

# Global Specialists in Integrated Security Systems



**SYNECTICS**

**Synectics plc**

Annual Report and Accounts for the year ended 30 November 2021

# Synectics plc

Synectics (AIM: SNX) is a leader in the design, integration and support of advanced security and surveillance systems that enable clients around the world to protect their people, communities and assets.

With over 30 years of field-proven experience, Synectics has intimate knowledge of specialist customer requirements across the transport, critical infrastructure, public space, gaming, and oil & gas sectors, where security is fundamental to successful business operations.

The Group's expert engineering teams work in partnership with customers to create integrated product and technology solutions, proven in the most complex and demanding operating environments.

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

Great technology, a flexible attitude and deep sector expertise – acquired through decades of experience – are what set Synectics apart.

The world's leading casinos, transport operators, public authorities, and oil & gas producers select Synectics.



## Transport

Read more page 18



## Critical Infrastructure

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## Public Space

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## Gaming

Read more page 18



## Oil & Gas

Read more page 18



## Headlines

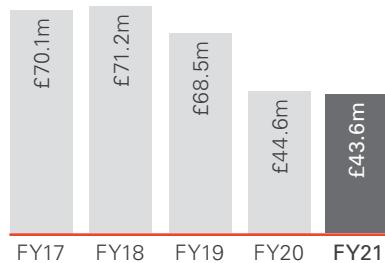
- Revenue £43.6 million (2020: £44.6 million)
- Significant improvement in underlying loss<sup>1</sup> £(0.6) million (2020: £(4.1) million)
- Loss before tax £(0.6) million (2020: £(6.3) million)
- Fully diluted EPS<sup>1</sup> (2.8)p (2020: (27.7)p)
- Net cash at 30 November 2021 £4.6 million (2020: £6.9 million) with no bank debt<sup>2</sup> 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 at 1.5p per share, in recognition of profitable H2 and strong balance sheet

<sup>1</sup> Underlying (loss)/profit represents (loss)/profit before tax and non-underlying items (comprising amortisation of acquired intangibles and, in 2020 only, exceptional restructuring and legal costs). See note 6 for further detail. Underlying earnings per share are based on (loss)/profit after tax but before non-underlying items.

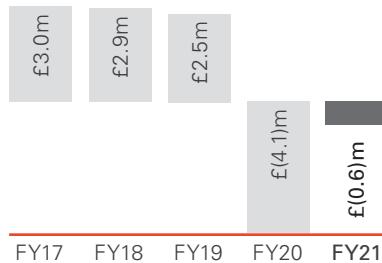
<sup>2</sup> Excluding IFRS 16 lease liabilities.

## Financial overview

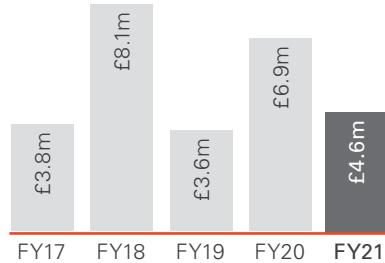
### Revenue



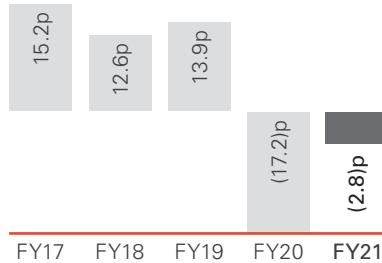
### Underlying (loss)/profit before tax<sup>1</sup>



### Net cash



### Underlying diluted EPS<sup>1</sup>



<sup>1</sup> Underlying (loss)/profit represents (loss)/profit before tax and non-underlying items (which comprise restructuring costs and amortisation of acquired intangibles). See note 6 to the financial statements for further detail. Underlying earnings per share are based on (loss)/profit after tax but before non-underlying items.

<sup>2</sup> Excluding IFRS 16 lease liabilities.

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Visit our investor website for up-to-the-minute news and announcements:  
[synecticsplc.com](http://synecticsplc.com)

# Our business at a glance

## Who we are

### **Synectics plc is an agile, innovative leader in the world of advanced surveillance technology systems.**

We are experts in the specialist markets in which we operate, with decades of experience in areas of critical need. We have a deep and unique understanding of our customers' issues and challenges, and we draw on this to create solutions they can rely on completely – giving them peace of mind by securing the assets, people, and livelihoods they are responsible for protecting.

We have built an enduring reputation for our problem-solving expertise, technical excellence, and total commitment to delivering for our customers.

## Our vision...

Synectics will lead the creation of security and surveillance solutions that are precisely adapted for some of the world's most challenging environments – and be the provider of choice “where it matters most”.

## Why choose Synectics

**Synectics delivers large-scale security and surveillance projects for world-class companies, frequently winning major contracts in direct competition with conglomerates many times our size. We succeed because we combine the scale and track record required to handle the most challenging programmes with the agility and “can do” attitude of an independent firm.**

#### **Long-term partnership**

We work closely with our customers and partner with them on a journey to achieve their goals.

#### **Customer-led innovation**

Synectics works in partnership with customers to understand their perspective, track emerging trends, support their evolving needs, and deliver solutions that work.

#### **Deep industry expertise**

Specialist teams with deep industry and sector experience, built through 30 years of real-life customer implementations, delivering successful projects around the world.

## What we do

### **Synectics specialises in the creation of security and surveillance solutions that are precisely adapted for some of the world’s most challenging environments.**

We operate in a limited number of sectors where security and surveillance needs are particularly acute and where our advanced technologies and specialist expertise deliver the maximum value for customers and clearly differentiate our offering.

We protect and support critical assets of public infrastructure, from nuclear power stations in the UK, to transport networks in Germany, offshore energy installations in Qatar, and the highest grossing casinos in Singapore and Las Vegas.

## Our purpose...

By building a deep understanding of our customers' needs, we create solutions they can rely on completely – helping to give peace of mind by securing the people, assets, and livelihoods they are responsible for protecting.

#### **Global capability, local knowledge**

From gaming and casinos to transport, oil & gas, critical infrastructure, and public space, Synectics has an intimate understanding of the pressures, priorities and challenges customers face on a daily basis.

#### **Specialists in complex and highly regulated environments**

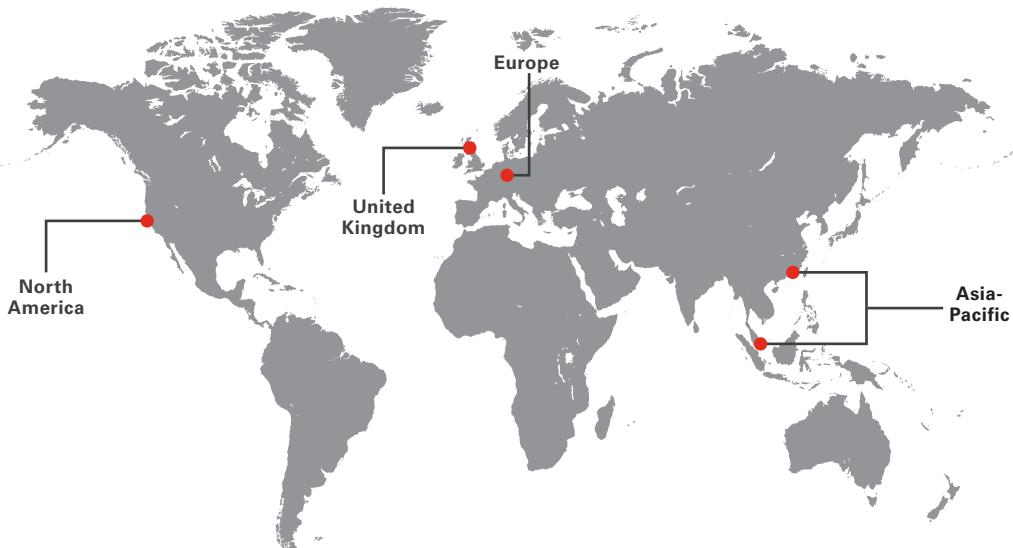
Synectics understands challenging environments, delivering complex projects requiring specialist knowledge and tailored solutions, often in highly regulated industries.

#### **Focused product development**

Our product development is guided by the needs of customers, maximising their long-term technology investment and achieving an optimised balance between resources invested and performance outcomes.

# Where we work

We are committed to providing our customers with the support they need when and where they need it most. Our regional presence enables us to respond with agility and timeliness and offer a truly customer-centric approach.



## Transport

Where our integrated and interoperable Synergy platform and on-vehicle technologies give transport operators the power to connect, monitor, and control systems vital to passenger safety, security and travel experience at every stage of their journey.



## Critical Infrastructure

Where our sophisticated yet user-friendly solutions protect critical infrastructure and utility estates, guiding vital decision making in operationally difficult environments with wide-ranging demands for complete situational awareness.



## Public Space

Where our integrated systems enable locations and facilities with high public footfall, such as town centres, retail malls, and museums, to improve awareness, manage incidents, and protect public space.



## Gaming

Where the surveillance and security solutions we deploy and the leading-edge cameras we provide eliminate risk of downtime – guaranteeing high quality image detail, an uninterrupted live view, and secure data retention in line with strict regulatory demands.



## Oil & Gas

Where our COEX camera stations ensure clear, accurate, and unfailing image quality in hazardous environments, and our integrated solutions deliver local, remote, and multi-site monitoring and control of vital security and safety systems.

## Introduction

### Chairman's statement

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**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



### 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.

### 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 improved 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 2.8p (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<sup>2</sup> (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 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.

## 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.

## 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 risk.

In the UK and Ireland, Synectics' technology is increasingly delivered via its in-house integration division, as well as through third party integration partners. Globally, delivery is either direct or via local specialist partners.

## 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 shareholders, I pass on our sincere thanks. As alluded to above, considerable effort was applied by senior management and the Board across 2021 in 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, on integrity and on mutual support of colleagues. These values have underpinned Synectics' success 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, and the long-term success and sustainability of the business.

## 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 in the immediate future will come from organic growth in revenue and gross margins.

The degree to which this objective will be aided in 2022 by general macroeconomic recovery as pandemic restrictions are lifted is obviously unknown. Nevertheless, the Group's growing order book, pipeline of expected new business and the emerging opportunities in our markets underpin some quite 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 the Group's 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 is well positioned to capitalise on its established market positions once the recovery is underway.



David Coghlan  
Chairman

22 February 2022

<sup>1</sup> Underlying (loss)/profit represents (loss)/profit before tax and non-underlying items (which comprise restructuring costs and amortisation of acquired intangibles). See note 6 for further detail.

<sup>2</sup> Excluding IFRS 16 lease liabilities.

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**We are 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."**



Paul Webb

Chief Executive

While many people entered 2021 hoping that it would be a year of recovery from the traumas of 2020, the reality has been different. For our customers these last 12 months have been every bit as challenging, but it has continued to be our privilege to support them as they have navigated further uncertainty and sought to lead their organisations forward.

Our commitment to them is reciprocated, and my colleagues and I are enormously grateful to have such loyal and supportive customers. They say that when times are tough you find out who your real friends are. We and our customers have helped each other through this difficult period and we are now able to look ahead together with renewed purpose and optimism.

In a period of extraordinary volatility, agility is vital. This has always been a core strength of Synectics, and it is enabling us to respond quickly to events, be they lockdowns or supply chain disruption, which are often beyond anyone's absolute control, and ensure we continue to provide what our customers need.

I believe passionately that in turbulent times it is even more important to be clear about who you really are and to ensure that you remain true to your core values. These fundamental principles are a great source of strength. They help us through the tough times and give us confidence that as market conditions improve we have what it takes to prosper – not just in terms of technical capabilities but in the way we go about our business and the way we treat our customers and each other.

For Synectics, our values are built into everything we do. We have not had to invent them or paste them on, they have been integral since our early days as an independent, innovation led company more than thirty years ago. We reviewed our values during 2021 and concluded that more than ever they define who we are and reflect what we stand for. We have changed the way we express them a little, to make the wording even simpler and more direct, but the underlying meaning is the same.

We are conscious that we operate in an industry which talks a lot about technical capabilities, often in language which would baffle most of the wider public we seek to serve and protect. Our first value statement is a reminder that for all the exciting technology, our business is about people, and that doing our very best for them and treating everyone we impact with respect and consideration really matters.

For Synectics, the commitments to our customers are sewn into the fabric of our company. We know that our success relies on putting customers first and anticipating and meeting their needs, in the short term and for the future.

From the very start, Synectics has always been a creative, innovative enterprise. We are constantly challenging each other to improve and to expand the boundaries of what our industry can deliver.

Underpinning all of this is an unwavering belief in good old-fashioned honesty; being reliable and transparent in the way we work and in the way we treat people, inside and outside our own company. We must never let our customers down because what we are enabling them to do is so vitally important.

These four, simple principles reinforce each other. For example, the personal, human way in which we go about our business helps to underpin our commitment to transparency. Together, our values help us to make the right decisions and to do the right thing by our customers, our employees, and our shareholders, no matter what the world throws at us.

Our Customer Survey results continue to demonstrate that the commitments embodied in our values are strongly mutual. 85% of our customers see Syneetics as their preferred long-term partner, a wonderful endorsement which I am sure is not given lightly by them and which means a huge amount to us. A similar proportion believe that the solutions we will be able to offer them in the future will be an excellent fit with their organisation's needs. The effects of the pandemic, from travel restrictions to casino closures, have inevitably hit our business over the past two years, but we and our customers are in this together for the long term.

Other findings from the latest survey confirm the strength of our customer relationships day to day. Our "NPS" (Net Promoter Score) has improved further year on year, despite the extraordinary pressures we have all been working under. More than half our customers scored us 9 or 10 out of 10 on our overall performance. We are rated highly for the reliability and user-friendliness of our solutions, for always delivering fully on our commitments, for the expertise of our people, and for "really caring about doing a great job". These are attributes which will stand us in good stead as growth returns.

The survey itself forms an integral part of our Customer Excellence programme. We share the results with our customers and throughout our company. The findings drive our decisions about where we need to focus resources and investments to continue improving what we do and build further on our strengths.

Although 2021 has not been an easy year, there is much for us to be proud of.



**Paul Webb**  
Chief Executive

22 February 2022

# Our values

We have a great story to tell at Synectics and our success is based on our distinctive way of working with our people, customers, and stakeholders.

Whilst we deliver technology, what we really do is to provide solutions to safeguard lives. Because of this, our core values are centred around how we care about each other, our customers, and the people we protect.

During the year, we refreshed the way we express our values. This has enabled us to reflect changes in the company today and into the future.



## WE ARE HUMAN

We look at business in terms of people: our colleagues, our customers, and above all the people we keep safe.

**Our values continue to fundamentally guide us to:**

- Make the right decisions
- Define our culture and motivate our teams
- Hire and retain great talent
- Assure customers about what we stand for
- Attract new customers who share the same values

**Every decision we make fits with our values. By doing this, we're able to drive the company forward, help everyone reach their goals, and differentiate our offerings.**



## WE ARE ENTERPRISING

We are creative and innovative; we are solution-led and relentless in our quest to find the right outcome.



## WE ARE CUSTOMER DRIVEN

We are committed to our customers; our customers' needs guide everything we do.



## WE ARE HONOURABLE

We do what we say we will do, and we do the right thing.



# Our business model

We create opportunity by delivering innovative solutions tailored to customers' requirements in market sectors where Synectics' specialist expertise creates high value.

To achieve this Synectics embraces two complementary business models founded on shared principles which govern the relationships we seek to build with customers, the way in which we work with them, and the partnerships we create with other providers to serve our customers better and enhance our market reach.

The individual divisions – Systems and Security enable us to address a wide range of customer opportunities in the markets and geographies we target. Those opportunities are often in challenging or complex environments where our specialist knowledge is especially valuable to customers.

In the last year we simplified the structure of the Group to enable each operating division to enhance its distinct specialisms, improve client outcomes, and create new opportunities for growth.

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## SYSTEMS

The Systems division secures major contracts for the design, development, and deployment of security and surveillance solutions, primarily based on its proprietary technology platform, Synergy.

The Systems division operates as a unified global business (Synectics) with offices located around the world to support and service its customers.

Much of Systems' work is sold and delivered in partnership with specialist integrators. These relationships allow its solutions to be deployed in the most efficient way for customers and enable Synectics to maximise its global reach. Synectics also works directly with end users wherever this offers the most effective approach for customers.

Revenue is earned primarily through the application of intellectual property, in the form of Synectics' proprietary software and specialist expertise. This allows complex client challenges and needs to be translated into robust, practical, and user-friendly solutions.

Synectics identifies future opportunities at an early stage, working in partnership with customers to understand their needs and create solutions that are tailored to their business requirements.

Increasingly the business is applying its technology and expertise to target wider opportunities that embrace tailored enterprise security operations management solutions.

Systems' revenue streams are typically project based and include many large-scale programmes. Much of its revenue comes from repeat business from clients which it supports over time and across multiple sites and estates. This is both a tribute to the strength of Synectics' customer relationships and an important factor in the long-term health and resilience of the business.

Our Systems business has a **growth** strategy.

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## SECURITY

The Security businesses generate revenue via a service-based model, working directly with end users to design, deliver, maintain, and support best-in-class solutions.

The businesses primarily serve customers in the UK and Ireland.

Contracts are frequently multi-year and deliver a strong recurring and repeat revenue basis for the Group.

Synectics Security is a systems integrator. Its solutions are tailored to specific customer needs, from electronic systems for complex, critical, or regulated environments, to on-vehicle transport systems that protect passengers, drivers, and on-board staff.

Synectics Security leverages Synergy software where this is the customer's preferred solution and also works with other partners, integrating their capabilities to provide the ideal outcome for end users.

SSS Management Services specialises in security and facilities management for multi-site retail operations in the UK. It offers a range of support services from monitoring to contract management, analytics, and reactive and planned maintenance.

Our Security business has a **profitability** strategy.

# How we deliver

## THE PILLARS OF OUR SUCCESS



### CUSTOMERS

Our business is founded on successful, lasting relationships with our customers. We provide peace of mind through robust, technically advanced security and surveillance solutions designed to deliver reliably in the most challenging environments.

Everything we do is driven by a deep understanding of customers' needs, the environments they work in, and the challenges they must solve.



### SOLUTIONS

Synectics has always been at the vanguard of security and surveillance technology, applying emerging capabilities to build sophisticated, value-adding solutions with the exceptional rigour our clients demand.

Today, the foundation of our solutions is Synergy, an innovative, highly flexible platform that marks us out as a technical leader in our industry.



### PEOPLE

As our Company has grown, we have remained true to the human values at its heart – mutual respect, deep personal commitment, and pride in the application of world-class expertise in finding solutions to practical, real-world challenges.

We provide rewarding employment and excellent development opportunities within a stimulating working environment.

Our deep sector knowledge and understanding of customers' needs, and our ability to create solutions tailored to these, is coupled with strong and capable people who consistently deliver for our customers – these are the pillars of our success.

## Strategic review

How we deliver continued

# Our customers

Synectics' continued success within the global security and surveillance industry is founded on our track record of productive, enduring customer relationships.

Everything we do is driven by a deep understanding of our customers' needs, the environments they work in, and the challenges they must solve. The large majority – 85% – view Synectics as their preferred long-term partner, and share a belief that our solutions will be an excellent fit with their organisations' future needs. We are proud of the trust and support this signifies and we know it gives us a terrific platform upon which to build.

Customers come to Synectics for our technical expertise and market knowledge. We work in close partnership to understand the challenges they face and deliver solutions which are proven and robust while incorporating the latest advanced technologies. Our teams have an intimate knowledge of the unique pressures our customers face on a daily basis and work closely with them to adapt our capabilities to the specific requirements of each particular environment.

Some of the underlying principles and technologies are of course transferable across industries, even with sectors as diverse as those in which we specialise.

The scope and flexibility of Synectics' Synergy software platform, for example, means that it is used by customers operating the world's busiest transport systems and largest gaming resorts, and by those charged with protecting critical infrastructure and iconic city centres across the globe.

The key, however, lies in customising the way in which the vast array of tools and expertise at our disposal are used to create the right solution, not just for each market, but for each individual customer. Having the knowledge and discipline to assess each set of requirements and the expertise and commitment to deliver that precisely tailored solution is critical.

The key is to look at things through the eyes of the customer. We focus on the big picture outcomes they need to deliver while also looking at the detailed practicalities of how they need to work from Synectics' continued success within the global security and surveillance industry is founded on our track record of productive, enduring customer relationships.

Our Customer Excellence programme reaches across all the organisations and sectors we serve and has created an additional channel of dialogue with our clients. Central to the programme is a structured annual survey run for us in each of the past six years by an independent research consultancy. The feedback our customers share is constructive and insightful. It enables us to better understand their needs and motivations and to create action plans that address their priorities.

This year, despite all the challenges the world has faced, our Net Promoter Score ('NPS™') rose again, and more than half our customers scored us 9 or 10 out of 10 on their likelihood to recommend us.

Our core strengths are widely recognised by customers: the reliability of our solutions; the sophistication and power of the underlying technology; our ability to customise our capabilities to meet each customer's requirements and provide systems which are genuinely user-friendly; the specialist expertise and sheer commitment of our teams. We continue to be highly rated by our clients in all of these areas and this is pivotal to our ability to achieve exceptionally high levels of repeat business.

As we continue to build our organisation around our customer first philosophy, we are strongly positioned to support our customers as they continue to navigate a highly uncertain world but seek to take advantage of exciting and powerful new technologies.

Synectics chooses to operate in clearly defined markets where security is truly critical and where we can add value through deep sector knowledge, proven industry experience, and our focused solutions portfolio.

Our approach allows us to differentiate our offering and deliver tailored solutions that enable our customers to succeed in their markets. Our primary targets are transport, critical infrastructure, public space, gaming, and oil & gas.

Global security and surveillance markets will continue to expand and they are changing rapidly. Our knowledge is enabling us to anticipate trends and support customers as their disciplines evolve. The pandemic has undoubtedly impacted new investment in infrastructure, while travel and access to many leisure facilities have been severely constrained, but these will recover and will be key factors in supporting our future growth. Combined with the presence of unrelenting and ever more diverse threats, they are driving demand for high quality, reliable solutions to protect people, communities and assets.

Most of our target markets are complex or highly regulated, or both. We take the time to understand these challenges, combining our global perspective with an intimate knowledge of local market nuances, such as the regional variations in the laws that govern casino operations.

Our focused approach is enabling us to open up new opportunities with different groups of customers where we can apply our products and technologies to take on new and evolving industry challenges. The innovative urban transport solutions we are delivering for Deutsche Bahn are an excellent example of this and we believe herald a new generation of more comprehensive and fluid approaches to keeping customers safer while serving them better.

Our approach means different things for different parts of our business. In Synectics Security, our heartland is within public space but we see opportunities across other sectors that are underserved by existing competitors. Within the Systems business we are building new partnerships, beyond our traditional systems integrator model, that are opening new doors where our solutions can flourish.

The markets we target represent an extraordinarily diverse range of working environments and operational challenges. They also have important things in common – scale, complexity, and an imperative need for proven technologies applied with absolute rigour. Our strengths and capabilities align perfectly with these requirements.



## Scaling to support future needs

"We know the Synergy solution we've specified will integrate with any third-party system we need it to, grow with us, and enable us to migrate to IP cameras and new technologies as and when we want. Having also received great training, we're excited to see where we can go with this."

**Brett Davis**  
Director of Surveillance, Hoosier Park



## Protecting people in world-class venues

"This important upgrade to the security credentials is part of an ongoing commitment to keeping everyone safe and secure when they visit London Stadium. Operating a multi-event venue requires flexible technologies that not only meet our requirements now, but also in the future."

**Graham Gilmore**  
CEO, London Stadium



## Delivering a world-class leisure experience

"With Synergy, our surveillance team can review gaming data and footage, access reports and images, immediately send this information to our staff at the tables, and keep customers satisfied."

**Jonas Bautista**  
Manager of Surveillance & Security, Gongzi Jeju Casino



## Keeping students safe

"Moving the university onto a sophisticated surveillance monitoring platform has significantly improved the provision of student security, saving our team vital minutes in the event of emergencies."

**Mark Stacey**  
Security Systems Operational Manager, Nottingham Trent University



## Helping to create the future of transport

"Synergy's powerful integrations, intelligent digitisation of workflows, workforce management capabilities, and computer-aided dispatch functionality combine to deliver a hugely exciting outcome."

**Henning Oelze**  
Project Manager, S-Bahn



## Providing reliability and built-in cybersecurity

"The latest version of Synergy has a lot to endear it to major oil & gas operators. Not least its operating structure and built-in cyber measures which together offer the consistency and robust security increasingly demanded by developments moving to a single IP infrastructure for all systems."

**Chris Ball**  
Major Bid Manager, Western Advance

## Strategic review

How we deliver continued

# Our solutions

Synectics has always been known for its agile, scalable approach to meeting customers' most complex operational needs and challenges. The Synergy software platform sits at the very heart of our capabilities, providing an architecture and deployment which are equally flexible.

We work closely with our customers to deliver a tailored solution against their exacting operational requirements. We utilise a modular approach to building features and functions, offer comprehensive user interface design tools, and underpin all of this with rigorous operational process management.

Our approach is deliberately technology agnostic, which means our customers can choose to deploy in a full on-premise, full cloud, or hybrid architecture. We can also give them the flexibility to migrate different parts of the overall solution from one environment to another over time, so they can phase the costs of the transition and get the maximum value from legacy equipment.

Our deep sector expertise and our flexible mindset mean we can readily understand the challenges different organisations face. We have optimised our solutions to cater for the operational, regulatory, and technical nuances of each of our focus markets, all based on one core platform, Synergy.

The systems are adapted to be equally effective in supporting a series of very different business environments: management, slot and POS machines for our casino operating customers; video, intruder, and access control for High Security facilities; enforcement, geospatial information, and traffic monitoring for Safe Cities; intelligent process control systems for the Oil and Gas industry.

The Synergy software platform is at its most powerful where security and surveillance are critical to customers' entire operations. Synergy is effectively the glue that connects a wide array of disparate systems and technologies. Synergy provides a unified management platform within which operators and supervisors can manage the entire end-to-end process associated with responding to a particular security event. It gives the teams full situational awareness at every step and allows them to make vital, real time decisions based on a complete and accurate picture of how the situation is evolving.

Synergy presents the right information to the right people at the right time, integrates this immediately with existing operational protocols, and communicates instructions to field teams so that they can deliver the best possible response to even the most critical and complex security events. This may involve transmitting live and recorded video and accessing real time event notifications from physical security devices such as doors, fences and barriers. It can also enable mining of information from social media, mobile applications or information and emergency points, use of Video Content Analysis and AI systems, and analysis based on location awareness of incidents, people and vehicles. Once again it is the breadth and flexibility of the technology that makes it so powerful and so effective in such diverse environments.

Beyond the control room, Synergy supports even the most complex of operational scenarios simply and efficiently. Control room managers may need to review incidents and produce management reports whilst travelling or working from home. Real time information dashboards can be simultaneously displayed to internal and external stakeholders. Cloud-based digital asset and evidence management allows incident and evidential information to be shared rapidly with external agencies. We may be supporting routine maintenance teams tasked with daily work to remove graffiti or service a faulty device, or we may be enabling fully collaborative incident management, with security personnel despatched to tackle the situation while maintaining full, real-time interaction with the control room team.

In markets where regulatory requirements mean significant barriers to entry for competitors who provide standardised products, we design, develop, and deliver niche solutions that meet the most stringent of demands. One example of this is our COEX range of camera stations which are designed specifically for the needs of the Oil and Gas market and deliver the highest operating environment range and technical video performance available today.

As well as deeply integrating with third-party technologies, we also offer a range of hardware devices to enable our customers to adopt a full turnkey Synectics solution. Our management server and storage platforms support the full capabilities of a Synergy system including the most resilient video recording techniques via IP Camera backfilling, and hot-failover solutions. For our transportation customers we offer on-vehicle video and data capture appliances along with IoT ("Internet of Things") capabilities to allow live viewing, upload, and health monitoring of entire fleets.

**Synectics has always had a flexible, customer centric, solution finding mentality. Our technology has been designed to draw on this deeply rooted culture and provide practical operational benefits for our customers, and for the people they employ and serve.**

## Technology roadmap themes

Four themes underpin our approach to technology development and solutions delivery.

