22 February 2022

SYNECTICS

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

Final Results for the year ended 30 November 2021

Synectics plc (AIM: SNX), a leader in the design, integration and support of advanced security and surveillance systems, reports its unaudited final results for the year ended 30 November 2021.

Headlines

- Revenue: £43.6 million (2020: £44.6 million)
- Significant improvement in underlying losses[1] to £(0.6) million (2020: £(4.1) million)
- Loss before tax: £(0.6) million (2020: £(6.3) million)
- Fully diluted EPS: (2.8)p (2020: (27.7)p)
- Net cash at 30 November 2021: £4.6 million (2020: £6.9 million) with no bank debt[2] and undrawn facilities of £3.0 million
- Company returned to profit in the second half, as expected, on a restructured cost base
- Order book at 30 November 2021: £28.4 million (2020: £25.4 million)
- Recommended final dividend of 1.5p per share, in recognition of profitable H2 and strong balance sheet

[1] Underlying (loss) represents (loss) before tax and non-underlying items; see note 4 for further details.

[2] Excluding IFRS 16 lease liabilities

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

"*The second half of the year saw the Company return to profit, on a restructured cost base, delivering a significant reduction in losses. The Board is confident that the Company's excellent customer relationships in attractive markets, coupled with its talented and committed teams, provide sound foundations for a strong recovery and sustained growth.*"

For further information, please contact:

Synectics plc	Tel: +44 (0) 114 280 2828
David Coghlan, Chairman Paul Webb, Chief Executive David Bedford, Finance Director email: info@synecticsplc.com	www.synecticsplc.com
Shore Capital Tom Griffiths / David Coaten	Tel: +44 (0) 20 7408 4050
Media enquiries: Intelligent Conversation Claire Evans email: claire@weareic.com	Tel: +44 (0) 161 694 3979

Chairman's Statement

Overview

The period under review encompassed Synectics' second year, and first full financial year, since the global COVID-19 environment came to dominate business life from March 2020. Against that background, Synectics produced resilient financial and strategic progress in the year ended 30 November 2021, consistent with the objectives agreed by the Board.

The financial objective for the year was to protect the value of the Company by restoring profitability without damaging the growth potential inherent in Synectics' technology and market positions. I am pleased to report that this objective was achieved, with profitability restored in the second half and both of the Group's operating divisions effecting substantial turnarounds to produce positive operating profits for the year as a whole.

After nearly two years, it is time to move on from a discussion of the pandemic as a critical element in current business performance and to concentrate on progress in the execution and delivery of Synectics' growth plans. It is nevertheless worth highlighting the ability of Synectics to drive financial growth, as this is easily forgotten given the impact of the pandemic. In the five financial years 2015 – 2019 inclusive, Synectics' core technology Systems Division grew its annual revenue from £32.7 million to £40.5 million, and its underlying profits from £1.3 million to £4.7 million. In the year just ended, the corresponding comparable figures were revenue of £20.7 million (2020: £23.6 million) and profit of £0.1 million (2020: £(1.8) million), with the dramatic decline largely driven by the closure, or collapse in business levels, of most major casinos and gaming resorts in Asia and North America. The recovery of these markets has begun in North America, albeit still gradually, and should follow in Asia once leisure travel in the region resumes. Nothing structural has changed in Synectics' market opportunities and competitive position to suggest that the Systems Division cannot regain its 2019 result levels, and considerably more.

Strategically, Synectics has continued to strengthen its position in the large transport and infrastructure segment of the market, particularly for Safe City applications. During the year, the security management project for the S-Bahn in Berlin on behalf of Deutsche Bahn moved from development to the delivery and long-term service phase, complementing the Company's position with government-owned BVG for Berlin's underground and main transport hub. Similar sizeable projects were won with the City of London Corporation and Police, and with the West Midlands Police, for wide-scale integration of security management in those jurisdictions. Collectively, these deployments represent impressive reference sites for Synectics' latest technology.

Strategy

Synectics' primary strategy remains to develop and capitalise on market-leading positions within relevant sectors of the global surveillance and security market where customers value high-performance, sector-specific capability. The Company achieves cost competitiveness and scalability in these markets by maintaining a standard modular core software platform which supports solutions tailored as required for specific sectors and customers.

Significant technology development investment is focused on expanding the range of capabilities of the Company's core Synergy platform, delivered in traditional, Cloud-based or hybrid architectures, to enable end-to-end control of the overall surveillance function and resources in complex operations. To customers whose other options would largely be based on bespoke development, the Synectics alternative offers the flexibility and power they need, but at lower cost and with substantially reduced implementation risk.

