749**
Charge for the year	294	**294**
On disposal	(2)	**(2)**
At 31 March 2016	**1,041**	**1,041**
At 1 April 2016	1,041	**1,041**
Charge for the year	337	**337**
On disposal	(624)	**(624)**
At 31 March 2017	**754**	**754**
Net book value		
At 31 March 2015	**592**	**592**
At 31 March 2016	**450**	**450**
At 31 March 2017	**666**	**666**

Included in the net book value of £666,000 (2016: £450,000) are assets held under finance leases with a NBV of £340,291 (2016: £151,000).

The depreciation for the year on these assets was £135,000 (2016 £77,000).

Company	**Furniture and equipment £'000**	**Total £'000**
At 1 April 2015	3	**3**
Additions	42	**42**
Disposals	-	**-**
At 31 March 2016	**45**	**45**
At 1 April 2016	45	**45**
Additions	36	**36**
Disposals	-	**-**
At 31 March 2017	**81**	**81**
Accumulated depreciation		
At 1 April 2015	-	**-**
On disposal	-	**-**
Charge for the year	12	**12**
At 31 March 2016	**12**	**12**
At 1 April 2016	12	**12**
On disposal	-	**-**
Charge for the year	13	**13**
At 31 March 2017	**25**	**25**
Net book value		
At 31 March 2015	**3**	**3**
At 31 March 2016	**33**	**33**
At 31 March 2017	**56**	**56**

The Company held no finance leases at 31 March 2017 or 31 March 2016.

15. Investments

Company	**2017 £'000**	**2016 £'000**
Investment in Subsidiaries At 1 April 2016	6,576	6,576
Additions	4,952	-
Impairment following disposals	(1,099)	-
Cost 31 March 2017	**10,429**	**6,576**

The Company's subsidiary undertakings all of which are wholly owned (unless otherwise stated) and included in the consolidated accounts are:

Undertaking	**Registration**	**Principal activity**
System Professional Ltd	England	Managed Services
Netplan Internet Solutions Limited	England	Managed Services
Netplan LLC*	USA	Managed Services
SysGroup (DIS) Ltd	England	Managed Services
SysGroup (NH) Ltd	England	Managed Services
Project Clover Ltd	England	Managed Services
SysGroup (EH) Ltd	England	Managed Services

*Netplan LLC is a wholly owned subsidiary of Netplan Internet Solutions Ltd

The recoverable amounts have been determined from discounted cash flow calculations based on cash flow projections from approved budgets covering a one-year period to 31 March 2018. The major assumptions can be found in note 13. The impairment charge above relates to the disposal of the SME segment during the period.

SysGroup (NH) Limited (Company Number 03963376), SysGroup (EH) Limited (Company Number 05814619), SysGroup (DIS) Ltd (Company number 05743110), Project Clover Ltd (Company number 08995906) are taking advantage of the exemption from audit under section 479a of the Companies Act 2006 following the guarantee provided by SysGroup plc under section 479C of the companies Act 2006.

The registered office of all subsidiaries is the same as the registered office of the parent company.

16. Trade and Other Receivables

Amounts due within one year	**Group 2017 £'000**	**Company 2017 £'000**	**Group 2016 £'000**	**Company 2016 £'000**
Trade debtors	902	-	306	-
Other debtors	-	-	-	-
Amounts owed by subsidiary undertakings	-	-	-	-
Prepayments and accrued income	409	100	292	34
Total Debtors	**1,311**	**100**	**598**	**34**

The Group is not exposed to any significant credit risk from trade receivables.

17. Trade and Other Payables

Amounts falling due within one year	**Group 2017 £'000**	**Company 2017 £'000**	**Group 2016 £'000**	**Company 2016 £'000**
Trade payables	590	36	367	35
Corporation tax	106	-	62	-
Other payables	-	-	-	-
Accruals	653	98	134	36
Total financial liabilities, excluding loans and borrowings measured at amortised cost	1,349	134	563	71
Other taxes and social security costs	322	17	155	-
Deferred Income	465	-	707	-
Total	**2,136**	**151**	**1,425**	**71**

Contingent consideration due on acquisitions	**Group 2017 £'000**	**Company 2017 £'000**	**Group 2016 £'000**	**Company 2016 £'000**
Q4Ex Ltd	-	-	435	435
System Professional	690	690	-	-

The fair value of contingent consideration was based on the present value of cash flows and the market value of the shares to be issued.

To the extent trade payables and other payables are not carried at fair value in the consolidated balance sheet, book value approximates to fair value at 31 March 2017 and 31 March 2016.

Maturity of the financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost is shown in note 3.

