

The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended) ("UK MAR"). Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

3 December 2024

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

Half year results for the six months ended 30 September 2024

SysGroup plc (AIM:SYS), the technology partner for delivery and management of cloud, data, and security services to power Artificial Intelligence ("AI") and Machine Learning ("ML") transformation, announces its unaudited half year results for the six months ended 30 September 2024 ("H1 FY25" or the "Period").

Operational highlights

- Successfully raised £11.2m by way of an oversubscribed equity placing, providing a robust financial foundation to support the future strategic plan
- Invested in technical capabilities to deliver end to end solution across the entire data landscape including full cloud solution across AWS and Azure
- Developed additional R&D resources, including offshore capabilities in India and Eastern Europe
- Progressed to AWS Advanced Tier Service Partners status (Level 3) in 6 months following our registration as a partner
- Invited to present AI transformation project at AWS re:Invent in Las Vegas - 50,000+ attendees
- Approved as one of only two UK Zscaler Managed Security Service Partners
- Promoted to CyberArk's Advanced Partner, top tier partner status
- Won second largest contract in SysGroup's history, totalling £2.2m over three years
- In November 2024, acquired the trade and assets Crossword Consulting Limited (in administration) (a recognised leader in cybersecurity consulting)

Financial highlights

- Revenue £10.16m (H1 FY24: £10.96m), includes a strategic shift towards growth-oriented accounts that align with our core service offerings
- Managed IT Services recurring revenue increased to 86% of total revenue (H1 FY23: 84%)
- Gross margin 49.6% (H1 FY24: 49.9%)
- Rebalanced cost base with a net investment of £0.6m in additional resources and capabilities to underpin our new growth strategy
- Adjusted EBITDA¹ of £0.44m (H1 FY24: £1.57m)
- Statutory loss before tax of £1.09m (H1 FY24: loss before tax of £1.09m)
- Net cash² of £4.63m at 30 September 2024 (30 September 2023: net debt² of £(3.43)m)

Outlook

Whilst the Group has made significant advances operationally and the high recurring nature of our revenue provides good visibility into our existing revenue base, the Group remains dependent on a few high-value projects that meaningfully impact the overall results given the Group's current size. As a result of the longer-than-expected sales cycles and the focus on core competencies and account consolidation process, the Board anticipates revenue and adjusted EBITDA for H2 FY25 will be in line with H1 FY25 and therefore performance for the year ending 31 March 2025 will be below current market expectations.

Post the internal transformation the Board believes the Group is strategically well positioned to maximise the opportunities presented in the medium term.

Heejae Chae, Executive Chair, commented:

"The past six months have been the most transformative and pivotal period for the Group. The equity raise in June provided us with a robust financial foundation enabling strategic investments in the technology and capabilities necessary to accelerate our mission of becoming the partner of choice for small and medium sized businesses ("SMBs") on their data journey. We have successfully developed five technology towers, including comprehensive cloud solutions across AWS and Azure. Within just six months of joining AWS as a registered partner, we achieved Advanced Tier Partner status. This milestone not only enhances our credibility but also allows us to co-market with AWS and access critical marketing funds essential for thriving in the hyper-cloud ecosystem. Further validating our progress, we have been invited to present our internal AI transformation solution at the global AWS re:Invent conference in Las Vegas, an event with over 50,000 attendees.

We have made significant progress in our transformation journey, addressing legacy challenges and establishing a strong foundation for sustainable growth. By re-earning customer trust, we have secured major transformation projects, with Managed IT Services now accounting for 86% of our revenues, up from 84% last year, further strengthening our financial stability.

Our pipeline remains strong and well-positioned for further growth as our brand awareness continues to expand. Additionally, our strong balance sheet has empowered us to execute our growth strategy, including the recent acquisition of Crossword Consulting Limited (in administration), which has expanded our cybersecurity capabilities into Compliance as a Service ("CaaS"), offering solutions such as vCISO and pen-testing. I am excited about the progress we have made to date. As we celebrate milestones we've achieved and reflect on the challenges we've overcome, I take pride in how far we have come and look forward with increasing optimism as the opportunities ahead of us become evident."

