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Synectics PLC
22 February 2023

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SYNECTICS

Synectics plc

('Synectics' or the 'Group' or the 'Company')

Final Results

Synectics plc (AIM: SNX), a leader in advanced security and surveillance systems, announces its audited final results for the year ended 30 November 2022.

Headlines[1]

- Revenue: £39.1 million (2021: £36.6 million)
- Continued turnaround of underlying operating profit[2] to £1.2 million (2021: £(0.5) million)
- Underlying earnings per share: 6.9p (2021: (2.6)p)
- Net cash at 30 November 2022: £4.3 million (2021: £4.6 million) with no bank debt[3] and undrawn bank facilities of £3.0 million
- Order book at 30 November 2022 solid at £24.4 million (2021: £23.6 million) with a strong pipeline of expected orders
- Strong gross margin performance in both operating divisions
- Recommended final dividend of 2.0p per share (2021: 1.5p)

[1] Following the disposal of a non-core business in November 2022, all figures set out in this announcement reflect continuing operations unless otherwise stated. Further details of discontinued operations can be found in note 4.

[2] Underlying operating profit/(loss) represents profit/(loss) before tax, finance costs and non-underlying items; see note 5 for further details.

[3] Excluding IFRS 16 lease liabilities.

Commenting on the results, Paul Webb, Chief Executive of Synectics, said:

"The Company's return to profitability and maintained strong cash position pay testimony to the underlying strength of the business and provide a robust platform for the future.

With recovering markets, a sound order book and a strong pipeline of opportunities, the Board is confident of further profitable growth this year."

Craig Wilson, Non-executive Chair of Synectics, commented:

"I see great potential in Synectics. It has a clearly defined role in the security technology market. I am committed to ensuring that our stakeholders better understand our strategic direction and the value we bring."

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About Synectics plc

Synectics plc (AIM: SNX) is a leader in advanced security and surveillance systems that help protect people, property, communities, and assets around the world.

The Company's expertise is in providing solutions for specific markets where security and surveillance is critical to operations. These include gaming, oil and gas, public space, transport, and critical infrastructure.

Synectics has deep industry experience in these markets and works closely with customers to deliver solutions that are tailored to meet their needs. Technical excellence, combined with decades of experience and long-standing customer relationships, provides fundamental differentiation from mainstream suppliers and makes the company a stand-out in its field.

Find out more at www.synecticsplc.com

Chair's Statement

It is my great pleasure to introduce this report as the new Chair of Synectics. I am delighted to have joined such an excellent company that embraces strong values and truly lives up to them through its outstanding record of creative and practical innovation. Driven by the desire to find viable and lasting solutions for its customers, Synectics stands out among technology companies as a warm place, where intelligence and deep knowledge are matched by energy, commitment, and a very human approach to work.

Synectics thinks about its customers in the right way, valuing and securing long-term relationships through a sense of partnership that is strongly reciprocated. I have joined the Company at an important stage in its evolution and have been impressed by the business' resilience in riding through the unprecedented circumstances of the past three years. Indeed, despite unavoidable disruption to critical business streams, especially in the gaming sector, the Company has remained cash positive and returned to profit in the year ended 30 November 2022. Additionally, it has retained and strengthened its relationships with key customers, providing a foundation for sustained recovery and growth as markets continue their recovery.

I see great potential in Synectics. It has a clearly defined role in the security technology market, focusing on a series of sectors that each have complex security requirements where its know-how is most relevant, and where the Company has built deep expertise and relationships over many years. The Company is constantly evolving and innovating, and has the agility required to succeed in an increasingly volatile and unpredictable world, while anticipating and responding to changing customer needs. Its reputation for rigour and the reliability of its solutions only adds to this potential.

The Board understands that it can be challenging for external stakeholders to fully grasp the breadth and depth of Synectics' capabilities and how they align with the market's needs. I am committed to improving communication and transparency so that our stakeholders can better understand Synectics' value and its strategic direction. I am equally committed to the high standards of probity through good governance that stakeholders expect.

Despite everything that has happened in the world in recent times, the outlook for this industry is extremely favourable, and demand for the expertise of our people and the technologies and solutions they create will be high. Synectics is well-placed to benefit from these opportunities, and it is the Board's role to support the Company's management in ensuring that we focus our resources on the right opportunities, foster an environment that will leverage the talents of our people, and enable sustained growth and success for the business.

Finally, I would like to thank my predecessor, David Coghlan, for the many years of leadership he has brought Synectics, for his counsel and for his warm welcome.

Craig Wilson

Chair

21 February 2023

Chief Executive's Report

Firstly, I wish to take this opportunity to thank David Coghlan, who retired from the Board last week after many years' service in helping to create our business.

David's contribution to the development of this business is inestimable, and he personifies our values. On behalf of everyone in the Company, sincere thanks are due for his leadership, relentless commitment, limitless enthusiasm, and ever-available support.

Overview

Synectics is now at an exciting point in its evolution. Our leadership has been refreshed with the appointments of Craig Wilson as Chair, Andrew Lockwood as Non-Executive Director, and the return of Amanda Larnder as Finance Director.

From a trading perspective, we have demonstrated great resilience in coming through these unprecedented times. The Company returned to profit this year and our final results have been delivered in line with the Board's expectations.

The completion of the disposal of the non-core SSS business, as announced on 30 November 2022, concluded the planned consolidation of our businesses and operating footprint.

We are benefitting from the tighter operating footprint established over the last few years; our sales and marketing efforts are focused on sectors offering the best opportunities for recovery, and we have continued to invest in product and technology development.

Supply chain problems have not to date had a material impact on the business and continue to be well managed. Concerns remain, however, that global supply constraints remain real, particularly concerning extended lead-times and limited component availability.

