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If you have sold or otherwise transferred all of your Existing Ordinary Shares, please immediately forward this document, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, the distribution of this document into jurisdictions other than the UK may be restricted by law and such documentation should not be mailed, distributed, forwarded to or transmitted in or into the United States, Australia, New Zealand, Canada, the Republic of Ireland, the Republic of South Africa, Japan or any other jurisdiction where to do so would constitute a breach of local securities laws or regulations. If you have sold only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made for the Placing Shares to be admitted to trading on AIM. Subject to, amongst other things, the Placing Resolutions being passed, it is expected that Admission will become effective and dealings in the Placing Shares will commence on AIM on 25 February 2019. The Placing Shares being issued pursuant to the Placing will, on Admission, rank in full for all dividends and other distributions thereafter declared, made or paid on the Ordinary Shares of the Company and will rank *pari passu* in all other respects with the Existing Ordinary Shares.

This document contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA, the Act or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by the FCA or any other competent authority.

SysGroup plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 06172239)

Proposed acquisition of Certus IT Limited

Placing of 26,315,792 new Ordinary Shares at 38 pence per Ordinary Share

and

Notice of General Meeting

Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 8 to 15 of this document and which contains the Directors' unanimous recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting.

Notice of a General Meeting of the Company, to be held at the offices of Hill Dickinson LLP at 50 Fountain Street, Manchester, M2 2AS on 22 February 2019 at 10.00 a.m., is set out at the end of this document. To be valid, the accompanying Form of Proxy for use in connection with the General Meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than at 10.00 a.m. on 20 February 2019. Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.

If you have any questions relating to return of the Form of Proxy, please telephone SysGroup plc's registrars, Computershare, on 0370 707 1658 from within the UK or on +44 370 707 1658 if calling from outside the UK. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Acquisition and Placing nor give any financial, legal or tax advice.

The Directors, whose names and details are set out on page 8 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. A copy of this document is available at the Company's website (www.sysgroupplc.com).

Shore Capital and Corporate Limited ("SCC"), which is authorised and regulated by the FCA, is acting as nominated adviser to the Company for the purposes of the AIM Rules. Shore Capital Stockbrokers Limited ("SCS"), which is a member of the London Stock Exchange and is authorised and regulated by the FCA, is acting as broker to the Company in the United Kingdom for the purposes of the AIM Rules. Persons receiving this document should note that SCC and SCS are acting exclusively for the Company and no one else and will not be responsible to anyone, other than the Company, for providing the protections afforded to customers of SCC and SCS or for advising any other person on the transactions and arrangements described in this document. No representation or warranty, express or implied, is made by SCC or SCS as to any of the contents of this document in connection with the Acquisition and Placing, or otherwise.

SCS and SCC have not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by SCS or SCC for the accuracy of any information or opinions contained in this document or for the omission of any information. No representation or warranty, express or implied, is made by SCS or SCC as to the accuracy, completeness or verification of the information set out in this document, and nothing contained in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. SCS and SCC do not assume any responsibility for its accuracy, completeness or verification and accordingly each disclaims, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this document or any such statement. If you are in any doubt about the contents of this document you should consult your accountant, legal adviser or professional adviser or financial adviser. It should be remembered that the price of securities and the income from them can go up as well as down.

IMPORTANT NOTICE

Cautionary note regarding forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Directors' current intentions, beliefs or expectations concerning, among other things, the Enlarged Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the Enlarged Group's markets.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Enlarged Group's operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Save as required by law or by the AIM Rules, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document.

Notice to overseas persons

The distribution of this document and/or the Form of Proxy in certain jurisdictions may be restricted by law and therefore persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Basis on which information is presented

In the document, references to "pounds sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom.

References to defined terms

Certain terms used in this document are defined and explained at the section of this document under the heading "Definitions".

All times referred to in this document are, unless otherwise stated, references to London time.

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DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

