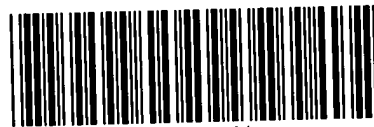


Company Registration No. 04754200 (England and Wales)

SYSGROUP TRADING LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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SYSGROUP TRADING LIMITED

CONTENTS

	Pages
Company information	2
Directors' report	3 – 4
Statement of Directors' responsibilities	5
Independent Auditor's report	6 - 8
Statement of total comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the Financial Statements	12 – 23

SYSGROUP TRADING LIMITED

COMPANY INFORMATION

Directors:	A Binks M Audcent
Registered office:	Walker House, Exchange Flags, Liverpool, L2 3YL
Company number:	04754200 (England and Wales)
Auditor:	BDO LLP 3 Hardman Street Spinningfields Manchester, M3 3AT

SYSGROUP TRADING LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report with the financial statements of the company for the year ended 31 March 2020.

Principal activities and review of the business

The principal activity of SysGroup Trading Limited continues to be the supply of Managed IT Services.

The company's turnover of £3.69m in the year to 31 March 2020 (2019: £4.39m) with revenue from managed IT services remaining strong but lower one-off equipment and licence sales as customers withheld capex expenditure due to the Brexit uncertainty. Administrative expenses were controlled well and included £104,053 of exceptional restructuring costs. The company generated operating profit of £98,405 (2019: £280,537) and profit before tax of £86,360 (2019: £262,556).

On 31 March 2020, the trade, assets and liabilities of Rockford IT Limited and Netplan Internet Solutions Limited, fellow Group subsidiary companies, were hived across into SysGroup Trading Limited at consideration equal to the net book value of the company's assets and liabilities. The businesses that have hived into Sysgroup Trading Limited will continue to trade under the single brand "SysGroup" in the forthcoming year.

The company expects to trade at a similar level in the forthcoming financial year. At the date of this report revenues have remained largely resilient to the impact of the COVID pandemic on the UK economy since the supply of managed services is typically regarded as critical IT infrastructure to our customers. The company has not furloughed any employees or taken advantage of any government loan assistance prior to or following the period end date.

Results and dividends

The results for the year are set out on page 9. A dividend of £nil (2019: £nil) was paid during the year and no dividend is recommended by the Directors for the current year.

Directors

The directors who have held office during the year and to the date of this report are as follows:

- A Binks
- M Audcent

Auditor

BDO LLP have expressed their willingness to continue in office as auditors. A resolution to re-appoint BDO LLP as auditors of the company will be put to the Annual General Meeting.

SYSGROUP TRADING LIMITED

REPORT OF THE DIRECTORS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2020

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small Companies Exemption

In preparing this report, the directors have taken advantage of the small companies' exemptions provided by Section 415A of the Companies Act 2006 which provide limited application of the exemption of Section 417 (1) of the Companies Act 2006 for smaller companies in producing a Strategic Report.

On behalf of the Board:

A handwritten signature in black ink, appearing to be 'M Audcent', written over a dotted line.

M Audcent

Director

9 December 2020

SYSGROUP TRADING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2020

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures discussed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SYSGROUP TRADING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SYSGROUP TRADING LIMITED

Opinion

We have audited the financial statements of SysGroup Trading Limited for the year ended 31 March 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

SYSGROUP TRADING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SYSGROUP TRADING LIMITED (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

SYSGROUP TRADING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SYSGROUP TRADING LIMITED (CONTINUED)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Gary Harding (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
Manchester

9 December 2020

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

SYSGROUP TRADING LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR TO 31 MARCH 2020

	Notes	2020 £	2019 £
Revenue		3,695,345	4,396,805
Cost of sales		(1,346,348)	(1,544,465)
Gross profit		2,348,997	2,852,340
Administrative expenses		(2,146,539)	(2,482,186)
Exceptional items	2	(104,053)	(89,617)
Operating profit	3	98,405	280,537
Interest payable and similar charges	5	(12,045)	(17,981)
Profit on ordinary activities before taxation		86,360	262,556
Tax on profit on ordinary activities	6	(15,255)	(29,775)
Profit for the year		71,105	232,781
Other comprehensive income		-	-
Total comprehensive income for the year		71,105	232,781

