

27 February 2024

SYNECTICS

Synectics plc
(‘Synectics’, the ‘Company’ or the ‘Group’)

Final results for the year ended 30 November 2023

Strong results underpinned by growing demand from the oil and gas sector

Synectics plc (AIM: SNX), a leader in advanced security and surveillance systems, announces its audited final results for the year ended 30 November 2023 (“FY 2023”).

Financial highlights¹

- Revenue increased 26% to £49.1 million (FY 2022: £39.1 million)
- Substantial increase in underlying operating profit² to £3.1 million (FY 2022: £1.2 million)
- Underlying EBITDA³ increased to £4.8 million (FY 2022: £3.2 million)
- Underlying earnings per share⁴ increased to 14.2p (FY 2022: 6.9p)
- Net cash at 30 November 2023 of £4.6 million with no bank debt⁵ (30 November 2022: £4.3 million)
- Strong order book at 30 November 2023 of £29.2 million (30 November 2022: £24.4 million)
- Recommended final dividend increased by 50% to 3.0p per share (FY 2022: 2.0p)

¹ Following the disposal of a non-core business in November 2022, all comparative figures in this announcement reflect continuing operations, unless otherwise stated.

² Underlying operating profit represents profit before tax, finance costs and non-underlying items; see note 4.

³ Underlying EBITDA represents profit before finance costs, tax, depreciation, amortisation and non-underlying items.

⁴ Underlying earnings per share are based on underlying profit after tax but before non-underlying items.

⁵ Excluding IFRS 16 lease liabilities.

Operational highlights

- Strong results, exceeding market expectations, underpinned by growing demand from the oil and gas sector
- Solid order book, reinforced by sound order intake and significant contract wins across all sectors, with continued momentum into 2024
- Continued investment in technology development saw the release of new AI and sector-specific features to the proprietary Synergy software platform, and advancements to the COEX explosion-protected camera stations range
- Ongoing focus on specialist, core markets – gaming, oil and gas, public space, transport and critical infrastructure – offers significant growth opportunities

Post-period end events & outlook

- Extended agreement with National Grid, with contracts of £4.0 million signed to upgrade more sites across its estate
- Key end markets continue to recover, and we are seeing opportunities for both new projects and the renewal of existing infrastructure and systems in all sectors
- Strong new business momentum delivered at the end of FY 2023 has continued into H1 2024, underpinning the Board's confidence in the Company's outlook for the medium term

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

"Synectics delivered a strong performance in FY 2023 and, operating in strong and growing specialist markets, the Board is confident that the Company will continue to deliver further progress in this year and beyond.

"Synectics has built a very strong reputation and is a trusted brand that counts many high-profile businesses among its customers.

"In the year to date, the Company has seen continued sales momentum, driven by a robust order book and a strong pipeline of new business opportunities, underpinning the Board's confidence in the Company's outlook for the medium term."

For further information, please contact:

Synectics plc

Paul Webb, Chief Executive Officer
Amanda Larnder, Chief Financial Officer
info@synecticsplc.com

Tel: +44 (0) 114 280 2828

Shore Capital

Tom Griffiths / David Coaten / Rachel Goldstein

Tel: +44 (0) 20 7408 4090

Vigo Consulting

Jeremy Garcia / Fiona Hetherington / Aisling Fitzgerald
synectics@vigoconsulting.com

Tel: +44 (0) 20 7390 0230

About Synectics

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

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

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

Find out more at www.synecticsplc.com

Interim Chair's Statement

Synectics delivered a strong operational and financial performance in FY 2023, exceeding the market's expectations. This excellent performance is testament to the strength of the Company's proposition, the ongoing dedication of its employees, the quality of its customer relationships, and the strategic focus of its senior management team who continue to provide stability and guidance.

These results reflect the strength of the Company's broader strategy. In 2020, we initiated a comprehensive restructuring programme whilst focusing on maintaining our core market insight and technology skills in response to a slowdown in our key end markets.