“Accounts”	the Group’s report and accounts for the financial year ended 31 March 2018;
“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of Certus pursuant to the Acquisition Agreement;
“Acquisition Agreement”	the conditional agreement dated 6 February 2019 between (1) the Vendors and (2) the Company to effect the Acquisition;
“Act”	the Companies Act 2006 (as amended);
“Admission”	admission of the Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
“AIM”	the AIM Market operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time;
“Bank” or “Santander”	Santander UK plc;
“Banking Facilities”	the new banking facilities entered into between Santander and SysGroup, further described in paragraph 8;
“Certus”	Certus IT Limited, a company incorporated and registered in England and Wales with registered number 04091538;
“Company” or “SysGroup”	SysGroup plc, a company incorporated and registered in England and Wales with registered number 06172239;
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in those regulations);
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755);
“Directors” or “Board”	the directors of the Company whose names are set out on page 8 of this document, or any duly authorised committee thereof;
“Earn-out Consideration”	as defined in paragraph 6.2;
“Enlarged Group”	the Group as enlarged by the Acquisition;
“Enlarged Share Capital”	the issued share capital of the Company as enlarged by the Placing Shares;
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST;
“Existing Ordinary Shares”	the 23,103,898 Ordinary Shares in issue at the date of this document;
“FCA”	the UK Financial Conduct Authority;
“Form of Proxy”	the form of proxy for use in connection with the General Meeting, which accompanies this document;
“FSMA”	the Financial Services and Markets Act 2000 (as amended);
“GAAP”	Generally Accepted Accounting Principles;
“General Meeting”	the general meeting of the Company to be held at the offices of Hill Dickinson LLP at 50 Fountain Street, Manchester, M2 2AS on 22 February 2019 at 10.00 a.m., notice of which is set out at the end of this document;
“Group”	the Company and its subsidiaries as at the date of this document;
“Initial Consideration”	the £8.0 million due on completion of the Acquisition
“London Stock Exchange”	London Stock Exchange plc;

“Notice of General Meeting”	the notice convening the General Meeting which is set out at the end of this document;
“Ordinary Shares”	ordinary shares of £0.01 (1 pence) each in the capital of the Company;
“Placing”	the conditional placing of the Placing Shares by SCS, as agent on behalf of the Company, pursuant to the Placing Agreement, further details of which are set out in this document;
“Placing Agreement”	the conditional agreement dated 6 February 2019 and made between (1) the Company (2) SCC and (3) SCS in relation to the Placing, further details of which are set out in this document;
“Placing Price”	38 pence per Placing Share;
“Placing Resolutions”	resolutions 1 and 2 set out in the Notice of General Meeting;
“Placing Shares”	the 26,315,792 new Ordinary Shares to be issued and allotted by the Company pursuant to the Placing;
“Proposals”	the Acquisition and the Placing;
“Prospectus Rules”	the prospectus rules made by the FCA pursuant to section 73A of the FSMA;
“Registrars”	Computershare Investor Services PLC;
“Resolutions”	the resolutions set out in the Notice of General Meeting;
“SCC”	Shore Capital and Corporate Limited, the Company’s nominated adviser for the purposes of the AIM Rules;
“SCS”	Shore Capital Stockbrokers Limited, the Company’s broker for the purposes of the AIM Rules;
“Shareholders”	holders of Existing Ordinary Shares;
“Shore Capital”	SCC and/or SCS as the context requires; and
“Vendors”	Paul Brown, Nigel George Griffiths, Philip Donald Walters and Robert Angus Evans.

Note: Any reference to any provision of any legislation includes any amendment, modification, re-enactment or extension of it. Words importing the singular include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

Glossary

“Adjusted EBITDA”	earnings before interest, taxation, depreciation, amortisation, exceptional items fair value adjustments and share based payments;
“BaaS”	back-up as a service
“CAGR”	compound annual growth rate
“DRaaS”	hosted disaster recovery as a service;
“EBITDA”	earnings before interest, taxation, depreciation and amortisation;
“FY”	Financial year ending 31 March
“Hybrid Cloud”	a cloud hosted solution that uses a mixture of on-premise, Private Cloud and Public Cloud technologies;
“IaaS”	infrastructure as a service;
“Private Cloud”	a bespoke infrastructure purely dedicated to the business, hosted either on-site or at a service provider data centre;
“Public Cloud”	clouds based on shared physical hardware which is owned and operated by third-party provider; and
“SME”	small and medium-sized enterprise.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2019

Announcement of the Proposals and publication of this document	6 February
Latest time and date for receipt of Forms of Proxy for the General Meeting	10.00 a.m. on 20 February
General Meeting	10.00 a.m. on 22 February
Admission, completion of the Placing and commencement of dealings in the Placing Shares	25 February
CREST accounts credited	25 February
Completion of the Acquisition	By 26 February
Dispatch of share certificates in respect of Placing Shares	By 18 March

STATISTICS RELATING TO THE ACQUISITION AND PLACING

Number of Existing Ordinary Shares as at the date of this document	23,103,898
Number of Placing Shares	26,315,792
Enlarged Share Capital on Admission	49,419,690
Placing Shares expressed as a percentage of the Enlarged Share Capital	53.2%
Placing Price	38p
Gross proceeds of the Placing	c£10million
Market capitalisation at the Placing Price on Admission	£18.8 million

Note:

The dates set out in the expected timetable of principal events above and set out throughout the document may be adjusted by the Company (in conjunction with Shore Capital), in which event details of the new dates will be notified to the London Stock Exchange and, where appropriate, to Shareholders.