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

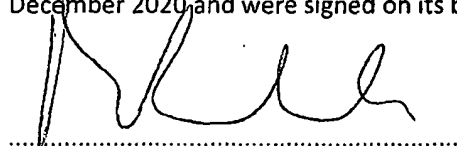
The notes on pages 12 - 23 form part of these financial statements.

SYSGROUP TRADING LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	£	2020 £	£	2019 £
Fixed assets					
Intangible assets	7		205,829		4,875
Tangible assets	8		738,576		544,143
			<u>944,405</u>		<u>549,018</u>
Current assets					
Debtors	9	4,724,849		1,243,615	
Cash at bank		959,798		590,031	
		<u>5,684,647</u>		<u>1,833,646</u>	
Creditors: amounts falling due within one year	10	(5,102,808)		(934,421)	
Net current assets			<u>581,839</u>		<u>899,225</u>
Total assets less current liabilities			<u>1,526,244</u>		<u>1,448,243</u>
Creditors: amounts falling due after more than one year	11	(263,641)		(242,467)	
Provisions for liabilities	13	-		(14,278)	
Net assets			<u>1,262,603</u>		<u>1,191,498</u>
Equity attributable to equity holders of the company					
Called up share capital	14		103		103
Profit and loss account			1,262,500		1,191,395
Shareholders' funds			<u>1,262,603</u>		<u>1,191,498</u>

The financial statements were approved by the Board of Directors and authorised for issue on 9 December 2020 and were signed on its behalf by:



M Audcent

Director

Company Registration No. 04754200

The notes on pages 12 -23 form part of these financial statements.

SYSGROUP TRADING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Attributable to equity holders of the Company		
	Share capital £	Profit and loss account £	Total £
At 1 April 2018	103	958,614	958,717
Profit and total comprehensive income for the period	-	232,781	232,781
At 31 March 2019	103	1,191,395	1,191,498
Profit and total comprehensive income for the period	-	71,105	71,105
At 31 March 2020	103	1,262,500	1,262,603

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

Reserve	Description and purpose
Profit and loss account	The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

SYSGROUP TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 ACCOUNTING POLICIES

Basis of preparation

SysGroup Trading Limited is a Private Company limited by shares and incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the directors' report.

The financial statements have been prepared on a historical cost basis. The presentation currency used is sterling.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101. These financial statements do not include:

- Additional comparative information as per IAS 1 Presentation of Financial Statements paragraph 38 in respect of:
 - Paragraph 79(a)(iv) of IAS 1;
 - Paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - Paragraph 118(e) of IAS 38 Intangible Assets; and
- Disclosures in relation to the following paragraphs of IAS 1:
 - Statement of Cash Flows as per paragraphs 10(d) and 111
 - Statement of compliance with all IFRS as per paragraph 16
 - Requirement for minimum of two primary statements including statements of cash flows as per paragraph 38A
 - Additional comparative information as per paragraphs 38B-D
- Certain disclosures regarding the company's capital management as per paragraphs 134-136.
- Presentation of the Statement of Cash Flows as per IAS 7 Statement of Cash Flows
- The effect of future accounting standards not yet adopted as per IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors paragraphs 30 and 31.
- The disclosure of the remuneration of key management personnel as per paragraph 17 of IAS 24 Related Party Disclosures.
- Certain disclosures required under IFRS 15 Revenue from Contracts and Customers.

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Sysgroup Plc. These financial statements do not include certain disclosures in respect of:

- Share based payments - details of the number and weighted average exercise prices of share options, and how the fair value of goods and services received was determined as per paragraphs 45(b) and 46 to 52 of IFRS 2 Share-Based Payment.