In the immediate term, the Board is committed to ensuring that the Company makes rapid progress in creating value through its well invested software technology base, powerful customer reference sites and strong balance sheet. We will achieve this through:

(i) improved gross and net margins from both the increasing proportion of software in the revenue mix and the benefits of substantial operational gearing as revenues grow back to pre-pandemic levels and beyond;

(ii) continued investment in the Systems Division sales and marketing resource, with a focus on delivery of ambitious sales results; and

(iii) the benefits of Synectics having transitioned during FY 2020 from an organisation of semi-autonomous sector-focused activities into two complementary single-business divisions with greater sales and operating efficiency and lower overhead costs.

The results of this commitment should be judged by growth in the Group's consolidated revenues, margins and return on capital employed over FY 2022 and subsequent years.

As Synectics' markets recover to more normal levels of activity, the Board believes that it is appropriate to increase engagement with current and potential shareholders. This process has now begun, with the objective of raising and clarifying the Company's profile with both investors and other market participants.

Results

For the year to 30 November 2021, Synectics' consolidated revenue was £43.6 million (2020: £44.6 million), reflecting a full financial year of the impact of COVID-19. The underlying loss before tax[1] improved significantly to £(0.6) million (2020: £(4.1) million), primarily as a result of cost reductions from the restructuring implemented in 2020, and a recovery of revenues in the Company's Security Division. This figure comprised an underlying loss before tax of £(0.8) million in the first half, and an underlying profit before tax of £0.2 million in the second half.

There were no material non-underlying costs incurred during the year, so the loss before tax was also £(0.6) million (2020: £(6.3) million). The diluted loss per share was (2.8)p (2020: (27.7)p).

The tax credit in the year was £0.1 million (2020: £1.6 million) consisting largely of the recognition of tax losses incurred in the year.

The impact on these results of foreign exchange movements during the year was not material. Net cash at 30 November 2021 was £4.6 million[2] (2020: £6.9 million). The Company has no bank debt (2020: £nil) and available undrawn facilities of £3.0 million (2020: £3.0 million). The 2020 net cash number was flattered by the timing of working capital movements.

The consolidated firm order book at 30 November 2021 was £28.4 million (2020: £25.4 million) around two-thirds of which is expected to be traded in FY 2022 with the balance largely long-term service and support contracts. Service and support revenue now accounts for approximately one third of Group revenue.

[1] Underlying (loss)/profit represents (loss)/profit before tax and non-underlying items; see note 4 for further detail.

[2] Excluding IFRS 16 lease liabilities

Dividend

Given the Company's return to profitability in the second half of the year ended 30 November 2021, its strong balance sheet and as a mark of our confidence in Synectics' future, the Board is recommending the payment of a final dividend of 1.5p per share subject to shareholders' approval at the Company's Annual General Meeting due to be held on 20 April 2022. If approved, the dividend will be payable on 6 May 2022 to shareholders on the register as at 8 April 2022.

The Board does not intend to declare an interim dividend during this financial year ending 30 November 2022 but, so long as it remains prudent to do so, we expect to recommend payment of a final dividend in respect of the full financial year.

Business review

Synectics' business is to provide integrated electronic surveillance systems and services to specialist markets. Our solutions are based on core proprietary technology, in particular systems integration and high-end 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 2021, the Group consolidated the organisation and management structure changes implemented in 2020, delivering the cost savings (compared to 2019) of £2.4 million per year estimated in last year's annual report, without diminishing Synectics' capacity for growth and continued technical innovation as markets recover.

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 gaming, transport, critical infrastructure, public space, and oil & gas applications.

Revenue	£20.7 million (2020: £23.6 million; 2019: £40.5 million)
Gross margin	46.4% (2020: 40.8%; 2019: 42.0%)
Operating profit/(loss)[3]	£0.1 million (2020: £(1.8) million; 2019: £4.7 million)
Operating margin	0.3% (2020: (7.5)%; 2019: 11.6%)

The Systems Division completed its first full year as a single, global business with bases in the UK, Europe, North America and Asia. The division is now structured to provide more efficient and more scalable operations, rather than the historical sector-based, multi-business structure.

After four years of solid organic revenue and underlying profits growth to 30 November 2019, as set out above, the Systems Division was substantially affected by the pandemic during FY 2020. This remained the case in FY 2021, particularly in its largest sector, global casinos and gaming resorts, where its customers' businesses remained effectively shut down for most of the year. The picture began to improve in North America during the Company's fourth financial quarter, as domestic US and Canadian travel started to pick up again, though market recovery was further postponed in Asia.