Notes

1. *Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation of intangible assets, impairment of intangibles, exceptional items and share based payments.*
2. *Net cash / (debt) represents cash balances less bank loans and lease liabilities and excludes contingent consideration.*

About us

SysGroup plc is a managed service provider of end-to-end data solutions enabling us to take our customers on their AI data journey. The Group offers an integrated set of modern technologies that collectively meets our customers end-to-end data needs including connectivity, cloud hosting, delivery, analytics and governance of customer data, as well as a security layer for users and applications.

The Group has offices in Edinburgh, London, Manchester and Newport.

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

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Overview & Strategy

Our strategy is to position SysGroup as the partner of choice for SMBs in their AI and digital transformation journey. A core part of this vision is our Technology Services strategy which focuses on building a modern unified data solution platform. Our integrated offering encompasses connectivity, cloud hosting, delivery, analytics and governance and a robust security layer for users and applications enabling us to meet the end-to-end data needs of our customers.

Revenue in the Period was £10.16m (H1 FY24: £10.96m). Managed IT services now constitutes 86% of our revenues, up from 84% last year, further strengthening our financial stability and visibility. During the Period, we delivered Adjusted EBITDA of £0.44m, while continuing to invest in talent and systems to support our new growth strategy.

The Group's cash balance has improved significantly from £1.94m in March 24 to £9.93m in September 2024, primarily driven by an equity raise of £10.59m (net of transaction costs) in June 2024. This funding has transformed the Group's financial standing, moving us from a net debt position of £(3.37)m in March 24 to a net cash position of £4.63m. Part of the cash reserves generated from the equity raise were used to settle the final Truststream earn-out payment of £1.79m with the remainder retained for future acquisitions and internal transformation.

Operations

During the period, we continued to make substantial investments in both our internal technology infrastructure and our people. We successfully developed five technology towers, focusing on, Hosting, Data Protection, Connectivity, Cybersecurity and Analytics including ML and AI. These pillars are supported by our Support and Monitoring teams, enabling a fully managed service offering. We have hired the senior leaders who are now driving these forward. We have also invested in additional R&D resources, including offshore capabilities in India and Eastern Europe to support these teams.

Our expertise is reinforced by the technical accreditations achieved in the period including:

- AWS Advanced Tier Service Partners status (Level 3) qualifying for fundings and joint sales and marketing
- Authorisation as one of only two UK Zscaler Managed Security Service Partners
- Promoted to CyberArk's Advanced Partner, top tier partner status
- Softcat Specialist Partner status - chosen partner for AI/ML, CyberArk and Zscaler
- Watchguard Platinum Partner - one of only 2 in the UK
- AWS Public Sector accredited Partner

GeneSys

Our internal transformation project "GeneSys" is progressing rapidly as we strive to embody our vision of being a first in class AI-led company. Implementing the benefits of AI will enable us to serve as a live case study of best practices for our customers as well as achieve significant productivity gains. To date, we have developed and launched New GeneSys UI and multi-tenant AWS infrastructure. We have also developed and provided training on service desk AI tools, including an Information Finder, Log Triage Tool and Customer Portal tool. Success with these tools has been quickly evident and 1st response Service Level Agreement achievements increased from 75% to 94% on the first day of deployment. AWS have invited us to present our work on this project at multiple events to date in Europe and at their flagship re:Invent in Las Vegas in December which further validates our progress.

Acquisition

We recently announced the acquisition of the trade and assets of Crossword Consulting Limited ("CCL") (in administration), the consulting arm of Crossword Cybersecurity plc (in administration). Based in London, CCL is a recognised leader in cybersecurity consulting, offering specialised services such as virtual CISO ("vCISO") support and penetration testing to medium and large enterprises. This acquisition strengthens our capabilities with the addition of 12 seasoned cybersecurity consultants, who will expand SysGroup's customer offerings in cybersecurity and compliance. For the 12 months ending 30 September 2024, CCL delivered unaudited revenues of circa £2.40 million, with more than 75% of revenues recurring. Additionally, CCL brings a diverse client base of customers, including FTSE 100, FTSE 250, and S&P-

revenue, recurring, non-recurring, and brings a diverse client base of customers, increasing FY25: FY25: FY25, and our listed companies, which presents new cross-sell opportunities across multiple sectors.