Continued progress and investment since then have ensured that we have advanced our proposition and knowledge, positioning us well to capitalise on the recovery in our core markets, which returned to growth in FY 2023.

Building on these foundations, the Company is ideally placed to capitalise further on its specialist end markets. Our focus on tailored surveillance systems – based on our flexible, open-architecture software platform and our unique hardware – positions us for continued growth.

I assumed the role of Interim Chair in October 2023 following the retirement in February 2023 of our long-serving Chair, David Coghlan, and the resignation of his replacement Craig Wilson. Having been associated with the Company for almost twenty years, I was delighted to take on the position, providing continuity for the Board.

We were deeply saddened to hear of the passing of David Coghlan earlier this month. David's contribution to the Company over his long tenure was immeasurable, and he personified our values. On behalf of everyone in the Company, we offer our sincere condolences to his family.

The search for a permanent Chair is progressing and a further announcement will be made in due course. In addition, we recognise the need to strengthen the Board and have commenced the search for a new independent Non-Executive Director.

On behalf of the Board, I wish to thank our customers and every member of staff for their contribution to the ongoing success of Synectics, and our shareholders for their continued support.

Steve Coggins
Interim Chair
26 February 2024

Chief Executive Officer's Statement

Introduction and financial summary

Synectics delivered a strong performance in FY 2023 and, operating in strong and growing specialist markets, the Board is confident that the Company will continue to deliver further progress in FY 2024 and beyond.

Underlying operating profit¹ increased substantially to £3.1 million (FY 2022: £1.2 million) on the back of increased revenue, up 26% to £49.1 million (FY 2022: £39.1 million).

With a strong closing order book at 30 November 2023 of £29.2 million (30 November 2022: £24.4 million), the Company is confident that it is in a good position to deliver further progress in the coming years.

As of 30 November 2023, net cash stood at £4.6 million (30 November 2022: £4.3 million), with undrawn bank facilities of £3.0 million.

This financial performance underpins the recommended final dividend, which has been increased by 50% to 3.0p per share (FY 2022: 2.0p), reflecting the Board's confidence in the Company's prospects, and both profit growth and balance sheet strength.

Subject to shareholders' approval at the Company's forthcoming Annual General Meeting, the final dividend will be paid on 3 May 2024 to shareholders on the register as at the close of business on 12 April 2024. No interim dividend was paid during the year (2022: £nil).

¹ Underlying profit represents profit before tax, finance costs and non-underlying items, see note 4.

Our global business

Synectics delivers solutions, which are often technically and logistically challenging, for a diverse range of projects to high-profile customers globally.

Synectics' software monitors and records over 150,000 channels in around 100 casino properties around the world, with projects including one of the largest casinos in Las Vegas, and a bespoke solution for one of the largest and most iconic casino resorts in the world.

Over the past decade, the Company has supplied more than 10,000 COEX explosion-protected camera stations to the oil and gas market globally, safeguarding refineries, pipelines, offshore vessels and platforms for the likes of Saudi Aramco and Shell. Its COEX cameras are built to withstand extreme environments and can function in ambient temperatures up to 70°C without compromise.

The Company delivers solutions for key transport providers – including leading providers such as Deutsche Bahn, Stagecoach and Irish Rail – with over 5 billion passenger journeys protected annually.

Furthermore, the Company's surveillance and security solutions monitor more than 100 town and city centres, alongside venues, stadia, and tourist attractions, including the Queen Elizabeth Olympic Park and the British Museum. These solutions also serve to protect critical infrastructure for customers including National Grid and Cadent Gas.

Business review

As referred to above in the interim Chair's statement, the Company previously implemented a number of initiatives, including optimising the cost base and rationalising the operational footprint. Since then, the Company maintained its investment in the development of technology, reflecting its confidence in the recovery and strength of opportunity in Synectics' end markets. The measures taken ensured that Synectics' business has remained resilient whilst its core markets suffered a distinct slowdown, meaning that the Company is now very well positioned to capitalise on new opportunities as they emerge.

