22 November 2021

SysGroup plc

(“SysGroup” or the “Company” or the “Group”)

Half yearly results for the six months ended 30 September 2021

SysGroup plc (AIM:SYS), the multi award-winning managed IT services and cloud hosting provider, is pleased to announce its unaudited half year results for the six months ended 30 September 2021 (“H1 FY22”).

Financial highlights

- Revenue of £7.58m (H1 FY21: £9.01m)
- Recurring Managed IT Services revenue represented 86% of total revenue (H1 FY21: 83%)
- Adjusted EBITDA[1] of £1.34m (H1 FY21: £1.41m), in line with management’s expectations
- Adjusted profit before tax[2] of £0.96m (H1 FY21: £0.99m)
- Statutory profit before tax of £0.25m (H1 FY21: £0.13m)
- Adjusted basic EPS[3] of 1.5p (H1 FY21: 1.7p)
- Basic earnings per share of 0.3p (H1 FY21: 0.2p)
- Cashflow from operations of £1.14m (H1 FY21: £1.68m)
- Cash of £3.47m at 30 September 2021 (30 September 2020: £3.02m)
- Net cash[4] at 30 September 2021 of £1.96m (30 September 2020: £1.17m)

Operational highlights

- Consistently high customer satisfaction levels maintained above 97%
- Invested to significantly enhance the technology that powers our multi-tenanted SysCloud 2.0 platform
- Manchester office opened to expand northern sales and marketing presence, and refurbishment of Newport office
- Project Fusion has continued to deliver significant improvements to our business operations from a unified platform of systems across the Group; further functionality for marketing automation, people management and reporting added in H1
- ESG project commenced with inaugural ESG disclosure to be included in the FY22 annual report

Outlook

- The long-term outlook for the Group and the market remains very positive as IT has become an increasingly important board agenda item for businesses in the last 18 months
- Continuing to see companies seek to move towards Cloud rather than on-premise solutions, with the expectation that business-critical IT projects and investment decisions will recover strongly once there is more certainty around the economic environment and the on-going impact of COVID-19
- The Board remains confident that Adjusted EBITDA for the current financial year will be in line with its expectations

Adam Binks, Chief Executive Officer, commented:

“I am pleased with the performance of the business in light of the ongoing economic uncertainty and the Board is confident in meeting expectations for the full year. We have a strong customer base who rely heavily on the business critical support that we provide and we benefit from very high levels of recurring revenue.

“Throughout the pandemic we have focused on ensuring that our business is optimised to take full advantage once conditions normalise and I am delighted with the progress made. IT infrastructure and support is integral to all businesses and as budget confidence returns we have the right market solutions, the right people to deliver and the right platform to scale rapidly.”

Notes

1. Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation of intangible assets, exceptional items and share based payments.
2. Adjusted profit before tax is profit before tax after adding back amortisation of intangible assets, exceptional items and share based payments.
3. 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 number of shares in issue.
4. Net cash represents cash balances less bank loans, lease liabilities and contingent consideration.

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About SysGroup

SysGroup is a leading provider of Managed IT Services, Cloud Hosting, and expert IT Consultancy. The Group delivers solutions that enable clients to understand and benefit from industry leading technologies and advanced hosting capabilities. SysGroup focuses on a customer's strategic and operational requirements - enabling clients to free up resources, grow their core business and avoid the distractions and complexity of delivering IT services.

The Group has offices in Liverpool, London, Newport, Manchester and Telford.

For more information, visit http://www.sysgroupplc.com

Overview

I am pleased to be able to report on a solid set of results with Adjusted EBITDA in line with management's expectations of £1.34m (H1 FY21: £1.41m), despite a reduction in turnover of 15.8% to £7.58m (H1 FY21: £9.01m). Revenue continues to be impacted in the short term due to the ongoing effects of the COVID pandemic. Managed IT services contributed £6.50m (H1 FY21: £7.46m) with Value Added Resale ("VAR") sales representing £1.08m of H1 revenues (H1 FY21: £1.54m). 86% of revenues (H1 FY21: 83%) were derived from recurring managed IT services contracts which resulted in a slight improvement in margins to 60.2% (H1 FY21: 59.7%). We continue to maintain a strong balance sheet and we ended the period with net cash of £1.96m (31 March 2021: £1.88m).