### Cybersecurity

Cybersecurity is at the forefront of our customers minds and to ensure peace of mind we continually develop our Synergy platform, and hardware appliances to be as protected as possible. We deploy the latest firewalls and antivirus tools and support strong encryption standards for data in transit and at rest to reduce risk of attack and exposure to threats. We use the latest penetration testing tools and monitor OWASP and other communities to identify and evaluate potential threats, and address any vulnerability quickly and efficiently.



### Customer-Driven Innovation

Synergy significantly increases our customers capabilities to manage security, surveillance and routine tasks through our new range of web, mobile and cloud native product extensions. These enhancements are all based on modern technologies allowing rapid scale out to increase capacity at the most critical moments. In a world where speed and agility of response can make the difference between success and disaster, these capabilities enable a wide range of operational benefits.



### Integration

Synergy enables deep integration with a wide variety of complimentary security, surveillance, operational management and data sources provided by the worlds leading vendors in our chosen market verticals. Whether it be proprietary SDK / API integration or open standards based such as ONVIF, MODBUS, SNMP, our customers have access to best in class integration functionality to meet all their operational needs.



### Evolution

Synergy evolves along with our customers changing business needs, from a highly resilient and open video management system right through to an integrated security, surveillance and operational management platform. With configurable deployment options for fully on-premise, hybrid or full cloud using the standard Synergy Software, customers are able to select the features, functions and deployment methods that are important to them and change over time as their business, operational and IT needs develop.

## **Strategic review**

How we deliver continued

# Our people

Our people are essential to the successful delivery of our strategy and to achieving our long-term business performance. We continue to strive for strong engagement from everyone across the globe. By doing so, we can accelerate professional development, improve productivity, fully embed our values and create future leaders.

Our pride in the Synectics team has grown even greater this year. The last twelve months have once again showcased the sheer resilience, professionalism and talent we have in our locations throughout the world. Now almost two years into the pandemic, our people have stepped up countless times, and have not only adapted but excelled in new ways of working, collaborating, and supporting our customers.

We have also seen new faces join us over that time who have all shown great support and embraced the unique culture that has been carefully crafted over many years. We've welcomed back a number of hugely talented people who have rejoined the business, which is a tremendous endorsement of the people and culture we have.

### **Our values**

During the year, we refreshed the way we express our values. We've not changed them as they define us perfectly, but refreshing our values have allowed us to reflect changes in the company today and into the future.

Our values, more than ever, guide our behaviours, culture and decision making. They really do define us as a business and is why we continue to attract the best talent in the industry. Those human values have always been an important anchor for us as our "technology" industry has evolved. Our work protects assets and infrastructure, but its most important purpose is to protect people – to keep them safe, give them peace of mind, and enable them to pursue their lives without concern.

### **A great place to work**

Our goal has always been to offer stimulating, rewarding employment with excellent development opportunities within a very human and engaged working environment.

We regularly review our staff welfare and continue to add new benefits and policies to ensure that everyone's health and wellbeing is prioritised. This year we've continued to refine and enhance our health and wellbeing framework that includes access to a mental health first aider, various wellbeing and self-help resources, and mini health checks.

We have also launched new initiatives and invested in technology to support new ways of working, from how we communicate, to the delivery of learning resources and support for home-based working. Many of the enhancements we have made have become permanent changes for the better.

### **Engagement, communication and recognition**

Employee engagement is especially important in maintaining our ability to deliver first-class products and services in times of significant change. One way we do this is to carry out our annual Employee Opinion Survey (EOS).

The EOS provides insights into our people's views ranging from their thoughts on their daily working life here at Synectics to our ability to lead and communicate. The survey has had a consistently high response rate and, once again, the participation this year was excellent. Our overall engagement result saw a slight decline which was not unexpected given the climate over the last year.

To further demonstrate our commitment to employee feedback, we have established a number of employee-led working groups that will help guide and prioritise improvements based on what our people have said are most important to improving their working lives.

We have continued to drive regular engagement with our employees through a wide range of formal and informal channels. These include monthly interactive update calls, global colleague briefings, regular all-staff messages from our Chief Executive, virtual team meetings, social media updates and newsletters.

Our cloud-based platform, Colleague eXperience (CX), has been well embedded across the company and continues to be a key tool that connects our global workforce to the business. We've also recently launched a Global Colleague Handbook to enhance the onboarding experience.

The employee recognition and awards programme celebrates the successes of our people. During the last year, over a third of our employees took time to praise a colleague's contribution. Our Performance and Development Reviews (PDRs) enabled managers to formally recognise their team's incredible achievements and efforts and provided a platform to discuss professional development and career goals at Synectics.

**Synectics is built from our values and our unique culture – which is based on our people, and our customers. We are immensely proud of our heritage, and the journey we have undertaken over the last 30 years.**

**Above all, we care passionately about always doing the right thing: for each other, and in delivering the very best for our customers and the people they serve and protect.**

**Organising and participating in team activities continued to be challenging last year, however it did not stop us from doing what we could. We are proud of what our people were able to accomplish and contribute to their local communities and charities.**

Here are just a few examples of their terrific efforts over the past year.



### Cycle challenge, Berlin

A huge well done to our Berlin team who completed the Stadtradeln challenge in September 2021.

Stadtradeln aims to encourage as many people as possible to cycle in their everyday lives, thereby raising awareness of bicycle-friendly cities and making a contribution to climate protection, and of course, improving people's health!

The team cycled just under 1,000km in three weeks to help raise awareness. To show our support we made a donation to Velofit, which supports children in gaining knowledge of bicycles, their benefits and how to repair them.



### KidsOut Giving Tree

The team at SSS proudly took part in last year's KidsOut Giving Tree event.

The team came together and donated a large number of gifts in the hope of being able to bring a smile to a child during Christmas.



### Customer Charity Donation

As part of the annual Customer Excellence Survey, we make a commitment to donate to a charity selected by one of our customers. 2021's worthy recipient was Cancer Research UK, a charity that focuses on funding scientists, doctors and nurses to help beat cancer.



### Meningitis Now

Sponsors, exhibitors and delegates came together at this year's Global MSC seminar in October to support a wonderful charity called Meningitis Now. The combined donations meant that the team at Global MSC were able to donate over £3,500 to an extremely worthwhile cause.

# Our markets

We operate in clearly defined markets where we add value through deep sector knowledge, industry experience, and our focused solutions portfolio.

Most of our target markets are complex or highly regulated. The world's leading casinos, transport operators, public authorities and oil & gas producers select us because our tailored solutions meet those complex requirements and provide them with future-proof paths to the latest innovations.

We also take the time to understand their challenges, combining our global perspective with an intimate knowledge of local market nuances, for example, the regional variations in the laws that govern casino operations.

The work we have done during 2021 to augment our strategy has been designed to reinforce our commitment to these selected markets.

This focus allows us to differentiate our offering and deliver solutions that enable our customers to succeed in their markets. It also enables us to open up new opportunities with different groups of customers where we can apply our products and technologies to take on new and evolving industry challenges.

Our approach means different things for different parts of our business. Within the Systems business we are building new partnerships, beyond our traditional systems integrator model, that are opening new doors where our solutions can flourish.

In Synectics Security, while our heartland is within public space markets, we see opportunities across other market sectors that are underserved by existing competitors. The markets we target present an extraordinarily diverse range of working environments and operational challenges. They also have important things in common – scale, complexity, and an imperative need for proven technologies applied with absolute rigour. Our strengths and capabilities align perfectly with these requirements.

## Global market specialisms



## Transport

Our pioneering smart transport project with Berlin's S-Bahn went live in January 2021 and is transforming security, passenger service, and operational management across this network. Operational teams are now able to connect, respond, and collaborate with passengers and staff on board trains and at stations, and with field personnel working anywhere across the network.

Synectics' integrated and interoperable Synergy platform and on-vehicle technologies give transport operators the power to connect, monitor, and control systems vital to passenger safety, security and travel experience at every stage of their journey.

## Critical Infrastructure

Synectics' solutions are used to secure and protect critical networks and assets essential to national security. From utility and defence locations to police and secure government installations including prisons and high security hospitals, our teams work to reduce operational risk and the threat of disruptive attack.

The solutions we design and deploy enable operators to improve detection, reduce the potential for costly downtime, and safeguard the services vital to daily life. We work across the estate, from preventing cyberattacks on critical national infrastructure, to monitoring remote locations and enabling effectively integrated command and control operations.

## Public Space

Balancing tight security with open access at sites with high public footfall; visual surveillance with data privacy; localised control with central, multi-facility oversight; and operational excellence with cost minimisation – these are just some of the challenges faced by our retail and public space customers. Our solutions ensure that our surveillance technologies, integration capabilities and facilities management services are chosen time and time again.

Our heritage in public space surveillance protection, particularly in the UK, has made us the partner of choice for local authorities where Synergy is deployed to make cities safer. Our solutions monitor security across major retail estates, prevent theft and fraud, and protect valuable consumer goods.

## Gaming

Gaming is one of the most technically demanding, tightly regulated leisure industries in the world. Monitoring vast, crowded facilities in low-light conditions where massive amounts of cash constantly change hands is a daily reality. With sophisticated resilience and data retention features that guarantee regulatory compliance, our solutions deliver precision images and absolute peace of mind.

While this market has slowed over the last two years, capabilities such as automation and video analytics will support casino operators as they emerge from the pandemic and look to maximise operating capabilities across gaming floors. Increasingly we see opportunities beyond the core casino surveillance into security and operations management across major integrated resorts.

## Oil & Gas

The complexity of the task facing our oil & gas customers is enormous: safeguarding on-site personnel; protecting offshore and onshore pipelines; and monitoring hazardous and explosive areas, often in remote locations under extreme temperatures. It is an industry where customers choose Synectics because of our major project experience and reputation for long-term product reliability in challenging environments.

At the heart of our offer is the highly regarded COEX camera range, which is specified by many end users as their product of choice.

# Market experience



## Gaming growth powered by reliable, intuitive software

Fallsview Casino Resort – the largest gaming resort facility in Canada, overlooking the world-famous Horseshoe Falls – and its sister property, Casino Niagara, are two of our notable new North American customers.

In partnership with our local integration partner, Zuvid Surveillance Systems, we will deploy new site-wide surveillance management systems for both properties based on our market-leading Synergy software platform.

The contracts agreed also include a five-year support agreement for ongoing development.

Paul Webb, Chief Executive commented: "In gaming, guaranteeing continuous surveillance coverage and simplifying footage review procedures for rapid incident investigation is vital to security. It's also fundamental to regulatory compliance."

"Our ability to meet these complex needs through Synergy and our deep-rooted sector expertise, is the reason we continue to expand our global portfolio of casino customers."

The surveillance solutions developed will draw on Synergy's ability to integrate and interoperate with leading security and gaming specific technologies, to facilitate consolidated control of key systems for improved efficiency and performance.

Synergy's tailorability and ease-of-use – both in terms of user preferences and system set up – will allow both casinos to create 'perfect fit' surveillance environments ideally suited to their individual needs.

Mike Stanciu, Director of Surveillance, Niagara Casinos, said: "We selected Synergy due to the impressive ability to bring a number of fragmented processes and systems into a centralised, easy to use Command and Control space."

"Synergy's ability to deliver an efficient product will be beneficial to the overall success of our department and our properties. Their intuitive front end makes it easy for operators to find the cameras they are looking for, review incidents and provide appropriate evidence when required."

## Supporting major event and incident management

Autumn 2021 saw the completion of phase one of the £1.5 million project for West Midlands Police to equip its new Event Control Suite with a comprehensive video management solution ahead of next year's Commonwealth Games.

As well as being the base for all operational co-ordination for the Commonwealth Games in 2022, the site will also be the future Force Control Centre and command suite for the co-ordination and control of major incidents and events in the West Midlands in the coming years.

The solution, based on Synectics' Synergy command and control software platform, will integrate video feeds from thousands of cameras through disparate systems at over thirty sites, which include local authorities, sporting venues, transport hubs and retail centres.

Synectics' Security division has been working closely with West Midlands Police throughout the design and delivery phase and will continue to develop the control room solution, as well as providing ongoing support and maintenance.

Colin Holder, CCTV Manager for West Midlands Police, commented: "We engaged with Synectics' Security division to help us design and deliver this innovative project. Our selection and deployment of the Synergy platform will underpin both the current project aims and provide a reliable, secure and scalable solution for the future. This new Event Control Suite will provide the world-class facilities we need to deliver a safe and successful event for the region."

This project further illustrates Synectics' ever-growing reputation in major event support and citywide incident management. Synergy-based solutions have been operational in London's Queen Elizabeth Olympic Park and the London Stadium for a number of years. The City of London Police also recently selected our cloud-based Synergy solution for its central control room as part of the City's Secure City Programme.



## Making cities safer with Synergy's new cloud capabilities

Public space protection has always been central to our business, as has pioneering new technology to help customers meet emerging needs and evolving threats.

Our work with the City of London to deliver one of the industry's first enterprise-level cloud solutions for public space surveillance is the perfect example of these core competencies in action. The project also illustrates why Synectics is ideally positioned to support Safe/Smart City initiatives throughout the world.

The multi-million-pound contract, awarded by the City of London Corporation and the City of London Police as part of the Secure City Programme, will significantly improve the safety of Square Mile residents, workers and visitors by using native cloud technology within Synergy to transform situational awareness, identifying risk, prioritising threats and supporting real-time responsive action.

Leveraging Microsoft's Azure cloud infrastructure alongside Synergy's recording management and integrated video analytics capabilities, operators will be able to analyse live video surveillance from hundreds of City-owned and third-party camera sources, including other police services and local transport operators, to deliver a new model for real time incident management.

Use of our cloud-based Synergy video surveillance platform commenced during 2021. As well as supporting the City's broader security ambitions, the timing of this deployment has helped to reduce the impact of the pandemic by enabling the operational team to work from anywhere they have a trusted device, including home.

Cost savings have also already been generated. By utilising Azure native Blob storage, we have reduced the City's cost profile for video surveillance storage by over 50%.

Additionally, City of London is one of our first public space customers to benefit from our Synergy mobile application. Once fully deployed, this will allow the City's central control room to connect to over 100 mobile users to enable rapid responses in the field.

T/Commander David Evans said: "Our aim is to ensure the City is the safest city area in the world. Synectics shares our vision for the future of fully integrated public space security and surveillance, and we are confident their team can provide a future-proof platform to help us achieve the aims of ourselves and the City of London Corporation."

# Engaging with our stakeholders

The successful delivery of Synectics' strategy is dependent on a deep understanding of our stakeholders and effective mutual communication. Synectics' commitment to these crucial relationships as true long-term partnerships is fundamental to the way we achieve sustainable growth and financial returns, and to the Synectics philosophy.

Synectics has multiple stakeholders across its global operations. The Board considers its principal stakeholders to be our employees, customers, partners, communities, and investors.

Ongoing engagement with all our stakeholders, alongside a wider business community, is important in any strategic decision making, with formal and informal feedback from stakeholders being shared at Board meetings and used to inform and influence decision making further details of which can be found on page 39. The Board know that having regard to these relationships, as well as the wider impact on the community and environment, enables them to promote the success of the Company for the benefit of its members (whilst taking into account the matters set out in section 172(a)–(f) of the Companies Act 2006).

In this section, we provide more detail on how we engage with each of these important groups.

## Employees

Our employees are our strength and the foundation of our success; we are committed to their health, safety, and well-being. We believe that ongoing engagement with them, alongside a wider business community, is important in any strategic decision making.

- We hold regular briefing sessions and use our global communications platform; Colleague eXperience (CX) to share strategy, performance updates and Company news.
- The annual Employee Engagement Survey gathers feedback to inform Company strategies and employee programmes.
- Our Employee Awards recognise outstanding achievements linked to our values.
- All employees can participate in the Employee Share Acquisition Plan.

## Customers

We are committed to working in close partnership with our customers to understand their businesses and anticipate their needs.

- Our Customer Excellence programme solicits structured feedback from customers to inform our decisions about future strategy and investment priorities.
- Our Customer Excellence programme includes regular meetings to discuss business needs and share technology and solution developments.
- Regular communications are used to keep customers informed.

## Partners

We engage with a wide range of technology partners and industry suppliers to create and deliver our tailored customer solutions.

- We maintain a regular dialogue with all technology partners, co-ordinated through our technology partner manager.
- Annual technology days take place with key strategic partners.
- We have a structured programme of action calls and quality reviews with our supply chain partners.

## Communities

The Synectics team plays a full role in local programmes and charities.

- We support selected charities in the locations where we are based.
- We encourage employee initiatives to support the causes that matter to them.
- We make charity donations linked to business projects, for example, our annual Customer Excellence Survey.

## Investors

The Board is committed to regular, timely and effective communications with investors and other financial stakeholders.

- We run investor roadshows to support results announcements.
- Our investor website provides easy access to relevant materials.
- We maintain regular contact with investors outside of the core reporting cycle.

# Our commitment to sustainability

At Synectics, we care about our impact on the world, our contribution to our local communities, and the way we conduct ourselves. We are fully committed to ensuring the responsible operation of our business and safe, sound, and ethical conduct at all times at all of our locations.

## Environment

We recognise our responsibility to contribute to a sustainable future and to minimise any negative impact that our operations could cause to the environment. We are committed to environmental sustainability, both globally and in our local communities, and are actively seeking ways to reduce our environmental impact.

- Environmental risk assessments are performed at all our sites globally to identify what impact the site has on the environment, including waste generation and disposal, energy usage, and emissions to land, sea, and air.
- All of our UK sites are certified to the Environmental Management System standard ISO 14001 and are subject to regular external and internal auditing.
- We continue to increase the amount of waste that is recycled across the Group, and energy consumption has reduced further compared to the previous year.
- We commit our suppliers to upholding our commitment to environmental control throughout our supply chain.

## Social

Through our people we deliver our strategy, vision, and purpose – and uphold our values. We seek always to be the very best Synectics we can be. We are committed to fostering an inclusive and diverse culture which supports and reflects the communities we operate in. We provide equal opportunities to all our employees irrespective of race, nationality, gender, sexual orientation, marital status, religious belief, disability or age.

- We aim to provide a safe working environment at all times; all our UK sites are certified to the Health and Safety Management System ISO 45001.
- We have redoubled our focus on employee health and well-being, embracing major programmes such as Mental Health Awareness Week.
- Our global communications platform connects all our colleagues worldwide and reinforces the sense of shared values and unified community among employees from many cultures.
- Our recruitment, development, and review programmes safeguard our commitment to diversity and equality throughout the Group.
- Each year, we contribute to a range of charitable and community initiatives, both as a company and through supporting the efforts of individual employees.

## Governance

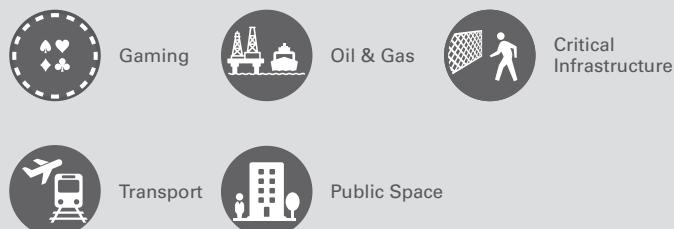
We are committed to conducting business in an ethical and responsible manner and to complying with all applicable laws and regulations. We require all our employees and all third parties acting on our behalf to behave honestly and to operate with integrity.

- We have a comprehensive suite of policies covering the conduct and ethics of all aspects of our business including anti-bribery, modern slavery, and safeguarding.
- Our induction process includes sessions on HR, health and safety, bribery, modern slavery, whistleblowing, and data protection to ensure all new employees understand our ways of working and our expectations of them.
- We require all our suppliers and partners to commit formally to upholding our standards of business ethics.
- All our UK sites are certified to the Information Security Management System standard ISO 27001 and are subject to regular external and internal auditing.

## Performance review

### Our divisions

# Systems



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)
Gross margin	46.4% (2020: 40.8%)
Operating profit/(loss) <sup>1</sup>	£0.1 million (2020: £(1.8) million)
Operating margin	0.3% (2020: (7.5)%)

1 After research and development expenditure, but before non-underlying costs (see note 6) and Group central costs.

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.

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.

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))

Revenues in EMEA continued at approximately the same level as in the second half of FY20.

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 commenced at the end of January 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.

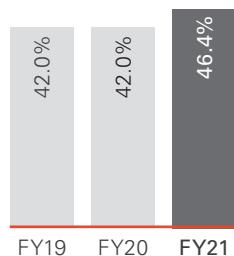
Other highlights include:

- 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 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 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.

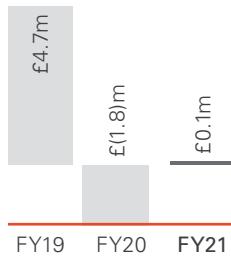
## Revenue



## Gross margin



## Underlying operating (loss)/profit<sup>1</sup>



## Underlying operating margin<sup>1</sup>



### North America (Revenue £4.0 million (2020: £2.4 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 FY21, 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 period, 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))

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 in 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 total, £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.

## Performance review

Our divisions continued

# Security



Critical  
Infrastructure



Transport



Public Space



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)
Gross margin	24.1% (2020: 24.6%)
Operating profit/(loss) <sup>1</sup>	£0.9 million (2020: £(0.4 million)
Operating margin	3.7% (2020: (1.8)%)

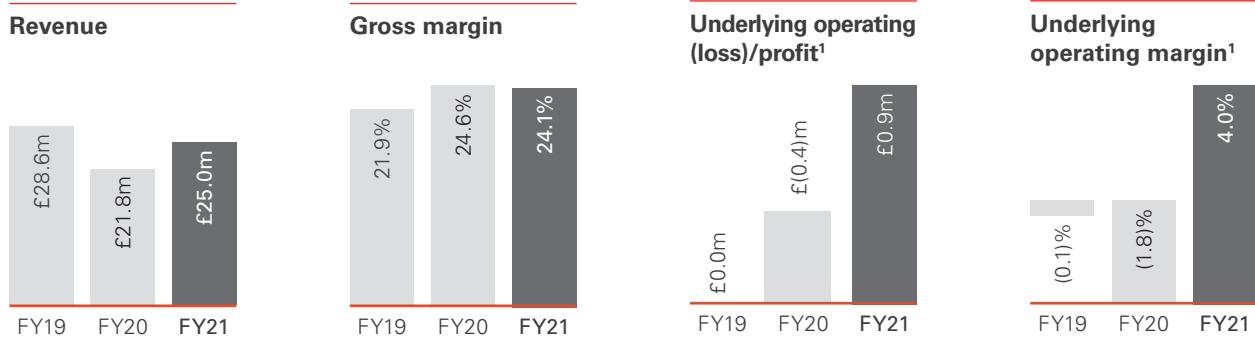
<sup>1</sup> Before non-underlying costs (see note 6) and Group central costs.

The major consolidation of the operations of Synectics' Security division was completed during FY20. This reorganisation has borne fruit with the delivery of 15% revenue growth on a comparable basis, and a turnaround of operating results from a loss of £(0.4) million to an on-budget profit of £0.9 million in FY21, 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 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;
- recovery in orders from the UK on-vehicle market;
- 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.



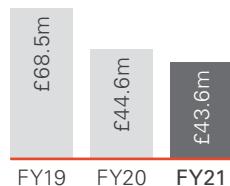
Synectics Security, as now constituted, has excellent partnerships across the security solutions portfolio. These enable the team to develop Synectics Security beyond its traditional heartlands in public space and transport into new opportunities that utilise its experience in complex, critical and highly 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.

## Performance review

### Key performance indicators

#### Revenue



#### Definition

Income earned from the delivery of goods and services.

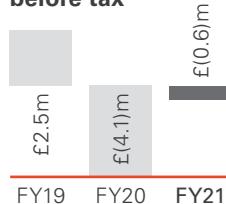
#### Relevance

Revenue is a key indicator of the performance, growth and market share of the business.

#### Performance

Revenue has been significantly impacted by the economic environment caused by the global pandemic.

#### Underlying (loss)/profit before tax



#### Definition

(Loss)/profit before tax and non-underlying items<sup>1</sup>.

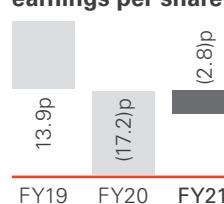
#### Relevance

(Loss)/profit before tax and non-underlying items helps us understand our performance excluding those items considered non-underlying to assess the baseline nature of profit or loss.

#### Performance

While impacted by the decrease in revenue, underlying (loss)/profit before tax has been protected to some extent by the cost savings implemented by management and by government support.

#### Underlying diluted earnings per share



#### Definition

Ratio of underlying profit after tax to weighted number of ordinary shares in issue and dilutive potential ordinary shares arising from share options.

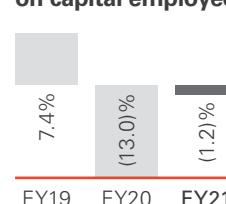
#### Relevance

To enable us to track, assess and compare the return for investors and to provide them with a measure of return to compare with other investment opportunities, using a measure that is more representative of our baseline performance.

#### Performance

Underlying diluted earnings per share are reflective of the underlying profit performance.

#### Underlying return on capital employed



#### Definition

Ratio of underlying operating profit as % of average operating capital employed (being net assets excluding the pension asset, cash, tax and loan balances).

#### Relevance

To enable us to track, assess and compare the return for investors and to provide them with a measure of return to compare with other investment opportunities, using a measure that is more representative of our baseline performance.

#### Performance

This measure has been impacted by the trading performance along with the decrease in working capital during the year.

#### Free cash flow



#### Definition

Cash flow from operations less capital expenditure, but before any payments in respect of non-underlying items.

#### Relevance

To understand the extent to which the business has generated cash from its trading activities, after replacing the capital assets integral in generating that cash flow, in order to decide whether to invest further in the business or return cash to shareholders.

#### Performance

The year has seen a cash outflow largely due to the payments of restructuring costs which were provided for in the prior year. Positive cash generation returned in the second half of the year.

#### Employee engagement



#### Definition

A score, based on our Employees' responses to questions the relevant themes of our annual independent Employee survey.

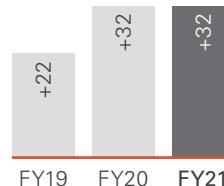
#### Relevance

People are at the heart of our business, and this is a measure of how our people feel about their business.

#### Performance

Employee engagement has shown a consistency in the year. In difficult circumstances, we have kept people connected.

#### Net Promoter Score™



#### Definition

An index measuring the willingness of our customers to recommend our products & services to others, sourced from our annual Customer Excellence survey.

#### Relevance

Everything we do is driven by a deep understanding of our customers' needs, the environments they work in, and the challenges they must solve.

#### Performance

Our net promoter score has remained consistent year on year, a reflection of our continued efforts to meet our customers' evolving needs.

#### R&D spend



#### Definition

Expenditure on R&D before any capitalisation or amortisation.

#### Relevance

It is key to the business to continue to invest in our products to maintain our position as a technical leader in our industry in order to generate sustainable, profitable growth.

#### Performance

Investment in R&D has been maintained despite the difficult year.

<sup>1</sup> Non-underlying items comprise restructuring costs and amortisation of acquired intangibles. See note 6 to the financial statements.



**The structural improvements made during 2020 are delivering the planned savings. These have helped the business deliver a significantly improved financial performance with a return to profitable trading in the second half."**

**David Bedford**  
Finance Director



## Improved financial performance from margin growth and cost savings

### Group results for the year

The Group's financial performance in 2021 was once again overshadowed by the impact that the global pandemic has had on some of the key markets in which our customers operate. In particular, the delayed recovery of international leisure travel has constrained activity in the Systems Division's main sector of Global Gaming.

Despite revenues remaining broadly flat compared to the prior year, as a result of the significant structural changes made during 2020, the cost savings generated have contributed to a significantly improved financial performance for 2021.

The priority remains to build the strongest possible platform for generating substantial returns as markets recover and it was pleasing to see a return to profitable trading during the second half of the year.

The Group continued to maintain strong discipline over both spending and working capital and this enabled the business to continue investing while maintaining positive cash balances throughout the year.

