Global Specialists in Integrated Security Systems

Synectics plc
Interim Report for the six months ended 31 May 2015

We design, deliver and manage integrated security and surveillance systems for the world's most demanding security environments

Innovating **Integrating** **Protecting**

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 system integration and command & 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.

We look to develop long-term strategic partnerships with our customers that have security and surveillance needs of sufficient complexity and scale that they value the sophistication of Synectics' capabilities and expertise.

In this report

Key Points

- Revenue £32.6 million (2014: £31.8 million)
- Underlying profit[1] £0.5 million (2014: underlying loss[1] £(2.5) million)
- Loss before tax £(0.1) million (2014: £(2.6) million)
- Underlying diluted EPS[1] 2.5p (2014: (10.8)p)
- Diluted basic EPS (0.6)p (2014: (11.5)p)
- Net debt at 31 May 2015 £2.8 million (30 November 2014: £6.1 million; 31 May 2014: £5.1 million)
- Order book £32.1 million (30 November 2014: £28.6 million; 31 May 2014: £32.9 million)
- Jakarta International Airport command & control system contract secured
- Major expansion contract for Singapore casino
- Synergy 3 deployed for Deutsche Bahn in Nuremberg main railway station

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

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

"Trading in the first half of this year was slightly better than expected and I am pleased with progress so far.

"We have made solid progress implementing the recovery plan and fixing the performance issues within our control. Although continuing market uncertainties have led to a reduction in our profit expectations for the full year, the first half result is a solid indication that we are addressing the right things and focussing our efforts on the areas of critical importance."

Introduction

Synectics' performance in the first half was slightly ahead of the Board's expectations, and represents solid progress in the profit recovery plan implemented last year. The improvement has come mainly from two areas: the benefit of the reduced cost base following the restructuring undertaken towards the end of last financial year, and the successful closing out of the previously reported large loss-making contract in the Integration & Managed Services division which, as a result, has returned to profitability.

Uncertainties in the underlying global market for Oil & Gas surveillance systems, Synectics' largest customer sector, have if anything increased, with delays by end users in existing projects and in the decision process for new investments still disrupting business across the industry. Against that challenging background, Synectics believes its relatively new core software and hardware product suite is helping it to gain market share, but the timing of new contracts and revenues has remained difficult to predict.

The market for Gaming surveillance has remained subdued in the US but relatively robust in Asia. Synectics' market profile continues to benefit from the momentum generated by its flagship Far East project won in 2013, and that momentum is expected to translate into some significant new project wins in the second half of this year and next year.

Elsewhere, transport and high-end infrastructure surveillance markets in the UK have remained relatively stable, and the Group's investment to expand these activities in the Far East has begun to produce results, such as the recent major contract for surveillance at Jakarta International Airport.

The increased market uncertainties referred to above, especially in the timing of major contract awards towards the end of our financial year, have led the Board to reduce its expectations for the Group's full year results, though the underlying result is still expected to be solidly profitable.

Results

Synectics' revenue for the first half grew marginally to £32.6 million, compared with £31.8 million in the same period last year. The Group recorded a consolidated underlying profit[2] of £0.5 million (2014: underlying loss[2] of £(2.5) million). After deducting £0.6 million for non-underlying items, mainly restructuring costs to reduce the Group's overhead base, the loss before tax was £(0.1) million (2014: £(2.6) million). The underlying diluted earnings per share[2] were 2.5p (2014: (10.8)p).

The Group's total firm order book at 31 May 2015 was £32.1 million (2014: £32.9 million), an increase of 12% from the opening position for this financial year.

As expected, the Group's cash position has improved significantly. Net debt at 31 May 2015 was £2.8 million (2014: £5.1 million), having been reduced from more than £6 million at the last year end.

2 Underlying profit/(loss) represents loss before tax and non-underlying items (which comprise restructuring costs, share-based payment charge and amortisation of acquired intangibles). Underlying earnings per ordinary share are based on loss after tax but before non-underlying items.

Dividend

The Board does not propose to pay an interim dividend (2014: nil).

