21 February 2017

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

Final Results for the year ended 30 November 2016

Synectics plc (AIM: SNX), a leader in the design, integration, control and management of advanced surveillance technology and networked security systems, reports its audited final results for the year ended 30 November 2016.

Headlines

- Revenue up 4% to £70.9 million (2015: £68.5 million)
- Underlying profit[1] up over 80% to £2.6 million (2015: £1.4 million[2])
- Profit before tax £2.0 million (2015: £0.5 million)
- Underlying diluted EPS[1] 12.4p (2015: 7.2p)
- Diluted EPS 8.8p (2015: 2.5p)
- Net cash at 30 November 2016 £2.2 million (2015: £0.5 million)
- Year-end order book £26.2 million (2015: £26.6 million)
- Recommended final dividend increased to 2.0p per share (2015: 1.0p)

[1]Underlying profit represents profit before tax and non-underlying items (which comprise restructuring costs and amortisation of acquired intangibles). Underlying earnings per ordinary share are based on profit after tax but before non-underlying items.

[2]Comparatives for 2015 have been adjusted throughout where necessary to reflect the change in treatment of share-based payments, which, as from the year ended 30 November 2016, have been included within underlying costs.

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

"We will continue to build on the progress we have made, and I strongly believe that the actions we have already taken leave us better placed to deliver for our customers, and ultimately our shareholders - now and into the future.

"From our strong heritage in public space surveillance we have developed market-leading positions globally in gaming and oil & gas, as well as the UK bus & coach market.

"Great technology, a flexible attitude, and deep sector expertise are what set Synectics apart – and the business is well positioned for significant further growth."

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Chairman's Statement

Overview

Synectics produced a solid performance in the year to 30 November 2016, continuing the strong trend of improvement set in train during the previous year.

The Group's profits, profit margin and return on capital made reasonable progress back towards our target levels, but they clearly have some way yet to go. This reflects the fact that our core business is still operating below capacity, in the main as a result of continuing reduced activity in the global oil & gas industry, historically one of Synectics' largest customer sectors.

Good results were achieved in mobile transportation and, particularly, in high-end casinos, where the Synectics team produced a quite exceptional performance in successfully delivering several new multi-million pound surveillance systems centred on our core software technology.

A number of actions were implemented during 2016 to simplify the Group's operating structure, to further strengthen divisional leadership and to position Synectics to address more effectively its natural customer base within the growing market for high-end security protecting public transport and critical infrastructure. As part of this process, non-essential costs were removed from the business, and additional investments made to enable accelerated growth in our core markets.

Results

For the year to 30 November 2016, Synectics' consolidated revenue increased by 4% to £70.9 million (2015: £68.5 million). The Group made an underlying profit[1] of £2.6 million (2015: £1.4 million[2]). After charging £0.7 million (2015: £0.9 million) for exceptional restructuring and other non-underlying costs, the consolidated profit before tax for the year was £2.0 million (2015: £0.5 million). Underlying diluted earnings per share were 12.4p (2015: 7.2p) and diluted earnings per share were 8.8p (2015: 2.5p). These results benefited by around £0.2 million from the impact of the depreciation of sterling across the year on the earnings of our foreign subsidiaries, compared to the exchange rates used in setting the Group's budgets for the year. On a constant currency basis compared with average exchange rates for the full 2015 financial year, the translation benefit was around £0.4 million. In both cases, this translation benefit was partially offset by corresponding increases in the sterling costs of US dollar-denominated components used in our systems sold in the UK.

The Group's balance sheet continued to strengthen, with net cash at 30 November 2016 of £2.2 million (2015: £0.5 million). The consolidated firm order book at year end was £26.2 million (2015: £26.6 million).

Dividend

In light of Synectics' improved results and positive cash position, the Board is recommending payment of an increased final dividend of 2.0p per share (2015: 1.0p), payable on 5 May 2017 to shareholders registered on 31 March 2017, for consideration by shareholders at the Company's Annual General Meeting on 27 April 2017.

Business Review

Synectics' business is to provide integrated electronic security systems and services to specialist high-end markets. Our systems are based on core proprietary technology, in particular systems integration and command and control software. This technology is adapted for the specific needs of our target customer sectors, and provides fundamental differentiation from mainstream suppliers in the wider electronic security market.

