

# SYNECTICS

## Synectics plc

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

### Interim results for the six months ended 31 May 2023

**Synectics plc (AIM: SNX)**, a leader in advanced security and surveillance systems, reports its unaudited interim results for the six months ended 31 May 2023 ("**H1 2023**" or "**the period**").

#### Headlines<sup>1</sup>

- H1 2023 revenue 14% ahead of H1 2022 at £21.9 million (H1 2022: £19.2 million)
- Underlying operating profit increased by 61% to £0.8 million (H1 2022: £0.5 million)
- Underlying profit before tax up 62% to £0.7 million (H1 2022: £0.4 million)
- Order book as at 31 May 2023 strong at £28.4 million (31 May 2022: £24.5 million)
- Underlying earnings per share up 76% to 3.7p (H1 2022: 2.1p)
- Net cash as at 31 May 2023 solid at £4.0 million (31 May 2022: £4.2 million)
- Results were underpinned by a strong oil & gas market with progress in other markets being more modest
- Based on the Company's strong order book, the Board expects significantly improved trading in the second half of this financial year
- The Board's expectations for the year to 30 November 2023 remain unchanged

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

"Synectics has now had four consecutive periods of progress in revenue and profits and is confident of delivering further progress in H2 2023. Operating in markets that are strong and recovering, the Company has solid long-term growth potential, from a sound platform.

The Board expects the Company's results for the year ending 30 November 2023 to be in line with market expectations, despite being weighted to the seasonally stronger H2."

#### Craig Wilson, recently appointed Chair of Synectics, added:

"After conducting a comprehensive business review, it is evident that Synectics possesses excellent technology in thriving global markets, including oil & gas, gaming, and public safety, which are experiencing renewed growth. With a robust financial position and a clear strategic direction, it is now all about execution."

<sup>1</sup> All income statement comparatives set out in this announcement reflect continuing operations unless otherwise stated.

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**About Synectics**

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

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

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

Find out more at [www.synecticsplc.com](http://www.synecticsplc.com)

## Chief Executive's Statement

### Overview

The Company's performance in H1 2023 was in line with the Board's expectations, continuing the good progress made period-on-period over the last two years.

Progress was underpinned by a strong performance in the global oil & gas market, which is expected to continue. There was some recovery in the Asian gaming market whilst progress in other markets was more modest, with further improvement expected.

The Company's order book at 31 May 2023 was materially ahead of the same date last year, with a significant proportion expected to trade in the second half of the year ("**H2 2023**").

Order intake since the period end has been strong with around £5.0 million of new orders booked in June 2023 alone, including the further contract for Saudi Aramco which was announced by the Company on 4 July 2023.

This order book, and the pipeline of anticipated business, supports the Board's expectations of significantly improved trading in H2 2023.

The Board expects the Company's results for the year ending 30 November 2023 ("**FY 2023**") to be in line with market expectations, despite being weighted to the seasonally stronger H2.

### Results

Synectics' revenues for the period were 14 per cent. ahead of H1 2022 at £21.9 million (2022: £19.2 million) driven mainly by growth in Synectic Systems, particularly in the global oil & gas market.

The Group recorded an increased underlying operating profit for H1 2023 of £0.8 million (H1 2022: £0.5 million) which was negatively impacted by £0.2 million of foreign exchange losses. Underlying profit before tax was up 61 per cent. at £0.7 million (H1 2022: £0.4 million). Underlying earnings per share were 76 per cent. ahead at 3.7p (H1 2022: 2.1p).

The Company's balance sheet remains solid, with net cash as at 31 May 2022 of £4.0 million (31 May 2022: £4.2 million), following planned and well managed increased levels of working capital. The Company has no bank debt and available undrawn facilities of £3.0 million.

The consolidated firm order book as at 31 May 2022 was strong at £28.4 million (31 May 2022: £24.5 million), with almost two-thirds of it expected to trade in H2 2023 - well ahead of the same point last year, with the balance being largely long-term service and support contracts.

More details on these results are set out below in the Business Review section.

### Dividend

The Board has previously set out its intention to recommend only a final dividend, therefore no interim dividend is being declared.