Our actions to continue strengthening and simplifying the business are bearing fruit. Our oil & gas business is picking up significantly as new investment within that industry returns, and we are continuing to make progress in public space, transportation, and critical infrastructure. While the gaming sector remains challenging in Asia, we are starting to see movement on new projects and a steady recovery in North America.

We see our customer relationships as integral to our purpose and inextricably linked to the achievement of our financial goals, and are delighted that, throughout the turbulence of the past three years, we have achieved and sustained high levels of customer approval.

Our financial results are of course the critical measure of the way in which these core strengths combine to deliver value for our business. The return to profitability and the maintained strong cash position pay testimony to the underlying health of the Company.

Results

For the year to 30 November 2022, Synectics' consolidated revenue from continuing operations was £39.1 million (2021: £36.6 million).

The underlying operating profit before tax[1] improved significantly to £1.2 million (2021: £(0.5) million), as a result, in particular, of the recovery in revenues and strong margins in the Systems business, and the reduction in operating footprint implemented over the last few years. Revenues from discontinued operations of £7.3 million (2021: £7.0 million) made no material difference to underlying profits.

Underlying earnings per share were 6.9p (2021: (2.6)p).

There was a net non-underlying profit of £0.3 million, comprising a profit on disposal of a non-core business offset by non-underlying costs that included the planned re-constitution of the Board during the year.

The net impact on these results of foreign exchange movements was not material.

The tax credit in the year was £0.3 million (2021: £0.1 million) driven by differences in overseas tax rates, changes in tax rates and research and development tax relief.

Profit after tax from continuing and discontinued operations was £1.5 million (2021: £(0.5) million). Total earnings per share were 8.7p (2021: (2.6p)).

The Group's cash balance as at 30 November 2022 was £4.3 million (2021: £4.6 million) with no bank debt[2] and undrawn bank facilities of £3.0 million.

The consolidated firm order book at 30 November 2022 was solid at £24.4 million (2021: £23.6 million) with a strong pipeline of expected orders. Approximately two-thirds of this order book is expected to be traded in the year ending 30 November 2023 with the balance being largely long-term service and support contracts. Recurring revenue accounted for approximately one-fifth of the Group's revenue in the year ended 30 November 2022 and now accounts for approximately half of the Group's order book.

Dividend

The Directors recommend the payment of a final dividend of 2.0p per share (2021: 1.5p). Subject to shareholders' approval at the Company's forthcoming Annual General Meeting, this will be paid on 5 May 2023 to shareholders on the register as at the close of business on 11 April 2023. No interim dividend was paid during the year (2021: nil).

Business review

Synectics' business is to provide advanced electronic security and surveillance systems that help protect people, property, communities, and assets around the world.

The Company's expertise is in providing solutions for specific markets where security and surveillance are critical or intrinsic to operations. These markets include gaming, oil and gas, public space, transportation, and critical infrastructure.

The Company comprises the 'Systems' division which operates globally, and the UK-based 'Security' integration division.

During the year the Group disposed of its non-core SSS Management Services business which had previously been part of its 'Security' division.

Systems division

Synectics' Systems division provides specialist surveillance systems, based on its own proprietary technology, to global end customers with large-scale highly complex security requirements, particularly for gaming, oil & gas, public space, transportation and critical infrastructure applications.

Revenue	£24.2 million	(2021: £20.7 million)
Gross margin	50.6%	(2021: 46.4%)
Operating profit[3]	£1.9 million	(2021: £0.1 million)
Operating margin	7.8%	(2021: 0.3%)

Operating profit increased significantly in the year as revenues continued to recover. The gross margin also improved materially, reflecting sustained savings in direct costs as well as a planned increase of software in the revenue mix. The progressive increase of software as a proportion of the division's revenue means that gross margin should remain strong going forward.

The global gaming market continued to be heavily impacted by the extended closure of much of the gaming market in Asia, with low levels of activity where resorts were open, and the impact is still being absorbed globally by all of the major gaming operators.

Activity levels in the oil & gas market continued to gather momentum in the second half of the year, with a strong trading performance and a solid pipeline of expected orders in 2023 across all regions.

Europe, Middle East and Africa (Revenue £10.6 million (2021: £10.1 million))

Revenues in EMEA saw stronger performance in the oil & gas market, with other markets continuing at approximately the same level as in the previous year.

Activity levels in the oil & gas market continued to gather momentum during the year, with solid trading performance and the pipeline of expected orders in 2023 at higher levels than we have seen for some time, particularly in the Middle East.

A major project undertaken during the year involved the deployment of Synergy, including new web-based features, for West Midlands Police and other agencies across the region - consolidating their regional security control capability in advance of a very successful operation centred around the Commonwealth Games.

Work also continued with City of London Police on their Safe City programme. Both these projects provide powerful references for further growth of Synectics' position at the forefront of operational control systems for Safe City programmes.

Other highlights included new systems and expansions for a number of local authorities across the UK; transport projects in the UK and Ireland, working with the Group's Security division; and further work with a national power utility.

North America (Revenue £7.6 million (2021: £5.3 million))

Gaming sector revenues in North America started to recover in late 2021 and this recovery continued steadily throughout last year. Much of the work was with existing customers and sites, with a number of customers updating their systems, and committing to extended support contracts.

Also noteworthy was the increase in activity in the oil & gas market, with the supply of specialist COEX cameras to projects in the Gulf of Mexico seeing a significant upturn on the previous year.

Asia Pacific (Revenue £6.0 million (2021: £5.3 million))

Performance continued to be heavily impacted by the ongoing closure of much of the gaming market, and low levels of activity where resorts were open. This resulted in planned surveillance projects continuing to be postponed. Whilst most travel restrictions have now been lifted, any expected increase in visitor numbers is still tentative.

