Annual report and accounts *2024*

SysGroup

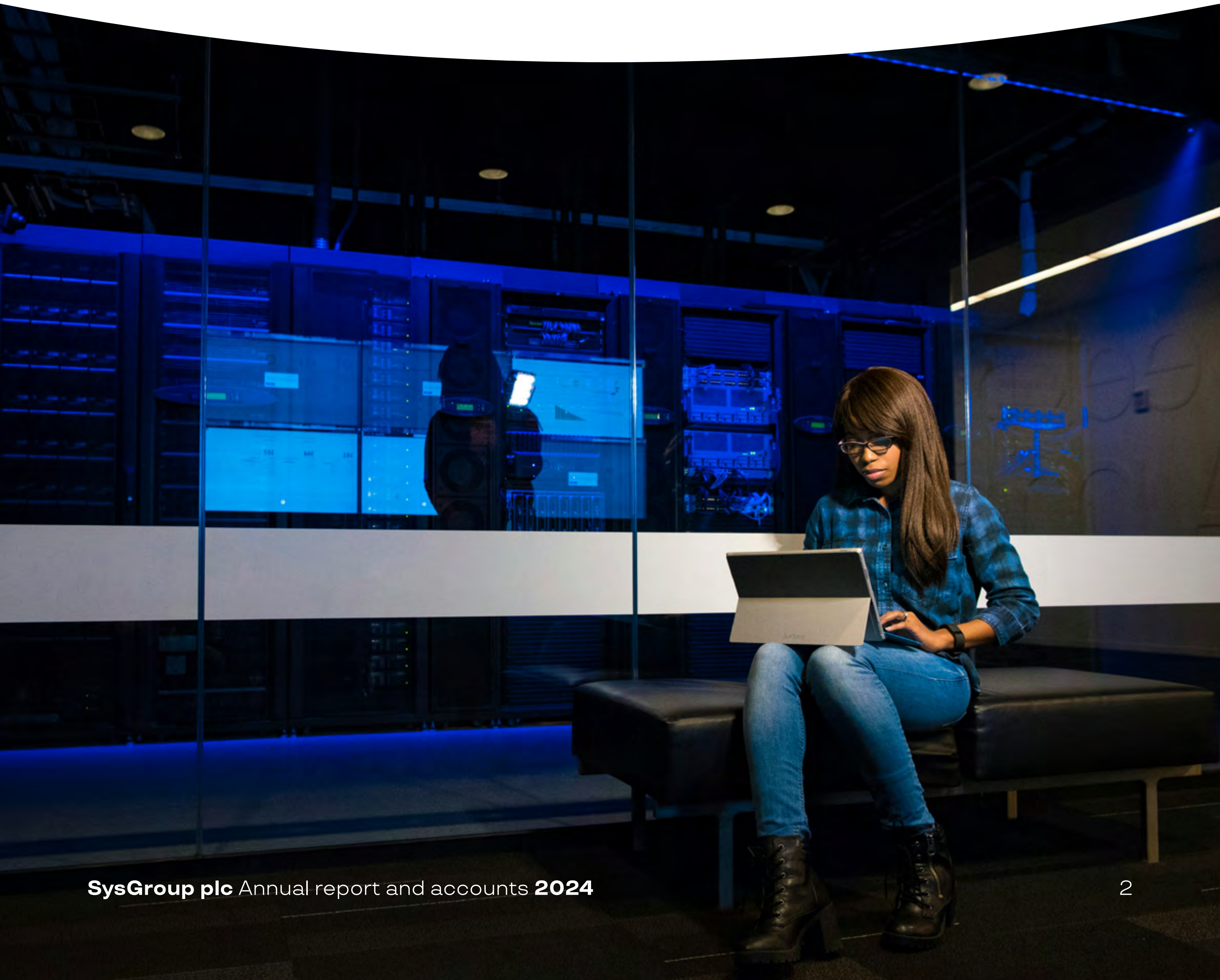
We are a multi-award-winning technology solutions provider and trusted partner for our customers

SysGroup specialises in the delivery and management of cloud, data and cyber security solutions to power Artificial Intelligence ('AI') and Machine Learning ('ML') transformation for its customers.

The Group offers an integrated set of modern technologies that collectively meet customers' end-to-end data needs including connectivity, cloud hosting, delivery, analytics and governance of customer data, as well as a security layer for users and applications.

While many small and medium-sized enterprises are eager to adopt AI/ML, they often lack a clear strategy or implementation path and are largely underserved by the well-established organisations who focus on serving enterprise-size customers. There is significant demand therefore for a partner like SysGroup to support them in their development of an AI/ML strategy and enable its implementation.

As at 31 March 2024, the Group had 112 staff across offices in Manchester, Edinburgh, London, Newport and Bristol.



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Highlights

Financial

	2024	*2023 (Restated)**	*Change %*
Revenue	**£22.71m**	£21.65m	**5%**
Recurring revenue as a % of total revenue	**76%**	75%	**1%**
Gross margin %	**46%**	51%	**(11)%**
Adjusted EBITDA[1]	**£2.01m**	£3.13m	**(36)%**
Statutory loss before tax	**£(6.57)m**	£(0.30)m	**854%**
Basic EPS	**(12.1)p**	0.0p	**–%**
Adjusted Basic EPS[2]	**2.1p**	3.5p	**(44)%**
Cashflow from operations	**£1.10m**	£3.02m	**(64)%**
Net (debt)[3]	**£(3.40)m**	£(1.32)m	**157%**

* See accounting policies (note 1) for further details of the restatement.

[1] Adjusted EBITDA is defined as profit before net finance costs, tax, depreciation, amortisation, impairments, shared based payment charge and adjusting items.

[2] Adjusted Basic EPS is profit after tax after adding back amortisation of intangible assets, exceptional items, share based payments and associated tax, divided by the weighted average number of shares in issue.

[3] Net (debt) represents cash balances less bank loans and lease liabilities excluding contingent consideration.

Strategic and organisational

- Heejae Chae acquired 14% share interest and was appointed Executive Chairman
- Repositioned as technology partner for Small Medium Businesses (SMBs) in their AI and digital transformation
- Replaced 11 senior leaders (including Chief Executive Officer (CEO) and Chief Financial Officer (CFO)) with six new talents
- Recruited an AI team of software engineers with extensive experience in ML and data architecture and a team of cloud experts
- Rebuilding of go-to-market organisation
- Refreshed the Board with seasoned professionals with extensive and relevant experience
- Achieved AWS Select Tier Service Partner status (Level 2)
- Announced a strategic partnership with Softcat to become their designated outsource partner for AI/ML offerings

Post period-end developments

- Raised £11.2m in oversubscribed equity placing to fund an internal transformation project, strengthen the balance sheet to provide for ongoing working capital requirements and liquidity for acquisitions
- Closed the second largest contract in SysGroup's history totalling £2.2m over three years
- Progressed to AWS Advanced Tier Service Partners status (Level 3) qualifying for fundings and joint sales and marketing
- Authorised as one of only two UK Zscaler Managed Security Service Partners

Strategic report

Executive Chairman's statement

Overview

Over the past year, the Group has completely transformed its strategy, execution and leadership.

Since acquiring a 14% share and becoming the Executive Chairman 12 months ago, we have repositioned the Company as the preferred technology partner for SMBs in their AI and digital transformation efforts. AI will have a significant impact on businesses and represents a key opportunity for transformation. Our goal is to guide SMBs through the complex AI value chain and support their transformation journey from start to finish.

Trading for the year has been strong with Group revenues increasing 5% to £22.7m driven by a significant 14% increase in the second half of the year compared to the same period in FY23. We have continued to maintain the momentum into the new financial year across all our technology offerings and, as previously announced, at the end of April, we closed the second largest contract in SysGroup's history, totalling £2.2m of revenue over three years. Our AI/ML proposition continues to gain traction amongst both new and existing customers with a growing pipeline of opportunities.

Our progress has also been recognised by our partners, as evidenced by our achieving of AWS Select Partner Level 3 Status, approval for the Zscaler Global MSSP Programme and our partnership with Softcat plc (one of the UK's largest Valued Added Resellers) to be their ML partner of choice.

We have also received considerable support from existing and new investors and in June 2024 we closed an oversubscribed placing, subscription and retail offer that raised just over £11.2m; clear validation of our strategic direction and affirmation that others share our vision for the business and the next stage of its growth. The funds raised will be used for a variety of purposes: (i) approximately £2m of the proceeds will be used to fund our internal transformation programme, referred to in more detail below; (ii) a further £2m will be used to meet the contingent earn-out payment in relation to the acquisition of Truststream back in 2022; and (iii) the remainder has left us with a strong balance sheet and given us liquidity for the M&A opportunities we are pursuing.

We have made substantial investment in both our IT infrastructure and people during the year and will continue to make these investments. These include upgrading our SysCloud infrastructure with the latest hardware and enhancing our internal security architecture with a leading cloud-based security platform. Approximately £2m of the proceeds from the recent fundraising are intended to be used to fund an internal transformation project to provide the Group with systems using AI-driven technologies. This will enable the Company to be a true AI adopter and innovator, acting as a live case study of best practice to our customers. We have completed the refurbishment of our offices to provide a positive and productive working environment whilst we continue to operate flexible working practices. Finally, we announced the closure of our Liverpool office and relocation of the registered office to Manchester with effect from 1 March 2024.

To support our end-to-end data platform strategy, we have segmented our technology into five key areas: (i) data analytics and ML (ii) data storage and management (iii) data connectivity (iv) data engineering and (v) cybersecurity. We will invest to enhance the existing competencies organically as well as through acquisitions to fill the gaps in our technology offerings and have, for example, recruited a team of AI/ML engineers from industry leaders such as AWS, JP Morgan, Validus and McLaren.

We have significantly strengthened the senior management team, bringing together the right skillsets and mindsets. Throughout the organisation we are reinforcing a culture of customer focus and outstanding service underpinned by innovation, entrepreneurialism and high performance.

Finally, the core business, which has circa 80% recurring revenues, provides a very solid base from which we can expand, giving us very good revenue certainty and visibility whilst the investment we are making in the company will drive growth in future years.

Strategy

Our technology strategy is to build a modern, unified data solution platform that is as simple for SysGroup to sell and support as it is for our customers to consume and benefit from. This will comprise of an integrated set of technologies that collectively meets our customers end-to-end data needs. It will allow for connectivity, storage, preparation, delivery, analytics and governance of customer data, as well as a security layer for users and applications.

Since my appointment I have engaged with various stakeholders including customers, employees, partners and competitors. These interactions have provided valuable insights into both industry trends and company-specific challenges. SysGroup is well positioned to participate in the burgeoning field of AI/ML, a technology set to redefine our era. AI's prominence is undeniable, with daily media coverage and increasing demand for AI strategies at the board level of every company and organisation. AI is here to stay and will be a powerful tool for those that embrace it.

Factors driving the AI/ML adoption include:

- The growing availability of data, crucial for training AI/ML algorithms; as the amount of data that companies collect continues to grow, so does the potential for AI/ML to deliver value
- The decreasing costs of computing power, making AI/ML models more accessible across varying company sizes and budgets
- The increasing sophistication and user-friendliness of AI/ML tools and technologies

Our overall strategy is to position SysGroup as the go-to, end-to-end data solution provider for SMBs embarking on their AI/ML journey. It is clear from our conversations with our customers that there is a significant gap in the market: while many SMBs are eager to adopt AI/ML, they often lack a clear strategy or implementation path. There is a great demand for a partner to support the development of an AI/ML strategy and transition from current platforms and solutions. According to a recent IONOS/YouGov study of 4,807 SMB owners across the UK, US, France, Germany and Spain: (i) UK business leaders have the lowest number of people already using AI frequently for work (9% compared to 15% average) (ii) only 7% of UK SMBs consider their level of AI knowledge to be very good compared to 32% in the US (iii) 48% of UK SMBs state their knowledge of the technology to be fairly poor or very poor and (iv) 56% of respondents have never used AI tools before in work, the highest percentage of the countries surveyed. This failure to adopt is not due to a lack of desire to engage with technology and we see this as a huge opportunity for our business and its future growth.

Many providers claim to be AI/ML experts but lack the capability to provide an end-to-end solution. Traditionally, most IT providers specialise in specific technology stacks: AI/ML strategy requires a holistic approach where the outcome is delivered from both software and hardware solutions. We know that a significant proportion of all AI projects fail because they have not taken this holistic approach, for example, by not defining the correct business case or not employing appropriate data architecture framed by the right technology infrastructure. Whilst gaps still exist in our offerings, we believe that we have the framework to deliver our strategy, underpinned by the relationship with our customers.

Finally, in order to build the size and scale of business we are looking to create, we will continue to explore acquisitions with the focus on (i) expanding capabilities in certain areas of technology expertise as well as (ii) acquiring companies or businesses that have interesting and relevant customer bases. Ideally opportunities will satisfy both criteria.

Board and management changes

During the financial year, we have refreshed the Board with people with significant and relevant industry experience to match the expectation and ambition of the Group. Paul Edwards joined as a Non-Executive Director in September 2023 and brings extensive plc experience as the CFO of Tatton Asset Management plc, and previously Scapa Group plc and NCC Group plc.

Mark Reilly joined as a Non-Executive Director in December 2023 and is currently Managing Partner, Technology at IP Group plc. Mark was previously a Non-Executive Director at Actual Experience plc and Mirriad Advertising plc.

Owen Phillips joined as CFO in March 2024 from Matillion Limited, a leading provider of cloud data integration tools. Owen held various financial management positions in the data/tech sector as well as working in professional practice at Grant Thornton UK LLP.

Davin Cushman joined as Non-Executive Director in June 2024 and has over 25 years of experience within the technology industry. He served as CEO at Ignite Technologies, an enterprise software company and founded Brightrose Ventures to advise, acquire and operate software companies.

Wendy Baker was also appointed as Company Secretary and General Counsel, providing oversight and guidance on governance. Wendy was previously at Scapa Group plc, Promethean World plc and Volex Group plc.

We have also enhanced the senior management team with the appointments of people with relevant experience from leading companies in the sector.

Paul Sullivan was appointed as Chief Technology Officer; Paul was the founder of Truststream which SysGroup acquired in April 2022.

Heinrich Koorts joined as Chief Revenue Officer from Softcat plc where he spent the past 10 years in London and Bristol.

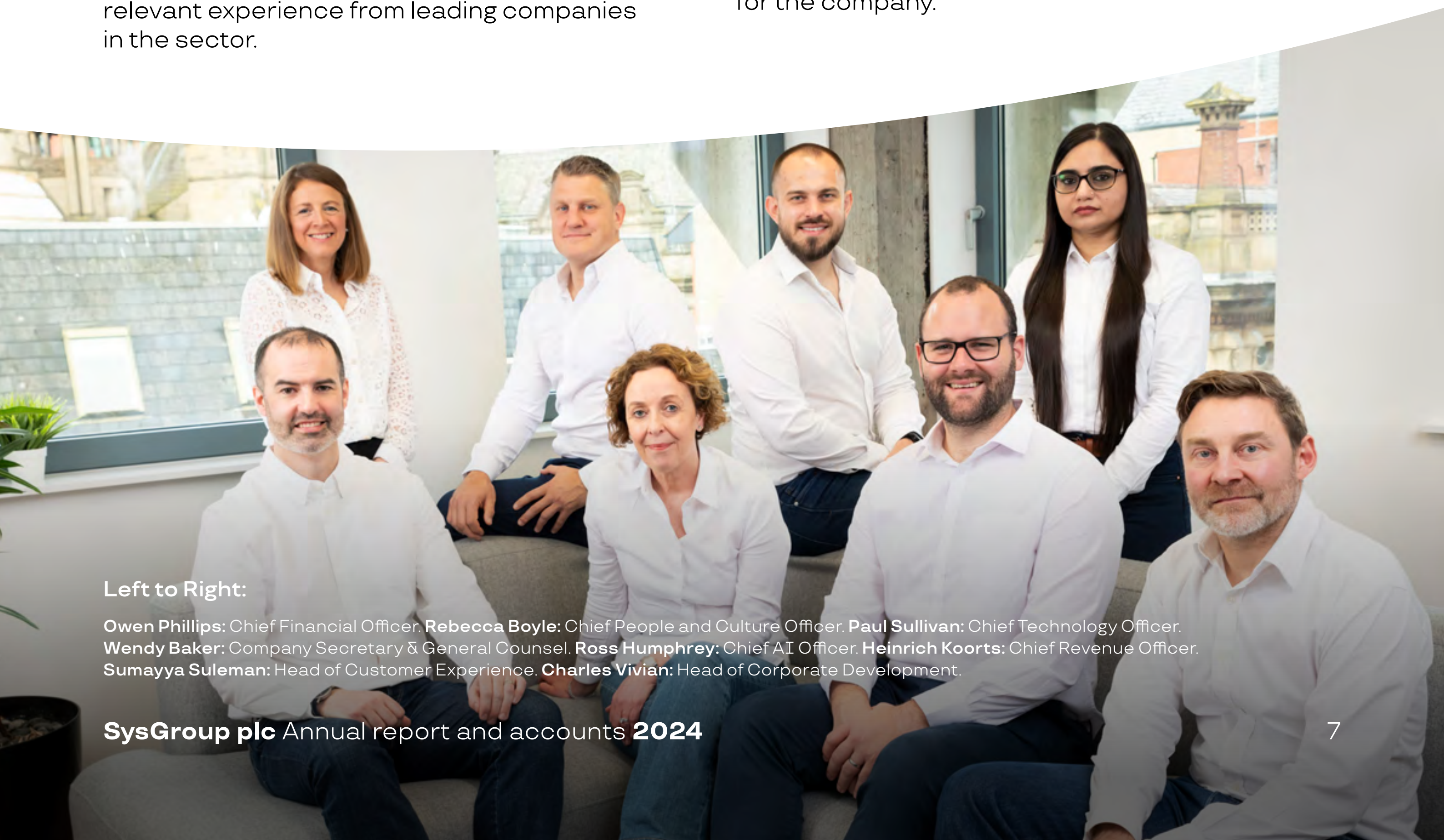
Ross Humphrey joined as the Chief AI Officer to lead our AI/ML initiative; Ross has over a decade of experience in ML as one of the UK's early adopters during his tenure at JP Morgan and Validus.

Charles Vivian joined as Director of Business Development to support our M&A strategy; Charles was previously at MXC Capital, Marwyn Capital and Freshfields Bruckhaus Deringer.

Rebecca Boyle joined as Chief People and Culture Officer; Rebecca has over 20 years HR experience gathered from large plc's such as Boots, Galliford Try and Punch Taverns and more recently was at Cawood Limited, a private equity backed buy-and-build.

All these individuals bring invaluable experience and expertise, positioning SysGroup extremely well for future success.

Finally, we have taken steps to ensure robust corporate governance, reviewing the board and committees' Terms of Reference and establishing a new Nomination Committee to ensure that the composition and succession of the board is reviewed and reflects a balance of skills, knowledge and experience which is appropriate for the company.



Left to Right:

Owen Phillips: Chief Financial Officer. **Rebecca Boyle:** Chief People and Culture Officer. **Paul Sullivan:** Chief Technology Officer. **Wendy Baker:** Company Secretary & General Counsel. **Ross Humphrey:** Chief AI Officer. **Heinrich Koorts:** Chief Revenue Officer. **Sumayya Suleman:** Head of Customer Experience. **Charles Vivian:** Head of Corporate Development.

Summary and outlook

I'm enormously excited about the Company's potential and future prospects. What gives me the greatest sense of optimism is the people within our organisation and I wish to extend my thanks to each and every one for their effort and commitment. Our greatest asset is those people and we are building an extraordinary team. It is my mission to ensure SysGroup becomes a place where everyone feels excited and proud to work and I am committed to creating an environment that inspires people to give their best and strive for excellence around our core values of Learning, Integrity, Kindness and Entrepreneurship.

Over the next 12 months we will lead by example, revolutionising our Company through data and AI. We have already identified 31 transformative use cases that will significantly enhance our business operations. This is not just about adopting new tools; it's about reimagining our entire way of doing business. We will simultaneously be carrying this approach into our customer engagements as we seek to take them on the same journey to transform their own organisations and ways of doing business.

We are on the brink of very exciting times for both the market in which we operate and our own organisation and I look forward to taking all our stakeholders on this journey.

Heejae Chae
Executive Chairman
30 July 2024

Strategic report

Chief Financial Officer's report

Group statement of comprehensive income

The Group delivered revenue of £22.71m (FY23: £21.65m), an increase of 5% on the prior year, Adjusted EBITDA of £2.01m (FY23: £3.13m) and a statutory loss before tax of £6.57m (FY23: loss before tax of £0.3m).

Organic growth drove an increase in revenue of 5% year-on-year, driven by a 14% increase in the second half of the year (compared to the same period FY23), which offset a (3)% decline in the first half.

Managed IT services revenue was £18.59m (FY23: £17.44m), an increase of 7% on the prior year, and VAR revenue was £4.12m (FY23: £4.21m), a decrease of 2%. The overall revenue mix stands at 82% managed IT services (including professional services) and 18% VAR (FY23: 81%:19%).