### Strategic Review

Synectics' primary focus includes oil & gas, gaming, and public safety markets. These markets have stringent functional and regulatory requirements, which the Company's advanced technology effectively fulfils. Both the global scale and recent return to growth in these markets reinforces the Board's view

that the Company can deliver strong revenue growth by expanding sales coverage in markets it already knows well. Furthermore, we anticipate that the Company will benefit from heightened public attention towards supply chain security risks within our targeted markets.

The Company acknowledges the immense potential for sales growth through collaborations with local specialist partners and integrators in each market. Consequently, it is actively engaged in developing robust partner sales channels across various territories and markets. The partners' deep understanding of local dynamics plays a pivotal role in efficiently and swiftly expanding Synectics' sales coverage, eliminating the need for establishing a direct sales approach in every new geography.

A crucial element of the Company's expansion strategy involves enhancing the ease of deploying its core technology, Synergy, for its partners. The Company has also made significant investment to facilitate the product's deployment in cloud environments such as Microsoft Azure. Additionally, it has integrated further artificial intelligence capabilities to provide real time alerts, ensuring operators are immediately notified of potentially suspicious events.

Our long-standing customer relationships contribute significantly to the Group's revenue through repeat business, encompassing upgrades, expansions, and ongoing support. However, it is important for the Company to increase the level of contracted recurring revenue through long-term support contracts, software subscriptions, and licenses. This remains a crucial priority for the Company.

The Group recognises the importance of engagement with all of its stakeholders. A recently re-launched website and increasing levels of social media activity are part of this, with further activities planned over H2 2023.

## Business Review

### Synectic Systems

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

	<b>Unaudited Six months ended 31 May 2023</b>	Unaudited Six months ended 31 May 2022	Audited Year ended 30 Nov 2022
£000			
Revenue	<b>13,847</b>	11,816	24,201
Gross margin <sup>2</sup>	<b>49.4%</b>	50.4%	50.6%
Operating profit <sup>2</sup>	<b>1,367</b>	722	1,882
Operating margin <sup>2</sup>	<b>9.9%</b>	6.1%	7.8%

<sup>1</sup> Before Group central costs.

Revenues in H1 2023 were over 17 per cent. ahead of H1 2022, driven primarily by a strong performance in the global oil & gas market, which is expected to continue.

In the gaming sector globally, whilst interest and activity levels continue to increase, expected projects and orders are still experiencing delays. Performance in other markets continued at similar levels to the previous year.

The current pipeline of oil & gas opportunities is strong and extends well into 2024. The Company has increased supply chain and production capacity in line with the expected increased demand later this year and beyond, and the Company's manufacturing output of specialist camera stations in H2 2023 is expected to be at a level not seen since 2014.

In addition to the significant contract win for Saudi Aramco, which it announced on 13 April 2023, the Company has secured a further related contract for its specialist COEX™ camera stations, as announced on 4 July 2023. A significant proportion of this additional contract is expected to be delivered by the end of this financial year, with the balance to follow in H1 2024.

Gross margins in the period remained strong, despite ongoing cost pressures in the supply chain. There was no material impact from supply chain challenges on either customer delivery or margins, with longer lead times in most cases having already been factored into project schedules.

As outlined above, increasing the level of contracted recurring revenue is an important priority for the Company, which continued to increase during the period to £2.0 million (H1 2022: £1.7 million) with the order book of long-term contracts increasing materially to £10.5 million (31 May 2022: £8.9 million).

#### **Europe, Middle East & Africa** (Revenue £6.8 million (H1 2022: £5.1 million))

Revenues in EMEA were ahead of H1 2022 due to a strong performance in the oil & gas market, with progress in other markets relatively flat.

Work continued with the City of London Police on their Safe City programme, and with the West Midlands Police. Both projects provide powerful references for Synectics' position at the forefront of operational control systems for Safe City programmes. Significant new awards in the region include:

- The Saudi Aramco contracts referred to above, which will deliver revenue in H2 2023; and
- A large contract for a multi-site surveillance system for Sheffield NHS Trust, which has generated significant interest from this sector.

#### **Asia Pacific** (Revenue £4.9 million (H1 2022: £2.7 million))

A strong oil & gas market and continued recovery in the gaming sector drove solid revenue growth in the region.

Whilst casino operations in the region have now largely returned to normal, expected projects across the sector have still been experiencing delays. The Company announced the award of a large casino resort project in the Philippines on 28 April 2023, which was later than had been expected. The Board expects further progress in H2 2023 and beyond. Recent contract wins of note include: -

- A casino contract for Solaire in the Philippines, which will deliver revenue in H2 2023; and
- Major expansion to an existing oil and gas project in Australia.