LETTER FROM THE CHAIRMAN

SysGroup plc

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 06172239)

Directors:

John Michael Edelson (Non-Executive Chairman)
Adam Thomas Binks (Chief Executive Officer)
Martin Richard Audcent (Chief Financial Officer)
Michael James Fletcher (Non-Executive Director)
Mark Richard Quartermaine (Non-Executive Director)

Registered office:

Walker House
Exchange Flags
Liverpool
L2 3YL

6 February 2019

Dear Shareholder,

Proposed acquisition of Certus IT Limited
Placing of 26,315,792 new Ordinary Shares at 38 pence per Ordinary Share
and
Notice of General Meeting

1. Introduction

The Company today announced that it has entered into a conditional agreement with the Vendors to acquire the entire issued share capital of Certus for £8.0 million in cash, on a debt free cash free and normalised working capital basis. Further deferred consideration of up to £1.0 million may become payable in cash, subject to the financial performance of Certus in the 12 months following completion of the Acquisition. The Company is proposing to raise £10 million (before expenses) through a conditional placing of 26,315,792 Placing Shares at the Placing Price in order to finance the Acquisition, and provide working capital for the Enlarged Group. The Group has also conditionally re-financed its existing term loan facility as a £1.75 million term loan over five years and arranged a new acquisition revolving credit facility of £3.25 million over a five year term.

Certus is a growing, profitable and cash-generative managed IT services and cloud hosting provider based in Newport, South Wales, with a presence in South Wales and along the M4 corridor. In 2017 it generated annual revenues of £6.4 million – of which approximately 52 per cent. were recurring in nature.

The Board believes that the Acquisition is highly complementary to the Group and that it will provide the Company with an enhanced service offering, broader customer base and geographical reach, and the potential to deliver sales synergies, by cross selling services between the Group's and Certus's customer bases. The Board also believes that there is the potential for operating cost benefits through the addition of Certus's datacentre facility which could reduce the cost of the Group's existing footprint. The existing executive management of Certus will remain with the Group after the completion of the Acquisition.

Further details of the terms of the Acquisition and the Placing are set out below under the headings "Principal terms of the Acquisition" and "Details of the Placing and use of proceeds". The Placing Shares are being placed conditionally, amongst other things, on the passing of the Placing Resolutions at the General Meeting and Admission. Completion of the Acquisition is conditional, amongst other matters, on the receipt of the subscription monies relating to the Placing Shares. The Placing has not been underwritten.

The main purpose of this document is to set out the reasons for, and details of, the Acquisition and Placing, to explain why the Directors consider that they are in the best interests of the Company and its Shareholders as a whole, and to recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.

2. Information on SysGroup

2.1. Introduction

SysGroup is an established managed services provider. Founded in 2007, SysGroup transformed itself from a mass-market web hosting provider to an IT services and cloud hosting provider in 2016, growing through both organic means and by acquisition. The Group now provides a range of cloud hosting, managed IT services and security solutions to its clients operating in different market verticals including insurance, retail, financial services, not for profit and education.

The Group has offices in Liverpool, London, Coventry and Telford and employs more than 80 people. SysGroup was awarded the 'Security Vendor of the Year - SME' award at the Computing Excellence Security Awards 2018 and has customers that include Home Bargains, the Royal Albert Hall, Sega and North Wales Police.

2.2. SysGroup's strategy

In 2016 SysGroup commenced a transition to focus on becoming a provider of managed IT services and cloud hosting. This transition was principally executed through the acquisitions of System Professional Ltd ("**Sys-Pro**") in 2016 and Rockford IT Ltd in 2017, as well as the disposal of the Group's SME mass market business in 2016.

SysGroup's focus is to expand its position as a provider of managed IT services to clients in the UK, typically with 50-500 users. The Board believes that a business focused on the provision of managed IT services offers a significant growth opportunity and the potential for increased margins and longer-term contracts, thereby providing greater revenue visibility. The strategy has resulted in the Company's growing revenue from £4.76 million in FY2016 to £10.45 million representing a CAGR of 48%. The Group has delivered year on year Adjusted EBITDA growth with Adjusted EBITDA progressing from £0.54 million in FY2016 to £1.00 million in FY2018 representing a CAGR of 36%. Managed services have grown to represent 68% of revenue in the last financial year, increasing from 53% in FY2016. In pursuit of this strategy, the Group has positioned itself as an extension of a customer's existing IT department, with an emphasis on consultative-led sales focusing on solutions rather than products to guide customers through the complexities and developments in the market. The process is supplemented by customer service and support. The Group invests in R&D to ensure its clients take advantage of the latest and best solutions available to them, with a vendor/cloud agnostic approach.