The Group ended the year with a cash balance of £4.6 million (2020: £6.9 million), an outflow of £2.2 million. Adjusting for the non-underlying cash items, capital expenditure, tax and financing Free Cash outflow in the period was £(0.3) million (2020: £6.3 million inflow). The second half of the year saw the business return to positive cash generation and the Group continues to remain free of bank debt.

There were no non-underlying costs in the current year. Non-underlying costs in the prior year of £2.2 million were incurred in relation several key restructuring projects which have contributed to the Group generating significant cost efficiencies in the year and returning to a profitable trading in the second half.

### Income Statement

Overall Group revenue for the year to 30 November 2021 amounted to £43.6 million compared with £44.6 million in the previous year, a decrease of £1.0 million (2.4%).

Revenue split between our two business segments was as follows:

Revenue	2021 £'000	2020 £'000	Inc/(dec) £'000	Inc/(dec)
Systems	<b>20,661</b>	23,645	(2,984)	(12.6)%
Security	<b>24,965</b>	21,802	3,163	14.5%
Intra-Group sales	<b>(2,031)</b>	(799)	(1,232)	154.2%
<b>Total revenue</b>	<b>43,595</b>	44,648	(1,053)	(2.4)%

Revenue in the Systems division of £20.7m was £2.9 million (12.6%) below 2020 reflecting a full year's impact of the pandemic on gaming revenues in Asia Pacific and North America.

Revenues in the Security division increased by £3.2 million (14.5%) to £25.0 million as a result of solid strategic progress as well as the early vaccine led recovery boosting the UK economy.

Recurring revenue increased year on year to £12.5 million (2020: £10.1 million), representing approximately 29% of sales (2020: 23%). In the Systems division progress continued to be made in increasing the share of more profitable software-based sales combined with providing customers with multi-year support agreements.

The proportion of sales arising outside the UK (measured by the geographical location of the contract) decreased during the year to 38%, compared with 44% in the previous year.

## Performance review

Group financial results continued

### Income Statement continued

Sales by geographical location of contract	2021 £'000	2020 £'000	Inc/(dec) £'000
UK	<b>26,935</b>	62%	25,203 56% 1,732
Rest of Europe	<b>5,382</b>	12%	5,345 12% 37
UK and Europe – total	<b>32,317</b>	74%	30,548 68% 1,769
North America	<b>5,276</b>	12%	3,166 7% 2,110
Asia Pacific	<b>5,278</b>	12%	8,334 19% (3,056)
Middle East and Africa	<b>724</b>	2%	2,600 6% (1,876)
<b>Total revenue</b>	<b>43,595</b>	<b>100%</b>	44,648 100% (1,053)

Consolidated gross margin for 2021 increased by 1.9% points overall to 35.5%. This was predominantly due to significantly improved margins in the Systems division as a result of the strong cost control and a higher level of software content in the projects undertaken during the year.

The full segmental analysis is as follows:

Gross margin %	2021	2020	Inc/(dec)
Systems	<b>46.4%</b>	40.8%	5.6%
Security	<b>24.1%</b>	24.6%	(0.5)%
<b>Total Group</b>	<b>35.8%</b>	33.6%	2.2%

Underlying operating expenses in the year decreased by 17% to £16.5 million.

Operating expenses	2021 £'000	2020 £'000	Inc/(dec) £'000	Inc/(dec)
<b>Underlying operating expenses</b>	<b>16,464</b>	19,857	(3,393)	(17.1)%
Non-underlying items:				
Costs in relation to legal claim	–	(42)	42	
Restructuring costs	–	2,200	(2,200)	
Amortisation of acquired intangibles	–	23	(23)	
Non-underlying operating expenses	–	2,181	(2,181)	
<b>Total operating expenses</b>	<b>16,464</b>	22,038	(5,574)	(25.3)%

There were no non-underlying operating expenses in the period (2020: £2.2 million). In the prior period non-underlying expenses related to restructuring costs which were provided for in the period. The restructuring projects have contributed towards significant cost efficiencies in the current period and allowed the Group to return to a profitable position in the second half of the year despite revenue remaining flat.

The underlying loss before tax was £0.6 million in 2021 compared with an underlying loss of £4.1 million in 2020. The Group recorded a loss before tax of £0.6 million (2020: loss £6.3 million).

Whilst all areas of the business were fundamentally impacted by the global pandemic, the Security division continued to prove relatively resilient with an underlying operating profit of £0.9 million compared to an underlying loss of £0.4 million in the previous year. The Systems division recorded an underlying profit of £0.1 million (2020: underlying loss £1.8 million). Central costs were £1.5 million, a saving of £0.3 million on the previous year primarily due to the insourcing of the Groups' IT function.

Underlying operating (loss)/profit	2021 £'000	2020 £'000	Diff £'000
Systems	<b>58</b>	(1,774)	1,832
Security	<b>924</b>	(388)	1,312
Central costs	<b>(1,456)</b>	(1,805)	349
Underlying operating (loss)/profit	<b>(474)</b>	(3,967)	3,493
Net finance costs (including IFRS 16)	<b>(121)</b>	(139)	18
<b>Underlying (loss)/profit before tax</b>	<b>(595)</b>	(4,106)	3,511

A reconciliation of operating profit/(loss) by division to profit before tax is as follows:

Operating profit/(loss)	2021 £'000	2020 £'000	Diff £'000
Systems	<b>58</b>	(2,981)	3,039
Security	<b>924</b>	(916)	1,840
Central costs	<b>(1,456)</b>	(2,251)	795
Operating (loss)/profit	<b>(474)</b>	(6,148)	(5,674)
Net finance costs	<b>(121)</b>	(139)	18
<b>(Loss)/profit before tax</b>	<b>(595)</b>	(6,287)	5,692

In 2021 £3.4 million was spent on research & development. Of which, £0.6 million was capitalised with £2.8 million charged to the Income Statement. This compares with expenditure of £4.0 million in 2020, of which £0.8 million was capitalised.

The Group underlying operating margin was a loss of (1.1%) compared with a loss of (8.9%) in 2020.

Underlying operating margin	2021	2020	Inc/(dec)
Systems	<b>0.3%</b>	(7.5)%	7.8%
Security	<b>3.7%</b>	(1.8)%	5.5%
<b>Total Group</b>	<b>(1.1)%</b>	(8.9)%	7.8%

The Group operating margin was a loss of (1.1%) (2020: loss (13.8)% split by division as follows:

Operating margins	2021	2020	Inc/(dec)
Systems	<b>0.3%</b>	(12.6)%	12.9%
Security	<b>3.7%</b>	(4.2)%	7.9%
<b>Total Group</b>	<b>(1.1)%</b>	(13.8)%	12.7%

The tax credit for 2021 was £0.1 million compared with a credit of £1.6 million in 2020.

Historic tax losses of £6.4 million (30 November 2020: £6.2 million) exist and may be capable of offset against future taxable profits of certain Group companies, but have not yet been recognised in the financial statements due to uncertainty of recoverability at this point.

Diluted earnings per share for 2021 were (2.8)p compared with (27.7)p in the year ended 30 November 2020. The Directors believe that a better measure of performance is the underlying diluted earnings per share, due to it being calculated on the underlying profit before tax as defined above. Underlying diluted earnings per share were (2.8)p compared with (17.2)p in 2020.

<b>Earnings per share</b>	<b>2021</b> p	<b>2020</b> p	<b>Inc/(dec)</b> p
Diluted earnings per share	(2.8)	(27.7)	24.9
Underlying diluted earnings per share	(2.8)	(17.2)	14.4

Return on capital employed (based on total profit after tax) for 2021 was (1.2)% compared with (20.2)% in the year ended 30 November 2020. However, the Directors believe that a better measure of performance is the return based on underlying operating profit. Return on capital employed (based on underlying operating profit) was (1.2)% compared with (13.0)% in 2020.

<b>Return on capital employed</b>	<b>2021</b>	<b>2020</b>	<b>Inc/(dec)</b>
Based on total profit from operations	(1.2)%	(20.2)%	19.0%
Based on underlying operating profit	(1.2)%	(13.0)%	11.8%

<b>Return on capital employed</b>	<b>2021</b> £000	<b>2020</b> £000
Loss before interest and tax	(474)	(6,148)
Capital employed	38,160	40,127

<b>Capital employed</b>	<b>2021</b> £000	<b>2020</b> £000
Total assets	54,138	59,815
Current liabilities	(15,978)	(19,688)
Capital employed	38,160	40,127

## Statement of Financial Position

The net assets of the Group amounted to £35.3 million at 30 November 2021 (2020: £37.0 million) and can be summarised as follows:

	<b>2021</b> £000	<b>2020</b> £000
Property, plant and equipment (excluding right of use assets)	2,419	2,628
Right of use assets	2,562	2,615
Intangible assets	21,728	22,155
Retirement benefit asset	–	1,325
Non-current assets (excluding deferred tax assets)	26,709	28,723
Cash balances	4,641	6,864
Loans and borrowings	–	–
Net cash	4,641	6,864
Other net current assets	6,338	4,725
Net tax assets (including deferred tax assets)	1,903	1,705
Lease liabilities	(2,839)	(2,790)
Provisions	(1,408)	(2,196)
<b>Net assets</b>	<b>35,344</b>	<b>37,031</b>

Non-current assets (excluding deferred tax assets) at 30 November 2021 were £26.7 million compared with £28.7 million at 30 November 2020.

Exchange rate movements in the year decreased the retranslated value of goodwill on overseas acquisitions by £0.2 million.

Capital additions were £0.9 million, compared to £1.2 million in 2020. £0.3 million (2020: £0.3 million) was spent on property, plant and equipment, with minimal investment in external software. During 2021 £0.6 million (2020: £0.8 million) was capitalised in respect of technology development projects. The Group continues to invest significant amounts in the development and enhancement of its product portfolio. However, accounting rules for capitalisation of development spend contain specific criteria around what should be capitalised for ongoing work on products which have been launched in the market.

Total capital expenditure including right of use assets of £1.8 million (2020: £1.6 million) compares with depreciation and amortisation charges of £2.1 million in the year (2020: £2.2 million).

The actuarial surplus on the Group's closed defined benefit pension scheme was £nil at 30 November 2021 compared to £1.3 million at 30 November 2020. During the year, a "buy-in" of the pension scheme was agreed in principle and accordingly the carrying value was revalued to nil and will be transferred off when the "buy-out" occurs. Full details can be found in note 29 to the financial statements.

Working capital levels increased £1.6 million compared with the prior year.

	<b>2021</b> £000	<b>2020</b> £000
Stock	3,936	4,661
Trade Debtors	10,057	7,659
Contract Assets	5,774	8,185
Other Debtors (excl tax)	1,099	1,354
Other creditors (excl tax, provisions and lease liability)	(14,528)	(17,134)
<b>Total</b>	<b>6,338</b>	<b>4,725</b>

Net tax assets at 30 November 2021 amounted to £1.9 million (2020: £1.7 million) and comprised a current tax asset of £nil (2020: £0.5 million), a current tax liability of £nil (2020: £0.1 million), deferred tax assets of £2.5 million (2020: £1.9 million) and deferred tax liabilities of £0.5 million (2020: £0.6 million).

Provisions at 30 November 2021 amounted to £1.4 million (2020: £2.2 million). This amount includes £1 million (2020: £0.6 million) of warranty provisions and £0.1 million provision for restructuring costs (2020: £1.3 million). The remaining balance relates to property dilapidation provisions.

## Performance review

Group financial results continued

### Cash

The Group ended the year with net cash of £4.6 million at 30 November 2021 (2020: £6.9 million). The outflow was primarily caused by working capital returning towards normal levels following the significant unwinding of working capital in 2020 together with the payment of restructuring costs which were provided for in the prior period.

The net cash outflow of £2.2 million in the year is summarised in the table below.

	2021 £000	2020 £000
<b>Underlying operating loss</b>	<b>(474)</b>	(3,967)
Depreciation and amortisation charges and profit/(loss) on disposal of non-current assets	2,209	2,326
Share-based payment charge	12	50
Other non-cash movements	242	807
Decrease/(increase) in working capital	(1,438)	8,255
Net foreign exchange losses	6	80
<b>Cash from operations before non-underlying payments</b>	<b>557</b>	7,551
Restructuring costs	(1,321)	(1,652)
<b>Cash generated by/(used in) operations</b>	<b>(764)</b>	5,899
Interest paid (net)	(12)	(33)
Taxation received/(paid)	157	(148)
Capital expenditure	(842)	(1,218)
Lease payments	(1,006)	(1,117)
Effect of exchange rate changes on cash	244	(99)
<b>Net cash flow</b>	<b>(2,223)</b>	3,284

### Free cash flow

The Group measures free cash flow in considering the underlying cash generated from its operations. A reconciliation of reported cash generated from operations to free cash flow is as follows:

	2021 £000	2020 £000
<b>Free cash flow</b>		
Reported cash generated from operations	(764)	5,899
Capital expenditure	(842)	(1,218)
Payments in respect of non-underlying costs	1,321	1,652
Free cash flow	(285)	6,333

### Going concern

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. This year, in light of the uncertainty arising from the global pandemic, this review has included additional scenario modelling and stress testing of budgets. See note 1 to the financial statements for further detail around the testing performed.

### Use of non-GAAP financial performance measures

Certain disclosures and analyses set out in this Annual Report and Accounts include measures which are not defined by generally accepted accounting principles ('GAAP') such as IFRS. We believe this information, along with comparable GAAP measurements, is useful to investors. Management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating our operating performance. Non-GAAP measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. The primary non-GAAP financial measure we use is underlying profit.

In the following table we provide a reconciliation of this and other non-GAAP measures, as defined in the Performance Review on pages 24 to 28, to relevant GAAP measures:

#### Underlying profit measures

	2021 £000	2020 £000
<b>Underlying operating loss</b>	<b>(474)</b>	(6,148)
Reported operating loss	–	(42)
Provision for costs of a legal claim	–	1,249
Costs associated with the restructuring of the Systems division	–	528
Costs associated with restructuring Central operations	–	273
Costs associated with buy-out of the defined benefit pension scheme	–	150
Amortisation of acquired intangible assets	–	23
<b>Underlying operating loss</b>	<b>(474)</b>	(3,967)
<b>Underlying loss before tax</b>		
Reported loss before tax	(595)	(6,287)
Provision for costs 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 buy-out of the defined benefit pension scheme	–	150
Amortisation of acquired intangible assets	–	23
<b>Underlying loss before tax</b>	<b>(595)</b>	(4,106)

A reconciliation of reported profits to non-underlying profits for each division is as follows:

#### GAAP reconciliation

Systems	Gross profit		Operating profit	
	2021 £000	2020 £000	2021 £000	2020 £000
<b>Underlying profit/(loss)</b>				
Reported profit/(loss)	<b>9,587</b>	9,643	<b>58</b>	(2,981)
Restructuring costs	–	–	–	1,249
Release of provision for legal claim	–	–	–	(42)
Underlying profit/(loss)	<b>9,587</b>	9,643	<b>58</b>	(1,774)

Security	Gross profit		Operating profit	
	2021 £000	2020 £000	2021 £000	2020 £000
<b>Underlying profit/(loss)</b>				
Reported profit/(loss)	<b>6,014</b>	5,368	<b>924</b>	(916)
Restructuring costs	–	–	–	528
Underlying profit/(loss)	<b>6,014</b>	5,367	<b>924</b>	(388)

#### Underlying diluted EPS

The Group monitors underlying diluted EPS. In calculating earnings for underlying diluted EPS, net profit is adjusted to eliminate the post-tax impact of non-underlying items. Note 14 to the financial statements includes a reconciliation of earnings used for underlying EPS.

#### Underlying return on capital employed

Underlying return on capital employed is based on underlying operating profit (see reconciliation of underlying operating profit in the previous table).

#### Net cash

Net cash is considered to be a non-GAAP measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of loans and other borrowings (current and non-current) and cash and cash equivalents. This is the calculation used by the Group to measure net cash.

David Bedford  
Finance Director

22 February 2022

# Understanding and managing key risks to the Group

We seek to understand and manage the various risks that arise from our operations. The Group is subject to a variety of risks which may have an adverse impact on the business, results of operations, cash flow, turnover, profitability, assets, liquidity and capital reserves.

The principal risks facing the Group, and the strategies put in place to mitigate them, are described here.

The Board, advised by the Audit Committee (the 'Committee'), has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Committee advises the Board on matters of risk management and has its own report, which can be read on pages 43 to 45.

Responsibility for implementing sound and effective systems of internal control has been delegated by the Board to senior management. The purpose of the system of internal control is to manage, rather than eliminate, the risk of failure to achieve business objectives and to only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group has created an organisational structure with clear operating procedures, lines of responsibility and delegated authority. There are clear procedures for capital investment appraisal and approval, contract risk appraisal and financial reporting within a comprehensive financial planning and accounting framework. The Board believes the internal control environment is adequate and appropriate given the size and complexity of the Group.

A robust risk reporting framework has been adopted by the Board. As part of this framework, the divisional management teams submit a report to monthly business review meetings setting out their top five business risks, mitigation plans and associated timescales. The Executive Directors review and challenge this risk analysis with the divisional management teams at each business review meeting. The Executive Directors then review the individual divisional submissions, consider the broader strategic threats facing the Group and present their assessment of the most significant risks facing the Group to the Committee and the Board twice a year for detailed review and discussion.

In order to give additional assurance on controls, and to supplement the work undertaken by the external auditor, the Group uses the experience of its central accounting team to undertake a programme of internal audit approved by the Committee.

People skills and dependency

Exposure to specific market sectors

Product failure

Project delivery and contractual liability

Technology development

Bad debt and non-recovery of costs

Cybersecurity

Exchange rates/international trade

Strategic project delivery

Macro-economic events

Supply-chain

## Risk

### Factors that may impact the business

Due to the technical specialism required by the Group, we are dependent on our employees with key managerial, engineering and technical skills.

One of the Group's key strengths is its expertise in delivering tailored solutions to customers in key sectors with critical security needs. The success of this strategy has resulted in revenues which are concentrated in a relatively small number of market segments. This results in a level of risk related to external market-specific impacts – for example how Covid-19 has closed casinos worldwide which is affecting new projects within gaming. Similarly, external factors, including governmental policies, may impact the timing and scale of investment within our other key markets.

If the Group's product offering fails to meet agreed standards there is a risk that the Group will be exposed to replacement or rework costs as a result of this failure, and the associated reputational impact on its ability to secure new business.

Where the Group's service offering fails to meet agreed standards or timescales there is a risk that the Group will be exposed to cost overruns and claims for contractual liabilities as a result of this failure.

As the industry becomes increasingly technical and transitions to digital technology, there is a risk that products become obsolete or irrelevant.

The Group is exposed to the risk of non-payment for work performed. This may be due to the inability of the customer to pay as a result of financial difficulty, or unwillingness to pay due to dissatisfaction with the work performed or dispute over the obligation to pay, particularly where extension of time and contract variations are claimed.

Unauthorised access to the Group's systems or to our customers' systems in relation to software supplied by the Group could result in material losses. In addition to the risk of financial theft or fraud, losses could result from an inability to run key internal processes affecting the ability of the business to operate. Security breaches could result in the loss of intellectual property or other confidential information which may also result in fines from regulatory bodies. Actual breaches or deficiencies within our cybersecurity procedures could impact the Group's external certifications which could affect our ability to do business within certain regulated environments.

The Group operates internationally giving rise to exposure from changes in foreign currency exchange rates. The Group conducts a significant amount of trade with businesses located in European and international countries.

The failure to deliver key change projects in line with planned costs, benefits and timings could impact the future financial performance of the Group.

The Group is exposed to the risks which may be brought about by significant macro-economic events that either prevent our customers from operating and therefore impacts on revenue or that prevent the Group from providing adequate service levels to our customers.

The Group sources key technology components from a broad international supplier base. In many cases specialist components are tailored to the Group's requirements and it can involve significant time and effort to establish a new supplier. There is a risk that in the event of a supplier failing or not being able to deliver the required quantities or to agreed lead times, that the Group's ability to service its customers will be adversely impacted. The current epidemic and global chip shortage is affecting some of our suppliers increasing this risk further.

## Mitigation

### What we are doing to minimise the risk

We aim to offer competitive remuneration packages and incentive arrangements, together with an agile environment which encourages and rewards excellent performance. We assess employee engagement via an annual survey and regular "pulse" checks with feedback and recommended actions agreed at Board level and built into business units' plans. In addition, the Group actively reviews its succession planning objectives and skills matrix.

The Group's reorganisation of the Systems division under a unified global leadership is designed to support a broadening of the customer base which should result, over time, in a more balanced mix of sector revenues in each region. The merger of Quadrant Security Group and Synectics Mobile Systems to form Synectics Security has also enabled new opportunities to be sought in both existing and new sectors which should also, over time, reduce the level of sector-related risk.

Product quality is closely monitored and reviewed across the Group with comprehensive product testing and customer support in place. The Group maintains rigorous quality standards in all its operations and expects the same standards of its supplier base. Where possible product liability is mitigated through contractual arrangements within the supply chain.

Project and service delivery are closely monitored and reviewed across the Group on a regular and frequent basis. We maintain rigorous quality standards in all our operations, undertaking comprehensive risk assessments and carefully assessing the terms on which we agree to enter into contractual relationships at the appropriate level of responsibility.

We seek to counter this risk through our investment in research & development resources and a continued focus on customer-led development to ensure that the most appropriate product development paths are followed. The Board regularly reviews the divisions' product development roadmaps to gain assurance that we will continue to be able to meet the evolving needs of our customers.

Credit evaluations are performed on all customers requiring credit using information supplied by independent rating agencies where available. The Group also uses other publicly available information and its own trading records to rate major customers. Where possible, credit risk is mitigated through deposit and milestone payment requirements which at least cover the cost of work performed. In addition, financial instruments such as letters of credit are utilised where appropriate. Robust reporting of outstanding positions, customer payment issues and projects experiencing delays is in place for the monthly business review meetings with the Executive Directors and, exceptionally, the Board.

The Group operates strict cybersecurity practices to secure information, trade secrets, source code and our product development processes. This includes training, penetration testing, external accreditations such as ISO 27001 and cybersecurity monitoring. We employ numerous industry-leading practices to ensure our products are secure from cyberattacks including data encryption of data at rest and in transit, and the use of digital secure certificates. We have engaged with a cyber consultancy firm to undertake a full independent audit and to provide advice on further improving the cybersecurity of our products.

The Group manages exchange risk on an ongoing basis by seeking to avoid significant imbalances between costs and revenues in each currency and to the extent that this is not possible, hedging future cash flows using forward exchange contracts.

Proposals involving significant investment or organisational changes are rigorously reviewed by the Executive Directors and, where necessary, by the Board. The Group operates robust systems and procedures to ensure the monitoring and successful delivery of key projects.

This risk has been seen during the year with the global coronavirus pandemic. Plans for business continuity, working practices, staff deployment and welfare across sites, working from home and hygiene precautions have been implemented. They are reviewed on an ongoing basis. The financial impact upon the business is also monitored closely and frequently.

Vigorous checks are performed on all new suppliers and alternative sources of key components are developed where possible. Regular communication is held with our suppliers to maintain strong relationships working together to resolve any potential issues. Supplier performance for delivery and quality is monitored regularly. Robust stock management is in place, including detailed reviews of future product demands that are used to assess stock levels and provide 12 month rolling forecasts to key suppliers. To minimise lead times and reduce risk where possible suppliers are obliged to hold buffer stocks of key components and safety stocks are also held by the Group where required and the levels frequently reviewed.

### Strategic report approval

The Strategic report, which comprises the Chairman's statement on pages 6 to 8, the Strategic review on pages 6 to 23, the Performance review on pages 24 to 33 and the above Risks and risk management section on pages 34 and 35, was approved by the Board.

By order of the Board

**Claire Stewart**  
Company Secretary

22 February 2022

# The Board of Directors

The Board comprises, in addition to the Chairman, three Independent Non-Executive Directors and two Executive Directors. Membership of each of the Audit Committee and Remuneration Committee is made up solely of the Independent Non-Executive Directors.

## Introduction from the Chairman

The Company follows the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code').

The QCA Code contains ten basic principles. Through a set of disclosures on their website and in their annual report, companies are required to provide an explanation of how they consider they are meeting those principles. Once again, I can report that the Company continues to maintain compliance with all ten principles and is consistently reviewing areas for improvement in its governance practice.

This statement, together with the Committee reports that follow, outlines the Company's approach to corporate governance and details how the Company complies fully with the ten principles of the QCA Code. Further detail relating to specific principles can be found in other sections of the Annual Report and together with this statement they explain how our governance framework works and how the Board and its Committees function to achieve compliance with the QCA Code.



**David Coghlan**  
Chairman

22 February 2022

**David Coghlan**  
Chairman



has degrees in Law and in Finance from the University of New South Wales in Sydney and an MBA from Wharton in Philadelphia. He was formerly a partner at strategy consultants Bain & Company. In addition to a background in developing and implementing board-level strategies for major multinational companies, David brings current wide experience as a director and founder of, and investor in, medium-sized technology growth companies in the B2B software and electronics sectors. He is currently a non-executive director and remuneration committee chairman of AIM-quoted Eckoh plc, and chairman of aviation simulation and training company Quadrant Group Limited. Until its takeover by CGI in December 2019, David was also a non-executive director and audit committee chairman of SCISYS plc.

**Paul Webb**  
Chief Executive



joined the Group in 2004 and drove the rapid growth of the Group's Systems activities. With a 30-year career in the electronic surveillance industry, he has held roles spanning engineering, business development and general management. Before joining the Group, Paul was MD of a surveillance business that was acquired by Siemens and has previously lived and worked in Asia. He has a degree in Physics from Imperial College London.

**David Bedford**  
Finance Director



holds a degree in Economics and Accounting from the University of Bristol and is a member of the Institute of Chartered Accountants in England and Wales. Having qualified with Deloitte & Touche in 1994, David joined Price Waterhouse's corporate finance group. Following seven years with Jaguar Land Rover, David held a number of senior finance positions within IMI Precision, the largest division of IMI plc.

**Michael Butler**  
Senior Independent  
Non-Executive Director



has held various senior roles in general management, sales and marketing in telecommunications businesses, including president and chief operating officer and an executive board director of Inmarsat plc. He was previously managing director of MCI Worldcom UK. He is also non-executive chairman of Broadband Satellite Services Ltd., a business backed by the UK's Business Growth Fund ('BGF').

**Steve Coggins**  
Independent  
Non-Executive Director



has held various senior roles in both sales and marketing and general management in the information technology arena including senior vice president at both Amdahl (now part of Fujitsu) and at Silicon Graphics. Earlier he spent time at IBM and also in engineering computing in the aircraft industry. He currently chairs one of Fujitsu's pension schemes.

**Alison Vincent**  
Independent  
Non-Executive Director



is an experienced IT industry leader with recent roles including group chief information security officer at HSBC and chief technology officer at Cisco. She is a non-executive director for SEI Investments (Europe) Ltd, Bytes Technology Group plc and Connected Places Catapult. She is a lay member of council at Southampton University and is a technical adviser to Telesoft Technologies Ltd and Argit Ltd. She is a Fellow of the Royal Academy of Engineering, the British Computer Society and the Institution of Technology and Engineering.

## Governance

### Corporate governance statement

# Corporate governance statement

### **Principle 1: Establish a strategy and business model which promote long-term value for shareholders**

Synectics is a leader in the design, integration and support of advanced security and surveillance systems. Synectics embraces two complementary business models founded on shared principles which govern the relationships it seeks to build with customers, the way in which it works with them and the partnerships it creates with other providers to serve its customers better and enhance its market reach.

- Systems: secures major contracts for the design, development, and deployment of security and surveillance solutions, primarily based on its proprietary technology platform, Synergy.
- Security: is a specialist provider of integrated security solutions for diverse, demanding applications.

The Board believes that by achieving leadership positions in the specific market sectors and geographical regions that the Group targets, Synectics will generate sustainable revenue and profit growth, and thus long-term value for shareholders.

For information on our strategy and business model, please refer to the Strategic review on pages 6 to 23.

### **Principle 2: Seek to understand and meet shareholder needs and expectations**

The Board welcomes dialogue with shareholders and actively engages with them through face-to-face meetings and written queries, and at the Company's Annual General Meeting ('AGM'). The AGM notice is sent to shareholders at least 21 days before the AGM. All Directors, including the Chairman, Chief Executive and Finance Director, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Company's corporate website.