18. Loans and Borrowings

The book value and fair value of loans and borrowings are as follows:

Non-Current	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Finance lease creditor	184	-	91	-
Total	**184**	**-**	**91**	**-**

Current	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Convertible loan	-	-	-	-
Other loan	-	-	105	-
Finance lease creditor	223	-	111	-
Total	**223**	**-**	**216**	**-**

19. Leases

Group Finance Leases

Future lease payments are due as follows:

	Minimum Lease Payments 2016 £'000	Interest 2016 £'000	Present Value 2016 £'000
Not later than one year	126	15	111
Later than one year and not later than 5 years	97	6	91
Later than 5 years	-	-	-
Total	**223**	**21**	**202**

	Minimum Lease Payments 2017 £'000	Interest 2017 £'000	Present Value 2017 £'000
Not later than one year	235	12	223
Later than one year and not later than 5 years	189	5	184
Later than 5 years	-	-	-
Total	**424**	**17**	**407**

The Company has no finance leases.

Group Operating Leases

The total future value of minimum lease payments is due as follows:

	Leasehold Property 2017 £'000	Other 2017 £'000	Leasehold Property 2016 £'000	Other 2016 £'000
Within one year	109	-	60	-
Within two to five years	364	-	131	-
After five years	13	-	35	-
Total	**486**	**-**	**226**	**-**

Company Operating Leases

	Leasehold Property 2017 £'000	Other 2017 £'000	Leasehold Property 2016 £'000	Other 2016 £'000
Within one year	13	-	13	-
Within two to five years	52	-	65	-
After five years	-	-	-	-
Total	**65**	**-**	**78**	**-**

20. Contingent Liabilities

There are no contingent liabilities at the year-end for either the Group or Company.

21. Related Party Transactions

Details of Directors' remuneration are given in the Directors' Remuneration Report. Other related party transactions are as follows:

		Transaction value		Balance Due to Related Party	
Related party relationship	**Type of Transaction**	**2017 £'000**	**2016 £'000**	**2017 £'000**	**2016 £'000**
Directors	Use of personal credit cards to pay online suppliers	-	450	-	-
Companies in which directors or their immediate family have a significant / controlling interest	Provision of management services and website design	13	58	-	1

22. Share Capital and Capital Restructuring

	Group 2017 £'000	**Company 2017 £'000**	**Group 2016 £'000**	**Company 2016 £'000**
Allotted, called up and fully paid				
At start of year 510,379,335 Ordinary shares of 0.5p each, consolidated to 12,759,484 shares of 20 pence and later reduced by capital reduction to 1p [1]	2,552	2,552	2,399	2,399
Issued during the year 10,344,414 Ordinary shares of 20p	2,068	2,068	153	153
At end of year 23,103,898 Ordinary shares of 1p	**4,620**	**4,620**	**2,552**	**2,552**

1. Following a 1 for 40 share consolidation each block of 40 shares with a nominal value of 0.5p share became one single share of 20 pence, then following a capital reduction became 1p (one pence), this is further set-out in the note below.

On 15 June 2016 the Group announced the proposed acquisition of Sys-Pro and a placing of 8,333,334 new ordinary shares at 60 pence per share to raise £5.0 million gross. The Group also announced a share consolidation and a capital reduction.

As at the date of that announcement, the Company had 510,379,335 existing Ordinary Shares in issue and the mid-market price of each existing ordinary share as at the close of business on 14 June 2016 was £0.0165 (1.65 pence). The Directors considered that the share consolidation was necessary in order to increase the marketability of the Company's shares through the creation of a higher price per share.

Shareholder approval was granted at the General Meeting ("GM") held on 5 July 2016 with 40 existing ordinary shares becoming one new ordinary share.

The Share Consolidation reduced the number of existing ordinary shares in issue from 510,379,360 (after the issue to the Company Secretary of an additional 25 existing ordinary shares for the purpose of effecting the share consolidation, given that the number of existing ordinary shares in issue is not divisible by 40) to new ordinary shares 12,759,484 and increased the nominal value of the Company's shares from £0.005 (0.5 pence) to £0.20 (20 pence).

The nominal share capital of each new ordinary share was then reduced to £0.01 (1 pence), following a Court sanctioned capital reduction. This capital reduction was approved at the same GM and became effective following the registration of the Court Order with Companies House on 4 August 2016.

The Capital Reduction, as approved by the Court, created realised profits of £10,250,042 which was applied in eliminating the accumulated deficit on the Company's profit and loss account.

The Group now has distributable reserves and so is in a position to pay a dividend in the future if appropriate. When appropriate a progressive dividend policy will be adopted.