As set out in the Company's half yearly results, published on 26 November 2018, the Group's strategy includes continuing to supplement organic growth with carefully considered acquisitions that can add both value, through breadth of service offering and additional sector specialisms, and scale to the existing operations of the Group.

2.3. The Group's services

The Group provides a range of managed IT and cloud hosting services to customers including: Public Cloud, Private Cloud and Hybrid Cloud; managed infrastructure; virtualisation; IT support; DRaaS and BaaS; IT security and penetration testing; enterprise grade and SLA backed connectivity; and cloud and technology consultancy services. Cloud hosting and managed services revenues represented 68 per cent of the Group's turnover in the year to 31 March 2018, growing by 32 per cent on the year to 31 March 2017.

The Group also acts as a reseller of products and services to customers. Value added reselling revenues represented 32 per cent of the Group's revenues in the year to 31 March 2018.

3. Current trading and prospects

On 26 November 2018 the Company announced its half-yearly report for the six months to 30 September 2018. The results demonstrated revenue growth of 47.3% to £5.8m with Adjusted EBITDA growth of 300% to £0.56m, with recurring managed IT Services growing to 77.8% of total revenue. The Board has continued to focus on delivering higher value managed services contracts which coupled with management of the Group's overhead base provides the Board with confidence of delivering its full year results to 31 March 2019 in line with market expectations.

4. Information on Certus

4.1. Overview of Certus

Certus is a mid-sized end-to-end managed IT services provider based in Newport, South Wales. Certus was founded in 2000 and currently provides services to approximately 130 customers who typically have 50-250 users. Customers include Admiral, Confused.com, gocompare.com, Hugh James and London Executive Offices. Certus had 134 on-going customers at 31 December 2017, the top ten customers represented 46 per cent. of invoiced revenue in the year ended 31 December 2017. The Company has contracted future income (as at the date of this document) of approximately £8.7 million for the three year ends ending 31 December 2021, of which £4.4 million is contracted for the year to 31 December 2019.

The company manages its own data centre within the 250,000 sq ft Next Generation Data facility in Newport. Certus is well invested with 80 racks under management enabling the provision of contracted managed services and cloud services.

Certus is a Gold Partner of Dell EMC and a Microsoft Gold Certified Partner; it was named Dell EMC's 'cloud partner of the year' in 2015. Certus now employs more than 40 members of staff.

4.2. Services

Certus, as with SysGroup, provides end-to-end managed IT services to clients across the UK. The company has an emphasis, in revenue terms, on the following services:

- **Managed services** – Certus provides managed service contracts to customers, including: 24/7 outsourced IT service desk, IaaS, DRaaS and security solutions. The Certus service desk provides remote systems monitoring, back-up, software and licence updates and asset management services for customers and also offers remote and on-site end-user support. Managed IT service contracts with clients are typically for a three-year term.
- **Consultancy** – Certus works with its customers who require both cloud hosted and on-premise solutions. Through its consulting services division, Certus is able to support its clients on their transitional journey to the cloud by engaging in both short and long term projects on behalf of its customers. Solutions include migrations from on-premise infrastructure to cloud hosted infrastructure and refreshes of existing on-premise infrastructure.
- **Value added resale** – Certus provides complete vendor management services to its customers supported by its relationships with suppliers such as Dell EMC and Arrow ECS. Complimentary to the managed services offering customers can rely on Certus for the supply, provision and deployment of their on-premise hardware requirements which is in support of the end-to-end solutions provided.

4.3. Summary financial results of Certus

Set out below are the audited financial results of Certus for the years ending 31 December 2016 and 31 December 2017, prepared under FRS 102:

Profit and loss

£'000	2016¹	2017¹
Revenue	5,369	6,397
Gross Profit	2,630	2,994
EBITDA ²	428	535
<i>EBITDA margin (%)</i>	<i>8.0%</i>	<i>8.4%</i>
Profit after tax	23	172

Balance sheet

£'000	2016	2017
Gross assets	3,777	3,017
Net assets	1,294	566

Note:

1. Source: audited statutory accounts of Certus
2. Before restructuring costs

5. Background and reasons for the Acquisition

The Acquisition is in line with the Group's stated strategy of augmenting its organic growth with select acquisitions. Certus is an established and growing managed services provider which has a complementary service offering, geographical reach and customer base to SysGroup. Certus will help to bolster the Group's existing managed service offerings, by expanding the Enlarged Group's current IaaS customers base, significantly adding to its managed connectivity portfolio and further strengthening the existing relationship with Dell EMC by upgrading the Group to gold partner status. In addition, the Group's consultative led sales approach and security focus will assist with generating cross-selling opportunities into the Certus customer base.