The importance of IT infrastructure and services have undoubtedly increased significantly in prominence to now being a standing agenda item for the majority of boards as experiences from the last two years have highlighted how integral technology is to business operations; specifically to support flexible working practices. We believe that this has created a real opportunity for SysGroup in the medium to long term and we have made significant operational improvements in the period to ensure we are ideally placed to benefit. In the immediate term, the pandemic has led to a delay in spending decisions, with companies continuing to conserve cash and make minimal operational changes until the economic environment settles and becomes clearer.

We have continued to support our clients through what remains a difficult environment, and I am proud of the commitment from our entire team. The quality of their work is reflected in consistently high customer satisfaction levels which have remained above 97% throughout the six month period. I have also been impressed with their desire to return to office working. The benefits of being together can not be underestimated and it is essential for innovation and collaboration to continue. At the same time, we continue to fully appreciate the enhanced benefit to team members that is offered as part of our flexible working model. This has been enhanced by the investment we have made in refreshing and updating our offices in Newport to create the modern working environment that you would expect from a leading technology company. We have also begun to populate our new northern sales headquarters in Manchester which we believe will create a strong base from which to target customers in the north and help to gain market share.

We had hoped that the first half of the year would show an increased inclination for face-to-face meetings with both existing and prospective customers but frustratingly this has yet to materialise. The focus has remained on virtual meetings and also centred around existing business rather than future projects. As doors open and as our sales team mobilises, our pipeline of opportunity will once again bear fruit.

The strong EBITDA performance reflects disciplined management cost control along with the synergies from prior year acquisitions, whilst we continued to invest as required in key areas of the business. We have also seen increased benefits from Project Fusion, which saw the Group come together on a single unified platform. This has led to greater oversight of sales and marketing activity, customer support and billing. Further functionality has been added in the first half and we have further improvements scheduled in the remainder of the financial year. As well as improving operational efficiency, this unified platform will enable our business to scale and make the integration of future acquisitions easier and more timely.

Acquisitions are an integral part of SysGroup's growth strategy. The Board has continued to identify and evaluate opportunities during the first six months. Whilst we have engaged in a number of acquisition discussions with potential targets, we are committed to maintaining our disciplined approach and applying rigorous criteria on both quality and price. Our reputation has been built on the quality of our services and offerings and we will not compromise, nor will we hamper future shareholder returns by overpaying for assets. Our balance sheet is strong, with high levels of net cash, headroom on committed facilities and a supportive shareholder base. As and when the right opportunities present themselves we will act accordingly and swiftly.

Strategy

The Group's strategy remains consistent: to expand its position as a trusted provider of managed IT services to businesses in the UK mid-market. The Board believes that a business focused on the provision of managed IT services offers the highest growth opportunity, with the potential for increased margins and longer-term contracts, thereby providing greater revenue visibility.

To deliver against this strategy, the Group has positioned itself as an extension of a customer's existing IT department, with an emphasis on consultative-led sales to guide customers through the complexities and developments in the managed IT services and cloud hosting marketplace. Our primary purpose is to remain abreast of developments in technology and advise our customers accordingly. This leading role is supplemented by exceptional customer service and support, resulting in strong client engagement and embedding SysGroup into their organisations. The Group continues to invest in R&D to ensure its clients are making use of the latest and best solutions available to them whilst maintaining its vendor agnostic approach.

Results and trading

During the period, the Group delivered revenue of £7.58m (H1 FY21: £9.01m), a decrease of 15.8%, and Adjusted EBITDA of £1.34m (H1 FY21: £1.41m), a decrease of 5% and in line with management's expectations.