#### **North America** (Revenue £2.2 million (H1 2022: £4.0 million))

Since the effective re-opening of the gaming market in the region last year, the Company's efforts have necessarily been focused on supporting existing customers and partners with services and upgrades as their operations have returned to normal, and the level of support contract renewal has been good.

Oil & gas performance in the region was solid, with H1 2022's results including a large refinery project that was not repeated.

The disappointing progress in the region regarding new casino projects was partly due to a continued delay in the expected award of some projects, but also as the Company's strategy of developing new business closely with partners is only now getting off the ground.

The Board expects progress to be made in H2 2023, and contracts for two new casino projects have been received since the period end. A number of casino projects in the pipeline of expected orders are now not slated to generate revenue for the Company until early in 2024. Additionally: -

- A replacement system for an existing long-term casino customer and a project for a new customer awarded since the period end will deliver H2 2023 revenue in excess of \$1.0 million; and
- A long-term support agreement with an existing major corporate account covering multiple sites will be worth around \$1.0 million over the next five years.

### Synectics Security

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

£000	Unaudited Six months ended 31 May 2023	Unaudited Six months ended 31 May 2022	Audited Year ended 30 Nov 2022
Revenue	<b>8,676</b>	8,203	16,595
Gross margin <sup>2</sup>	<b>26.2%</b>	28.6%	26.4%
Operating profit <sup>2</sup>	<b>429</b>	523	1,164
Operating margin <sup>2</sup>	<b>4.9%</b>	6.4%	7.0%

<sup>2</sup> Before Group central costs.

Synectics Security delivered a modest increase in revenues in H1 2023, mainly from the unwinding of delays due to supply chain constraints affecting on-vehicle business late in FY 2022. This was offset by slightly lower gross margins realised in closing out some delayed projects. Contracted recurring revenue in the period was £1.6 million (H1 2022: £1.7 million).

Work to re-position the business beyond its traditional heartland in public space into more complex, critical and highly regulated security environments is continuing: -

- A strategically important maintenance contract with the City of London Police that consolidates Synectics' position as preferred supplier;
- Security upgrade projects at multiple UK sites for a major critical national infrastructure customer, worth more than £1.0 million in FY 2023; and
- New recording systems for Stagecoach London Buses, fully compliant with new TfL requirements.

## Technology Development

As outlined above, investment in the Company's intellectual property and technology base remains an important strategic priority for the Board.

Expenditure on technology development during H1 2023 was flat at £1.6 million (H1 2022: £1.6 million) of which £0.4 million (H1 2022: £0.2 million) was capitalised and the remainder expensed to the income statement. In addition, £0.4 million (H1 2022: £0.5 million) of previously capitalised development was amortised in the period. These figures are all included within the results of Synectic Systems set out above.

Technology development expenditure, which includes investment in product management, documentation, training resources and quality assurance, along with hardware and software development, is expected to increase in H2 2023. A successful recruitment drive in the period has enhanced development capabilities, bringing in exciting new talent and building on the proven, world-class expertise of the core team. This is continuing with momentum into H2 2023, in line with the Company's investment plans.

This continued investment supports the future-proofing of the Synergy software platform with web-centric technology to enhance user experience and capabilities "beyond the control room", and a suite of intelligent deployment tools make systems less reliant on the Company's own experts to deploy and support. Other future developments include modules that customers can utilise on-demand via a recurring revenue model which are due to be launched early next year. Immediate development priorities include:

- Enhanced cloud services, providing significant reporting and dashboard improvements, allowing users to see data from numerous subsystems at a glance;
- Further integrations to best-in class artificial intelligence capabilities; and .
- New-generation COEX™ specialist camera stations for oil & gas applications to include built-in AI technology that is market leading.

## Summary and Outlook

The Company operates in markets that are strong and recovering, with solid long-term growth potential. Synectics has deep experience and a clearly defined position in these markets.

The fundamentals of the business are healthy, with a strong balance sheet that provides a robust platform for future growth. The depth of customer relationships, the calibre of people, and the quality of technical expertise are the core pillars upon which Synectics is built.