Certus grew revenue by 19 per cent and EBITDA 25 per cent in the year to 31 December 2017. 52 per cent of its 2017 revenue was recurring in nature. The Board believes that the Acquisition will add scale to the Enlarged Group, broaden its geographical reach and customer base, enhance its service offering, and provide scale benefits, as described further below.

The existing executive management team of Certus will remain with the Enlarged Group after the completion of the Acquisition, which the Board believes will assist with the integration of Certus into the Group.

5.1. Acceleration of the Group's growth and opportunity for value creation

The Board believe that the Acquisition provides the following benefits to the Group:

- provides the Enlarged Group with critical mass in the managed IT services market and strengthens the Group's core service offering;
- broadens the Enlarged Group's penetration into new vertical markets, including into the Professional Services and Manufacturing sectors;
- provides cross-selling opportunities to offer Certus' customers the access to the capabilities and services of the Enlarged Group;
- enhances the Group's newly structured Sales & Marketing team;
- expands the Group's geographical coverage into South Wales and the M4 corridor; and
- brings Dell EMC Gold Partner status to the Enlarged Group, complementing SysGroup's portfolio of senior vendor partnerships.

5.2. Operational benefits

The Board believes that Certus will also bring operational benefits to the Enlarged Group:

- provide the potential for economies of scale for the Enlarged Group by way of greater buying power
- dilution of central costs;
- reduce the cost of the Group's existing footprint with the addition of Certus' datacentre;
- provides complimentary technical ability which could support larger managed services projects; and
- further dilutes the Group's already low customer revenue concentration.

6. Principal terms of the Acquisition

6.1. Acquisition Agreement

Under the terms of the Acquisition Agreement, the Company has conditionally agreed to acquire Certus from the Vendors for an Initial Consideration of £8.0 million to be satisfied in cash (the "**Initial Consideration**") on a debt-free, cash-free and normalised working capital basis.

The Acquisition Agreement contains warranties and indemnities in favour of SysGroup customary for a transaction of this nature. The warranties relating to the Vendors' title to the shares being sold and their capacity to sell such shares were given on signing of the Acquisition Agreement and will be repeated prior to completion of the Acquisition ("**Completion**"). The remaining warranties relating to the business of Certus were also given on signing of the Acquisition Agreement and will be repeated prior to Completion and SysGroup has, amongst other things, a right to terminate in the event the Placing Agreement is terminated or there is a material breach of any of the

warranties. Completion of the Acquisition is conditional, amongst other things, on the receipt of the subscription monies relating to the Placing Shares.

6.2. Earn out consideration

Under the Acquisition Agreement, further contingent consideration of up to a maximum of £1.0 million may be payable subject to the achievement of financial performance criteria (the "**Earn-out Consideration**"). Payment of the Earn-out Consideration is based upon the financial performance of Certus for the 12 month period following the completion of the Acquisition ("**Completion**"), (the "**Earn-out Period**"). The Earn-out Consideration is structured such that for each £1 of EBITDA (subject to not less than 70 per cent. of gross profit being derived from recurring revenue) over £1.2 million that Certus generates during the Earn-out Period, SysGroup will pay £2.50 to the Vendors, capped at total Earn-out Consideration of £1.0 million.

7. Details of Placing and use of proceeds

The Company has conditionally raised approximately £10 million (before commissions and expenses) through the conditional placing of the Placing Shares at the Placing Price.

The Placing Shares, when issued, will represent approximately 53.2 per cent. of the Company's Enlarged Share Capital immediately following Admission. The Placing Shares will rank in full for all dividends with a record date on or after the date of Admission and otherwise equally with the Ordinary Shares in issue from the date of Admission. It is expected that the Placing Shares will be admitted to trading on AIM on 25 February 2019.

The Placing (which is not being underwritten) is conditional, amongst other things, upon:

- (a) the Placing Agreement becoming unconditional in all respects (save for Admission) and not having been terminated in accordance with its terms prior to Admission;
- (b) the Placing Resolutions set out in the Notice of General Meeting being approved by Shareholders; and
- (c) Admission of the Placing Shares becoming effective on or before 8.00 am on 25 February 2019 or such later date as the Company and Shore Capital may agree, being no later than 8.00 am on 31 March 2019.

The Placing is not conditional on the Acquisition completing and therefore there is a risk, albeit the Directors consider it unlikely, that the Placing will complete and the Acquisition will not complete. The Directors believe that if Admission occurs and therefore the Placing completes, it is unlikely that the Acquisition will not complete. Consequently, given the nature of the risk, the Directors have not considered it necessary to consider alternative uses for the net proceeds from the Placing if the Acquisition does not complete, apart from that the Company would use the net proceeds in a way which is in the best interests of the Shareholders as a whole, including to provide additional working capital for the Enlarged Group.