[3] After research and development expenditure, but before non-underlying costs (see note 4) and Group central costs.

Outside gaming, the high security and public space sectors held up relatively well, while the oil & gas sector remained subdued with some signs of improvement as the year ended.

During the year, gross margins moved ahead quite considerably, reflecting savings in direct costs as well as an increase of software in the revenue mix, as planned. The progressive increase of software as a proportion of the division's revenue means that gross margins should remain strong going forward.

Europe, Middle East and Africa (Revenue £12.0 million (2020: £13.6 million; 2019: £15.7 million))

Revenues in EMEA continued at approximately the same level as in the second half of FY2020.

Substantial progress was achieved on large strategic projects incorporating the new generation of Synectics' Synergy software platform, including the launch of Cloud deployment. As previously announced, major orders were received from the City of London Corporation and City of London Police for their joint Safe City programme, as well as from West Midlands Police consolidating their unified regional security control capability.

Development and deployment of the Company's major Deutsche Bahn project for the Berlin S-Bahn progressed well, and will continue throughout 2022, to include a number of enhancements and additional features identified during the course of the project. The eight-year service and support phase of this contract will commence on 1 March 2022.

These projects constitute a powerful reference portfolio for further growth of Synectics' position at the forefront of operational control systems for Safe City programmes.

Other highlights include:

- transport systems for Irish rail and bus;
- new systems and expansions of existing solutions for a number of London boroughs and local authorities across the UK;
- further work for Irish prisons;
- various upgrade and supply orders for certain existing oil & gas customers in the UK and Middle East; and
- upgrades to the latest version of Synergy and new software support contracts for a number of customers across various end markets, as they recognise the value of keeping their systems updated and taking advantage of the new features that are continuously being added to the software platform, as described below.

North America (Revenue £4.0 million (2020: £2.4 million; 2019: £7.2 million))

After a dearth of new orders in 2020, the tentative emerging recovery of the North American casino and gaming markets in Q4 FY21 resulted in increased revenue in FY2021, though still to a relatively low level compared to historical results.

A number of substantial projects for new customers in the US and Canada were secured late in the second half, including that recently announced for Fallsview Niagara, the largest gaming resort in Canada, as well as increased repeat orders from existing gaming customers.

In addition, notable in the year, as previously announced, was a large order received from a new oil & gas customer in Mexico, PEMEX (Petróleos Mexicanos) as well as smaller orders from several other new oil & gas customers in the region.

Plans for the expansion of sales to North America of Synectics' latest Synergy technology for the wider transport, infrastructure and Safe City markets were, for obvious reasons, put on hold for 2021, but will be re-evaluated in the current financial year.

Asia Pacific (Revenue £4.7 million (2020: £7.7 million; 2019: £17.7 million))

Synectics' performance in the Asia Pacific region in 2021 remained heavily impacted by the closure of most of the gaming market during the year and low levels of activity in other sectors.

In gaming, despite the market closure, the Company was pleased to receive several new security upgrade and spares orders from two important existing customers.

A number of new oil & gas customers in the region placed orders with Synectics, particularly for projects on- and offshore Australia, and the Company was able to welcome a new government defence customer.

Technology development

During the 2021 financial year, Synectics spent a total of £3.4 million on technology development (2020: £4.0 million). Of this, £0.6 million was capitalised (2020: £0.8 million), and the remainder expensed to the Income Statement. £0.9 million (2020: £0.4 million) of previously capitalised development costs were amortised in the year.

Continued investment in the Company's intellectual property and technology base remains an important priority for the Group and development expenditure in 2022 is expected to return to approximately 2020 levels.

During the year, the Company made significant progress in developing the core, underlying capabilities of its fourth-generation Synergy platform to cater for the most demanding security applications – allowing hundreds of simultaneous operators to handle hundreds of thousands of events and video channels without compromising system performance.

Numerous extensions and improvements to the product suite included:

- modularised Synergy software suite, with improved scalability and reliability and allowing customers to enhance core platform features and functions through a series of add-on modules and capabilities;
- enhanced Cloud capability, offering full end-to-end deployment of Synergy and our recording platforms in the Cloud, using efficient, highly redundant Cloud-native storage whilst retaining the performance expected of traditional solutions;
- enhanced cyber security features, including an innovative, built in "cyber-checking" tool which highlights potential weaknesses in system configurations and prompts recommended actions;
- a new, dynamic mapping engine supporting a range of map formats, now displaying both clustered and moving objects;
- a variety of new integrations to support leading third-party products and systems, including location tracking services;
- ultra-dense storage platforms supporting very large systems and increased 4K camera resolution; and
- extended COEX camera range with new entry-level models in response to market demand.

