14 December 2016

SysGroup plc
("SysGroup" or the "Company" or the "Group")

Half yearly results for the six months ended 30 September 2016

SysGroup PLC (AIM: SYS), the managed services and cloud integrator, is pleased to announce its unaudited half year results for the six months ended 30 September 2016.

Financial Highlights

- Total revenue (including discontinued operations) up 40% to £3.38m (H1 2016: £2.41m)
- Revenue from continuing operations up 111% to £2.68m (H1 2016: £1.27m)
- Organic growth from existing Managed Hosting business excluding the acquisition of System Professional Ltd ("Sys-Pro") up 19% to £1.34m (H1 2016: £1.13m)
- Adjusted EBITDA[1] (including discontinued operations) of £0.44m (H1 2016: £0.28m)
- Adjusted EBITDA[2] (continuing operations) of £0.23m (H1 2016: £0.03m)
- Reported loss from continuing operations of £0.55m (H1 2016: £(0.21)m)
- Reported profit after tax (including the sale the SME Mass Market division) of £1.05m (H1 2016: £(0.05)m)
- Basic EPS 6.1 pence (H1 2016: (0.04) pence)
- Net cash at 30 September 2016 of £3.66m[3] (30 September 2015: net debt of £0.004m)

[1] Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation, acquisition costs, restructuring costs, fair value adjustments, share based payments and profit on sale of discontinued operations

[2] excludes contribution from the SME Mass Market division sold in July 2016

[3] Net cash/(debt) calculated cash less interest bearing debt and obligations under financial leases

Operational Highlights

- Successful acquisition of Sys-Pro for an initial consideration of £3.9m
- Oversubscribed placing to raise £5.0m gross in July 2016
- Disposal of non-core SME Mass Market division for £2.7m (4.9x EBITDA) in July 2016
- Transformation to a Managed Services Provider
- Expanded partnership with Epicor through its ERP (BisTrack) application software
- New banking facilities of £3.0m, including a £2.5m acquisition facility agreed with Santander post period end

Chris Evans, Chief Executive commented: "We are pleased with the progress we have made during the period in transforming the focus of the Company to that of a Managed Services provider while at the same time delivering a solid set of results.

With our strong cash position and new banking facilities from Santander we are ready to supplement our solid organic growth with additional strategic acquisitions. With the expected benefits from the integration of Sys-Pro into the Group and the increasing number of opportunities we are seeing in the market, we believe the Group is well-positioned to deliver on the objectives we have set ourselves for the remainder of the year and beyond.

We therefore look forward to the year ahead with confidence."

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About SysGroup

SysGroup is a leading provider of Cloud Hosting, Managed Services 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, Coventry, London and East Sussex.

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

Chief Executive Officers Statement

I am pleased to present the interim results for SysGroup for the six months ended 30 September 2016.

Introduction

This has been a very busy period for the Group during which we completed the acquisition of System Professional Ltd ("Sys-Pro") in early July, a Managed Service provider that complements the Group's existing Managed Hosting business Netplan, and successfully executed the disposal of our SME Mass Market division later in the same month.

These two transactions marked a strategic change for the Group transforming the business from being involved in servicing the low value and high volume driven mass market, which had become largely commoditised, and was facing pricing pressure from fierce competition, to a business focused exclusively on the higher value Managed Services market, with a strong focus on Cloud hosting. As a result of this key strategic move, we have positioned SysGroup as a virtually outsourced 'Chief Information Officer' that can provide our customers with both managed systems and strategic advice. Large, medium and small companies are relying on SysGroup to provide their managed service platforms.

As a consequence of our business transformation, we re-branded from Daily Internet Plc to SysGroup Plc (Daily Internet was the name of our former SME Mass Market brand). We also conducted a capital re-organisation reducing the number of shares in issue and obtained a court sanction for a capital reduction thereby creating distributable reserves. This has placed the Group in a position to pay a dividend should it be appropriate.

Trading and results

The Group traded strongly during the period, reflecting the contribution from Sys-Pro and also solid organic growth. Total revenue (including the discontinued operations i.e. the sale of our SME Mass Market division for the period until the date of sale) was £3.38m which is up 40.25% (H1 2016: £2.41m).

Revenue from the continuing business (excluding the contribution of SME Mass Market division but including that from Sys-Pro) was £2.68m (H1 2016: £1.27m), representing a 120% increase.