Nevertheless, the Company has been awarded a contract to provide the surveillance system for a large new-build integrated resort in the Philippines, which is expected to be completed during 2023.

Activity levels in the oil & gas market in the region gathered momentum, particularly towards the end of the year, with a solid trading performance, a sound order book, and a strong pipeline of expected orders in 2023.

Security division

Synectics Security is a UK-focused provider of large-scale electronic security systems for critical and regulated environments. Its main markets are in public space, transport, high security, and infrastructure projects. Its capabilities include UK Government security-cleared personnel and facilities, with nationwide project delivery, service and support. Synectics Security delivers products and technology both from Synectics' Systems division, and other partners.

Revenue	£16.6 million	(2021: £18.0 million)
Gross margin	26.4%	(2021: 25.2%)
Operating profit[4]	£1.2 million	(2021: £0.9 million)
Operating margin	7.0%	(2021: 5.2%)

The division experienced several customer-led delays to major projects during the year which, coupled with some supply chain issues in the second half resulted in slightly weaker revenues, although operating profit was improved due to progress in gross margin and continued control of the cost base.

Nevertheless, significant progress was made to position the division for growth, moving beyond its traditional heartland in public space and transport into more complex, critical and highly regulated security environments, providing scope for improved operating margins.

The division has entered 2023 with developing opportunities within the utilities, power generation and nuclear segments and a notable increase in interest for larger, more 'connected' security and surveillance solutions across public space and transport infrastructure. These broad scale, integrated security and surveillance solutions provide opportunities for sales growth, in co-operation with the Group's Systems division and other technology partners.

Technology development

Investment in the Company's intellectual property and technology base remains an important priority for the Board.

During the 2022 financial year, Synectics spent a total of £3.2 million on technology development (2021: £3.4 million). Of this, £0.2 million was capitalised (2021: £0.6 million), and the remainder expensed to the Income Statement. £1.0 million of previously capitalised development cost was amortised in the year (2021: £0.9 million).

Our efforts this year were concentrated on project completion and numerous extensions and improvements to the product suite, including the following: -

- New web-based capabilities incorporating next-generation video streaming technology which allows users to utilise core Synergy features "beyond the control room". These provide the foundation for a next-generation UI (user interface) across the product suite.
- Improved cyber security measures are ensuring that Synergy is as resilient as possible when deployed "out of the box" on a variety of devices and across different communications environments.
- Enhanced capabilities for 'end-to-end' management of events, incidents, and operational procedures are facilitating collaboration both with other Synergy users and external systems.
- Our "open" approach to design, utilising industry and technology standards is expanding our ability to integrate our solutions with third-party products and technologies and providing increased compatibility with the other tools customers are using.
- Our improved COEX camera range is delivering new features that our customers are looking for with the inclusion of video content analysis technology.

Technology development expenditure in 2023 is expected to increase significantly to around £4.3 million, moving back to pre-pandemic levels of investment.

With these resources, a team which combines proven world-class expertise with fresh ideas, and an exciting technology road map, we will continue to innovate to serve our customers better and capture the opportunities open to us.

People

I am proud of the commitment and talent within the Company, and we are investing in our people to grow an outstanding team to deliver our future growth ambitions.

While the employment market has been challenging, especially in the technology sector, it is really exciting to see the new recruits we have hired over recent months. I am especially pleased at the number and calibre of young people who have joined our business and the rapid progress they are making. Many are already refreshing our thinking, playing important roles, and some are now taking the lead in developing and mentoring our newest employees.

Our employee engagement is also reflected in the retention of our longer-serving people. Over 40% of our team have more than 5 years' service and 25% have been with us for over 10 years. We have also been delighted to welcome back a significant number of 'returners', who have re-joined the business after a period working elsewhere. This mix of hugely committed more experienced employees and a rising generation of ambitious, talented young people is vitally important to us.

Our values are a crucial part of the glue which bonds the team together, and they really do define who we are. Synectics has a great story to tell, and our success is based on a distinctive and unique culture that has been nurtured over decades.

Summary & Outlook

The Company's return to profitability and maintained strong cash position pay testimony to the underlying strength of the business and provide a robust platform for the future.

The fundamentals of the business are healthy. The depth of our customer relationships, the calibre of our people, and the quality of our technical expertise are the core pillars upon which Synectics is built.

The security technology market has solid long term growth prospects, and Synectics has a clearly defined role in this market.

With recovering markets, a sound order book and a strong pipeline of opportunities, the Board is confident of further profitable growth this year. However, the constraints of global supply chains and the timing of some of the larger new business opportunities remain uncertain.

Above all, everything is driven by our customers. Their continued support and endorsement coupled with the assets we have in the Company give me confidence that Synectics will continue to flourish in the years ahead.