The Directors actively seek to build a relationship with substantial shareholders. Shareholder relations are managed primarily by the Chief Executive and Finance Director, supported by the Chairman, as appropriate. The Chief Executive and Finance Director make presentations to analysts and substantial shareholders each year immediately following the release of the full-year and half-year results.

The Board is kept informed of the views and any concerns of major shareholders by briefings, as appropriate, from the Chairman. Investment reports from analysts and feedback reports from brokers following the investor meetings are also circulated to the Board. The Chairman and Senior Independent Non-Executive Director ('SID') are available to meet with major shareholders if required to discuss issues of importance to them.

As part of the continued review of the Company's governance reporting, the Annual Report and Accounts includes expanded narrative governance disclosures that take into account the views of shareholders.

### **Principle 3: Take into account wider stakeholder and social responsibilities, and their implications for long-term success**

The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and the business, and to enable the Board to understand and consider these issues in decision making. In addition to the Company's shareholders, one of the Group's most important stakeholder groups is our employees. The Board therefore closely monitors and reviews the results of the Group's annual Employee Engagement Survey as well as other feedback it receives in relation to employee engagement.

The Company has a deep understanding of the needs of our customers, another important stakeholder group. To further develop relationships with its customers, the Board receives feedback from the annual Customer Excellence Survey, including the progress made against previous years' initiatives as well as new initiatives made in the current year. See page 12 for more information on our Customer Excellence programme.

### **Modern slavery**

The Company opposes modern slavery in all its forms and will try to prevent it by any means that it can. It is expected that anyone who has any suspicions of modern slavery within the business or the supply chain will raise their concerns without delay. The Group maintains relationships with many different organisations in its supply chain, as well as directly employing over 320 people worldwide. In light of the Modern Slavery Act 2015, each year the Board reviews internal measures to ensure the Group is doing what it can to prevent slavery and human trafficking. The Company's modern slavery statement can be found on our website at [www.synecticsplc.com](http://www.synecticsplc.com).

For more information on our people please see pages 16 and 17.

### **Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board has overall responsibility for risk management and is assisted by the Audit Committee in monitoring the principal risks and uncertainties facing the Group as well as the actions taken to mitigate those risks. The Board has delegated responsibility for review of the adequacy of the effectiveness of the internal control framework to the Audit Committee.

The Chief Executive and Finance Director are responsible for the day-to-day operational and commercial activity across the Group and are, therefore, responsible for the management of risk. The Audit Committee reviews the risk register prepared by the Chief Executive and Finance Director bi-annually and any emerging risks are identified and reported to the Board.

Further information on the Group's internal control systems, the key risks facing the Group, and how the Board gets its assurance that the risk management and related control systems in place are effective can be found in the Audit Committee report on pages 43 to 45 and the Risks and Risk Management section on pages 34 and 35.

## **Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chairman**

### **The Board**

During the year, the Board comprised a Chairman, three Non-Executive Directors and two Executive Directors. The resulting size and composition of the Board gave it sufficient independence, balance and broad experience to provide effective oversight of the Group's strategy, performance, resources and standards of conduct. The continued strong representation of Non-Executive Directors on the Board demonstrates its independence, provides a greater depth of experience and facilitates challenge.

The roles of the Chairman and the Chief Executive are undertaken by separate individuals. The Chairman, David Coghlan, is responsible for leadership of the Board and ensuring that there is effective communication with shareholders. The day-to-day leadership and management of the business are undertaken by the Chief Executive, Paul Webb, assisted by senior management.

Since his appointment as Senior Independent Director in 2018, Michael Butler continues to be responsible for supporting the Chairman and monitoring the division of responsibility between the Chairman and the Chief Executive. He is also available to address shareholder concerns where applicable.

The Company Secretary, in conjunction with the Chairman, ensures that accurate, timely and clear information is provided to the Board in order for informed decisions and discussions to take place. The Company Secretary is responsible for advising the Board on governance matters and regulatory requirements. The appointment and removal of the Company Secretary are matters reserved for the Board. All Directors have direct access to the Company Secretary and to independent professional advice at the Group's expense as required.

The Group purchases and maintains Directors' and Officers' liability insurance in respect of the Group, the Company and its Directors throughout each financial year.

### **Role of the Board**

Great importance is placed on a well-informed and decisive Board. Board meetings are held regularly throughout the year. In the 2021 financial year, six scheduled Board meetings, three Audit Committee meetings and three Remuneration Committee meetings were held and were supplemented by Board and Committee calls in between. In addition, as it does each year, the Board convened and participated in a separate session on the Group's strategy and five-year plan.

The Board has adopted a schedule of matters reserved for its consideration and those delegated to Board Committees. The Board's responsibilities include setting the Group's overall business and commercial strategy; setting and monitoring business objectives to achieve the strategy; setting and monitoring annual budgets and financial and capital plans; and considering Group policies and any major investments or organisational changes.

Agenda items scheduled for every Board meeting include strategy, business performance, operations, human resources, finance and governance. The agenda is reviewed and agreed by the Chairman to ensure that the Board addresses the right issues at the right times and that sufficient time is allowed for appropriate consideration and debate. The agenda is further structured to allow members of the senior management team the opportunity to present various subjects to the Board, giving the Board the opportunity to meet senior management and employees, and to develop greater business knowledge and depth of awareness of business-specific opportunities and threats.

### **Board meetings**

Following a gradual return to the office towards the end of 2021, the Board has returned to physical meetings, with the majority of meetings before September being held virtually. Board meetings are scheduled a year in advance to ensure full attendance where possible and all Directors receive papers sufficiently in advance of meetings to enable due consideration. Following Board and Committee meetings, the Board receives copies of the minutes at the next Board meeting and can raise any queries or concerns with the Board or Committee Chairmen.

During the 2021 financial year, matters dealt with by the Board included:

- review and monitoring of Group strategy and progress against business objectives;
- operational and financial performance of the Group;
- Group budgets and five-year plan;
- monitoring progress of projects being undertaken by the Group;
- approval of financial statements and dividend policy;
- risk management oversight, review of internal controls and monitoring of the Group's risk registers;
- Board and senior management succession planning and general recruitment and retention;
- approval of large contracts and bids;
- approval of large capital expenditure projects;
- Committee reports and recommendations;
- review of corporate governance reporting and the Group's policies and procedures;
- review of return-to-work plans across the globe;
- Board and Committee evaluation, reviewing progress of actions from the 2020 evaluation and setting actions for 2021;
- considering the risk registers and the outcome of the risk review, as reviewed in detail by the Audit Committee;
- the approval of the half-year and full-year financial results, upon the recommendation of the Audit Committee;
- the re-appointment of RSM UK Audit LLP as external auditor, upon the recommendation of the Audit Committee;
- reviewing the findings of the 2021 Employee Opinion Survey;

## Governance

Corporate governance statement continued

### Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chairman continued

#### Board meetings continued

- review and approval of the annual update to the Group's approach to meeting the requirements of the Modern Slavery Act 2015;
- monitoring the in-sourcing of the IT department and reviewing the cost saving of this initiative;
- monitoring the progress of the Customer Excellence programme and the Market Development programme; and
- reviewing the Group's product development roadmap and technological developments in the industry.

Excluding ad hoc meetings, and Board calls for general administrative matters, the number of Board and Committee meetings attended during the year were as follows:

	Total number of meetings		
	Board	Audit Committee	Remuneration Committee
<b>DJ Coghlan</b> Chairman	6	–	–
<b>DM Bedford</b>	6	–	–
<b>MJ Butler</b> Chairman of Remuneration Committee	6	3	3
<b>SW Coggins</b> Chairman of Audit Committee	6	3	3
<b>A Vincent</b>	6	3	3
<b>PA Webb</b>	6	–	–

#### Directors' conflicts of interest

A register is maintained by the Company Secretary to monitor and manage any potential conflicts of interest. Training on the Companies Act 2006 has been given to all Directors on the provisions within, and Directors are reminded of their duties at each Board meeting. Any conflicts are declared at the first Board meeting at which the Director becomes aware of a potential conflict and then recorded in the Conflicts Register. The Board considers all conflicts in line with the provisions set out in the Articles and non-conflicted Directors can authorise conflicts with or without limits and conditions. The Directors are required to review their interests recorded in the Conflicts Register on an annual basis.

#### Board appointments

All Non-Executive Directors are provided with a letter of appointment on acceptance of the appointment, which includes the terms and conditions of their role. The letters of appointment are updated as appropriate from time to time and are available on request from the Company Secretary.

#### Independence

As part of the appraisal of each Director, the independence of all Non-Executive Board members is reviewed and evaluated annually. Dr Alison Vincent was appointed to the Board in 2020. Steve Coggins and Michael Butler have served on the Board for 17 and 6 years respectively. Each brings different and complementary high-level experience relevant to the current business and future development of the Group. During 2021, and at all times previously, each has addressed all issues facing the Board with a high level of candour, robustness and insight. Their in-depth knowledge of the Group and the electronic surveillance industry, gained from their tenure, combined with their different and complementary skills and knowledge developed from other directorships, provide valuable independent perspectives that contribute to the success of the Group and to the performance and effectiveness of the Board. For these reasons, each of these three Non-Executive Directors is considered by the Board to be independent.

### Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of technology, engineering, finance, law, international trading, sales and marketing.

Biographies of each Director can be found on pages 36 and 37.

Each member of the Board takes responsibility for maintaining his or her skill set, which includes roles and experience with other boards and organisations as well as formal training and seminars.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its budget and forecast, and the Board reviews the update on performance at each meeting.

## Diversity

The Group recognises the benefits of having a diverse Board, senior management team and workforce in general and seeks to recruit and develop the best-qualified candidates to support and achieve the Group's long-term strategic and business objectives. The Group monitors and encourages diversity across the whole workforce in terms of gender, skills, culture, disability and ethnicity and believes such diversity contributes to the success of the Group.

In line with the Board's policy to appoint members who have the most appropriate skills for the role, irrespective of gender, Dr Alison Vincent was appointed to the Board as a Non-Executive Director in 2020. The Board believes that the appointment of a woman to the Board is in line with recommended best practice of increasing the number of women on boards and will give a new perspective to the Board.

## Induction

The Company's policy is for all new Directors to undertake a formal and comprehensive induction to the Group upon joining the Board. The induction process is undertaken by the Company Secretary and HR team. On acceptance of appointment, all Directors are provided with an induction pack, which includes: their appointment letter and terms; latest accounts and constitutional documents; the business plan; investor presentations; protocol for conflicts of interest; Directors' duties; Group Share Dealing Code and Group policies; Board meeting procedures and matters reserved; Board minutes and papers from previous meetings; and meeting dates and contact details. Substantive induction to the Group's businesses is provided through meetings with senior management and site visits to the Group's operations.

## Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary. In addition, the Directors have direct access to the advice and services of the Company Secretary and Finance Director.

## **Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Board carries out an annual self-assessment of its performance. This includes evaluation of the performance and effectiveness of the Board, of its Committees and of each Director. The process is led by the Chairman and involves detailed questionnaires and one-to-one reviews of the collective and individual performance of Directors.

The results of the Board and Committee evaluations are the subject of a full, robust and open debate in a Board meeting and actions for improvements are agreed. Progress against these actions arising from performance evaluations is then monitored and reported on throughout the following year.

As a result of the evaluation process during the year, the Board identified that there had been an improvement in the communication of the monthly financial information to the Board. The following action points were put in place, and achieved during the year:

- bringing forward the strategy meeting from December to September;
- more frequent meetings of just the Non-Executives; and
- further exposure to the senior leadership team.

## **Principle 8: Promote a corporate culture that is based on ethical values and behaviours**

The Board endeavours to lead by example and do what is in the best interests of the Group. Synectics has a strong ethical culture, supported in recent years by embedding policies and practices across the business to ensure that our strategy across the whole business is driven by our constituent parts. The success of the "whole" depends on the Company's values which can be found on page 8.

The Group's Anti-Bribery and Corruption Policy is reviewed annually and communicated throughout the Group to prevent bribery from taking place. Any known non-compliance with the policy is reported to the Board as part of the Governance Report, with no reports received to date.

## **Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board**

### **Board programme**

The Board sets direction for the Group through a formal schedule of matters reserved for its decision. Prior to the start of each financial year, a schedule of dates for that year's Board meetings is compiled to ensure an appropriate spread of meetings across the financial year and in line with the Group's half-year and full-year results reporting. This may be supplemented by additional meetings as and when required.

The Board meets at least six times each year in accordance with its scheduled meeting calendar. The attendance by each Board member at scheduled meetings is shown in the Board table on page 40.

## **Governance**

Corporate governance statement continued

### **Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board** continued

#### **Board programme** continued

During the year to 30 November 2021, the Board met either physically or virtually for all its scheduled meetings. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Minutes of the meetings are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by management or the Board, as appropriate.

#### **Roles of the Board, Chairman and Chief Executive Officer**

The Board is responsible for the long-term success of the business. It is responsible for overall Group strategy; approval of major contracts; approval of significant investments; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of each business, their annual budgets and their performance in relation to those budgets and subsequent forecasts. There is clear division of responsibility. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the business through the senior management team.

Senior management below Board level attend Board meetings where appropriate to present business updates and demonstrations to the Board.

#### **Executive team**

During the year, the Executive team consisted of Paul Webb and David Bedford. Together, they and the senior leadership team were responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of the strategy, plans and budgets approved by the Board of Directors, as well as managing key business risks.

### **Board Committees**

The Group has two standing Board Committees: an Audit Committee and a Remuneration Committee. The roles and activities of those Committees are included in the respective Committee reports on pages 43 to 49.

The functions of a Nominations Committee are undertaken by the Board as a whole. Where necessary and appropriate, a nominations sub-committee is appointed temporarily to fulfil specific tasks. Given the size of the Group, and the size and composition of its Board, the Directors believe it is both practical and beneficial for matters of Board composition and recruitment, Board performance evaluation, Executive and Non-Executive succession planning, and training and development to be undertaken by the Board as a whole. All such matters are regularly scheduled on the Board's agenda and are discussed thoroughly and robustly, incorporating the detailed perspectives and experience of all Directors.

### **Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all announcements and presentations) is also available to shareholders, investors and the public on the corporate website.

The Board receives regular updates on the views of shareholders through briefings and reports from the Chairman of the Board, the Chief Executive and the brokers. Analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

The Company conducts an annual Employee Engagement Survey to maintain an open communication with employees and introduced its Customer Excellence programme in 2016 which has created an additional channel of dialogue with customers. For further information about these initiatives, please see pages 12 and 13.

# Audit Committee report

## Introduction from the Chairman of the Audit Committee

On behalf of the Audit Committee (the 'Committee'), I am pleased to present the Committee's report for the year ended 30 November 2021, which has been approved by the Board.

During the year, the Committee has considered the integrity of the Group's financial reporting and provided advice to the Board that the 2021 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the Company's shareholders with the necessary information to assess the Company's position, performance, business model and strategy. The activities of the Committee are kept under review in line with regulatory and market developments.

During the year, the Committee comprised me as Chairman, Michael Butler and Alison Vincent. All members of the Committee are Independent Non-Executive Directors and have no personal or financial interests, other than as shareholders, in the matters considered by the Committee.



**Steve Coggins**  
Chairman of the Audit Committee

22 February 2022

## Role and operation of the Committee

The Committee is responsible for ensuring that the Company maintains a strong control environment. It provides effective governance over the Group's financial reporting, including oversight and review of the systems of internal control and risk management and the performance of internal and external audit functions.

The Committee's formal terms of reference, which are reviewed and approved annually, set out its duties delegated by the Board. A copy of the terms of reference can be obtained from the Company Secretary or from the Governance section of our website at [www.synecticsplc.com](http://www.synecticsplc.com).

During the year, the Committee met three times. Neither the Executive Directors nor the Chairman attend meetings of the Committee other than by invitation. The Committee invites the external auditor to attend certain meetings.

The Committee is authorised by the Board to obtain external professional advice at the Group's expense in order to perform its duties. The Committee's principal duties are to:

- make recommendations to the Board on the appointment, re-appointment or removal of the external auditor and the amount of its remuneration;
- discuss and agree the scope of the audit and review the auditor's management letter and the Group's response;
- review and agree the scope and work of the Group's internal audit activities;
- review half-year and annual financial statements and formal announcements relating to financial performance;
- review the adequacy and effectiveness of the Group's internal financial controls, and internal control and risk management systems;
- consider compliance with relevant laws and regulations;
- consider findings of internal investigations and management's response; and
- review the Committee's terms of reference and recommend any proposed changes to the Board for approval.

During the financial year the Committee considered the following matters:

- the suitability of the Group's accounting policies and practices;
- the half-year and full-year financial results, including the assessment of going concern and recommendation to the Board that it is appropriate to adopt the going concern assumption;
- the scope and cost of the external audit;
- the external auditor's full-year report for 2020;
- the re-appointment of RSM UK Audit LLP ('RSM') as the Group's external auditor;
- the evaluation of the performance and independence of RSM;
- the review and approval of RSM's plan for 2021, which detailed the proposed audit scope and risk and governance assessment;
- the review and approval of RSM's fees for 2021;
- the internal control environment across the Group, including approving updates to the Group's Delegation of Authority document;
- the arrangements in respect of internal audit, including its resourcing and the scope of the annual internal audit plan for 2021, as well as reports on the activity carried out during the year;
- a review of the Group's internal controls, including a demonstration of the Group's internal control questionnaire;
- detailed reviews of strategic and operational risks facing the Group, the risk registers and the mitigating actions to minimise risk;
- the annual review of the Group's policies on whistleblowing and provision of non-audit services;
- the review of the Committee's terms of reference and recommendation of the updated terms of reference to the Board for approval;
- the assessment of the internal finance organisation;
- the results of the internally conducted assessment of the Committee's performance and effectiveness in 2020;
- the approval of the Committee plan for 2021;
- training on the Group's key financial consolidation software; and
- further training requirements for Committee members.

## Governance

### Audit Committee report continued

#### Financial reporting

During the year, the Committee reviewed and recommended approval of the half-year and full-year financial statements. As part of its review, the Committee interrogated the key judgements and accounting policies applied and considered the basis for estimates and assumptions underlying the financial statements.

The Committee recognises the importance of understanding changes in accounting policies and practice, and receives regular updates from both the external auditor, and the finance team on key changes in this area.

During the year, the Committee, management and the external auditor considered and concluded on a number of significant matters in relation to the financial statements.

Those matters and what the Committee did to ensure that those matters had been appropriately addressed in the financial statements are set out below:

Area of focus	How the matter was addressed by the Audit Committee
Revenue recognition and contract accounting	The Committee continued to review the Group's revenue recognition principles and financial statements disclosures in line with the requirements of IFRS 15. In addition, the Committee reviewed the controls in place to ensure the appropriateness of the estimates used in assessing contract stage of completion, anticipated profitability and the amounts recognised in the financial statements. The Committee agreed with the conclusions reached.
Goodwill and investment impairment review	The Committee reviewed a Management's report outlining the approach taken on impairment testing and the key assumptions and sensitivities supporting the conclusions. The Committee agreed with the conclusions reached on impairment.
Going concern	The Committee reviewed management's report outlining the assessment of going concern, giving consideration to the Group's forecast cash flows, liquidity requirements and borrowing facilities. Following this review the Committee agreed that the going concern basis of accounting continues to be appropriate.

#### Risk management and internal control

The Committee also has responsibility for reporting to the Board on whether the Group's key control policies and procedures remain appropriate and that it is operating a robust and effective control environment.

#### Risk management

The Committee, on behalf of the Board, ensures that the Group's principal risks and uncertainties have been appropriately identified and assessed. It reviews those key risks and the quality of the assurance on the effectiveness of the controls that mitigate those risks, allowing it to conclude on the principal risks for disclosure in the Annual Report.

#### Effective internal control

Operating policies, procedures and controls are in place across the Group, and have been in place throughout the year under review. These policies ensure the accuracy and reliability of financial reporting and the preparation of financial statements including the consolidation process.

The controls relating to financial reporting include:

- an appropriately qualified management structure, with clear lines of responsibility;
- a comprehensive annual budgeting process, which is approved by the Board;
- close management of the day-to-day activities of the Group by the Chief Executive and Finance Director;
- detailed monthly reporting of performance, and against budget and forecast; and
- central control over key areas such as contract risk assessment, capital expenditure authorisation and banking facilities.

Details of the system of internal control, the principal risks facing the Group, and the strategies put in place to mitigate them, are set out in the Risks and Risk Management section on pages 34 and 35.

## **External audit**

The Committee has responsibility to ensure that there is a sufficiently robust and effective external audit through considering the independence of the external auditor, the appointment and re-appointment of the external auditor and all reports from the external auditor.

### **Appointment of the external auditor**

The Committee reviews and evaluates the performance of the external auditor and makes recommendations regarding the appointment of the external auditor to the Board. In making this recommendation, the Committee considers auditor effectiveness and independence, and any other factors which may impact upon the external auditor's re-appointment. After careful consideration, the Committee recommends the re-appointment of RSM UK Audit LLP as external auditor of the Group, subject to approval by shareholders at the 2022 AGM.

### **Audit independence**

The Committee and the Board place great emphasis on the objectivity of the external auditor in its reporting to shareholders. When required, the external audit partner is present at Committee meetings to ensure full communication of matters relating to the audit. The overall performance of the external auditor is reviewed annually by the Committee, taking into account the views of management, and feedback is provided when necessary to senior members of the audit firm unrelated to the audit. The Committee also has discussions with the external auditor, without management being present, on the adequacy of controls and on any judgemental areas. The scope of the forthcoming year's external audit is discussed in advance by the Committee. Audit fees are approved by the Committee.

Assignments of non-audit work have been and are subject to controls by management that have been agreed by the Committee so that audit independence is not compromised.

Other than the external audit, the Committee is required to give prior approval of work carried out by the auditor and its associates with a value in excess of £50,000. Part of this review is to determine that other potential providers of the services have been adequately considered. These controls provide the Committee with confidence in the independence of the auditor in its reporting on the audit of the Group.

## **Non-audit services**

The independence and objectivity of the non-audit services provided by RSM to the Group are safeguarded by the Group's non-audit services policy. The policy on engaging the external auditor for non-audit services has always been designed to ensure that such engagements do not result in the creation of a mutuality of interest between the auditor and the Group, that a transparent process and reporting structure is established to enable the Committee to monitor policy compliance and that unnecessary restrictions on the engagement of the auditor for non-audit services are avoided where the provision of advice is commercially sensible and is more cost effective than other providers.

RSM occasionally provides non-audit services to the Group which are governed by the Group's non-audit services policy. Compliance with the policy is actively managed and an analysis of non-audit services is reviewed throughout the year. During the year ended 30 November 2021 £3,000 (2020: £nil) for services provided to the Group were non-audit services.

# Remuneration Committee report

## Introduction from the Chairman of the Remuneration Committee

On behalf of the Remuneration Committee (the 'Committee'), I am pleased to present the Committee's report for the year ended 30 November 2021, which has been approved by the Board.

This report is divided into two sections:

1. an unaudited section which sets out the work of the Committee in 2021 and the Company's remuneration policy for Executive Directors and Non-Executive Directors; and
2. an audited section, the Remuneration Report, which details the remuneration paid to Directors in the year ended 30 November 2021.

As an AIM-listed company, the information provided is disclosed to fulfil the requirements of AIM Rule 19. The Company is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This information is unaudited, except where stated.

During the year, the Committee comprised me as Chairman, Steve Coggins and Alison Vincent. All members of the Committee are Independent Non-Executive Directors and have no personal or financial interests, other than as shareholders, in the matters considered by the Committee.



**Michael Butler**  
Chairman of the Remuneration Committee

22 February 2022

The Committee operates within the remit delegated by the Board, which is set out in formal terms of reference. The remuneration of Non-Executive Directors is a matter for the Chairman and the Executive Directors. No Director or manager is involved in any decision regarding their own remuneration. A copy of the terms of reference can be obtained from the Company Secretary or from the Governance section of our website at [www.synecticsplc.com](http://www.synecticsplc.com).

Neither the Executive Directors nor the Chairman attend meetings of the Committee other than by invitation and are not present at any discussion of their own remuneration.

The principal duties of the Committee are to:

- recommend to the Board for approval overall Group remuneration policies, and the specific remuneration each year for all Directors and senior management, including bonuses, incentive payments and share options and awards;
- ensure Executive Directors and the senior management team are provided with appropriate incentives to encourage enhanced performance in a fair and reasonable manner;
- approve the design of, and determine targets for, any performance-related pay schemes;
- review the design of all share incentive plans for approval by the Board and, where appropriate, shareholders;
- determine whether awards will be made under any share incentive plans, including the size of the award and the performance targets to be used;
- determine the policy for pension arrangements for Executive Directors and certain senior managers;
- ensure that contractual terms on termination and any payments made are fair, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- consider applicable legislation, regulation, best practice guidance and recommendations, and developments on remuneration policy and remuneration reporting;
- review remuneration trends at individual subsidiaries and the Group as a whole, and oversee any major changes in employee benefit structures across the Group;
- select and appoint any remuneration consultants to advise the Committee, if required; and
- review the Committee's performance, constitution and terms of reference to ensure it operates effectively and to recommend any changes to the Board for approval.

As Committee Chairman, I formally report to the Board on the Committee's proceedings after each meeting; ensure that an annual report of the Group's remuneration policy and practices is published in the Group's Annual Report and Accounts; and ensure each year that the Remuneration Committee Report, which contains the Directors' remuneration, is put to shareholders for approval at the AGM.

The Committee is authorised by the Board to seek any information it requires from any employee of the Group in order to perform its duties and to obtain external professional advice at the Group's expense.

During the year, the Committee met three times. Matters dealt with by the Committee included the:

- approval of no bonus awards for 2020 and no salary increases for 2021, bar minor exceptions;
- approval of an award of options under the Synectics Performance Share Plan ('PSP') on 3 March 2021 for the remaining senior manager who had not been included in the award made on 7 August 2020;
- review of the outturn of the 2018 PSP awards and the determination that those awards had not met the performance criteria and lapsed in full;
- review of the Committee's terms of reference and recommendation of the updated terms of reference to the Board for approval;
- approval of no "formal" bonus scheme for 2021 but discretionary payments only;

- approval of draft 2022 bonus proposals for senior management and employees; and
- approval of the Group's updated Share Dealing Policy and Code.

### **Remuneration policy for Executive Directors**

Executive Directors are employed by the Group and are required to devote substantially the whole of their time to its affairs. The policy of the Board is to provide competitive packages reflective of the industry in which it operates to attract, retain and motivate high-calibre individuals as Executive Directors and to ensure that their remuneration packages (consisting of basic salary, performance-related bonuses, pension arrangements and other benefits including interests in share schemes) reflect their responsibilities, performance and experience, and encourage and reward superior performance. The policy also seeks to ensure that Executive Directors are rewarded fairly for their individual contributions to the Group's performance and to encourage appropriate behaviours in line with the Group's attitude to risk.

The principal elements of the Executive Directors' remuneration packages are as follows:

Basic salary	The Group aims to pay competitive market salaries and to recognise individual development and progression through the annual salary and personal review processes. Salaries are reviewed annually.
Annual performance-related bonuses	In line with the scheme covering other senior members of staff, performance-related bonuses for the Executive Directors are based on the achievement of specific financial targets for the Group and agreed personal objectives.
Pension arrangements	The Group makes contributions into money purchase schemes on behalf of the Executive Directors. Pension payments are based only on basic salary.
Other benefits	These principally comprise car benefits, life assurance and membership of the Group's healthcare scheme.
Long-term incentive arrangements	The Group operates various share plans in which the Executive Directors participate or have a prior interest in. Details of the share plans are given in note 24 to the financial statements. Directors' interests in the shares of the Group are detailed in the shareholdings disclosure on page 50.

Executive Directors are not automatically entitled to compensation payments for loss of office, other than payment in lieu of their contractual notice period, if legally required. They do not hold directorships in other companies unrelated to the Group and, accordingly, no remuneration is due to the Group.

### **Remuneration policy for Non-Executive Directors**

Non-Executive Directors are independent of the Group and are expected to spend an average of approximately two days a month on the Group's business. They are not restricted from undertaking additional directorships, subject to avoiding any conflicts of interest.