SYSGROUP TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2020

1 ACCOUNTING POLICIES (continued)

- Financial Instrument disclosures as required by IFRS 7 Financial Instruments Disclosures.
- Fair value measurements - details of the valuation techniques and inputs used for fair value measurement of assets and liabilities as per paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

First time application of FRS 101

In the current year the company has adopted FRS 101. In previous years, the financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Information as to the effect of applying FRS 101 for the first time is included in notes to the financial statements.

This change in the basis of preparation has not materially altered the recognition of measurement requirements previously applied in accordance with UK GAAP. The company has taken advantage of all the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised above. There has only been one adjustment due to the transition of the Company from FRS 102 to FRS 101 which is in relation to the treatment of leases.

Lease agreements will now give rise to the recognition of a right of use asset representing the value of the right to use the leased item, and a loan obligation for future lease payables. Lease costs are recognised in the form of depreciation of the right to use asset and interest on the lease liability, which has impacted the phasing of operating profit and profit before tax, compared to previous cost profiles and presentation in the income statement. This has resulted in the below change to the previously reported income statement and balance sheet

Effects on previously reported Income Statement

	At 1 April 2019			At 31 March 2020		
	Previous FRS 102 £'000	Effect of Transition £'000	FRS 101 £'000	Previous FRS 102 £'000	Effect of Transition £'000	FRS 101 £'000
Revenue	4,397	-	4,397	3,695	-	3,695
Cost of sales	(1,544)	-	(1,544)	(1,346)	-	(1,346)
Other admin expenses	(2,522)	96	(2,426)	(2,363)	112	(2,251)
Depreciation	(60)	(86)	(146)	86	(86)	-
Finance expense	(3)	(15)	(18)	(1)	(11)	(12)
Tax expense	(30)	-	(30)	(15)	-	(15)
	<u>238</u>	<u>(5)</u>	<u>233</u>	<u>56</u>	<u>15</u>	<u>71</u>

SYSGROUP TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2020

1 ACCOUNTING POLICIES (continued)

Effects on previously reported Statement of Financial Position

	At 1 April 2019			At 31 March 2020		
	Previous FRS 102 £'000	Effect of Transition £'000	FRS 101 £'000	Previous FRS 102 £'000	Effect of Transition £'000	FRS 101 £'000
Intangible assets	5	-	5	206	-	206
Tangible assets	256	-	256	367	-	367
Right-of-use asset	-	288	288	-	372	372
Trade and other receivables	1,244	-	1,244	4,725	-	4,725
Cash	590	-	590	960	-	960
Trade and other payables	(833)	-	(833)	(4,982)	(121)	(5,103)
Creditors due in more than one year	-	(343)	(343)	(28)	(236)	(264)
Provisions	(15)	-	(15)	-	-	-
Capital and reserves	(1,247)	55	(1,191)	(1,248)	(15)	(1,263)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Revenue

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

SysGroup Trading Limited has three principal categories of performance obligation: managed IT services, professional services and value-added resale. All customer sales are signed as contracts or orders which separately specify the services and products to be delivered and these are mapped to one of the three revenue recognition categories. The contracts or orders specify, by service and product, the sales price and the contracted term of the services. As such, the separate performance obligations and allocation of transaction price can be identified clearly from the customer sales contracts.

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

SYSGROUP TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2020

1 ACCOUNTING POLICIES (continued)

Going concern

The Directors have prepared the financial statements on a going concern basis which assumes that the Company will continue to meet liabilities as they fall due.

The Board recognises that the Company is trading in an economy that has suffered a significant downturn following the onset of the COVID-19 pandemic and there is considerable uncertainty in the timing and rate of recovery. The Company has an operating model with a high proportion of revenue deriving from contracted managed IT services which is a continuous service supply to customers and largely uninterrupted by the impact of COVID-19.

The Directors have reviewed the Company's financial forecasts as part of an overall assessment of the Group's financial position and outlook. The projected trading forecasts and resultant cashflows show that the Company can continue to operate within the current facilities available to it.