During the 2016 financial year our divisional structure was changed in order to bring together the different elements of Synectics' activities serving the transport & infrastructure market sector. As a result, certain activities previously reported under the Integration & Managed Services division are included below within the Systems division. Comparative figures have been restated accordingly.

Systems Division

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

Revenue	£48.3 million (2015: £46.4 million)
Gross margin	38.9% (2015: 34.8%)
Underlying operating profit[3]	£4.2 million (2015: £2.9 million)
Operating profit	£3.7 million (2015: £2.4 million)
Underlying operating margin[3]	8.7% (2015: 6.2%)
Operating margin	7.7% (2015: 5.1%)

Gaming

Our Gaming business enjoyed an exceptionally good year, delivering large integrated systems to three major resorts during the period. Revenues from the sector increased by nearly 20% and profits more than doubled.

Synectics' commitment to integration and innovation helped secure a number of high profile gaming contracts in 2016 - all with our proprietary Synergy 3 command and control software at their core - including a multi-million dollar 6,000-channel project in Manila, a 5,000 channel premier resort on the Las Vegas Strip for Wynn, a major new-build integrated resort in Macau, and two next generation mega cruise ships based in the Asia-Pacific region.

The Group has performed well in Asia over the last few years, on the back of Synergy 3 systems being chosen for a significant proportion of the new large gaming-related resorts being built across the region. Whilst the current rate of new build projects is slowing down, we now have a strong installed base in this area and prospects for the future are sound.

There are signs of the US gaming market returning to normal after a period of flat or declining activity, which bodes well for our future in this key region.

Oil & Gas

The oil & gas market remains difficult, with lower revenues in the sector, as we reported in our interim results, continuing for the full year. We took action in the second half to reduce capacity in our Operations Centre in line with market conditions, whilst taking care to retain capability. This resulted in the sector remaining profitable for the year, even though revenues declined significantly and now account for less than 15% of Group revenue. Although market sentiment appears to be improving, we do not expect the sector to return to significant growth until at least 2018.

Despite the depressed market conditions, the business did well in securing a number of significant packages of work, the majority of which were expansions or additions to existing facilities in the Middle East including continued development of an oil tank farm and refinery complex in Saudi Arabia, as well as expansion and additions at a number of gas fields in the region.

Major new projects secured include our first major project in North America – the Cameron LNG terminal, and a substantial new project in Malaysia - the Pengerang Refinery and Petrochemical Integrated Development (RAPID), where work will continue over the next two years.

Transport & Infrastructure

The market for sophisticated surveillance systems in transport & infrastructure is growing, and is an area of increased focus for the Group.

Having successfully delivered an integrated security management solution for the new Terminal 3 Ultimate at Jakarta's Soekarno-Hatta International Airport, Southeast Asia's busiest, Synectics was appointed in 2016 to develop a dedicated surveillance solution for the Customs Unit. This system extension will be fully integrated with the main terminal security system as it continues to grow.

Our core UK mobile transportation business continued to perform strongly. Synectics was awarded a contract extension to continue to support Go-Ahead's fleet of almost 5,000 vehicles across the UK, taking our relationship with this operator to over five years. We have also undertaken a major programme to upgrade the complete fleet for Nottingham City Transport, encompassing a large number of new-build vehicles as well as the entire existing fleet.

In Europe, Synectics has been contracted to provide on-vehicle systems for new trams to be delivered to Munich starting in 2017, and will be working with a major European manufacturer to begin retrofitting trams for the main public transport operator in Antwerp, Belgium, to allow for safe driver only operation. We have also secured further work to equip trains with surveillance systems for Deutsche Bahn in Germany.

Further afield, Hong Kong Citybus has contracted Synectics to provide systems on new factory built vehicles into 2017.

We continue to invest strongly in business development in transport & infrastructure, and anticipate further activity in tram and light rail as we go into 2017. As part of the deeper integration of Synectics' activities in this sector, the Group has invested to unify our product portfolio across the transport sector, with new solutions based on our T-Series recording platform and our Synergy Transport command and control system. We expect the impact of this investment in new products and sales resources to show through in 2017.

High Security and Public Space

During the year Synectics delivered an enterprise-class surveillance and threat management solution for one of the UK's largest banking and financial institutions. Deployed at cash centres across the UK, the system will enable both on-site threat detection as well as escalation to dedicated control centres and a disaster recovery centre.

We also secured a programme for a major national power utility, covering some of the sites most important to national security. A major upgrade across the estate meets the highest levels of security provision.