Security division

Synectics' Security Division is a leading UK provider in the design, integration, monitoring, and management of large-scale electronic security systems for critical and regulated environments. Its main markets are in critical infrastructure, transport, and public space. Its capabilities include UK Government security-cleared personnel and facilities, nationwide project delivery and service support, and an in-house 24-hour monitoring centre and helpdesk. Synectics Security supplies proprietary products and technology from Synectics' Systems Division as well as outside partners, and also provides highly-regarded security monitoring and facilities management services.

Revenue	£25.0 million (2020: £21.8 million; 2019: £28.6 million)
Gross margin	24.1% (2020: 24.6%; 2019: 21.9%)
Operating profit/(loss)[4]	£0.9 million (2020: £(0.4) million; 2019: £0.0 million)
Operating margin	3.7% (2020: (1.8)%; 2019: (0.1)%)

The major consolidation of the operations of Synectics' Security Division was completed during FY2020. This reorganisation has borne fruit with the delivery of 15% revenue growth on a comparable basis, and a significant turnaround of operating results from a loss of £(0.4) million to an on-budget profit of £0.9 million in FY2021, with clear ongoing momentum. Although there is still more to be done in the current year and beyond to raise operating margins to our target levels of 6%-8%, this very satisfactory outcome is a tribute to the divisional management's handling of a complex challenge.

During last year, Synectics Security participated with the Company's Systems Division as its integration partner for delivery of the large and important new Synergy projects referred to above for each of the City of London and West Midlands Police, as well as for the Irish rail and bus market.

Other highlights during the year included:

- a large order for protecting diplomatic premises in London;
- a recovery in orders from the UK on-vehicle market;
- an upgrade to the security system of a major sporting venue;
- new and expanded systems for a number of London boroughs and local authorities across the UK;
- upgrades for a defence customer; and
- upgrades for a major utility generation customer.

Synectics Security, as now constituted, has excellent partnerships across the security solutions portfolio. These enable the team to develop Synectics Security beyond its traditional heartlands in public space and transport into new opportunities that utilise its experience in complex, critical and highly regulated environments. As noted in last year's annual report, the Company increasingly sees opportunities in more inter-connected urban infrastructures where there is a growing alignment between transportation and large-scale security and surveillance operations. Approaching these converged opportunities with the right partners will help the Company to continue to reshape the business over the next few years.

In addition to Synectics Security, the Security Division also includes our managed services business, SSS. During the year, this business secured a contract renewal with its largest retail customer for a further two years plus one-year option, as well as winning one new multi-site customer. Despite the negative impact of the pandemic on a number of its customers, the business produced a profitable trading result compared to a loss in the preceding year.

People

I would like once again to pay tribute to the skills, commitment and goodwill of Synectics' people through another exceptionally difficult period. On behalf of the Board and the Company's shareholders, I pass on our sincere thanks.

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

During 2021, considerable effort was directed by the Board and the senior management team towards reasserting and re-articulating the Company's core values, and in visibly strengthening the importance attributed to behaviours consistent with the Company's long-maintained culture of absolute focus on customer needs, integrity and the mutual support of colleagues. These values have underpinned Synectics' growth from its foundation more than 30 years ago, and are an essential part of what the Company is. The Board is clear that long term financial success will flow from resolutely maintaining these values.

As another measure of the direct impact of our people on the business, for the sixth year running, the Company's independently assessed metric of overall customer satisfaction has risen. The Board attaches significant importance to the results of this annual survey as a leading indicator of the Group's performance, long-term success and sustainability.

Outlook

Synectics' recovery in results in H2 2021 was primarily driven by restructuring efficiencies and cost saving measures undertaken in the preceding financial year. Further progress this year will come from organic growth in revenue and gross margins.

The degree to which this objective will be aided in 2022 by the general macroeconomic recovery as pandemic restrictions are lifted is still uncertain, as is the timing. Nevertheless, the Group's growing order book, pipeline of expected new business and the emerging opportunities in our markets underpin some ambitious internal plans for this financial year and next. Based on this, the Board is confident that Synectics' trajectory of revenue growth in the Systems Division will resume in the current financial year, though timing does remain uncertain and is likely to be second half weighted. The revenue growth delivered by the newly-formed Security Division in 2021 is expected to continue at approximately the same rate in the current year.