Results and Trading

In H1 FY25 the Group delivered revenue of £10.16m (H1 FY24: £10.96m) and Adjusted EBITDA of £0.44m (H1 FY24: £1.57m). Managed IT services revenue decreased to £8.77m (H1 FY24: £9.22m), a decline of 5% on the comparative period, reflecting a strategic decision to off-board certain accounts. Value Added Resale ("VAR") revenue was £1.39m (H1 FY24: £1.74m), a decrease of 20% on the comparative period, driven by customer procurement cycles. The revenue mix in H1 FY25 is 86% Managed IT services and 14% VAR sales (H1 FY24: 84%:16%).

Gross profit was £5.04m (H1 FY24: £5.47m) with a gross margin of 49.6% (H1 FY24: 49.9%). The Managed IT services margin of 52.5% is consistent with the FY24 margin of 52.4%. The VAR margin has improved versus the prior period (up to 31.7% compared to 16.1% in FY24) as the prior year contained a number of lower margin VAR sales.

Adjusted operating expenses of £4.60m were higher than the same period last year (H1 FY24: £3.90m), as expected due to the investment in the Senior Leadership Team and AI/Machine Learning team. Adjusted operating expenses in H2 FY25 are expected to be lower as we achieve forecast efficiencies in the cost base, excluding the impact of the CCL acquisition.

The consolidated income statement includes £0.40m of exceptional costs (H1 FY24: £1.05m) which relate to restructuring costs, M&A project costs and fair value adjustments on contingent consideration payments. The share-based payments charge has decreased to £nil, with no active share schemes in H1 FY25. New Group incentive plans have been introduced in H2 FY25, as approved by shareholders at the General meeting on 24 June 2024.

Net finance costs of £0.03m have decreased compared to the same period last year (H1 FY24: £0.29m) as in the current period the Group has benefitted from interest income on cash deposits raised, following the £10.59m (net of transaction costs) equity raise in June 24.

The Group delivered a statutory loss before tax of £1.09m (H1 FY24: loss before tax £1.09m).

The taxation credit of £0.28m (H1 FY24: credit of £0.34m) represents the movement on deferred tax in the Period with no corporation tax charge arising on the Group's trading position in H1 FY24.

Adjusted basic earnings per share for H1 FY25 was 0.0p (H1 FY24: 1.7p) and basic loss per share was (1.2)p (H1 FY24: loss per share (1.5)p).

Cashflow & Net Debt

The Group's cash balance has increased significantly from £1.94m at 31 March 2024 to £9.93m at 30 September 2024, driven by the equity raise of £10.59m (net of transaction costs) in June 2024. As a result, the Group has moved to a net cash position of £4.63m (31 March 2024: net debt of (£3.37)m). The cash reserves generated from the equity raise were partially used to settle the final Truststream earn-out payment of £1.79m in the period and will be used to fund future acquisitions and internal transformation.

Cash outflow from operations was £(0.49)m (H1 FY24: inflow of £0.23m) before exceptional cash costs of £(0.53)m (H1 FY24: costs of £(1.01)m) is impacted heavily by working capital movements and is expected to recover in H2 FY25.

Net cash outflows from investing activities of £(0.06)m are lower than H1 FY24 (outflow of £(0.32)m) due to the benefit of £0.23m of interest income on cash deposits (following the equity raise). The £0.25m of payments to acquire intangible assets relate to the capitalisation of staff costs incurred on internal AI transformation projects.

Net cash inflows from financing activities of £8.50m are driven mainly by the £10.59m equity raise net of the Truststream earn-out payment of £1.79m and RCF interest of £0.23m.