Integration & Managed Services Division

Synectics' Integration & Managed Services ('IMS') division is one of the leading UK providers of design, integration, turnkey supply, monitoring and management of large-scale electronic security systems. Its main markets are in critical infrastructure, public space and multi-site systems. Its capabilities include a nationwide network of service engineers, UK government security-cleared personnel and facilities, and an in-house 24-hour monitoring centre and helpdesk. The IMS division supplies proprietary products and technology from Synectics' Systems division as well as from third parties.

Revenue	£23.3 million (2015: £23.1 million)
Gross margin	22.0% (2015: 22.4%)
Underlying operating profit[3]	£0.5 million (2015: £0.6 million)
Operating profit	£0.4 million (2015: £0.6 million)
Underlying operating margin[3]	2.2% (2015: 2.6%)
Operating margin	1.9% (2015: 2.6%)

Integrated Systems

The restructuring and turnaround of the UK security systems integration business, successfully implemented during 2015, was consolidated in 2016. The senior management team was further strengthened, important new business was won and delivered, and the pipeline of expected new contracts for future years has grown substantially. Among the notable new business in 2016 we secured the contract to replace and maintain the surveillance system for Virgin Trains on the East Coast mainline, incorporating nine stations and replacement communications infrastructure as well as an upgraded CCTV system.

Following the successful delivery of a complex integrated security and safety system to a large power station this year, further work has been secured in the energy sector with the award of two waste-to-energy plants in the UK to be delivered in the coming year.

We continue to work to support and upgrade numerous local authority ‘safe city’ systems. Whilst new investment in this sector is limited, our integrated services division remains a major player in supporting and maintaining local authority systems across the UK and this sector continues to provide substantial recurring revenue to the division.

The business has been selected as the preferred systems provider for intu, a major UK shopping centre chain, and we provided new state-of-the-art systems based on Synectics proprietary Synergy 3 command and control system to four large shopping centres during the year.

Our position as one of the leading accredited high security providers in the UK means that we continue to win significant ongoing work for government agencies. One such important contract was renewed during 2016 for a further three years.

Managed Services

The focus of the division’s managed services activities continues to be on delivering security and facilities management services for clients with large and complex multi-site estates. Significant investment in a new operating system has allowed us to focus on providing actionable management information rather than just large quantities of data. The Group is well placed to lead this trend and meet customers’ expanding expectations. This in turn is providing opportunities to increase the scope and value of the services Synectics offers.

We are increasingly expanding this business beyond its traditional multi-site retail customer base. We are adapting Synectics’ proposition to make it attractive to potential customers in a number of new areas, including the care sector, where a series of trials are currently ongoing.

Our IMS team is continuing to work in closer co-operation with the Systems division, to leverage these combined capabilities to the full for the benefit of customers. Our portfolio of joint projects is growing significantly. The gains from this integrated approach are benefitting both areas of the business, and we expect that trend to accelerate.

Synectics’ IMS division remains one of the UK’s leading accredited providers of high security systems and services. The Board is confident the division will deliver improved results in 2017.

Research & Development

Continued investment in our proprietary technology base remains an important priority for Synectics. During 2016, the Group spent a total of £2.2 million on technology development (2015: £2.1 million). Of this total, £0.3 million was capitalised, and the remainder expensed to the Income Statement. £1.1 million of previously capitalised development costs were amortised in the year.

The Synectics Technology Centre operates within the Systems division as a consolidated development unit for the Group as a whole. The focus continues to be on developing products that are specifically directed to the needs of Synectics' core target customer sectors. The Group's development roadmap operates in a well-controlled environment that enables us simultaneously both to deliver on time our planned new product introductions, and to support globally the bespoke, large-scale and innovative projects that an increasing proportion of our customers are looking for.

In 2016, major activities were focussed on our Synergy 3 command and control platform with the release of the EX300 user controller interface together with further developments to unify our product portfolio in the transport sector, as mentioned above.

People

A sincere thank you is due to all Synectics' employees for the exceptional commitment demonstrated by so many of them over the past year. The Board continues to increase its emphasis on employee communications, and on training and development, which we know are both important to our employees themselves and critical to the healthy future of the business.

I would also like to pay public tribute on behalf of us all at Synectics to Nigel Poultney, who died suddenly last May. Nigel joined Synectics 25 years ago, and was for many years our Group Finance Director, until his retirement from that position in December 2015. He played a critical leadership role in the development of Synectics from our tiny beginnings in the electronic security industry, and was a much-valued colleague, friend and mentor to many of us across the Group. He is much missed.