Although Synectics has not been immune from the well-documented supply chain pressures affecting the electronics industry globally, these challenges have not had a material impact on its trading to date, and are not expected to do so in the current year. Likewise, cost inflation experienced by the Group has been increasing, but the impact on gross margins has been more than offset by efficiencies and improvements in the mix of higher value-added software revenue; this trend is also expected to continue through 2022.

The underlying global market for sophisticated, software-led security systems is fundamentally attractive, with solid long term growth prospects. The Board believes that Synectics is a financially sound group, supported by significant intellectual property and well positioned to capitalise on its established market positions as the post-COVID recovery continues.

David Coghlan
Chairman

21 February 2022

Consolidated income statement

For the year ended 30 November 2021

	Note	**Unaudited 2021** Before non-underlying items £000	**Unaudited 2021** Non-underlying items[1] (note [4]) £000	**Unaudited 2021** Total £000	Audited 2020 Before non-underlying items £000	Audited 2020 Non-underlying items[1] (note [4]) £000	Audited 2020 Total £000
Revenue	3	**43,595**	**-**	**43,595**	44,648	–	44,648
Cost of sales excluding other income		**(27,993)**	**-**	**(27,993)**	(30,054)	–	(30,054)
Other income[2]		**1**	**-**	**1**	416	–	416
Cost of sales		**(27,992)**	**-**	**(27,992)**	(29,638)	–	(29,638)
Gross profit		**15,603**	**-**	**15,603**	15,010	–	15,010
Operating expenses		**(16,464)**	**-**	**(16,464)**	(19,857)	(2,181)	(22,038)
Other income[2]		**387**	**-**	**387**	880	–	880
Loss from operations		**(474)**	**-**	**(474)**	(3,967)	(2,181)	(6,148)
Finance income		**-**	**-**	**-**	124	–	124
Finance costs		**(121)**		**(121)**	(263)	–	(263)
Loss before tax		**(595)**	**-**	**(595)**	(4,106)	(2,181)	(6,287)
Income tax credit	5	**116**	**-**	**116**	1,199	417	1,616
Loss for the year attributable to equity holders of the Parent		**(479)**	**-**	**(479)**	(2,907)	(1,764)	(4,671)
Basic loss per share	7			**(2.8)p**			(27.7)p
Diluted loss per share	7			(2.8)p			(27.7)p

1. Underlying (loss)/profit represents (loss)/profit before tax and non-underlying items; see note 4 for further detail. Underlying earnings per share are based on (loss)/profit after tax but before non-underlying items.
2. Other income represents government grant income received in relation to Covid-19.

Consolidated statement of comprehensive income

For the year ended 30 November 2021

	Unaudited 2021 £000	Audited 2020 £000
Loss for the year	**(479)**	(4,671)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement (loss)/gain on defined benefit pension scheme, net of tax	**(1,073)**	492
	(1,073)	492
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	37	39
Gains/(losses) on a hedge of a net investment taken to equity	(184)	160
	(147)	199
Total comprehensive loss for the year attributable to equity holders of the Parent	**(1,699)**	**(3,980)**

Consolidated statement of financial position

As at 30 November 2021

	Note	Unaudited 2021 £000	Audited 2020 £000
Non-current assets			
Property, plant and equipment		**4,981**	5,243
Intangible assets		**21,728**	22,155
Retirement benefit asset		**-**	1,325
Deferred tax assets		**2,452**	1,864
		29,161	30,587
Current assets			
Inventories		**3,936**	4,661
Trade and other receivables		**11,156**	9,013
Contract assets	3	**5,244**	8,185
Tax assets		**-**	505
Cash and cash equivalents	8	**4,641**	6,864
		24,977	29,228
Total assets		**54,138**	59,815
Current liabilities			
Trade and other payables		**(10,902)**	(12,839)
Contract liabilities	3	**(3,096)**	(4,295)
Lease liabilities		**(816)**	(870)
Tax liabilities		**-**	(63)
Current provisions	9	**(487)**	(1,621)
		(15,301)	(19,688)
Non-current liabilities			
Non-current provisions	9	**(921)**	(575)
Lease liabilities		**(2,023)**	(1,920)
Deferred tax liabilities		**(549)**	(601)
		(3,493)	(3,096)
Total liabilities		**(18,794)**	(22,784)
Net assets		**35,344**	37,031
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)**	(1,448)
Currency translation reserve		**772**	919
Retained earnings		**6,435**	7,987
Total equity		**35,344**	37,031