Revenue by operating segment	*2024 £'000*	*2023 £'000*	*%*
Managed IT services	18,592	17,441	7%
Value-added resale	4,122	4,207	–2%
Total	**22,714**	**21,648**	**5%**

Gross profit was £10.40m with a gross margin of 46% (FY23: £10.9m and 50% respectively). Gross margin has fallen in part due to certain supplier price rises as well as a change in product mix, driven in particular by an increase in cyber security revenue following the continued growth of our Truststream's IT security services business, acquired in 2022, which typically carries a lower margin than the remaining core managed services offerings.

Gross profit by operating segment	*2024 £'000*	*2023 (Restated)* £'000*	*%*
Managed IT services	9,733	10,155	–4%
Value-added resale	663	747	–11%
Total	**10,396**	**10,902**	**–5%**

* See accounting policies (note 1) for details.

Gross profit % by operating segment	*2024 £'000*	*2023 (Restated)* £'000*	*%*
Managed IT services	52%	58%	–6pp
Value-added resale	16%	18%	–2pp
Total	**46%**	**50%**	**–4pp**

* See accounting policies (note 1) for details.

Operating expenses (before depreciation, amortisation, impairments, exceptional items and share based payments) of £8.39m were £0.62m higher than last year (FY23: £7.77m) as the Group underwent substantial investment in people and systems to support our growth strategy. During the year we also closed our office in Liverpool, moving the registered address to our Manchester office.

Adjusted EBITDA was £2.01m for the 12 months to 31 March 2024 (FY23: £3.13m) which is an Adjusted EBITDA margin of 8.8% (FY23: 14.5%). The lower margin percentage reflects the reduced gross margin combined with the additional operating expenses detailed above.

The consolidated income statement includes £1.83m (FY23: £0.41m) of exceptional costs which include £0.74m costs associated with the CEO exit settlement, £0.57m relating to costs associated with the restructuring of the Senior Leadership Team (FY23: £0.19m) and £0.43m relating to supplier payments in dispute.

Amortisation of intangible assets was £1.70m (FY23: £1.74m) in the year, of which £1.47m (FY23: £1.56m) relates to the amortisation of acquired intangible assets from acquisitions and £0.22m (FY23: £0.18m) relates to the amortisation of software development and licence costs.

Impairment of intangible assets was £3.72m (FY23: £nil) in the year. The managed IT services cash-generating unit (CGU) goodwill is comprised of acquisitions dating from 2016 to 2022. Based upon a prudent assessment of the future performance of these acquisitions (being the 'managed IT services CGU'), management's view is that the CGU is impaired by £3.72m.

Finance costs increased in the year to £0.57m (FY23: £0.48m) relating to the loan balance at 31 March 2024 of £4.7m (31 March 2023: £4.7m), mainly from the increase in bank base rates during the period. Finance costs also include £0.11m (FY23: £0.13m) of non-cash finance charges for the unwinding of discount on contingent consideration and the amortisation of the loan arrangement fee.

The share-based payments charge of £0.19m for the year (FY23: £0.18m) relates to charges for the share options under the Executive Director LTIP and Employee Management Incentive schemes.

The reconciliation of operating profit to adjusted EBITDA is shown in the table below. The Directors consider that adjusted EBITDA is the most appropriate measure to assess the business performance since this reflects the underlying trading performance of the Group. Adjusted EBITDA is not a statutory measure and is calculated differently by each Company.

Reconciliation of operating profit to adjusted EBITDA	*2024 £'000*	*2023 (Restated)* £'000*
Operating (loss)/profit	(5,996)	184
Depreciation	570	625
Amortisation of intangible assets	1,696	1,739
Impairment of intangible assets	3,718	–
EBITDA	**(12)**	**2,548**
Exceptional items	1,826	408
Share based payments	194	178
Adjusted EBITDA	**2,008**	**3,134**

* See accounting policies (note 1) for details.

Taxation

The Group has a tax credit of £0.67m this year (FY23: £0.10m) which principally arises from the deferred tax credit movement in the period. The corporation tax current credit of £0.08m (FY23: £0.37m charge) is as a result of R&D tax credits claimed this year in relation to the prior year. The deferred tax movement is a £0.59m credit (FY23: £0.47m credit) due to the increase in amortisation of acquired intangibles recognised in the Consolidated Statement of Comprehensive Income.

Cashflow and net debt

The Group's financial position is a net debt position at 31 March 2024 of £3.40m (31 March 2023: £1.32m). This excludes contingent consideration at 31 March 2024 of £1.75m (31 March 2023: £2.68m). The gross cash balance at 31 March 2024 was £1.94m (FY23: £4.19m). Cash balances have been utilised in satisfaction of: (i) £0.93m in the Truststream Security Solutions Limited ('Truststream') Year 1 earn-out (contingent consideration) and (ii) £1.50m in settlement of the former CEO's contractual departure terms including the Company's purchase of 2,076,394 ordinary SysGroup shares (now held in treasury) following the exercise of share options and immediate sale of those shares.

Adjusted cash generated from operations was £2.22m (FY23: £3.43m) and cash conversion was strong at 111% (FY23: 109%) which compares favourably to the target cash conversion range of 80-90%. We consider net (debt)/cash to be a KPI of the business since the level of cash availability and financial indebtedness of the Group is relevant for Board strategic decisions and a key financial measure for the Group's shareholder base and potential investors.

Net debt	*2024 £'000*	*2023 £'000*
Cash balances	1,943	4,186
Bank loans – current	–	–
Bank loans – non-current	(4,738)	(4,705)
Net (debt) before lease liabilities	**(2,795)**	**(519)**
Lease liabilities – property	(604)	(803)
Net (debt)	**(3,399)**	**(1,322)**
Contingent consideration	(1,751)	(2,681)
Net (debt) including contingent consideration	**(5,150)**	**(4,003)**

Cash conversion	*2024 £'000*	*2023 (Restated)* £'000*
Cashflow from operations	1,104	3,020
Adjustments:		
Acquisition, integration and restructuring cashflows	1,117	408
Cash generated from operations	**2,221**	**3,428**
Adjusted EBITDA[1]	2,008	3,134
Cash conversion	**111%**	**109%**

* See accounting policies (note 1) for further details of the restatement.

[1] Adjusted EBITDA is defined as profit before net finance costs, tax, depreciation, amortisation, impairments, shared based payment charge and adjusting items.

The Consolidated Statement of Cashflows reflects a further £0.89m payment of contingent consideration relating to the acquisition of Truststream. The Company also made a further purchase of £0.76m shares into treasury, relating to the exit settlement terms of the previous CEO. The cash outflow for property, plant and equipment of £0.45m (FY23: £0.25m) includes expenditure on various office fit-outs and the payments to acquire intangible assets of £0.11m (FY23: £0.16m) includes the capitalisation of various software development costs.

£8.0m revolving credit facility

The Company continues to hold a £8.0m RCF provided by Santander in April 2022, to provide financial flexibility for acquisitions and working capital requirements. The Group drew down £4.5m of RCF funds to finance the acquisition of Truststream in FY23. There have been no further drawdowns other than interest charges.

The banking facility has a five-year term which expires in April 2027 and carries an interest rate of base rate +3.25% on drawn funds and 1.3% on undrawn funds. The bank covenants in the RCF are tested quarterly and calculated on total net debt to adjusted EBITDA leverage and minimum liquidity. All bank covenants were met during the year.

Consolidated statement of financial position

At the year end, the Group's total net assets are £14.77m (FY23: £21.24m).

Non-current assets of £24.50m (FY23: £29.98m) include Intangible Assets of £22.66m (FY23: 27.96m) and Property, Plant and Equipment ('PPE') of £1.85m (FY23: £1.97m). There were £0.45m of PPE additions relating to office expenditure. As noted above, an impairment of goodwill in the managed IT services CGU of £3.72m has been recorded in the year. The remaining movement year-on-year relates to ordinary amortisation and depreciation.

Working capital was managed well throughout the year with debtor days at the target level of 25 days at year end and suppliers routinely paid in our monthly payment runs to agreed terms. The gross trade debtor balance of £1.58m compares to £1.71m in the previous year despite the increase in trading revenue. The prepayment balance of £1.85m (FY23: £3.10m restated) and the contract liabilities balance (i.e. 'deferred income') of £2.78m (FY23: £4.02m) have both decreased. This is due to the working capital model of the Truststream business where customers are typically invoiced annually in advance and costs from suppliers are typically received annually in advance. Accordingly, the respective income and costs are deferred on the balance sheet and recognised over the period of the contracts.

Share option grants

During the year, the Remuneration Committee granted 362,709 performance shares to Adam Binks (former Chief Executive Officer) and 204,024 performance shares to Martin Audcent (former CFO), in relation to the Group's performance in FY23 under the terms of the 2020 SysGroup Long Term Incentive Plan. During the year to 31 March 2023, the Remuneration Committee granted 284,010 performance shares to Adam Binks and 170,406 performance shares to Martin Audcent in relation to the Group's performance in FY22 under the terms of the same plan.

KPIs

The Board of Directors review the performance of the Group using the financial measures outlined below and an explanation of the financial results is provided in the Financial Review above.

	2024	*2023 (Restated)**	*Change %*
Revenue	**£22.71m**	£21.65m	**5%**
Recurring revenue as a % of total revenue	**76%**	75%	**1%**
Gross profit	**£10.40m**	£10.90m	**(6)%**
Gross margin %	**46%**	50%	**(11)%**
Adjusted EBITDA[1]	**£2.01m**	£3.13m	**(36)%**
Statutory (loss) before tax	**£(6.57)m**	£(0.30)m	**854%**
Net (debt)[2]	**£(3.40)m**	£(1.32)m	**157%**

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Owen Phillips
Chief Financial Officer
30 July 2024

Strategic report

Principal risks and uncertainties

The Board is responsible for monitoring the Group's principal risks and uncertainties which are considered in the context of the nature, size and complexity of the business.

The Group General Counsel who is a member of the Senior Leadership Team is responsible for reporting to the Board on the Group's Risk Management framework, General Data Protection Regulation (GDPR) policy, Data Protection and other regulatory and compliance processes.

A detailed description of the principal risks and uncertainties faced by the Group, their potential impact, mitigating processes and controls are set out below.

Principal risk	*Potential impact*	*How we mitigate the risk*
Impact on the business from a cyber-attack that prevents business operations Likelihood: **medium**	The instance of cyber-attacks on companies is becoming more prevalent across all businesses from SMBs to blue-chip multinational enterprises. These attacks, typically for the purpose of a ransom, can be to access confidential consumer and business information, penetrate with viruses or to instigate DDOS attacks on the IT infrastructure or website. The impact on a company can be to prevent access to the business operating systems, to prevent online trading or to threaten disclosure of confidential information.	SysGroup has an IT security framework in place to mitigate the risk of cyber-attacks. The IT infrastructure includes multiple firewalls with enhanced security features (and we have recently enhanced our internal security architecture with a leading cloud-based security platform). In addition, the use of multiple datacentres allows for suitable failover resilience. All employees have regular IT security refresh training to remind them of the risks, how to recognise social engineered attacks and best practice for physical IT and password security. This business risk and uncertainty is included in the Group's Business Continuity Plan.

Principal risk	*Potential impact*	*How we mitigate the risk*
Political and economic developments Likelihood: **medium**	Whilst the high level of inflation and energy prices in the UK economy experienced throughout FY23 have moderated in FY24, the Russian invasion of Ukraine has continued and we have also witnessed other global conflicts. Again, whilst the situation has improved, there continues to be some impact on certain supply chain timelines. The impact of high inflation and energy prices has been to increase supplier costs to the Group and particularly from datacentre suppliers. We have maintained the likelihood of this risk as medium and look to review this as the broader situation evolves over time.	SysGroup has the ability through its standard contract terms to pass on datacentre energy price changes to our customers which assists in mitigating the higher costs. SysGroup is not dependent on single suppliers for IT equipment orders and alternative suppliers are used when required. In the event of a sector-wide supply shortage, SysGroup would communicate the lead times to customers to enable them to programme them into their own strategic plans and/or recommend alternative IT solutions.
Over-reliance on high value customer contracts or high value industry sectors Likelihood: **medium**	Business risk increases if the Group is over-reliant on one or several high value customer contracts, or over-reliant on one or several industry sectors. The loss of key contracts or a downturn in a particular industry sector may have a material impact on the financial performance of the Group.	The Board monitors customer concentration throughout the year with a target of customer concentration below 5%. This target was exceeded this financial year with the top customer comprising 7% of revenue. The Group's customer base is diversified across multiple industry sectors which mitigates the impact of a sector specific industry downturn.
Attracting and retaining high quality employees Likelihood: **medium**	The Group's business depends on providing high quality service to customers from having a motivated and skilled workforce. If the employee turnover is too high, or if we are unable to attract talent, there is a risk that the Group has insufficient skills and quality in the employee base.	The Group's employees are key to the success of the business. We seek to recruit high calibre individuals who have an appropriate level of skills, knowledge and experience for the role and have personal attributes that fit with our corporate values. The technology recruitment market in FY24 was highly competitive for specialist skills. The business has had to contend with this challenge, alongside inflationary wage pressures. The Group rewards employees with annual pay reviews, and pay awards for promotions or wider role accountability. We invest in skill development for employees through internal and external training and offer a wide range of benefits. At all levels we encourage our people to be bold and find opportunities to innovate and improve. We have seen an improvement in our ability to recruit key skills required for growth.

Principal risk	*Potential impact*	*How we mitigate the risk*
Evolution of the Company strategy Likelihood: **low-medium**	The Group's current strategy is to become a technology partner that specialises in the delivery and management of cloud, data and cyber security solutions to power AI and ML transformation. Whilst this represents an extension of the historic offerings, it nonetheless requires the Company to enhance these as well as offering new technologies, specifically AI and ML. This strategy is also being implemented in both a nascent as well as a fast-moving market environment, where all organisations are having to understand then think about how they implement these new technologies into their businesses and operations.	The Company has recruited numerous individuals across all functions within the business in order to lead this strategic initiative. Specifically, the Company has recruited a team of AI/ML engineers from industry leaders such as AWS, JP Morgan, Validus and McLaren. The Company is trialling the introduction of these technologies within its own business and operations, with the specific objective of better understanding them and their implementation within a customer environment, in order to de-risk this from an end-user perspective. This represents an evolution of the current business, which will continue to evolve progressively and in a managed way so as to minimise disruption to existing customer relationships and the operations of the Group.
Dependency on key suppliers Likelihood: **low**	The Group procures services from key suppliers that are critical to the continued operation of its business; the most significant of these are the suppliers 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.	The Group continually assesses suppliers for price competitiveness, quality of service, technical innovation and good financial standing. We are confident that alternative providers are available in the market should the need arise.
Failure in the Group's network infrastructure prevents SysGroup and our customers from operating key business systems. Likelihood: **low**	The datacentres we utilise are linked together by diverse fibre cables. Should the whole network fail, there would be an adverse impact on SysGroup's systems and 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 with failover resilience.
Company acquisitions are over-valued or poorly integrated leading to a diminution in shareholder value. Likelihood: **low**	The Group's strategy is to continue to make acquisitions to strengthen its growth. We are reliant on suitable acquisition targets becoming available in the market at appropriate valuations and the Executive and Senior Leadership Team has the responsibility to successfully integrate acquisitions into the Group to maximise operational opportunities and financial benefits.	We mitigate this risk by regularly conducting searches for targets and developing adviser relationships who introduce targets. We believe the UK market for technology services providers has characteristics of fragmentation which provides multiple suitable acquisition opportunities. The Board assesses and then considers all acquisition opportunities after a robust due diligence process has been undertaken, including detailed valuation work. The Executive team plan the integration of acquisitions during the acquisition process and the final approach taken depends on the size of the business and systems complexity in each case. Where possible, smaller bolt-on acquisitions are expected to be integrated within six months.

Strategic report

s172 statement

The Directors and the Board as a whole consider that they have acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172(1) (a) to (f) of the Companies Act 2006) in the decisions taken during the year ended 31 March 2024.

The Directors recognise the Group's primary stakeholders as employees, customers, suppliers, shareholders, the community and regulators. The Board actively seeks to understand the interests of these stakeholders to ensure they are appropriately considered in decision-making processes.

To fulfil their duties the Directors ensure that robust governance structures and processes are embedded throughout the Group's operations. The Group's strategy is determined by the Board after reviewing materials and presentations from the Senior Leadership Team. This encompasses the impact on each of our main stakeholders and ensures alignment to the Group's culture, the cornerstones of which are Learning, Integrity, Kindness, and Entrepreneurship.

The Group's strategy and purpose is to be the technology partner of choice specialising in the delivery and management of cloud, data and security services to power AI and ML transformation. The Group offers an integrated set of modern technologies that collectively meets customers' end-to-end data needs including connectivity, cloud hosting, delivery, analytics and governance of customer data, as well as a security layer for users and applications.

The Directors hold Board meetings on a monthly basis. Board papers provide a full review of the Group's financial performance, operational issues, plans; and opportunities and threats in the external market. In addition, the Board considers the following matters of strategic importance: delegation of authority, annual operating plan and forecast approval, acquisitions, environmental, social and governance (ESG) strategy, capital structure and financing decisions, corporate governance, and the approval of the interim and annual report and accounts. The Board is also responsible for reviewing the effectiveness of the internal controls and risk management framework.

Board meetings are chaired by the Executive Chairman, Heejae Chae. The composition of the Board and the scope of skills and experience that the individual Directors bring ensure that the Board is well placed in determining the strategy of the Group and in doing so all the key stakeholder groups are considered in strategic decisions made.

The Board receives updates on the markets in which the business operates. The Board regularly meets members of the Senior Leadership Team to discuss progress on strategy and specific projects. FY24 was a transitional year with changes to both the Senior Leadership Team and the Board. Examples of key decisions taken in FY24 are:

- The consolidation of the Liverpool and Manchester offices to one North West office
- Investing in the upgrade of SysCloud infrastructure with the latest hardware
- Revision of the scope of services to include AI and ML

Maintaining high standards of business conduct

Corporate governance

The Board recognises the importance of operating a robust corporate governance framework. Steps have been taken to further enhance these standards and our compliance with the Quoted Companies Alliance Corporate Governance Code ('the QCA Code') is outlined on pages 37 to 40.

Employees

The Group's employees are key to the success of the business. We look to recruit high calibre individuals and invest in their ongoing learning and development needs through internal and external training. The Group has a wide provision of employee benefits that is regularly monitored against the market and enhanced each year.

All employees are encouraged to communicate openly with their line managers and colleagues. The Senior Leadership Team meets weekly to ensure coordination and focus in the right areas. To gauge employee opinions about working for SysGroup, we conduct regular surveys. The results of these surveys inform the decision-making processes of both the Directors and the Senior Leadership Team, helping to identify new ways to enhance the working environment. An example of this was the implementation of hybrid working patterns which improved the well-being of employees.

In FY25, the Group plans to evolve the Culture Advocate Programme into 'Engagement Cells' which will further enhance engagement across the organisation.

The Group has redefined its core values as Learning, Integrity, Kindness and Entrepreneurship. These cornerstones drive the culture of our business and are reflective in the execution of our strategy and the relationship and engagement with our key stakeholders.

Learning

We encourage learning, believing that developing talent enhances our business by improving both the quality of output and employee retention through growth opportunities. We offer training and development programmes to our employees and will further enhance these initiatives to assist employees in achieving accreditations and professional qualifications in various areas. Additionally, we strive to foster a culture where asking questions is encouraged. Sharing information with each other creates a vibrant and exciting environment.

Integrity

Integrity is essential to any business, involving adherence to moral and ethical principles, honesty, and consistency in actions, values, methods and outcomes. It means doing the right thing, even when no one is watching. Our governance standards provide the framework for maintaining integrity, with the culture being led from the Board throughout the organisation.

Kindness

Businesses thrive when they build and maintain strong relationships. Appreciation and respect for others foster a culture of inclusivity and empathy, which in turn promotes positivity and support. Professionalism and thoughtfulness are central to how we conduct ourselves both within the business and with our external stakeholders. By valuing kindness, we create an environment where everyone feels valued and supported.

Entrepreneurship

The importance of innovation, risk-taking, and proactive thinking is crucial in driving business growth and success. We encourage all employees to explore and develop new concepts, take the initiative, and approach challenges with a solution-oriented mindset. Embracing entrepreneurship within our organisation helps us stay competitive and responsive to changing market demands.

Customers and suppliers

The Board discusses strategic decisions that may significantly impact our customers, including the portfolio of services and products we offer, the supplier partners we engage with, and changes to our operational structure. These discussions ensure that our offerings remain aligned with customer needs and market demands.

Customers

We aim to delight our customers, and this sentiment is at the heart of everything we do. Our Account Managers, Chief Revenue Officer and Chief Technology Officer regularly meet with customers to understand their IT needs and ensure these are addressed appropriately and cost-effectively. Our Head of Customer Experience, a key member of the Senior Leadership Team, is primarily responsible for liaising with customers to resolve their IT problems and improve our services. We measure and track customer feedback to ensure standards are maintained and continuously improved.

In FY25, we will issue a customer survey to gather honest feedback on our service and performance, helping us identify areas for further enhancement.