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME SIX MONTHS ENDED 30 SEPTEMBER 2024

	Notes	Unaudited six months to 30-Sep-24 £'000s	Unaudited six months to 30-Sep-23 £'000	Audited year ended 31-Mar-24 £'000
Revenue	2	10,155	10,963	22,714
Cost of sales		(5,114)	(5,497)	(12,318)
Gross profit	2	5,041	5,466	10,396
Operating expenses before depreciation, amortisation, exceptional items and share based payments		(4,601)	(3,897)	(8,388)
Adjusted EBITDA		440	1,569	2,008
Depreciation		(277)	(297)	(570)
Amortisation of intangible assets		(829)	(866)	(1,696)
Impairment of intangibles		-	-	(3,718)
Exceptional items	4	(397)	(1,052)	(1,826)
Share based payments		-	(156)	(194)
Administrative expenses		(6,104)	(6,268)	(16,392)
Operating (loss)/profit		(1,063)	(802)	(5,996)
Finance costs	5	(31)	(287)	(574)
Loss before taxation		(1,094)	(1,089)	(6,570)
Taxation		276	343	670
Total comprehensive loss attributable to the equity holders of the company		(818)	(746)	(5,900)
Adjusted (loss) / earnings per share (pence)	3	0.0p	1.7p	2.1p
Basic loss per share (pence)	3	(1.2)p	(1.5)p	(12.1)p
Diluted loss per share (pence)	3	(1.2)p	(1.5)p	(12.1)p

All the results arise from continuing operations.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

		Unaudited 30-Sep-24	Unaudited 30-Sep-23	Audited 31-Mar-24
	Notes	£'000	£'000	£'000
Assets				
Non-current assets				
Goodwill	7	17,948	21,666	17,948
Intangible assets	7	4,133	5,536	4,708
Plant, property and equipment		1,605	2,013	1,846
		23,686	29,215	24,502
Current assets				
Trade and other receivables	8	4,967	5,609	4,003
Cash and cash equivalents		9,930	1,986	1,943
		14,897	7,595	5,946
Total Assets		38,583	36,810	30,448
Equity and Liabilities				
Equity attributable to the equity shareholders of the parent				
Called up share capital	12	855	515	515
Share premium		19,329	9,080	9,080
Treasury reserve		(984)	(984)	(984)
Other reserve		3,300	3,293	3,300
Retained earnings		2,038	8,173	2,856
		24,538	20,077	14,767
Non-current liabilities				
Lease liabilities		340	520	400
Contract liabilities		257	174	143
Provisions		148	148	148
Deferred taxation		574	1,106	849
Bank loan	10	4,752	4,720	4,738
		6,071	6,668	6,278
Current liabilities				
Trade and other payables	9	4,271	4,576	4,813
Lease liabilities		207	176	204
Contract liabilities		3,496	3,475	2,635
Contingent consideration	11	-	1,838	1,751
		7,974	10,065	9,403
Total Equity and Liabilities		38,583	36,810	30,448

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30 SEPTEMBER 2024

	Share capital	Share premium reserve	Treasury reserve	Other reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2023	494	9,080	(201)	3,205	8,851	21,429
Loss and total comprehensive expense for the period	-	-	-	-	(552)	(552)
Impact of prior year restatement	-	-	-	-	(194)	(194)
Purchase of own shares into Treasury	-	-	(783)	-	-	(783)
Issue of share capital	21	-	-	-	-	21
Share options charge	-	-	-	156	-	156
Reserves transfer on forfeiture of share options	-	-	-	(68)	68	-
At 30 September 2023 (unaudited)	515	9,080	(984)	3,293	8,173	20,077
Loss and total comprehensive expense for the period	-	-	-	-	(5,348)	(5,348)
Share options charge	-	-	-	38	-	38
Reserves transfer on forfeiture of share options	-	-	-	(31)	31	-
At 31 March 2024	515	9,080	(984)	3,300	2,856	14,767
Loss and total comprehensive expense for the period	-	-	-	-	(818)	(818)

for the period						
Issue of share capital net of transaction costs	340	10,249	-	-	-	10,589
At 30 September 2024 (unaudited)	855	19,329	(984)	3,300	2,038	24,538

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 subsidiary 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 2024