Strategy and Organisation

Synectics' strategy is to create leadership positions within specialised sectors of the electronic security and surveillance industry, through the combination of expert, sector-specific market knowledge and, where appropriate, our own proprietary technologies. These proprietary technologies are based on open systems and built around Synectics' core command and control integration software; they are developed specifically for our chosen specialist market sectors and provide fundamental differentiation from the offerings of mainstream suppliers in the wider electronic security market.

The consolidation of the Group's transport & infrastructure systems activities, and recent additional investments in domain-specific sales and technical capabilities, have provided the right platform from which to substantially grow sales within that important sector over coming years. Specific targets include airports, ports, transportation hubs, public transport vehicles, utility supplies, financial services infrastructure and government security agencies. Different parts of Synectics have well-established track records in all of these areas. Much work has been done to pull those different parts of our business much closer together, and to integrate and beef-up our efforts to extend Synectics' core expertise more widely through the Group's operations hubs in Europe, the Far East, Middle East and North America.

As the volume of digital data generated by high-end, video-centric security systems continues to grow exponentially, the complexity of extracting meaningful and actionable intelligence from that data is opening up many opportunities for innovation. Throughout its more than 25-year history, Synectics has consistently demonstrated the combination of deep technical capability and practical, expertise-based sales approach needed to benefit from such opportunities. This is essentially an entrepreneurial skill.

A core aim of our strategy, keenly understood by senior management, is to ensure that the business keeps building the culture and processes necessary to maintain that entrepreneurial essence at larger scale as we grow.

Outlook

Given the long lead times for major oil & gas projects, we do not expect any material improvement in market conditions in that sector in the coming year; and last year's performance in the gaming sector was exceptional. In contrast, we expect our other business areas to move ahead significantly in the current financial year, building on the increased momentum established in the latter part of 2016. Synectics' specialised product and service offerings are the strongest they have been and, we believe, remain reasonably well insulated from many of the pressures that affect more commodity-driven parts of the market.

We are looking forward to a challenging year in 2017, in which the Board expects Synectics to make further satisfactory progress towards our strategic and financial objectives.

Looking a bit further ahead, the oil & gas market will recover, and we are geared to benefit significantly when it does. From the creation of its positions in the oil & gas and gaming markets, Synectics has clearly proven that it has the skills and technology to build global leadership in some of the most difficult and exacting sectors of the high end electronic security field. We are now focussing those same skills and technology on similarly demanding areas within the expanding transport & infrastructure sector, and are determined to achieve similar success. The Board is therefore confident that the Group's growth prospects are excellent.

David Coghlan
Chairman

21 February 2017

[3] before non-underlying items and Group central costs.

Consolidated Income Statement
For the year ended 30 November 2016

	Note	2016 £000	2015 £000
Revenue	2	**70,913**	68,504
Cost of sales		**(47,014)**	(47,163)
Gross profit		**23,899**	21,341
Operating expenses		**(21,808)**	(20,666)
Profit from operations			
Excluding non-underlying items	2	**2,757**	1,588
Non-underlying items	3	**(666)**	(913)
Total profit from operations		**2,091**	675
Finance income		**215**	225
Finance costs		**(351)**	(388)
Profit before tax			
Excluding non-underlying items		**2,621**	1,425
Non-underlying items	3	**(666)**	(913)
Total profit before tax		**1,955**	512
Income tax expense	4	**(484)**	(106)
Profit for the year attributable to equity holders of the Parent		**1,471**	406
Basic earnings per ordinary share	6	**9.0p**	2.5p
Diluted earnings per ordinary share	6	**8.8p**	2.5p
Underlying basic earnings per ordinary share	6	**12.7p**	7.3p
Underlying diluted earnings per ordinary share	6	**12.4p**	7.2p

Consolidated Statement of Comprehensive Income
For the year ended 30 November 2016

	2016 £000	2015 £000
Profit for the year	**1,471**	406
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement gain/(loss) on defined benefit pension scheme, net of tax	**151**	(36)
	151	(36)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**614**	234
Gains/(losses) on a hedge of a net investment taken to equity	**535**	(345)
	1,149	(111)
Total comprehensive income for the year attributable to equity holders of the Parent	**2,771**	259