Suppliers

The Board is briefed on major contract negotiations and strategies concerning key suppliers, particularly those providing datacentre services, software and connectivity. The Board seeks to balance maintaining strong partnerships with key suppliers with the need to obtain value for our customers and ensure continued high quality and service levels. SysGroup pays suppliers through monthly payment runs.

Our objective is to manage our supplier relationships to ensure we maintain high-quality, good-value goods and services for our customers. Engagement with our suppliers begins with the selection process, ensuring the product and service specifications align with our requirements, accompanied by due diligence. This engagement continues throughout the procurement journey with regular monthly or quarterly meetings.

Regulators

As an AIM listed Company, we recognise the importance of maintaining high quality regulatory compliance and internal governance, which is described in further detail in the Corporate Governance Report. We comply with all applicable regulations, including but not limited to the AIM rules, the Companies Act, the Market Abuse Regulation, Employment legislation, GDPR, Health & Safety, and Anti-Bribery and Corruption. Ensuring adherence to these regulations is fundamental to our operations and reflects our commitment to ethical business practices.

The community and environment

We aim to have a positive impact on the local communities in which we operate. We encourage and support our employees to participate in charitable events. We partner with organisations to donate unused or refurbished laptops to underprivileged children in our local areas and donate office furniture and equipment to not-for-profit organisations.

Our ESG policy aims to embed and enhance ESG in the business, to improve our environmental impact and to make disclosures on our carbon footprint. A summary ESG report is provided in the Corporate Governance section of the Annual Report and the full ESG report for FY24 will soon be available on our website.

SysGroup is generally a low waste business and our offices recycle to the fullest extent possible. We are committed to continually improving our practices to support sustainability and community welfare.

Shareholders

The Directors recognise the importance of engaging with the Company's shareholders to ensure that the strategy, business model and financial performance are well understood. Throughout the year, the Executive Chairman and CFO meet with investors to discuss relevant matters. Shareholders are invited to attend the Annual General Meeting, where all Board members are present to address questions relevant to the business of the meeting. Additionally, shareholders can contact the Non-Executive Directors if they wish to raise any concerns.

We consider the Annual Report and Interim Announcement to be key communication tools for our shareholders. These reports provide a clear explanation of the business performance, financial position, organisation changes and strategy.

Strategic report

Environmental, social and governance (ESG) report

At SysGroup ('the Group') we aim to continue to grow our business sustainably benefitting both our stakeholders and the environment.

Although we are not subject to mandatory ESG regulatory reporting requirements due to our size, in FY22, the Board decided to proactively commit to reducing our environmental impact and supporting local communities. Consequently we launched an ESG project to understand the environmental and social impacts of our operations. The project includes disclosing our Greenhouse Gas (GHG) emissions and reporting on our social and governance activities.

Operating as a responsible business is embedded within SysGroup's purpose, culture, and core values. We strive to act responsibly, considering both the environment and the local communities where we operate. We have partnered with a specialist ESG consultancy, to assist in developing our ESG strategy.

Governance

SysGroup delivers solutions that enable clients to understand and benefit from industry-leading technologies and advanced hosting capabilities.

By focusing on our customer's strategic and operational requirements, we enable them to free up resources, grow their core business and avoid the distractions and complexity of delivering IT services. Our business is structured to operate in line with our core values, to ensure we meet our strategic goals. The SysGroup Board has overall responsibility for the Group's ESG strategy and ensures that the Group builds a business strategy that is as resilient as possible to climate change.

Social

At SysGroup, we are committed to acting responsibly and making a positive impact on our employees and the communities in which we operate.

Employee engagement

We recognise that a motivated and engaged workforce is essential to our success. To support this, we encourage our team leaders (employees in managerial roles) to regularly hold face-to-face meetings with their team members, to address any work or personal concerns. Additionally, we conduct employee surveys, to capture the views and feedback of our team, helping us to identify opportunities to improve our business. In FY24, we had a significant response rate of 85%, with 80% stating they were extremely satisfied working for us. We analysed the feedback from our employees, with the main areas of improvement being in relation to cultural working patterns. As a result, we have implemented a hybrid working pattern, which improved well-being and engagement. We will continue to develop employee engagement processes across the Group, where possible.

Last financial year, we successfully launched a company newsletter, which continues to be circulated quarterly to all employees and distributed electronically on our intranet. The newsletter is a fun and inclusive way to showcase monthly events, provide business updates and highlight employee recognition for all colleagues. Our quarterly newsletter has gained a positive reception among employees, serving as a reliable source of updates and insights. This is an important platform for distributing key information so that new employees can learn more about the Group. In FY25, we will develop the existing culture advocate programme into 'Engagement Cells'. This will consist of quarterly team meetings at each site, where employees can provide feedback, and action plans can be developed. This initiative will highlight any issues and result in increased engagement across the Group.

In addition to the newsletter, the Executive Chairman distributes a 'Chairman's Message' to all employees via email, typically on a quarterly basis, with key business updates. This ensures employees are up to date in terms of strategy and progress made by the Group.

As part of our strategic plan, we are embarking on a comprehensive review of our organisational values. Led by our leadership, this initiative focuses on improving Learning, Integrity, Kindness, and Entrepreneurship. These values are to be embedded in the daily operations, empowering every team member to embody them authentically. Concurrently, we are committed to nurturing a robust 'Learning Culture' across the organisation, fostering continuous growth and development. This involves a focus on project- based learning, where employees will acquire new skills by learning in the role. To support this, we are introducing a dedicated space for collaboration and idea-sharing in FY25. Additionally, in FY25, our People and Culture (P&C) team will explore avenues to enhance feedback mechanisms, ensuring that every voice is heard and valued going forward, for example, through the Engagement Cells.

In FY24, we improved our employee shoutout system, which employees use to send messages to each other, such as messages of thanks, by creating summaries in our newsletter, allowing for even greater impact and recognition. Small monetary vouchers are provided to employees who are performing well, as a form of recognition. This enhancement streamlines the process and elevates the value of recognition within our workplace culture. Furthermore, to help our people spread the positivity that we implement into our working environment, we have continued our Candidate Referral Bonus Policy. The purpose of this scheme is to incentivise our team members to refer people they know directly to the Group as candidates for positions.

Throughout the previous financial year, the P&C team focused on decentralising activities, aiming to improve engagement at localised levels. During the festive season in December, we opted to host different events at areas local to SysGroup sites rather than just one location. This change resulted in increased attendance rates and the ability to tailor each gathering to the individuals attending. Events included Clay Pigeon Shooting, F1 simulator driving and various meals. Members of the leadership team attended multiple site events, to ensure that the events remained inclusive whilst separate. We aim to continue to arrange similar events at various times during the year, to encourage direct interaction amongst colleagues.

Employee welfare

At SysGroup, we take the well-being and health of our employees seriously. We ensure that all meetings are well structured, to effectively address both immediate needs and long-term strategic goals. Our Leadership Team meets weekly to tackle practical, day-to-day matters, and convenes bi-monthly to discuss long-term initiatives, strategic planning, and execution and milestones for project work.

Employee benefits

At SysGroup, we aim to provide benefits to our employees, wherever possible. All employees are offered the opportunity to sign-up for a private medical insurance scheme upon completing their probation period. They can increase their level of insurance coverage and add their families to the Group scheme, at a reduced rate compared to the external market rate.

In May 2023, we successfully launched our employee cycle-to-work scheme. Other SysGroup employee benefits include financial advice, free quarterly prize draws of vouchers typically valued at £50 or £100, annual events to support team health and well-being, and an additional half-day of annual leave on their birthday.

In August 2024, we will be launching a Save As You Earn (SAYE) scheme, accessible to all employees, offering them the option to buy shares at a discounted price. This initiative aims to provide a valuable benefit and to foster an entrepreneurial spirit within our workforce.

We believe it is important that employees can provide feedback on their roles and the working environment. Employees are encouraged to share feedback with the Leadership Team on an ad hoc basis. Feedback from Leadership indicates that most of our employees thrive when challenged and given opportunities to learn and grow. Additionally, we remain proactive in our aim to implement innovative ideas to enhance our flexible benefits package, ensuring it evolves in alignment with the diverse needs and preferences of our workforce.

Diversity, equality and inclusion

Acknowledging the widely recognised challenge of female representation within the IT industry, SysGroup is committed to addressing this issue and encouraging women to enter the industry and apply for roles at SysGroup. Notably, we have made significant strides in increasing female representation on our leadership team, with the proportion rising to 37.5% in FY2023/2024 (FY2022/2023: 22%). Furthermore, we have implemented an enhanced maternity policy, to better support working mothers. Additionally, our adoption of hybrid working models, aims to provide greater flexibility, encouraging improved work-life balance for all employees.

Learning and development

We remain committed to developing our employees' technical skills and have commenced a programme of training colleagues in ML and AI capability. Colleagues are granted permission to complete relevant training courses, to develop their knowledge and skills.

In FY24, we supported employees through professional qualifications such as Augmentative and Alternative Communication (AAC), and technical certificates, such as Cisco Certified Network Associate (CCNA) or similar from Microsoft and CyberArk. These efforts aim to provide tailored pathways for career advancement.

The success of the Cyber Graduate Apprentice Programme continues, which we offer every three years in partnership with Edinburgh Napier University. Apprentices are with SysGroup four days a week and spend one day at university. A new starter was onboarded in FY24, with an additional two participants scheduled to complete the course in FY25. This continued success highlights the effectiveness of the programme in nurturing ability and developing future talent. Encouraged by these achievements, we are exploring opportunities to replicate this model within other areas of our business, as well as hiring more apprentices in September 2025.

Mirroring our decentralised approach to engagement events, we adopted a similar strategy for 'bitesize learning', which proved particularly successful within the sales function. By focusing on these learning opportunities, we could effectively engage vendors and partners, to provide tailored training and upskilling sessions relevant to each team member's role. This approach facilitated targeted learning and promoted closer collaboration with external stakeholders.

Charitable and local communities

At SysGroup, we aim to have a positive impact on the local communities in which we operate. We partner with organisations to donate unused and refurbished laptops, to underprivileged children in our local areas, including the Young Men's Christian Association (YMCA), typically twice a year. We try to 'buy local' and partner with local businesses, where possible, to support the local economies. We are committed to promoting the circular economy and therefore donate old furniture to not-for-profit organisations, providing them with good condition second-hand office equipment, alleviating significant costs for the organisations. During the refurbishment of our Bristol office in the current financial year and the closure of the Liverpool office, we collaborated with Collecteco, an organisation dedicated to redistributing unwanted furniture and office items to UK not-for-profit organisations. This partnership had multifaceted benefits, facilitating a smooth transition between offices and providing a valuable benefit by diverting usable items from landfills to support charitable causes.

Through our continued support of our chosen charity, Mind, elected by our team members, we have opportunities to make a positive impact on communities' mental health and well-being. SysGroup supports and works with the Grace Eyre Foundation (Grace Eyre), which supports people with learning disabilities and mental health needs in Brighton, Hove and across Sussex. Grace Eyre helps people develop their independence, obtain housing, find employment and learn new skills. SysGroup provides technical consultancy, strategic advice and IT problem resolution to support Grace Eyre in operating more efficiently.

Environment

Responsible environmental operation is a key value embedded within our culture and our growing ESG Strategy. We are committed to developing and improving our ESG Strategy, by growing our understanding of ESG processes and our environmental impact.

To underpin our growth and development, we are committed to continually improving our data collection processes and introducing new initiatives to support our efforts to become a more sustainable business. We are committed to understanding and minimising our environmental impact across all our operations, including greenhouse gas emissions.

At SysGroup, our waste is typically domestic due to the nature of our business. We promote recycling efforts through fitted recycling bins accessible across our offices, and employees are actively encouraged through posters and signs to fully recycle where they can.

Our colleagues will participate in a Group-wide sustainability drive from September 2024, where they can share their thoughts and ideas on how SysGroup can be more sustainable. We will aim to demonstrate our commitment to protecting the planet. We ensure that our products and service delivery have minimal packaging. We are committed to taking a sustainable approach to disposal when required, separating waste materials for recycling.

At SysGroup, we recycle old office equipment through a scheme which allows employees to offer a small donation to a charity of their choice in exchange for the recycled equipment. Where equipment is not taken by employees or donated, we recycle the old IT equipment through Computer Equipment Recycling (CPR). This collaboration ensures our equipment follows GDPR legislation as the data is removed, restored and recycled. The profits from retail sales and this partnership are donated to UK charities. Additionally, our partnership with Collecteco helps further reduce our waste generation and foster a circular economy. SysGroup remains committed to considering the environment in our business decisions and striving for sustainability wherever possible.

Water

Although we do not operate in a high water-intensive sector, we try to ensure that water consumption by employees, across the Group, is kept to a minimum.

Materials

We recognise that our operations have an impact on the environment, and we aim to minimise the negative effects as much as possible. To this end we aim to partner with companies that share our ethos or ESG values. When sourcing materials we particularly engage with companies committed to operating responsibly, both environmentally and socially. For each office fit-out, we strive to source ethical and sustainably made products, including those incorporating recycled materials.

GHG emissions

Reducing our GHG emissions is at the forefront of our sustainability journey. We have established an ambition to be net zero (90% reduction in emissions prior to any residual offsets, up to 10% of the baseline being offset using carbon removal offsets) for Scope 1 and 2 by 2030 and for Scope 3 by 2040, compared to an FY2021/2022 baseline. As we have more control over reducing our Scope 1 and 2 emissions, our net zero target year is earlier than our Scope 3 target year.

Our emissions are defined and classified as follows:

- Scope 1 emissions are direct GHG emissions that occur from sources that we control or own, i.e., gas usage and transport fuels. In FY2023/2024, our total Scope 1 emissions were 29.46 tCO2e.
- Scope 2 emissions are indirect GHG emissions associated with our purchase of electricity. Our offices and datacentre racks consume electricity, which comprises 88.04% of our total Group emissions. In FY2023/2024, our total Scope 2 emissions were 360.60 tCO2e.
- Scope 3 emissions are the indirect GHG emissions associated with our value chain. Our SECR Scope 3 (Transport) emissions in FY2023/2024 were 19.53 tCO2e.

Table 1: Our Scope 1, 2 and 3 (transport) emissions for FY2023/2024.

Emissions scope	*FY2023/2024 SECR Emissions (tCO2e)*	*Percentage of Total SECR*
Scope 1	29.46	7.19%
Scope 2	360.60	88.04%
Scope 3 (Transport)	19.53	4.77%
Total	**409.58**	**100%**

Data centres

We have taken steps to manage our Scope 2 emissions at datacentres. At our datacentres, the energy we use for cloud hosting is responsible for a high proportion of our Scope 2 emissions, equating to 339.76 tCO2e in FY2023/2024. Despite our limited ability to influence energy efficiency within our datacentres, we have taken steps to consolidate our locations. We have exited the Bristol datacentre and transferred most of the usage to the Vantage datacentre in Cardiff. Vantage has a public net zero commitment for 2030, along with many of our other datacentres with net zero ambitions. We plan to further engage with our datacentres in FY25, to further understand their energy consumption and initiatives for sustainable operation, energy conservation and carbon reduction.

Streamlined energy and carbon reporting (SECR)

To enhance our reporting and deepen our understanding of our environmental impact, we have voluntarily disclosed all measured emissions sources as required by the UK Government's SECR policy.

SECR mandates that companies report their energy usage (kWh) and the corresponding emissions (tCO2e). For SysGroup, this involves categorising our energy usage into Scope 1 Natural Gas and Transport, Scope 2 Grid-supplied Electricity and Scope 3 Transport Emissions. This comprehensive reporting enables us and our stakeholders to understand the Group's energy performance accurately and create initiatives to promote energy efficiency. We have reported our intensity metric of tCO2e per £m turnover, to track our progress at the unit level as our business grows and allow meaningful year-on-year comparisons to monitor energy management initiatives.

Table 2: SysGroup FY2023/2024 Total Energy Consumption (kWh) for Scope 1, Scope 2 and Scope 3 (transport only).

	FY2023/2024 Consumption kWh	*FY2022/2023 Consumption kWh*	*FY2021/2022 Consumption kWh (baseline)*	*Percentage change from FY2023/2024 against baseline*
Utility and scope		**Total**		
Scope 1 Total	**137,762**	**142,939**	**0**	**N/A**
Natural Gas (Scope 1)	35,175	85,136	0	N/A
Transportation (Scope 1)	102,587	57,803	0	N/A
Scope 2 Total	**1,741,398**	**1,430,125**	**1,676,193**	**+3.89%**
Grid-Supplied Electricity (Scope 2)	1,741,398	1,430,125	1,676,193	+3.89%
Scope 3 Total	**86,821**	**50,084**	**101,523**	**-14.48%**
Transportation (Scope 3)	86,821	50,084	101,523	-14.48%
Total	**1,965,981**	**1,623,148**	**1,777,716**	**+10.59%**

Table 3: SysGroup FY2023/2024 Total Location-based Emissions (tCO2e) Scope 1, Scope 2 and Scope 3 (transport only).

	FY2023/2024 Consumption tCO2e	*FY2022/2023 Consumption tCO2e*	*FY2021/2022 Consumption tCO2e (baseline)*	*Percentage Change from FY2023/2024 against baseline*
Utility and scope		**Total**		
Scope 1 Total	**29.46**	**28.67**	**0.00**	**N/A**
Natural Gas (Scope 1)	6.43	15.54	0.00	N/A
Transportation (Scope 1)	23.02	13.13	0.00	N/A
Scope 2 Total	**360.60**	**276.56**	**355.91**	**+1.32%**
Grid-Supplied Electricity (Scope 2)	360.60	276.56	355.91	+1.32%
Scope 3 Total	**19.53**	**11.55**	**23.54**	**-17.03%**
Transportation (Scope 3)	19.53	11.55	23.54	-17.03%
Total	**409.58**	**316.78**	**379.45**	**+7.94%**

Increased on-site activity has contributed to an increase in electricity consumption. Also, new datacentres added to the Company portfolio during FY2023/2024 have increased electricity demand. As a result, overall emissions increased by 7.94% compared to the baseline year.

Table 4: SysGroup plc Total Emissions Intensity Metric.

Intensity Metric	*FY2023/2024 intensity metric*	*FY2022/2023 intensity metric*	*FY2021/2022 intensity metric*	*Percentage Change from FY2023/2024 against baseline*
tCO2e/£m turnover	**18.04**	**14.63**	**25.73**	**-29.89%**

Energy efficiency

Our primary objective has been to thoroughly understand and accurately calculate our environmental impact. To achieve this, we have implemented a comprehensive data collection process, enabling us to report in alignment with SECR. By growing our understanding of our energy consumption and carbon footprint, we can identify emissions hotspots and areas of significant environmental impact across our portfolio. This insight allows us to target these areas for improvement, driving more sustainable practices and reducing our overall carbon footprint.

A register of energy efficiency measures has been compiled, with a view to implementing these measures in the next five years. In the last year, we have been reviewing and consolidating our suppliers, with ESG performance forming a growing part of our decision-making process. We have also continued our partnership with a specialist ESG consultancy, to support us in navigating the ESG reporting landscape. Ongoing in-depth reviews of our current processes and policies have also contributed towards the development of our ESG Strategy, to introduce social and environmental initiatives. Our colleagues will also be participating in a company-wide sustainability drive from September FY24, where we aim to demonstrate our commitment to protecting the planet.

Methodology

SECR Scope 1, 2 and 3 consumption and CO2e emissions data has been calculated, in line with the 2019 UK Government environmental reporting guidance and the GHG protocol - a Corporate Accounting and Reporting Standard. Government Emissions Factor Database 2023 version 1.1 has been used, utilising the current published gross calorific value (CV) and kgCO2e emissions factors relevant for reporting year 01/04/2023 – 31/03/2024. An intensity metric has been calculated using total tCO2e figures, and the selected performance indicator agreed with SysGroup plc for the relevant report period (total turnover), which was £22.70m and £21.65m in FY2023/2024 and FY2022/2023, respectively.

Governance report

Board of Directors

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Heejae Chae

Executive Chairman

Heejae was appointed Executive Chairman on 26 June 2023. Previously he was the Chief Executive of AIM-listed Scapa Group plc, a globally recognised supplier of healthcare and industrial products. Prior to his role at Scapa, Heejae served as the Group Chief Executive of Volex Group plc and was Group General Manager, Radio Frequency Worldwide, at Amphenol Corporation. He holds Bachelor of Arts in Economics and Bachelor of Science in Engineering from Columbia University and an MBA from Harvard University. Furthermore, Heejae is a Non-Executive Director and Chairman of the Remuneration Committee for IP Group plc and a Non-Executive Director of Elementis plc.

Owen Phillips

Chief Financial Officer

Owen Phillips was appointed CFO with effect from 11 March 2024. Owen is a Chartered Accountant having qualified in 2007. Prior to this appointment Owen was Director in the finance function at Matillion Limited, a leading provider of cloud data integration tools with a valuation of $1.5 billion at the last funding round. Previously, Owen held various financial management positions in the data and technology sectors as well as working in professional practice at Grant Thornton UK LLP.