Most encouragingly, the Group's existing managed hosting business (calculated by excluding the contributions of both the SME Mass Market division and Sys-Pro) generated revenues of £1.34m (H1 2016: £1.13m), representing an organic growth rate of 19%.

Gross Profit for the period was £1.68m on a continuing basis up 105% (H1 2016: £0.82m). Gross profit margin has fallen slightly from 64.6% in H1 2016 to 62.5%. This is due to Sys-Pro having some legacy Value Added Reseller ("VAR") activity which is lower margin. Excluding VAR activities, gross margin from continued operations increased to 69.6%.

At the EBITDA level, total adjusted EBITDA (including discontinued operations) was £0.44m (H1 2016: £0.28m) an increase of 57%. On a continuing basis (so excluding the contribution from the SME Mass Market division in the period before its sale), the Group delivered adjusted EBITDA of £0.23m (H1 2016: £0.03m).

On a continuing basis (i.e. excluding the SME Mass Market division from the start of the period) we have reported a loss from operations of £(0.53)m (H1 2016: £0.2m). However then bringing in the profit from the sale of the SME Mass Market division, Retained Profit for the period is £1.05m (H1 2016: loss of £0.05m). This includes all the non-recurring costs incurred relating to the acquisition of Sys-Pro and disposal of the SME Mass Market division.

Basic earnings per share ("EPS") is 6.1p vs a loss of 0.04p in H1 2016. This is calculated at the values post the capital reorganisation that took place in the period. Further detail can be found in notes 4 and 9.

At period end we had cash and cash equivalents of £3.88m (H1 2016: £0.44m). The cash increase has resulted from the surplus funds from the £5.0m placing carried out to fund the Sys-Pro acquisition and the proceeds from the disposal of the SME Mass Market division (further detail below). The business enjoys very low levels of debt; in H1 2016 this was £0.48m of which £0.21m is asset finance and also includes loan notes and invoice discounting (which have since been repaid).

New Banking Facilities

The Group has just secured new banking facilities with Santander UK plc ("Santander"). The facilities comprise a £2.5m Revolving Credit Term Loan Facility to finance acquisitions alongside a £0.5 million overdraft facility. We are pleased with the confidence Santander have shown in our business and look forward to their ongoing support of our growth plans. The facilities will provide the Group with strategic flexibility when evaluating acquisition opportunities.

M&A Activity and Placing

On 15 June 2016 we announced the proposed acquisition of Sys-Pro alongside a placing to raise £5.0m gross. The placing was oversubscribed and we welcomed new institutional investors to our share register. The acquisition and placing were both completed on 6 July 2016.

Sys-Pro a Managed Services provider which the Group acquired for an initial consideration of £3.9m, paid 85% cash and 15% in new ordinary shares at 60 pence per share.

On 18 July 2016 we announced the disposal of our SME Mass Market division and this was completed on 22 July 2016. The SME Mass Market division, which had become non-core, was sold for £2.7m less an adjustment for advance payment and receipts of £0.47m and achieved a valuation of 4.9x EBITDA.

The Group continues to progress its integration plan in relation to Sys-Pro with a number of key milestones achieved.

Outlook

I am delighted we have achieved our primary strategic objective of transitioning to a Managed Services provider. Sys-Pro and Netplan complement each other with additional services that the respective businesses did not offer on a standalone basis as well as providing immediate critical mass and entry into new sector verticals alongside expanding the Group's geographic reach. This has added a significant piece to the jigsaw and has greatly increased the range of the services we can now offer our customers. We will be able to leverage our trusted adviser relationships with our customers to capitalise on the additional opportunities now available. On 26 August 2015, we announced a partnership with Epicor as their preferred Cloud partner in the UK and Ireland for Epicor BisTrack application software (an ERP application). This partnership has since expanded to Netplan providing an end-to-end solution to an increasing amount of Epicor customers. This end-to-end solution includes deploying of their ERP application, optimising it and providing support services for the actual application. We expect the expanded partnership with Epicor should also enhance and accelerate these opportunities.

I believe this has been a period of solid progress for the Group, and the board would like to thank all of the staff and management for their hard work and congratulate them on their achievements in the first half of the year. I would also like to thank our investors for their continued support in the company.