Consolidated Statement of Financial Position
As at 30 November 2016

	Note	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment		**3,076**	3,264
Intangible assets		**22,115**	22,372
Retirement benefit asset		**720**	515
Deferred tax assets		**216**	152
		26,127	26,303
Current assets			
Inventories		**9,997**	10,391
Trade and other receivables		**24,771**	21,265
Tax assets		**72**	542
Cash and cash equivalents	7	**5,848**	3,338
		40,688	35,536
Total assets		**66,815**	61,839
Current liabilities			
Loans and borrowings	8	**(2,778)**	(857)
Trade and other payables		**(22,077)**	(21,389)
Tax liabilities		**(623)**	(379)
Current provisions	9	**(439)**	(104)
		(25,917)	(22,729)
Non-current liabilities			
Loans and borrowings	8	**(900)**	(1,932)
Non-current provisions	9	**(215)**	(25)
Deferred tax liabilities		**(202)**	(311)
		(1,317)	(2,268)
Total liabilities		**(27,234)**	(24,997)
Net assets		**39,581**	36,842

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		**(2,341)**	(2,639)
Currency translation reserve		**1,389**	240
Retained earnings		**10,960**	9,668
Total equity		**39,581**	36,842

Consolidated Statement of Changes in Equity
For the year ended 30 November 2016

	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 2014	**3,559**	**16,043**	**9,971**	**(2,656)**	**351**	**9,177**	**36,445**
Profit for the year	-	-	-	-	-	406	406
Other comprehensive loss:							
Currency translation adjustment	-	-	-	-	(111)	-	(111)
Re-measurement loss on defined benefit pension scheme, net of tax	-	-	-	-	-	(36)	(36)
Total other comprehensive loss	-	-	-	-	(111)	(36)	(147)
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**(111)**	**370**	**259**
Credit in relation to share-based payments	-	-	-	-	-	125	125
Share scheme interests realised in the year	-	-	-	17	-	(4)	13
At 30 November 2015	**3,559**	**16,043**	**9,971**	**(2,639)**	**240**	**9,668**	**36,842**
Profit for the year	-	-	-	-	-	1,471	1,471
Other comprehensive income:							
Currency translation adjustment	-	-	-	-	1,149	-	1,149
Re-measurement gain on defined benefit pension scheme, net of tax	-	-	-	-	-	151	151
Total other comprehensive income	-	-	-	-	1,149	151	1,300
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**1,149**	**151**	**1,300**
Dividends paid	-	-	-	-	-	(163)	(163)
Credit in relation to share-based payments	-	-	-	-	-	131	131
Share scheme interests realised in the year	-	-	-	298	-	(298)	-
At 30 November 2016	**3,559**	**16,043**	**9,971**	**(2,341)**	**1,389**	**10,960**	**39,581**

Consolidated Cash Flow Statement
For the year ended 30 November 2016

	Note	**2016 £000**	2015 £000
Cash flows from operating activities			
Profit for the year		**1,471**	406
Income tax expense	4	**484**	106
Finance income		**(215)**	(225)
Finance costs		**351**	388
Depreciation and amortisation charge		**1,980**	1,885
Loss/(profit) on disposal of non-current assets		**80**	(43)
Government grant released to Income Statement		**-**	(146)
Unrealised currency translation (gains)/losses		**(275)**	46
Share-based payment charge		**131**	125
Operating cash flows before movement in working capital		**4,007**	2,542
Decrease in inventories		**642**	2,233
(Increase)/decrease in receivables		**(2,291)**	4,362
Increase/(decrease) in payables and provisions		**238**	(2,220)
Cash generated from operations		**2,596**	6,917
Tax received		**15**	78
Net cash from operating activities		**2,611**	6,995
Cash flows from investing activities			
Purchase of property, plant and equipment		**(350)**	(346)
Sale of property, plant and equipment		**-**	280
Capitalised development costs		**(337)**	(553)
Purchased software		**(44)**	(102)
Net cash used in investing activities		**(731)**	(721)
Cash flows from financing activities			
Repayment of borrowings		**(786)**	(727)
Share scheme interests realised in the year		**-**	13
Cash received from government grant		**-**	311
Interest paid		**(156)**	(181)
Dividends paid		**(163)**	-
Net cash used in financing activities		**(1,105)**	(584)
Effect of exchange rate changes on cash and cash equivalents		**323**	(49)
Net increase in cash and cash equivalents		**1,098**	5,641
Cash and cash equivalents at the beginning of the year		**3,224**	(2,417)
Cash and cash equivalents at the end of the year	7	**4,322**	3,224

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 IFRS as endorsed by the European Union ('adopted IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS. They have been prepared using the historical cost convention except where the measurement of balances at fair value is required.