Operating Review

Systems

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

£000	**Six months ended 31 May 2015**	Six months ended 31 May 2014	Year ended 30 November 2014
Revenue	**14,902**	15,601	31,876
Gross margin	**36.3%**	37.2%	38.9%
Operating profit[3]	**377**	168	1,031
Operating margin[3]	**2.5%**	1.1%	3.2%

3 Before non-underlying items and Group central costs.

After an extended period of growth, achieved on the back of innovative product and market development, Synectics' Systems division embarked in 2013 on a programme of root-and-branch reorganisation and investment to position the division to be able to generate and deliver further expansion over coming years in a fundamentally attractive market. That reorganisation and investment was completed during the first half of our 2014 financial year; as it happened, this was just as the global oil and gas market was entering an unforeseen major downturn.

Following the reorganisation, Systems now operates under a single functional management structure, with headquarters, sales/marketing, and technical development in Sheffield, operations at a new freehold site in Scunthorpe, and sales and operations support hubs in the US, Germany, Singapore and the UAE.

Management's recent challenge has been to react quickly to cut our coat to suit the new market cloth, while at the same time preserving the essential skills and facilities necessary both to sustain the valuable market positions Synectics has invested to create, and to take advantage of growth as it returns. The low positive operating margins delivered by the division in the half year to 31 May 2015, and in immediate prior periods, are a reflection of where that balance has been struck, and the Board is supportive of management's judgement in that regard.

Synectics' Synergy 3 core software product, launched last year, continues to be received positively by a growing number of new customers. Synergy 3 allows the same core command & control integration platform to manage surveillance systems from modest size up to the largest systems in the world. Examples of recent new deployments include integrated surveillance systems at Jakarta International Airport and for Deutsche Bahn Regional Railways in Nuremberg.

Synergy 3 is particularly well suited to very large-scale systems, such as are required by regulation in the gaming industry. In 2014 Synectics supplied and installed one of the largest single-site surveillance systems in the world for a customer in the Far East. This system has continued to perform well in a mission critical environment, and we received a major upgrade order in the first half of this year. Further new orders are expected from this customer and from new customers who have viewed the new Synectics system in operation.

The Systems division's current order book and pipeline of potential new business suggests that each of the three main customer sectors will perform more strongly in the second half. For this financial year as a whole, management are anticipating that the Oil & Gas and Critical Infrastructure sectors will produce percentage revenue growth well into double figures compared with the 2014 financial year, and that the Gaming sector will be roughly flat prior to further growth in 2016. Given current market conditions, however, those expectations remain subject to more than usual uncertainty as to timing.

Integration & Managed Services

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, transport, 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 help desk. The IMS division supplies proprietary products and technology from Synectics' Systems division as well as from third parties.

£000	**Six months ended 31 May 2015**	Six months ended 31 May 2014	Year ended 30 November 2014
Revenue	**18,222**	16,566	33,746
Gross margin	**24.6%**	15.5%	19.3%
Operating profit/(loss)[3]	**1,012**	(1,415)	(1,139)
Operating margin[3]	**5.6%**	(8.5)%	(3.4)%

3 Before non-underlying items and Group central costs.

The IMS division posted a good recovery in the first half, with all areas of activity producing improved results compared with the prior year.

The strongest result came from the transport sector, where sales volumes and margins both improved ahead of expectations. This was primarily a result of improved operational efficiencies on a large ongoing contract, and on a slightly more favourable market for new buses in the UK. A three-year service contract extension has been signed with a major UK bus operator, and a significant upgrade programme for another vehicle fleet was also secured.

Operating Review continued

Integration & Managed Services continued

The division has also established a growing presence in exported on-vehicle systems for buses in the Far East, winning a large contract for new vehicles in Hong Kong during the period.

The division suffered significantly last year from a large surveillance system integration project in the UK that incurred substantial losses. The resolution of this problem caused major disruption in the business as resources were diverted to address the issues and to deliver the end user customer's requirements. The contract was successfully completed and signed off in the first half with no further negative financial impacts beyond those provided for in last year's accounts. Our relationship with the customer remains positive. The Board is satisfied that robust measures have been put in place to help prevent any similar problem in the future.

Notable wins during the period include a large project for a UK high-security site, and a major expansion to the British Museum project we delivered last year.

Recent systems and organisational changes within the critical infrastructure and public space sectors should lead to continuing improvements in revenue levels and efficiencies. Synectics' IMS division is one of the UK's largest and most capable providers of security systems and services, and the Board is confident of further progress in the second half and beyond.