As core markets have started to recover, the Company has renewed its focus on business development, to ensure it is deeply entrenched in its end markets and to maximise its ability to participate in upcoming projects.

The Board is pleased to see the tangible results of these initiatives and is committed to driving further growth from these strong foundations. The Company has started the current financial year with a strong order book, and its focus is on the successful execution of these projects as well as cultivating and converting new business opportunities to ensure consistent and sustained growth.

The Company's strategy remains to continue to drive growth through:

- leveraging expertise in its core specialist markets;
- extending partnerships with local partners in each market and geography;
- recruiting, developing and retaining talent;
- investing in new technology and product development; and
- building on long-standing customer relationships to expand revenue streams.

Divisional Review

Synectics' Systems division develops and delivers its proprietary, technology-led solutions to specialist markets globally – including gaming, oil and gas, public space, transport and critical infrastructure – through local systems integrators and channel partners. Capabilities centre around a proprietary software platform, Synergy, that is tailored to the unique requirements of each customer and specialist hardware for oil and gas markets built on our COEX camera range.

Synectics' Security division delivers integrated solutions, service and support directly to end-users in the UK and Ireland – principally within public space, transport, and national infrastructure – utilising a combination of proprietary technology and third-party products.

Systems division

The performance of Synectics' Systems division in the year was underpinned by a very strong performance in the buoyant oil and gas market in EMEA and APAC, which is expected to continue.

	2023	2022
<i>Revenues – EMEA</i>	<i>£15.0m</i>	<i>£10.6m</i>
<i>Revenues – North America</i>	<i>£5.0m</i>	<i>£7.6m</i>
<i>Revenues – Asia Pacific</i>	<i>£12.0m</i>	<i>£6.0m</i>

Total revenue	£32.0m	£24.2m
Gross margin	46.4%	50.6%
Operating profit ²	£4.1m	£1.9m
Operating margin	12.7%	7.8%

² After research and development expenditure, but before non-underlying costs (see note 4) and allocated central costs.

Having started FY 2023 with a strong order book, momentum in the oil and gas sector was maintained with numerous project awards, including significant contracts totalling £5.5 million, announced in April 2023, to implement specialist camera stations for Saudi Aramco used in its Zuluf development programme. Around half of this project was delivered in FY 2023, with the remainder to be delivered in FY 2024. The oil and gas market remains very active, and we anticipate a similar level of business in 2024.

The Company's collaboration with systems integrators and channel partners remains critical to securing its involvement in future projects which are anticipated to materialise in 2025 and beyond.

While revenues in EMEA and Asia Pacific both demonstrated solid growth in FY 2023, the Board is disappointed by the Company's performance in North America. The revenue decrease is largely attributable to the continued delay in the refurbishment of large casinos there.

More broadly, the Company saw continued recovery in the global gaming market in FY 2023, particularly in Asia. One highlight was securing a \$3.0 million contract for an expansive new casino resort in the Philippines, delivered via our integration partner, Empire Automation. The Board is confident that the Company will be awarded more such projects in Asia in 2024, whilst recognising that the timing of new projects is dependent on commercial discretionary spending.

The appetite for significant refurbishments and new builds within the casino market in North America has been relatively subdued compared to Asia, but there are encouraging signs. The Company is well positioned to succeed when investment decisions are made – there are lucrative projects expected to be tendered, and Synectics can deliver a best-in-class solution to satisfy individual requirements.

Sales into the public space sector – including transport and critical infrastructure – continued to be challenging in FY 2023, largely due to continued budget constraints. Despite these challenges, we successfully secured contracts within our core public space domain, notably a contract extension with the West Midlands Police, integrating cameras operated by the National Highways Agency into their control room Synergy system, bolstering operational response capabilities.