Change in presentation – share based payments
During the year, the Group changed the presentation of the share-based payment charge. The charge is now shown within underlying operating expenses. Prior to this change, the Group presented the charge as a non-underlying item.

The Group believes the new presentation is now more appropriate as share-based payment transactions are considered to be part of the underlying trading performance of the Group.

The impact of this change on the consolidated financial statements is to reclassify the share-based payment charge from non-underlying items to underlying profit. This change did not result in a material impact on either the current year or prior year result. The impact on each line item of the Consolidated Income Statement and earnings per share is shown in the table below:

	2015		
	As reported £000	Adjustment £000	**Re-presented £000**
Consolidated income statement			
Profit from operations			
- Excluding non-underlying items	1,713	(125)	**1,588**
- Non-underlying items	(1,038)	125	**(913)**
Profit before tax			
- Excluding non-underlying items	1,550	(125)	**1,425**
- Non-underlying items	(1,038)	125	**(913)**
Underlying earnings per ordinary share			
Underlying basic earnings per ordinary share	8.0p	(0.7)p	**7.3p**
Underlying diluted earnings per ordinary share	8.0p	(0.8)p	**7.2p**

2 Segmental analysis

The Group's transport & infrastructure systems activities, previously split across the two different segments, have been more closely integrated under a single management team within the Systems division. Therefore, the transport & infrastructure systems activities previously included within Integration & Managed Services ('IMS') have been reallocated to Systems. Prior year comparatives have been re-presented accordingly.

Revenue	**2016 £000**	2015[1] £000
Systems	**48,281**	46,386
Integration & Managed Services	**23,290**	23,104
Total segmental revenue	**71,571**	69,490

Reconciliation to consolidated revenue:		
Intra-Group sales	**(658)**	(986)
	70,913	68,504

Underlying operating profit	2016 £000	2015[1] £000
Systems	**4,211**	2,886
Integration & Managed Services	**522**	597
Total segmental underlying operating profit	**4,733**	3,483
Reconciliation to consolidated underlying operating profit:		
Central costs	**(1,976)**	(1,895)
	2,757	1,588

[1] Re-presented for the change in presentation of the share-based payment charge, see note 1.

Underlying operating profit 2016	Underlying operating profit £000	Restructuring costs £000	Amortisation of acquired intangibles £000	Total profit from operations £000
Systems	**4,211**	(512)	-	3,699
Integration & Managed Services	**522**	(73)	-	449
Total segmental underlying operating profit	**4,733**	(585)	-	4,148
Reconciliation to consolidated underlying operating profit: Central costs	**(1,976)**	-	(81)	(2,057)
	2,757	(585)	(81)	2,091

3 Non-underlying items

	Note	2016 £000	2015[1] £000
Restructuring costs	a	**585**	806
Amortisation of acquired intangible assets		**81**	107
		666	913

[1] Re-presented for the change in presentation of the share-based payment charge, see note 1.

a The restructuring costs incurred during 2016 and 2015 each relate predominantly to severance costs arising from specific reviews of the cost base across certain areas of the business.

4 Taxation

Tax charge	2016 £000	2015 £000
Current taxation:		
UK tax	**5**	3
Overseas tax	**691**	295
Adjustments in respect of prior periods	**(62)**	(260)
Total current tax	**634**	38

Deferred taxation:		
Origination and reversal of temporary differences	**(115)**	(163)
Adjustments in respect of prior periods	**(35)**	231
Total deferred tax	**(150)**	68
Total tax charge for the year	**484**	106

4 **Taxation** continued

Reconciliation of tax charge for the year

The corporation tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015: 20.33%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	**1,955**	512
Tax on profit on ordinary activities before tax at standard rate of 20% (2015: 20.33%)	**391**	104
Effects of:		
Expenses not deductible for tax purposes	**105**	112
Net effect of different rates of tax in overseas businesses	**(283)**	(164)
Tax losses not recognised	**345**	83
Restatement of deferred tax balances for change in UK tax rate	**23**	-
Adjustment in respect of prior periods	**(97)**	(29)
Total tax charge for the year	**484**	106

The Group's tax rate is sensitive to a geographic mix of profits and reflects a combination of higher rates in certain jurisdictions, such as the US, lower rates in Singapore and Macau and a nil effective rate in the UK due to available tax losses. The Group's effective tax rate has been adversely impacted in 2016 and 2015 by tax losses that have not yet been recognised. Over the medium term, the effective tax rate is expected to decrease as the business continues to be profitable going forwards.