7.1. The Placing Agreement

Pursuant to the terms of the Placing Agreement, Shore Capital has conditionally agreed to use its reasonable endeavours, as agent for the Company, to procure subscribers for the Placing Shares with certain institutional and other investors.

The Placing Agreement contains warranties from the Company in favour of Shore Capital in relation to, *inter alia*, the accuracy of the information in this document and other matters relating to the Company and the Enlarged Group. In addition, the Company has agreed to indemnify Shore Capital in relation to certain liabilities they may incur in respect of the Placing. Shore Capital has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties given in the Placing Agreement or the Acquisition Agreement, the failure of the Company to comply in any material respect with its obligations under the Placing Agreement or the Acquisition Agreement, the occurrence of a *force majeure* event which in Shore Capital's opinion may be material and adverse to the Company or the Placing, or a material adverse change affecting the financial position or business or prospects of the Company.

7.2. Settlement and dealings

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Placing Shares will commence on 25 February 2019, subject to the passing of the Placing Resolutions at the General Meeting.

The Placing Shares being issued pursuant to the Placing will, on Admission, rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission and will otherwise rank *pari passu* in all respects with the issued Ordinary Shares.

7.3. Use of proceeds

The Company intends to use the net proceeds of the Placing to finance the Acquisition and to provide additional working capital for the Enlarged Group.

8. New Banking Facilities

The Company has conditionally re-financed its existing term loan facility as a £1.75 million term loan over five years and arranged a new £3.25 million acquisition revolving credit facility with Santander to provide additional financial flexibility for the Group. The Banking Facilities have terms of five years with covenants that will be tested quarterly on a 12 month rolling basis relating to interest cover, net debt to Adjusted EBITDA leverage and debt service cover.

9. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the net proceeds of the Placing, the new Banking Facilities and the existing cash resources available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

10. Related party transactions

Gresham House Asset Management Limited and Canaccord Genuity Group Inc each hold an interest in more than 10 per cent. of the Company's Existing Ordinary Shares and are therefore considered related parties of the Company under the AIM Rules. Gresham House Asset Management Limited and Canaccord Genuity Group Inc have unconditionally agreed to subscribe for 5,620,386 Placing Shares and 3,421,053 Placing Shares respectively.

Michael Edelson, Chairman of the Company, has unconditionally agreed to subscribe for 131,579 Placing Shares and Praetura Group Limited, in which Michael Fletcher, a Non-Executive Director of the Company, has a controlling interest, has also unconditionally agreed to subscribe for 1,710,526 Placing Shares.

The participations in the Placing by Gresham House Asset Management Limited and Canaccord Genuity Group Inc are related party transactions under Rule 13 of the AIM Rules. The Directors consider, having consulted with the Company's Nominated Adviser, Shore Capital, that the terms of the related party transactions are fair and reasonable insofar as Shareholders are concerned.

The participations in the Placing by Michael Edelson and Praetura Group Limited are also related party transactions under Rule 13 of the AIM Rules. The independent Directors of the Company consider, having consulted with the Company's Nominated Adviser, Shore Capital, that the terms of the related party transactions are fair and reasonable insofar as Shareholders are concerned. The independent Directors of the Company comprise Adam Binks, Martin Audcent and Mark Quartermaine.

Following Admission, the interests in the Company of Gresham House Asset Management Limited, Canaccord Genuity Group Inc, Michael Edelson and Praetura Group Limited will be as follows:

<i>Shareholder</i>	<i>Number of Existing Ordinary Shares¹</i>	<i>Percentage of existing share capital¹</i>	<i>Number of Ordinary Shares following completion of the Placing</i>	<i>Percentage of Enlarged Share Capital</i>
Gresham House Asset Management Limited	4,603,700	19.93	10,224,086	20.7
Canaccord Genuity Group Inc	3,153,976	13.65	6,575,029	13.3
Michael Edelson	726,600	3.14	858,179	1.74
Praetura Group Limited ²	Nil	Nil	1,710,526	3.46

¹ As at 3 December 2018

² Michael Fletcher, a Non-Executive Director of the Company, has a controlling interest in Praetura Group Limited

11. Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolutions from Directors who hold, or are interested in, an aggregate of 872,642 Existing Ordinary Shares, representing 3.78 per cent. of the Company's current issued share capital.