Consolidated statement of changes in equity

For the year ended 30 November 2021

	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 2019	3,559	16,043	9,971	(1,499)	720	12,167	40,961
Loss for the year	–	–	–	–	–	(4,671)	(4,671)
Other comprehensive income							
Currency translation adjustment	–	–	–	–	199	–	199
Remeasurement gain on defined benefit pension scheme, net of tax	–	–	–	–	–	492	492
Total other comprehensive income	–	–	–	–	199	492	691
Total comprehensive income for the year	–	–	–	–	199	(4,179)	(3,980)
Transactions with owners in their capacity as owners							
Credit in relation to share-based payments	–	–	–	–	–	50	50
Share scheme interests realised in the year	–	–	–	51	–	(51)	–
At 30 November 2020	3,559	16,043	9,971	(1,448)	919	7,987	37,031
Loss for the year	-	-	-	-	-	(479)	(479)
Other comprehensive income							
Currency translation adjustment	-	-	-	-	(147)	-	(147)
Remeasurement gain on defined benefit pension scheme buy in net of tax	-	-	-	-	-	(1,073)	(1,073)
Total other comprehensive income	-	-	-	-	(147)	(1,073)	(1,220)
Total comprehensive income for the year	-	-	-	-	(147)	(1,552)	(1,699)
Transactions with owners in their capacity as owners							
Credit in relation to share-based payments	-	-	-	-	-	12	12
Share scheme interests realised in the year	-	-	-	12	-	(12)	-
At 30 November 2021	**3,559**	**16,043**	**9,971**	**(1,436)**	**772**	**6,435**	**35,344**

Consolidated cash flow statement

For the year ended 30 November 2021

	Note	**Unaudited 2021 £000**	Audited 2020 £000
Cash flows from operating activities			
Loss for the year		(479)	(4,671)
Income tax credit	5	(116)	(1,616)
Finance income		-	(124)
Finance costs		121	263
Depreciation and amortisation charge		2,121	2,348
Loss on disposal of non-current assets		88	1
Net foreign exchange differences		6	80
Non-underlying items		-	2,158
Other inventory write (back)/down		(658)	448
Cash flow relating to non-underlying items		(1,321)	(1,652)
Other non-cash movements		(4)	359
Share-based payment charge		12	50
Operating cash (outflow) before movement in working capital		(230)	(2,356)
Decrease in inventories		1,383	1,969
Decrease in receivables		260	7,923
(Decrease) in payables		(2,571)	(1,778)
Net movement in provisions		394	141
Cash (used in)/ generated from operations		(764)	5,899
Tax received/ (paid		157	(148)
Net cash (used in)/ generated from operating activities		(607)	5,751
Cash flows from investing activities			
Purchase of property, plant and equipment		(73)	(329)
Capitalised development costs		(648)	(828)
Purchased software		(154)	(61)
Proceeds from sale of property plant and equipment		33	-
Net cash used in investing activities		(842)	(1,218)
Cash flows from financing activities			
Lease payments		(1,006)	(1,117)
Bank interest paid		(12)	(33)
Net cash used in financing activities		**(1,018)**	**(1,150)**
Effect of exchange rate changes on cash and cash equivalents		244	(99)
Net (decrease)/increase in cash and cash equivalents		(2,223)	3,284
Cash and cash equivalents at the beginning of the year		6,864	3,580
Cash and cash equivalents at the end of the year	8	4,641	6,864

Notes

1. Basis of preparation

The information contained within this announcement has been extracted from the unaudited financial statements which have been prepared in accordance with international accounting standards in conformity with the Companies Act 2006 ('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.

The financial statements have been prepared on a going concern basis. The Directors have reviewed the Group's funding position and financial forecasts for the foreseeable future. Based on all of the work performed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future without material uncertainty.