Chris Evans
Chief Executive Officer
13 December 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	Unaudited six months to 30 Sep 2016 £'000	Unaudited six months to 30 Sep 2015 £'000	Audited year to 31 Mar 2016 £'000
Revenue				
Total group revenue – continuing and discontinued operations		3,379	2,414	4,764
Revenue discontinued operations		700	1,143	2,249
Revenue – continuing operations		**2,679**	**1,271**	**2,515**
Cost of sales		(1,002)	(451)	(829)
Gross profit		**1,677**	**820**	**1,686**
Operating expenses before depreciation, amortisation, acquisition and integration costs, fair value adjustment and share based payments		(1,444)	(793)	(1,579)
Adjusted EBITDA - continuing		**233**	**27**	**107**
Depreciation		(132)	(120)	(241)
Amortisation of intangibles		(143)	(102)	(205)
Acquisition and restructuring costs		(415)	(7)	(11)
Fair value adjustment		(77)	(11)	270
Share based payments		-	4	10
Administrative expenses		(2,211)	(1,029)	(1,756)
(Loss) from operations		**(534)**	**(209)**	**(70)**
Finance costs		(17)	(19)	(44)
(Loss) before taxation		(551)	(228)	(115)
Taxation		5	20	41
(Loss) from continuing operations		**(546)**	**(208)**	**(73)**
Profit from discontinued operations – net of income tax		**1,598**	**162**	**375**
Total comprehensive profit (loss) attributable to the equity holders of the company		**1,052**	**(46)**	**302**
Basic earnings per share (EPS)	4	£0.061	£(0.004)	£(0.025)

The accompanying notes form an integral part of this consolidated statement of comprehensive income

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	Unaudited 30 Sep 2016 £'000	Unaudited 30 Sep 2015 £'000	Audited 31 Mar 2016 £'000
Assets			
Non-current assets			
Goodwill	7,283	4,454	4,454
Intangible assets	1,982	1,450	1,329
Plant, property and equipment	424	575	450
	9,689	**6,479**	**6,233**
Current assets			
Stock and WIP	64	-	-
Trade and other receivables	1,313	494	598
Cash and cash equivalents	3,877	441	513
	5,254	**935**	**1,111**
Total Assets	**14,943**	**7,414**	**7,344**

Equity and Liabilities

Equity attributable to the equity shareholders of the parent

Called up share capital	4,430	2,399	2,552
Share premium reserve	-	6,493	6,493
Share based payment reserve	1,396	642	1,008
Retained profits (losses)	5,517	(5,466)	(5,118)
	11,343	**4,068**	**4,935**
Non-current liabilities			
Obligations under finance leases	87	113	91
Deferred taxation	401	297	242
Contingent consideration due on acquisitions	-	618	435
	488	**1,028**	**768**
Current liabilities			
Trade and other payables	1,365	640	718
Deferred income	339	692	707
Contingent consideration due on acquisitions	1,281	618	-
Other loans	-	150	105
Convertible loan notes	-	103	-
Obligations under finance leases	127	115	111
	3,112	**2,318**	**1,641**
Total Equity and Liabilities	**14,943**	**7,414**	**7,344**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to equity holders of the parent				
	Share capital	**Share premium account**	**Other reserve**	**Accumulated profit (losses)**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2015	**2,399**	**6,493**	**656**	**(5,420)**	**4,128**
Loss and total comprehensive income for the period	-	-	-	(46)	(46)
Movement in share option reserve	-	-	(14)	-	(14)
At 30 September 2015	**2,399**	**6,493**	**642**	**(5,466)**	**4,068**
Profit and total comprehensive income for the period	-	-	-	348	348
Issue of share capital - consideration shares	153	-	367	-	520
Expenses of share issue	-	-	(7)	-	(7)
Movement in share option reserve	-	-	6	-	6
At 31 March 2016	**2,552**	**6,493**	**1,008**	**(5,118)**	**4,935**
Profit and total comprehensive income for the period	-	-	-	1,052	1,052
Issue of share capital – share placing	1,683	3,367	-	-	5,050
Issue of share capital - consideration shares	195	-	390	-	585
Expenses of share issue	-	(277)	-	-	(277)
Capital reorganisation	-	(9,583)	-	9,583	-
Movement in share option reserve	-	-	(2)	-	(2)
At 30 September 2016	**4,430**	**-**	**1,396**	**5,517**	**11,343**

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

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
SIX MONTHS ENDED 30 SEPTEMBER 2016