Research & Development

Group expenditure on technology development during the six-month period totalled £1.4 million (2014: £1.3 million) of which £0.3 million (2014: £0.6 million) was capitalised and the remainder expensed to profit and loss. £0.4 million of previously capitalised development was amortised in the period. These figures are included within the results of the Systems division.

During the first half the development team introduced significant enhancements and new features to our Synergy 3 command & control platform, with the release of Version 2 of the software which has already been implemented in Jakarta and Nuremberg.

A lightweight 'transport' version of Synergy 3 has also been created, specifically for use in offloading video footage and associated metadata from on-vehicle recording systems, to further strengthen the proprietary technology base of our Mobile business.

In addition, Synectics launched a new range of COEX™ camera stations, specifically engineered for hazardous environments, to stream high quality 1080p video signals in temperatures up to +70°C and as low as -55°C.

Outlook

After the substantial disruptions of the past year, Synectics' management team have done a creditable job in galvanising and focussing the organisation on the straightforward practical objectives of selling our products and services, and delivering them profitably. Our new Chief Executive is leading a review of the Group's strategy and objectives, and the initial results of that assessment will be available shortly after the end of the second half.

Synectics has cemented its recovery from last year and we are well positioned to return to our targeted levels of profitability once the oil and gas market background improves. The investment in 2013/14 to create additional capacity for the Systems division means that the business has increased levels of operational gearing, so sales volume increases, as and when they are achieved, will have a magnified effect on profits. We believe the right balance has been struck between cutting costs today and preserving long-term value.

For the moment, markets remain tougher than usual, particularly in our largest sector of oil and gas where we see few signs as yet of tangible market improvement. As noted above, these continuing market uncertainties are affecting the expected timing of award of new contracts, and mean that the risks against our prior forecasts have increased. The Board has therefore reduced its expectations for full year results, though we still anticipate solid underlying profitability and a continuing trend of improvement for the second half and for 2016.

David Coghlan
Chairman
21 July 2015

Financial Statements
Consolidated Income Statement
For the six months ended 31 May 2015

	Note	Unaudited six months ended 31 May 2015 £000	Unaudited six months ended 31 May 2014 £000	Year ended 30 November 2014 £000
Revenue	3	**32,554**	31,797	64,594
Cost of sales		**(22,669)**	(23,436)	(45,707)
Gross profit		**9,885**	8,361	18,887
Operating expenses		**(9,899)**	(10,920)	(22,444)
(Loss)/profit from operations				
– Excluding non-underlying items	3	**625**	(2,426)	(2,192)
– Non-underlying items	4	**(639)**	(133)	(1,365)
Total loss from operations		**(14)**	(2,559)	(3,557)
Finance income		**121**	121	246
Finance costs		**(241)**	(197)	(437)
(Loss)/profit before tax				
– Excluding non-underlying items		**505**	(2,502)	(2,383)
– Non-underlying items	4	**(639)**	(133)	(1,365)
Total loss before tax		**(134)**	(2,635)	(3,748)
Income tax credit	5	**36**	767	390
Loss for the period attributable to equity holders of the parent		**(98)**	(1,868)	(3,358)
Basic earnings per ordinary share	7	**(0.6)p**	(11.5)p	(20.6)p
Diluted earnings per ordinary share	7	**(0.6)p**	(11.5)p	(20.6)p
Underlying basic earnings per ordinary share	7	**2.5p**	(10.8)p	(14.0)p
Underlying diluted earnings per ordinary share	7	**2.5p**	(10.8)p	(14.0)p

Consolidated Statement of Comprehensive Income

For the six months ended 31 May 2015

	Unaudited six months ended 31 May 2015 £000	Unaudited six months ended 31 May 2014 £000	Year ended 30 November 2014 £000
Loss for the period	**(98)**	(1,868)	(3,358)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement gain on defined benefit pension scheme, net of tax	**–**	–	277
Effect of recognising the pension scheme surplus, net of tax	**–**	–	153
	–	–	430
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**242**	(130)	224
Losses on a hedge of a net investment taken to equity	**(283)**	–	–
	(41)	(130)	224
Total comprehensive income for the period attributable to equity holders of the parent	**(139)**	(1,998)	(2,704)