The Directors performed stress tests on the Group's financial forecasts during the period which allowed the Board to assess a significant 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 Company has adequate resources to continue in operational existence for the foreseeable future and thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

IFRS 16 Leases

IFRS 16 has replaced IAS 17 Leases and the new standard became effective for the period commencing after 1 January 2019. IFRS 16 introduces a single lessee accounting model, where the Company now recognises a lease liability and a right of use asset for all leases. The company has no significant leasing activities acting as a lessor. On adoption of IFRS 16 the company recognised a right of use asset in relation to the lease of office space which represented the net present value of future lease payments. All leases which the company holds are fixed payments with no variable lease payments.

SYSGROUP TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2020

1 ACCOUNTING POLICIES (continued)

IFRS 16 Leases continued

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. The company does not have any short-term leases, the total cash outflow for leases during the year was £175,295 (2019: £149,370).

Research and development

Research expenditure is written off to the profit and loss account in the period in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office equipment	20% to 33% per annum straight line
Fixtures & fittings	20% to 33% per annum straight line
Motor vehicles	25% straight line
Right of use assets	over the period lease

Intangible fixed assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques. Intangible asset UEL is calculated based on the estimated useful life of the asset.

Software	3-5 years	Cost less amortisation
System development	3-5 years	Cost less amortisation

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

SYSGROUP TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2020

1 ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Current and deferred taxation

Current tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Judgements and estimates

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below:

Impairment of assets

The Group reviews the carrying value of assets for indications of impairment at each period end. If indicators of impairment exist, the carrying value of the asset is subject to further testing to determine whether its carrying value exceeds its recoverable amount.

SYSGROUP TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2020

2	Exceptional items	2020	2019
		£	£
	Restructuring costs - relates to the exit of a property related to a previous acquisition and not required for the ongoing business requirements	104,053	89,617
		<u>104,053</u>	<u>89,617</u>
		<u><u>104,053</u></u>	<u><u>89,617</u></u>
3	Operating profit	2020	2019
		£	£
	Operating profit is stated after charging:		
	Depreciation	216,962	231,501
	Amortisation of intangible assets	6,737	1,125
	Auditor's remuneration *	10,000	10,000
		<u>10,000</u>	<u>10,000</u>
		<u><u>10,000</u></u>	<u><u>10,000</u></u>
	*Auditor's remuneration is paid by the parent company.		
4	Employees	2020	2019
		£	£
	Wages and salaries	867,599	997,445
	Social security costs	99,586	136,124
	Pension	18,185	21,445
		<u>985,370</u>	<u>1,155,014</u>
		<u><u>985,370</u></u>	<u><u>1,155,014</u></u>
	Number of employees		
	The average number of full-time persons, including executive directors during the period was:		
	Technical Support	15	25
	Sales and Marketing	2	4
		<u>17</u>	<u>29</u>
		<u><u>17</u></u>	<u><u>29</u></u>

Directors' emoluments are made by a fellow group company without recourse.

SYSGROUP TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

5 Interest payable	2020	2019
	£	£
Interest on lease liabilities	12,045	17,981
	<u>12,045</u>	<u>17,981</u>

6 Taxation

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK applied before profit before tax. The differences are explained below.

	2020	2019
	£	£
Profit on ordinary activities before taxation	86,360	262,556
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2019: 19%):	16,408	49,886
Effects of		
Adjustments in respect of prior year	-	28,419
Group relief	42,551	(53,101)
Deferred tax not recognised	15,255	5,645
Income not taxable	(55,000)	-
Timing differences	(3,959)	(1,074)
Total tax charge	<u>15,255</u>	<u>29,775</u>