Paul Webb

Chief Executive

21 February 2023

Consolidated income statement

For the year ended 30 November 2022

Continuing operations	Note	**2022** Underlying £000	**2022** Non-underlying items (note 5) £000	**2022** Total £000	2021 Underlying £000	2021 Non-underlying items (note 5) £000	2021 Total £000
Revenue	3	**39,116**	**-**	**39,116**	36,636	-	36,636
Cost of sales		**(22,486)**	**-**	**(22,486)**	(22,497)	-	(22,497)
Gross profit		**16,630**	**-**	**16,630**	14,139	-	14,139
Operating expenses		**(15,528)**	**(658)**	**(16,186)**	(14,980)	-	(14,980)
Other income		**50**	-	**50**	387	-	387
Operating profit/(loss)		**1,152**	**(658)**	**494**	(454)	-	(454)
Finance costs		**(133)**	**-**	**(133)**	(104)	-	(104)
Profit/(loss) before tax from continuing operations		**1,019**	**(658)**	**361**	(558)	-	(558)
Income tax credit	6	**153**	**125**	**278**	116	-	116
Profit/(loss) for the year from continuing operations		**1,172**	**(533)**	**639**	(442)	-	(442)
Discontinued operations[1]							
Profit/(loss) for year from discontinued operations		**22**	**-**	**22**	(37)	-	(37)
Profit on sale of discontinued operations	4	**-**	**804**	**804**	-	-	-
Profit/(loss) for the year		**1,194**	**271**	**1,465**	(479)	-	(479)
Profit/(loss) for the year attributable to equity holders of the Parent Company from:							
- Continuing Operations		**1,172**	**(533)**	**639**	(442)	-	(442)
- Discontinued Operations	4	**22**	**804**	**826**	(37)	-	(37)

Earnings/(losses) per share from continuing and

discontinued operations	8		
Basic		**8.7p**	(2.8)p
Diluted		**8.7p**	(2.8)p
Earnings/(losses) per share from continuing operations	8		
Basic		**3.8p**	(2.6)p
Diluted		**3.8p**	(2.6)p

1 Discontinued operations relate to the sale of SSS Management Services Limited on 30 November 2022.

Consolidated statement of comprehensive income

For the year ended 30 November 2022

	2022 £000	2021 £000
Profit/(loss) for the year from continuing operations	**639**	(442)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement loss on defined benefit pension scheme, net of tax	**-**	(1,073)
	-	(1,073)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**246**	(20)
Gains/(losses) on net investment in a foreign operation taken to equity	**41**	(184)
	287	(204)
Tax on items that may be reclassified	**110**	-
Total comprehensive income/(expense) for the year from continuing operations	**1,036**	(1,719)
Total comprehensive income/(expense) for the year from discontinued operations	**826**	(37)
Total comprehensive income/(expense) for the year attributable to equity holders of the Parent	**1,862**	(1,756)

Consolidated statement of financial position

As at 30 November 2022

	Note	**2022 £000**	2021 £000
Non-current assets			
Property, plant and equipment		**4,598**	4,981
Intangible assets		**20,776**	21,728
Deferred tax assets	6	**2,741**	2,452
		28,115	29,161
Current assets			
Inventories		**4,219**	3,936
Trade and other receivables		**9,090**	11,156
Contract assets		**6,317**	5,244
Tax assets		**425**	-
Cash and cash equivalents	9	**4,256**	4,641
		24,307	24,977
Total assets		**52,422**	54,138
Current liabilities			
Trade and other payables		**(8,111)**	(10,902)
Contract liabilities		**(1,875)**	(3,096)
Lease liabilities	6	**(683)**	(816)
Current provisions		**(796)**	(487)
		(11,465)	(15,301)
Non-current liabilities			
Non-current provisions		**(746)**	(921)
Lease liabilities		**(2,137)**	(2,023)
Deferred tax liabilities		**(1,072)**	(549)
		(3,955)	(3,493)
Total liabilities		**(15,420)**	(18,794)
Net assets		**37,002**	35,344
Equity attributable to equity holders of the Parent Company			
Called up share capital		**3,559**	3,559
Share premium account		**16,043**	16,043
Merger reserve		**9,971**	9,971

Other reserves	**(1,436)**	(1,436)
Currency translation reserve	**940**	715
Retained earnings	**7,925**	6,492
Total equity	**37,002**	35,344

Consolidated statement of changes in equity

For the year ended 30 November 2022

	Called up share capital £000	Share premium account £000	Merger reserve £000	Other reserves £000	Currency translation reserve £000	Retained earnings £000	Total £000
At 1 December 2020	3,559	16,043	9,971	(1,448)	919	7,987	37,031
Loss for the year	-	-	-	-	-	(479)	(479)
Other comprehensive expense							
Currency translation adjustment	-	-	-	-	(204)	-	(204)
Remeasurement loss on defined benefit pension scheme, net of tax	-	-	-	-	-	(1,073)	(1,073)
Total other comprehensive expense	-	-	-	-	(204)	(1,073)	(1,277)
Total comprehensive expense for the year	-	-	-	-	(204)	(1,552)	(1,756)
Transactions with owners in their capacity as owners							
Credit in relation to share-based payments	-	-	-	-	-	69	69
Share scheme interests realised in the year	-	-	-	12	-	(12)	-
At 30 November 2021	3,559	16,043	9,971	(1,436)	715	6,492	35,344
Profit for the year	-	-	-	-	-	1,465	1,465
Other comprehensive income							
Currency translation adjustment	-	-	-	-	287	-	287
Tax relating to components of other comprehensive income	-	-	-	-	(62)	172	110
Total other comprehensive income	-	-	-	-	225	172	397
Total comprehensive income for the year	-	-	-	-	225	1,637	1,862
Transactions with owners in their capacity as owners							
Dividends paid	-	-	-	-	-	(253)	(253)
Credit in relation to share-based payments	-	-	-	-	-	49	49
At 30 November 2022	3,559	16,043	9,971	(1,436)	940	7,925	37,002