In addition to these core contracts, the Company expanded its reach into adjacent sectors. In November 2023, it announced a £1.0 million contract for the deployment of its security and surveillance solutions to a UK financial services institution's back-office estate, including data, cash, alarm receiving and disaster recovery centres. This aligns with the Company's renewed focus on business development, as it actively explores adjacent sectors where it can deliver significant value through its expertise in integrating data from diverse sources into Synergy's unified user interface and analytic capabilities.

Security division

The performance of Synectics' Security division in FY 2023 was sound, securing and delivering numerous projects for public space, critical infrastructure, and public transport customers.

	2023	2022
Revenue	£18.3m	£16.6m
Gross margin	28.3%	26.4%
Operating profit ³	£1.3m	£1.2m
Operating margin	7.1%	7.0%

³ Before non-underlying costs (see note 4) and allocated central costs.

Ongoing projects with the City of London and West Midlands police were supplemented with numerous new projects for local authorities, and further work for, among others, the Queen Elizabeth Olympic Park.

Further to completing a number of on-vehicle contracts in Ireland and the UK during the year, customers, including WrightBus and Stagecoach, have contracted Synectics to provide new on-vehicle CCTV systems, and the outlook for new on-vehicle systems contracts in FY 2024 appears promising.

Post-year end, as announced on 30 January 2024, the Company was awarded significant further contracts totalling £4.0 million for delivery in FY 2024 through its framework agreement with National Grid and it continues to focus on improving market share of national infrastructure security improvement projects.

There is potential for further progress in this division, and the Board is currently undertaking a review of the Company's go-to-market strategy, in order to better focus on the available opportunities.

Technology

The Company continues to develop its technology and solutions in collaboration with its customers to meet their evolving and emerging requirements.

During the year, Synectics announced further releases of its Synergy software platform, featuring enhanced data analysis tools, the integration of further AI and sector-specific capabilities, improved user functionality and robust measures to further strengthen the system's resilience against cyber threats.

The platform's open architecture not only underpins its current capabilities, but also lays the groundwork for seamless integration of future upgrades and the introduction of additional AI tools.

In addition to constantly developing its software offering, the Company's product development team continues to release new and upgraded hardware, both to support its software deployments and for specialist market applications – such as the new-generation COEX camera station for oil and gas applications, which is already enjoying success in the market.

In FY 2023, the Company spent a total of £3.2 million on technology development (FY 2022: £3.2 million). Of this, £1.0 million was capitalised (FY 2022: £0.2 million), and the remainder was expensed to the Income Statement. £0.7 million of previously capitalised development

cost was amortised in the year (FY 2022: £1.0 million). These figures are included in the results of the Systems division set out above.

ESG

The Company remains fully committed to ensuring the responsible operation of the business, including safe, secure and ethical conduct at all times across each of its locations. In FY 2023, the Company appointed specialist external advisers to help it undertake a review to inform its future ESG strategies.

Phase one of this review, which was completed during the year, identified areas of ESG significance to the Company and its stakeholders.

The results of the review are being analysed to build and define ESG objectives and targets for the Company which align with our broader business strategy. Once defined, these objectives and targets will form our sustainability strategy which will be shared in future annual reports.

People

The Company has established an exceptional team and will continue to support our employees in their professional growth. Continued investment in our people remains a top priority for the Company.

In FY 2023, the Company invested in strengthening its technology development team and latterly, its business development resources across key market verticals – which is starting to deliver results.

Outlook

The Board is delighted with the Company's performance and progress in FY 2023 and believes that the Company has established a solid basis for further growth.

Its continued investment in technology development has ensured that the Company's solutions continue to meet the changing needs of its customers, whilst also incorporating the latest technological developments, including the integration of constantly evolving AI capabilities. This, along with a renewed focus on business development, means that the Company has strengthened its position as the go-to provider of security and surveillance solutions in the strong and growing specialist markets that it serves.

Synectics has built a very strong reputation and is a trusted brand that counts many high-profile businesses among its customers.