Managed IT Services revenue was £6.50m (H1 FY21: £7.46m) and Value Added Resale ("VAR") revenue was £1.08m (H1 FY21: £1.54m) with a high recurring income percentage of 86% (H1 FY21: 83%).

Revenue reduced as the wider impact of COVID on the economy last year caused companies to defer spending decisions and some customers were forced to reduce their contracted services on renewal, either as a result of needing to save costs to manage their financial position or owing to the fact they had reduced their own staff numbers therefore requiring less resources. In managed IT services we also experienced a higher than normal level of churn. As a result we entered this financial year at a lower contracted income level than last year. However, we have found that the experience of instigating business continuity plans in response to COVID has placed IT more firmly on board agendas, with an increased interest in cloud hosted solutions. This is a welcome development but in the short term has led to decision makers delaying IT spend and extending the lives of on-premise IT whilst they consider their IT strategies for the future. The lack of tech refresh activity also affected our VAR revenue in H1 whilst the delays in making IT transformation decisions has affected the conversion of the managed IT services sales pipeline. As greater economic certainty returns we believe that managed IT services and VAR revenue will increase although, as businesses opt to move more towards our cloud hosted service offerings, VAR revenues are likely to trend downward over the longer term.

Gross profit was £4.56m with a gross margin of 60.2% (H1 FY21: £5.38m and 59.7% respectively). The slightly higher gross margin reflects the increase in revenue mix towards recurring managed IT services in the period. Adjusted operating expenses of £3.22m were £0.75m below the same period last year (H1 FY21: £3.97m) with costs being controlled well, augmented by the full benefit of acquisition synergies. During the period we opened a new office in Manchester and the lease has been recognised under the IFRS16 lease accounting policy. We made no use of the government furlough scheme throughout the COVID pandemic and continue to recruit high quality candidates to support our future growth.

The Group has reported a statutory profit before tax of £0.25m which compares to a profit before tax of £0.13m in H1 FY21. Whilst the Adjusted EBITDA is slightly lower than H1 FY21, lower depreciation, amortisation and share based payment charges have led to the higher profit before tax. No exceptional costs have been incurred in the period.

The taxation charge of £0.08m includes a one-time deferred tax charge adjustment of £0.14m due to the corporation tax rate increasing from 19% to 25% on 1 April 2023. This tax rate adjustment has been recognised in full in the Half Year tax charge.

During H1 we invested tangible capex of £0.48m into our business and primarily into our office locations. We took the opportunity to refurbish our Newport office to give our team a new and exciting workplace to return to as well as establishing a new presence in Manchester. We have also invested to significantly enhance the technology that powers our multi-tenanted SysCloud 2.0 platform. The investment into SysCloud 2.0 will continue into H2.

Project Fusion, the project to deliver a unified platform of systems across the Group, has continued to deliver significant improvements to our business operations. In FY21, we successfully implemented a new and unified CRM, marketing, service desk, projects and billing system. In H1 FY22 we have gone live with further functionality for marketing automation, people management and reporting. The project will continue to the end of the financial year. Capitalised intangible costs for Project Fusion were £0.15m in H1.

Adjusted basic earnings per share for H1 FY22 was 1.5 pence (H1 FY21: 1.7 pence) and basic profit per share for H1 FY22 was 0.3 pence (H1 FY21: 0.2 pence). The change in the deferred tax rate has a negative 0.2 pence impact on the adjusted and basic earnings per share compared to the comparative period in FY21.

The Group had a strong net cash position of £1.96m at the end of the period (30 Sept 2020: £1.17m) and a gross cash balance of £3.47m at 30 September 2021 (30 Sept 2020: £3.02m). No use was made of the government's COVID loan schemes and there are no COVID deferrals of tax payments.