	Unaudited six months to 30-Sep-24	Unaudited six months to 30-Sep-23	Audited year to 31-Mar-24
	£'000s	£'000	£'000
Cashflows used in operating activities			
Loss after tax	(818)	(746)	(5,900)
Adjustments for:			
Depreciation and amortisation	1,106	1,163	2,266
Impairment of intangibles	-	-	3,718
Finance costs	31	287	574
Movement in contingent consideration	43	-	-
Share based payments	-	156	194
Taxation credit	(276)	(343)	(670)
Operating cashflows before movement in working capital	86	517	182
(Increase)/decrease in trade and other receivables	(980)	(713)	819
Increase in trade and other payables	403	430	103
Cashflow from operations	(491)	234	1,104
Taxation paid	40	(64)	(439)
Net cash from operating activities	(451)	170	665
Cashflows from investing activities			
Payments to acquire property, plant & equipment	(36)	(180)	(450)
Payments to acquire intangible assets	(254)	(139)	(109)
Interest received on cash deposits	229	-	-
Net cash used in investing activities	(61)	(319)	(559)
Payment of contingent consideration on acquisitions	(1,794)	(886)	(885)
Repurchase of shares into treasury	-	(783)	(762)
Proceeds from issue of share capital	10,589	21	-
Capital / principal paid on lease liabilities	(57)	(171)	(199)
Interest paid on loan facility	(228)	(217)	(475)
Interest paid on lease liabilities	(11)	(15)	(28)
Net cash used in financing activities	8,499	(2,051)	(2,349)
Net (decrease)/increase in cash and cash equivalents	7,987	(2,200)	(2,243)
Cash and cash equivalents at the beginning of the period /year	1,943	4,186	4,186
Cash and cash equivalents at the end of the period/year	9,930	1,986	1,943

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 SEPTEMBER 2023

1. ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited consolidated condensed financial information for the six months ended 30 September 2024 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 2025.

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.

The financial information for the six-month period ended 30 September 2024 and 30 September 2023 does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006 and is unaudited. The comparative

statutory accounts means the meaning of section 497(1) of the Companies Act 2006 and to ensure that the comparative financial information for the year ended 31 March 2024 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2024 have been filed with the Registrar of Companies. The Independent Auditor's Report on that Annual Report and Financial Statements for 2023 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

This Interim Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Interim Report should not be relied on by any other party or for any other purpose.

This unaudited interim financial information has been prepared in accordance with the requirement of the AIM Rules for Companies and in accordance with this basis of preparation.

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 (Note 4) 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 Group has an operating model with a high level of resilience with 86% of revenue deriving from contracted managed IT services which are business critical supplies to customers. The Group has a gross cash balance of £9.93m and a net cash position of £4.64m at 30 September 2024. The Group has undrawn RCF facilities available of £3.2m which can be used for working capital and acquisitions, and an unutilised overdraft facility of £0.5m. The Group is forecasting to generate healthy operational cashflows and achieve the bank loan covenants for the full period of the forecast to March 2026.

The Directors have reviewed the Group's financial forecasts and taken into account the current UK economic outlook. The projected trading forecasts and resultant cashflows, together with the confirmed loan and overdraft facilities, taking account of reasonably possible changes in trading performance, show that the Group can continue to operate within the current facilities available to it.

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and 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 is for sales of IT hardware and licences procured from supplier partners.

The monthly management accounts reported to the Board of Directors are reviewed at a consolidated level and the Board review the results of the operating segments at a revenue and gross profit level since the Group's management and operational structure operate as unified Group functions. In this respect, assets and liabilities are also not reviewed on a segmental basis. All assets are located in the UK. All segments are continuing operations and there are no transactions between segments, and all revenue is earned from external customers. The business segments' gross profit is reconciled to profit before taxation as per the consolidated income statement. The Group's overheads are managed centrally by the Board and consequently there is no reconciliation to profit before tax at a segmental level.