The Company remains committed to delivering sustained growth for its shareholders and operational excellence for its customers, and – supported by its market-leading technology and a blue-chip customer base – is well positioned to capitalise on the opportunities in its growing end markets.

To date in FY 2024, the Company has seen continued sales momentum, driven by a robust order book and a strong pipeline of new business opportunities, underpinning the Board's confidence in the Company's outlook for the medium term.

Paul Webb
Chief Executive Officer
26 February 2024

Consolidated Income Statement

For the year ended 30 November 2023

	2023			2022		
	Underlying	Non-underlying items (note 4)	Total	Underlying	Non-underlying items (note 4)	Total
	Note	£000	£000	£000	£000	£000
Continuing operations						
Revenue	3	49,128	-	49,128	39,116	-
Cost of sales		(29,121)	-	(29,121)	(22,486)	-
Gross profit		20,007	-	20,007	16,630	-
Operating expenses		(16,951)	(302)	(17,253)	(15,478)	(658)
Operating profit		3,056	(302)	2,754	1,152	(658)
Finance costs		(101)	-	(101)	(133)	-
Profit before tax		2,955	(302)	2,653	1,019	(658)
Income tax (charge)/credit	5	(559)	69	(490)	153	125
Profit for the year from continuing operations		2,396	(233)	2,163	1,172	(533)
Discontinued operations¹						
Profit for year from discontinued operations		-	-	-	22	804
Profit for the year		2,396	(233)	2,163	1,194	271
Profit for the year attributable to equity holders of the Parent Company from:						
- Continuing Operations		2,396	(233)	2,163	1,172	(533)
- Discontinued Operations		-	-	-	22	804
Earnings per share from continuing and discontinued operations	7					
Basic				12.8p		8.7p
Diluted				12.8p		8.7p
Earnings per share from continuing operations	7					
Basic				12.8p		3.8p
Diluted				12.8p		3.8p

1 Discontinued operations disclosed in the comparative figures relate to the sale of SSS Management Services Limited on 30 November 2022.

Consolidated Statement of Comprehensive Income

For the year ended 30 November 2023

	2023	2022
	£000	£000
Profit for the year from continuing operations	2,163	639
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(28)	246
Gains on net investment in a foreign operation taken to equity	-	41
	(28)	287
Tax on items that may be reclassified	-	110
Total comprehensive income for the year from continuing operations	2,135	1,036
Total comprehensive income for the year from discontinued operations	-	826
Total comprehensive income for the year attributable to equity holders of the Parent	2,135	1,862

Consolidated Statement of Financial Position

As at 30 November 2023

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment		3,739	4,598
Intangible assets		21,128	20,776
Deferred tax assets	5	2,262	2,741
		27,129	28,115
Current assets			
Inventories		5,069	4,219
Trade and other receivables		13,868	9,090
Contract assets		6,954	6,317
Tax assets		-	425
Cash and cash equivalents	8	4,604	4,256
		30,495	24,307
Total assets		57,624	52,422
Current liabilities			
Trade and other payables		(11,270)	(8,111)
Contract liabilities		(3,033)	(1,875)
Lease liabilities		(573)	(683)
Tax liabilities		(90)	-
Current provisions		(606)	(796)
		(15,572)	(11,465)
Non-current liabilities			
Non-current provisions		(794)	(746)
Lease liabilities		(1,365)	(2,137)
Deferred tax liabilities	5	(1,016)	(1,072)
		(3,175)	(3,955)
Total liabilities		(18,747)	(15,420)
Net assets		38,877	37,002
Equity attributable to equity holders of the Parent Company			
Called up share capital		3,559	3,559
Share premium account		16,043	16,043
Merger reserve		9,971	9,971
Other reserves		(1,436)	(1,436)
Currency translation reserve		912	940
Retained earnings		9,828	7,925
Total equity		38,877	37,002