Cashflow from operations was £1.14m (H1 FY21: £1.67m) and cash conversion was 85% (H1 FY21: 124%). Working capital continues to be managed well with debtor days remaining below the target level of 25 days and supplier payments being made on monthly payment runs. Corporation tax of £0.19m was paid in H1 (H1 FY21: £0.07m) and cashflows from investing activities include £0.31m of non-recurring expenditure for the refurbishment of the Newport office and fit-out of the new Manchester office. Cashflow from financing activities includes interest payments, which have been re-categorised from operating activities in the Consolidated Cashflow Statement, and bank loan repayments, which, as expected, stepped up this financial year in accordance with the terms of the loan agreement.

Cash conversion

We have previously reported our cash conversion ratio to include tax and interest payments as part of operating cash but we have made the decision to amend the calculation to be more consistent with our listed peer group by measuring operating cashflows generated after movements in working capital. The cash conversion ratio is therefore calculated as cashflow from operations, adjusted for exceptional cashflow, as a percentage of Adjusted EBITDA. This performance measure is reported as a KPI to the Board of Directors each month and is a key indicator of the quality of adjusted profit as it converts into cash. In H1 cash conversion was 85% which was as expected. Cash conversion of 124% in H1 FY21 was unusually high due to the deferral of the Q1 VAT payment of £280k which was subsequently repaid in December 2020.

Share Option Grants

In April and July 2021 respectively, the Company granted 306,000 share options to employees and 250,000 share options to senior management under the 2018 SysGroup EMI Scheme. In June 2021, the Remuneration Committee granted 179,675 performance shares to Adam Binks, Chief Executive Officer, and 107,805 performance shares to Martin Audcent, Chief Financial Officer in relation the the Group's performance in FY21 and under the terms of the 2020 SysGroup Long Term Incentive Plan.

Outlook

Since the onset of the global pandemic we have focused on two key areas: firstly, supporting our customers, which our team have worked tirelessly to achieve, and which they have done with considerable success. Secondly, optimising all internal operations of our business to maximise our opportunity once economic certainty improves and trading conditions normalise. I am extremely pleased with how we have fared against both of these objectives.

The timing of a wider recovery is outside of our control but we have a strong customer base with high levels of recurring revenue. We have a strong balance sheet with a very healthy cash balance which we expect to improve further in H2 as our capex requirements were H1 weighted. Our sales teams will be pushing even harder during the remainder of the year and looking to increase the face to face interactions which will see our pipeline of opportunity begin to convert in to sales. We are committed to our acquisition strategy but we will stick to our rigorous criteria and not be drawn into deals which would deliver sub-optimal returns.

I am very confident that we have the right model, the right offering, and the right team and culture to deliver strong returns for our shareholders over the medium term and I thank them for their continued support.

Despite the economic circumstances, we remain confident in meeting Adjusted EBITDA expectations for the full year, coupled with continued strong cash generation.

Adam Binks

Chief Executive Officer

INDEPENDENT REVIEW REPORT TO SYSGROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 which comprises the consolidated interim statement of comprehensive income, the consolidated interim statement of financial position, the consolidated interim statement of cash flows and the notes to the consolidated interim financial statements.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

DocuSigned by:
BDO LLP
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BDO LLP
Chartered Accountants
Manchester, UK
19 November 2021

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

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 30 SEPTEMBER 2021

	Notes	Unaudited six months to 30-Sep-21 £'000	Unaudited six months to 30-Sep-20 £'000	Audited year to 31-Mar-21 £'000
Revenue	2	**7,580**	**9,007**	**18,131**
Cost of sales		(3,017)	(3,629)	(7,630)
Gross profit	2	**4,563**	**5,378**	**10,501**
Administrative expenses before depreciation, amortisation, exceptional items and share based payments		(3,219)	(3,971)	(7,586)
Adjusted EBITDA		**1,344**	**1,407**	**2,915**
Depreciation of tangible assets		(334)	(369)	(722)
Amortisation of intangible assets		(615)	(671)	(1,294)
Exceptional items	4	-	(36)	(82)
Share based payments		(93)	(155)	(504)
Administrative expenses		(4,261)	(5,202)	(10,188)
Operating profit		**302**	**176**	**313**
Finance costs		(52)	(51)	(108)
Profit before taxation		**250**	**125**	**205**
Taxation		(83)	(30)	35
Total comprehensive profit attributable to the equity holders of the company		**167**	**95**	**240**
Basic earnings per share (pence)	3	0.3p	0.2p	0.5p
Fully diluted earnings per share (pence)	3	0.3p	0.2p	0.5p