Financial Statements

Consolidated Statement of Financial Position

As at 31 May 2015

	Note	Unaudited 31 May 2015 £000	Unaudited 31 May 2014 £000	30 November 2014 £000
Non-current assets				
Property, plant and equipment		**3,393**	3,623	3,952
Intangible assets		**22,772**	22,869	23,357
Retirement benefit asset		**540**	–	540
		26,705	26,492	27,849
Current assets				
Inventories		**11,698**	10,798	12,624
Trade and other receivables		**21,138**	32,042	25,627
Tax assets		**488**	681	373
Cash and cash equivalents	10	**2,830**	1,527	1,349
		36,154	45,048	39,973
Non-current assets held for sale	11	**222**	–	–
Total assets		**63,081**	71,540	67,822
Current liabilities				
Loans and borrowings	9	**(3,550)**	(3,658)	(4,553)
Trade and other payables		**(20,381)**	(27,107)	(22,569)
Tax liabilities		**(105)**	–	(72)
Current provisions	8	**(463)**	(148)	(1,147)
		(24,499)	(30,913)	(28,341)
Non-current liabilities				
Loans and borrowings	9	**(2,056)**	(2,983)	(2,872)
Non-current provisions	8	**(25)**	(85)	(22)
Deferred tax liabilities		**(145)**	(463)	(142)
		(2,226)	(3,531)	(3,036)
Total liabilities		**(26,725)**	(34,444)	(31,377)
Net assets		**36,356**	37,096	36,445
Equity attributable to equity holders of the Parent Company				
Called up share capital		**3,559**	3,559	3,559
Share premium account		**16,043**	16,043	16,043
Merger reserve		**9,971**	9,971	9,971
Other reserves		**(2,656)**	(2,656)	(2,656)
Currency translation reserve		**310**	(3)	351
Retained earnings		**9,129**	10,182	9,177
Total equity		**36,356**	37,096	36,445

Consolidated Statement of Changes in Equity

For the six months ended 31 May 2015

	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 2013	3,539	15,765	9,971	(2,797)	127	12,937	39,542
Loss for the period	–	–	–	–	–	(1,868)	(1,868)
Other comprehensive income							
Currency translation adjustment	–	–	–	–	(130)	–	(130)
Total other comprehensive loss	–	–	–	–	(130)	–	(130)
Total comprehensive income/ (loss) for the period							
Dividends paid	–	–	–	–	–	(928)	(928)
Credit in relation to share-based payments	–	–	–	–	–	72	72
Issue of ordinary shares	20	278	–	–	–	–	298
Share scheme interests realised in the period	–	–	–	141	–	(31)	110
At 31 May 2014	3,559	16,043	9,971	(2,656)	(3)	10,182	37,096
Loss for the period	–	–	–	–	–	(1,490)	(1,490)
Other comprehensive income							
Currency translation adjustment	–	–	–	–	354	–	354
Re-measurement gain on defined benefit pension scheme, net of tax	–	–	–	–	–	430	430
Total other comprehensive income	–	–	–	–	354	430	784
Total comprehensive income for the period							
Credit in relation to share-based payments	–	–	–	–	–	55	55
At 30 November 2014	3,559	16,043	9,971	(2,656)	351	9,177	36,445
Loss for the period	–	–	–	–	–	(98)	(98)
Other comprehensive loss							
Currency translation adjustment	–	–	–	–	(41)	–	(41)
Total other comprehensive loss	–	–	–	–	(41)	–	(41)
Total comprehensive income for the period							
Credit in relation to share-based payments	–	–	–	–	–	50	50
At 31 May 2015	**3,559**	**16,043**	**9,971**	**(2,656)**	**310**	**9,129**	**36,356**