	Unaudited six months to 30 Sep 2016 £'000	Unaudited six months to 30 Sep 2015 £'000	Audited year to 31 Mar 2016 £'000
Cash flows used in operating activities			
Net income (loss)	1,052	(46)	302
Profit net of tax – discontinued operations	(1,598)	(162)	(375)
Adjustments for:			
Depreciation and other amortisation	275	222	446
Fair value adjustment on contingent consideration	77	11	(270)
Finance costs	17	19	44
Acquisition costs	50	-	-
Share based payments	-	(4)	(10)
Taxation	(5)	(20)	(41)
Operating cash flows before movement in working capital	(132)	20	96
Increase (decrease) in trade and other receivables	(39)	92	61
(Decrease) in trade and other payables	(107)	(135)	(35)
Net cash (outflow) inflow from continuing operating activities	**(278)**	**(23)**	**122**
Cash flows from investing activities			
Payments to acquire property, plant & equipment	(58)	(50)	(111)
Payment for acquisitions net of cash received	(3,026)	-	-
Net cash used in investing activities	**(3,084)**	**(50)**	**(111)**
Cash flows from financing activities			
Issue of ordinary share capital	4,723	-	(7)
Drawdown of loan facility	-	150	105
Repayment of loan facility	(105)	(175)	(175)
Repayment of loan notes	-	-	(105)
Loan note interest paid	-	(4)	(9)
Interest element of finance lease payments	(17)	(15)	(33)
Capital repayment of finance leases	(55)	(57)	(110)
Net cash from financing activities	**4,546**	**(101)**	**(334)**
Net increase (decrease) in cash and cash equivalents from continuing operations	**1,184**	**(174)**	**(323)**
Cash flows from discontinued operations			
Net cash used for operating activities	143	234	518
Net cash provided for investing activities	2,044	(1)	(39)
Net cash used for financing activities	(7)	(44)	(69)
Net increase in cash and cash equivalents from discontinued operations	2,180	189	410

Cash and cash equivalents at the beginning of the period/year	513	426	426
Cash and cash equivalents at the end of the period/year	**3,877**	**441**	**513**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 SEPTEMBER 2016

1. ACCOUNTING POLICIES

The financial information for the year ended 31 March 2016 set out in this half-yearly report does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The figures for the year ended 31 March 2016 have been extracted from the Group financial statements for that year. Those financial statements have been delivered to the Registrar of Companies and included an independent auditor's report, which was unqualified and did not contain a statement under section 493 of the Companies Act 2006.

The half yearly financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements for the year ending 31 March 2017. The Group financial statements for the year ended 31 March 2016 were prepared under International Financial Reporting Standards as adopted by the European Union. These half yearly financial statements have been prepared on a consistent basis and format with the Group financial statements for the year ended 31 March 2016. The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

The Group currently applies IAS 18. Its application of IAS 18 is as follows:

- Revenue for hosting services is recognised over the period of the contract
- Revenue for professional and VAR (Value Added Reseller) services is recognised when the customer has the economic benefit of the goods or service

The Group notes that IFRS 15 will become effective for financial periods beginning on or after January 2018. The Group will therefore adopt IFRS 15 for the year ended March 2019 or before.

EXEPTIONAL ITEMS

Items which are material because of their size or nature and which are non-recurring are highlighted separately on the face of the income statement. The separate reporting of exceptional items helps provide a better picture of the Company's underlying performance. Items which may be included within the exceptional category include:

- spend on the integration of significant acquisitions and the other major restructuring programmes;
- significant goodwill or other asset impairments; and
- other particularly significant or unusual items.

Spend on integration is incurred by the Group when integrating one trading business into another. The types of costs include employment related costs of staff being made redundant as a consequence of integration, due diligence costs, property costs such as lease termination penalties and vacant property provisions and third party advisor fees.

Exceptional items are excluded from EBITDA as an adjustment as management believe that they need to be considered separately to gain an understanding of the underlying profitability of the trading businesses.

Further information is provided in note 5.

GOING CONCERN

The condensed consolidated interim financial information has been prepared on a going concern basis.

The Directors have prepared cash flow forecasts for the Group following its acquisition of System Professional Ltd ("Sys-Pro") and its disposal of its SME Mass Market division, including sensitivity analysis on key assumptions. These forecasts show that the Group expects to meet its liabilities from cash resources, taking into account all risks and uncertainties. At the period end the Group had cash and cash equivalents of £3.88m.

On 13 December 2016, the Group secured new banking facilities with Santander UK plc. The facilities comprise £2.5m Revolving Credit Term Loan Facility and a £0.5 million overdraft facility.

As a result, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider that the adoption of the going concern basis is appropriate.