All the results arise from continuing operations.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	Notes	Unaudited 30-Sep-21 £'000	Unaudited 30-Sep-20 £'000	Audited 31-Mar-21 £'000
Assets				
Non-current assets				
Goodwill		15,554	15,554	15,554
Intangible assets		4,822	5,766	5,290
Property, plant and equipment		1,614	1,548	1,281
		21,990	**22,868**	**22,125**
Current assets				
Trade and other receivables	6	1,926	2,492	1,728
Cash and cash equivalents		3,469	3,021	3,473
		5,395	**5,513**	**5,201**
Total Assets		**27,385**	**28,381**	**27,326**
Equity and Liabilities				
Equity attributable to the equity shareholders of the parent				
Called up share capital		494	494	494
Share premium		9,080	9,080	9,080
Treasury reserve		(201)	-	(201)
Other reserve		2,925	2,483	2,832
Translation reserve		4	4	4
Retained earnings		8,570	8,258	8,403
		20,872	**20,319**	**20,612**
Non-current liabilities				
Lease liabilities		269	296	190
Deferred taxation		948	1,082	889
Bank loan		595	951	757
		1,812	**2,329**	**1,836**
Current liabilities				
Trade and other payables	7	2,766	3,892	2,683
Deferred income		1,291	1,238	1,549
Bank loan		389	333	416
Lease liabilities		255	270	230
		4,701	**5,733**	**4,878**
Total Equity and Liabilities		**27,385**	**28,381**	**27,326**

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30 SEPTEMBER 2021

	Attributable to equity holders of the parent						
	Share capital	Share premium	Treasury reserve	Other reserve	Translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	**494**	**9,080**	**-**	**2,328**	**4**	**8,163**	**20,069**
Profit and total comprehensive income for the period	-	-	-	-	-	95	95
Share based payments	-	-	-	155	-	-	155
At 30 September 2020	**494**	**9,080**	**-**	**2,483**	**4**	**8,258**	**20,319**
Profit and total comprehensive income for the period	-	-	-	-	-	145	145
Share buy back	-	-	(201)	-	-	-	(201)
Share based payments	-	-	-	349	-	-	349
At 31 March 2021	**494**	**9,080**	**(201)**	**2,832**	**4**	**8,403**	**20,612**
Profit and total comprehensive income for the period	-	-	-	-	-	167	167
Share based payments	-	-	-	93	-	-	93
At 30 September 2021	**494**	**9,080**	**(201)**	**2,925**	**4**	**8,570**	**20,872**

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.
Treasury reserve	Company owned shares held for the purpose of settling the exercise of employee share options.
Other Reserve	Amount reserved for share based payments to be released over the life of the instruments and the equity element of convertible loans
Translation Reserve	Amount represents differences in relations to the consolidation of subsidary companies accounting for currencies other than the Group's functional currency.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