Consolidated cash flow statement

For the year ended 30 November 2022

Continuing operations	Note	**2022** **£000**	2021 £000
Cash flows from operating activities			
Profit/(loss) from continuing operations		**639**	(442)
Profit/(loss) from discontinued operations		**826**	(37)
Profit/(loss) for the year		**1,465**	(479)
Income tax credit	6	**(306)**	(116)
Finance costs		**148**	121
Depreciation and amortisation charge		**2,186**	2,121
Loss on disposal of non-current assets		**-**	88
Unrealised foreign exchange differences		**(212)**	6
Profit arising on sale of discontinued operation, before transaction fees		**(923)**	-
Inventory write down		**243**	(658)
Cash flow relating to non-underlying items in previous years		**-**	(1,321)
Other non-cash movements		**268**	390
Share-based payment charge		**49**	12
Operating cash inflow/(outflow) before movement in working capital		**2,918**	164
(Increase)/decrease in inventories		**(526)**	1,383
(Increase)/decrease in receivables and contract assets		**(85)**	260
Decrease in payables and contract liabilities		**(1,186)**	(2,571)
Cash impact of provisions		**(134)**	-

Cash impact of provisions		[illegible]	
Cash generated from/(used in) operations		**987**	(764)
Tax received		**242**	157
Net cash generated from/(used in) operating activities		**1,229**	(607)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(86)**	(73)
Capitalised development costs		**(207)**	(648)
Purchased software		**(21)**	(154)
Net cash disposed on discontinued operation		**(268)**	-
Proceeds from sale of property plant and equipment		**-**	33
Net cash used in investing activities		**(582)**	(842)
Cash flows from financing activities			
Lease payments		**(913)**	(1,006)
Bank interest paid		**-**	(12)
Dividends paid to equity holders of the parent	7	**(253)**	-
Net cash used in financing activities		**(1,166)**	(1,018)
Net decrease in cash and cash equivalents		**(519)**	(2,467)
Effect of exchange rates on cash and cash equivalents		**134**	244
Cash and cash equivalents at the beginning of the year		**4,641**	6,864
Cash and cash equivalents at the end of the year	9	**4,256**	4,641

Notes

1 Basis of preparation

The information contained within this announcement has been extracted from the audited financial statements which have been prepared in accordance with UK-adopted International Accounting Standards and applicable law. They have been prepared using the historical cost convention except where the measurement of balances at fair value is required.

Going concern

The Directors have considered the Group's current activities and future prospects, financial performance, liquidity position and risks and uncertainties affecting the business, which are set out in the strategic report, in assessing the appropriateness of the going concern assumption. The Directors continue to monitor the effects of the Covid pandemic on the business and will react accordingly if any material risks arise.

When assessing the going concern assumption, the Directors have reviewed the year-to-date actual results, as well as detailed financial forecasts and the Group's funding position for the period through to August 2024. This review includes in depth scenario modellling and stress testing of budget and strategy planning.

In preparing its going concern assessment, management have considered any potential future impact of Covid on the business. 2022's results have been impacted by the slow recovery in the gaming sector, particularly the extended closure of much of the gaming market in Asia; however there are early signs of recovery as opportunities start to arise now that restrictions have been lifted. The Directors consider that the Group benefits from a level of diversification within both sectors and geographies that helps mitigate an element of macro-economic risk. Despite the challenging trading environment experienced in the financial year in gaming, this diversification was seen, for example, in oil & gas where there has been strong order intake in recent months.

The Directors believe that the Group operates in a resilient industry enabling it to continue its profitable growth trajectory following this solid turnaround year. In addition, there is further resilience from the Group's operating model with strong customer and supplier relationships, approximately one-fifth of revenue being recurring and high levels of repeat business.

Forecasting and stress testing
The Directors have undertaken a rigorous budgeting and forecasting process with management to understand the impact of the economic environment on the future of the business. The assumptions used in the financial forecasts are based on recent financial performance, management's extensive industry experience and reflect expectations of future market conditions.

The base case scenario reflects the remaining uncertainty regarding the timing of the return to normal trading circumstances within the gaming sector. Despite the rigour applied, the base case showed a positive cash balance throughout the year with no requirement to utilise the £3 million overdraft facility. Sensitivity and stress testing has been performed on the base case model; various plausible but severe downside scenarios were applied which considered general downturns resulting in reductions in revenue and margins and the related impact on working capital. Under these downsides, the Directors have not considered any mitigating factors that would be applied. The scenario testing applied confirmed that, even with no mitigating factors, the overdraft facility would not need to be utilised until 2024 and that there would be sufficient headroom within the facility throughout the outlook period. The base case was then reverse stress tested and the level of deterioration required for the Group to become close to the banking headroom was deemed to be highly unlikely.

Cash and funding position
Positive cash balances were maintained throughout the year and ended the year at £4.3 million (2021: £4.6 million). Undrawn overdraft facilities of £3 million were held throughout the period. Despite the central forecast indicating that the Group should not require to draw upon the overdraft facilities for the foreseeable future, management is in the process of renewing, as a matter of prudence, the overdraft facility of £3 million with Lloyds Bank until March 2024.

Whilst the renewal process is still underway at the time of signing these accounts, the bank has indicated that the facilities are expected to renew as normal.

Conclusion

Based on the analysis above, the Group has sufficient liquidity headroom throughout the forecast period and therefore the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the outlook period without material uncertainty. Accordingly, the Directors conclude it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

New and amended standards adopted by the Group

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2 Segmental analysis

Revenue **Continuing operations**	**2022** **£000**	2021 £000
Systems	**24,201**	20,661
Security	**16,595**	18,004
Reconciliation to consolidated revenue:		
Intra-Group sales	**(1,680)**	(2,029)
	39,116	36,636
Revenue from discontinued operations	**7,253**	6,959
Total revenue	**46,369**	43,595

No single customer contributed 10% or more to the Group's revenues in either year.