2. SEGMENTAL REPORTING

The Group has two operating segments SME Mass Market and Managed Hosting. The SME Mass Market segment was discontinued during the period.

The SME Mass Market division sold services to the mass-market and included the brands Daily, Evohosting and NameHOG. This division was sold on 22 July 2016 and is classified as discontinued. The Managed Hosting segment is enterprise hosting, private and public cloud and consultancy. Managed Hosting consists of the Netplan brand (and includes the former Q4Ex business now integrated into and trading as Netplan) and Sys-Pro, which was acquired on 6 July 2016. Each reportable segment has a segment manager or managers who are directly accountable to and maintain regular contact with the CEO. Each of the segments and operational units within the segments hold monthly executive meetings of which the CEO attends.

No customer represents more than ten per cent of the Group's revenue.

The following tables represent the revenue and profit information for the Group's business segments:

	6 months to 30 September 2016 £'000	6 months to 30 September 2015 £'000	Year ended 31 March 2016 £'000
Revenue			
SME Mass Market – discontinued	700	1,143	2,249
Managed Hosting - continuing	2,679	1,271	2,515
	3,379	**2,414**	**4,764**
Gross Profit			
SME Mass Market – discontinued	436	674	1,323
Managed Hosting - continuing	1,677	820	1,686
	2,113	**1,494**	**3,009**
Adjusted EBITDA			
SME Mass Market – discontinued	207	250	558
Managed Hosting - continuing	562	376	742
Group - continuing	(330)	(350)	(634)
	439	**276**	**666**
Profit (loss) before tax			
SME Mass Market – discontinued	1,560	153	362
Managed Hosting - continuing	277	148	272
Group - continuing	(828)	(377)	(386)
	1,009	**(76)**	**248**

Profit (loss) attributable to the equity holders of the company

SME Mass Market – discontinued	1,598	162	375
Managed Hosting - continuing	282	168	313
Group - continuing	(828)	(376)	(386)
	1,052	**(46)**	**302**

3. DISCONTINUED OPERATIONS

Discontinued operations include the SME Mass Market business unit comprising the Daily, EVO Hosting and NameHog brands. 100% of the trade and assets of these brands were disposed of on 22nd July 2016 in a trade/asset deal for a total cash consideration of £2,735,727 (less an initial amount of £465,519 in respect of advance receipts/payments). The sale will enable SysGroup to focus its strategy on creating longer term Managed Services relationships with larger customers who in the most part contract for a three-year period.

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

	Unaudited six months to 30 Sep 2016	Unaudited six months to 30 Sep 2015	Audited year to 31 Mar 2016
Sales	700	1,143	2,249
Costs and expenses	(539)	(991)	(1,887)
Profit on sale	1,399	-	-
Profit before tax	1,560	152	362
Taxation	38	10	13
Profit attributable to the shareholders of the company	**1,598**	**162**	**375**

4. PROFIT (LOSS) PER SHARE

	Unaudited six months to 30 Sep 2016	Unaudited six months to 30 Sep 2015	Audited year to 31 Mar 2016
Profit (loss) for the financial year attributable to shareholders	£1,052,000	(£46,000)	£302,000
Weighted number of equity shares in issue	17,275,694	11,994,778	12,076,486
Basic profit (loss) per share	£0.061	(£0.004)	£0.025
Diluted profit (loss) per share	£0.060	(£0.004)	£0.024

On 6 July 2016 the Company consolidated its £0.005 (half a penny) shares in 1 share for 40, the nominal value therefore becoming £0.20 (20 pence). Subsequently on 4 August 2016 the Court approved a capital reduction which reduced the nominal value of shares to £0.01 (one penny). See note 9 for further information.

The comparative periods six months to 31 September 2015 and year to 31 March 2016 have been restated as if the capital reorganisation and capital reduction had taken place. Had this not taken place then the figures would be as follows:

	Unaudited six months to 30 Sep 2016	**Unaudited six months to 30 Sep 2015**	**Audited year to 31 Mar 2016**
Weighted number of equity shares in issue	691,027,788	479,791,101	483,059,433
Basic/diluted profit (loss) per share	£0.0015	(£0.0001)	£0.0006

5. ACQUISTION AND RESTRUCTURING COSTS

In accordance with the Group's policy in respect of acquisition and restructuring costs, the following charges were incurred:

	Unaudited six months to 30 Sep 2016 £'000	**Unaudited six months to 30 Sep 2015 £'000**	**Audited year to 31 Mar 2016 £'000**
Restructuring and reorganisation costs	16	7	11
Acquisition costs - Sys-Pro	361	-	-
Acquisition costs - aborted transaction	38		
	415	7	11
Continuing operations	415	7	11
Discontinued operations	-	-	-
	415	7	11

6. ACQUISITIONS

The Group acquired 100% of the share capital of Sys-Pro on 6 July 2016. Sys-Pro provides managed services, cloud hosting, and IT consultancy services and is reported in the Managed Hosting segment.