CONSOLIDATED CONDENSED STATEMENT OF CASHFLOWS
SIX MONTHS ENDED 30 SEPTEMBER 2021

	Unaudited six months to 30-Sep-21 £'000	Restated Unaudited six months to 30-Sep-20 £'000	Restated Audited year to 31-Mar-21 £'000
Cashflows used in operating activities			
Net income	167	95	240
Adjustments for:			
Depreciation and amortisation	949	1,040	2,016
Finance costs	52	51	108
Share based payments	93	155	504
Taxation	83	30	(35)
Operating cashflows before movement in working capital	**1,344**	**1,371**	**2,833**
(Increase)/decrease in trade and other receivables	(198)	223	987
(Decrease)/increase in trade and other payables	(5)	83	(889)
Cashflow from operations	**1,141**	**1,677**	**2,931**
Taxation paid	(192)	(69)	(98)
Net cash from operating activities	**949**	**1,608**	**2,833**
Cashflows from investing activities			
Payments to acquire property, plant & equipment	(476)	(95)	(179)
Payments to acquire intangible assets	(147)	(246)	(396)
Acquisition of subsidiary companies	-	(975)	(975)
Net cash used in investing activities	**(623)**	**(1,316)**	**(1,550)**
Cashflows from financing activities			
Payments for share buy-back	-	-	(201)
Repayment of loan facility including fees	(189)	(112)	(224)
Capital/principal paid on lease liabilities	(88)	(144)	(288)
Interest paid on loan facility	(45)	(41)	(105)
Interest paid on lease liabilities	(8)	(10)	(28)
Net cash from financing activities	**(330)**	**(307)**	**(846)**
Net (decrease)/increase in cash and cash equivalents	**(4)**	**(15)**	**437**
Cash and cash equivalents at the beginning of the period /year	3,473	3,036	3,036
Cash and cash equivalents at the end of the period/year	**3,469**	**3,021**	**3,473**

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 SEPTEMBER 2021

1. ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited consolidated condensed financial information for the six months ended 30 September 2021 are prepared in accordance with UK adopted International Financial Reporting Standards ("IFRS") and are consistent with those that will be adopted in the annual statutory financial statements for the year ended 31 March 2022.

While the financial information included has been prepared in accordance with the recognition and measurement criteria, in accordance with UK adopted International Financial Reporting Standards, these consolidated condensed financial statements do not contain sufficient information to comply with IFRSs.

Consolidated Condensed Cashflow Statement
The consolidated condensed cashflow statement for the prior periods have been restated to change the categorisation of interest payments from Cashflows from operating activities to Cashflows from financing activities. Accordingly, interest payments totalling £51,000 for the six month period ended 30 September 2020 and £133,000 for the year ended 31 March 2021 are now shown as cashflow from financing activities.

Exceptional items
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.

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 Board recognises that the whilst the Group is still trading in an uncertain economy, the operating model remains highly resilient with circa 85% of revenue deriving from contracted managed IT services which are business critical service supplies to customers. The Group has a gross cash balance of £3.47m, a net cash position of £1.96m and continues to generate a high level of operating cash inflow.

The Directors reviewed the Group's financial forecasts including a downside scenario. The projected trading forecasts and resultant cashflows, together with the confirmed loan facilities and other sources of finance, 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 they continue to adopt the going concern basis of accounting in preparing the financial statements.

2. SEGMENTAL REPORTING

The chief operating decision maker for the Group is the Board of Directors and 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 product and licence sales procured 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 these operational segments as unified Group functions.

All segments are continuing operations and there are no transactions between segments.

	Unaudited six months to 30-Sep-21 £'000	Unaudited six months to 30-Sep-20 £'000	Audited year to 31-Mar-21 £'000
Revenue			
Managed IT Services	6,496	7,462	14,344
Value Added Resale	1,084	1,545	3,787
	7,580	**9,007**	**18,131**
Gross profit			
Managed IT Services	4,329	5,049	9,594
Value Added Resale	234	329	907
	4,563	**5,378**	**10,501**

3. EARNINGS PER SHARE

	Unaudited six months to 30-Sep-21	Unaudited six months to 30-Sep-20	Audited year to 31-Mar-21
Profit for the financial year attributable to shareholders	167	95	240
Adjusted profit for the financial period	741	823	1,744
Weighted number of equity shares in issue	49,859,690	49,619,690	49,234,036
Weighted number of equity shares for diluted calculation	51,786,614	51,584,007	51,811,233
Adjusted basic earnings per share (pence)	1.5p	1.7p	3.5p
Basic earnings per share (pence)	0.3p	0.2p	0.5p
Diluted earnings per share (pence)	0.3p	0.2p	0.5p

	Unaudited six months to 30-Sep-21 £'000	Unaudited six months to 30-Sep-20 £'000	Audited year to 31-Mar-21 £'000
Profit after tax used for basic earnings per share	167	95	240
Amortisation of intangible assets	615	671	1,294
Exceptional items	-	36	82
Share based payments	93	155	504
Tax adjustments	(134)	(134)	(376)
Adjusted profit used for adjusted earnings per share	**741**	**823**	**1,744**

The tax adjustments relate to current and deferred tax on the amortisation of intangible assets, exceptional items and share based payments.