N R A

Mike Fletcher

Non-Executive Director

Mike was appointed as a Non-Executive Director on 8 January 2018. Mike has extensive public markets experience and is the Managing Partner of Arete Capital LLP, a specialist venture and advisory business, and sits on the Board of several privately owned growth companies. Previously, Mike was a managing director for European investment bank GCA Altium where he gained 10 years' experience in M&A and corporate finance. Mike is a chartered accountant, qualifying with PwC in 1999, and is both FCA and SRA approved.

N R A

Mark Reilly

Non-Executive Director

Mark was appointed as a Non-Executive Director on 12 December 2023. Mark is currently Managing Partner, Technology, at IP Group plc. Mark was previously a Non-Executive Director at Actual Experience plc and Mirriad Advertising plc. He has overseen more than 200 private and public company venture transactions and has over a decade of experience sitting on technology company boards. Mark holds a PhD in Engineering from Cambridge University.

N R A

Paul Edwards

Non-Executive Director

Paul was appointed as a Non-Executive Director on 25 September 2023. Paul is currently CFO of Tatton Asset Management plc and has previously been Group Finance Director of a number of quoted companies including Scapa Group plc and NCC Group plc.

Davin Cushman

Non-Executive Director

Davin was appointed as a Non-Executive Director on 10 June 2024 and has over 25 years of experience within the technology industry, having started his career in 1996 with enterprise application pioneer Trilogy. He served as CEO at Ignite Technologies, an enterprise software company and subsequently founded Brightrose Ventures to advise, acquire and operate software companies, with a later $100 million commitment from Brentwood Associates for software acquisitions. Davin has an undergraduate degree in Politics from Princeton University and an MBA from Kellogg at Northwestern University.

Committee Membership

N Nomination Committee R Remuneration Committee A Audit Committee Committee Chairman

Directors' report

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 March 2024.

Principal activities

The principal activities of the business are the provision of managed IT services specialising in the delivery of cloud, data and security services to power AI and ML transformation.

Business review and future developments

A review of the Group's operations and performance for the twelve months to 31 March 2024, a summary of the financial position at the year-end and an indication of the outlook for the future is contained in the Strategic Report.

Results and dividends

The Consolidated Statement of Comprehensive Income for the year is set out on page 50. The Directors do not propose the payment of a dividend for the year ended 31 March 2024 (FY23: nil).

Financial instruments

The Group uses various financial instruments. These include bank loans, lease contracts, 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 strategic growth and to manage finance for the day-to-day operations of the business. The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail in note 3 to the Accounts.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to manage cash assets safely and profitably. Cashflow forecasts are maintained and monitored as part of the Group's three-year, 12-month and monthly forecasts. Short-term flexibility is achieved through available cash balances and an overdraft facility.

Interest rate risk

The Group finances its operations and capital investments through operational cash generation. The Group has commercial lease agreements in place for office properties and occasionally leases are used for equipment purchases. The bank facility is on a variable interest rate and the Directors consider this to be appropriate in the current economic environment.

Foreign exchange risk

A small number of suppliers invoice in USD. Foreign exchange exposure is closely managed, including holding limited funds in USD. Alternate suppliers invoicing in GBP are also sought where suitable.

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. Dedicated resources, within the Finance team, manage credit risk by utilising credit agency rating services to assess new customers for creditworthiness and monitor and address credit risks of our customers on a continuing basis.

Directors

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

Name	*Position held*
Heejae Chae (appointed 26 June 2023)	Executive Chairman
Owen Phillips (appointed 11 March 2024)	Chief Financial Officer
Paul Edwards (appointed 26 September 2023)	Non-Executive Director
Mark Reilly (appointed 12 December 2023)	Non-Executive Director
Mike Fletcher	Non-Executive Director
Michael Edelson (retired 22 September 2023)	Non-Executive Chairman
Adam Binks (resigned 26 June 2023)	Chief Executive Officer
Martin Audcent (resigned 11 March 2024)	Chief Financial Officer
Mark Quartermaine (resigned 12 December 2023)	Non-Executive Director

Davin Cushman was appointed a Non-Executive Director on 10 June 2024.

The interests of current Directors in shares and options are detailed in the Directors' Remuneration Report on pages 31 to 34.

Significant shareholdings

As at 30 July 2024, the Company has been notified of the following significant shareholdings:

Name	*Number of shares*	*Percentage holding*
Gresham House Asset Management Limited*	21,815,963	26.30%
Canaccord Genuity Group Inc	9,453,302	11.40%
Heejae Chae	7,705,575	9.30%
Darren Carter	5,788,158	6.98%
Herald Investment Management Ltd	4,194,581	5.06%
NR Holdings Limited	3,000,000	3.62%

* Relationship Agreement Gresham House Asset Management Limited

In June 2016, the Company and Gresham House Asset Management Limited (formerly Livingbridge VC LLP) ('Gresham') entered into an agreement (the 'Agreement'), which provides that for so long as Gresham is the registered holder of 10% or more of the issued share capital in the Company it may appoint a Director to the Board of Directors, subject to the diligence of the Company's Nomad. Remuneration and terms of appointment of the director should be in line with the other Non-Executive Directors. Any conflict of interest that arises shall be authorised by the Company to the fullest extent permitted by law. Subject to applicable laws and regulations, the Company shall authorise the Director to disclose to Gresham any information obtained by the duly appointed Director, including that which is deemed to be sensitive and confidential, provided the information is required for the purpose of Gresham reviewing its investments. In such circumstances Gresham shall treat the information as confidential and will be subject to and comply with legal and regulatory requirements, which would include but is not limited to dealing in the Company's shares. Gresham has not activated its rights under the Agreement and the Company has not received notice of intention to do so.

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 he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 the Base business forecast and a Sensitised version for the period to 31 July 2025 and taken into account the forecasts that support the business viability for the period to 31 March 2026.

The Group raised £10.6m net funds from a placing in June 2024. In the Base forecast there is considered ample headroom in the bank covenants, due to both the proceeds of this placing and as the business continues to operate with a high level of cash conversion and a reducing level of net debt. In the Sensitised forecast, which includes assumptions for a significant decline in revenue and profits, the Group maintains positive gross cash balances, reduces net debt and stays within the bank covenants. The Group has a business model with a high degree of financial resilience since circa 80% of revenue is derived from contracted managed IT services which is a continuous and business critical service supply to customers. This provides a high level of operating cash generation.

At 31 March 2024, the Group had a gross cash balance of £1.9m and a net debt position of £3.4m, excluding contingent consideration of £1.8m. The Group has a £0.5m unused overdraft facility and £3.3m of undrawn headroom in its RCF Loan facility which is available for working capital and acquisitions.

The forecasts, the resultant cashflows, together with the RCF loan facilities, 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.

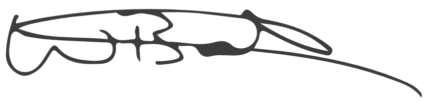
Post balance sheet events

The Group raised £10.6m net funds from a placing in June 2024. Gross proceeds were £11.2m, including a £0.3m retail offering and a £10.9m placing.

Auditors

Pursuant to s487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

By order of the Board



Wendy Baker
Company Secretary
30 July 2024

Directors' remuneration report

Remuneration committee

Membership of the Remuneration Committee comprises Paul Edwards (Chairman), Mike Fletcher and Mark Reilly. The Committee meets at least twice a year and is responsible for determining and reviewing the policy for the remuneration of the Executive Directors and designated members of the Senior Management Team.

The Remuneration Committee approves the design and determines targets for any performance related pay schemes; reviews the design and determines the targets for any share incentive plans including the awards made under these plans; and establishes the policy for, and scope of, pension arrangements for each Executive Director.

Remuneration policy

The Group's policy on remuneration aims to reward sustained performance by attracting, motivating and rewarding individuals of the highest calibre who are committed to growing the business and maximising shareholder return. The policy applies to both Executive Directors and senior employees, who are rewarded on the basis of their performance and the value created for shareholders. Fixed remuneration comprises salary, defined contribution pension and benefits. Variable pay includes annual bonus and long-term incentives. Independent professional advisers are consulted for benchmarking advice when changes to incentive schemes are being considered.

Directors' service contracts

Heejae Chae and Owen Phillips each have a service contract, with mutual termination provisions of up to six months' notice.

Adam Binks' original service agreement dated 13 June 2018 was superseded by a new service agreement on 25 May 2023 increasing the mutual notice period from six months to 12 months.

Martin Audcent's original service agreement dated 16 July 2018 was superseded by a new service agreement on 13 June 2023 increasing the mutual notice period from six months to 12 months.

Non-Executive Directors are appointed under a letter of appointment which covers such matters as time commitment, duties and involvement in other business interests. The remuneration of the Non-Executive Directors is determined by the Board (Executive Directors only) based on benchmarking, research and within the limits set in the Company's Articles of Association. The Non-Executive Directors receive a basic fee for membership of the Board and its Committees.

2024 Management Incentive Plans

The Company's approach to incentivisation aims to reward key contributors to Company performance with incentive structures that are tied to the delivery of shareholder value over a sustained period. These incentives are funded through issuance of equity or equity-linked instruments.

At the General Meeting held on 24 June 2024, shareholders unanimously approved two new incentive plans:

1. The SysGroup plc Value Creation Plan; and
2. The SysGroup plc Performance Share Plan

These plans are integral to the overall remuneration structure for senior employees, designed to incentivise the management team to deliver substantial value and realise the Group's growth ambitions.

Key features of the Incentive Plans are:

- **Long-term focus:** The long-term incentive arrangements are designed and intended to form a significant majority of remuneration for the senior team, if growth plans are realised.
- **Alignment with shareholder value:** The potential remuneration under these plans will be earned if the management team meets the stretching targets, creating significant shareholder value in return.

Awards are expected to be made shortly following the release of the FY24 Annual Results.

Alongside the long-term incentives, the remuneration package will also include fixed pay and short-term bonus plans.

SysGroup plc Value Creation Plan (VCP)

The VCP is a one-off leveraged plan, designed to incentivise the Executive Directors and senior management to deliver significant returns for shareholders over a five-year period. Under the VCP, participants will receive (in the form of Ordinary Shares) a proportion of the returns delivered for shareholders if a threshold rate is achieved. Subject to meeting the hurdle rates (as described below), participants in the VCP as a whole are eligible to receive between 15% and 25% share of the value created for shareholders above the market capitalisation at the placing depending on the Company's share price at the end of the performance period. The minimum hurdle rate to be achieved before there is any value sharing is 12.5% compound annual growth and in order for the sharing ratio to increase, share prices of £2.25 (i.e. c.47% compound annual growth) and £3.00 (i.e. c.55% compound annual growth) must be reached. These targets have been set at a significant premium to the Issue Price to incentivise and drive substantial growth.

SysGroup plc Performance Share Plan (PSP)

The PSP is a discretionary incentive plan allowing for the grant of a variety of awards over Ordinary Shares ('Awards') to be made to eligible employees of the Group on an annual basis, with targets set over rolling three-year periods. Awards made under the PSP may take the form of options to acquire Ordinary Shares, conditional share awards or awards of restricted shares. The vesting of Awards may be subject to the achievement of a performance target (which may comprise a combination of separate targets) measured over a specified three-year period. Awards may be satisfied by the issue of new Ordinary Shares or by the transfer of Ordinary Shares held in treasury or by the trustee of an employee benefit trust.

An offset feature will be built into Awards for employees who are participants in both the VCP and PSP to reduce the number of shares vesting under the PSP to reflect shares realised under the VCP. This will prevent participants being remunerated twice for the same performance.

SysGroup plc 2020 Long-Term Incentive Plan (LTIP)

The LTIP expired in July 2023. This was an annual incentive plan under which the Remuneration Committee set a minimum Adjusted EBITDA performance ('Threshold') each year. On conclusion of the financial year the Executive Directors were paid a mixture of a cash bonus and issued nil cost performance shares, which were granted subject to the Group's performance against the Threshold. The performance shares would vest two years after the date of grant. The Group had to achieve a minimum of 90% of the Threshold before any cash payment or grant of performance shares was due to the Executive Directors. The level of cash payment and grant of performance shares increased up to 110% of the Threshold with the maximum grant due at the discretion of the Remuneration Committee. The maximum grant for Adam Binks was 150% of annual salary and for Martin Audcent 112.5% of annual salary. The split between a cash payment and performance shares was set at 50%:50% unless a Threshold of 100% was exceeded at which point the split between a cash payment and performance shares was at the discretion of the Remuneration Committee for the excess amount.

Performance shares granted would vest on the second anniversary of grant and were subject to an additional grant uplift dependent upon the performance of the share price based on a 90-day volume weighted average price immediately prior to the vesting date.

Under the LTIP, Awards were only granted to Adam Binks and Martin Audcent with all Awards having now vested in full.

On 25 May 2023, the Board (at that time) agreed, as part of Adam Binks' termination terms, that 826,394 unvested options granted to him under the Company's 2020 LTIP Scheme would vest with immediate effect with all restrictions on all his options waived. Mr Binks agreed to immediately exercise all his options granted under the 2018 and 2020 LTIP schemes, totalling 2,076,394 ordinary shares of 1p each ('Ordinary Shares') and further agreed to sell, and the Company acquired, 2,076,394 Ordinary Shares at a price of £0.375 per Ordinary Share, which are now held by the Company as Treasury shares. It is the Company's intention to use the Treasury shares to satisfy share incentive plans in the future.

On 26 May 2023, the Board (at that time) agreed that the 482,235 unvested options granted to Martin Audcent, under the Company's 2020 LTIP Scheme, would vest with immediate effect with restrictions on these options being waived. Details of Martin's interest in share options are outlined in the table below.

Interests in share options as at 31 March 2024 of those Directors who served during the year:

Employee	*LTIP scheme*	*Vested*	*Options over ordinary shares*	*Grant date*	*Expiry date*
Martin Audcent	2018 LTIP	Vested	450,000	16/07/2018	15/07/2028
	2018 LTIP	Vested	150,000	15/07/2019	14/07/2029
	2020 LTIP	Vested	150,000	08/07/2020	07/07/2030
	2020 LTIP	Vested	107,805	21/06/2021	20/06/2031
	2020 LTIP	Vested	170,406	21/06/2022	20/06/2032
	2020 LTIP	Vested	204,024	17/04/2023	16/04/2033

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 at the date of this report as shown below:

Director	*Number of ordinary shares*	*Percentage interest*
Heejae Chae	7,707,575	9.30%
Owen Phillips	60,606	0.10%
Mike Fletcher*	122,647	0.10%
Paul Edwards	151,515	0.20%
Mark Reilly	45,454	0.10%

* Shares are held in the name of Colston Trustees Limited.

Directors' remuneration (audited)

The salaries of the Executive Directors are reviewed annually.

The annual salary of Adam Binks (former CEO) was £200,000. Adam served as CEO for the period 1 April 2023 to 26 June 2023. Upon his resignation Adam received 12 months' salary in lieu of notice together with benefits and bonus amounting to £449,200. The total amount received by Adam Binks is set out in the table below. Adam then entered a consultancy agreement with the Company for the period 27 June 2023 to 27 December 2023 for which he received £100,000 plus VAT.

The annual salary of Martin Audcent was £150,000. Martin served as CFO for the period 1 April 2023 until 11 March 2024. Martin remained in employment with the Company until 18 June 2024 and continued to receive payment of his salary and benefits during that time.

The annual salaries of the incumbent Executive Chairman and the CFO are £200,000 and £140,000 respectively.

A breakdown of salaries and benefits received by each Director (current and former) together with fees paid to the Non-Executive Directors are set out below.

	2024					2023				
Director	*Salary/Fees £'000*	*Bonus £'000*	*Pension £'000*	*BIK £'000*	*Total £'000*	*Salary/Fees £'000*	*Bonus £'000*	*Pension £'000*	*BIK £'000*	*Total £'000*
Michael Edelson	22	–	–	–	22	43	–	–	–	43
Mike Fletcher	44	–	–	–	44	43	–	–	–	43
Mark Quartermaine	31	–	–	–	31	43	–	–	–	43
Adam Binks*	1,254	–	2	5	1,261	215	102	10	3	330
Martin Audcent	128	50	6	12	196	160	56	8	2	226
Heejae Chae	154	–	7	12	173	–	–	–	–	–
Owen Phillips	9	–	–	1	10	–	–	–	–	–
Paul Edwards	22	–	–	–	22	–	–	–	–	–
Mark Reilly	13	–	–	–	13	–	–	–	–	–
Total	**1,677**	**50**	**15**	**30**	**1,772**	**504**	**158**	**18**	**5**	**685**

* Adam Binks' salary includes £449,000 compensation for loss of office, £758,000 of gains on exercise of share options and £100,000 consultancy fees.

BIK (Benefits in Kind) include car allowance, private medical insurance and life assurance.

The Remuneration Report was approved by the Board of Directors and signed on its behalf by:

Paul Edwards
Chairman
Remuneration Committee
30 July 2024

Corporate governance report

Introduction

The Board establishes the Group's values and standards and ensures that its obligations to shareholders and other stakeholders, including customers, employees, communities and suppliers are understood and met.

To support the Company's governance framework, the Board has adopted the principles of the 2018 Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). Details of the Company's compliance with the 10 principles of the QCA Code are outlined below. The Board aims to achieve substantial compliance with the new QCA Corporate Governance Code 2023 throughout FY2025 and will report on this in the next fiscal year.

Board of Directors

During the year, the composition of the Board changed with the appointment of a new Executive Chairman and three Non-Executive Directors. As of 30 July 2024, the Board consists of an Executive Chairman, an Executive Director and four Non-Executive Directors. Details of the Directors' appointments, retirements, and resignations can be found on page 29.

The Board considers all the Non-Executive Directors to be independent in accordance with the QCA Code, with supporting details provided below. The Non-Executive Directors possess a wide and varied skill set, experience, and knowledge, which enables them to provide constructive challenge and contribute the necessary mix of capabilities to effectively deliver the Group's strategy.

The Board has a schedule of Matters Reserved for it which include:

The principal areas of Board responsibility are:

- Approval (and ongoing review) of the Group's long-term objectives, strategy and operating policies
- Approval of the Annual Operating Plan
- Changes to the Group's capital structure and its listing status
- Approval of acquisitions
- Financial reporting and controls, including major capital projects and treasury policies
- Corporate Governance and risk management
- Regulatory compliance
- Appointment and re-appointment or removal of external auditor
- Approval of material policies, including Health & Safety and Whistleblowing
- Undertaking a formal and rigorous review of its own performance and that of its Committees and individual Directors
- Determining the remuneration of the Executive Directors
- Appointment and removal of Company Secretary

The Board formally meets every other month with a Board update call in the intervening period. Ad hoc meetings are arranged at short notice as and when required. During the year, the Board met 17 times. Attendance at the Board and Committee meetings in the year were as follows:

	Board	*Audit committee*	*Remuneration committee*	*Nomination committee*
Meetings				
Adam Binks (resigned 26 June 2023)	2	1	0	0
Michael Edelson (retired 22 September 2023)	3	0	1	0
Mark Quartermaine (resigned 12 December 2023)	11	2	1	0
Martin Audcent (resigned 11 March 2024)	15	3*	0	0
Heejae Chae (appointed 26 June 2023)	13	2*	1*	2
Owen Phillips (appointed 11 March 2024)	1	1*	0	0
Paul Edwards (appointed 26 September 2023)	11	2	1	2
Mike Fletcher	17	3	2	2
Mark Reilly (appointed 12 December 2023)	5	1	1	1

* Although not members of the Committees, the Executive Directors may be invited to attend meetings of the Audit Committee, Remuneration Committee and Nomination Committee when considered appropriate, and such attendance is reflected above.

Those Directors that joined part way through the year attended all Board and Committee meetings held following their appointment.

Internal controls

The Group has an ongoing process for identifying, evaluating, and managing significant risks to achieving its business objectives. The Group's system of internal controls is designed to manage, rather than eliminate, the risk of failure to meet business objectives. These systems can provide only reasonable assurance against material misstatement or loss. Additionally, the Group insures against various risks, with reviews conducted annually.

The Directors believe that the system of internal controls operated effectively throughout the financial year and up to 30 July 2024. Given the size of the Group, the Board does not consider an internal audit function necessary at this time, though this decision is kept under regular review.

QCA Code principles

1. Establish a strategy and business model which promotes long-term value for shareholders

SysGroup's business strategy is to be the technology partner of choice specialising in the delivery and management of cloud, data and security services to power AI and ML transformation. The Group offers an integrated set of modern technologies that collectively meets customers' end-to-end data needs including connectivity, cloud hosting, delivery, analytics and governance of customer data, as well as a security layer for users and applications.

The business has a solid track record of acquiring and integrating managed IT services businesses, with its acquisitions supported by a company-wide sales and marketing, customer support and billing platform.

The acquisition strategy remains core to the Company's growth strategy, focusing on (i) expanding capabilities in certain areas of technology expertise and (ii) acquiring companies or businesses that have interesting and relevant customer bases. The acquisition strategy will also continue to supplement the organic growth of the business.