Consolidated Statement of Changes in Equity

For the year ended 30 November 2023

	Called up share capital £000	Share premium account £000	Merger reserve £000	Other reserves £000	Currency translation reserve £000	Retained earnings £000	Total £000
At 1 December 2021	3,559	16,043	9,971	(1,436)	715	6,492	35,344
Profit for the year	-	-	-	-	-	1,465	1,465
Other comprehensive income							
Currency translation adjustment	-	-	-	-	287	-	287
Tax relating to components of other comprehensive income	-	-	-	-	(62)	172	110
Total other comprehensive income	-	-	-	-	225	172	397
Total comprehensive income for the year	-	-	-	-	225	1,637	1,862
Transactions with owners in their capacity as owners							
Dividends paid	-	-	-	-	-	(253)	(253)
Credit in relation to share-based payments	-	-	-	-	-	49	49
At 30 November 2022	3,559	16,043	9,971	(1,436)	940	7,925	37,002
Profit for the year	-	-	-	-	-	2,163	2,163
Other comprehensive income							
Currency translation adjustment	-	-	-	-	(28)	-	(28)
Total other comprehensive income	-	-	-	-	(28)	-	(28)
Total comprehensive income for the year	-	-	-	-	(28)	2,163	2,135
Transactions with owners in their capacity as owners							
Dividends paid	-	-	-	-	-	(338)	(338)
Credit in relation to share-based payments	-	-	-	-	-	78	78
At 30 November 2023	3,559	16,043	9,971	(1,436)	912	9,828	38,877

Consolidated Cash Flow Statement

For the year ended 30 November 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Profit from continuing operations		2,163	639
Profit from discontinued operations		-	826
Profit for the year		2,163	1,465
Income tax charge / (credit)		490	(306)
Finance costs		101	148
Depreciation and amortisation charge		1,779	2,186
Net foreign exchange differences		318	(212)
Non-underlying items		302	658
Profit arising on sale of discontinued operation, before transaction fees		-	(923)
Inventory write down		316	243
Cash flow relating to non-underlying items incurred in current or previous years		(539)	(408)
Movement in provisions and other non-cash movement		41	(116)
Share-based payment charge		78	49
Operating cash inflow before movement in working capital		5,049	2,784
Increase in inventories		(1,166)	(526)
Increase in receivables and contract assets		(5,686)	(85)
Increase / (decrease) in payables and contract liabilities		4,403	(1,186)
Cash generated from operations		2,600	987
Tax received		434	242
Net cash generated from operating activities		3,034	1,229
Cash flows from investing activities			
Purchase of property, plant and equipment		(273)	(86)
Capitalised development costs		(950)	(207)
Purchased software		(171)	(21)
Net cash disposed on discontinued operation		-	(268)
Proceeds from sale of property plant and equipment		-	-
Net cash used in investing activities		(1,394)	(582)
Cash flows from financing activities			
Lease payments		(835)	(913)
Other interest paid		(13)	-
Dividends paid to equity holders of the parent	6	(338)	(253)
Net cash used in financing activities		(1,186)	(1,166)
Net increase / (decrease) in cash and cash equivalents		454	(519)
Effect of exchange rates on cash and cash equivalents		(106)	134
Cash and cash equivalents at the beginning of the year	8	4,256	4,641
Cash and cash equivalents at the end of the year		4,604	4,256

1 Basis of preparation

The information contained within this announcement has been extracted from the audited financial statements which have been prepared in accordance with UK-adopted International Accounting Standards and applicable law. They have been prepared using the historical cost convention except where the measurement of balances at fair value is required.

Going concern

The Directors have considered the Group's current activities and future prospects, financial performance, liquidity position and risks and uncertainties affecting the business, which are set out in the strategic report, in assessing the appropriateness of the going concern assumption. The Directors continue to monitor the effects of global events on the business and will react accordingly if any material risks arise.

When assessing the going concern assumption, the Directors have reviewed the year-to-date actual results, as well as detailed financial forecasts and the Group's funding position for the period through to August 2025. This review includes in-depth scenario modelling and stress testing of budget and strategy planning.