4. EXCEPTIONAL ITEMS

	Unaudited six months to 30-Sep-21 £’000	Unaudited six months to 30-Sep-20 £’000	Audited year to 31-Mar-21 £’000
Integration and restructuring costs	-	61	82
Acquisition costs	-	(25)	-
	-	**36**	**82**

5. ALTERNATIVE PERFORMANCE MEASURES

Reconciliation of Operating profit to Adjusted EBITDA	Unaudited six months to 30-Sep-21 £'000	Unaudited six months to 30-Sep-20 £'000	Audited year to 31-Mar-21 £'000
Operating profit	302	176	313
Depreciation	334	369	722
Amortisation of intangible assets	615	671	1,294
EBITDA	**1,251**	**1,216**	**2,329**
Exceptional items	-	36	82
Share based payments	93	155	504
Adjusted EBITDA	**1,344**	**1,407**	**2,915**

Reconciliation of Profit before tax to Adjusted Profit before tax	Unaudited six months to 30-Sep-21 £'000	Unaudited six months to 30-Sep-20 £'000	Audited year to 31-Mar-21 £'000
Profit before tax	250	125	205
Amortisation of intangible assets	615	671	1,294
Exceptional items	-	36	82
Share based payments	93	155	504
Adjusted Profit before tax	**958**	**987**	**2,085**

Cash conversion	Unaudited six months to 30-Sep-21 £'000	Unaudited six months to 30-Sep-20 £'000	Audited year to 31-Mar-21 £'000
Cashflow from operations	1,141	1,677	2,931
Adjustments:			
Acquisitions, integration and restructuring cashflows	-	61	82
Adjusted cashflow from operations	**1,141**	**1,738**	**3,013**
Adjusted EBITDA	**1,344**	**1,407**	**2,915**
Cash conversion	85%	124%	103%

The alternative performance measure calculation for cash conversion has been revised and now shows cashflow from operations, adjusted for exceptional cashflows, as a percentage of Adjusted EBITDA. Previously the cashflow from operations included interest and taxation payments. The cash conversion calculation in the comparative periods have been updated to reflect the revised calculation.

Net cash	**Unaudited six months to 30-Sep-21**	**Unaudited six months to 30-Sep-20**	**Audited year to 31-Mar-21**
	£'000	**£'000**	**£'000**
Cash balances	3,469	3,021	3,473
Bank loans - current	(389)	(333)	(416)
Bank loans - non-current	(595)	(951)	(757)
Lease liabilities	(524)	(566)	(420)
Net cash	**1,961**	**1,171**	**1,880**

6. TRADE AND OTHER RECEIVABLES

	Unaudited six months to 30-Sep-21	**Unaudited six months to 30-Sep-20**	**Audited year to 31-Mar-21**
	£'000	**£'000**	**£'000**
Trade receivables	991	1,469	916
Prepayments and accrued income	935	1,023	812
	1,926	**2,492**	**1,728**

7. TRADE AND OTHER PAYABLES

	Unaudited six months to 30-Sep-21	**Unaudited six months to 30-Sep-20**	**Audited year to 31-Mar-21**
	£'000	**£'000**	**£'000**
Trade payables	1,344	1,648	811
Corporation tax	153	237	254
Other taxes and social security	468	992	628
Accruals	801	1,015	990
	2,766	**3,892**	**2,683**

8. AVAILABILITY OF INTERIM REPORT

Copies of this report are available on the Company's website at http://www.sysgroup.com