Deferred tax assets of £0.4 million (2015: £0.5 million) have been recognised in relation to legal entities which suffered a tax loss in the preceding periods. The assets are recognised based upon future taxable profit forecasts for the entities concerned.

The Group has further tax losses which may be available to be carried forward for offset against the future taxable profits of certain Group companies amounting to approximately £4.0 million (2015: £2.6 million). No deferred tax asset (2015: £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.

5 Dividends

The Directors recommend the payment of a final dividend of 2.0p per share (2015: 1.0p per share), totalling around £340,000. Subject to approval, this is expected to be paid on 5 May 2017 to shareholders registered on 31 March 2017. No interim dividend was paid (2015: nil per share).

6 Earnings per ordinary share

	2016 Pence per share	2015 Pence per share
Basic earnings per ordinary share	**9.0**	2.5
Diluted earnings per ordinary share	**8.8**	2.5
Underlying basic earnings per ordinary share[1]	**12.7**	7.3
Underlying diluted earnings per ordinary share[1]	**12.4**	7.2

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

	£000	£000
Earnings for basic and diluted earnings per share	**1,471**	406
Non-underlying items[1]	**666**	913
Impact of non-underlying items on tax charge for the year	**(60)**	(128)
Earnings for underlying basic and underlying diluted earnings per share[1]	**2,077**	1,191

[1] Re-presented for the change in presentation of the share-based payment charge, see note 1.

	000	000
Weighted average number of ordinary shares – basic calculation	**16,404**	16,370
Dilutive potential ordinary shares arising from share options	**338**	193
Weighted average number of ordinary shares – diluted calculation	**16,742**	16,563

7 Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	**5,848**	3,338

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following:

	2016 £000	2015 £000
Cash at bank and in hand	**5,848**	3,338
Bank overdraft	**(1,526)**	(114)
	4,322	3,224

8 Loans and borrowings

	2016			2015		
	Current £000	Non-current £000	Total £000	Current £000	Non-current £000	Total £000
Bank term loan facilities	**1,252**	**900**	**2,152**	743	1,932	2,675
Bank overdraft	**1,526**	**-**	**1,526**	114	-	114
Total	**2,778**	**900**	**3,678**	857	1,932	2,789

8 Loans and borrowings continued

The terms and debt repayment details of the loans and borrowings are as follows:

	Value drawn 000	Maturity	Interest rate	Security
€3.7 million term loan facility	€1,300	30 September 2017	EURIBOR +2.5%	Group assets
£1.5 million term loan facility	£1,050	26 November 2018	LIBOR +2.25%	Group assets
£8.0 million overdraft	£1,526	On demand	Base +2.5%	Group assets

During the year €0.8 million of the Euro, and £150,000 of the Sterling, bank loans were repaid.

9 Provisions

	Restructuring £000	Deferred and contingent consideration £000	Property £000	Total £000
At 1 December 2014	1,063	49	57	1,169
Utilised in year	(1,814)	-	(38)	(1,852)
Charge to Income Statement	806	-	6	812
At 30 November 2015	55	49	25	129
Utilised in year	(365)	(49)	-	(414)
Charge to Income Statement	585	-	354	939
At 30 November 2016	**275**	**-**	**379**	**654**

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

	2016 £000	2015 £000
Current	**439**	104
Non-current	**215**	25
	654	129

10 Company information

Full Financial Statements

The auditors have issued an unqualified opinion on the full financial statements for the year ended 30 November 2016 which will be distributed to shareholders and delivered to the Registrar of Companies in due course. The financial information for 2016 and 2015 does not comprise statutory financial statements. Statutory financial statements for the year ended 30 November 2015, on which the auditors gave an unqualified opinion, have been delivered to the Registrar of Companies. Further copies of these results, and the full financial statements when published, will be available at the Company's registered office: Synectics plc, Studley Point, 88 Birmingham Road, Studley, Warwickshire, B80 7AS and on the Company website at www.synecticsplc.com.

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.