Since its return to profit in H2 2021, the Company has now had four consecutive periods of progress in revenue and profits and is confident of delivering further progress in H2 2023.

The Company's consolidated order book is significantly ahead of that as at 30 November 2022, with a significant proportion expected to trade in H2 2023. Order intake has continued strongly since the period end with around £5.0 million of new orders booked in June 2023 alone.

Based on the current order book and pipeline of anticipated business, the Board expects the Company's results for the year ending 30 November 2023 to be in line with market expectations, despite being weighted to the seasonally stronger H2.

Paul Webb

**Chief Executive**

11 July 2023



## Consolidated income statement

For the six months ended 31 May 2023

		Unaudited six months ended 31 May 2023	Unaudited six months ended 31 May 2022
Continuing operations	Notes	£000	£000
<b>Revenue</b>	3	<b>21,851</b>	19,159
Cost of sales		(12,736)	(10,862)
<b>Gross profit</b>		<b>9,115</b>	8,297
Operating expenses		(8,351)	(7,823)
<b>Operating profit before non-underlying items</b>		<b>764</b>	474
Non-underlying items	5	(87)	-
<b>Operating profit</b>		<b>677</b>	474
Finance costs		(46)	(32)
<b>Profit before tax</b>		<b>631</b>	442
Income tax expense	6	(66)	(80)
<b>Profit for the period from continuing operations</b>		<b>565</b>	362
Profit for the period from discontinued operations <sup>3</sup>	4	-	43
<b>Profit attributable to equity holders of the Parent</b>		<b>565</b>	405
<b>Earnings per share from continuing operations</b>			
Basic	8	3.3	2.1p
Diluted		3.3	2.1p
<b>Earnings per share from continuing and discontinued operations</b>			
Basic	8	3.3	2.4p
Diluted		3.3	2.4p

<sup>3</sup> Discontinued operations relates to the sale of SSS Management Services Limited on 30 November 2022

## Consolidated statement of comprehensive income

For the six months ended 31 May 2023

	Unaudited six months ended 31 May 2023	Unaudited six months ended 31 May 2022
Continuing operations	£000	£000
Profit for the period from continuing operations	565	362
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	(8)	18
Losses on a hedge of a net investment taken to equity	(13)	(7)
	(21)	11
<b>Total comprehensive income from continuing operations</b>	<b>544</b>	373
Total comprehensive income from discontinued operations	-	43
<b>Total comprehensive income for the period attributable to equity holders of the Parent</b>	<b>544</b>	416

# Consolidated statement of financial position

As at 31 May 2023

	Unaudited 31 May 2023 £000	Unaudited 31 May 2022 £000	30 Nov 2022 £000
<b>Non-current assets</b>			
Property, plant and equipment	4,359	4,464	4,598
Goodwill and intangible assets	20,801	21,389	20,776
Deferred tax assets	2,660	2,387	2,741
	<b>27,820</b>	<b>28,240</b>	<b>28,115</b>
<b>Current assets</b>			
Inventories	4,345	4,481	4,219
Trade and other receivables	9,688	10,586	9,090
Contract assets	6,917	6,701	6,317
Tax assets	5	-	425
Cash and cash equivalents	3,996	4,201	4,256
	<b>24,951</b>	<b>25,969</b>	<b>24,307</b>
<b>Total assets</b>	<b>52,771</b>	<b>54,209</b>	<b>52,422</b>
<b>Current liabilities</b>			
Trade and other payables	(7,861)	(10,961)	(8,111)
Contract liabilities	(2,477)	(3,169)	(1,875)
Lease liabilities	(683)	(494)	(683)
Tax liabilities	-	(15)	-
Provisions	(783)	(517)	(796)
	<b>(11,804)</b>	<b>(15,156)</b>	<b>(11,465)</b>
<b>Non-current liabilities</b>			
Provisions	(752)	(1,037)	(746)
Lease liabilities	(1,901)	(1,959)	(2,137)
Deferred tax liabilities	(1,072)	(549)	(1,072)
	<b>(3,725)</b>	<b>(3,545)</b>	<b>(3,955)</b>
<b>Total liabilities</b>	<b>(15,529)</b>	<b>(18,701)</b>	<b>(15,420)</b>
<b>Net assets</b>	<b>37,242</b>	<b>35,508</b>	<b>37,002</b>
<b>Equity attributable to equity holders of the Parent</b>			
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	(1,436)	(1,436)	(1,436)
Currency translation reserve	919	726	940
Retained earnings	8,186	6,645	7,925
<b>Total equity</b>	<b>37,242</b>	<b>35,508</b>	<b>37,002</b>