Underlying operating profit/(loss) **Continuing operations**	**2022** **£000**	2021 £000
Systems	**1,880**	58
Security	**1,166**	945
Total segmental underlying operating profit	**3,046**	1,003
Reconciliation to consolidated underlying operating profit/(loss):		
Central costs	**(1,894)**	(1,457)
	1,152	(454)

		Non-underlying items			
Underlying operating profit 2022 **Continuing operations**	**Underlying operating profit** **£000**	**Legal costs** **£000**	**Pension buy-out costs** **£000**	**Restructuring costs** **£000**	**Total Operating Profit** **£000**
Systems	**1,880**	**(250)**	**-**	**-**	**1,630**
Security	**1,166**	**-**	**-**	**-**	**1,166**
Total segmental underlying operating profit	**3,046**	**(250)**	**-**	**-**	**2,796**
Reconciliation to consolidated underlying operating profit:					
Central costs	**(1,894)**	**(85)**	**(92)**	**(231)**	**(2,302)**
	1,152	**(335)**	**(92)**	**(231)**	**494**

		Non-underlying items			
Underlying operating profit/(loss) 2021 Continuing operations	Underlying operating loss £000	Legal costs £000	Pension buy-out costs £000	Restructuring costs £000	Total operating loss £000
Systems	58	-	-	-	58
Security	945	-	-	-	945
Total segmental underlying operating profit	1,003	-	-	-	1,003
Reconciliation to consolidated underlying operating loss:					
Central costs	(1,457)	-	-	-	(1,457)
	(454)	-	-	-	(454)

3 Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Revenue by contract location 2022 **Continuing operations**	**Systems** **£000**	**Security** **£000**	**2022** **£000**
UK and Europe	**7,225**	**16,511**	**23,736**
[illegible]	[illegible]		[illegible]

North America	**7,570**	**-**	**7,570**
Middle East & Africa	**1,790**	**68**	**1,858**
Asia Pacific	**5,936**	**16**	**5,952**
	22,521	**16,595**	**39,116**

Revenue by contract location 2021 Continuing operations	Systems £000	Security £000	2021 £000
UK and Europe	7,354	18,004	25,358
North America	5,276	-	5,276
Middle East & Africa	724	-	724
Asia Pacific	5,278	-	5,278
	18,632	18,004	36,636

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information (note 2):

Reconciliation to segment revenue 2022 **Continuing operation**	**Systems** **£000**	**Security** **£000**	**2022** **£000**
External	**22,521**	**16,595**	**39,116**
Intra-Group	**1,680**	**-**	**1,680**
	24,201	**16,595**	**40,796**

Reconciliation to segment revenue 2021 Continuing operations	Systems £000	Security £000	2021 £000
External	18,632	18,004	36,636
Intra-Group	2,029	-	2,029
	20,661	18,004	38,665

Contract balances

	2022 **£000**	2021 £000
Contract assets	**6,317**	5,244
Contract liabilities	**(1,875)**	(3,096)

Contract assets relate to revenue earned from ongoing projects. As such, the balance of this account varies and depends on the number of ongoing projects at the end of the year. The timing of payment in respect of both contract assets and liabilities varies depending on the nature and terms of each individual contract, with payment sometimes being before and sometimes after satisfaction of the corresponding performance obligations. No expected credit loss has been recognised in relation to the contract asset as the Group's historical and forward looking experience shows that no credit losses have been incurred.

Contract liabilities relate to short-term advances received to deliver ongoing projects.

£2.9 million (2021: £4.3 million) of the contract liabilities balance at 1 December 2021 was recognised as revenue during the year. No revenue was recognised in the current year in relation to performance obligations satisfied, or partially satisfied in previous years.

Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 November 2022 that are expected to be recognised over more than one year is £7.4 million (2021: £8.7 million). These performance obligations relate predominantly to the provision of service and maintenance contracts and are as follows:

	2022 £000
Less than two years	3,065
Two to five years	3,804
More than five years	526

4 Discontinued operations

On 11 November 2022, the Group announced that it had reached an agreement to sell SSS Management Services Limited ('SSS'), which was previously part of its Security division. On 30 November 2022 the transaction was completed for £100,000 payable in cash and further contingent consideration of £100,000.

IFRS 5 *Non-current assets held for sale and discontinued operations* requires that a component (one which the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, ie a cash-generating unit) of an entity which has been sold is disclosed as a discontinued operation. SSS was a separate CGU and the operations and cash flows could be clearly distinguished and therefore the disposal met the

recognition criteria of a discontinued operation. SSS is no longer presented within the segmental note and its result is instead presented below, as well as the net cash flows attributable to the operating, investing and financing activities of the discontinued operation. The income statement comparatives at 30 November 2021 have been re-presented accordingly.

Notes to the consolidated statement of financial position are presented on a total group basis and, as a result, income statement and cash flow movements included in these notes may not reconcile to those presented in the consolidated income statement and the consolidated cash flow statement.

Results from discontinued operations:

	2022 **£000**	2021 £000
Revenue	**7,253**	6,959
Cost of Sales	**(5,902)**	(5,495)

Gross profit	**1,351**	1,464
Operating Costs	**(1,314)**	(1,485)
Operating profit/(loss) before non-underlying items	**37**	(21)
Finance costs	**(15)**	(16)
Profit/(loss) before tax and non-underlying items	**22**	(37)
Non-underlying item - profit on disposal	**776**	-
Profit/(loss)before tax	**798**	(37)
Tax on non-underlying item	**28**	-
Profit/(loss) attributable to discontinued operations	**826**	(37)

The profit/(loss) from discontinued operations of £826,000 (2021: loss £(37,000)) is attributable entirely to the Group.

The average monthly number of persons employed by the discontinued operation during the year was 41 (2021: 45).