There has been further recovery in the gaming market, particularly in Asia, during the year, although performance in North America remains disappointing. Going forward, increased opportunities are expected in both the North American and Asian gaming markets, although it is recognised that the timing of new projects is dependent on commercial, discretionary spending. The oil and gas market has been very positive and the high levels of activity are expected to continue throughout 2024. Whilst sales into the public space sector continue to be challenging, largely due to budgetary constraints, the Company has continued to secure some significant contracts and is expecting to continue to do so throughout 2024.

The Directors consider that the Group benefits from a level of diversification within the sectors and geographies in which it operates that helps mitigate an element of macro-economic risk. The Directors believe that the Group operates in a resilient industry enabling it to continue its profitable growth trajectory. In addition, there is further resilience from the Group's operating model with strong customer and supplier relationships, recurring revenues and high levels of repeat business.

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 assumptions used in the financial forecasts are based on recent financial performance, management's extensive industry experience and reflect expectations of future market conditions.

The base case shows a positive cash balance throughout the year with no requirement to utilise the £3.0 million overdraft facility. Sensitivity and stress testing has been performed on the base case model; various plausible but severe downside scenarios were applied which considered general downturns resulting in reductions in revenue and margins and the related impact on working capital. Under these downsides, the Directors have not considered any mitigating factors that would be applied. The scenario testing applied confirmed that, even with no mitigating factors, the overdraft facility would not need to be utilised and that there would be sufficient headroom within the facility 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

Positive cash balances were maintained throughout the year which ended the year at £4.6 million (2022: £4.3 million). Undrawn overdraft facilities of £3.0 million were held throughout the year. Despite the central forecast indicating that the Group should not require to draw upon the overdraft facilities for the foreseeable future, management is in the process of renewing, as a matter of prudence, the overdraft facility of £3.0 million with Lloyds Bank until March 2025. Whilst the renewal process is still underway at the time of signing these accounts, the bank has indicated that the facilities are expected to renew as normal.

Conclusion

Based on the analysis above, the Group has sufficient liquidity headroom throughout the forecast period and therefore the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the outlook period without material uncertainty. Accordingly, the Directors conclude it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

2 Segmental

Continuing operations	Systems £000	Security £000	Central £000	Total £000	Systems £000	Security £000	Central £000	Total £000
Revenue								
Total	32,015	18,261	-	50,276	24,201	16,595	-	40,796
Intra-Group	(1,148)	-	-	(1,148)	(1,680)	-	-	(1,680)
External revenue	30,867	18,261	-	49,128	22,521	16,595	-	39,116
Expenses								
Cost of inventories recognised as an expense	(11,896)	(9,144)	(1)	(21,041)	(6,490)	(8,401)	(36)	(14,927)
Employee benefit expenses	(9,739)	(5,231)	(1,678)	(16,648)	(8,728)	(4,791)	(1,645)	(15,164)
Amortisation of intangible assets	(707)	(1)	(7)	(715)	(997)	(1)	(5)	(1,003)
Depreciation of tangible assets - owned	(244)	(30)	(31)	(305)	(321)	(26)	(13)	(360)
Depreciation of tangible assets – right of use	(575)	(184)	-	(759)	(548)	(177)	-	(725)
Net foreign exchange losses	(327)	(1)	4	(324)	(2)	(6)	9	1
Write down of inventories recognised as an expense	(213)	(103)	-	(316)	(87)	(156)	-	(243)
Rental income received	-	50	-	50	-	-	-	-
Payroll support	-	-	-	-	50	-	-	50
Other	(3,115)	(2,317)	(582)	(6,014)	(3,518)	(1,871)	(204)	(5,593)
Underlying operating profit	4,051	1,300	(2,295)	3,056	1,880	1,166	(1,894)	1,152
Non-underlying items								
Legal costs	(156)	-	(51)	(207)	(250)	-	(85)	(335)
Pension buy-out costs	-	-	(81)	(81)	-	-	(92)	(92)
Restructuring costs	(10)	-	(4)	(14)	-	-	(231)	(231)
Total operating profit	3,885	1,300	(2,431)	2,754	1,630	1,166	(2,302)	494
Total assets	24,033	9,019	-	33,052	18,978	9,330	-	28,308
Total liabilities	(12,814)	(5,744)	-	(18,558)	(10,541)	(4,550)	-	(15,091)
Total segmental net assets	11,219	3,275	-	14,494	8,437	4,780	-	13,217
Goodwill	-	-	19,651	19,651	-	-	19,707	19,707
Cash and borrowings	-	-	4,604	4,604	-	-	4,256	4,256
Unallocated	-	-	128	128	-	-	(178)	(178)
Total net assets	11,219	3,275	24,383	38,877	8,437	4,780	23,785	37,002