After considering recommendations from the Chairman, the Board determines the remuneration of the Non-Executive Directors excluding the Chairman. The remuneration of the Chairman is determined by the Committee. Non-Executive Directors receive fees which are reviewed annually in light of their responsibilities, experience and contribution to the Group's affairs, as well as market rates. Non-Executive Directors do not receive any performance-related pay or rewards, and the Group does not deduct for, or contribute to, a pension. There were no increases to the Non-Executive Directors' fees in the current year, which have been held since 2013.

## Governance

Remuneration Committee report continued

### a) Remuneration

Details of the Directors' emoluments are given below.

	Salary and fees £000	Bonuses <sup>1</sup> £000	Benefits £000	2021 Total (excl. pension) £000	2020 <sup>2</sup> Total (excl. pension) £000	2021 Pension allowance <sup>3</sup> £000	2020 Pension allowance <sup>3</sup> £000
<b>Executive Directors</b>							
DM Bedford <sup>4</sup>	160	–	2	162	132	11	13
PA Webb	260	–	2	262	246	30	28
<b>Non-Executive Directors</b>							
MJ Butler	30	–	–	30	26	–	–
SW Coggins	30	–	–	30	26	–	–
DJ Coghlan	85	–	3	88	73	–	–
PM Rae <sup>5</sup>	–	–	–	–	8	–	–
A Vincent <sup>6</sup>	30	–	–	30	22	–	–
<b>Total</b>	595	–	7	602	533	41	41

1 Bonuses are paid or accrued based on the achievement of agreed personal objectives and corporate performance metrics.

2 In response to the Covid-19 situation and employees being furloughed the Executive Directors agreed to a 10% reduction in salary and the Non-Executive Directors agreed to a 20% reduction in their fees.

3 Pension allowance includes both contributions to the Group's defined contribution pension scheme and cash payments in lieu of contributions.

4 Appointed to the Board on 6 January 2020.

5 Retired from the Board on 19 February 2020.

6 Appointed to the Board on 23 January 2020.

### b) Share schemes

The Directors' interests in the Company's share schemes are presented below. No new options were granted to, or exercised by, any Director between 1 December 2021 and 21 February 2022.

#### Performance Share Plan ('PSP')

The following Executive Directors held an interest in the Company's shares at 30 November 2021 through awards made under the PSP, which was established on 9 October 2012, as set out below and in note 24 to the financial statements.

Under the rules of the PSP, selected employees are awarded an interest over a certain number of Company shares which only vest after a three-year period, at nil cost to the employees. The number of shares that vest at the end of the three-year period is dependent on the Company meeting certain performance thresholds linked to the FTSE AIM All Share Total Return Index. The performance conditions are identical to those that applied under the Quadnetics Executive Shared Ownership Plan ('ExSOP'), details of which are presented below and apply to the awards made in 2018 and 2019. No changes to the performance conditions have been made during the year.

Date awarded	7 March 2019		7 August 2020	
	Number of shares	Issue price (p)	Number of shares	Issue price (p)
DM Bedford	–	–	186,000	130.0
PA Webb	25,000	200.0	300,000	130.0

In 2020, the Committee made a one-off award to the Executive Directors vesting over a five-year period up to the end of the Company's financial year ending 30 November 2025.

The options are divided into three equal tranches, vesting after the next three, four and five full financial years respectively, depending on the achievement of the performance criteria at each measurement date, and are exercisable at nil cost. All options must be exercised within ten years of the date of award.

The performance criteria for the one-off award will be measured according to the average of the compound annual growth rate ('CAGR') of the total shareholder return ('TSR') and the CAGR of adjusted underlying diluted earnings per share ('EPS') for each of the three relevant periods of roughly three, four and five years respectively. If this average is 25% or more, 100% of that tranche of options will vest. If this average is above 15% and below 25%, between 0% and 100% of the options will vest (on a straight-line basis). 75% of any options not vesting at the three-year and four-year vesting points may be carried forward to the following year. Any options not vesting at the five-year point will lapse. The baseline for calculating the CAGR of TSR is £1.35 per share, and the baseline for calculating the CAGR of adjusted underlying diluted EPS is 11.87p per share (being the actual equivalent adjusted EPS of the Company in the financial year to 30 November 2019).

#### Executive Shared Ownership Plan ('ExSOP')

The following Directors held an interest in the Company's shares at 30 November 2021 through participation in the ExSOP, which was established on 7 July 2009, having superseded an earlier scheme established in 2005, as set out in note 23 to the financial statements. The last awards under the ExSOP were made in March 2011.

Under the provisions of the ExSOP, shares are jointly owned by nominated senior employees and by an employees' share trust on terms, similar to a share option scheme, whereby the value of appreciation in the Company's share price over a minimum three-year period accrues to the relevant employee, provided the Company meets certain performance thresholds linked to the FTSE AIM All Share Total Return Index. No rights under this scheme were exercised by Directors during the year.

Date awarded	7 July 2009 <sup>1</sup>		7 March 2011	
	Number of shares	Issue price (p)	Number of shares	Issue price (p)
PA Webb	100,000	147.5	100,000	178.0
DJ Coghlan	93,243	147.5	-	-

<sup>1</sup> Share awards issued on this date were rolled over from share awards held under a previous version of the ExSOP.

The Executive Directors had the following interests over Company shares held in the ESAP at 30 November 2021:

	Total number of partnership and dividend shares held at 1 December 2020	Number of partnership shares purchased during the year	Number of dividend shares purchased during the year	Total number of partnership and dividend shares held at 30 November 2021	Value of shares as at 30 November 2021 (£)	Holding date
PA Webb	9,670	1,657	-	11,327	12,743	Various
DM Bedford	-	857	-	857	964	Various

The mid-market prices of the Company's shares at the beginning and end of the financial year were as follows:

	Ordinary shares of 20p each
At 1 December 2020	115.0p
At 30 November 2021	112.5p

The maximum and minimum share prices during the financial year were as follows:

	Ordinary shares of 20p each
Maximum	159.5p
Minimum	96.0p

### Employees' Share Acquisition Plan ('ESAP')

The Executive Directors are also entitled to participate in the ESAP, which was adopted on 23 April 2010. Deductions from salary are used to buy partnership shares in the Company at the end of each six-month accumulation period. The Trustee of the ESAP will use any dividend income paid on these shares to buy further shares to be held in the scheme as dividend shares. Partnership shares can be withdrawn from the scheme by the employee at any time, but withdrawals before the fifth anniversary after purchase are subject to income tax; withdrawals after the fifth anniversary of their purchase date can be made in full and are not subject to income tax. Dividend shares are required to be held in trust for a period of three years following the purchase date. Employees who leave the Group are required to withdraw all of their shares in the scheme and are subject to the same rules.

### c) Service contracts

There are no Directors' service contracts with notice periods in excess of one year. The notice periods under the service agreements for Executive Directors and letters of appointment for Non-Executive Directors are as follows:

	Notice period
DM Bedford	6 months
MJ Butler	3 months
SW Coggins	6 months
DJ Coghlan	12 months
A Vincent	3 months
PA Webb	12 months

## Governance

### Statutory Directors' report

# Statutory Directors' report

The following matters are reported by the Directors in accordance with the Companies Act 2006 requirements in force at the date of this Annual Report and Accounts.

## Principal activities

The principal activities of Synectics plc (the 'Company') and its subsidiary companies both in the UK and worldwide (the 'Group') are set out within the Strategic report, which comprises the Chairman's statement, the Strategic review, the Performance review and the Risks and risk management section, on pages 5 to 35.

## Review of business and future developments

The Consolidated income statement for the year ended 30 November 2021 is set out on page 59.

A review of the Group's business activities during the year and its prospects for the future can be found in the Chairman's statement, the Strategic review and the Performance review on pages 5 to 32. These reports, together with the Corporate governance statement, the Audit Committee report and the Remuneration Committee report, are incorporated into this report by reference and should be read as part of this report.

## Key performance indicators

The Directors measure the Group's performance principally using the following financial indicators (as reflected in this Annual Report):

- revenue;
- underlying profit/(loss) before tax;
- underlying diluted earnings per share (based on underlying profit/(loss) after tax);
- underlying return on capital employed %;
- free cash flow;
- employee engagement;
- net promoter score; and
- R&D spend.

## Financial instruments

Details of financial instruments to which the Group is a party and the Group's financial risk management and objectives and policies are shown in note 30 to the financial statements.

## Fixed assets

In the opinion of the Directors, there is no material difference between the book value and the current open market value of the Group's interest in land and buildings.

## Research & development expenditure

The Group has continued to invest in research & development of both software and hardware products for surveillance applications during the year incurring total costs of £3.4 million (2020: £4.0 million), of which £2.8 million (2020: £3.2 million) has been expensed to the Income Statement.

## Share capital

The Company's issued ordinary share capital comprises a single class of ordinary shares of 20p each, with 17,794,439 shares in issue and listed on AIM of the London Stock Exchange as at 30 November 2021. No shares were held in treasury and 1,001,707 shares were held by the Company's employee share trusts. Details of movements in the issued share capital can be found in note 23 to the financial statements.

Each share carries the right to one vote at general meetings of the Company. All issued shares are fully paid up and carry no additional obligations or special rights. There are no restrictions on transfers of shares in the Company, or on the exercise of voting rights attached to them, other than those which may from time to time be applicable under existing laws and regulations.

## Employee share plans

During the year, the Company has remained within its headroom limits for the issue of new shares for share plans as set out in the rules of the plans. The Company uses an employee benefit trust to acquire partnership shares (at the end of each accumulation period) and dividend shares in the market, when permitted. A total of 25,953 ordinary shares of 20p each in the Company were purchased by the employee benefit trust at a cost of £31,376 during the 2021 financial year.

## Directors' interests

Interests of the Directors and their connected persons in the issued share capital of the Company as at 30 November 2021 were as follows:

	2021 Number of shares held	2021 Interests in share schemes	2021 Total interests in shares	2020 Total interests in shares
DM Bedford	20,000	186,657	206,857	196,000
MJ Butler	50,000	–	50,000	50,000
SW Coggins	26,870	–	26,870	13,080
DJ Coghlan	1,546,303	93,243	1,639,546	1,639,546
PA Webb	57,115	536,327	593,442	591,785
A Vincent	–	–	–	–
	1,700,288	816,427	2,516,715	2,490,411

There has been no change in the interests of the Directors and their connected persons in the issued share capital of the Company from those set out in the table above to 21 February 2022.

### **Significant shareholdings**

As at the close of the market on 31 January 2022, the Company was aware of the following holdings, excluding Directors' holdings, of 3% or more of the Company's total issued share capital:

	Number of shares	% of total voting rights
Whitehall Associated SA	5,320,000	29.9%
Downing LLP	1,921,333	10.80%
Stonehage Fleming Investment Management Limited	1,917,196	10.77%
Quadnetics Employee Benefit Trusts	1,001,707	5.63%
GPIM	557,766	3.13%

### **Board of Directors**

David Bedford, Michael Butler, Steve Coggins, David Coghlan, Dr Alison Vincent and Paul Webb were in office throughout the financial year ended 30 November 2021. Details and biographies of the current Directors are shown on pages 36 and 37.

The powers of the Company's Directors and rules that apply to changes in the Directors are set out in the Company's Articles of Association (the 'Articles'). Any changes to the Articles would require the consent of the Company's shareholders.

In accordance with the Articles, one-third of the Directors are required to retire by rotation at each Annual General Meeting ("AGM"). The Directors retiring by rotation at the 2021 AGM are David Bedford and Dr Alison Vincent.

### **Directors' indemnity**

As permitted by the Articles, each of the Directors has the benefit of an indemnity which is a qualifying third-party indemnity as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force. No indemnity is provided for the Group's auditor.

### **Conflicts of interest**

The Articles permit the Board to consider and, if it sees fit, authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Group ('Situational Conflicts'). The Board operates an effective formal system for Directors to declare Situational Conflicts and for them to be authorised by the non-conflicted Directors if thought appropriate and subject to limits or conditions.

### **Related party transactions**

Internal controls are in place to ensure that any related party transactions involving Directors or their connected persons are carried out on an arm's length basis and are properly recorded. Details of any related party transactions are given in note 27 to the financial statements.

### **Essential contracts or arrangements**

The Group has a number of contractual agreements with suppliers in support of its business activities. Whilst the loss of certain of these arrangements may cause temporary disruption, there are none, for which mitigation plans have not been put in place, which are individually considered to be essential to the Group's business.

### **Change of control provisions**

There are no significant agreements which contain provisions entitling other parties to exercise termination or other rights in the event of a change of control of the Group, and no provisions in the Directors' service agreements or employees' contracts that provide for compensation for loss of office or employment occurring because of a takeover.

### **Employment policies**

The Group employed an average of 328 people in 2021 (2020: 368).

The Group has established a suite of employment policies that comply with current legislation and codes of practice, including in the areas of health and safety and equal opportunities. The Group consults employees on developments and changes to take account of their views when making decisions that may impact their interests.

The Group has in place a Diversity and Equality Policy which sets out Synectics' approach to equal opportunities and avoidance of discrimination at work. This policy confirms the Group's commitment to treating employees fairly and inclusively, ensuring that all decisions on recruitment, selection, training, promotion, career opportunities, pay and other terms and conditions are based solely on objective and job-related criteria.

The Group is committed to offering employment to suitably qualified people with disabilities and making reasonable adjustments to the working environment to accommodate their needs. Where a role has an intrinsic occupational characteristic which may prevent the employment of a disabled applicant, Synectics will make this clear during the recruitment process. The Group also makes every effort to continue the employment, training and promotion of disabled employees who develop disabilities during the course of their employment by making reasonable adjustments and providing appropriate support.

### **Employee engagement**

The Group's employees are the strength and the foundation of its success, and regular engagement through various media: email alerts, focus groups, monthly bulletins, team briefings, a bi-annual senior management conference and an annual staff survey enables the Directors to take into account the interests of employees when making decisions through-out the year. Further information about how the Group engages with employees can be found on pages 17, 18 and 25.

The Group operates an HMRC-approved share incentive plan to encourage employees to take a greater interest in the Group's performance through share ownership. Details are set out in the Remuneration Committee report on pages 46 to 49.

## Governance

Statutory Directors' report continued

### Policy on payment of suppliers

The Group's policy during the year was to pay suppliers in accordance with agreed terms. At 30 November 2021 the Group had 52 days' purchases outstanding in trade payables (2020: 62 days').

### Charitable donations and activity

The Group made donations amounting to £1,250 (2020: £1,105) to charitable causes during the year.

### Streamlined Energy and Carbon Reporting ('SECR')

The Directors have reviewed the obligations to report under the SECR requirements and have concluded that no individual entity within the Group would be obliged to report individually according to the thresholds. No data has therefore been included within this report. The Directors do, however, acknowledge their environmental responsibility and seek to minimise the impact that the Group makes wherever possible.

### Going concern

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. This year, due to the continued uncertainty from the global pandemic, this review continued to include in depth scenario modelling and stress testing of budget and strategy planning.

The Group regularly reviews the risks associated with the business and the Directors are satisfied with the position. The Directors consider that the Group benefits from a level of diversification within both sectors and geographies that helps mitigate an element of macro-economic risk. Despite the challenging trading environment experienced in the financial year, this diversification was seen, with some areas of the business performing better than others.

The Directors quickly took action in the prior year which mitigated a lot of the impact from the pandemic. The positive impact from this, in particular from the restructuring of the Group, has been extremely successful for the business from a performance perspective. This is largely due to efficiencies and cost savings which have a long term benefit going forward.

### Forecasting and stress testing

The Directors have undertaken a rigorous budgeting and forecasting process with management to understand the impact of the economic environment on the future of the business. The base case scenario was tempered by the Directors to reflect the remaining uncertainty regarding the timing of the return to normal trading circumstances, most importantly for the Group within the gaming sector. Despite the rigour applied, the base case showed a predominantly positive cash balance throughout the year and at no stage would the overdraft facility be breached or close to a breach. Various plausible but severe downside scenarios were then applied to the base case linked to the trading conditions seen in the 2021 financial year, assuming that revenues would not improve and even that margins would deteriorate on the same level of trade. Again, the results showed sufficient cash headroom throughout the outlook period.

The base case was then reverse stress tested and the level of deterioration required for the Group to become close to the banking headroom was deemed to be highly unlikely.

### Cash and funding position

As a result of the actions taken by the Directors during the year, positive cash balances were maintained throughout and ended the year at £6.4 million. Undrawn facilities of £3 million were held throughout the period. Despite the central forecast indicating that the Group should not require to draw upon overdraft facilities for the foreseeable future, the Directors have secured, as a matter of prudence, an overdraft facility of £3 million with Lloyds Bank until January 2022.

### Conclusion

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 any material uncertainty. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

### Annual General Meeting ('AGM')

The notice convening the AGM is distributed separately to shareholders at least 21 working days before the meeting. Separate Resolutions are proposed on each substantially separate issue. The poll results from the 2022 AGM will be made available on the Company's website after the meeting.

### Auditor

As detailed in the Audit Committee Report, RSM UK Audit LLP has been re-appointed by the Board as the Company's external auditor, upon the recommendation of the Audit Committee. Accordingly, a Resolution for the re-appointment of RSM UK Audit LLP as auditor of the Company is to be proposed at the forthcoming AGM.

### Strategic Report

The information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, in respect of future developments and risks and uncertainties, has been included in the Strategic Report in accordance with section 414C(11) of the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013.

### Disclosure of information to auditor

Having made the required enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and each Director has taken all steps that ought to have been taken to make himself aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

## Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. The directors have elected under company law to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

The Group and Company financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the Parent Company financial statements, state whether applicable international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Parent Company or cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

## 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.

The Directors' report has been approved by the Board.

By Order of the Board

Claire Stewart  
Company Secretary

22 February 2022

## Financial statements

Independent auditor's report  
To the members of Synectics plc

# Independent auditor's report

## Opinion

We have audited the financial statements of Synectics plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement, company statement of comprehensive income, company statement of changes in equity, company statement of financial position and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section

of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the cash flow forecasts, which cover a period to March 2023, together with expected headroom over the facilities in place and challenged the assumptions used by management;
- Considering management's sensitivities against recent trading performance and the resulting potential impact on headroom within agreed facilities;
- Considering the performance of the various sectors in which the group operates and the relative risks to revenues from those sectors, and uncertainties regarding timing of recovery from the impact of Covid-19, and whether these have been included in sensitivities used by management; and
- Reviewing the group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Summary of our audit approach

Key audit matters	Group <ul style="list-style-type: none"><li>• Revenue recognition</li><li>• Goodwill impairment</li></ul> Parent Company <ul style="list-style-type: none"><li>• Impairment of investments in subsidiaries</li></ul>
Materiality	Group <ul style="list-style-type: none"><li>• Overall materiality: £475,000 (2020: £550,000)</li><li>• Performance materiality: £356,000 (2020: £412,000)</li></ul> Parent Company <ul style="list-style-type: none"><li>• Overall materiality: £180,000 (2020: £525,000)</li><li>• Performance materiality: £135,000 (2020: £394,000)</li></ul>
Scope	Our audit procedures covered 84% of revenue, 89% of total assets and 69% of loss before tax.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

Key audit matter description	<p>The Group recognised revenue of £43.6m (2020: £44.6m), a substantial element of this revenue and profit is recognised from non-recurring contracts, which may span accounting periods. Contract accounting requires the assessment of the stage of completion of each contract and likely outcome of the contract in order to determine the revenue and profit to be recognised.</p> <p>Refer to Audit Committee Report (pages 43 to 45), accounting policies and critical accounting estimates and judgements (pages 71 and 72) and financial disclosures (note 3 – pages 74 and 75)</p> <p>There is a risk of misstatement resulting from inappropriate recognition bases being used and inaccurate estimates being made.</p>
How the matter was addressed in the audit	<p>Our procedures included but were not restricted to:</p> <ul style="list-style-type: none"><li>• A review of the appropriateness of the revenue recognition and contract accounting policies and practices;</li><li>• Evaluation of the controls in place to assess the accuracy of the stage of completion and likely outcome of the contracts;</li><li>• Testing a sample of contracts to agree details to supporting documentation and consider and challenge the contract accounting estimates;</li><li>• A review of significant old accrued income balances; and</li><li>• A retrospective review of the outcome of contracts in progress at the prior year end to assess the validity of the estimates applied in the prior period.</li></ul>

### Goodwill impairment

Key audit matter description	<p>The Group has a carrying value of goodwill of £19.8m (2020: £20.1m) – refer to Audit Committee Report (pages 43 to 45), accounting policies and critical accounting estimates and judgements (pages 85 and 86) and financial disclosures (note 16 – pages 93 and 94). The risk is that the goodwill is not recoverable and should be impaired.</p> <p>Impairment testing requires management to identify appropriate cash generating units ("CGU"), identify the carrying amount of each CGU, including its goodwill, and determine whether the higher of fair value less cost to sell and the value in use for the CGU, based on the net present value of the forecast earnings of the CGU, exceeds the carrying amount. Impairment testing involves a significant degree of judgement due to the level of estimation involved in forecasting future performance and setting appropriate assumptions regarding discount rates, growth rates and working capital movements.</p>
How the matter was addressed in the audit	<p>Our procedures included but were not restricted to:</p> <ul style="list-style-type: none"><li>• A critical assessment of the key assumptions made in determining the recoverable amounts of each CGU, with particular focus on poorer performing components;</li><li>• Considering whether the CGU reflect the IAS 36 requirement that they represent the smallest identifiable group of assets that generate cash flows that are largely independent and, whether, if an alternative view was taken there would be any impact on the impairment assessment;</li><li>• Agreeing the forecast future performance to the most recently approved business plan;</li><li>• Considering the forecasts in the context of historical forecasting accuracy and our understanding of the sectors in which the Group operates;</li><li>• Considering the appropriateness of the assumptions used in the calculation of the discount rates used, including comparison with external data sources;</li><li>• Undertaking our own sensitivity analyses; and</li><li>• Assessing the appropriateness of the Group's disclosures about the sensitivity of their impairment assessment.</li></ul>

## Financial statements

Independent auditor's report continued

To the members of Synectics plc

### Key audit matters continued

#### Impairment of investments in subsidiaries (parent company only)

Key audit matter description	At 30 November 2021 the parent company balance sheet includes investments of £35.8m (2020: £35.8m). Refer to accounting policies and critical accounting judgements (pages 85 and 86) and financial disclosures (note 6 – page 76). The risk is that the investments are impaired and require write down.
How the matter was addressed in the audit	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"><li>• A critical assessment of the key assumptions made in determining the recoverable amounts of each investment, with particular focus on the poorer performing subsidiaries;</li><li>• Considering whether the investments are supported by future cash flows across the divisions;</li><li>• Agreeing the forecast future performance to the most recently approved business plan, and confirming these are consistent with those used for the assessment of goodwill impairment and going concern;</li><li>• Considering the forecasts in the context of historical forecasting accuracy and our understanding of the sectors in which the Group operates;</li><li>• Considering the appropriateness of the assumptions used in the calculation of the discount rates used, including comparison with external data sources;</li><li>• Undertaking our own sensitivity analyses; and</li><li>• Assessing the appropriateness of the Company's disclosures about the estimates used.</li></ul>

### Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£475,000 (2020: £550,000)	£180,000 (2020: £525,000)
Basis for determining overall materiality	0.9% of average revenue over the prior 3 years	0.4% of net assets
Rationale for benchmark applied	Revenue has been chosen as revenue levels are considered the key driver for the business given a largely fixed cost base. Given the significant impact of the Covid-19 pandemic on the results which is expected to be a temporary impact, an average of the prior 3-year revenue has been used as the benchmark.	Net assets chosen as the parent company is a holding company. As a non-revenue generating entity, shareholder focus is on the value of assets held.
Performance materiality	£356,000 (2020: £412,000)	£135,000 (2020: £394,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £24,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £9,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

The group consists of 8 components, located in the following countries; UK, Singapore, USA, Germany, Macau.

The coverage achieved by our audit procedures was:



Full scope audits were performed for 5 components and analytical procedures at group level for the remaining 3 components.

Of the above, full scope audits for 1 component were undertaken by component auditors.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 66 and 67, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **Financial statements**

### **Independent auditor's report continued**

To the members of Synectics plc

#### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team and component auditors:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- enquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our audit approach.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team and component auditors included:
IFRS, FRS101, Companies Act 2006 and AIM Rules	<ul style="list-style-type: none"> <li>● Review of the financial statement disclosures and testing to supporting documentation;</li> <li>● Completion of disclosure checklists to identify areas of non-compliance.</li> </ul>
Tax compliance regulations	<ul style="list-style-type: none"> <li>● Inspection of advice received from external tax advisers;</li> <li>● Input from a tax specialist was obtained regarding the tax accounting and disclosures.</li> </ul>
Health and safety regulations and industry accreditations	ISAs limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and where appropriate, those charged with governance (as noted above) and inspection of legal and regulatory correspondence, if any.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	See key audit matters above.
Management override of controls	<ul style="list-style-type: none"> <li>● Testing the appropriateness of journal entries and other adjustments;</li> <li>● Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and</li> <li>● Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.</li> </ul>

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*RSM UK LLP*

**Graham Bond FCA (Senior Statutory Auditor)**

*For and on behalf of RSM UK Audit LLP, Statutory Auditor*

*Chartered Accountants*

*14th Floor*

*20 Chapel Street*

*Liverpool*

*L3 9AG*

23 February 2022

**Consolidated income statement**  
For the year ended 30 November 2021

		2021			2020		
	Note	Before non-underlying items £000	Non-underlying items <sup>1</sup> £000	Total £000	Before non-underlying items £000	Non-underlying items <sup>1</sup> £000	Total £000
<b>Revenue</b>	2,3	<b>43,595</b>	–	<b>43,595</b>	44,648	–	44,648
Cost of sales excluding other income		(27,993)	–	(27,993)	(30,054)	–	(30,054)
Other income <sup>2</sup>	4	1	–	1	416	–	416
Cost of sales		(27,992)	–	(27,992)	(29,638)	–	(29,638)
<b>Gross profit</b>		<b>15,603</b>	–	<b>15,603</b>	15,010	–	15,010
Operating expenses		(16,464)	–	(16,464)	(19,857)	(2,181)	(22,038)
Other income <sup>2</sup>	4	387	–	387	880	–	880
<b>Loss from operations</b>		<b>(474)</b>	–	<b>(474)</b>	(6,967)	(2,181)	(6,148)
Finance income	10	–	–	–	124	–	124
Finance costs	11	(121)	–	(121)	(263)	–	(263)
<b>Loss before tax</b>		<b>(595)</b>	–	<b>(595)</b>	(4,106)	(2,181)	(6,287)
Income tax credit	12	116	–	116	1,199	417	1,616
<b>Loss for the year attributable to equity holders of the Parent Company</b>		<b>(479)</b>	–	<b>(479)</b>	(2,907)	(1,764)	(4,671)
<b>Basic loss per share</b>	14			<b>(2.8)p</b>	(17.2)p		(27.7)p
<b>Diluted (loss)/earnings per share</b>	14			<b>(2.8)p</b>			(27.7)p

1 Underlying (loss)/profit before tax and non-underlying items; see note 6 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. See note 4 for further detail.