The average staff costs for the year for the above employees was:

	2022 £000	2021 £000
Salaries and wages	**1,335**	1,388
Social security costs	**144**	135
Pension costs	**87**	84
	1,566	1,607

Cash flow statement

	2022 £000	2021 £000
Net cash flows from operating activities	**189**	(4)
Net cash flows from investing activities	**(377)**	(87)
Net cash flows from financing activities	**(40)**	(67)
Net cash flows from discontinued operations	**(228)**	(158)

Profit on disposal

The Group recognised a net profit on disposal of £776,000 in relation to the disposal of SSS Management Services Limited. The gain arising from the sale is calculated as follows:

		£'000
Cash consideration		100
Contingent consideration		100
Sale costs		(147)
Net proceeds		**53**
Net book value of assets disposed		
Property, plant and equipment	(109)	
Right of use assets	(167)	
Intangible assets	(69)	
Deferred tax assets	(114)	
Trade and other receivables	(1,357)	
Cash and cash equivalents	(368)	
Trade and other payables	3,129	
Lease liabilities	155	
Net book value of assets and liabilities disposed		**1,100**
Write off of associated goodwill		(377)
Profit on disposal		**776**
Tax attributable to the profit on disposal		28
Profit on disposal, net of tax		**804**

The disposal group was measured at its carrying value which was lower than its fair value less costs to sell.

5 Non-underlying items

Continuing operations	**2022 £000**	2021 £000
Costs associated with ongoing legal matters	**335**	-
Costs associated with restructuring Central operations	**231**	-
Costs associated with the buy-out of the defined benefit pension scheme	**92**	-
	658	-

Central restructuring costs incurred during 2022 relate to the Board of Directors.

Costs associated with an ongoing buy-out of the defined benefit pension scheme represent costs incurred by the Group in relation to winding up the scheme.

For details of the non-underlying item in relation to discontinued operations, refer to note 4.

6 Taxation

Tax (credit)/charge	**2022 £000**	2021 £000
Current income tax		
UK tax	**-**	285
Overseas tax	**1**	-
Adjustments in respect of prior periods	**(717)**	-
Total current tax (credit)/charge	**(716)**	285
Deferred tax		
Origination and reversal of temporary differences	**(142)**	(927)
Adjustments in respect of prior periods	**552**	526
Total deferred tax charge/(credit)	**410**	(401)
Income tax credit reported in the consolidated income statement	**(306)**	(116)
Further analysed as tax relating to:		
Underlying profit	**(153)**	(116)
Non-underlying items	**(153)**	-

Reconciliation of tax credit for the year

The corporation tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
Profit/(loss) before tax from continuing operations	**361**	(558)
Profit/(loss) before tax from a discontinued operation	**798**	(37)
Total profit/(loss) before tax	**1,159**	(595)
Tax on profit/(loss) on ordinary activities before tax at standard rate of 19% (2021: 19%)	**220**	(113)
Effects of:		
Differences in overseas tax rates	**(77)**	(272)
Tax losses not recognised	**161**	142
Utilisation of previously unrecognised tax losses	**(43)**	(61)
Other differences	**(105)**	(493)
Effect of changes in tax rates and tax laws	**(142)**	2
(Income)/expenses not deductible for tax purposes	**(155)**	153
Adjustment in respect of prior periods	**(165)**	526
Total tax credit for the year	**(306)**	(116)
Income tax credit attributable to continuing operations	(278)	(116)
Income tax attributable to a discontinued operation	(28)	-
	(306)	(116)

The Group's tax rate is sensitive to a geographic mix of profits and reflects a combination of higher rates in the US and lower rates in Singapore and Macau. The Group's effective tax rate in 2022 has been impacted by R&D tax relief and current year losses, as well as the profit on disposal of the discontinued operation, which is not tax deductible.

Deferred tax

The deferred tax in the Consolidated Statement of Financial Position relates to the following:

Deferred tax (liability)/asset	Property, plant and equipment £000	Other temporary differences £000	Retirement benefit asset £000	Losses £000	Total £000
At 1 December 2020	(319)	(331)	(252)	2,165	1,263
(Charged)/credited to the Income Statement	(119)	(78)	-	598	401
Credited to the Statement of Comprehensive Income	-	-	252	-	252
Currency translation adjustment	-	(2)	-	(11)	(13)
At 30 November 2021	(438)	(411)	-	2,752	1,903
(Charged)/credited to the Income Statement	(125)	221	-	(506)	(410)
Credited to the Statement of Comprehensive Income	-	110	-	-	110
Currency translation adjustment	(3)	4	-	65	66
At 30 November 2022	(566)	(76)	-	2,311	1,669

Factors that may affect future tax charges

Deferred tax assets of £2.3 million (2021: £2.8 million) have been recognised in relation to legal entities which

Deferred tax assets of £2.3 million (2021: £2.8 million) have been recognised in relation to legal entities which suffered a tax loss in the current or preceding periods. The assets are recognised based upon future taxable profit forecasts for the entities concerned.

The Group has further losses which may be available to be carried forward for offset against the future taxable profits of certain Group companies amounting to approximately £5.7 million (2021: £6.6 million). No deferred tax asset (2021: £nil) in respect of these losses has been recognised at the year end as the Group does not currently anticipate being able to offset these against future profits. There is no time limit in which the tax losses are required to be utilised.

In addition to the above, the Group has capital losses of approximately £17.8 million (2021: £17.8 million) available for offset against future taxable gains. No deferred tax asset in respect of these losses has been recognised in these financial statements as there is insufficient certainty that the asset will be recovered against future capital gains.