To support this strategy, during the year the Company made significant investments in both technology and people. SysGroup has transformed its senior management team reducing it from thirteen to eight members, with six external appointments. The new management team has a strong track record in managing rapid growth, executing acquisitions and building sales teams and, based on this and the breadth of the skills within the business, the Board believes that the strategy will deliver shareholder value in the medium to long term. Further detail on the Group's strategy can be found in the Strategic Report on pages 5 to 26.

2. Seek to understand and meet shareholder needs and expectations

Throughout the year the Executive Directors meet with investors to discuss matters relevant to the Company. The Directors recognise the importance of engaging with shareholders to ensure that shareholder needs and expectations are considered and addressed appropriately. The AGM is a forum which the Board welcomes shareholders to attend, providing an opportunity for them to address the Chairmen of the Board Sub-Committees as well as other Board members.

The Company's website contains key information for shareholders and other stakeholders including the Annual Report and Interim Announcement and other key communications. Additionally, the Group uses social media to provide key updates on the business, its strategy and progress.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Our stakeholders help to shape our strategy and are critical to our success. Understanding our stakeholders assists the Board in performing its duty under s172 of the Companies Act 2006, which requires considering the interests, concerns, and potential impact on each stakeholder group. This understanding is achieved through executive board papers, customer feedback, and surveys.

Throughout the organisation, there is a culture of customer focus and outstanding service underpinned by innovation, entrepreneurialism and high performance.

The Group selects suppliers on their service offering, the quality of their products or services and competitive pricing. Long-term relationships are especially valuable as they enable us to collaborate with suppliers to identify value-creating opportunities. New suppliers undergo thorough on-boarding diligence, and the Group ensures timely monthly payments, through a regular monthly payments process, to suppliers.

The Group's employees are key stakeholders in the success of the business. We aim to recruit high-calibre individuals and invest in their ongoing development through internal and external training. The Group offers competitive remuneration and benefits packages. We believe that having a contemporary workplace environment is crucial for attracting, retaining and motivating our employees. Over the past 12 months we have invested in expanding and enhancing our Manchester and London offices to ensure our workplaces are vibrant and energising places to work.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The principal risks and uncertainties of the Group are described on pages 14 to 16 of this Annual Report. At the Board meetings the Board are updated on any significant issues that have arisen and the actions that management have taken to address them.

The Directors acknowledge their responsibility for the Company's and Group's systems of internal controls, which are designed to safeguard the Group's assets and ensure the reliability of financial information for both internal use and external publication. Overall control is achieved through financial reporting processes and systems that are appropriate to the size and complexity of the Group's operations and by ensuring the workforce is sufficiently trained.

The Senior Leadership Team is responsible for monitoring and addressing the key risks of the business. Any significant issues are escalated as high priority to the Executive Directors.

As the Group continues to grow, the risks of the business and risk management framework will remain subject to regular review.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises six Directors; two Executive Directors (including the Executive Chairman) and four Non-Executives. The Board's mix of experience and skillsets supports the Company in achieving its strategic goals. Heejae Chae serves as the Executive Chairman, a role the Board considers appropriate for the foreseeable future whilst Heejae develops and drives the strategy of the Group and enhances governance standards.

The Board of Directors meet regularly, usually monthly, and at least six times a year. Additional Board meetings are held outside the regular calendar, and these may be attended by telephone conference/video communication. The Board maintains regular contact with its advisers and seeks to ensure that it develops an understanding of the views of the Company's major shareholders.

The Board has delegated authority to its sub-committees; the Audit Committee, the Remuneration Committee, and the Nomination Committee. Membership of these Committees comprises Independent Non-Executive Directors, except for the Nomination Committee which is chaired by Heejae Chae. Each Committee has a set of Terms of Reference which outlines the Committees' scope of responsibilities.

The Board is satisfied that it has a suitable balance between Executive and Non-Executive Directors and is sufficiently resourced to discharge its duties and responsibilities effectively.

The Company has effective procedures in place to monitor Directors' conflicts of interest, which are reported to and dealt with by the Board.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The composition of the Board brings a diverse balance of skills, experience and knowledge required for the business to achieve its strategic goals. Appointments are carefully considered and skillsets and experience are profiled against the specific requirements of the Group. Biographical details of each of the Directors can be found on page 27 in this Annual Report as well as on the Company's website.

All members of the Board receive training as required and can take independent professional advice if necessary. Zeus Capital LLP, the Company's Nomad, provided training on the AIM rules and the Market Abuse Regulation when it assumed the role as Nomad and it continues to provide training as part of the on-boarding for newly appointed directors. Additionally, all members of the Board have access to the Company Secretary and are able to receive additional training if required.

At the forthcoming Annual General Meeting, all Directors will seek election/re-election and it is proposed that this approach will be adopted at future annual general meetings.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Executive Chairman is responsible for assessing the individual contributions of the Directors on an ongoing basis. Following the appointments to the Board during the year, the Executive Chairman is satisfied that all the Directors are making valued contributions, and the Board is working effectively together. Whilst the Company does not currently have a formal appraisal process for Directors, we intend to review our processes for Board performance evaluation over the next twelve months and to establish a more formalised framework for assessment and review.

8. Promote a corporate culture that is based on ethical values and behaviours

The Directors recognise the importance of, and are committed to, high standards of corporate governance, aligned with the needs of the Company and the interests of all stakeholders. The Board believes it upholds its responsibility for maintaining high standards of corporate governance which necessitates managing the business in a transparent and accountable way. This ethical leadership is cascaded throughout the business creating a culture of learning, integrity, kindness and entrepreneurship, the cornerstones of our culture.

We have recently recruited a Chief People and Culture Officer who will be reviewing the Group's approach to employee communication and engagement and ensuring that corporate culture is embedded throughout the business. We have also launched 'SysHub', an online platform for our employees that provides access to our employee benefits offering and the latest Company news and serves as a 'go-to' source for all the Group's internal policies including the Health & Safety Policy, Anti-Corruption and Bribery Policy, Whistleblowing Policy, and Data Protection Policy.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Directors recognise the importance of a robust system of governance to ensure appropriate levels of internal control, financial reporting, risk management, compliance and corporate responsibility.

Board meetings

Six Board meetings per year are scheduled with Board update calls in the intervening periods. Attendance is usually in person but may be by video conference facilities. Board papers are circulated in advance of the meeting to allow the Directors sufficient time to review. The Executive Chairman will ordinarily chair the meetings and all Directors are given the opportunity to ask questions, deliberate on issues and challenge the Executives.

Matters Reserved for the Board is a schedule of key issues that must be considered and addressed by the Board. This is reviewed annually. An outline of the contents of the current schedule are referred to under Principle 1 above.

Audit Committee

The Company has established an Audit Committee that comprises Mike Fletcher (Chairman), Paul Edwards and Mark Reilly. The Audit Committee meets at least twice a year and is responsible for reviewing the integrity of the Group's financial statements, compliance with legal and regulatory requirements, and the adequacy and effectiveness of the Group's internal financial controls and risk management processes including the need for an internal audit review. It also reviews the external auditors' performance and independence and makes recommendations to the Board on their appointment.

The Group's auditors, BDO, attend the Audit Committee Meetings.

During the year to 31 March 2024, there were three Audit Committee meetings and the principal items discussed were:

- Review of the BDO Planning, Interim and Full Year Audit Reports
- BDO auditor independence, audit fee and engagement letters
- Review of Going Concern
- Review of IFRS15 Revenue Recognition for the new acquisitions
- Review and approval of the Interim Results, Preliminary Announcement
- Review and approval of the Annual Report and Accounts
- Review and approval of the Management Letters of Representation
- Reviewed its Terms of Reference which were then adopted by the Board

The Group has not included a separate Audit Committee report in its financial statements. The contents of such a report including the principal risks and uncertainties, the role and structure of the Audit Committee and the corporate governance disclosure are separately included throughout the report and have been reviewed by the Audit Committee.

Remuneration Committee

The Company has established a Remuneration Committee that comprises Paul Edwards (Chairman), Mike Fletcher and Mark Reilly. The Committee meets at least twice a year and is responsible for determining the 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, and determines the awards to the Executive Directors and other senior members of management.

There were two Remuneration Committee meetings during the year. On 13 April 2023, the Committee approved the FY24 Executive Directors' cash bonus and the early vesting of the share options. In addition the Committee approved to extend the notice period of both Adam Binks and Martin Audcent from 6 months to 12 months. In January 2024, the Committee met and recommended to the Board, for their approval, the terms and conditions for the new CFO.

Nomination Committee

The Company has established a Nomination Committee that comprises Heejae Chae (Chairman), Mike Fletcher, Paul Edwards and Mark Reilly. The Nomination Committee meets at least twice a year and is responsible for reviewing the structure, size and composition of the Board, leading the process for appointments, ensuring plans are in place for orderly succession to both the Board and senior management positions, and overseeing the development of a diverse pipeline for succession.

There were two Nomination Committee meetings during the year and the principal items were to review the Board composition and discuss and approve appointments to the Board. The Committee also reviewed its Terms of Reference which were then adopted by the Board.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Annual Report is a key deliverable to our shareholders to explain how our business is performing and our approach to governance and risk management. In the Annual Report we aim to provide all relevant information that allows shareholders to gain a clear understanding of how we manage the business, and we shall continue to identify areas of disclosure that can be enhanced.

Regular meetings are held with our principal shareholders and the Executive Directors maintain that dialogue. The Company communicates with institutional investors through briefings with management and analyst notes are reviewed to understand the external view of the Company.

Regular communications to shareholders comprise:

- Full Year Announcement
- Annual Report and Accounts
- Interim Announcement
- Annual General Meeting
- Institutional shareholder meetings following Results Announcements
- Regulatory News Service announcements and other press releases

Shareholders can find information on the Board of Directors, Shareholder Circulars, Articles of Association, Admission Document, Financial Reports and Regulatory Announcements on our **sysgroup.com** website.

Rule 21 of The Aim Rules for Companies and MAR ('Market Abuse Regulation')

The Group complies with Rule 21 of the AIM Rules relating to dealing during close periods. The Group has an 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 seeks permission from certain designated people before trading in the shares of the Group.

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 UK adopted international accounting standards. 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.

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 UK adopted international accounting standards, 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

Wendy Baker
Company Secretary
30 July 2024

Independent auditor's report to the members of SysGroup plc

Opinion on the financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024 and of the Group's loss for the year then ended.
- The Group financial statements have been properly prepared in accordance with UK adopted international accounting standards.
- The Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of SysGroup plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2024 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 cashflows and notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We assessed the consistency of the Directors' cash flow forecasts with other areas of the audit, such as the impairment model.
- We considered the starting point of the cash flow forecast, including the impact of the proceeds raised from the equity placing that occurred post year end.
- We challenged the rationale for the assumptions utilised in the cash flow forecasts, using our knowledge of the business and the sector.

- We considered the appropriateness of the cash flow forecasts by testing their mathematical accuracy, assessing the accuracy of their historical forecasting, and understanding the Directors' application and consideration of reverse stress testing.
- We obtained an understanding of financing facilities available to the Group, including the nature of the facilities, repayment terms, covenants and attached conditions. We assessed whether the terms and conditions therein were consistent with those applied by the Directors in their base case and downside scenario forecasts.
- We reviewed the facility and covenant headroom calculations, and reperformed sensitivities on the Directors' base case and reverse stress test scenarios.
- We assessed the going concern disclosures against the requirements of the accounting standards, and assessed the consistency of the disclosures made with the cash flow forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2023: 100%) of Group loss before tax 100% (2023: 100%) of Group revenue 100% (2023: 99%) of Group total assets		
Key audit matter		**2024**	**2023**
	Revenue recognition	✓	✓
	Business combinations		✓
	Impairment of goodwill and intangible assets	✓	
	Classification of items as exceptional items	✓	
Materiality	**Group financial statements as a whole** Materiality has been based on 1.25% (2023: 1.25%) of revenue, rounded to £280,000 (2023: £270,000)		

Business combinations is no longer considered to be a key audit matter because no acquisitions have taken place in the current year. Impairment of goodwill and intangible assets has been included as a key audit matter in the current year as there is a high degree of management judgement involved in assessing the value in use of the CGU to which the Goodwill and Intangible Assets are allocated. In addition, the classification of items as exceptional has also been included as a key audit matter due to the magnitude of the balance in the current year.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement of the financial statements. We also consider the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have resulted in a risk of material misstatement.

Our Group audit scope focused on the Group's main trading entity, being SysGroup Trading Limited, the Parent Company and Truststream Security Solutions Limited which were considered to be the significant components. Full scope audits were performed on these components by the Group engagement team.

There are in addition a number of dormant entities in the Group which are insignificant components. Dormant entities have been subject to desktop reviews by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		*How the scope of our audit addressed the key audit matter*
Revenue recognition Note 4 See accounting policy in note 1	The Group has a number of different revenue streams, each of which have a different revenue recognition policy dependent on the specific terms of the transfer of goods or the service provided. There are a number of judgements involved in the application of IFRS 15, the revenue recognition accounting standard, including in relation to determining the appropriate timing of revenue recognition, and in the unbundling of contracts that relate to the provision of more than one service and/or product. As a result of this we determined revenue recognition to be a key audit matter. We assessed that risks of material misstatement could arise from: • Inappropriate use of journals to recognise revenue • Improper recognition of contracts and allocation of transaction price to performance obligations • Improper revenue recognition before completion of performance obligations, with a heightened focus around year end cut-off for certain revenue streams We therefore considered revenue recognition to be a key audit matter.	Our audit procedures included the following: • We reviewed the Group's revenue recognition policies for all revenue streams to consider whether they properly applied the provisions of the relevant accounting standards. • We evaluated Management's assessment of the performance obligations within a sample of revenue contracts in relation to the IFRS 15 criteria and whether revenue should be recognised at a point in time or over time by review of key terms in revenue contracts. • We tested the revenue recognised in the year for a sample of contracts, obtaining evidence of completion of work and that the revenue recognised was in accordance with IFRS 15. We also specifically checked a sample of revenue entries with performance obligation either side of year end, to contracts with customers and to confirmation of the delivery of the obligations in the year. Where contracts related to more than one revenue stream we checked whether these had been appropriately bundled or unbundled. • For a sample of journal entries recorded in revenue throughout the year which fell outside of expectations, we assessed the validity of the transaction and its accounting by testing it to source documentation. **Key observations:** No issues were noted from the work performed.

Key audit matter		*How the scope of our audit addressed the key audit matter*
Impairment of goodwill and intangible assets Note 2 and 13 See accounting policy in note 1	There is a high degree of management judgement involved in assessing the value in use of the CGU to which the Goodwill and Intangible Assets are allocated. This involved determining whether any impairment exists in relation to these assets. There is therefore a risk that any impairment of these assets is not appropriately recognised in accordance with applicable financial reporting standards. For these reasons, impairment of goodwill and intangible assets was considered to be a key audit matter.	Our audit procedures include; • An assessment of whether the Goodwill and other intangible assets were correctly allocated to CGU's for monitoring purposes and in line with the requirements of the applicable financial reporting standards. • Challenging future trading projections by reference to the current performance of the individual CGU's and the accuracy of prior year forecasting. • Determining whether the forecasts adopted in the impairment review were approved by the Board and were consistent with those used in the going concern assessment. • We assessed the appropriateness of the discount rate applied and challenged the assumptions using a range of sensitivities, with reference to market data and comparable entities. • Checking the impairment analysis for logical and arithmetic accuracy, and assessing whether it had been undertaken in accordance with the requirements of the applicable financial reporting standards. • Performing sensitivity analysis on key inputs, including growth projections, to understand the relative impact of changes in the key assumptions within the impairment model. **Key observations:** Based on our procedures we found management's assessment of the value in use for each CGU to be reasonable.
Classification of items as exceptional items Notes 2 and 8 See accounting policy in note 1	In reporting its results, the Group has presented various alternative profit measures (APMs) of its financial performance, position or cashflows, which are not defined or specified under the requirements of the accounting standards. In doing so, the Group makes certain adjustments to the Group result in order to derive many of these APMs, including the use of exceptional items. The Group presents exceptional items on the face of the Consolidated Statement of Comprehensive Income and includes material items of income and expenditure, which the Directors consider, due to their size, nature and expected non-occurrence, merit separate presentation in the financial statements to facilitate financial comparison with prior periods and to assess trends in the financial performance of the Group. In the current year the Group has identified £1,826 of items that should be classified as exceptional items. There are a number of judgements involved in making this assessment. We have assessed that the risk of material misstatement could arise from: • Items being classified as exceptional that do not meet the definition within the Group's accounting policy; and • Consistency in the identification and presentation of these items. We therefore considered the classification of exceptional items to be a key audit matter.	The audit procedures included the following: • We challenged the rationale for the designation of certain items as exceptional items, and assessed such items against the Group's accounting policy, including the nature and magnitude of the amounts incurred, and consideration of whether they were one off in nature. • We assessed whether the accounting policy had been applied consistently in identifying exceptional items. • We reviewed the Group's narrative disclosure of exceptional items and challenged whether the disclosure was sufficient. **Key observations:** Based on the procedures performed we did not identify any indicators that the classification of exceptional items, together with the related disclosures, were not appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		**Parent Company financial statements**	
	2024 £	*2023* £	*2024* £	*2023* £
Materiality	280,000	270,000	205,000	176,000
Basis for determining materiality	Based on 1.25% of revenue, then rounded	Based on 1.25% of revenue, then rounded	Based on 0.75% of gross assets, then rounded	Based on 0.5% of gross assets, then rounded
Rationale for the benchmark applied	Revenue was considered the most stable measure and to be of most relevance to the users of the financial statements. The percentage threshold was unchanged from the previous year due to no significant change in ownership or business model in the year.		The Parent Company does not recognise any external revenue and so a revenue basis was not considered appropriate and materiality was calculated based on gross assets. The same rationale was applied for the prior period.	
Performance materiality	182,000	195,750	133,250	127,600
Basis for determining performance materiality	65% of materiality based on cumulative knowledge of the group and degree of estimation in the financial statements.	72.5% of materiality based on cumulative knowledge of the group and degree of estimation in the financial statements.	65% of materiality based on cumulative knowledge of the group and degree of estimation in the financial statements.	72.5% of materiality based on cumulative knowledge of the group and degree of estimation in the financial statements.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 34% and 88% (2023: 27% and 83%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £95,000 to £245,000 (2023: £73,000 to £223,00). In the audit of each component, we further applied performance materiality levels of 65% (2023: 72.5%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £11,200 (2023: £10,800). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • The information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. • The Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us. • The Parent Company financial statements are not in agreement with the accounting records and returns. • Certain disclosures of Directors' remuneration specified by law are not made. • We have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates
- Discussion with management, those charged with governance and the Audit Committee
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be the applicable accounting framework, the Companies Act 2006, UK tax legislation and the AIM Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amounts or disclosures in the financial statements, for example through the imposition of fines or litigation. We identified such laws and regulations to be Health and Safety, Data Protection Act and the Bribery Act 2010.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations
- Review of financial statement disclosures and agreeing to supporting documentation
- Involvement of tax experts in the audit
- Made inquiries directly with external lawyers and legal counsel
- Review of legal expenditure accounts to understand the nature of expenditure incurred

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, those charged with governance and the Audit Committee regarding any known or suspected instances of fraud
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud
  - Internal controls established to mitigate risks related to fraud
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements

- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these

Based on our risk assessment, we considered the areas most susceptible to fraud to be posting inappropriate journal entries, management bias in accounting estimates and revenue cut-off for certain revenue streams.

Our procedures in respect of the above included:

- Identifying and testing journal entries to source documentation, in particular any journal entries posted with unusual account combinations
- Assessing revenue recognised on certain revenue streams for a defined period around the year end, selecting a sample of revenue items within this defined period and identifying whether the transactions have been reflected in the correct period in line with when the performance obligation was met
- Challenging assumptions and judgements made by management in their significant accounting estimates
- Holding discussions with those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Reviewing minutes of Board meetings throughout the year for instances of non-compliance with laws and regulation or fraud
- Agreement of the financial statement disclosures to underlying supporting documentation

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Daniel Wilbourn (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
30 July 2024

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

Consolidated statement of comprehensive income

For the year ended 31 March 2024

	Notes	*2024 Group £'000*	*2023 (Restated)* Group £'000*
Revenue	4	**22,714**	**21,648**
Cost of sales		(12,318)	(10,746)
Gross profit		**10,396**	**10,902**
Operating expenses before depreciation, amortisation, exceptional items and share based payments		(8,388)	(7,768)
Adjusted EBITDA**		**2,008**	**3,134**
Depreciation	14	(570)	(625)
Amortisation of intangibles	13	(1,696)	(1,739)
Impairment of intangibles	13	(3,718)	–
Exceptional items	8	(1,826)	(408)
Share based payments	9	(194)	(178)
Administrative expenses		(16,392)	(10,718)
Operating (loss)/profit		**(5,996)**	**184**
Finance costs	6	(574)	(483)
(Loss) before taxation		**(6,570)**	**(299)**
Taxation	12	670	98
Total comprehensive (loss) attributable to the equity holders of the Company		**(5,900)**	**(201)**
Adjusted earnings per share (EPS)***	11	2.1p	3.5p
Basic earnings per share (EPS)	11	(12.1)p	0.0p
Diluted earnings per share (EPS)	11	(12.1)p	0.0p

* See accounting policies (note 1) for further details of the restatement.