12. General Meeting

Set out at the end of this document is a notice convening the General Meeting to be held at the offices of Hill Dickinson LLP at 50 Fountain Street, Manchester, M2 2AS on 22 February 2019 at 10.00 a.m., at which the Resolutions will be proposed as ordinary or special resolutions as set out below:

Ordinary Resolution

1. THAT, the Directors of the Company be generally and unconditionally authorised for the purpose of section 551 of the Act to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company (such shares and rights being together referred to as **relevant securities**) in connection with the Placing up to an aggregate nominal value of £263,157.92 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the articles of association of the Company), provided that this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next annual general meeting or on the date which is six months after the next accounting reference date of the Company (if earlier).

Special Resolution

2. THAT, subject to the passing of Resolution 1 above, the Directors of the Company be authorised to allot equity securities for cash and/or to sell equity securities held by the Company as treasury shares for cash under the authority given by that Resolution 1 as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to the allotment of equity securities in connection with the Placing up to an aggregate nominal amount of £263,157.92, representing approximately 53.2 per cent. of the Enlarged Share Capital of the Company, such authority to expire at the end of the next annual general meeting or on the date which is six months after the next accounting reference date of the Company (if earlier).

Ordinary Resolution

3. THAT, in substitution for all existing and unexercised authorities and powers (other than as set out in Resolutions 1 and 2 above), the Directors of the Company be generally and unconditionally authorised for the purpose of section 551 of the Act:
 - a. to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as relevant securities) up to an aggregate nominal value of £163,084.98 to such persons at such times and generally on such terms and conditions as the

Directors may determine (subject always to the articles of association of the Company); and further

- b. to allot equity securities up to an aggregate nominal value of £326,169.96 (such amount to be reduced by the nominal value of any relevant securities allotted pursuant to the authority in paragraph 3a. above) in connection with a rights issue or similar offer in favour of holders of ordinary shares,

provided that this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next annual general meeting or on the date which is six months after the next accounting reference date of the Company (if earlier).

Special Resolution

4. THAT, subject to the passing of Resolution 3, the Directors of the Company be authorised to allot equity securities for cash under the authority given by that Resolution 3 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to:
 - a. the allotment of equity securities or sale of treasury shares in connection with a rights issue or similar offer in favour of the holders of ordinary shares; and
 - b. the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 4a. above) up to an aggregate nominal amount of £24,709.85, representing approximately 5 per cent. of the Enlarged Share Capital of the Company on Admission,

such authority to expire at the end of the next annual general meeting or on the date which is six months after the next accounting reference date of the Company (if earlier).

Resolutions 1 and 3 will be ordinary resolutions and require a majority of more than 50 per cent. of the Shareholders voting to be passed.

Resolutions 2 and 4 will be special resolutions and require the approval of not less than 75 per cent. of the Shareholders voting to be passed.

If the Placing Resolutions are passed, these authorities will enable the Directors to effect the Placing on a non-pre-emptive basis and complete the Acquisition. If the Placing Resolutions are not passed by the requisite majority, the Placing and Acquisition will not proceed.

13. Action to be taken

The Form of Proxy for use at the General Meeting accompanies this document. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible, but in any event so as to be received by no later than 10.00 a.m. on 20 February 2019. Alternatively, CREST members who wish to appoint a proxy or proxies via CREST may do so in accordance with the procedures set out in the Notice of General Meeting and the Form of Proxy. **The completion and return of the Form of Proxy or appointment of a proxy via CREST will not preclude Shareholders from attending the General Meeting and voting in person should they so wish.**

14. Recommendation

The Directors consider the Placing to be in the best interests of the Company and its Shareholders as a whole and accordingly unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do in respect of their beneficial holdings amounting, in aggregate, to 872,642 Existing Ordinary Shares, representing approximately 3.78 per cent. of the issued ordinary share capital of the Company in respect of all Resolutions.

Yours faithfully

Michael Edelson

Non-Executive Chairman

SysGroup plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 06172239)

Notice of General Meeting

Notice is hereby given that a general meeting of SysGroup plc (**Company**) will be held at the office offices of Hill Dickinson LLP at 50 Fountain Street, Manchester, M2 2AS on 22 February 2019 at 10.00 a.m, for the purpose of considering and, if thought fit, passing the following resolutions (**Resolutions**), of which Resolutions 1 and 3 will be proposed as ordinary resolutions and Resolutions 2 and 4 will be proposed as a special resolutions:

In this notice words and defined terms shall have the same meanings as words and defined terms in the circular to the holders of Ordinary Shares dated 6 February 2019 to which this notice is attached.