**Consolidated statement of comprehensive income**  
For the year ended 30 November 2021

	2021 £000	2020 £000
Loss for the year	(479)	(4,671)
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Remeasurement (loss)/gain on defined benefit pension scheme, net of tax	(1,073)	492
	(1,073)	492
<b>Items that may be reclassified subsequently to profit or loss:</b>		
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
<b>Total comprehensive loss for the year attributable to equity holders of the Parent</b>	<b>(1,699)</b>	(3,980)

## Financial statements

Consolidated statement of financial position  
As at 30 November 2021

	Note	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Property, plant and equipment <sup>1</sup>	15	<b>4,981</b>	5,243
Intangible assets	16	<b>21,728</b>	22,155
Retirement benefit asset	29	–	1,325
Deferred tax assets	12	<b>2,452</b>	1,864
		<b>29,161</b>	30,587
<b>Current assets</b>			
Inventories	17	<b>3,936</b>	4,661
Trade and other receivables	18	<b>11,156</b>	9,013
Contract assets	3	<b>5,244</b>	8,185
Tax assets		–	505
Cash and cash equivalents	19	<b>4,641</b>	6,864
		<b>24,977</b>	29,228
<b>Total assets</b>		<b>54,138</b>	59,815
<b>Current liabilities</b>			
Trade and other payables	20	( <b>10,902</b> )	(12,839)
Contract liabilities	3	( <b>3,096</b> )	(4,295)
Lease liabilities	21	( <b>816</b> )	(870)
Tax liabilities		–	(63)
Current provisions	22	( <b>487</b> )	(1,621)
		( <b>15,301</b> )	(19,688)
<b>Non-current liabilities</b>			
Non-current provisions	22	( <b>921</b> )	(575)
Lease liabilities	21	( <b>2,023</b> )	(1,920)
Deferred tax liabilities	12	( <b>549</b> )	(601)
		( <b>3,493</b> )	(3,096)
<b>Total liabilities</b>		( <b>18,794</b> )	(22,784)
<b>Net assets</b>		<b>35,344</b>	37,031
<b>Equity attributable to equity holders of the Parent Company</b>			
Called up share capital	23	<b>3,559</b>	3,559
Share premium account		<b>16,043</b>	16,043
Merger reserve		<b>9,971</b>	9,971
Other reserves		( <b>1,436</b> )	(1,448)
Currency translation reserve		<b>772</b>	919
Retained earnings		<b>6,435</b>	7,987
<b>Total equity</b>		<b>35,344</b>	37,031

The financial statements on pages 59 to 92 were approved and authorised for issue by the Board of Directors on 22 February 2022 and were signed on its behalf by:

Paul Webb  
Chief Executive

David Bedford  
Finance Director

Company number: 1740011

**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
Profit for the year	–	–	–	–	–	(4,671)	(4,671)
<b>Other comprehensive income</b>							
Currency translation adjustment	–	–	–	–	199	–	199
Remeasurement gain on defined benefit pension scheme, net of tax	–	–	–	–	–	492	492
<b>Total other comprehensive income</b>	–	–	–	–	199	492	691
<b>Total comprehensive income for the year</b>	–	–	–	–	199	(4,179)	(3,980)
<b>Transactions with owners in their capacity as owners</b>							
Credit in relation to share-based payments (note 5)	–	–	–	–	–	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)
<b>Other comprehensive income</b>							
Currency translation adjustment	–	–	–	–	(147)	–	(147)
Remeasurement loss on defined benefit pension scheme, net of tax	–	–	–	–	–	(1,073)	(1,073)
<b>Total other comprehensive income</b>	–	–	–	–	(147)	(1,073)	(1,220)
<b>Total comprehensive income for the year</b>	–	–	–	–	(147)	(1,552)	(1,699)
<b>Transactions with owners in their capacity as owners</b>							
Credit in relation to share-based payments (note 25)	–	–	–	–	–	12	12
Share scheme interests realised in the year	–	–	–	12	–	(12)	–
<b>At 30 November 2021</b>	<b>3,559</b>	<b>16,043</b>	<b>9,971</b>	<b>(1,436)</b>	<b>772</b>	<b>6,435</b>	<b>35,344</b>

## Financial statements

Consolidated cash flow statement  
For the year ended 30 November 2021

	Note	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>			
Loss for the year		(479)	(4,671)
Income tax credit	12	(116)	(1,616)
Finance income	10	–	(124)
Finance costs	11	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 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
<b>Operating cash (outflow)/inflow before movement in working capital</b>		(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
<b>Cash (used in)/generated from operations</b>		(764)	(5,899)
Tax received/(paid)		157	(148)
<b>Net cash (used in)/generated from operating activities</b>		(607)	5,751
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	15	(73)	(329)
Capitalised development costs	16	(648)	(828)
Purchased software	16	(154)	(61)
Proceeds from sale of property plant and equipment		33	–
<b>Net cash used in investing activities</b>		(842)	(1,218)
<b>Cash flows from financing activities</b>			
Lease payments		(1,006)	(1,117)
Bank interest paid		(12)	(33)
<b>Net cash used in financing activities</b>		(1,018)	(1,150)
Effect of exchange rate changes on cash and cash equivalents		244	(99)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(2,223)	3,284
Cash and cash equivalents at the beginning of the year		6,864	3,580
<b>Cash and cash equivalents at the end of the year</b>	19	<b>4,641</b>	6,864

**Notes to the consolidated financial statements**  
For the year ended 30 November 2021

## **1 Principal accounting policies**

Synectics plc is a public limited company incorporated in England and Wales and domiciled in the UK.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the periods presented unless otherwise stated.

### **Basis of preparation**

These financial statements 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.

The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework'; these are presented on pages 93 to 102. The consolidated financial statements of the Company as at and for the year ended 30 November 2021 comprise the Company and its subsidiaries.

These financial statements have been prepared using the historical cost convention except where the measurement of balances at fair value is required as set out below. The following policies are those that the Group considers to be its principal accounting policies in respect of its consolidated results. These financial statements are rounded to the nearest thousand.

The following new standards became applicable for the current reporting period and the Group changed its accounting policies and, where applicable, made retrospective adjustments as a result of adopting:

- amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform;
- amendments to IAS 1 and IAS 8: Definition of Material;
- amendments to IFRS 3: Definition of a Business; and
- amendments to IFRS 16 'Leases': Covid-19 Related Rent Concessions.

None of these had a material impact on the financial statements.

Several other amendments and interpretations apply for the first time in 2021 but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

### **New standards and interpretations not yet adopted**

Accounting standards that have recently been issued or amended but are not yet mandatory have not been early adopted by the consolidated entity for the annual reporting period ended 30 November 2021. The consolidated entity's assessment of the impact of these new or amended accounting standards and interpretations, most relevant to the consolidated entity, is set out below.

The following standards and interpretations are applicable in future periods but are not expected to have a significant impact on the consolidated financial statements:

- IFRS 17 'Insurance Contracts';
- amendments to IFRS 3: Definition of a Business;
- amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 2;
- amendments to IAS 16 'Property, Plant and Equipment';
- amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets';
- annual Improvements to IFRS Standards 2018–2020 Cycle; and
- amendments to IFRS 16 'Leases': Covid-19 Related Rent Concessions beyond 30 June 2021.
- amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from Single Transaction;
- amendments to IAS 8: Definition of Accounting Estimates;
- amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies; and
- amendments to IAS 1: Classification of Liabilities as Current or Non-Current.

## **Financial statements**

Notes to the consolidated financial statements continued  
For the year ended 30 November 2021

### **1 Principal accounting policies** continued

#### **Going concern**

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. This year, due to the continued uncertainty from the global pandemic, this review continued to include in depth scenario modelling and stress testing of budget and strategy planning.

The Group regularly reviews the risks associated with the business and the Directors are satisfied with the position. The Directors consider that the Group benefits from a level of diversification within both sectors and geographies that helps mitigate an element of macro-economic risk. Despite the challenging trading environment experienced in the financial year, this diversification was seen, with some areas of the business performing better than others.

The Directors quickly took action in the prior year which mitigated a lot of the impact from the pandemic. The positive impact from this, in particular from the restructuring of the Group, has been extremely successful for the business from a performance perspective. This is largely due to efficiencies and cost savings which have a long term benefit going forward.

#### **Forecasting and stress testing**

The Directors have undertaken a rigorous budgeting and forecasting process with management to understand the impact of the economic environment on the future of the business. The base case scenario was tempered by the Directors to reflect the remaining uncertainty regarding the timing of the return to normal trading circumstances, most importantly for the Group within the gaming sector. Despite the rigour applied, the base case showed a positive cash balance throughout the year. Various plausible but severe downside scenarios were then applied to the base case linked to the trading conditions seen in the 2021 financial year, assuming that revenues would only see a marginal improvement and even that margins would deteriorate on the same level of trade. Again, the results showed sufficient cash headroom throughout the outlook period. The base case was then reverse stress tested and the level of deterioration required for the Group to become close to the banking headroom was deemed to be highly unlikely.

#### **Cash and funding position**

As a result of the actions taken by the Directors during the year, positive cash balances were maintained throughout and ended the year at £4.9 million. Undrawn facilities of £3 million were held throughout the period. Despite the central forecast indicating that the Group should not require to draw upon overdraft facilities for the foreseeable future, the Directors have secured, as a matter of prudence, an overdraft facility of £3 million with Lloyds Bank until January 2023.

#### **Conclusion**

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. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

#### **Basis of consolidation**

##### **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### **Change in subsidiary ownership and loss of control**

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### **Transactions eliminated on consolidation**

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated.

## 1 Principal accounting policies continued

### Goodwill

Goodwill is recorded at cost, being the excess of the cost of acquisition over the fair value at the date of acquisition of the Group's share of identifiable assets, liabilities and contingent liabilities, less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGUs') expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill would not be reversed in a subsequent period.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### Revenue

Revenue represents income derived from contracts for the provision of goods and services, over time or at a point in time, by the Group, to customers in exchange for consideration in the ordinary course of the Group's activities.

#### Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

The Group has determined that most of its contracts (both installation and maintenance) include a single performance obligation as the promises within the contracts are generally not separately identifiable within the contract.

The Group provides warranties to its customers to give them assurance that its products will function in line with agreed-upon specifications. Warranties only represent separate performance obligations where they are deemed to be service-type warranties.

#### Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as discounts, liquidated damages or penalties, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices.

#### Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer.

For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time.

Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

The Group has determined that most of its contracts satisfy the over time criteria, either because the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs (typically support or maintenance contracts) or the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date (typically installation contracts).

## **Financial statements**

Notes to the consolidated financial statements continued  
For the year ended 30 November 2021

### **1 Principal accounting policies** continued

#### **Revenue** continued

##### **Revenue and profit recognition** continued

For each performance method to be recognised over time, the Group recognises revenue using an input method, based on costs incurred or as a proportion of estimated total contract costs or physical proportion of contract work completed in relation to the total. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs and are therefore recognised progressively as costs are incurred or work is completed.

If the over time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment.

If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

#### **Software licences**

The Group has determined that sales of software licences are not distinct within the context of the contract and are not the predominant component of the combined performance obligation. Therefore, revenue in relation to software licences is recognised as part of the single performance obligation.

#### **Contract modifications**

The Group's contracts can be amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

1. prospectively, as an additional, separate contract;
2. prospectively, as a termination of the existing contract and creation of a new contract; or
3. as part of the original contract using a cumulative catch-up.

The majority of the Group's contract modifications are treated in line with point 3 above (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

#### **Warranty arrangements**

The Group provides both assurance and service-type warranties. Assurance-type warranties are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'; an estimate of costs is expensed as a provision. Revenue in relation to service-type warranties is deferred over the term of the warranty and no cost provision is made.

#### **Costs of obtaining a contract**

The incremental costs of obtaining a contract with a customer are recognised as an asset if the Group expects to recover them. The Group incurs costs such as bid cost, legal fees and sales commission when it enters into a new contract.

Judgement is applied by the Group when determining what costs qualify to be capitalised in particular when considering whether these costs are incremental and whether these are expected to be recoverable. For example, the Group considers which type of sales commissions are incremental to the cost of obtaining specific contracts and the point in time when the costs will be capitalised.

The Group applies the practical expedient within IFRS 15 not to capitalise costs on contracts that are less than one year in length.

Costs incurred prior to winning a contract are not capitalised, but expensed as incurred.

#### **Contract balances**

An unconditional right to consideration is disclosed as a receivable and a conditional right to consideration is disclosed separately as a contract asset. In addition, any obligation of the Group to transfer goods or services to a customer for which consideration has already been received is disclosed separately as a contract liability.

## **1 Principal accounting policies** continued

### **Government grants**

The Group has received funding from various governments in relation to Covid-19. Government income is recognised in profit or loss (within other income) on a systematic basis over the periods in which the Group recognises costs for which the grants are intended to compensate. Where it is not yet considered highly probable that government funding will not have to be repaid, this element is deferred on the balance sheet within other creditors.

### **Foreign currency**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in sterling ('£'), which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the prevailing rates. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the Consolidated Income Statement in the period in which they arise.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is recycled to profit or loss as an adjustment to the profit or loss on disposal.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in sterling using exchange rates prevailing at the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such exchange differences are recognised in the Consolidated Income Statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rates prevailing at the Statement of Financial Position date.

### **Retirement benefit costs**

Group employees are members of various pension schemes, all of which operate on a money purchase basis. Contributions to these schemes are charged to the Consolidated Income Statement as an expense when employees have rendered service entitling them to the contributions.

The Group also operates a retirement benefit scheme, which has deferred defined benefit members. The expected return on the scheme's assets and the expected increase in the present value of the scheme's liabilities during the period are included in the Consolidated Income Statement as other finance income and charges as appropriate. Actuarial gains and losses are recognised in the Consolidated Statement of Comprehensive Income. Pension scheme liabilities and, to the extent that they are recoverable, pension scheme assets are recognised in the Consolidated Statement of Financial Position and represent the difference between the market value of the scheme's assets and the present value of the scheme's liabilities.

Pension scheme liabilities are determined on an actuarial basis using the projected unit credit method and are discounted at a rate using the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

## **Financial statements**

Notes to the consolidated financial statements continued  
For the year ended 30 November 2021

### **1 Principal accounting policies** continued

#### **Share-based payments**

In accordance with IFRS 2, equity-settled share-based payments are measured at fair value at the date of grant. The fair value is recognised as an employee expense on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. The fair value of the options granted is calculated using an option pricing model which is based on the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Transactions of the Company-sponsored Executive Shared Ownership Plan are treated as being those of the Company and are therefore reflected in the Parent Company and Group financial statements. In particular the scheme's purchases of shares in the Company are debited directly to equity, within "Other reserves".

#### **Taxation**

The income tax credit/expense is the sum of current tax and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit/(loss) for the year. Taxable profit/(loss) differs from profit/(loss) as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

##### **Deferred tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the Statement of Financial Position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its tax assets and liabilities on a net basis.

##### **Current and deferred tax for the period**

Current and deferred tax are recognised as an expense or income in the Consolidated Income Statement, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

#### **Non-underlying items**

The Group discloses certain financial information both including and excluding non-underlying items. The presentation of information excluding non-underlying items allows a better understanding of the underlying trading performance of the Group and provides consistency with the Group's internal management reporting. Non-underlying items are identified by virtue of their size, nature or incidence and the Directors consider that these items should be separately identified so as to facilitate comparison with prior periods and to assess the underlying trends in the financial performance of the Group.

## 1 Principal accounting policies continued

### Dividends

Dividends proposed by the Directors and unpaid at the end of the year are not recognised in the financial statements until they have been approved by shareholders at a general meeting of the Company. Interim dividends are recognised when they are paid.

### Property, plant and equipment

All property, plant and equipment (including right of use assets) are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of property, plant and equipment, other than freehold land which is not depreciated, less their estimated residual values, on a straight-line basis over the estimated useful life, commencing on the first day of the month after being brought into use. The principal annual rates used for this purpose are:

- Freehold buildings – 2%
- Leasehold property and right of use assets – the shorter of term of the lease or the useful economic life of the asset
- Plant, machinery and equipment – 10% to 33%

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included in the Consolidated Income Statement.

### Research & development costs

Research costs are written off to the Consolidated Income Statement as incurred.

Development costs are capitalised and held as "Intangible assets" in the Consolidated Statement of Financial Position when the costs relate to a clearly defined project; the costs are separately identifiable; the outcome of such a project has been assessed with reasonable certainty as to its technical feasibility and its ultimate commercial viability; the aggregate of the deferred costs plus all future expected costs in bringing the product to market is exceeded by the future expected sales revenue; and adequate resources are expected to exist to enable the project to be completed. Amortisation is charged to operating expenses over the useful life of the product, from the commencement of commercial sales, which is usually over a period of three to five years.

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

This policy includes judgements regarding the initial recognition of the asset based upon market research and expected future net revenues. It also includes estimations regarding the period of amortisation.

Development costs that do not meet these criteria are written off to the Consolidated Income Statement as incurred.

### Other intangible assets

Other intangible assets, such as purchased computer software, are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to operating expenses in the Consolidated Income Statement on a straight-line basis from the date the assets are available for use over the estimated useful lives of the intangible asset. The useful life of purchased software is three to five years.

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

### Impairment of tangible and intangible assets

At each Statement of Financial Position date, the Group reviews the carrying amounts of its tangible and intangible assets, other than goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The future cash flows used in the value-in-use calculations are based on the latest five-year financial plans approved by the Board. Expectations about future growth reflect the expectations of growth in the markets in which the CGU operates. The discount rate is derived from the Group's post-tax weighted average cost of capital, which is assessed each year. The discount rate used in each CGU is adjusted for the risk specific to that CGU. The Directors perform sensitivity analysis to determine whether any reasonably possible change in the key assumptions on which the recoverable amounts are based would cause the CGUs' carrying amounts to exceed the recoverable amounts.

## **Financial statements**

Notes to the consolidated financial statements continued  
For the year ended 30 November 2021

### **1 Principal accounting policies** continued

#### **Impairment of tangible and intangible assets** continued

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in income. Goodwill is assessed for impairment on an annual basis.

#### **Inventories**

Inventories are valued at the lower of cost and net realisable value on a first in first out basis. In the case of finished goods, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, an appropriate allowance is made for obsolete, slow-moving and defective inventories.

#### **Provisions**

Provisions are recognised in the Consolidated Statement of Financial Position when there is a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation.

#### **Restructuring**

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has created a constructive obligation by raising a valid expectation in those affected that it will be carried out.

#### **Warranty provisions**

The Group provides both assurance and service-type warranties. Assurance-type warranties are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'; an estimate of costs is expensed as a provision. Revenue in relation to service-type warranties is deferred over the term of the warranty and no cost provision is made.

#### **Financial instruments**

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Hedge accounting is undertaken by the Group in respect of a balance sheet hedge of a net investment in a foreign subsidiary.

#### **Financial assets**

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits and bank current accounts.

##### *Trade receivables and contract assets*

Trade receivables and contract assets are initially recognised at fair value; they are subsequently measured at amortised cost using the effective interest method. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

Trade receivables and contract assets are assessed for impairment using an expected credit loss ('ECL') model. The Group applies a simplified approach in calculating ECLs; therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs, at initial recognition and at each subsequent reporting date. The Group has established a provision matrix that is based on its historical experience over a period of 24 months before 30 November 2021, adjusted for forward-looking factors such as the economy and particular market issues. All reasonable and supportable information that is relevant and available without undue cost or effort is considered. The provision rates are based on days past due for groupings of various customer segments (i.e. by geography and business activities). Once recognised, trade receivables and contract assets are continuously monitored and updated.

##### *Forward contracts*

The Group enters into forward contracts from time to time in order to mitigate the Group's exposure to the risk arising from fluctuation in currency exchange rates. Open forward contracts are measured at fair value through profit and loss.

#### **Financial liabilities**

##### *Trade and other payables and lease liabilities*

Trade and other payables and lease liabilities are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost. The carrying amount of these balances approximates to fair value due to the short maturity of amounts payable.

## **1 Principal accounting policies** continued

### **Financial instruments** continued

#### **Financial liabilities** continued

##### *Loans and borrowings*

Loans and borrowings comprise bank overdrafts.

### **Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. To meet these criteria, the right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances: the normal course of business, the event of default and the event of insolvency or bankruptcy of the Group and all of the counterparties.

### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

### **Leases**

Post adoption of IFRS 16, the Group considers whether a contract is (or contains) a lease, defined as "a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration". In applying this definition the Group assesses whether the contract meets three key evaluations, which are whether: (a) the contract contains an identified asset either explicitly identified in the contract or implicitly by being identified at the time the asset is made available for use; (b) the Group obtains substantially all economic benefits throughout the period of use; and (c) the Group has the right to direct the use of the asset.

Upon lease commencement, the Group recognises a right of use ('ROU') asset and a lease liability. The ROU asset is recognised at cost, consisting of the initial measurement of the lease liability, any direct costs incurred in arranging the lease and any net payments made in advance of commencement. The Group depreciates the ROU asset on a straight-line basis from commencement to the earlier of the end of its useful life or the end of the lease term. The Group assesses the ROU asset for impairment when any indicators are present. At commencement, the Group measures the lease liability as the present value of future lease payments, discounted at the interest rate implicit in the lease (if readily available) or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability consist of fixed payments and amounts arising from options that are reasonably certain to be exercised. Service payments are recognised in the Consolidated Income Statement in line with their usage. Subsequent to initial measurement, the liability will be reduced by the value of payments made and increased by accrued interest.

The Group has used the election not to apply IFRS 16 to short-term leases or leases of low-value assets. Payments in relation to these are expensed on a straight-line basis over the lease term.

### **Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. We continually evaluate our estimates, judgements and associated assumptions based on available information, experience and any other factors that are considered to be relevant. As the use of estimates is inherent in financial reporting, actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. To date there has been no material impact on the carrying value of assets or liabilities from such estimates.

Management has discussed its significant estimates and associated disclosures with the Audit Committee. The areas involving a higher degree of judgement or complexity are described below:

#### **Estimates**

##### **Revenue recognition**

The ultimate profitability of contracts is based on estimates of revenue and costs which are reliant on the knowledge and experience of the Group's project managers and finance and commercial professionals. Material changes in these estimates could affect the timing of profitability of individual contracts. Revenue and cost estimates are reviewed and updated monthly.

The Group determined that the promises within its contracts are not distinct within the context of the contract. The Group is providing a significant integration service which results in additional or combined functionality. In addition, the promises are highly inter-related. Consequently, the Group has determined that most of its contracts include a single performance obligation.

## **Financial statements**

Notes to the consolidated financial statements continued  
For the year ended 30 November 2021

### **1 Principal accounting policies** continued

#### **Estimates** continued

##### **Goodwill**

Goodwill recognised in a business combination does not generate cash flows independently of other assets or groups of assets. As a result, the recoverable amount, being the value in use, is determined at a CGU level. The determination of the CGU is judgemental and for goodwill impairment purposes represents the lowest level within the business at which the goodwill is monitored for internal management purposes, and cannot be larger than an operating segment. The relevant CGUs are deemed to be Systems, Synectics Security and SSS Management Services, which are no larger than the segments identified in the Group's segmental reporting.

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill is allocated. The value-in-use calculation includes estimates about future financial performance and long-term growth rates and requires management to select a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used in the impairment review are disclosed in note 16 to the financial statements.

#### **Judgements**

##### **Provisions**

Judgement is required in assessing the level of provisions required against assets, including slow-moving and potentially obsolete inventory, and for liabilities including onerous property obligations and warranties. The Directors use information available at the balance sheet date to determine the level of provisions required and consider whether further information received after the balance sheet date impacts these provisions.

##### **Non-underlying items**

Judgement is required in determining which items, by virtue of their size, nature or incidence, should be separately identified and disclosed as non-underlying items. The Directors assess which items of a non-recurring nature detailed in the Group's internal management reporting are of sufficient significance as to warrant separate presentation to provide a better understanding of the trading performance of the Group.

##### **Retirement benefit schemes**

The present value of obligations is calculated on an actuarial basis which depends on a number of assumptions relating to the future. These key assumptions are assessed regularly according to market conditions and data available to management.

The pension buy in/out transaction has been presented as two separate transactions which management have done based on advice received from the actuaries.

### **2 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 operating segment reporting format reflects the differing economic characteristics and nature of the services provided by the Group and is the basis on which strategic and operating decisions are made by the CODM.

The management of the Group's operations, excluding Central functions, is organised within two strategic operating segments: Systems and Security (formerly Integration & Managed Services). The Systems segment develops, integrates and delivers resilient, flexible electronic surveillance solutions based around its proprietary hardware and software, and operates globally across all sectors. The Security segment focuses on the design, delivery, maintenance and management of end-to-end security and surveillance systems for high security & public space applications, and operates principally in the UK. These, together with Central functions, comprise the Group's three reportable segments. No operating segments have been aggregated to form these reportable 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 used within the Group.

## 2 Segmental analysis continued

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)

Underlying operating profit/(loss) 2021	Underlying operating profit/(loss) <sup>1</sup> £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 <sup>2</sup>	982	–	–	–	–	982
Reconciliation to consolidated underlying operating loss:						
Central costs	(1,456)	–	–	–	–	(1,456)
	(474)	–	–	–	–	(474)

Underlying operating profit 2020	Underlying operating loss <sup>1</sup> £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 <sup>2</sup>	(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.

## Financial statements

Notes to the consolidated financial statements continued  
For the year ended 30 November 2021

## 2 Segmental analysis continued

### Net assets

Net assets attributed to each business segment represent the net external operating assets of the respective businesses excluding goodwill, bank balances and debt which are shown as unallocated amounts, together with Central assets and liabilities.

	Assets £000	Liabilities £000	2021 Net assets £000
Systems	21,622	(8,865)	12,757
Security	7,884	(9,665)	(1,781)
Total segmental net assets	<b>29,506</b>	<b>(18,530)</b>	<b>10,976</b>
Reconciliation to consolidated net assets:			
Goodwill	19,844	–	19,844
Cash and borrowings	4,641	–	4,641
Unallocated	780	(897)	(117)
	<b>54,771</b>	<b>(19,427)</b>	<b>35,344</b>

	Assets £000	Liabilities £000	2020 Net assets £000
Systems	22,004	(9,321)	12,683
Security	9,024	(12,430)	(3,406)
Total segmental net assets	31,028	(21,751)	9,277
Reconciliation to consolidated net assets:			
Goodwill	20,059	–	20,059
Cash and borrowings	6,864	–	6,864
Unallocated	1,864	(1,033)	831
	<b>59,815</b>	<b>(22,784)</b>	<b>37,031</b>

By geographical segment Geographical location of contract	2021 Revenue £000	2021 Total assets £000	2021 Capital additions £000	2020 Revenue £000	2020 Total assets £000	2020 Capital additions £000
UK and Europe	32,317	48,710	948	30,548	49,548	319
North America	5,276	3,480	–	3,166	2,550	13
Middle East & Africa	724	350	–	2,600	1,649	–
Asia Pacific	5,278	2,230	42	8,334	6,068	396
	<b>43,595</b>	<b>54,771</b>	<b>990</b>	<b>44,648</b>	<b>59,815</b>	<b>728</b>

## 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
	<b>18,632</b>	<b>24,963</b>	<b>43,595</b>
Revenue by contract location 2020	Systems £000	Security £000	2020 £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
	<b>22,855</b>	<b>21,793</b>	<b>44,648</b>

### 3 Revenue from contracts with customers continued

#### Disaggregated revenue information continued

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

Reconciliation to segment revenue 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

Set out below is a reconciliation of the timing of revenue showing goods transferred at a point in time and services transferred over time:

Timing of revenue recognition 2021	Systems £000	Security £000	2021 £000
Revenue transferred at a point in time	4,078	9,513	13,591
Revenue transferred over time	14,554	15,450	30,004
Intra-Group	2,029	2	2,031
	20,661	24,965	45,626
Timing of revenue recognition 2020	Systems £000	Security £000	2020 £000
Revenue transferred at a point in time	529	8,820	9,349
Revenue transferred over time	22,326	12,972	35,298
Intra-Group	790	9	799
	23,645	21,801	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 2020 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.

The Group has taken advantage of the practical expedient within IFRS 15 not to disclose the amount of the remaining performance obligations for contracts with original expected duration of less than one year.

## **Financial statements**

Notes to the consolidated financial statements continued  
For the year ended 30 November 2021

### **4 Other income**

The Group applied for various government support programmes introduced in response to Covid-19.

#### **Payroll support**

Included in profit or loss is £23,000 (2020: £1,062,000) of government grants obtained relating to supporting the payroll of the Group's employees. The Group has elected to present this government grant separately rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses. The Group does not have any unfulfilled obligations relating to these programmes.

#### **Forgivable loans**

The Group received a forgivable loan of £291,000 (2020: £312,000) from the federal government of the United States of America. There are a number of criteria relating to how much of this loan might be forgiven all of which were met before 30 November 2021. £364,000 (2020: £234,000) has been included in profit or loss for the year. The current year includes £73,000 which was received in the prior year but not recognised due to the Directors taking a prudent approach and not recognising all of the forgivable loan received due to forgiveness not being granted. In prior year the £73,000 was included within creditors despite full forgiveness having been applied for.

All of the above amounts have been received in cash in the year.