** Adjusted EBITDA, which is defined as profit before net finance costs, tax, depreciation, amortisation, impairments, shared based payment charge and adjusting items, is a non-GAAP metric used by management and is not an IFRS disclosure.

*** Adjusted EPS is profit after tax after adding back amortisation of intangible assets, impairments, exceptional items, share based payments and associated tax, divided by the weighted average number of shares in issue.

Consolidated statement of financial position

As at 31 March 2024

Assets	Notes	2024 Group £'000	2023 (Restated)* Group £'000
Non-current assets			
Goodwill	13	17,948	21,666
Intangible assets	13	4,708	6,295
Property, plant and equipment	14	1,846	1,966
		24,502	**29,927**
Current assets			
Trade and other receivables	16	4,003	4,813
Cash and cash equivalents		1,943	4,186
		5,946	**8,999**
Total assets		**30,448**	**38,926**
Equity and liabilities			
Equity attributable to the equity shareholders of the parent			
Called up share capital	21	515	494
Share premium reserve		9,080	9,080
Treasury reserve		(984)	(201)
Other reserve		3,300	3,205
Retained earnings		2,856	8,657
		14,767	**21,235**
Non-current liabilities			
Lease liabilities	19	400	621
Contract liabilities	20	143	383
Contingent consideration	17	–	1,875
Provisions	18	148	191
Deferred taxation	12	849	1,434
Bank loan	19	4,738	4,705
		6,278	**9,209**
Current liabilities			
Trade and other payables	17	4,813	3,861
Lease liabilities	19	204	182
Contract liabilities	20	2,635	3,633
Contingent consideration	17	1,751	806
		9,403	**8,482**
Total equity and liabilities		**30,448**	**38,926**

* See accounting policies (note 1) for further details of the restatement.

Consolidated statement of financial position (contd.)

As at 31 March 2024

Financial statements

The financial statements on pages 42 to 94 were approved by the Board and authorised on 30 July 2024.

Owen Phillips
Director
30 July 2024

Registered number 06172239

Financial statements

Company statement of financial position

As at 31 March 2024

Assets	Notes	2024 Company £'000	2023 Company £'000
Non-current assets			
Investments	15	26,399	34,034
Intangible assets	13	47	26
Property, plant and equipment	14	331	325
Deferred tax asset		364	166
		27,141	**34,551**
Current assets			
Trade and other receivables	16	105	625
Cash and cash equivalents		118	401
		223	**1,026**
Total assets		**27,364**	**35,577**
Equity and liabilities			
Equity attributable to the equity shareholders of the parent			
Called up share capital	21	515	494
Share premium reserve		9,080	9,080
Treasury reserve		(984)	(201)
Other reserve		3,300	3,205
Retained earnings		2,087	11,536
		13,998	**24,114**
Non-current liabilities			
Lease liabilities	19	49	88
Contingent consideration	17	–	1,875
Provisions	18	68	68
Bank loan	19	4,738	4,705
		4,855	**6,736**
Current liabilities			
Trade and other payables	17	6,717	3,863
Lease liabilities	19	43	58
Contingent consideration	17	1,751	806
Bank loan	19	–	–
		8,511	**4,727**
Total equity and liabilities		**27,364**	**35,577**

Company statement of financial position (contd.)

As at 31 March 2024

As permitted by section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in the financial statements. For the year ended 31 March 2024, the Company made a loss of £9,548,000 (FY23: profit of £5,119,000) after an investment impairment of £7,635,000 (see note 15).

Owen Phillips
Director
30 July 2024

Registered number 06172239

Consolidated statement of changes in equity

For the year ended 31 March 2024

	Attributable to equity holders of the parent						
	Share capital £'000	*Share premium account £'000*	*Treasury reserve £'000*	*Other reserve £'000*	*Translation reserve £'000*	*Retained earnings* £'000*	*Total (Restated)* £'000*
As at 1 April 2022	**494**	**9,080**	**(201)**	**3,027**	**4**	**8,854**	**21,258**
Comprehensive income							
Profit for the period	–	–	–	–	(4)	(197)	(201)
Total comprehensive income	**–**	**–**	**–**	**–**	**(4)**	**(197)**	**(201)**
Distributions to owners							
Share options charge	–	–	–	178	–	–	178
Total distributions to owners	**–**	**–**	**–**	**178**	**–**	**–**	**178**
At 31 March 2023	**494**	**9,080**	**(201)**	**3,205**	**–**	**8,657**	**21,235**
As at 1 April 2023	**494**	**9,080**	**(201)**	**3,205**	**–**	**8,657**	**21,235**
Comprehensive income							
Loss for the period	–	–	–	–	–	(5,900)	(5,900)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(5,900)**	**(5,900)**
Distributions to owners							
Issue of share capital	21	–	–	–	–	–	21
Purchase of own shares into Treasury	–	–	(783)	–	–	–	(783)
Share options charge	–	–	–	194	–	–	194
Reserves transfer on forfeiture of share options	–	–	–	(99)	–	99	–
Total distributions to owners	**21**	**–**	**(783)**	**95**	**–**	**99**	**(568)**
At 31 March 2024	**515**	**9,080**	**(984)**	**3,300**	**–**	**2,856**	**14,767**

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.
Treasury reserve	Company owned shares held for the purpose of settling the exercise of employee share options.
Translation reserve	Amount represents differences in relations to the consolidation of subsidiary companies accounting for currencies other than the Group's functional currency. The only overseas subsidiary company, Netplan LLC, no longer trades and no further foreign currency translation differences are anticipated.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Company statement of changes in equity

For the year ended 31 March 2024

	Share capital £'000	*Share premium account £'000*	*Treasury reserve £'000*	*Other reserve £'000*	*Retained earnings* £'000*	*Total* £'000*
As at 1 April 2022	**494**	**9,080**	**(201)**	**3,027**	**6,417**	**18,817**
Comprehensive income						
Profit for the period	–	–	–	–	5,119	5,119
Total comprehensive income	**–**	**–**	**–**	**–**	**5,119**	**5,119**
Distributions to owners						
Share options charge	–	–	–	178	–	178
Total distributions to owners	**–**	**–**	**–**	**178**	**–**	**178**
At 31 March 2023 (restated)	**494**	**9,080**	**(201)**	**3,205**	**11,536**	**24,114**
As at 1 April 2023	**494**	**9,080**	**(201)**	**3,205**	**11,536**	**24,114**
Comprehensive income						
Loss for the period	–	–	–	–	(9,548)	(9,548)
Total comprehensive income	**–**	**–**	**–**	**–**	**(9,548)**	**(9,548)**
Distributions to owners						
Issue of share capital	21	–	–	–	–	21
Purchase of own shares into Treasury	–	–	(783)	–	–	(783)
Share options charge	–	–	–	194	–	194
Reserves transfer on forfeiture of share options	–	–	–	(99)	99	–
Total distributions to owners	**21**	**–**	**(783)**	**95**	**99**	**(568)**
At 31 March 2024	**515**	**9,080**	**(984)**	**3,300**	**2,087**	**13,998**

Consolidated statement of cashflows

For the year ended 31 March 2024

	Notes	2024 Group £'000	2023 (Restated)* Group £'000
Cashflows used in operating activities			
(Loss) after tax		(5,900)	(201)
Adjustments for:			
Depreciation and amortisation	13,14	2,266	2,364
Impairment of intangibles	13	3,718	–
Finance costs	6	574	483
Share based payments		194	178
Taxation (credit)/charge	12	(670)	(98)
Operating cashflows before movement in working capital		**182**	**2,726**
Increase/decrease in trade and other receivables		819	(543)
Increase in trade and other payables		103	837
Cashflow from operations		**1,104**	**3,020**
Taxation paid		(439)	(303)
Net cash from operating activities		**665**	**2,717**
Cashflows from investing activities			
Payments to acquire property, plant and equipment	14	(450)	(252)
Payments to acquire intangible assets	13	(109)	(163)
Acquisition of subsidiary net of cash acquired	10	–	(5,389)
Net cash used in investing activities		**(559)**	**(5,804)**
Cashflows from financing activities			
Payment of contingent consideration on acquisitions		(885)	–
Bank loans drawdown		–	4,500
Payment of bank loan arrangement fee		–	(127)
Repayment of bank loans		–	(582)
Repurchase of shares into treasury		(762)	–
Capital/principal paid on lease liabilities		(199)	(303)
Interest paid on loan facility		(475)	(316)
Interest paid on lease liabilities		(28)	(32)
Net cash from/(used in) financing activities		**(2,349)**	**3,140**
Net decrease in cash and cash equivalents		**(2,243)**	**53**
Cash and cash equivalents at the beginning of the year		4,186	4,133
Cash and cash equivalents at the end of the year		**1,943**	**4,186**

* See accounting policies (note 1) for further details of the restatement.

Notes to the consolidated financial statements

For the year ended 31 March 2024

1. Accounting policies

SysGroup plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. The Company changed its registered office during the year to 55 Spring Gardens, Manchester M2 2BY. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

Statement of compliance

These Group financial statements have been prepared in accordance with UK adopted international accounting standards ('endorsed IFRS') and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under endorsed IFRS. The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council (FRC).

Basis of preparation – Group

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 and share based payments which have been valued in accordance with IFRS9 and IFRS2 respectively.

The preparation of financial statements in compliance with 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.

Basis of preparation – Company

The Company financial statements are prepared under the historical cost convention, except for certain financial instruments that are measured at fair value. The Company's financial statements are presented in pounds sterling (£), which is also the functional currency of the Company.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in applying the Company's accounting policies. Significant judgements and estimates are disclosed in the relevant notes to the financial statements.

The Company has elected to take advantage of certain disclosure exemptions available under FRS 101, including:

- A cash flow statement and related notes under IAS 7 'Statement of Cash Flows'
- Certain disclosures required by IFRS 7 'Financial Instruments: Disclosures'
- Disclosures in respect of the fair value of financial instruments under IFRS 13 'Fair Value Measurement'

Restatement of cost of sales

We have identified an error relating to managed IT services direct expenses not being recognised for the year ended 31 March 2023 within the subsidiary: SysGroup Trading Limited. Expenses were recognised as prepayments rather than in the statement of comprehensive income. The total impact of this error is to increase cost of sales by £193,678 and to decrease prepayments (shown within Trade and other receivables) by the same amount. There is no impact on comparative earnings per share as a result of this correction.

	2023 £'000	Restatement £'000	2023 £'000
Consolidated statement of comprehensive income			
Cost of sales	(10,552)	(194)	(10,746)
Total comprehensive (loss) attributable to the equity holders of the Company	(7)	(194)	(201)
Consolidated statement of financial position and statement of changes in equity			
Trade and other receivables	5,007	(194)	4,813
Retained earnings	8,851	(194)	8,657
Shareholder funds	21,429	(194)	21,235
Consolidated statement of cashflows			
(Loss) after tax	(7)	(194)	(201)
Increase in trade and other receivables	(737)	(194)	(543)

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 the Base business forecast and a Sensitised version for the period to 31 July 2025.

The Group raised £10.6m net funds from a placing in June 2024. In the Base forecast there is considered ample headroom in the bank covenants, due to both the proceeds of this placing and as the business continues to operate with a high level of cash conversion and a reducing level of net debt. In the Sensitised forecast, which includes assumptions for a significant decline in revenue and profits, the Group maintains positive gross cash balances, reduces net debt and stays within the bank covenants. The Group has a business model with a high degree of financial resilience since circa 80% of revenue is derived from contracted managed IT services which is a continuous and business critical service supply to customers. This provides a high level of operating cash generation.

At 31 March 2024, the Group had a gross cash balance of £1.9m and a net debt position excluding contingent consideration of £3.4m, excluding contingent consideration of £1.8m. The Group has a £0.5m unused overdraft facility and £3.3m of undrawn headroom in its RCF Loan facility which is available for working capital and acquisitions.

The forecasts, the resultant cashflows, together with the Revolving Credit Facility (RCF) loan facilities, 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

A number of new standards and amendments to standards and interpretations have been issued during the year ended 31 March 2024. The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations. Other new amended standards and interpretations issued by the IASB that apply to the financial statements do not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

New standards not yet effective

There are a number of standards and amendments to standards, and interpretations which have been issued by the IASB and in some cases not yet adopted by the UK Endorsement Board that are effective in future accounting periods that the Group has decided not to adopt early. SysGroup plc is currently assessing the impact of these new standard and amendments. The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material outcome on the Group.

IFRS16 - Leases

The Group has no activities acting as a lessor. The Group recognises right of use assets in relation to the lease of motor vehicles, office space and equipment.

Lease liabilities	*Land & buildings £'000*	*Plant & machinery £'000*	*Total £'000*
At 1 April 2023	803	–	803
Additions	–	–	–
Disposals	–	–	–
Interest expense	28	–	28
Lease payments	(227)	–	(227)
At 31 March 2024	**604**	**–**	**604**

Repayment of lease liabilities are analysed as follows:	*2024 £'000*
Due within 1 year	204
Instalments due after 1 year but no more than 5 years	400
Instalments due after 5 years	–

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The interest rate used was 4%. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right of use assets	*Land & buildings £'000*	*Plant & machinery £'000*	*Total £'000*
At 1 April 2023	996	–	996
Additions	–	–	–
Disposals	–	–	–
Depreciation	(245)	–	(245)
At 31 March 2024	**751**	**–**	**751**

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before the commencement of the lease
- Initial direct costs incurred
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 18)

The property lease rentals are fixed payments over the rental terms.

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 acquirer'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.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group and revenue represents the fair value of amounts received or receivable for goods and services provided net of trade discounts and VAT.

The Group has three principal categories of performance obligation: managed services, professional services and value-added resale.

All customer sales are signed as contracts or orders which separately specify the services and products to be delivered and these are mapped to one of the three revenue recognition categories. The contracts or orders specify, by service and product, the sales price and the contracted term of the services. As such, the separate performance obligations and allocation of transaction price can be identified clearly from the customer sales contracts.

The revenue recognition policies can be summarised as follows:

Revenue category	*Performance delivery*	*Revenue recognition*
Managed services	Contracted managed services are delivered from an agreed commencement date and for a contracted term of one to three years. Managed services comprise multiple streams of service including cloud hosting and support and operating licences. Due to the nature of this revenue the streams are considered inter-dependant. The services are delivered uniformly over the duration of the contract and invoiced annually, quarterly or monthly in advance of the service delivery period.	Revenue is recognised evenly over the duration of the contract period based on the sales price as specified in the customer sales contract. This is on the basis that the customer receives and consumes the services evenly over the term of the contract. Amounts invoiced in advance of service delivery periods are accounted for as contract liabilities and recognised as revenue in the Consolidated Statement of Comprehensive Income to match the period in which the services are delivered.
Professional services	Professional services are delivered by a team of technical consultants based on a scope of work agreed and signed with a customer. The scope of work includes a specification of the work to be delivered, an estimation of the number of consultancy days required, and a sales value based on a day rate. Professional services are invoiced either in advance of work performed, in arrears after the service is delivered or as part of a larger project contract milestone.	Revenue is recognised based on chargeable days delivered using the sales day rate specified in the customer contract. Revenue recognition is therefore matched to the timing of when the customer receives the benefit of the consultancy services which is in line with the day the work is performed. Professional services are either invoiced in arrears for the actual days delivered or invoiced in advance. When invoiced in advance, the sales value is treated as contract liabilities and recognised as revenue in the Consolidated Statement of Comprehensive Income in the period in which the consultancy days are delivered.
Value-added resale	Value added resale ('VAR') comprises sales of IT hardware and licences where the Group satisfies its performance obligation by procuring the products from suppliers for delivery to the customer. There are no further or ongoing obligations to the Group after delivery. The sales price for each product is separately specified in the customer sales contract. VAR sales are either invoiced in full in advance of delivery or invoiced according to an agreed contract milestone if part of a larger contract.	Revenue is recognised on delivery of the products from the supplier. Invoices are typically raised in advance of delivery and treated as contract liabilities until delivery has been fulfilled. At this point the revenue and associated purchase cost is recognised in the Consolidated Statement of Comprehensive Income.

For managed services and professional services revenue, these are recognised over time as the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Note that some contracts with customers combine a mix of managed services, professional services and value-added resale. When this is the case, performance obligations are identified and recognised in line with the policies described above.

Segmental 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.

Alternative profit measures

In reporting its results, the Directors have presented various alternative profit measures (APMs) of financial performance, position or cashflows, which are not defined or specified under the requirements of IFRS. On the basis that these measures are not defined by IFRS, they may not be directly comparable with other companies. The key APMs that the group uses include recurring revenue as a percentage of revenue, Adjusted EBITDA, Adjusted EPS and Net cash.

The Group makes certain adjustments to the statutory profit in order to derive many of these APMs. These include exceptional items and share based payments. The Group presents as exceptional items on the face of the Statement of Comprehensive Income those material items of income and expense which the Directors consider, because of their size or nature and expected non-recurrence, merit separate presentation to facilitate financial comparison with prior periods and to assess trends in financial performance. Exceptional items are included in Administration expenses in the Consolidated Statement of Comprehensive Income but excluded from Adjusted EBITDA as management believe they should be considered separately to gain an understanding of the underlying profitability of the trading businesses on a consistent basis from year-to-year.

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 financial assets 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 expected lifetime credit loss will be recognised using the simplified approach and shown in administrative expenses in the Consolidated Statement of Comprehensive Income. Impairment reviews for other receivables, including those due from related parties, use the general approach whereby twelve month expected credit losses are provided for and lifetime credit losses are only recognised where there has been a significant increase in credit risk, by monitoring the credit worthiness of the other party. Cash and cash equivalents include cash in hand.

Contract assets

Costs incurred to fulfil a contract are recognised as an asset if and only if all of the following criteria are met:

- The costs relate directly to a contract (or a specific anticipated contract)
- The costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future
- The costs are expected to be recovered

These include costs such as direct labour, direct materials, and the allocation of overheads that relate directly to the contract.

The asset recognised in respect of the costs to obtain or fulfil a contract is amortised on a systematic basis that is consistent with the pattern of transfer of the goods or services to which the asset relates.

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. Proceeds of any share issue in excess of the nominal value of the share capital is recognised within the share premium account.

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 9 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)

(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, along with any share warrants 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, considering the terms and conditions upon which the options were granted. The fair value of warrants is also reviewed to the extent that exercise of the warrants is considered likely.

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:

Office equipment – 20% – 33% straight line

Motor vehicles – 25% straight line

Freehold property – 2% straight line

Right of use assets – over the period of the lease

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 the 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	*Estimated UEL*	*Valuation method*
Customer relationships	5–10 years	Estimated discounted cashflow
Software licenses	3–5 years	Cost less amortisation
System development	5 years	Cost less amortisation

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
- 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 estimates and judgements 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. The nature of the estimation or judgement means that actual outcomes could differ from the estimates and judgements taken in the preparation of the financial statements.

Significant accounting estimates

Impairment of goodwill and other intangibles

The Group tests goodwill for impairment annually and in line with the stated accounting policy. 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 taking into account sensitivities around future business performance, covering a range of outcomes and risks over levels of revenue, cost and cash generation. Following this review an impairment of the IT Managed Services CGU of £3.7m has been recorded (see note 13 for details).

Valuation of intangible assets 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.

Impairment of investments (Company)

The Company holds investments in subsidiaries. In line with the Company accounting policies investments are assessed for impairment when there is an impairment trigger.

An impairment review has been performed at the reporting date considering sensitivities around future business performance, covering a range of outcomes and risks over levels of revenue, cost and cash generation. Following this review an impairment of the investment in SysGroup Trading Limited of £7.6m has been recorded (see note 15 for details).

Significant accounting judgements

Revenue

Management makes judgements in determining the appropriate application of revenue recognition policies to the sale of services and products. An explanation of the Group's revenue recognition policy is included in note 1.

Assessment of CGU's and carrying value of intangible assets

A Cash Generating Unit (CGU) is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets and the Board of Directors use their judgement to identify the CGU's of the Group. When SysGroup acquire a company, the newly acquired business is usually allocated its own CGU for the first year and until such time as either the business and assets have been hived up into the main SysGroup trading company or when the systems, finances and management of the business have been successfully integrated, whichever is earlier. For the current year, there are two CGU's, being the legacy SysGroup managed services acquisitions which operate as one CGU, and then Truststream.

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. The Group have capitalised system development expenditure in the current year and the intangible asset is being amortised over a five-year useful life which the Directors consider appropriate.

IFRS16 – Leases

Management makes judgements in their assessment of lease contract agreements to ensure the appropriate lease accounting recognition under IFRS16 – Leases. The main elements of judgement are:

- Determining the inherent rate of interest which applies to each lease or family of leases with similar characteristics
- Establishing whether or not it is reasonably certain that an extension option will be exercised
- Considering whether or not it is reasonably certain that a termination option will not be exercised

Exceptional costs

The classification of costs as being exceptional and their quantum is viewed as a key management judgement. For details of exceptional costs in the year see note 8.

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.

The Group faces a financial risk that such financial assets are not recovered but a provision is made where recoverability is in doubt.