# Consolidated statement of changes in equity

For the six months ended 31 May 2023

	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 2021	3,559	16,043	9,971	(1,436)	715	6,492	35,344
Profit for the period	-	-	-	-	-	405	405
<b>Other comprehensive income</b>							
Currency translation adjustment	-	-	-	-	11	-	11
<b>Total other comprehensive income</b>	-	-	-	-	11	-	11
<b>Total comprehensive income</b>					11	405	416
Dividends paid	-	-	-	-	-	(253)	(253)
Credit in relation to share-based payments	-	-	-	-	-	1	1
At 31 May 2022	3,559	16,043	9,971	(1,436)	726	6,645	35,508
Profit for the period	-	-	-	-	-	1,060	1,060
<b>Other comprehensive income</b>							
Currency translation adjustment	-	-	-	-	276	-	276
Tax relating to components of other comprehensive income	-	-	-	-	(62)	172	110
<b>Total other comprehensive income</b>	-	-	-	-	214	172	386
<b>Total comprehensive income</b>	-	-	-	-	214	1,232	1,446
Credit in relation to share-based payments	-	-	-	-	-	48	48
At 30 November 2022	3,559	16,043	9,971	(1,436)	940	7,925	37,002
Profit for the period	-	-	-	-	-	565	565
<b>Other comprehensive income</b>							
Currency translation adjustment	-	-	-	-	(21)	-	(21)
<b>Total other comprehensive income</b>	-	-	-	-	(21)	-	(21)
<b>Total comprehensive income</b>	-	-	-	-	(21)	565	544
Dividends paid	-	-	-	-	-	(338)	(338)
Credit in relation to share-based payments	-	-	-	-	-	34	34
<b>At 31 May 2023</b>	<b>3,559</b>	<b>16,043</b>	<b>9,971</b>	<b>(1,436)</b>	<b>919</b>	<b>8,186</b>	<b>37,242</b>

# Consolidated cash flow statement

For the six months ended 31 May 2023

	Unaudited six months ended 31 May 2023 £000	Unaudited six months ended 31 May 2022 £000
<b>Cash flows from operating activities</b>		
Profit from continuing operations	565	362
Profit from discontinued operations	-	43
<b>Profit for the period</b>	<b>565</b>	<b>405</b>
Income tax expense	66	80
Finance costs	46	40
Depreciation and amortisation charge	917	1,105
Loss on disposal of non-current assets	-	22
Net foreign exchange differences	156	(121)
Net movement in provisions	4	48
Share-based payment charge	34	1
<b>Operating cash flows before movement in working capital</b>	<b>1,788</b>	<b>1,580</b>
Increase in inventories	(126)	(540)
Increase in trade, other and contract receivables	(1,302)	(689)
Increase in trade, other and contract payables	420	52
<b>Cash generated from operations</b>	<b>780</b>	<b>403</b>
Tax received	418	28
<b>Net cash from operating activities</b>	<b>1,198</b>	<b>431</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(146)	(51)
Capitalised development costs	(430)	(160)
Purchased software	(11)	(19)
<b>Net cash used in investing activities</b>	<b>(587)</b>	<b>(230)</b>
<b>Cash flows from financing activities</b>		
Lease payments	(431)	(426)
Dividends paid	(338)	(253)
<b>Net cash used in financing activities</b>	<b>(769)</b>	<b>(679)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(158)</b>	<b>(478)</b>
Effect of exchange rate changes on cash	(102)	38
Cash and cash equivalents at the beginning of the period	4,256	4,641
<b>Cash and cash equivalents at the end of the period</b>	<b>3,996</b>	<b>4,201</b>

# Notes

For the six months ended 31 May 2023

## 1 General information

These condensed consolidated interim financial statements were approved by the Board of Directors on 10 July 2023.

## 2 Basis of preparation

These consolidated interim financial statements of the Group are for the six months ended 31 May 2023.

These interim financial statements do not include all the information and disclosures normally included in the annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 30 November 2022.