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	2021 £000	2020 £000
Systems	**20,661**	23,645
Security	**24,965**	21,802
Total segmental revenue	**45,626**	45,447
Reconciliation to consolidated revenue:		
Intra-Group sales	**(2,031)**	(799)
	43,595	44,648

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

Underlying operating profit/(loss)	2021 £000	2020 £000
Systems	**58**	**(1,774)**
Security	**924**	**(388)**
Total segmental underlying operating profit/(loss)	**982**	**(2,162)**
Reconciliation to consolidated underlying operating loss:		
Central costs	**(1,456)**	**(1,805)**
	(474)	**(3,967)**

2. Segmental analysis (continued)

Underlying operating profit/(loss) 2021	Underlying operating profit/(loss)[1] £000	Legal provision £000	Pension buy-out costs £000	Restructuring costs £000	Amortisation of acquired intangibles £000	Total operating loss £000
Systems	**58**	-	-	-	-	**58**
Security	**924**	-	-	-	-	**924**
Total segmental underlying operating loss[2]	**982**	-	-	-	-	**982**
Reconciliation to consolidated underlying operating loss:						
Central costs	**(1,456)**	-	-	-	-	**(1,456)**
	(474)	-	-	-	-	**(474)**

Underlying operating loss 2020	Underlying operating loss[1] £000	Legal provision £000	Pension buy-out costs £000	Restructuring costs £000	Amortisation of acquired intangibles £000	Total operating loss £000
Systems	(1,774)	42	–	(1,249)	–	(2,981)
Security	(388)	–	–	(528)	–	(916)
Total segmental underlying operating loss[2]	(2,162)	42	–	(1,777)	–	(3,897)
Reconciliation to consolidated underlying operating loss:						
Central costs	(1,805)	–	(150)	(273)	(23)	(2,251)
	(3,967)	42	(150)	(2,050)	(23)	(6,148)

1. Underlying operating loss represents operating profit before non-underlying items (2020: release of overprovision for costs on settlement of a legal claim, costs associated with the defined benefit pension scheme buy-out, restructuring costs and amortisation of acquired intangibles).
2. Net finance expenses and income and income tax credit/(charge) are not allocated to segments.

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 2021	Systems £000	Security £000	2021 £000
UK and Europe	**7,354**	**24,963**	**32,317**
North America	**5,276**	-	**5,276**
Middle East & Africa	**724**	-	**724**
Asia Pacific	**5,278**	-	**5,278**
	18,632	**24,963**	**43,595**

Revenue by contract location 2020	Systems £000	Security £000	2021 £000
UK and Europe	8,881	21,667	30,548
North America	3,166	–	3,166
Middle East & Africa	2,600	–	2,600
Asia Pacific	8,208	126	8,334
	22,855	21,793	44,648

3. Revenue from contracts with customers (continued)

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Reconciliation to segment revenue 2021	**Systems £000**	**Security £000**	**2021 £000**
External	**18,632**	**24,963**	**43,595**
Intra-Group	**2,029**	**2**	**2,031**
	20,661	**24,965**	**45,626**

Reconciliation to segment revenue 2020	Systems £000	Security £000	2020 £000
External	22,855	21,793	44,648
Intra-Group	790	9	799
	23,645	21,802	45,447

Contract balances	**2021 £000**	2020 £000
Contract assets	**5,244**	8,185
Contract liabilities	**(3,096)**	(4,295)

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 experience shows that no credit losses have been incurred.

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

£4.3 million (2020: £4.1 million) of the contract liabilities balance at 1 December 2020 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 2021 that are expected to be recognised over more than one year is £8.7 million (2020: £18.0 million). These performance obligations relate predominantly to the provision of service and maintenance contracts.

4. Non-underlying items

	2021 £000	2020 £000
(Release)/accrual of costs associated with settlement of a legal claim	**-**	(42)
Costs associated with the restructuring of the Systems division	**-**	1,249
Costs associated with the restructuring of the Security division	**-**	528
Costs associated with restructuring Central operations	**-**	273
Costs associated with the buy-out of the defined benefit pension scheme	**-**	150
Amortisation of acquired intangible assets	**-**	23
	-	2,181

The Systems restructuring costs incurred during 2020 related to the consolidation of the Munich office into Berlin, along with a review of the cost base across the Systems division.

The Security restructuring costs incurred during 2020 relate to the merger of Synectics Mobile Systems into Quadrant Security Group (i.e. the formation of "Synectics Security"), along with a review of the cost base across the whole Security division.

The Central restructuring costs incurred during 2020 relate to the closure of the Group's Studley office and consolidation of Head Office functions into Sheffield.