23. Discontinued Operations

Discontinued operations relate to the SME Mass Market business. The trade and assets of this business were disposed of on 22 July 2016 for a total cash consideration of £2,735,727 (less an initial amount of £465,519 in respect of advance receipts/payments).

The following table summarises the results of the SME Mass Market segment included in discontinued operations in the Consolidated statement of income:

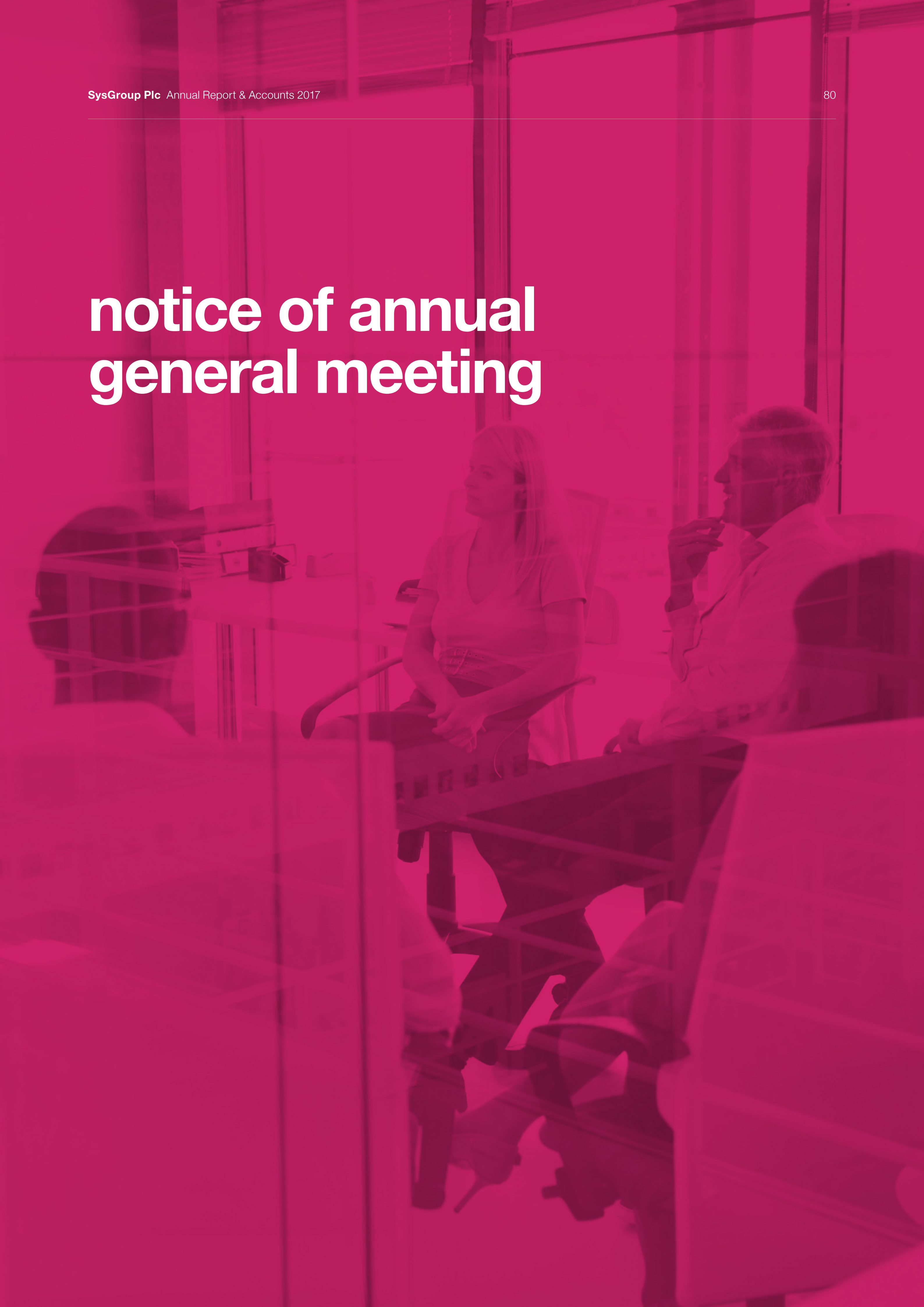
	Year to 31 March 2017	Year to 31 March 2016
Sales	700	2,249
Costs and expenses	(566)	(1,887)
Profit on sale	1,336	-
Profit before tax	1,470	362
Taxation	38	13
Profit attributable to the shareholders of the company	**1,508**	**375**

Profit on disposal is calculated as the fair value of consideration received less the fair value of assets and liabilities disposed. Earnings per share for discontinued activities is £0.076