7 Dividends

The following dividends were paid by the Company during the year:

	2022		2021	
	Pence per share	**£000**	Pence per share	£000
Final dividend paid in respect of prior year but not recognised as a liability in that year	**1.5**	**267**	-	-
Interim dividend paid in respect of current year	**-**	**-**	-	-
	1.5	**267**	-	-
Total dividend paid, net of shares held by the share trust	**1.5**	**253**	-	-
Proposed final dividend for the year ended 30 November	**2.0**	**356**	1.5	267

The Directors recommend the payment of a final dividend of 2.0p per share for the year ended 30 November 2022 (2021: 1.5p). Subject to shareholders' approval at the Company's forthcoming Annual General Meeting, this will be paid on 5 May 2023 to shareholders on the register as at the close of business on 11 April 2023. No interim dividend was paid during 2022 (2021: £nil).

8 Earnings per share

	2022			2021		
	Pence per share continuing operations	**Pence per share discontinued operations**	**Pence per share Total**	Pence per share continuing operations	Pence per share discontinued operations	Pence per share Total
Basic earnings/(loss) per share	**3.8**	**4.9**	**8.7**	(2.6)	(0.2)	(2.8)
Diluted earnings/(loss) per share	**3.8**	**4.9**	**8.7**	(2.6)	(0.2)	(2.8)
Underlying basic earnings/(loss) per share	**6.9**	**0.2**	**7.1**	(2.6)	(0.2)	(2.8)
Underlying diluted earnings/(loss) per share	**6.9**	**0.2**	**7.1**	(2.6)	(0.2)	(2.8)

Profit/(loss) per share has been calculated by dividing the profit attributable to equity holders of the Parent after taxation for each financial year by the weighted average number of ordinary shares in issue and ranking for dividend during the year.

The calculations of basic and underlying earnings per share are based upon:

	Continuing operations 2022	**Total 2022**	**Continuing operations 2021**	Total 2021
	£'000	**£000**	**£000**	£000
Earnings/(losses) for basic and diluted earnings per share	**639**	**1,465**	(442)	(479)
Non-underlying items	**658**	**(118)**	-	-
Impact of non-underlying items on tax credit for the year	**(125)**	**(153)**	-	-
Earnings/(losses) for underlying basic and underlying diluted earnings per share	**1,172**	**1,194**	(442)	(479)

	2022	2021
	000	000
Weighted average number of ordinary shares - basic calculation	**16,888**	16,888
Dilutive potential ordinary shares arising from share options	**2**	-
Weighted average number of ordinary shares - diluted calculation	**16,890**	16,888

Note: As a result of the Group's loss in 2021, potential ordinary shares arising from share options are considered anti-dilutive and have therefore been excluded from the diluted weighted average number of ordinary shares calculation.

9 Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	**4,256**	4,641

The fair value of cash and cash equivalents approximates to their book value.

Cash at bank earns interest at the daily bank base rate.

Cash at bank earns interest at the daily bank base rate.

At 30 November 2022 the Group had undrawn overdraft facilities of up to £3.0 million (2021: £3.0 million), on which interest would be payable at the rate of Bank of England base rate plus 2.5% (2021: Bank of England base rate plus 2.5%).

10 Provisions

	Legal £000	Warranty £000	Restructuring £000	Property £000	Total £000
At 1 December 2020	-	624	1,275	297	2,196
Utilised in the year	-	(41)	(1,182)	(97)	(1,320)
Released in the year	-	(6)	-	-	(6)
Charged to the Income Statement	-	414	-	124	538
At 30 November 2021	-	991	93	324	1,408
Utilised in the year	-	(119)	(15)	-	(134)
Released in the year	-	(15)	(78)	(78)	(171)
Charged to the Income Statement	250	178	-	11	439
At 30 November 2022	**250**	**1,035**	**-**	**257**	**1,542**

Provisions have been analysed between current and non-current as follows:

	2022 £000	2021 £000
Current	796	487
Non-current	746	921
	1,542	1,408

Costs of warranty include the cost of labour, material and related overhead necessary to repair a product during the warranty period. The standard warranty periods are usually one to three years. The Group accrues for the estimated cost of the warranty on its products shipped in the provision for warranty, upon recognition of the sale of the product. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically. Actual warranty costs are charged against the provision for warranty.

The Group has certain properties where the Directors believe that dilapidation costs may be incurred; therefore, appropriate cost provisions have been made. It is anticipated that substantially all of the property cost provision carried forward at 30 November 2022 will be utilised in more than one year.

In 2021 the restructuring provision related to the costs recognised in relation to the Group's restructuring activities in the prior year.

11 Company Information

The financial information set out herein does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 as it does not contain all the information required to be disclosed in the financial statements prepared in accordance with UK-adopted International Accounting Standards. The financial information for the year ended 30 November 2022 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 21 February 2023 and which, if adopted by the members at the Annual General Meeting, will be delivered to the Registrar of Companies for England and Wales.

The financial information for the year ended 30 November 2021 has been extracted from the Group's audited financial statements which have been delivered to the Registrar of Companies for England and Wales.

The reports of the auditors on both these financial statements were unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

Copies of these results, and the full financial statements when published, will be available on the Company's website at www.synecticsplc.com and at the Company's registered office: Synectics plc, Synectics House, 3-4 Broadfield Close, Sheffield, S8 0XN.

Forward-looking statements

This report may contain certain statements about the future outlook for Synectics plc. Although the Directors believe their expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

[1] Underlying profit/(loss) represents profit/(loss) before tax, finance costs and non-underlying items; see note 5 for further detail.

[2] Excluding IFRS 16 lease liabilities.

[3] After research and development expenditure, but before non-underlying costs (see note 5) and Group central costs.

[4] Continuing operations before non-underlying costs (see note 5) and Group central costs.

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