These interim financial statements for the six months to 31 May 2023 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 have been prepared on the basis of the accounting policies expected to be adopted by the Group for the year ending 30 November 2023. The Group did not have to change its accounting policies as a result of adopting new standards.

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

### Discontinued operations

Discontinued operations relate to operations of the Group which have been disposed of in the previous year and where operations and cash flows could be clearly distinguished from the rest of the Group. The net results of discontinued operations are presented separately in the consolidated income statement (and the restated comparatives).

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

## 3 Segmental analysis

### Revenue by operating segment

	Unaudited six months ended 31 May 2023 £000	Unaudited six months ended 31 May 2022 £000
<b>Revenue – continuing operations</b>		
Systems	13,846	11,816
Security	8,676	8,203
Total segmental revenue	22,522	20,019
Reconciliation to consolidated revenue:		
Intra-Group sales	(671)	(860)
	<b>21,851</b>	<b>19,159</b>

### Underlying operating result by operating segment

	Unaudited six months ended 31 May 2023 £000	Unaudited six months ended 31 May 2022 £000
<b>Underlying operating profit – continuing operations</b>		
Systems	1,367	722
Security	429	524
Total segmental underlying operating profit	1,796	1,246
Reconciliation to consolidated underlying operating profit:		
Central costs	(1,032)	(772)
	<b>764</b>	<b>474</b>

Underlying operating profit is reconciled to total operating profit as follows:

	Unaudited six months ended 31 May 2023 £000	Unaudited six months ended 31 May 2022 £000
<b>Continuing operations</b>		
Underlying operating profit	764	474
Non-underlying items	(87)	-
	<b>677</b>	<b>474</b>

#### 4 Discontinued operations

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

Under IFRS 5 *Non-current assets held for sale and discontinued operations*, SSS was disclosed as a discontinued operation in the Group's annual financial statements for the year ended 30 November 2022. SSS is no longer presented within the segmental note and its result for the six months ended 31 May 2022 is instead presented below.

Results from discontinued operations:

	Unaudited six months ended 31 May 2023 £000	Unaudited six months ended 31 May 2022 £000
Revenue	-	3,601
Cost of sales	-	(2,899)
<b>Gross profit</b>	-	702
Operating expenses	-	(651)
<b>Operating profit</b>	-	51
Finance costs	-	(8)
<b>Profit before tax</b>	-	43
Income tax expense	-	-
<b>Profit attributable to discontinued operations</b>	-	43

#### 5 Non-underlying items

	Unaudited six months ended 31 May 2023 £000	Unaudited six months ended 31 May 2022 £000
Costs associated with legal matters	42	-
Costs associated with the buy-out of the defined benefit pension scheme	45	-
	<b>87</b>	-

#### 6 Taxation

The tax expense of £66,000 (2022: £80,000) for the period is based on the estimated rate of corporation tax that is likely to be effective for the year ending 30 November 2023.

#### 7 Dividends

The Board does not propose to pay an interim dividend (2022: £nil).

#### 8 Earnings per share

Earnings per share are as follows:

	Unaudited six months ended 31 May 2023 Pence per share	Unaudited six months ended 31 May 2022 Pence per share (continuing operations)	Unaudited six months ended 31 May 2022 Pence per share (Total)
Basic earnings per share	3.3	2.1	2.4
Diluted earnings per share	3.3	2.1	2.4
Underlying basic earnings per share	3.7	2.1	2.4
Underlying diluted earnings per share	3.7	2.1	2.4

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

	Unaudited six months ended 31 May 2023	Unaudited six months ended 31 May 2022 Continuing operations	Unaudited six months ended 31 May 2022 Total
	£000	£000	£000
Earnings for basic and diluted earnings per share	565	362	405
Non-underlying items	87	-	-
Tax thereon	(20)	-	-
Earnings for underlying basic and diluted earnings per share	632	362	405

	Unaudited six months ended 31 May 2023	Unaudited six months ended 31 May 2022
	000	000
Weighted average number of ordinary shares – basic calculation	16,889	16,886
Dilutive potential ordinary shares arising from share options	1	-
Weighted average number of ordinary shares – diluted calculation	16,890	16,886

## 9 Availability of results

Copies of this statement are available on the Group's website ([www.synecticsplc.com](http://www.synecticsplc.com)) and will be available shortly from Synectics plc, Synectics House, 3-4 Broadfield Close, Sheffield, England S8 0XN.