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

	Group		**Company**	
Financial assets	*2024 £'000*	*2023 £'000*	*2024 £'000*	*2023 £'000*
Assets held at amortised cost				
Cash and cash equivalents	1,943	4,186	119	401
Amounts due from subsidiaries	–	–	–	323
Trade receivables	1,577	1,706	–	–
Total financial assets	**3,520**	**5,892**	**119**	**724**

Financial liabilities	Group *2024* *£'000*	 *2023* *£'000*	Company *2024* *£'000*	 *2023* *£'000*
Amortised cost				
Trade and other payables	4,472	2,801	805	632
Amounts due to subsidiaries	–	–	5,830	3,099
Loans and other borrowings	5,341	5,508	4,830	4,851
	9,813	**8,309**	**11,465**	**8,582**
At fair value				
Contingent consideration	1,751	2,681	1,751	2,681
Total financial liabilities	**11,564**	**10,990**	**13,216**	**11,263**

Contingent consideration	*£'000*
At 1 April 2023	2,681
Payment of Year 1 earn-out consideration	(885)
Fair value adjustment of liability	(117)
Unwinding of discount	72
At 31 March 2024	**1,751**

Fair value of financial instruments

The Group has adopted the following fair value hierarchy in relation to its financial instruments that are carried in the balance sheet at the fair values at the year-end:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

The following table sets out the fair value of all financial assets and liabilities that are measured at fair value:

Group & Company	2024 *Level 1* *£'000*	 *Level 2* *£'000*	 *Level 3* *£'000*	2023 *Level 1* *£'000*	 *Level 2* *£'000*	 *Level 3* *£'000*
Liabilities measured at fair value						
Contingent consideration	–	–	1,751	–	–	2,681
Total	**–**	**–**	**1,751**	**–**	**–**	**2,681**

Contingent consideration is included in Level 3 of the fair value hierarchy. The provision for contingent consideration is in respect of the Truststream acquisition, further details of which can be found in note 10. The fair value is determined considering the expected payments, discounted to present value using a risk adjusted discount rate.

Note that as the Truststream Year 2 financial position is final, there is now no judgement in the estimated payment.

The significant unobservable inputs are the financial performance forecasts for the Year 1 and Year 2 twelve-month periods post-acquisition and the risk adjusted discount rate of 4.0%.

The estimated fair value would increase or decrease if the EBITDA was higher or lower or the risk adjusted discount rate was higher or lower. A reasonably possible change to one of these significant unobservable inputs, holding the other inputs constant, would have the following effects:

Group & Company Effect of change in assumption on income statement	*Increase £'000*	*Decrease £'000*
EBITDA movement by £100,000	66	300
Risk-adjusted discount rate change by 1.0%	–	–

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 prepare cashflow forecasts during the month and working capital forecasts on a monthly basis. These allow the Directors to make an assessment of the cash position and the future requirements of the Group 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's operating requirements and capital expenditure.

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

Group *At 31 March 2024*	*Up to 3 months £'000*	*Between 3 & 12 mths £'000*	*Between 1&2 years £'000*	*Between 2&5 years £'000*	*Over 5 years £'000*
Trade and other payables	4,472	–	–	–	–
Loans and borrowings	51	153	400	4,783	–
Contingent consideration	–	1,751	–	–	–
Total	**4,523**	**1,904**	**400**	**4,738**	**–**
At 31 March 2023					
Trade and other payables	2,801	–	–	–	–
Loans and borrowings	46	137	621	4,705	–
Contingent consideration	806	–	1,875	–	–
Total	**3,653**	**137**	**2,496**	**4,705**	**–**

Company *At 31 March 2024*	*Up to 3 months £'000*	*Between 3 & 12 mths £'000*	*Between 1&2 years £'000*	*Between 2&5 years £'000*	*Over 5 years £'000*
Trade and other payables	805	–	–	–	–
Amounts due to subsidiaries	5,830	–	–	–	–
Loans and borrowings	11	31	50	4,738	–
Contingent consideration	–	1,751	–	–	–
Total	**6,646**	**1,782**	**50**	**4,738**	**–**
At 31 March 2023					
Trade and other payables	632	–	–	–	–
Amounts due to subsidiaries	3,099	–	–	–	–
Loans and borrowings	15	43	88	4,705	–
Contingent consideration	806	–	1,875	–	–
Total	**4,552**	**43**	**1,963**	**4,705**	**–**

The Amounts due to subsidiaries shown in 'up to 3 months' category in the table above are payable on demand (note 17).

Interest rate risk

The Group and Company finance their operations through a combination of retained profits and bank borrowings. The Group's RCF Bank loan with Santander has an interest charge of 3.25% above bank base rate and accordingly the interest charge the Group incurs fluctuates according to any movement in the bank base rates.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group receives payments either from automated banking receipts or from customers paying on direct debit or 30-day credit terms. The Group has a dedicated credit control function to manage customer payments and uses an external credit rating agency to assess customers and prospects for creditworthiness. Doubtful debts are provided for in accordance with IFRS9. For cash and cash equivalents, the Group only uses recognised banks with high credit ratings of a negative or above on the Standard & Poor's rating system.

Foreign exchange risk

A small number of suppliers invoice in USD. Foreign exchange exposure is closely managed, including holding limited funds in USD. Alternate suppliers invoicing in GBP are also sought where suitable.

Capital disclosures

The Group monitors 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 adjusts 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 two segments:

- Managed IT services – this segment provides all forms of managed services to customers and includes professional services
- Value Added Resale (VAR) – this segment provides all forms of VAR sales where the business sells products and licences from supplier partners

The monthly management accounts reported to the Board of Directors are reviewed at a consolidated level with the operating segments representative of the business model for growth of recurring contract income in managed IT services and VAR sales as a complementary business activity. The Board review the results of the operating segments at a revenue and gross profit level since the Group's management and operational structure supports both operational segments as Group functions. In this respect, assets and liabilities are also not reviewed on a segmental basis. All assets are located in the UK. All segments are continuing operations and there are no transactions between segments.

Revenue by operating segment	*2024 £'000*	*2024 %*	*2023 £'000*	*2023 %*
Managed IT services	18,592	82%	17,441	81%
Value-added resale	4,122	18%	4,207	19%
Total	**22,714**	**100%**	**21,648**	**100%**

No individual customer accounts for more than 7% of the Group's revenue.
The revenue by geographic location for where services are delivered to customers is shown below.

	2024 £'000	*2024 %*	*2023 £'000*	*2023 %*
UK	22,573	99%	21,608	100%
Rest of world	141	1%	40	–
Total	**22,714**	**100%**	**21,648**	**100%**

	2024 £'000	*2023 (Restated)* £'000*
Revenue		
Managed IT services	18,592	17,441
Value-added resale	4,122	4,207
Total	**22,714**	**21,648**
Gross Profit		
Managed IT services	9,733	10,155
Value-added resale	663	747
Total	**10,396**	**10,902**

* See accounting policies (note 1) for further details of the restatement.

Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2024 £'000	*2023 £'000*
Contract liabilities relating to deposits from customers	2,778	4,016
Release of contract liability recognised in revenue which was included in the contract liability balance at the beginning of the year	**1,509**	**1,163**

There were no sales between the two business segments, and all revenue is earned from external customers. The business segments' gross profit is reconciled to profit before taxation as per the consolidated income statement. The Group's overheads are managed centrally by the Board and consequently there is no reconciliation to profit before tax at a segmental level. The Group's assets are also managed centrally by the Board and consequently there is no reconciliation between the Group's assets per the Statement of Financial Position and the segment assets.

5. Operating profit

	2024 £'000	*2023 £'000*
Operating profit is after charging the following:		
Audit - Group	116	94
Audit - Company	5	4
Assurance related – interim review	12	12
Auditor's remuneration:	**133**	**110**
Depreciation of tangible fixed assets	570	625
Amortisation of intangible assets	1,696	1,739
Impairment of intangible assets	3,718	–
Staff costs (note 7)	5,763	5,566
Share based payments (note 7, 9)	194	178
Short term lease costs	20	40
Exceptional items (note 8)	1,826	408

6. Finance expense

	2024 £'000	*2023 £'000*
Interest payable on bank loan	440	307
Unwind of discounting on contingent consideration	72	105
Interest payable on lease liabilities	28	32
Arrangement fee amortisation on bank loan	34	29
Other interest	–	10
Total	**574**	**483**

7. Staff numbers and costs

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

	2024	*2023*
Technical support	70	70
Sales and marketing	23	18
Administration	18	20
Total	**111**	**108**

The aggregate payroll costs including Executive Directors and excluding Non-Executive Directors were as follows:

	2024 £'000	*2023 £'000*
Wages and salaries	5,034	4,793
Social security costs	520	547
Benefits in kind	41	55
Pension benefits	168	171
Share based payment expense	194	178
Total	**5,957**	**5,744**

Total staff costs for the Company are £5,957,000 (FY23: £5,744,000) and average staff numbers for the Company are 111 (FY23: 108).

Directors	*2024 £'000*	*2023 £'000*
Fees and salaries	970	662
Social security costs	101	69
Benefits in kind	29	3
Pension benefits contributions	17	18
Share based payment expense	162	132
Total	**1,279**	**884**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, they are the Directors of the Company. The emoluments, including any contractual settlement fees, of the highest paid Director are £504,038 (FY23: £329,000). Total payments for loss of office amounted to £449,200 (FY23: £nil).

The Group does not operate a defined benefits 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. The balance outstanding at 31 March 2024 was nil (FY23: £nil).

8. Exceptional items

	2024 £'000	2023 £'000
CEO exit and settlement	744	–
Integration and restructuring costs	571	189
Supplier charges in dispute	434	–
M&A projects	194	–
Acquisition costs	–	219
Fair value adjustment of contingent consideration liability	(117)	–
Total	**1,826**	**408**

CEO exit and settlement relates to the settlement of the former CEO's contractual terms. This is considered material and non-recurring and has therefore been classified as exceptional.

The integration and restructuring costs relate to costs associated with the restructuring of the Senior Leadership Team. This includes exit and hiring expenses related to senior team members as well as wider restructuring expenses within supporting teams. This is considered non-recurring and has therefore been classified as exceptional.

The supplier charges in dispute are subject to ongoing action for which the Company is pursuing recovery. This is considered non-recurring and has therefore been classified as exceptional.

The M&A projects expenditure relate to costs associated with the evaluation of potential acquisition targets. This is considered material and has therefore been classified as exceptional.

The adjustment to the contingent consideration liability relates to the purchase of Truststream in the prior year. This is considered non-recurring and has therefore been classified as exceptional.

In 2023, the acquisition and integration costs relate to the two acquisitions in April 2022, Truststream and Independent Network Services Limited (trading as 'Orchard IT'). This is considered material and has therefore been classified as exceptional.

All of the items above, based upon the judgement of the management team, meet the definition of an exceptional item as defined within the Group's accounting policies (note 2 – Alternative Performance Measures).

9. Share based payments

The Company has granted share options to the Executive Directors under LTIP Schemes and Group employees under an EMI Scheme. The Directors have the discretion to grant options to subscribe for ordinary shares up to a maximum of 10% of the Company's issued share capital. For new share options issued in the year, the volatility was estimated using the previous twelve months of the Group's share price.

EMI scheme

Share options can be granted to employees of the Group at the discretion of and with approval from the Remuneration Committee. For EMI share options to vest the employee must be employed by the Group at the vesting date. The weighted average exercise price of options in issue is 42.0p per share.

			Number of ordinary shares			
Grant date	*Exercise period*	*Exercise price*	*At 31 March 2023*	*Granted*	*Waived*	*At 31 March 2024*
17/03/2014	17/03/17 to 16/03/24	60.0p	–	–	–	–
21/02/2016	21/02/19 to 20/02/26	55.2p	11,875	–	(6,875)	5,000
02/03/2018	02/03/21 to 01/03/28	35.5p	30,000	–	(30,000)	–
26/11/2018	26/11/21 to 25/11/28	42.5p	215,000	–	(65,000)	150,000
16/04/2020	16/04/23 to 15/04/30	27.0p	150,000	–	(150,000)	–
06/04/2021	06/04/24 to 05/04/31	41.0p	206,000	–	(75,000)	131,000
01/07/2021	01/07/24 to 30/06/31	1.0p	100,000	–	(100,000)	–
14/02/2022	14/02/25 to 13/04/32	26.0p	30,000	–	(30,000)	–
19.04/2023	19/04/26 to 18/04/36	28.5p	–	30,000	(30,000)	–
Total			**742,875**	**30,000**	**(486,875)**	**286,000**

The inputs to the share valuation model utilised at the grant of the option is shown in the table below. Management has determined volatility using their knowledge of the business.

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

Number of instruments granted	11,875	30,000	215,000	150,000	206,000	100,000	30,000	30,000
Grant date	21-Feb16	02-Mar18	26-Nov18	16-Apr20	06-Apr21	01-Jul21	14-Feb22	19-Apr23
Expiry date	20-Feb26	01-Mar28	25-Nov28	15-Apr30	05-Apr31	30-Jun31	13-Feb32	18-Apr33
Contract term (years)	10	10	10	10	10	10	10	10
Exercise price	55.2p	35.5p	42.5p	27.0p	41.0p	1.0p	26.0p	28.5p
Share price at granting	70.8p	35.5p	42.5p	27.0p	41.0p	42.0p	26.0p	31.0p
Annual risk-free rate (%)	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	4.0%	4.0%
Annual expected dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
Volatility (%)	27%	27%	27%	27%	27%	27%	41%	41%
Fair value per grant instrument	30.2p	41.5p	17.9p	14.8p	26.0p	14.3p	15.0p	17.0p

Executive LTIP options

The Remuneration Committee is responsible for establishing the Executive LTIP Schemes and also sets the targets by which the performance of the Executive Directors is measured.
The award of share options to the Executive Directors is governed by the LTIP Scheme Rules. Further information on the Schemes is presented in the Directors' Remuneration report. The weighted average exercise price of options in issue is 1.0p per share.

Grant date	Exercise period	Exercise price	At 31 March 2023	Number of ordinary shares Granted	Waived	At 31 March 2024
28/06/2018	28/06/21 to 27/06/28	1.0p	750,000	–	(750,000)	–
16/07/2018	16/07/21 to 15/07/28	1.0p	450,000	–	–	450,000
15/07/2019	15/07/22 to 14/07/29	1.0p	400,000	–	(250,000)	150,000
08/07/2020	08/07/22 to 07/07/30	1.0p	400,000	–	(250,000)	150,000
21/06/2021	21/06/23 to 20/06/31	1.0p	287,480	–	(179,675)	107,805
21/06/2022	21/06/24 to 20/06/32	1.0p	454,416	–	(284,010)	170,406
17/04/2023	17/04/25 to 16/04/33	1.0p	–	566,733	(362,709)	204,024
Total			**2,741,896**	**566,733**	**(2,076,394)**	**1,232,235**

The inputs to the share valuation model utilised at the grant of the option is shown in the table below. Management has determined volatility using their knowledge of the business.

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

Number of instruments granted	750,000	450,000	400,000	400,000	287,480	454,416	566,733
Grant date	28-Jun-18	16-Jul-18	15-Jul-19	08-Jul-20	21-Jun-21	21-Jun-22	17-Apr-23
Expiry date	27-Jun-28	15-Jul-28	14-Jul-29	07-Jul-30	20-Jun-31	20-Jun-32	16-Apr-33
Contract term (years)	10	10	10	10	10	10	10
Exercise price	1.0p	1.0p	1.0p	1.0p	1.0p	1.0p	1.0p
Share price at granting	41.5p	46.5p	42.0p	33.0p	42.0p	27.0p	27.5p
Annual risk-free rate (%)	0.5%	0.5%	0.5%	0.5%	0.5%	4.0%	4.0%
Annual expected dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Volatility (%)	27%	27%	27%	27%	27%	41%	41%
Fair value per grant instrument	40.9p	43.7p	41.4p	32.0p	41.0p	26.0p	26.0p

On 26 May 2023, it was announced that Adam Binks would be stepping down as CEO and the Board on 26 June 2023. The Board agreed that the 826,394 unvested options granted to Adam Binks under the Company's 2020 LTIP Scheme would vest with immediate effect with all restrictions on all his options waived. Adam Binks agreed to immediately exercise all his options granted under the 2018 and 2020 LTIP schemes, totalling 2,076,394 ordinary shares of 1p each ('Ordinary Shares') and further agreed to sell, and the Company agreed to buy, a total of 2,076,394 Ordinary Shares at a price of £0.375 per Ordinary Share. The Company will hold these Ordinary Shares in treasury to satisfy the exercise of future share options under SysGroup's share incentive schemes.

The share based payment charge in the statement of comprehensive income in the year was £194,000 (2023:£178,000).

10. Acquisitions

The Group has not made any acquisitions in the year to 31 March 2024. In April 2022 of the prior year, SysGroup plc acquired 100% of the issued share capital in Truststream and Independent Network Solutions Limited ('INSL', holding company of Orchard Computers Limited).

Truststream Security Solutions Limited

Established in 2011 and based in Edinburgh, Truststream is one of the UK's fastest growing providers of professional and managed cyber security services. Truststream covers all aspects of cyber security from analysis and threat detection, through protection architecture and implementation, to incident response and ongoing 24/7 support and training. The Acquisition further enhances SysGroup's service offering and is complementary to the Group's core expertise and key areas of focus. In addition, the Acquisition enables the Group to further strengthen its UK presence by opening up Scotland as an attractive hub for the Group.

SysGroup acquired Truststream on 4 April 2022 for £4.8m initial cash consideration on a cash-free debt-free basis with an earn-out payable following the first and second anniversaries of the transaction of up to £3.1m. A payment of £0.5m was paid in respect of the cash and debt balances. The earn-out is subject to the achievement of certain maintainable EBITDA performance targets in the first and second 12-month periods following the completion of the acquisition. £0.9m has been paid to date in relation to the first earn-out period and a further £1.8m is held as Contingent consideration at 31 March 2024. Final earn-out is expected to be settled and paid within 12 months of the balance sheet date.

The Truststream acquisition was mainly funded from a new £8.0m revolving credit facility ('RCF') which was signed with Santander on 4 April 2022. SysGroup utilised £4.5m of funds from the RCF to finance the acquisition. Further information on the RCF facility can be found in note 19 to the consolidated financial statements.

Recognised amounts of net assets acquired and liabilities assumed	*Book value £'000*	*Fair value adj. £'000*	*Fair value £'000*
Cash and cash equivalents	550	–	550
Trade and other receivables	1,783	–	1,783
Property, plant and equipment	1	–	1
Intangible assets	–	2,525	2,525
Trade and other payables	(1,776)	(24)	(1,800)
Corporation tax	(117)	–	(117)
Deferred tax	–	(631)	(631)
Identifiable net assets			2,311
Goodwill			5,602
Total net assets			7,913
Satisfied by:			
Cash consideration - paid on acquisition			5,337
Contingent consideration			3,075
Discounting of contingent consideration			(499)
Total consideration			**7,913**

Independent Network Solutions Limited

INSL is the holding company of Orchard Computers Limited ('Orchard') which is a business based in Bristol. Orchard has been in operation for over 30 years and has built a loyal customer base largely in the South West of England and across a broad range of sectors, covering both the private and public sectors. Its managed IT service offering mirrors that of SysGroup, providing high quality consulting services and building tailor made, vendor agnostic solutions, designed specifically to meet individual customer needs, followed by ongoing support.

SysGroup acquired INSL on 26 April 2022 for £1.0m cash consideration on a cash-free debt-free basis. There is no contingent or deferred consideration for this acquisition. The cash consideration was funded from the Group's existing cash balances.

Recognised amounts of net assets acquired and liabilities assumed	*Book value £'000*	*Fair value adj. £'000*	*Fair value £'000*
Cash and cash equivalents	398	–	398
Trade and other receivables	311	(15)	296
Property, plant and equipment	32	(32)	–
Intangible assets	–	1,028	1,028
Trade and other payables	(385)	(435)	(820)
Bank loan	(82)	–	(82)
Corporation tax	(63)	(5)	(68)
Deferred tax	(5)	(257)	(264)
Identifiable net assets			490
Goodwill			510
Total net assets			**1,000**
Satisfied by:			
Cash consideration - paid on acquisition			1,000
Total consideration			**1,000**

The Directors have considered the intangible assets acquired with the two acquisitions and have recognised intangible assets for customer relationships which have been calculated using a discounted cashflow method, based on the estimated level of profit to be generated from the customer bases acquired. A post tax discount rate of 9.40% was used in the valuations and the customer relationships are being amortised over an estimated useful life of seven years for Truststream and 10 years for Orchard. The goodwill arising on both acquisitions are attributable to the technical skills of the workforce and cross-selling opportunities achievable from combining the acquired customer bases and trade with the existing Group.

The goodwill and intangible assets of Truststream have been allocated to a new CGU named 'Truststream' and the goodwill and intangible assets of Orchard have been allocated to the CGU 'IT Managed Services'. See note 13 for further details. The Company incurred £218,000 of professional fees and other acquisition costs in relation to the two acquisitions in the year to 31 March 2023. These costs are included as exceptional costs in the Group's consolidated statement of comprehensive income.