### **5 Net operating expenses**

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
Distribution costs	<b>249</b>	212
Administrative expenses (before non-underlying items)	<b>16,215</b>	19,645
Non-underlying items (note 6)	–	2,181
Total administrative expenses	<b>16,215</b>	21,826
	<b>16,464</b>	22,038

### **6 Non-underlying items**

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
(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
	<b>–</b>	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.

The accrual of costs associated with an ongoing buy-out of the defined benefit pension scheme represent the estimated costs to be incurred by the Group in order to wind up the scheme. Full disclosure is included in note 28.

## 7 Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	56	51
Fees payable to the Company's auditor for other services to the Group:		
– the audit of the Company's subsidiaries pursuant to legislation	132	129
Non-audit services	3	–
	<b>191</b>	180

## 8 Loss from operations

	2021 £000	2020 £000
Loss from operations is stated after charging:		
Amortisation of intangible assets	955	570
Depreciation of property, plant and equipment – owned assets	237	537
Depreciation of property, plant and equipment – right of use assets	929	1,084
Net foreign exchange losses	77	136
Write (back)/down of inventories recognised as an expense	(658)	783
Cost of inventories recognised as an expense	18,900	20,491
Research & development costs	2,800	3,193
Rental payments under leases:		
– short-life/low-value leases	191	250

## 9 Staff costs and Directors' remuneration

The average number of persons (including Executive Directors) employed by the Group during the year was:

	2021 Number	2020 Number
<b>Reportable segment (see note 2)</b>		
Systems	155	172
Security	153	182
Central	20	15
	<b>328</b>	369

	2021 £000	2020 £000
<b>Staff costs</b>		
Wages and salaries	14,661	16,277
Social security costs	1,389	1,662
Pension costs	926	982
Share-based payment charge (note 25)	68	50
	<b>17,044</b>	18,971

The Directors consider that the key management personnel of the business comprises its Board of Directors, whose remuneration is shown in the Remuneration Committee Report on pages 46 to 49. Details of the remuneration for key management personnel are set out in note 26.

## 10 Finance income

	2021 £000	2020 £000
Interest income on pension scheme assets (note 29)	–	124

## Financial statements

Notes to the consolidated financial statements continued  
For the year ended 30 November 2021

### 11 Finance costs

	2021 £000	2020 £000
Interest payable on bank overdrafts	12	33
Interest payable on lease liabilities	109	119
Interest on pension scheme liabilities (note 29)	–	111
	<b>121</b>	<b>263</b>

### 12 Taxation

Tax (credit)/charge	2021 £000	2020 £000
<b>Current taxation</b>		
UK tax	285	4
Overseas tax	–	(473)
Adjustments in respect of prior periods	–	(173)
<b>Total current tax charge/(credit)</b>	<b>285</b>	<b>(642)</b>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(927)	(913)
Adjustments in respect of prior periods	526	(61)
<b>Total deferred tax (credit)</b>	<b>(401)</b>	<b>(974)</b>
<b>Total tax credit for the year</b>	<b>(116)</b>	<b>(1,616)</b>

Further analysed as tax relating to:

Underlying profit	(116)	(1,199)
Non-underlying items	–	(417)

### 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 £000	2020 £000
(Loss)/profit on ordinary activities before tax	(595)	(6,287)
Tax on (loss)/profit on ordinary activities before tax at standard rate of 1% (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)
<b>Total tax credit for the year</b>	<b>(116)</b>	<b>(1,616)</b>

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.

## 12 Taxation continued

### Deferred tax

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

Deferred tax (liability)/asset	Property, plant and equipment £000	Other temporary differences £000	Retirement benefit asset £000	Losses £000	Total £000
At 1 December 2019	(229)	(365)	(117)	1,163	452
(Charged)/credited to the Income Statement	(90)	32	–	1,032	974
Charged to the Statement of Comprehensive Income	–	–	(135)	–	(135)
Currency translation adjustment	–	2	–	(30)	(28)
At 30 November 2020	(319)	(331)	(252)	2,165	1,263
(Charged)/credited to the Income Statement	(119)	(78)	–	598	401
Credited to the Statement of Comprehensive Income	–	–	252	–	252
Currency translation adjustment	–	(2)	–	(11)	(13)
<b>At 30 November 2021</b>	<b>(438)</b>	<b>(411)</b>	<b>–</b>	<b>2,752</b>	<b>1,903</b>

During the year an increase in the main rate of corporation tax in the UK to 25% was substantially enacted, taking effect from 1 April 2023.

### Factors that may affect future tax charges

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 or preceding periods. The assets are recognised based upon future taxable profit forecasts for the entities concerned.

The Group has further losses which may be available to be carried forward for offset against the future taxable profits of certain Group companies amounting to approximately £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.

In addition to the above, the Group has capital losses of approximately £17.8 million (2020: £17.8 million) available for offset against future taxable gains. No deferred tax asset in respect of these losses has been recognised in these financial statements as there is insufficient certainty that the asset will be recovered against future capital gains.

## 13 Dividends

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

	2021		2020	
	Pence per share	£000	Pence per share	£000
Final dividend paid in respect of prior year but not recognised as a liability in that year	–	–	–	–
Interim dividend paid in respect of current year	–	–	–	–
	–	–	–	–
Total dividend paid, net of treasury share dividends	–	–	–	–
Proposed final dividend for the year ended 30 November	–	–	–	–

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).

## 14 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)

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

## Financial statements

Notes to the consolidated financial statements continued  
For the year ended 30 November 2021

### 14 Earnings per share continued

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	<b>(479)</b>	(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	<b>(479)</b>	(2,907)
	2021 000	2020 000
Weighted average number of ordinary shares – basic calculation	<b>16,886</b>	16,880
Dilutive potential ordinary shares arising from share options	–	–
Weighted average number of ordinary shares – diluted calculation	<b>16,886</b>	16,880

Note: As a result of the Group's loss in 2021 and 2020, 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.

### 15 Property, plant and equipment

	Freehold land and buildings £000	Short leasehold improvements £000	Plant, machinery and equipment £000	Right of use assets £000	Total £000
<b>Cost</b>					
At 1 December 2019	1,832	1,541	3,700	–	7,073
Recognition on adoption of IFRS 16	–	–	–	3,445	3,445
Additions	–	147	183	398	728
Disposals	–	(119)	(355)	–	(474)
Currency translation adjustment	–	(15)	(31)	(9)	(55)
At 30 November 2020	1,832	1,554	3,497	3,834	10,717
Additions	2	27	44	917	990
Disposals	–	(109)	(229)	(1,042)	(1,380)
Currency translation adjustment	–	1	(13)	(14)	(26)
<b>At 30 November 2021</b>	<b>1,834</b>	<b>1,473</b>	<b>3,299</b>	<b>3,695</b>	<b>10,301</b>
<b>Depreciation and impairment</b>					
At 1 December 2019	192	1,015	2,962	–	4,169
Charge for the year	37	154	346	1,084	1,621
Disposals	–	(109)	(333)	–	(442)
Impairment	–	–	22	136	158
Currency translation adjustment	–	(5)	(26)	(1)	(32)
At 30 November 2020	229	1,055	2,971	1,219	5,474
Charge for the year	37	148	52	929	1,166
Disposals	–	(87)	(227)	(1,027)	(1,341)
Currency translation adjustment	–	(3)	12	12	21
<b>At 30 November 2021</b>	<b>266</b>	<b>1,113</b>	<b>2,808</b>	<b>1,133</b>	<b>5,320</b>
<b>Net book value</b>					
<b>At 30 November 2021</b>	<b>1,568</b>	<b>360</b>	<b>491</b>	<b>2,562</b>	<b>4,981</b>
At 30 November 2020	1,603	499	526	2,615	5,243

The net book value of right of use assets at 30 November 2021 relates to leasehold property £2,301,000 (2020: £2,357,000) and vehicles £261,000 (2020: £258,000).

## 16 Intangible assets

	Goodwill £000	Acquired intangibles £000	Capitalised development costs £000	Purchased software £000	Total £000
<b>Cost</b>					
At 1 December 2019	24,390	755	8,557	1,612	35,314
Additions	–	–	828	62	890
Disposals	–	–	(4,622)	(116)	(4,738)
Currency translation adjustment	282	12	19	2	315
At 30 November 2020	24,672	767	4,782	1,560	31,781
Additions	–	–	648	154	802
Disposals	–	–	–	(230)	(230)
Currency translation adjustment	(356)	(11)	(19)	(3)	(389)
<b>At 30 November 2021</b>	<b>24,316</b>	<b>756</b>	<b>5,411</b>	<b>1,481</b>	<b>31,964</b>
<b>Amortisation and impairment</b>					
At 1 December 2019	4,454	719	6,969	1,460	13,602
Charge for the year	–	23	441	106	570
Disposals	–	–	(4,622)	(116)	(4,738)
Currency translation adjustment	159	10	19	4	192
At 30 November 2020	4,613	752	2,807	1,454	9,626
Charge for the year	–	3	880	72	955
Disposals	–	–	–	(181)	(181)
Currency translation adjustment	(142)	–	(19)	(3)	(164)
<b>At 30 November 2021</b>	<b>4,471</b>	<b>755</b>	<b>3,668</b>	<b>1,342</b>	<b>10,236</b>
<b>Net book value</b>					
<b>At 30 November 2021</b>	<b>19,845</b>	<b>1</b>	<b>1,743</b>	<b>139</b>	<b>21,728</b>
At 30 November 2020	20,059	15	1,975	106	22,155

### Annual test for impairment of goodwill

The Group has assessed the recoverable amount of goodwill by comparing it to the value in use of the cash-generating units ('CGUs') to which it relates. Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

Synectics Security was formed in 2020 by merging Synectics Mobile Systems and Quadrant Security Group, both of which previously resided in the Integration & Managed Services ('IMS') CGU. Following this and the restructure of the wider Security division (formerly known as IMS), it is considered that Synectics Security now constitutes its own cash-generating unit on the basis that its asset base, workforce and revenue streams are together sufficiently distinct from SSS Management Services, the other business within the Security division. SSS Management Services now represents its own CGU.

The carrying amount of goodwill was allocated to the CGUs as follows:

	2021 £000	2020 £000
Systems	10,656	10,870
Synectics Security	8,812	8,812
SSS Management Services	377	377
	<b>19,845</b>	20,059

The recoverable amount of the CGUs is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and business plans approved by the Directors covering a five-year period. Cash flows beyond that period have been extrapolated into perpetuity using a steady 2.0% per annum growth rate (2020: 2.0%), which the Directors consider to be specific to the business and does not exceed the UK long-term average growth rate, and is therefore considered appropriate to apply to each CGU.

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### 16 Intangible assets continued

#### Annual test for impairment of goodwill continued

The other key assumption used in the cash flow projections is considered to be the pre-tax discount rates:

	2021 %	2020 %
Systems	<b>16.2</b>	18.2
Synectics Security	<b>12.5</b>	14.5
SSS Management Services	<b>12.5</b>	14.5

The discount rates used are based on the Group weighted average cost of capital, which has been risk adjusted to reflect divisional-specific risks such as the nature of the market served, cost profiles and the barriers to entry into each market segment, as well as other macro-economic factors such as forecasting risk in light of the general economic uncertainty created by the ongoing Covid-19 pandemic.

The other key assumptions have been assigned values by management using estimates based on past experience and expectations of the future performance of the CGUs.

Sensitivity analysis has been performed on the pre-tax discount rates, which shows that a pre-tax discount rate of 20% (Systems) or 14.0% (Synectics Security) would be required in order to eliminate the headroom which exists in these CGUs. The Directors consider that the discount rates used, which are already risk adjusted to capture the Directors' view of the extent to which each CGU is exposed to macro-economic factors including the ongoing uncertainty caused by Covid-19, represent a balanced view.

Further sensitivity was applied that the CGU's would only achieve 80% of the projected budget going forward. The Directors consider this to be satisfactory to capture any risk associated with achievement of budget based on a review of the levels achieved over previous years.

The breakeven analysis performed by management identified that the Systems Division would need to achieve less than 63% of budget, Security less than 72% over the coming years to result in an impairment. These results would be significantly lower than previously achieved by the Group and therefore is an unlikely situation.

The Directors believe that, based on the sensitivity analysis performed, any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the SSS Management Services carrying amount to exceed the recoverable amount.

The value in use for the Group exceeds the carrying value of the assets by £14 million (2020: £29 million).

There is no impairment to goodwill in the period (2020: no impairment).

### 17 Inventories

	2021 £000	2020 £000
Raw materials and consumables	<b>1,666</b>	2,266
Work in progress	<b>870</b>	1,267
Finished goods for resale	<b>1,400</b>	1,128
	<b>3,936</b>	4,661

The cost of inventories recognised as an expense during the year was £18.9 million (2020: £20.5 million).

The write back of inventories recognised includes £658,000 (2020: expensed £783,000) in respect of write backs of inventory to net realisable value.

### 18 Trade and other receivables

	2021 £000	2020 £000
Trade receivables	<b>10,525</b>	8,124
Allowance for expected credit losses	<b>(468)</b>	(465)
	<b>10,057</b>	7,659
Forward foreign currency contracts	<b>46</b>	67
Other receivables	<b>660</b>	623
Prepayments	<b>393</b>	664
	<b>11,156</b>	9,013

Trade receivables are non-interest bearing and generally have 30 to 90-day terms. At 30 November 2021 the Group had 83 days' sales outstanding in trade receivables (2020: 61 days').

## 18 Trade and other receivables continued

Due to their short maturities, the fair value of trade and other receivables approximates to their book value.

### Movement in allowance for expected credit losses

	2021 £000	2020 £000
At 1 December	465	106
Provided for in the year	89	387
Amounts utilised in the year	(59)	–
Amounts released in the year	(27)	(28)
At 30 November	<b>468</b>	465

As at 30 November 2021, trade receivables of £2,884,000 (2020: £2,759,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2021 £000	2020 £000
Up to three months past due	1,881	1,809
Three to six months past due	776	604
Over six months past due	227	346
	<b>2,884</b>	2,759

## 19 Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	<b>4,641</b>	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 2.5%).

## 20 Trade and other payables

	2021 £000	2020 £000
Trade payables	4,201	3,926
Other taxation and social security	585	800
Other payables	94	144
Accruals	<b>6,022</b>	7,969
	<b>10,902</b>	12,839

Due to their short maturities, the fair value of trade and other payables and accruals approximates to their book value.

## 21 Lease Liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Vehicle £000	Property £000	Total £000
At 1 December 2019	398	2,996	3,394
Accretion of interest	10	109	119
Payments	(145)	(578)	(723)
At 30 November 2020	263	2,527	2,790
Additions	133	813	946
Accretion of interest	25	84	109
Payments	(157)	(849)	(1,006)
<b>At 30 November 2021</b>	<b>264</b>	<b>2,575</b>	<b>2,839</b>

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### 21 Lease Liabilities continued

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date as follows:

	2021 £000	2020 £000
Current liabilities	<b>816</b>	870
Non-current liabilities	<b>2,023</b>	1,920
<b>Total liabilities</b>	<b>2,839</b>	2,790

Contractual maturity of lease liabilities:

	2021 £000	2020 £000
Up to 1 year	<b>816</b>	870
Between 1 year and 5 years	<b>1,512</b>	1,318
More than 5 years	<b>511</b>	602
	<b>2,839</b>	2,790

Amounts recognised in profit or loss include the following:

	2021 £000	2020 £000
Interest on lease liabilities	<b>109</b>	119

The weighted average incremental borrowing rates applied to the lease liabilities recognised ranged between 3% - 3.1% (2020: 3% - 3.1%).

### 22 Provisions

	Legal £000	Warranty £000	Restructuring £000	Property £000	Total £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
<b>At 30 November 2021</b>	<b>–</b>	<b>991</b>	<b>93</b>	<b>324</b>	<b>1,408</b>

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

	2021 £000	2020 £000
Current	<b>487</b>	1,621
Non-current	<b>921</b>	575
	<b>1,408</b>	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.

## 22 Provisions continued

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.

## 23 Called up share capital and reserves

The number of authorised, allotted, called up and fully paid shares is as follows:

	2021		2020	
	Number	£'000	Number	£'000
<b>Ordinary shares of 20p each</b>				
Authorised	25,000,000	5,000	25,000,000	5,000
Allotted, called up and fully paid	17,794,439	3,559	17,794,439	3,559

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. No shares were held in treasury; however, 905,629 shares (2020: 905,629) were held by the Group Executive Shared Ownership Plan ('ExSOP') at 30 November 2021 and are therefore excluded from the basic earnings per share calculation.

The merger reserve has been created in accordance with sections 612 and 613 of the Companies Act 2006 whereby the premium on ordinary shares in the Company issued to acquire shares has been credited to the merger reserve rather than the share premium account.

The cost of own shares held within the ExSOP of £2,185,000 (2020: £2,185,000) has been deducted from other reserves. The nominal value of these shares is £181,000 (2020: £181,000).

## 24 Options over shares of Syneetics plc

The Group operated three share schemes in the year: the Quadnetics Employees' Share Acquisition Plan, the Quadnetics Executive Shared Ownership Plan and the Syneetics Performance Share Plan.

### Quadnetics Employees' Share Acquisition Plan ('ESAP')

The ESAP was adopted on 23 April 2010. Deductions from salary are used to buy partnership shares in Syneetics plc at the end of each six-month accumulation period. The Trustee will use any dividend income paid on these shares to buy further shares to be held in the scheme as dividend shares.

Partnership shares can be withdrawn from the scheme by the employee at any time, but withdrawals before the fifth anniversary after purchase are subject to income tax; withdrawals after the fifth anniversary of their purchase date can be made in full and are not subject to income tax. Dividend shares are required to be held in trust for a period of three years following the purchase date. Employees who leave the Group are required to withdraw all of their shares in the scheme and are subject to the same rules.

At 30 November 2021, the scheme holds 96,062 (2020: 89,166) ordinary shares with a market value of £108,069 (2020: £95,853).

Movements during the year were as follows:

	Number of shares
Shares held at 1 December 2020	89,166
Shares acquired during the year	6,896
Withdrawals from the scheme during the year	-
<b>Shares held at 30 November 2021</b>	<b>96,062</b>

### Quadnetics Executive Shared Ownership Plan ('ExSOP')

The ExSOP was formed in July 2009. Under the provisions of the ExSOP, shares ('ExSOP shares') are jointly owned by nominated senior employees and by an employees' share trust on terms, similar to a share option scheme, whereby the value of appreciation in the Company's share price over a minimum three-year period accrues to the relevant employee, provided the Company meets certain performance thresholds.

In summary, none of the awarded ExSOP shares will vest unless the total return (dividends plus share price appreciation) on the Company's shares is better than the performance of the FTSE AIM All Share Total Return Index (the 'Index') over the three-year period from award. The shares will vest fully if the Company's performance beats the Index by more than 5% over that period. If the Company's share performance matches the Index, then 25% of the awarded shares will vest and between these points vesting will be pro-rata.

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### **24 Options over shares of Synectics plc** continued

#### **Quadnetics Executive Shared Ownership Plan** continued

ExSOP shares outstanding at 30 November 2021 are exercisable as follows:

Date awarded	Exercise dates	Relevant share price at date of award	2021 Number of shares	2020 Number of shares
7 July 2009	8 July 2012 onwards	147.5p	<b>197,243</b>	197,243
7 March 2011	8 March 2014 onwards	178.0p	<b>108,000</b>	108,000
Balance of shares in respect of leavers			<b>600,386</b>	600,386
			<b>905,629</b>	905,629

Movements during the year were as follows:

	Number of shares
Shares held at 1 December 2020	930,629
Vested shares sold or transferred in the year	–
<b>Shares held at 30 November 2021</b>	<b>905,629</b>

Dividends have been waived in respect of the 600,386 (2020: 615,886) shares not specifically allocated to employees.

#### **Synectics Performance Share Plan ('PSP')**

The PSP was formed on 9 October 2012.

##### **2015–2019 awards**

Under the PSP, selected employees are entitled to exercise an option to receive a certain number of Synectics plc shares at any time after a three-year vesting period, at no cost to themselves. The number of shares that are awarded at the end of the three-year period is dependent on the achievement of certain performance criteria.

The performance criteria are identical to those that apply under the existing ExSOP. Provided that the total return on Synectics plc shares has outperformed the Index by 5% or more in the three years following the award, beneficiaries will be entitled to receive the full number of shares awarded. If Synectics plc's share performance matches the Index, then 25% of the awarded shares will vest and between these points vesting will be pro-rata. If the total return on Synectics plc shares underperforms the Index, then no entitlement will vest. The limit on the number of shares over which interests may be awarded also remains unchanged.

It is intended that if the performance criteria are met in full or part, the appropriate number of shares will be transferred to the employees from unallocated Synectics plc shares already held within the employee benefit trust established for the existing ExSOP.

##### **2020–2021 awards**

In 2020, the Committee made a one-off award to the Executive Directors vesting over a five-year period up to the end of the Company's financial year ending 30 November 2025. The options are divided into three equal tranches, vesting after the next three, four and five full financial years respectively, depending on the achievement of the performance criteria at each measurement date, and are exercisable at nil cost. All options must be exercised within ten years of the date of award.

The performance criteria for the one-off award will be measured according to the average of the compound annual growth rate ('CAGR') of the total shareholder return and the CAGR of adjusted underlying diluted earnings per share for each of the three relevant periods of roughly three, four and five years respectively. If this average is 25% or more, 100% of that tranche of options will vest. If this average is above 15% and below 25%, between 0% and 100% of the options will vest (on a straight-line basis). 75% of any options not vesting at the three-year and four-year vesting points may be carried forward to the following year. Any options not vesting at the five-year point will lapse. The baseline for calculating the CAGR of total shareholder return is £1.35 per share, and the baseline for calculating the CAGR of adjusted underlying diluted earnings per share is 11.87p per share (being the actual equivalent adjusted earnings per share of the Company in the financial year to 30 November 2019).

## 24 Options over shares of Syneetics plc continued

### Syneetics performance share plan continued

PSP shares outstanding at 30 November 2021 are exercisable as follows:

Date awarded	Exercise dates	Relevant share price at date of award	2021 Number of shares	2020 Number of shares
30 March 2015	30 March 2018 onwards	125.0p	<b>1,300</b>	1,300
1 March 2016	1 March 2019 onwards	117.5p	–	1,000
28 March 2018	28 March 2021 onwards	181.6p	–	30,000
7 March 2019	7 March 2022 onwards	200.0p	<b>45,000</b>	45,000
7 August 2020	24 February 2024 onwards	130.0p	<b>222,000</b>	222,000
7 August 2020	1 March 2025 onwards	130.0p	<b>162,000</b>	162,000
7 August 2020	28 February 2026 onwards	130.0p	<b>162,000</b>	162,000
3 March 2021	24 February 2024 onwards	137.5p	<b>20,000</b>	–
			<b>612,300</b>	623,300

31,000 (2020: 58,477) shares under the PSP expired during the year.

## 25 Share-based payment charge

The fair value of services received in return for share options granted or awards made under the Group's share schemes is measured by reference to the fair value of the share options granted or share scheme shares awarded.

For the equity-settled share scheme awards, the estimate of the fair value of the services received for accounting purposes is measured based on a Black-Scholes option pricing model adjusted (based on a Monte Carlo simulation) to reflect the percentage reduction necessary as a result of the market-based performance conditions, using the following assumptions:

Syneetics PSP	March 2018 awards	March 2019 awards	August 2020 3 yr awards	August 2020 4 yr awards	August 2020 5 yr awards	March 2021 3 yr awards
Number of share options awarded	30,000	65,000	222,000	162,000	162,000	20,000
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil
Share price on date of award	£1.816	£2.00	£1.30	£1.30	£1.30	£1,375
Expected volatility	35%	30%	50%	50%	50%	50%
Expected dividend yield	3.5%	2.0%	4.0%	4.7%	5.3%	4.0%
Risk-free interest rate	1.6%	1.35%	0.33%	0.33%	0.33%	0.33%
Vesting period	3 years	3 years	3.55 years	4.57 years	5.56 years	3 years
Expected life of option	4 years	3 years	3.55 years	4.57 years	5.56 years	3 years

The weighted average fair value of options granted during 2021, at the date of grant, is £0.44 (2020: £0.36).

The expected volatility is based on historical volatility. In respect of the 2021 and 2020 options, historical volatility has been uplifted in order to account for the expectation of future growth in excess of historical volatility.

Share options and share scheme awards are granted under a service condition and also for grants to employees under the ExSOP and PSP, a performance measure based around the Company's share price relative to the Index.

The total charge recognised for the year arising from share-based payments is as follows:

	2021 £'000	2020 £'000
Equity-settled share-based payments	<b>68</b>	45

## 26 Contingent liabilities

As at 30 November 2021 there are no contingent liabilities (2020: £nil).

## 27 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The subsidiaries in the Group are listed in note 7 of the Company accounts.

During the year an amount was paid to the spouse of a director of Synectic Systems (Asia) Pte Limited of S\$nil for provision of accommodation to an external consultant engaged by the company (2020: S\$264).

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### 27 Related party transactions continued

During the year rental amounts of S\$nil were paid to a company in which two of the directors of Synectic Systems (Asia) Pte Limited held a direct interest (2020: S\$23,463).

Transactions with key management personnel are as follows:

	2021 £000	2020 £000
Salary and fees	602	523
Bonuses	–	–
Benefits	4	9
Total short-term remuneration	606	532
Post-employment benefits	41	41
Share-based payments	12	22
	<b>659</b>	595

Share options exercised by key management personnel during the year amounted to £nil (2020: £nil).

### 28 Capital commitments

At the year end, capital commitments not provided for in these financial statements amounted to £4,000 (2020: £40,000).

### 29 Pension commitments

The Group operates a closed defined benefit pension scheme and a number of defined contribution schemes.

#### a) Defined benefit scheme

The Group operates the Quadrant Group plc Retirement Benefit Scheme. This scheme includes a defined benefit section and a defined contribution section both in respect of past employees. The accrual of benefits in the defined benefit section ceased in 1996 and the liabilities relate only to members with preserved benefits or pensions in payment. A full actuarial valuation was carried out by a qualified independent actuary, independent of the scheme's sponsoring employer, as at 30 June 2016. These results have been updated to 30 November 2021. The major assumptions used by the actuary are shown below.

The Group has paid contributions of £nil (2020: £nil) in the year.

The disclosures below relate to the defined benefit section, with the contributions to the defined contribution section being disclosed in section b) on page 90.

#### Net defined benefit asset

	2021 £000	2020 £000
Fair value of scheme assets	5,191	6,917
Cash held in other debtors	(40)	–
Present value of scheme liabilities	(5,151)	(5,592)
Net defined benefit asset recognised in the Statement of Financial Position	–	1,325
Associated deferred tax liability	–	(252)

Future economic benefits are available to the Group in the form of a reduction in future contributions or a cash refund. Any surplus ultimately repaid by the Trustees would be subject to a tax charge deducted at source.

#### Reconciliation of opening and closing balances of the present value of the defined benefit obligations

	2021 £000	2020 £000
Defined benefit obligations at the start of the year	5,592	6,014
Interest cost	76	111
Remeasurements:		
– gains due to scheme experience	(24)	(431)
– gain/(loss) due to changes in demographic assumptions	26	(139)
– loss/(gain) due to financial assumptions	(158)	352
Benefits paid	(361)	(315)
Defined benefit obligations at the end of the year	<b>5,151</b>	5,592

## 29 Pension commitments continued

Reconciliation of opening and closing balances of the fair value of plan assets

	2021 £000	2020 £000
Fair value of plan assets at the start of the year	6,917	6,701
Interest income	96	124
Return on plan assets, excluding amounts recognised in interest income	(1,459)	407
Contributions by the Company	–	–
Benefits paid	(363)	(315)
Fair value of plan assets at the end of the year	5,191	6,917

### Assets

	2021 Fair value of plan assets £000	2020 Fair value of plan assets £000
UK equities	–	11
Government bonds	–	–
Corporate bonds	–	6,866
Assets held by insurance company	5,151	–
Cash	40	40
Total assets	5,191	6,917

All of the scheme assets have a quoted market price in an active market with the exception of the cash holding, being the Trustee's bank account balance.

As at 30 November 2021, the fair value of the assets shown above includes holdings of £nil (2020: £11,000) in Synectics plc shares which constitute employer-related investments. There are no further amounts in assets which represent the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

### Actual return on plan assets

The actual return on the plan assets over the year ended 30 November 2021 was £nil (2020: profit £531,000).