SYSGROUP TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2020

7 Intangible fixed assets

	Software	Total
	£	£
Cost		
At 1 April 2019	6,000	6,000
Transfer of hive ups	354,283	354,283
Additions	190,434	190,434
	<hr/>	<hr/>
At 31 March 2020	550,717	550,717
	<hr/>	<hr/>
Amortisation		
At 1 April 2019	1,125	1,125
Transfer of hive ups	337,026	337,026
Charge for the year	6,737	6,737
	<hr/>	<hr/>
At 31 March 2020	344,888	344,888
	<hr/>	<hr/>
Net book value		
At 31 March 2020	205,829	205,829
	<hr/>	<hr/>
At 31 March 2019	4,875	4,875
	<hr/>	<hr/>

SYSGROUP TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2020

8 Tangible fixed assets

	Office Equipment £	Fixtures, & Fittings £	Motor Vehicles £	Right of Use Asset £	Total £
Cost					
At 1 April 2019	672,909	158,341	-	432,264	1,263,514
Transfer of hive up	1,772,741	76,177	73,074	408,549	2,330,541
Additions	109,843	15,477	-	-	125,320
At 31 March 2020	2,555,493	249,995	73,074	840,813	3,719,375
Depreciation					
At 1 April 2019	487,808	87,475	-	144,088	719,371
Transfer of hive up	1,686,389	64,214	55,263	238,599	2,044,465
Charge for the year	106,239	24,271	-	86,453	216,962
At 31 March 2020	2,280,436	175,960	55,263	469,140	2,980,799
Net book value					
At 31 March 2020	275,057	74,035	17,811	371,673	738,576
At 31 March 2019	185,101	70,866	-	288,176	544,143

9 Debtors: due within one year

	2020 £	2019 £
Trade debtors	417,233	441,296
Other debtors	88,211	1,245
Amounts due from Parent Company	4,016,773	738,090
Prepayments	194,640	62,984
Deferred tax asset	7,992	-
	4,724,849	1,243,615

SYSGROUP TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2020

10 Creditors: amounts falling due within one year	2020	2019
	£	£
Lease liabilities	142,922	147,185
Trade creditors	668,735	413,533
Amounts due to Parent Company	3,691,618	-
Social security and other taxes	232,453	82,321
Deferred income	145,766	184,080
Accrued expenses	221,314	107,302
	<u>5,102,808</u>	<u>934,421</u>
11 Creditors: amounts falling due after more than one year	2020	2019
	£	£
Lease liabilities	<u>263,641</u>	<u>242,467</u>
12 Lease liabilities		
Liabilities falling due within one year	142,922	147,185
Liabilities falling due between one and five years	263,641	242,467
	<u>406,563</u>	<u>389,652</u>

The company leases its office premises. The above show the total value of the minimum lease payments under this lease. At the end of the financial year a lease was transferred to the company from a fellow group company. These obligations are included in the above figures.

13 Deferred Tax	2020	2019
	£	£
At beginning of year	14,278	19,923
Charged/(credited) to the profit and loss	15,255	(5,645)
Transfer on hive up	(37,525)	-
At end of year	<u>(7,992)</u>	<u>14,278</u>

The provision for deferred taxation us made up as follows:

	2020	2019
	£	£
Short term timing differences	(7,992)	14,278
	<u>(7,992)</u>	<u>14,278</u>

SYSGROUP TRADING LIMITED**NOTES TO THE FINANCIAL STATEMENTS CONTINUED****FOR THE YEAR ENDED 31 MARCH 2020**

14 Called up share capital			2020	2019
			£	£
Allotted, issued and fully paid:				
Number	Class	Nominal value:		
	Ordinary shares	£1		
103			103	103
			<u>103</u>	<u>103</u>
			<u>103</u>	<u>103</u>

15 Related party transactions

The company has taken advantage of the exemption available in accordance with FRS101 paragraph 8(k) not to disclose transactions entered into between two or more members of a group where these are fully owned.

16 Ultimate parent undertaking and controlling party

The ultimate parent company is SysGroup PLC, a company registered in England and Wales. SysGroup PLC prepares group financial statements and copies can be obtained from Sixth Floor Walker House, Exchange Flags, Liverpool, L2 3YL.

This is the smallest and largest group of which the company is a member.