	Unaudited six months to 30-Sep-24 £'000s	Unaudited six months to 30-Sep-23 £'000	Audited year to 31-Mar-24 £'000
Revenue			
Managed IT Services	8,766	9,223	18,592
Value Added Resale	1,389	1,740	4,122
	10,155	10,963	22,714
Gross Profit			
Managed IT Services	4,601	5,167	9,733
Value Added Resale	440	299	663
	5,041	5,466	10,396

3. EARNINGS PER SHARE

	Unaudited six months to 30-Sep-24	Unaudited six months to 30-Sep-23	Audited year ended 31-Mar-24
Loss for the financial period attributable to shareholders	(£818,061)	(£746,336)	(£5,900,000)
Adjusted profit for the financial period	£111,942	£809,553	£1,010,000
Weighted number of equity shares in issue*	66,966,623	48,912,025	48,923,389
Weighted number of equity shares for diluted calculation*	68,886,531	50,935,963	50,710,251
Adjusted basic earnings per share (pence)	0.0p	1.7p	2.1p
Basic loss per share (pence)	(1.2p)	(1.5p)	(12.1p)
Diluted loss per share (pence)	(1.2p)	(1.5p)	(12.1p)

*The weighted number of equity shares in issue and for diluted calculation excludes the Treasury shares held by the Company.

3. EARNINGS PER SHARE (continued)

	Unaudited six months to 30-Sep-24 £'000	Unaudited six months to 30-Sep-23 £'000	Audited year to 31-Mar-24 £'000
Loss after tax used for basic earnings per share	(818)	(746)	(5,900)
Amortisation of intangible assets	829	866	1,696
Impairments of intangible assets	-	-	3,718
Exceptional items	397	1,052	1,826
Share based payments	-	156	194
Tax adjustments	(296)	(519)	(524)
Adjusted profit used for Adjusted earnings per share	112	809	1,010

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-24 £'000s	Unaudited six months to 30-Sep-23 £'000	Audited year ended 31-Mar-24 £'000
Integration and restructuring costs	238	832	571
CEO exit and settlement	-	-	744
Supplier charges in dispute	-	220	434
M&A Projects	116	-	194
Fair value adjustment of contingent consideration liability	43	-	(117)
	397	1,052	1,826

The integration and restructuring costs in the period relate to employee exit costs and professional service fees incurred when restructuring the Group's workforce. In the prior year, the integration and restructuring costs relate to the settlement of the former CEO's contractual terms and costs associated with the restructuring of the Senior Leadership Team. These costs are considered material and non-recurring and have therefore been classified as exceptional.

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

The supplier charges in dispute are subject to ongoing action for which the company is pursuing recovery. These costs are considered non-recurring and exceptional and are therefore classified as exceptional.

All of the items above, based upon the judgment of the management team, meet the definition of an exceptional item as defined within the Group's accounting policies.

5. FINANCE COSTS

	Unaudited six months to 30-Sep-24 £'000s	Unaudited six months to 30-Sep-23 £'000	Audited year to 31-Mar-24 £'000
Interest payable on lease liabilities	11	15	28
Interest payable on bank loan	228	212	440
Arrangement fee amortisation on bank loan	14	17	34
Unwinding of discount on contingent consideration	-	43	72
Other interest	6	-	-
Interest received on cash deposits	(228)	-	-
	31	287	574

6. ALTERNATIVE PERFORMANCE MEASURES

Reconciliation of operating profit to adjusted EBITDA	Unaudited six months to 30-Sep-24 £'000s	Unaudited six months to 30-Sep-23 £'000	Audited year to 31-Mar-24 £'000
Operating (loss)/profit	(1,063)	(802)	(5,996)
Depreciation	277	297	570
Amortisation of intangible assets	829	866	866
EBITDA	43	361	(3,730)
Exceptional items	397	1,052	1,826
Impairment of Intangibles	-	-	3,718
Share based payments	-	156	194
Adjusted EBITDA	440	1,569	2,008