During the current period the Group incurred £361,000 of costs in relation to this acquisition. These costs are included in administrative expenses in the Groups consolidated statement of comprehensive income for the period ended 30 Sept 2016.

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

	Provisional Fair Values

Recognised amounts of net assets acquired and liabilities assumed	£'000
Cash and cash equivalents	289
Trade and other receivables	878
Property, plant and equipment	96
Stock and work in progress	185
Intangible assets	1,128
Trade and other payables	(523)
Current income tax liability	(383)
Deferred tax liability	(226)
Identifiable net assets	1,444
Goodwill	3,508
Total consideration	**4,952**

Satisfied by:	
Cash consideration - paid on acquisition*	3,746
Consideration - new ordinary shares issued at 60p per share	585
Contingent consideration	621
Total consideration	**4,952**

* The cash paid on acquisition includes a property valued at £282k which was transferred to the vendors and a cash amount of £149k relating to settlement of the debt-free, cash free with normalised working capital calculation. Net of these amounts and net of cash acquired this amounted to £3,026k.

Since the date of acquisition, Sys-Pro has contributed £1,341,000 to Group revenues and £167,000 to Group EBITDA.

The acquisition of Sys-Pro included a contingent consideration which is payable 85% in cash and 15% in shares at 60p (resulting in the issue of 975,000 consideration shares in respect of the 15%). The contingent consideration payable is based on delivering certain performance criteria and is capped at £1.865m. The earn out period is to 31 March 2018 (unless achieved in 31 March 2017). If EBIT (earnings before interest and tax) of less than £714k in the year ended 31 March 2018 then no consideration is payable, there is a ratchet mechanism and a set of ranges. Achieving the maximum potential consideration would require Sys-Pro to deliver £1.3m or more of EBIT for the respective full financial year.

The fair value of deferred consideration has been estimated using the discounted cashflow method based on the timing of the payment of the consideration. A post tax discount rate of 19% was used.

7. TRADE AND OTHER RECEIVABLES

	Unaudited six months to 30 Sep 2016	**Unaudited six months to 30 Sep 2015**	**Audited year to 31 Mar 2016**
	£'000	£'000	£'000
Trade debtors	891	274	306

Prepayments and accrued income	422	220	292
	1,313	494	598

The Group's debtor days has increased as shown below. This is In line with the Groups change in focus from mass market hosting, where customers paid cash in advance, to managed hosting, were terms of between 30-60 days are offered to customers.

	Unaudited six months To 30 Sep 2016	**Unaudited six months to 30 Sep 2015**	**Audited year to 31 Mar 2016**
Trade debtor days	43	24	17

8. **TRADE AND OTHER PAYABLES**

	Unaudited six months to 30 Sep 2016	**Unaudited six months to 30 Sep 2015**	**Audited year to 31 Mar 2016**
	£'000	£'000	£'000
Trade payables	408	321	367
Corporation tax	281	32	62
Other taxes and social security	274	138	155
Other creditors	182	45	-
Accruals	220	104	134
	1,365	640	718

9. CAPITAL RESTRUCTURING

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

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

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

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

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

The Capital Reduction, as approved by the Court, created realised profits of £10,250,042.65 which was applied in eliminating the accumulated deficit on the Company's profit and loss account.

The Group now has distributable reserves and so is in a position to pay a dividend in the future if appropriate.

10. SUBSEQUENT EVENTS

There have been no events subsequent to the period end.

11. AVAILABILITY OF INTERIM REPORT

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

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 2016 which comprises the Consolidated Interim Statement of Comprehensive Income, the Consolidated Interim Statement of Financial Position, the Consolidated Interim Statement of Changes in Equity, the Consolidated Interim Statement of Cash Flows and the related notes.

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 condensed set of financial statements in the half-yearly financial report based on our review.

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.

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 Auditing Practices Board 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 Ireland) 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 condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP

BDO LLP
Chartered Accountants and Registered Auditors
Manchester, United Kingdom
13 December 2016

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