Truststream contributed to Group revenue £6.3m (2023: £4.9m) and £0.4m (2023: £0.3m) profit before tax for the year to 31 March 2024. Orchard was acquired on 26 April 2022 under a lock box mechanism which fixed the financial returns to the Group from 1 April 2022. Orchard trading was fully hived into SysGroup Trading Limited for the year to 31 March 2024. Orchard contributed £1.8m to Group revenue and £0.1m profit before tax for the year to 31 March 2023.

11. Earnings per share

	2024	2023 (Restated)*
(Loss) for the financial year attributable to shareholders	(£5,900,000)	(£201,000)
Adjusted profit for the financial year	£1,010,000	£1,723,000
Weighted number of issued equity shares	48,923,389	48,859,690
Weighted number of equity shares for diluted EPS calculation	50,710,251	52,274,633
Adjusted basic earnings per share (pence)	2.1p	3.5p
Basic earnings per share (pence)	(12.1)p	0.0p
Diluted earnings per share (pence)	(12.1)p	0.0p

	2024 £'000	2023 (Restated)*
(Loss) after tax used for basic earnings per share	(5,900)	(201)
Amortisation of intangible assets	1,696	1,739
Impairment of intangible assets	3,718	–
Exceptional items	1,826	408
Share based payments	194	178
Tax adjustments	(524)	(401)
Adjusted profit used for adjusted earnings per share	**1,010**	**1,723**

* See accounting policies (note 1) for further details of the restatement.

12. Taxation

Current tax	2024 £'000	2023 £'000
Current tax - current year	–	374
Adjustments in respect of prior years	(84)	–
Total current tax charge	**(84)**	**374**
Deferred tax		
Deferred tax - timing differences	(609)	(472)
Adjustments in respect of prior years	23	–
Total deferred tax	**(586)**	**(472)**
Total tax (credit)	**(670)**	**(98)**

The effective tax rate for the year to 31 March 2024 is lower (2023: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2024 £'000	2023 (Restated)* £'000
(Loss) on ordinary activities before tax	**(6,570)**	**(299)**
(Loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 25% (2023: 19%)	(1,642)	(57)
Effects of:		
Expenses not deductible	274	92
Income not taxable	899	–
Short term timing differences	374	136
R&D tax credits	–	(29)
Re-measurement of deferred tax due to changes in UK rate	–	(66)
Deferred tax on share based	31	32
Deferred tax on acquired intangibles	(368)	(206)
Adjustments in respect of prior years	(61)	–
Other permanent differences	(177)	–
Total tax (credit)	**(670)**	**(98)**

* See accounting policies (note 1) for further details of the restatement.

The Group recognised deferred tax assets and liabilities as follows:

	2024 £'000	2023 £'000
Deferred tax on customer relationships	(1,042)	(1,421)
Deferred tax asset on share-based payments	100	166
Fixed asset timing differences	(196)	(225)
Short term timing differences	21	–
Losses	268	(46)
Deferred tax liability	**(849)**	**(1,434)**

Recognition of deferred tax assets is restricted to those instances where it is highly probable that relief against taxable profit will be available. There are no unrecognised deferred tax assets.

Deferred tax balances are recognised at 25% (2023: 25%):

	Losses £'000	*Fixed asset timing differences £'000*	*Short term timing differences*	*Share based payments*	*Customer relationships £'000*	*Total £'000*
Balance at 1 April 2023	46	(225)	–	166	(1,421)	(1,434)
Movement in deferred tax on share based payments	–	–	–	(31)	–	(31)
Movement in deferred tax on amortisation of intangible assets	–	35	–	–	368	403
Fixed asset and other timing differences	222	(7)	22	(35)	11	213
Balance at 31 March 2024	**268**	**(197)**	**22**	**100**	**(1,042)**	**(849)**

13. Intangible assets

Group cost	*Systems development £'000*	*Software licences £'000*	*Customer relationships £'000*	*Positive goodwill £'000*	*Total £'000*
At 1 April 2022	1,073	205	9,156	15,554	25,988
Additions	163	–	3,553	6,112	9,828
Disposals	(225)	(205)	–	–	(430)
At 31 March 2023	**1,011**	**–**	**12,709**	**21,666**	**35,386**
At 1 April 2023	1,011	–	12,709	21,666	35,386
Additions	109	–	–	–	109
Disposals	–	–	–	–	–
Impairment	–	–	–	(3,718)	(3,718)
At 31 March 2024	**1,120**	**–**	**12,709**	**17,948**	**31,777**
Accumulated amortisation					
At 1 April 2022	404	205	5,507	–	6,116
Charge for the year	177	–	1,562	–	1,739
Disposals	(225)	(205)	–	–	(430)
At 31 March 2023	**356**	**–**	**7,069**	**–**	**7,425**
At 1 April 2023	356	–	7,069	–	7,425
Charge for the year	224	–	1,472	–	1,696
Disposals	–	–	–	–	–
At 31 March 2024	**580**	**–**	**8,541**	**–**	**9,121**
Net book value					
At 31 March 2023	**655**	–	**5,640**	**21,666**	**27,961**
At 31 March 2024	**540**	**–**	**4,168**	**17,948**	**22,656**

Company cost	*Systems development £'000*	*Total £'000*
At 1 April 2022	–	–
Additions	28	28
At 31 March 2023	**28**	**28**
Additions	37	37
At 31 March 2024	**65**	**65**
Accumulated amortisation		
At 1 April 2022	–	–
Charge for the year	2	2
At 31 March 2023	**2**	**2**
Charge for the year	16	16
At 31 March 2023	**18**	**18**
Net book value		
At 31 March 2023	**26**	**26**
At 31 March 2024	**47**	**47**

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. Customer relationships have a remaining amortisation period of between two and five years.

Cash-generating units (CGU's)

Goodwill and intangible assets are allocated to CGU's in order to be assessed for potential impairment. The Group has a core CGU of 'managed IT services' and as the Group acquires new businesses they form their own CGU until they have been integrated into the Group's core operational structure.

The Group has a Senior Leadership Team that manages the SysGroup business within a single operational and delivery structure. Whilst the Truststream business has been integrated within the SysGroup leadership structure and onto the Group system platforms, the business continues to operate its own cash transactions and balances and therefore remains a distinct CGU of the Group. As such, the Directors consider Truststream to be a separate CGU.

The allocation of goodwill and carrying amounts of assets for each CGU is as follows:

	Allocation of goodwill		Carrying value of assets	
	2024 £'000	*2023 £'000*	*2024 £'000*	*2023 £'000*
Managed IT services	16,064	16,064	17,213	19,366
Truststream Security Solutions Limited	5,602	5,602	6,583	6,698
Total	**21,666**	**21,666**	**23,796**	**26,064**

Impairment review

When assessing impairment, the recoverable amount of each CGU is based on value-in-use calculations (VIU). VIU calculations are an area of material management estimate as set out in note 2. These calculations require the use of estimates, specifically: post-tax cash flow projections; long-term growth rates; and a post-tax discount rate. Cash flow projections are based on the Group's detailed annual operating plan for the forthcoming financial year which has been approved by the Board.

The VIU calculation is determined based on a discounted cash flow basis prepared for each individual CGU. Cash flows beyond the forthcoming financial year use estimated growth rates which are stated below. The assumptions for growth rates and margins are based on management's experience of growth and knowledge of the industry sector, markets and our own internal opportunities for growth. The projections beyond five years use an estimated long-term growth rate of 2.0% (FY22: 2.5%) for net post tax cash flows. This represents management's best estimate of a long-term annual growth rate aligned to an assessment of long-term GDP growth rates. A higher sector-specific growth rate would be a valid alternative estimate. A different set of assumptions may be more appropriate in future years dependent on changes in the macroeconomic environment.

The discount rates used are based on management's calculation of the weighted average cost of capital using the capital asset pricing model to calculate the cost of equity. The same rate is used for each CGU in the VIU calculation, and the rates reflect management's assessment on the level of relative risk in each respective CGU. Discount rates can change relatively quickly for reasons both inside and outside management control. Those outside management direct control or influence include changes in the Group's Beta, changes in risk-free rates of return and changes in Equity Risk Premia. Matters inside management control are the delivery of performance in line with plans or budgets and the production of high or low risk plans.

At the year-end reporting date, goodwill was reviewed for impairment in accordance with IAS 36 'Impairment of Assets' and an impairment of the managed IT services CGU of £3.7m has been recorded. No impairment of the Truststream CGU arose because of this review.

Legacy managed IT services CGU

The managed IT services CGU goodwill is comprised of acquisitions dating from 2016 to 2022, as listed below:

- System Professional – 2016
- Rockford IT – 2017
- Certus IT – 2019
- Hub Network – 2020
- Orchard IT — 2022

Based upon a prudent assessment of the future performance of these acquisitions (being the 'managed IT services CGU'), management's view is that the CGU is impaired by £3.7m. The VIU model is sensitive to changes in key assumptions, including revenue growth. If Year 1 revenue growth were to reduce to 0%, then the impairment would increase by a further £4.9m, assuming no changes in other assumptions. Management is comfortable with the revenue growth rate used in the VIU model.

Truststream CGU

The Truststream CGU has over 18% headroom of VIU compared to the carrying value of assets. For the headroom to reduce to nil, the post-tax discount rate would have to increase to over 11.8% on Truststream or future CGU profits would have to be significantly below current forecast levels.

The VIU model for the Truststream CGU is particularly sensitive to changes in two key assumptions, being Year 1 revenue and gross margin percentage. Year 1 revenue growth would have to drop by 4.7% from the base for there to be an impairment of goodwill. As an example, if the revenue growth rate were to drop by 10% then there would be an impairment of £2.7m (assuming all other assumptions remain in line). Further, gross margin percentage would have to drop 1.0% from the base for there to be an impairment of goodwill. Management is comfortable with the revenue growth rate and gross margin percentage used in the VIU model.

The assumptions used for the impairment review are detailed below:

2024	*Legacy Managed IT services*	*Truststream*
Discount rate post-tax	10.3%	10.3%
Revenue growth rate Year 2 to Year 5	3.5%	6.0%
Terminal growth rate	2.0%	2.0%
2023		
Discount rate post-tax	10.7%	10.7%
Revenue growth rate Year 2	2.5%	10.0%
Revenue growth rate Year 3 to Year 5	2.5%	2.5%
Terminal growth rate	2.0%	2.5%

14. Property, plant and equipment

Group cost	*Office equipment £'000*	*Right of use lease £'000*	*Freehold property £'000*	*Total £'000*
At 1 April 2022	2,744	2,181	382	5,307
Additions	249	935	–	1,184
Disposals	(1,793)	(1,851)	–	(3,644)
At 31 March 2023	**1,200**	**1,265**	**382**	**2,847**
At 1 April 2023	1,200	1,265	382	2,847
Additions	450	–	–	450
Disposals	–	–	–	–
At 31 March 2024	**1,650**	**1,265**	**382**	**3,297**

Accumulated depreciation				
At 1 April 2022	2,014	1,790	25	3,829
Charge for the year	358	259	8	625
Disposals	(1,793)	(1,780)	–	(3,573)
At 31 March 2023	**579**	**269**	**33**	**881**
At 1 April 2023	579	269	33	881
Charge for the year	317	245	8	570
Disposals	–	–	–	–
At 31 March 2024	**896**	**514**	**41**	**1,451**

Net book value				
At 31 March 2023	**621**	**996**	**349**	**1,966**
At 31 March 2024	**754**	**751**	**341**	**1,846**

14. Property, plant and equipment (contd.)

Company cost	*Office equipment £'000*	*Right of use Lease £'000*	*Total £'000*
At 1 April 2022	320	346	666
Additions	150	47	197
Disposals	(298)	–	(298)
At 31 March 2023	**172**	**393**	**565**
At 1 April 2023	172	393	565
Additions	163	–	163
Disposals	–	–	–
At 31 March 2024	**335**	**393**	**728**
Accumulated depreciation			
At 1 April 2022	278	134	412
Charge for the year	56	70	126
Disposals	(298)	–	(298)
At 31 March 2023	**36**	**204**	**240**
At 1 April 2023	36	204	240
Charge for the year	82	76	158
Disposals	–	–	–
At 31 March 2024	**118**	**280**	**398**
Net book value			
At 31 March 2023	**136**	**189**	**325**
At 31 March 2024	**217**	**113**	**331**

15. Investments

Company	*2024 £'000*	*2023 £'000*
At start of year	34,034	24,895
Acquisitions	–	8,913
Investment in subsidiaries	–	226
Impairment	(7,635)	–
At 31 March	**26,399**	**34,034**

The recoverable amounts have been determined from discounted cash flow calculations based on cash flow projections from the forecasts covering the period to 31 March 2026. The principal assumptions can be found in note 13.

In line with the rationale and conclusions drawn in note 13 regarding the Legacy managed IT services CGU, an impairment of the SysGroup Trading Limited investment of £7.6m is required and has been recorded in the period. Following this impairment, the investment balance in SysGroup Trading Limited is £18.5m. The remaining balance of £7.9m relates to Truststream Security Solutions Limited.

The Company's subsidiary undertakings all of which are wholly owned and included in the consolidated accounts are:

Undertakings	*Registration*	*Principal activity*
SysGroup Trading Limited	England & Wales	Managed IT services
Truststream Security Solutions Limited	Scotland	Managed IT services
Certus IT Limited	England & Wales	Non-trading
Hub Network Services Limited	England & Wales	Non-trading
Netplan LLC*	USA	Non-trading
Orchard Computers Limited	England & Wales	Dormant
Independent Network Solutions Limited	England & Wales	Non-trading
Netplan Internet Solutions Limited	England & Wales	Dormant
Rockford IT Limited	England & Wales	Dormant
System Professional Limited	England & Wales	Dormant
SysGroup (DIS) Limited	England & Wales	Dormant

*Netplan LLC is a wholly owned subsidiary of Netplan Internet Solutions Limited.

The registered office of all subsidiaries is the same as the registered office of the parent Company with the exception of:

Netplan LLC
whose registered office is:

c/o USA Corporate Services Inc,
19 West 34th Street, Suite 1018,
New York, 10001

Truststream Security Solutions Limited
whose registered office is:

8th Floor, Sugar Bond House,
Anderson Place, Leith, Edinburgh,
Scotland, EH6 5NP.

16. Trade and other receivables

Amounts due within one year	*Group 2024 £'000*	*Company 2024 £'000*	*Group 2023 (Restated)* £'000*	*Company 2023 £'000*
Trade debtors	1,577	–	1,706	–
Amounts due from subsidiaries	–	–	–	323
Other debtors	26	–	–	81
Corporation tax asset	84	–	–	–
Prepayments and accrued income	2,316	105	3,107	221
Total	**4,003**	**105**	**4,813**	**625**

Amounts due from subsidiaries are due on demand and incur no interest.

The carrying value of trade and other receivables approximates to their fair value.

Debtor impairment	*Group 2024 £'000*	*Company 2024 £'000*	*Group 2023 £'000*	*Company 2023 £'000*
Trade debtors	1,692	–	1,979	–
Impairment provision	(115)	–	(273)	–
Total	**1,577**	**–**	**1,706**	**–**

The Group have applied the simplified approach to calculate its impairment of trade receivables. In completing this review, the Group have segregated its receivables into categories based on the number of days past due for each invoice and used this to estimate the expected lifetime credit loss, with the historic credit losses being adjusted for expected forward cashflows given the current economic environment.

	Group			**Company**		
	Current £'000	*Over 1 month past due £'000*	*Total £'000*	*Current £'000*	*Over 1 month past due £'000*	*Total £'000*
Trade debtors	610	1,082	1,692	–	–	–
Expected credit loss	–	(115)	(115)	–	–	–
Net carrying amount	**610**	**967**	**1,577**	**–**	**–**	**–**

* See accounting policies (note 1) for further details of the restatement.

17. Trade and other payables

Amounts due within one year	*Group 2024 £'000*	*Company 2024 £'000*	*Group 2023 £'000*	*Company 2023 £'000*
Trade payables	3,132	293	1,813	110
Amounts due to subsidiaries	–	5,830	–	3,099
Accruals	1,340	512	988	522
Total financial liabilities, excluding loans and borrowings measured at amortised cost	**4,472**	**6,635**	**2,801**	**3,731**
Corporation tax	–	–	438	–
Other taxes and social security costs	341	82	622	132
Total	**4,813**	**6,717**	**3,861**	**3,863**

Amounts due to subsidiaries are due on demand and incur no interest charge.

Contingent consideration **Amounts due within one year**	*Group 2024 £'000*	*Company 2024 £'000*	*Group 2023 £'000*	*Company 2023 £'000*
Contingent consideration	1,751	1,751	806	806
Amounts due after one year				
Contingent consideration	–	–	1,949	1,949
Discounted value	–	–	(74)	(74)
Discounted contingent consideration	**–**	**–**	**1,875**	**1,875**

The contingent consideration is stated at its discounted fair value and is expected to be paid in H1 FY25, following the completion of the Year 2 earn-out period.

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 2024 and 31 March 2023. The maturity of the financial liabilities, excluding loans and borrowings, classified as financial liabilities and measured at amortised cost is shown in note 3.

18. Provisions

	Group 2024 £'000	*Company 2024 £'000*	*Group 2023 £'000*	*Company 2023 £'000*
Dilapidations provision	148	68	191	68
Total	**148**	**68**	**191**	**68**

The provision is for the estimated aggregate cost of returning the Group's offices to their original condition on the expiry and exit of the property leases. Currently the leases extend to between 2026 and 2028.

19. Loans and borrowings

Non-current	*Group 2024 £'000*	*Company 2024 £'000*	*Group 2023 £'000*	*Company 2023 £'000*
Lease liabilities	400	49	621	88
Bank loan	4,738	4,738	4,705	4,705
Total	**5,138**	**4,787**	**5,326**	**4,793**

Current	*Group 2024 £'000*	*Company 2024 £'000*	*Group 2023 £'000*	*Company 2023 £'000*
Lease liabilities	204	43	182	58
Bank loan	–	–	–	–
Total	**204**	**43**	**182**	**58**

The Company has an RCF banking facility with a term of five years to April 2027, an interest rate of Base Rate +3.25% margin on drawn funds and covenants that will be tested quarterly relating to total net debt to Adjusted EBITDA leverage and minimum liquidity. The Group drew down £4.5m of RCF funds for the Truststream acquisition in April 2022.

20. Contract liabilities

Contract liabilities	*Group 2024 £'000*	*Company 2024 £'000*	*Group 2023 £'000*	*Company 2023 £'000*
Current - contract liabilities	2,635	–	3,633	–
Non-current - contract liabilities	143	–	383	–
Total	**2,778**	**–**	**4,016**	**–**

21. Share capital

Group and Company	*Number*	*£'000*
Allotted, called up and fully paid ordinary shares of £0.01 each		
At 1 April 2022	49,419,690	494
At 31 March 2023	**49,419,690**	**494**
Issue of share capital	2,076,394	21
At 31 March 2024	**51,496,084**	**515**

22. Reconciliation of net cashflow movements in net debt

	1 April 2023 £'000	*Non cashflow movements £'000*	*Cashflow £'000*	*Right of use movement £'000*	*Maturity reclass £'000*	*31 March 2024 £'000*
Cash and cash equivalents	4,186	–	(2,243)	–	–	1,943
Debt due in less than one year:						
Bank loans	–	–	–	–	–	–
Contingent consideration	(806)	(79)	885	–	(1,751)	(1,751)
Lease liabilities	(182)	–	199	–	(221)	(204)
Debt due in more than one year:						
Bank loans	(4,705)	(33)	–	–	–	(4,738)
Contingent consideration	(1,875)	124	–	–	1,751	–
Lease liabilities	(621)	–	–	–	221	(400)
Net cash/(debt)	**(4,003)**	**(65)**	**(1,082)**	**–**	**–**	**(5,150)**

The maturity reclass movements show the change in classification of the debt item maturity periods due to contractual changes or new contracts incepted in the year.

23. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Group and other related parties are disclosed below:

Arete Capital Partners, a Company of which Mike Fletcher (Non-Executive Director) is a partner, invoiced SysGroup plc £420 (2023: £26,479) for a shared cost of corporate services received by SysGroup plc and Arete Capital Partners. At 31 March 2024, the balance outstanding was £nil (31 March 2023: £nil).

24. Ultimate controlling party

The Directors consider the Group and Company have no controlling shareholder and no ultimate controlling party.

25. Contingent asset

As disclosed in note 8 the Group has incurred £0.43m in relation to charges in dispute with a third party supplier, which the Group is actively seeking recovery of. The Group considers the probability of recovery of the charges as possible. As the recovery is not virtually certain, an asset has not been recorded on the balance sheet.

26. Post balance sheet events

The Group raised £10.6m net funds from a placing in June 2024. Gross proceeds were £11.2m, including a £0.3m retail offering and a £10.9m placing.

Company information

Registered office
55 Spring Gardens, Manchester M2 2BY

Company number
06172239

Legal entity identifier (LEI)
213800D18GPZZJR9SH55

Company website
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Nominated adviser & broker
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Registrar
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Legal advisers
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Independent auditor
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Bankers
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Manchester M2 2BY

Company number
06172239