6. ALTERNATIVE PERFORMANCE MEASURES (continued)

Net debt	Unaudited 30-Sep-24 £'000s	Unaudited 30-Sep-23 £'000	Audited 31-Mar-24 £'000
Cash balances	9,930	1,986	1,943
Bank loans - non-current	(4,752)	(4,720)	(4,705)
Net cash /(debt) before lease liabilities	5,178	(2,734)	(2,762)
Lease liabilities - property	(547)	(696)	(604)
Net cash / (debt)	4,631	(3,430)	(3,366)
Contingent consideration	-	(1,838)	(1,751)
Net cash / (debt) including contingent consideration	4,631	(5,268)	(5,117)

7. INTANGIBLE ASSETS

	Systems development £'000	Software licences £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost					
At 1 April 2023	1,011	-	12,709	21,666	35,386
Additions	109	-	-	-	109
Disposals	-	-	-	(3,718)	(3,718)
At 31 March 2023 (audited)	1,120	-	12,709	17,948	31,777
Additions	254	-	-	-	254
At 30 September 2024 (unaudited)	1,374	-	12,709	17,948	32,031
Accumulated amortisation					
At 1 April 2023	356	-	7,069	-	7,425
Charge for the year	224	-	1,472	-	1,696
Disposals	-	-	-	-	-
At 31 March 2024 (audited)	580	-	8,541	-	9,121
Charge for the year	114	-	715	-	829
At 30 September 2024 (unaudited)	694	-	9,256	-	9,950
Net book value					
At 31 March 2024 (audited)	540	-	4,168	17,948	22,656
At 30 September 2024 (unaudited)	680	-	3,453	17,948	22,081

8. TRADE AND OTHER RECEIVABLES

	Unaudited 30-Sep-24 £'000s	Unaudited 30-Sep-23 £'000	Audited 31-Mar-24 £'000
Trade receivables	1,981	2,067	1,577
Other receivables	2,986	3,542	2,426
	4,967	5,609	4,003

9. TRADE AND OTHER PAYABLES

	Unaudited 30-Sep-24 £'000s	Unaudited 30-Sep-23 £'000	Audited 31-Mar-24 £'000
Trade payables	2,070	2,304	3,132
Corporation tax	-	360	-
Other taxes and social security	660	615	341
Accruals	1,541	1,297	1,340
	4,271	4,576	4,813

10. BANK LOAN

	Unaudited 30-Sep-24 £'000s	Unaudited 30-Sep-23 £'000	Audited 31-Mar-24 £'000
Bank loan net of arrangement fee	4,752	4,720	4,738

The Group has an £8.0m revolving credit facility with Santander of which £4.75m is drawn down at 30 September 2024. The banking facility has a term of five years to April 2027, an interest rate of Base Rate +3.25% margin on drawn funds and covenants that are tested quarterly relating to total net debt to adjusted EBITDA leverage and minimum liquidity.

11. CONTINGENT CONSIDERATION

The Group acquired Truststream Security Solutions Limited in April 2022 and the agreement included a two year earn-out mechanism with contingent consideration payable up to £3.08m following the first and second anniversaries of the

transaction. The earn-out was subject to the achievement of certain maintainable EBITDA performance targets in the first and second 12-month periods following the completion of the acquisition. The final earn-out payment of £1,794k was made in H1 FY25. The excess above the £1,751k recorded on 31 March 24 is shown within exceptional costs (note 4).

Contingent consideration	Unaudited 30-Sep-24	Unaudited 30-Sep-23	Audited 31-Mar-24
Amounts due within one year	£'000s	£'000	£'000
Contingent consideration	-	1,869	1,751
Discounted value	-	(31)	-
	-	1,838	1,751
Amounts due after one year			
Contingent consideration	-	-	-
Discounted value	-	-	-
	-	-	-
Discounted contingent consideration	-	1,838	1,751

12. SHARE CAPITAL

Equity share capital	Number	£'000
At 30 September and 31 March 2024	51,496,084	515
Issue of share capital	34,019,007	340
At 30 September 2023	85,515,091	855

On 26 June 2024 34,019,007 shares were allotted with a nominal value of £0.01 following an equity raise with a subscription price of £0.33 per share. The total cash raised was £11,226,272. Transaction costs of £637,052 were incurred, leaving net proceeds of £10,589,220.

13. AVAILABILITY OF INTERIM REPORT

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

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