24. Post Balance Sheet Event

On 06 June 2017, the Group entered into a Deed of Variation with the Vendors of System Professional Ltd. In consideration of payment by SysGroup plc of £150,000 and various legal waivers to the Vendors of System Professional Ltd the earn-out was considered satisfied and the Group released from various "Sellers Protections" allowing for the business to be integrated at a faster rate and allowed for the exit of certain of the vendor management team and for other changes to be made within the business.

notice of annual general meeting



notice of annual general meeting

Notice is hereby given that the Annual General Meeting of SysGroup plc (Company) will be held on Friday 25 August 2017 at 10.00 am at SysGroup Plc, Walker House, Exchange Flags, Liverpool L2 3YL for the purpose of considering and, if thought fit, passing the resolutions set out below, of which Resolutions 1 to 6 will be proposed as ordinary resolutions and Resolutions 7 and 8 will be proposed as special resolutions.

Ordinary Business

To consider and, if thought fit, pass the following resolutions:

1. **TO** receive, consider and adopt the Annual Report and Financial Statements for the year ended 31 March 2017, together with the Directors' and Auditors' Reports contained therein.

2. **TO** reappoint John Michael Edelson as a director who retires by rotation.

3. **TO** reappoint Amy Louise Yateman-Smith as a director in accordance with the Company's articles of association.

4. **TO** reappoint Julian David Llewellyn as a director in accordance with the Company's articles of association.

5. **TO** reappoint BDO LLP Chartered Accountants as auditors of the Company and authorise the Directors to fix their remuneration.

6. **THAT**, in accordance with section 551 of the CA 2006, the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution):

   a. comprising equity securities (as defined by section 560 of the CA 2006) up to an aggregate nominal amount of £153,000 (such amount to be reduced by the nominal amount of any Relevant Securities allotted pursuant the authority in resolution 6.b. below) in connection with an offer by way of a rights issue:

      i. to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

      ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   b. in any other case, up to an aggregate nominal amount of £23,103 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in resolution 6.a. above in excess of £23,103), provided that this authority shall, unless renewed, varied or revoked by the Company, expire 15 months from the date of this resolution or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

For the purposes of the resolution: 'Relevant Securities' means:

i. shares in the Company other than shares allotted pursuant to: an employee share scheme (as defined by section 1166 of the CA 2006); a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; and

ii. any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the CA 2006). References to the allotment of Relevant Securities in the resolution include the grant of such rights.

Special Business

As special business, to consider and, if thought fit, pass the following resolutions:

7. **THAT**, subject to the passing of resolution 6, the Directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by resolution 6 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

a. the allotment of equity securities in connection with an offer by way of a rights issue:

i. to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

b. the allotment (otherwise than pursuant to resolutions 7(a) above) of equity securities up to an aggregate nominal amount of £23,103.

The power granted by this resolution will expire 15 months from the date this resolution is passed or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the 2006 Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

8. **TO** authorise the Company generally and unconditionally to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of £0.01 each (**Ordinary Shares**) provided that:

a. the maximum aggregate number of Ordinary Shares that may be purchased is 3,465,584;

b. the minimum price (excluding expenses) which may be paid for each Ordinary Share is £0.01;

c. the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of:

i. 105 per cent of the average market value of an Ordinary Share in the Company for the five business days prior to the day the purchase is made; and

ii. the value of an Ordinary Share calculated on the basis of the higher of the price quoted for:

a) the last independent trade of; and

b) the highest current independent bid for,

any number of the Company's Ordinary Shares on the trading venue where the purchase is carried out;

d. the authority conferred by this resolution shall expire 15 months from the date this resolution is passed or, if earlier, at the conclusion of the Company's next annual general meeting save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority.

By order of the board

Julian Llewellyn
Company Secretary
11 July 2017

Registered Office
Walker House
Exchange Flags
Liverpool L2 3YL

Notes

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies who need not be a member of the Company to attend and to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.

2. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power of attorney, must reach the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours (excluding weekends and bank holidays) before the time of the meeting or of any adjournment of the meeting.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), holders of Ordinary Shares must be entered on the relevant register of securities by 10.00 am on 23 August 2017. Changes to entries on the relevant register of securities after 10.00am on 23 August 2017 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4. Copies of the service contracts and letters of appointment of each of the Directors of the Company together with the Register of Directors' Interests will be available for inspection at the registered office of the company during usual business hours on any weekday (Saturday and public holidays excluded) and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting.

5. The Directors have no present intention of exercising either the allotment authority under resolution 6 or the disapplication of pre-emption rights authority under resolution 7.

6. The Annual Report and Financial statements can be downloaded from the investor section of our website at the following location https://sysgroup.com/financial-reports/

SYS
GROUP

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Company Number
06172239

www.sysgroup.com