Consolidated Cash Flow Statement

For the six months ended 31 May 2015

	Note	Unaudited six months ended 31 May 2015 £000	Unaudited six months ended 31 May 2014 £000	Year ended 30 November 2014 £000
Cash flows from operating activities				
Loss for the period		**(98)**	(1,868)	(3,358)
Income tax credit		**(36)**	(767)	(390)
Finance income		**(121)**	(121)	(246)
Finance costs		**241**	197	437
Depreciation and amortisation charge		**896**	726	1,515
Profit on disposal of non-current assets		**–**	–	38
Government grant recognised in income		**(146)**	–	–
Share-based payments charge		**50**	72	127
Operating cash flows before movement in working capital		**786**	(1,761)	(1,877)
Decrease/(increase) in inventories		**926**	(1,063)	(2,889)
Decrease/(increase) in receivables		**4,517**	(4,347)	2,068
(Decrease)/increase in payables		**(2,869)**	4,527	925
Cash generated from/(used in) operations		**3,360**	(2,644)	(1,773)
Interest received		**1**	5	1
Tax paid		**(30)**	(1,032)	(1,426)
Net cash from/(used in) operating activities		**3,331**	(3,671)	(3,198)
Cash flows from investing activities				
Purchase of property, plant and equipment		**(161)**	(1,353)	(2,021)
Income from government grant		**311**	–	–
Capitalised development costs		**(288)**	(602)	(1,361)
Purchased software		**(15)**	(72)	(240)
Net cash used in investing activities		**(153)**	(2,027)	(3,622)
Cash flows from financing activities				
Repayment of borrowings		**(652)**	(732)	(804)
Share scheme interests realised in the year		**–**	110	110
Issue of shares		**–**	298	298
Interest paid		**(121)**	(81)	(192)
Dividends paid		**–**	(928)	(928)
Net cash used in financing activities		**(773)**	(1,333)	(1,516)
Effect of exchange rate changes on cash and cash equivalents		**21**	(73)	145
Net increase/(decrease) in cash and cash equivalents		**2,426**	(7,104)	(8,191)
Cash and cash equivalents at the beginning of the period		**(2,417)**	5,774	5,774
Cash and cash equivalents at the end of the period	10	**9**	(1,330)	(2,417)

1. General information

These consolidated interim financial statements were approved by the Board of Directors on 21 July 2015.

2. Basis of preparation

These consolidated interim financial statements of the Group are for the six months ended 31 May 2015.

The comparative figures for the financial year ended 30 November 2014 are not the Group's statutory accounts for that financial year. Those statutory accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and (iii) did not contain a statement under Section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 November 2014.

The condensed consolidated interim financial statements for the six months to 31 May 2015 have not been audited or reviewed by an auditor pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

The condensed consolidated interim financial statements for the six months to 31 May 2015 have been prepared on the basis of the accounting policies expected to be adopted for the year ending 30 November 2015. These are anticipated to be consistent with those set out in the Group's latest annual financial statements for the year ended 30 November 2014. These accounting policies are drawn up in accordance with adopted International Accounting Standards ('IAS') and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and adopted by the EU.

Significant accounting policies

AIM-listed companies are not required to comply with IAS 34 Interim Financial Reporting and accordingly the Company has taken advantage of this exemption.

3. Segmental analysis

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the Chief Executive as he is primarily responsible for the allocation of resources to the segments and the assessment of the performance of each of the segments. Segment information is presented in respect of the Group's strategic operating segments.

The CODM uses underlying operating profit, as reviewed at monthly business review meetings, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the period under evaluation. Underlying operating profit is a consistent measure within the Group.

Revenue	**Unaudited six months ended 31 May 2015 £000**	Unaudited six months ended 31 May 2014 £000	Year ended 30 November 2014 £000
Systems	**14,902**	15,601	31,876
Integration & Managed Services	**18,222**	16,566	33,746
Total segmental revenue	**33,124**	32,167	65,622
Reconciliation to consolidated revenue:			
Intra-Group sales	**(570)**	(370)	(1,028)
	32,554	31,797	64,594

3. Segmental analysis continued

Underlying operating profit/(loss)	Unaudited six months ended 31 May 2015 £000	Unaudited six months ended 31 May 2014 £000	Year ended 30 November 2014 £000
Systems	**377**	168	1,031
Integration & Managed Services	**1,012**	(1,415)	(1,139)
Total segmental underlying operating profit/(loss)	**1,389**	(1,247)	(108)
Reconciliation to consolidated underlying operating profit/(loss):			
Central costs	**(764)**	(1,179)	(2,084)
	625	(2,426)	(2,192)

Underlying operating profit/(loss) from operations is reconciled to total (loss)/profit from operations as follows:

	Unaudited six months ended 31 May 2015 £000	Unaudited six months ended 31 May 2014 £000	Year ended 30 November 2014 £000
Underlying operating profit/(loss)	**625**	(2,426)	(2,192)
Non-underlying items (note 4)	**(639)**	(133)	(1,365)
	(14)	(2,559)	(3,557)

4. Non-underlying items

	Unaudited six months ended 31 May 2015 £000	Unaudited six months ended 31 May 2014 £000	Year ended 30 November 2014 £000
Restructuring costs	**535**	–	1,120
Share-based payment charge	**50**	72	127
Amortisation of acquired intangible assets	**54**	61	118
	639	133	1,365

The restructuring costs incurred during the period ending 31 May 2015 and the year ending 30 November 2014 relate predominantly to severance costs arising from a review of the Group’s cost base.

5. Income tax credit

The income tax credit for the period is based on the estimated rate of corporation tax that is likely to be effective for the year to 30 November 2015.

6. Dividends

The Board does not propose to pay an interim dividend.

7. Earnings per share

Earnings per ordinary share are as follows:

	Unaudited six months ended 31 May 2015 pence per share	Unaudited six months ended 31 May 2014 pence per share	Year ended 30 November 2014 pence per share
Basic earnings per share			
– Underlying	**2.5**	(10.8)	(14.0)
– Basic	**(0.6)**	(11.5)	(20.6)
Diluted earnings per share[4]			
– Underlying	**2.5**	(10.8)	(14.0)
– Basic	**(0.6)**	(11.5)	(20.6)

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

	£000	£000	£000
Earnings for basic and diluted earnings per share	**(98)**	(1,868)	(3,358)
Non-underlying items	**639**	133	1,365
Impact of non-underlying items on tax charge for the period	**(128)**	(22)	(295)
Earnings for underlying basic and underlying diluted earnings per share	**413**	(1,757)	(2,288)

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Weighted average number of ordinary shares – basic calculation	**16,367**	16,268	16,320
Dilutive potential ordinary shares arising from share options[4]	**68**	–	–
Weighted average number of ordinary shares – diluted calculation	**16,435**	16,268	16,320

4 Under IFRS no allowance is made for the dilutive impact of share options which reduce a loss. The basic and diluted EPS measures are therefore the same for the six months ended 31 May 2015 and 31 May 2014. For the period ending 31 May 2015, the underlying result was a profit and therefore diluted underlying EPS has been calculated for this period.

8. Provisions

	Deferred and contingent consideration £000	Restructuring £000	Property £000	Total £000
At 1 December 2014	49	1,063	57	1,169
Utilised in the period	–	(1,184)	(32)	(1,216)
Charge to Income Statement	–	535	–	535
At 31 May 2015	**49**	**414**	**25**	**488**

The Group has certain properties where the Directors believe that dilapidation costs may be incurred and therefore appropriate cost provisions have been made. It is anticipated that the property cost provision carried forward at 31 May 2015 will be utilised within four years. The restructuring provision at both 31 May 2015 and 30 November 2014 relates to severance costs incurred and is expected to be utilised during the year.

9. Overdraft and borrowings

	Unaudited six months ended 31 May 2015 £000	Unaudited six months ended 31 May 2014 £000	Year ended 30 November 2014 £000
Bank term loan facilities	2,785	3,786	3,659
Bank overdraft	2,821	2,855	3,766
	5,606	6,641	7,425

10. Cash and cash equivalents

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

	Unaudited six months ended 31 May 2015 £000	Unaudited six months ended 31 May 2014 £000	Year ended 30 November 2014 £000
Cash at bank and in hand	2,830	1,527	1,349
Bank overdraft	(2,821)	(2,855)	(3,766)
	9	(1,328)	(2,417)

11. Non-current asset held for sale

	Unaudited six months ended 31 May 2015 £000	Unaudited six months ended 31 May 2014 £000	Year ended 30 November 2014 £000
Property, plant and equipment	222	–	–
	222	–	–

The non-current asset held for sale at the period end related to the Group's freehold property at Brigg, the sale of which completed after the period end.

12. Copies of this statement will be sent to shareholders and will be available on the Group's website (www.synecticsplc.com) and from Synectics plc, Studley Point, 88 Birmingham Road, Studley, Warwickshire B80 7AS.

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