5. Taxation

Tax (credit)/charge	2021 £000	2020 £000
Current taxation		
UK tax	**482**	4
Overseas tax	**-**	(473)
Adjustments in respect of prior periods	**-**	(173)
Total current tax charge/(credit)	**482**	(642)
Deferred taxation		
Origination and reversal of temporary differences	**(1,124)**	(913)
Adjustments in respect of prior periods	**526**	(61)
Total deferred tax credit	**(598)**	(974)
Total tax credit for the year	**(116)**	(1,616)

Further analysed as tax relating to:		
Underlying profit	**(116)**	**(1,199)**
Non-underlying items	**-**	**(417)**

5.Taxation (continued)

Reconciliation of tax (credit)/charge for the year

The corporation tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£000	£000
Loss on ordinary activities before tax	**(595)**	(6,287)
Tax on (loss)/profit on ordinary activities before tax at standard rate of 19% (2020: 19%)	**(113)**	(1,195)
Effects of:		
Net effect of different rates of tax in overseas businesses	**(272)**	11
Tax losses not recognised	**142**	180
Utilisation of previously unrecognised tax losses	**(61)**	–
Net permanent differences	**(493)**	(377)
Effect of changes in tax rates and tax laws	**2**	(80)
Other differences and (income)/expenses not deductible for tax purposes	**153**	79
Adjustment in respect of prior periods	**526**	(234)
Total tax credit for the year	**(116)**	(1,616)

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 2021 has been impacted by R&D tax relief and current year losses, as well as an increase in the recognition of US net operating losses as a result of the CARES Act.

Deferred tax assets of £1.9 million (2020: £2.3 million) have been recognised in relation to legal entities which suffered a tax loss in the current 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 £6.6 million (2020: £6.2 million). No deferred tax asset (2020: £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.

6. Dividends

The Directors recommend the payment of a final dividend of 1.5p per share held at 30 November 2021 (2020: £nil). No interim dividend was paid during 2021 (2020: £nil).

7. Earnings per share

	2021 Pence per share	2020 Pence per share
Basic (loss)/earnings per share	**(2.8)**	(27.7)
Diluted (loss)/earnings per share	**(2.8)**	(27.7)
Underlying (loss)/basic earnings per share	**(2.8)**	(17.2)
Underlying (loss)/diluted earnings per share	**(2.8)**	(17.2)

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

	2021 £000	2020 £000
(Loss)/earnings for basic and diluted earnings per share	**(479)**	(4,671)
Non-underlying items	**-**	2,181
Impact of non-underlying items on tax credit for the year	**-**	(417)
(Loss)/earnings for underlying basic and underlying diluted earnings per share	**(479)**	(2,907)

	2021 000	2020 000
Weighted average number of ordinary shares – basic calculation	**16,886**	16,880
Dilutive potential ordinary shares arising from share options	**-**	–
Weighted average number of ordinary shares – diluted calculation	**16,886**	16,880

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.

8. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	**4,641**	6,864

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

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

At 30 November 2021 the Group had undrawn overdraft facilities of up to £3.0 million (2020: £3 million), on which interest would be payable at the rate of Bank of England base rate plus 2.5% (2020: Bank of England base rate plus 2%).

9. Provisions

	Legal	Warranty	Restructuring	Property	Total
	£000	£000	£000	£000	£000
At 1 December 2019	908	713	–	66	1,687
Utilised in the year	(866)	(359)	(775)	–	(2,000)
Released in the year	(42)	–	–	–	(42)
Charged to the Income Statement	–	270	2,050	231	2,551
At 30 November 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**

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

	2021	2020
	£000	£000
Current	**487**	1,621
Non-current	**921**	575
	1,408	2,196

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 2021 will be utilised within a year.

In 2020 the restructuring provision related to the costs recognised in relation to the Group's restructuring activities in the prior year (see note 6) where the associated cash outflow has not yet occurred. There is £93,000 of this provision remaining which is expected to be utilised in 2022.

The impact of discounting the above provisions is immaterial.

10. Company Information

The preliminary financial information set out herein does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 but is derived from accounts for the years ended 30 November 2021 and 30 November 2020. The preliminary financial information is prepared on the same basis as will be set out in the statutory accounts for the year ended 30 November 2021. The figures for the year ended 30 November 2021 are unaudited.

The preliminary financial information was approved for issue by the Board of Directors on 21 February 2022.

The financial information for the year ended 30 November 2020 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 1 March 2021 and which have been delivered to the Registrar of Companies for England and Wales.

The audit of the statutory accounts for the year ended 30 November 2021 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in the preliminary announcement. The statutory accounts for the year ended 30 November 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 November 2020 have been filed with the Registrar of Companies. The auditor's report on those 2020 accounts was unqualified and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006. Further copies of these results, and the full financial statements when published, will be available on the Company 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.