Ordinary Resolution

1. THAT, the Directors of the Company be generally and unconditionally authorised for the purpose of section 551 of the Act to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company (such shares and rights being together referred to as **relevant securities**) in connection with the Placing up to an aggregate nominal value of £263,157.92 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the articles of association of the Company), provided that this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next annual general meeting or on the date which is six months after the next accounting reference date of the Company (if earlier) save that the Directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the Directors of the Company may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

Special Resolution

2. THAT, subject to the passing of Resolution 1 above, the Directors of the Company be authorised to allot equity securities for cash and/or to sell equity securities held by the Company as treasury shares for cash under the authority given by that Resolution 1 as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to the allotment of equity securities in connection with the Placing up to an aggregate nominal amount of £263,157.92, representing approximately 53.2 per cent. of the Enlarged Share Capital of the Company, such authority to expire at the end of the next annual general meeting or on the date which is six months after the next accounting reference date of the Company (if earlier) save that, prior to its expiry, the Company may make offers and enter into agreements which would, or might, require equity securities to be allotted after the authority expires, and the Directors of the Company may allot equity securities under any such offer or agreement as if the authority had not expired.

Ordinary Resolution

3. THAT, in substitution for all existing and unexercised authorities and powers (other than as set out in Resolutions 1 and 2 above), the Directors of the Company be generally and unconditionally authorised for the purpose of section 551 of the Act:
 - a. to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as relevant securities) up to an aggregate nominal value of £163,084.98 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the articles of association of the Company); and further
 - b. to allot equity securities up to an aggregate nominal value of £326,169.96 (such amount to be reduced by the nominal value of any relevant securities allotted pursuant to the authority in paragraph 3a. above) in connection with a rights issue or similar offer in favour of the holders of ordinary shares where the equity securities respectively attributable to the interest of all holders of ordinary shares are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, subject only to such exclusions or other arrangements as the Directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory, provided that this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next annual general meeting or on the date which is six months after the next accounting reference date of the Company (if earlier) save that the Directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities or equity securities (as the case may be) to be allotted after the expiry of

such period and the Directors of the Company may allot relevant securities or equity securities (as the case may be) in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

Special Resolution

4. THAT, subject to the passing of Resolution 3 above, the Directors of the Company be authorised to allot equity securities for cash under the authority given by that Resolution 3 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to:
- a. the allotment of equity securities or sale of treasury shares in connection with a rights issue or similar offer in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of all holders of ordinary shares are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, subject only to such exclusions or other arrangements as the Directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory; and
 - b. the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 4a. above) up to an aggregate nominal amount of £24,709.85, representing approximately 5 per cent. of the Enlarged Share Capital of the Company on Admission,

such authority to expire at the end of the next annual general meeting or on the date which is six months after the next accounting reference date of the Company (if earlier) save that, prior to its expiry, the Company may make offers and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires, and the Directors of the Company may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

Dated 6 February 2019

BY ORDER OF THE BOARD

Martin Audcent

Company Secretary

Registered office:

Walker House
Exchange Flags
Liverpool
L2 3YL

Notes:

1. Voting will take place by means of a show of hands, unless a poll vote is demanded.
2. A shareholder may appoint one or more proxies to exercise their voting rights at the General Meeting, so long as each proxy is appointed to exercise voting rights attached to different shares. A proxy need not be a member of the Company.
3. To appoint a proxy, a member may complete, sign and date the enclosed proxy form and deposit it at the office of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 10.00 a.m. on 20 February 2019. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so in relation to the meeting, and any adjournment(s) of that meeting, by utilising the procedures described in the CREST Manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's registrars, Computershare Investor Services PLC, (whose CREST ID is 3RA50) by the latest time for receipt of proxy appointments specified in note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
5. Appointing a proxy will not prevent you from attending the General Meeting and voting in person. However, if you decide to do so, any proxy previously appointed by you will not also be able to attend, speak and vote on your behalf. If you wish to attend the General Meeting in person, you should arrive in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar prior to being admitted to the General Meeting.
6. Any corporation which is a member of the Company may authorise one or more persons (who need not be a member of the

Company) to attend, speak and vote at the meeting as the representative of that corporation. A certified copy of the board resolution of the corporation appointing the relevant person as the representative of that corporation in connection with the meeting must be deposited at the office of the Company's registrars prior to the commencement of the meeting.

7. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders listed in the register of members of the Company as at the close of business on 20 February 2019 shall be entitled to attend and vote at the General Meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is the close of business on the day which is two days before the day fixed for the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
8. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
9. The directors have no present intention of exercising either the allotment authority under Resolution 3 or the disapplication of pre-emption rights authority under Resolution 4.
10. As at the date of this Notice the Company's issued share capital comprises 23,103,898 ordinary shares of £0.01 each. Each ordinary share carries one vote and therefore the total number of voting rights at 5 February 2019 was 23,103,898.
11. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, can be found at www.sysgroupplc.com.