### Principal actuarial assumptions

	2021 % per annum	2020 % per annum	2019 % per annum
Inflation	4.00	3.30	3.30
Inflation (CPI)	3.45	2.75	2.40
Rate of discount	1.70	1.40	1.90
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	3.45	2.75	2.40

The mortality assumptions adopted at 30 November 2020 imply the following life expectancies at age 65:

	2021 Years	2020 Years
Male currently aged 45	22.8	22.4
Female currently aged 45	24.8	24.3
Male currently aged 65	21.5	21.4
Female currently aged 65	23.3	23.1

### Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

The sensitivities shown are approximate and each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at 30 November 2021 is twelve years (2020: twelve years).

	Change in assumption	Change in liability
Discount rate	Decrease of 0.25% p.a.	Increase by 3.1%
Rate of inflation	Increase of 0.25% p.a.	Increase by 0.2%
Rate of mortality	Increase in life expectancy of one year	Increase by 5.0%

## **Financial statements**

Notes to the consolidated financial statements continued  
For the year ended 30 November 2021

### **29 Pension commitments** continued

#### **Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation** continued

The Company estimates that no additional contributions will be paid to the plan during the year ending 30 November 2022.

In 2020 the decision was taken before the year end by the Board of Trustees and approved by the plc Board of Directors to secure a "buy-out" for all remaining liabilities by an insurance company and to wind up the pension scheme. During the year end, an insurance company has insured the pension the liabilities which existed at 30 November 2020. The insurance policies are held by the scheme trustee and therefore are considered to be assets of the Group. A remeasurement loss of £1,073,000 has risen following the transaction which has been recognised in other comprehensive income.

#### **b) Defined contribution schemes**

There are a number of defined contribution pension schemes operated by various companies within the Group. The Group's total expense for these other schemes in the year was £926,000 (2020: £982,000).

## **30 Financial instruments**

### **Capital risk management**

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Group consists of cash held in interest-bearing current accounts (note 19), bank overdrafts (note 19) and equity attributable to equity holders of the Parent, comprising issued share capital (note 23), reserves and retained earnings. The Group is not subject to any externally imposed capital requirements. The Group's dividend policy depends on both the earnings profile and investment opportunities together with wider macro-economic factors.

#### **Foreign currency risk**

The Group operates internationally giving rise to exposure from changes in foreign exchange rates. The main foreign currencies in which the Group currently operates are the US dollar and the euro.

The Group's policy is to manage transaction exposure in respect of the Group's UK subsidiaries where appropriate through the use of forward exchange contracts, which are entered into in respect of forecast foreign currency transactions when the amount and timing of such forecast transactions becomes reasonably certain. At 30 November 2021 the Group had the following commitments in respect of forward exchange contracts:

	2021		2020	
	\$000	Average rate \$:£	\$000	Average rate \$:£
Forward US dollar sales	500	1.338	1,600	1.278
Forward US dollar purchases	-	-	-	-

	2021		2020	
	€000	Average rate €:£	€000	Average rate €:£
Forward euro sales	-	-	1,800	1.11
Forward euro purchases	-	-	-	-

The fair value of these forward foreign exchange contracts is presented within trade and other receivables. Hedge accounting has not been applied.

At 30 November 2021, certain subsidiaries within the Group had the following forecast foreign currency transactions during the next two years which have not been hedged:

	2021		2020	
	€000	\$000	€000	\$000
Receipts	7,721	32,637	600	11,250
Payments	(1,284)	(24,556)	(1,145)	(7,089)

## 30 Financial instruments continued

### Foreign currency risk continued

The Group is exposed to fluctuations in exchange rates on the translation of profits earned by its overseas subsidiaries. These profits are translated at average exchange rates for the year, which is an approximation to rates at the date of transaction. The Group's overseas subsidiaries account for approximately 6.1% (2020: 6.1%) of the Group's net assets as follows:

Functional currency of entity	2021 %	2020 %
US dollars	(1.1)	(0.8)
Euros	7.2	6.9
<b>Total</b>	<b>6.1</b>	<b>6.1</b>

Translation exposure in respect of these assets is not hedged.

At 30 November 2021 the Group held foreign currency cash balances of \$1,420,000 (2020: \$1,759,000 overdrawn balance), €241,000 (2020: €171,000) and S\$352,000 (2020: S\$3,000).

The following table details the Group's sensitivity to a 10% fall in the relevant foreign currencies:

	USD impact		Euro impact	
	2021 £000	2020 £000	2021 £000	2020 £000
(Loss)/profit	(204)	(95)	(24)	(11)
Other equity	(299)	(448)	548	574
<b>Total</b>	<b>(503)</b>	<b>(543)</b>	<b>524</b>	<b>563</b>

The table below shows the extent to which the Group had significant monetary assets and liabilities in currencies other than the functional currency of the company in which they are recorded. Foreign exchange differences on the retranslation of these assets and liabilities are recognised in the Consolidated Income Statement.

	2021		2020	
	Sterling £000	USD £000	Sterling £000	USD £000
Sterling	–	587	–	392
US dollars	(842)	–	(546)	–
Euros	33	–	(35)	–
Singapore dollars	–	31	–	171
<b>Total</b>	<b>(809)</b>	<b>618</b>	<b>(581)</b>	<b>563</b>

### Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations, resulting in financial loss to the Group, and arises principally from the Group's receivables from customers and interest-bearing current accounts. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit using information supplied by independent rating agencies where available. The Group also uses other publicly available information and its own trading records to rate major customers. The credit risk on current accounts is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

For some trade receivables the Group may obtain security in the form of guarantees or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

At the Statement of Financial Position date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Consolidated Statement of Financial Position.

## **Financial statements**

Notes to the consolidated financial statements continued  
For the year ended 30 November 2021

### **30 Financial instruments** continued

#### **Liquidity risk**

Liquidity risk is the risk that the Group does not have sufficient cash to meet its financial obligations as they fall due. The Group ensures that sufficient cash and undrawn facilities are available to fund ongoing operations and to meet its medium-term capital and funding obligations, and to meet any unforeseen obligations and opportunities.

At the year end, the Group had net funds of:

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
Current accounts (note 19)	<b>4,641</b>	6,864

The level of the Group's bank overdraft facilities is reviewed annually, and at 30 November 2021 the Group had undrawn overdraft facilities of up to £3.0 million, on which interest would be payable at the rate of bank base rate plus 2.5%.

Financial liabilities of the Group principally comprise trade creditors falling due for payment within twelve months of the Statement of Financial Position date (2020: twelve months), an undrawn bank overdraft (2020: undrawn) repayable on demand and lease liabilities.

#### **Interest risk**

Interest-bearing assets comprise cash held in current accounts, earning interest at bank base rate. During the year these bank deposits bore interest at base rate of 0.1% in line with the bank base rate (2020: 0.1%–0.75%). The Group benchmarks the rates being obtained in order to maximise its returns within the credit risk framework referred to above.

Interest rates charged for the bank overdraft are set out in note 19.

The Group's funding position did not carry any significant interest rate risk at 30 November 2021 or 30 November 2020.

A 0.5% rise or fall in interest rates would not have a material impact on the results of the Group.

### **31 Subsidiaries**

The Group consists of a Parent Company, Synectics plc, incorporated in the UK, and a number of subsidiaries held directly and indirectly by Synectics plc, which operate and are incorporated around the world. Note 7 to the Company's financial statements lists details of all subsidiaries.

The following companies have taken their entitlement to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies for the year ended 30 November 2021:

- Synectics EFX Limited; and
- Protec Limited.

One subsidiary, Synectic Systems (Macau) Limited, has an accounting reference date of 31 December, which is different to that of the consolidated financial statements of 30 November. This is to more closely align the accounting period with the tax reporting requirements in Macau and thereby reduce administrative costs.

### **32 Post-balance sheet events**

There are no material post balance sheet events known at the date of this report.

**Company statement of comprehensive income**  
For the year ended 30 November 2021

	2021 £000	2020 £000
(Loss)/profit for the year	(1,204)	140
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Remeasurement loss on defined benefit pension scheme, net of tax	(1,073)	492
<b>Total comprehensive income for the year</b>	<b>(2,277)</b>	<b>632</b>

**Company 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	Retained earnings £000	Total £000
At 1 December 2019	3,559	16,043	9,971	(665)	12,962	41,870
Profit for the year	–	–	–	–	140	140
<b>Other comprehensive income</b>						
Remeasurement gain on defined benefit pension scheme, net of tax	–	–	–	–	492	492
<b>Total other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>492</b>	<b>492</b>
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>632</b>	<b>632</b>
<b>Transactions with owners in their capacity as owners</b>						
Dividends paid	–	–	–	–	–	–
Credit in relation to share-based payments	–	–	–	–	50	50
Share scheme interests realised in the year	–	–	–	93	(93)	–
At 30 November 2020	3,559	16,043	9,971	(572)	13,551	42,552
Profit for the year	–	–	–	–	(1,204)	(1,204)
<b>Other comprehensive income</b>						
Remeasurement gain on defined benefit pension scheme, net of tax	–	–	–	(1,073)	–	(1,073)
<b>Total other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1,073)</b>	<b>–</b>	<b>(1,073)</b>
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(2,277)</b>	<b>(2,277)</b>
<b>Transactions with owners in their capacity as owners</b>						
Dividends paid	–	–	–	–	–	–
Credit in relation to share-based payments	–	–	–	69	–	69
Share scheme interests realised in the year	–	–	–	–	–	–
<b>At 30 November 2021</b>	<b>3,559</b>	<b>16,043</b>	<b>9,971</b>	<b>(503)</b>	<b>11,274</b>	<b>40,344</b>

## Financial statements

Company statement of financial position  
For the year ended 30 November 2021

	Note	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Plant and equipment	4	<b>8</b>	16
Intangible assets	5	<b>13</b>	35
Investments in subsidiary undertakings	6	<b>35,835</b>	35,826
Retirement benefit asset	14	–	1,325
		<b>35,856</b>	37,202
<b>Current assets</b>			
Other receivables	7	<b>4,530</b>	6,367
Cash at bank and in hand		<b>808</b>	3,686
Deferred tax assets		<b>200</b>	–
		<b>5,538</b>	10,053
<b>Total assets</b>		<b>41,394</b>	47,255
<b>Current liabilities</b>			
Loans and borrowings	8	–	–
Trade and other payables	9	<b>(1,361)</b>	(4,651)
Provisions	10	–	–
		<b>(1,361)</b>	(4,651)
<b>Non-current liabilities</b>			
Deferred tax liabilities	10	–	(52)
		–	(52)
<b>Total liabilities</b>		<b>1,361</b>	(4,703)
<b>Net assets</b>		<b>40,033</b>	42,552
<b>Equity</b>			
Called up share capital	11	<b>3,559</b>	3,559
Share premium account		<b>16,043</b>	16,043
Merger reserve		<b>9,971</b>	9,971
Other reserves		<b>(2,025)</b>	(572)
Retained earnings		<b>12,485</b>	13,551
<b>Total equity</b>		<b>40,724</b>	42,552

The amount of loss for the year of the Company is £1.2 million (2020: profit £0.14 million).

The financial statements on pages 93 to 102 were approved and authorised for issue by the Board of Directors on 22 February 2022 and were signed on its behalf by:

Paul Webb  
Director

David Bedford  
Director

Company number: 1740011

## Notes to the Company financial statements

As at 30 November 2021

The principal activity of the Company was to act as a holding company for its trading subsidiaries.

### 1 Company accounting policies

#### Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework'. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International accounting standards in conformity with the Companies Act 2006 ('adopted IFRS'). Figures in these financial statements have been rounded to the nearest thousand.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payments' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7 'Financial Instruments: Disclosures'; and
- paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

Paragraph 38 of IAS 1 'Presentation of Financial Statements', comparative information requirements in respect of:

- paragraph 79(a)(iv) of IAS 1; and
- paragraph 73 of IAS 16 'Property, Plant and Equipment'.

The following paragraphs of IAS 1 'Presentation of Financial Statements':

- 10(d) (statement of cash flows);
- 10(f)(a) (statement of financial position as at the beginning of the preceding period);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B–D (additional comparative information);
- 40A–D (requirements for a third statement of financial position);
- 111 (cash flow statement information);
- 134–136 (capital management disclosures);
- IAS 7 'Statement of Cash Flows';
- paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but not yet effective);
- paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation); and
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.

In accordance with section 408(3) of the Companies Act 2006, the Company is exempt from the requirement to present its own Income Statement.

The financial statements have been prepared under the historical cost convention.

#### Going concern

The Directors have assessed, in light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the Parent Company financial statements. For further consideration of the going concern position of the Group see page 64.

## **Financial statements**

Notes to the Company financial statements continued

For the year ended 30 November 2021

### **1 Company accounting policies** continued

#### **Significant accounting policies**

The significant accounting policies applied in the preparation of these individual financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

#### **Investments in subsidiaries**

Fixed asset investments in subsidiaries are stated at cost plus deemed capital contributions arising from share-based payment transactions less any provision for impairment. The Company records an increase in its investments in subsidiaries equal to the share-based payments charge recognised by its subsidiaries with a corresponding credit to equity. Details of the Group's share-based payment charge are set out in note 25 of the Group financial statements.

#### **Employee share schemes**

Transactions of the Company-sponsored ExSOP are treated as being those of the Company and are therefore reflected in the Parent Company financial statements. In particular, the scheme's purchases of shares in the Company are debited directly to equity.

#### **Other significant accounting policies**

Other significant accounting policies are consistent with the Group accounts and are disclosed on pages 79 to 87.

#### **Significant estimates**

In the application of the Company's accounting policies the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management has discussed its significant estimates and associated disclosures with the Audit Committee. An area involving a higher degree of judgement or complexity is the recoverability of the Company's investment in subsidiaries. The Company assesses the carrying value of its investments in subsidiaries using the value-in-use model. The value-in-use calculation includes estimates about future financial performance and long-term growth rates and requires management to select a suitable discount rate in order to calculate the present value of those cash flows. Management used pre-tax discount rates between 14.5% and 18.2%. The future cash flows used in the value-in-use calculations are based on the latest five-year financial plans approved by the Board. Cash flows beyond that period have been extrapolated into perpetuity using a 2.0% per annum growth rate (2020: 2.0%).

Another area involving a higher degree of judgement is the inter-group balances and impairment of these. Management assess the inter-group balances annually and assess repayment ability of the group Company's. Impairment is assessed using a 2-15% (2020: 2-15%) sensitivity for the margin of default expected. A Provision of £440,000 (2020: £440,000) is in place and this is deemed satisfactory by management.

### **2 Auditor's remuneration**

Fees payable to the Company's auditor for the audit of the Company's annual accounts are £56,000 (2020: £51,000).

### 3 Directors and employees

The remuneration of the Directors is set out below:

Directors' emoluments	2021 £000	2020 £000
Salaries, bonuses and benefits	415	228
Pension allowance <sup>1</sup>	31	41
	<b>446</b>	<b>269</b>

1 Pension allowance includes both contributions to the Group's defined contribution pension scheme and cash payments in lieu of contributions.

Detailed information on the emoluments, pensions, option holdings and shareholdings for each Director is shown in the Remuneration Committee report on pages 46 to 49. An element of the cost of employing the Executive Directors is recharged to the divisions. The above costs are shown net of these recharges. The average number of persons (including Executive Directors) employed by the Company during the year was 19 (2020: 15).

### 4 Plant and equipment

	£000
<b>Cost</b>	
At 1 December 2020	547
Additions	2
Disposals	(338)
<b>At 30 November 2021</b>	<b>211</b>
<b>Depreciation</b>	
At 1 December 2020	531
Charge for the year	10
Disposals	(338)
<b>At 30 November 2021</b>	<b>(203)</b>
<b>Net book value</b>	
<b>At 30 November 2021</b>	<b>8</b>
At 30 November 2020	16

## **Financial statements**

Notes to the Company financial statements continued  
For the year ended 30 November 2021

### **5 Intangible assets**

	£000
<b>Cost</b>	
At 1 December 2020	345
Additions	(181)
<b>At 30 November 2021</b>	<b>164</b>
<b>Amortisation</b>	
At 1 December 2020	310
Charge for the year	22
<b>At 30 November 2021</b>	<b>(181)</b>
<b>Net book value</b>	
<b>At 30 November 2021</b>	<b>151</b>
At 30 November 2020	13
	35

### **6 Investments in subsidiary undertakings**

	£000
<b>Cost</b>	
At 1 December 2020	44,341
Disposal	–
Share-based payments capital contribution	10
<b>At 30 November 2021</b>	<b>44,351</b>
Provision for impairment at 1 December 2020	(8,515)
Impairment in the year	–
<b>Provision for impairment at 30 November 2021</b>	<b>(8,515)</b>
<b>Net book value</b>	
<b>At 30 November 2021</b>	<b>35,836</b>
At 30 November 2020	35,826

## 6 Investments in subsidiary undertakings continued

Details of the Company's subsidiaries at 30 November 2021 are as follows:

	Registered office (see footnote)	Country of incorporation	Class of share	Proportion of voting rights and shares held	Nature of business
<b>Directly held by Synectics plc</b>					
Synectic Systems Group Limited	1	UK	Ordinary shares	100%	Design and development of security and surveillance solutions
Synectics Security Limited	2	UK	Ordinary shares	100%	Design, installation and maintenance of security and surveillance solutions
Synectic Systems, Inc.	3	USA	Common stock	100%	Design and supply of security and surveillance solutions
Synectics EFX Limited	1	UK	Ordinary shares	100%	Intermediate holding company
Coex Limited	1	UK	Ordinary shares	100%	Dormant
Flash No.1 Limited	1	UK	Ordinary shares	100%	Dormant
Flash No.2 Limited	1	UK	Ordinary shares	100%	Dormant
Flash No.3 Limited	1	UK	Ordinary shares	100%	Dormant
Fotovalue Limited	1	UK	Ordinary shares	100%	Dormant
Foxall & Chapman Limited	1	UK	Ordinary shares	100%	Dormant
Look CCTV Limited	1	UK	Ordinary shares	100%	Dormant
Look Closed Circuit TV Limited	1	UK	Ordinary shares	100%	Dormant
Midlands Video Systems Limited	1	UK	Ordinary shares	100%	Dormant
Monument Photographic Laboratories Limited	1	UK	Ordinary shares	100%	Dormant
MVS (Research) Limited	1	UK	Ordinary shares	100%	Dormant
Newco 3006 Limited	1	UK	Ordinary shares	100%	Dormant
Protec Limited	1	UK	Ordinary shares	100%	Non-trading
QSG Limited	1	UK	Ordinary shares	100%	Dormant
Quadnetics Employees' Trustees Limited	1	UK	Ordinary shares	100%	Dormant
Quadnetics Group Limited	1	UK	Ordinary shares	100%	Dormant
Quadnetics Limited	1	UK	Ordinary shares	100%	Dormant
Quadnetics SIP Trustees Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Managed Services Limited	1	UK	Ordinary shares	100%	Dormant
Quadrant Properties Limited	1	UK	Ordinary shares	100%	Dormant
Quadrant Research & Development Limited	1	UK	Ordinary shares	100%	Dormant
Quadrant Security Group Limited	1	UK	Ordinary shares	100%	Dormant
Quick Imaging Centre Limited	1	UK	Ordinary shares	100%	Dormant
S&M (Processing) Limited	1	UK	Ordinary shares	100%	Dormant
Sanpho Pension Trustees Limited	1	UK	Ordinary shares	100%	Dormant
SSS Management Services Limited	1	UK	Ordinary shares	100%	Dormant
SSS Managed Services Limited	1	UK	Ordinary shares	100%	Dormant
Stanmore Systems Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Group Limited	1	UK	Ordinary shares	100%	Dormant
Synectics High Security Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Industrial Systems Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Mobile Systems Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Security Networks Limited	1	UK	Ordinary shares	100%	Dormant
Synectic Systems Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Surveillance Technology Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Technology Centre Limited	1	UK	Ordinary shares	100%	Dormant
<b>Indirectly held by Synectics plc</b>					
Indanet GmbH	4	Germany	Ordinary shares	100%	Intermediate holding company
Synectic Systems GmbH	4	Germany	Ordinary shares	100%	Design and supply of security and surveillance solutions
Synectic Systems (Asia) Pte Limited	5	Singapore	Ordinary shares	100%	Design and supply of security and surveillance solutions
Synectic Systems (Macau) Limited	6	Macau	Ordinary shares	100%	Design and supply of security and surveillance solutions
Synectics No. 2 Limited	1	UK	Ordinary shares	100%	Dormant

1 Synectics House, 3-4 Broadfield Close, Sheffield S8 0XN, UK.

2 3 Attenborough Lane, Chilwell, Nottingham NG9 5JN, UK.

3 6398 Cindy Lane, Suite 200, Carpinteria, California, USA.

4 Wilhelmstraße 118, 10963 Berlin, Germany.

5 150 Kampong Ampat, #01-01/01-01 A, Singapore 368324.

6 Avenida do Dr. Rodrigo Rodrigues, No. 600-E, Centro Comercial First Nacional, P14-04, Macau.

## Financial statements

Notes to the Company financial statements continued  
For the year ended 30 November 2021

### 7 Other receivables

	2021 £000	2020 £000
Other receivables	76	296
Amounts due from subsidiaries	4,411	5,981
Prepayments	43	90
	<b>4,530</b>	6,367

Amounts due from subsidiaries are net of an expected credit loss provision of £1.3 million (2020: £1.3 million). Amounts owed from subsidiaries are repayable on demand and attract an arm's length rate of interest dependent on the territory in which the subsidiary resides.

### 8 Loans and borrowings

	2021			2020		
	Current £000	Non-current £000	Total £000	Current £000	Non-current £000	Total £000
Bank overdraft	–	–	–	–	–	–
<b>Total</b>	–	–	–	–	–	–

Loans and borrowings comprise the Company's overdraft facilities. The fair value of financial liabilities is not substantially different from the carrying value. The terms and debt repayment details are as follows:

	Value drawn £000	Maturity	Interest rate	Security
£5.0 million overdraft	–	On demand	Base +2.5%	Group assets

The bank overdraft facility is undrawn at the year end on a net basis, and is part of a Group offset arrangement.

### 9 Trade and other payables

	2021 £000	2020 £000
Trade payables	79	90
Amounts owed to subsidiaries	975	4,299
Other payables	–	9
Accruals	274	253
	<b>1,328</b>	4,651

Amounts owed to subsidiaries are repayable on demand and attract an arm's length rate of interest dependent on the territory in which the subsidiary resides.

## 10 Provisions

	Deferred tax £000	Property £000	Total £000
At 1 December 2020	52	–	52
Credited to the Income Statement	(400)	–	(400)
Charged to the Statement of Comprehensive Income	–	–	–
<b>At 30 November 2021</b>	<b>(348)</b>	<b>–</b>	<b>(348)</b>

There is a deferred tax asset of £348,000 at 30 November 2021 (2020: £52,000 liability). The deferred tax as at 30 November 2020 is set out below:

	2021 £000	2020 £000
Retirement benefit asset	–	252
Fixed asset timing differences	(44)	(48)
Other timing differences	(2)	(2)
Tax losses	(302)	(150)
	<b>(348)</b>	<b>52</b>

## 11 Called up share capital and reserves

The number of allotted, called up and fully paid shares is as follows:

	2021		2020	
	Number	£000	Number	£000
<b>Ordinary shares of 20p each</b>				
Allotted, called up and fully paid	<b>17,794,439</b>	<b>3,559</b>	17,794,439	3,559

## 12 Contingent liabilities

The Company has agreed, in some instances jointly with subsidiary companies, to guarantee performance bonds amounting to £nil at 30 November 2021 (2020: £nil).

## 13 Capital commitments

At 30 November 2021 capital commitments not provided for in these financial statements amounted to £nil (2020: £nil).

## **Financial statements**

Notes to the Company financial statements continued  
For the year ended 30 November 2021

### **14 Pension commitments**

The Company participates in all of the Group's pension schemes. Full disclosures relating to these schemes are given in note 29 to the Group accounts.

#### **Defined contribution schemes**

Contributions made by the Company to the defined contribution section of the Quadrant Group plc Retirement Benefit Scheme in the year amounted to £nil (2020: £nil).

In addition, the Company's total expense for other defined contribution pension schemes during the year was £48,000 (2020: £42,000).

#### **Defined benefit schemes**

There are no assets or liabilities in the pension scheme as at 30 November 2021. The table below sets out the gross assets and liabilities of the Group's closed defined benefit pension scheme that have been recognised in the Company's Statement of Financial Position as at 30 November 2020.

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
Fair value of scheme assets	5,191	6,917
Cash held in other debtors	(40)	–
Present value of scheme liabilities	(5,151)	(5,592)
Net defined benefit asset recognised in the Statement of Financial Position	–	1,325
Associated deferred tax liability	–	(252)

100% of the values of the scheme assets and liabilities have been allocated to the Company as this reflects a reasonable estimate of its share of the surplus.

### **15 Post-balance sheet events**

There are no material post balance sheet events known at the date of this report.

## Principal subsidiaries

The principal subsidiaries and divisions within the Group during the year were as follows:

### **Synectic Systems Group Limited**

Design and development of advanced surveillance technology, operating through the following divisions:

#### **[synecticsglobal.com](http://synecticsglobal.com)**

Synectics House  
3–4 Broadfield Close  
Sheffield S8 0XN  
Tel: +44 (0) 114 255 2509

Moat Road  
Normanby Enterprise Park  
North Lincolnshire DN15 9BL  
Tel: +44 (0) 1652 688 908

#### **Synectic Systems, Inc.**

Developers of integrated software solutions and products for complex security and surveillance networks

#### **[synecticsglobal.com](http://synecticsglobal.com)**

6398 Cindy Lane, Suite 200  
Carpinteria  
California, 93013  
USA  
Tel: +1 888 755 6255

### **Synectic Systems GmbH**

Provider of integrated surveillance and security management systems to the European transport industry

#### **[synecticsglobal.com](http://synecticsglobal.com)**

Wilhelmstraße 118  
10963 Berlin  
Germany  
Tel: +49 8974 88620

### **Synectic Systems (Asia) Pte Limited**

Provision of specialist video-based electronic systems and technology, for use in high security applications

#### **[synecticsglobal.com](http://synecticsglobal.com)**

150 Kampong Ampat  
#01-01/01-01A  
Singapore 368324  
Tel: +65 6749 6166

### **Synectic Systems (Macau) Limited**

Provision of specialist video-based electronic systems and technology, for use in high security applications

#### **[synecticsglobal.com](http://synecticsglobal.com)**

Avenida do Dr. Rodrigo Rodrigues  
No. 600-E  
Centro Comercial First Nacional  
P14-04  
Macau  
Tel: +853 2855 5178

### **Synectics Security Limited**

Design, installation, maintenance and management of advanced integrated CCTV and security systems

#### **[synectics-security.co.uk](http://synectics-security.co.uk)**

3 Attenborough Lane  
Chilwell  
Nottingham NG9 5JN  
Tel: +44 (0) 115 925 2521

### **SSS Management Services**

Total security outsourcing support and management services to retail and multi-site customers

#### **[sss-support.co.uk](http://sss-support.co.uk)**

Suites 5 & 6 Fleet House  
Culpeper Close  
Rochester  
Kent ME2 4HN  
Tel: +44 (0) 1622 798 200

**Other information**

Advisers

**Secretary and registered office**

**Claire Stewart**  
Synectics plc  
Synectics House  
3–4 Broadfield Close  
Sheffield S8 0XN  
Tel: +44 (0) 114 280 2828  
Email: [legalandsecretarial@synecticsplc.com](mailto:legalandsecretarial@synecticsplc.com)

**Bankers**

**Lloyds Bank plc**  
125 Colmore Row  
Birmingham B3 3SF

**Stockbrokers**

**Shore Capital & Corporate Ltd**  
Cassini House  
57 St James's St  
London SW1A 1LD

**Auditor**

**RSM UK Audit LLP**  
14th Floor  
20 Chapel Street  
Liverpool L3 9AG

**Registrars and transfer office**

**Link Group**  
10th Floor  
Central Square  
29 Wellington Street  
Leeds LS1 4DL



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