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

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 2023	Systems £000	Security £000	2023 £000
Continuing operations			
UK and Europe	9,128	18,013	27,141
North America	5,001	-	5,001
Middle East & Africa	4,750	238	4,988
Asia Pacific	11,988	10	11,998
	30,867	18,261	49,128
Revenue by contract location 2022	Systems £000	Security £000	2021 £000
Continuing operations			
UK and Europe	7,225	16,511	23,736
North America	7,570	-	7,570
Middle East & Africa	1,790	68	1,858
Asia Pacific	5,936	16	5,952
	22,521	16,595	39,116

Contract balances

	2023 £000	2022 £000
Contract assets	6,954	6,317
Contract liabilities	(3,033)	(1,875)

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 and forward-looking experience shows that no credit losses have been incurred. The change in contract assets is due to the timing of major projects at the year end and has increased due to the increase in oil and gas projects which typically take longer to build.

Contract liabilities relate to short-term advances received to deliver ongoing projects. The change in contract liabilities relates to the timing of the contracts of some major multi-year service and maintenance contracts.

£1.6 million (2022: £2.9 million) of the contract liabilities balance at 1 December 2022 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 2023 that are expected to be recognised over more than one year is £5.9 million (2022: £7.4 million). These performance obligations relate predominantly to the provision of service and maintenance contracts and are as follows:

	2023 £000	2022 £000
Less than two years	3,326	3,065
Two to five years	2,043	3,804
More than five years	569	526

4 Non-underlying items

Continuing operations	2023 £000	2022 £000
Costs associated with legal matters	207	335
Costs associated with restructuring	14	231
Costs associated with the buy-out of the defined benefit pension scheme	81	92
	302	658

Cost associated with legal matters relates to a confidential legal matter in the US which has now been settled. No further costs will be incurred in relation to this.

Restructuring costs incurred during 2022 relate to the Board of Directors.

Costs associated with the buy-out of the defined benefit pension scheme represent costs incurred by the Group in relation to winding up the scheme.

5 Taxation

	2023	2022
	£000	£000
Tax charge / (credit)		
Current income tax		
UK tax	-	-
Overseas tax	91	1
Adjustments in respect of prior periods	-	(717)
Total current tax charge / (credit)	91	(716)
Deferred tax		
Origination and reversal of temporary differences	431	(142)
Adjustments in respect of prior periods	(32)	552
Total deferred tax charge	399	410
Income tax charge / (credit) reported in the consolidated income statement	490	(306)

Further analysed as tax relating to:

Underlying profit	559	(153)
Non-underlying items	(69)	(153)

Reconciliation of tax charge/(credit) for the year

The corporation tax assessed for the year differs from the standard rate of corporation tax in the UK of 23% (2022: 19%). The differences are explained below:

	2023	2022
	£000	£000
Profit before tax from continuing operations	2,653	361
Profit before tax from a discontinued operation	-	798
Total profit before tax	2,653	1,159
Tax on profit on ordinary activities before tax at standard rate of 23% (2022: 19%)	610	220
Effects of:		
Differences in overseas tax rates	(98)	(77)
Tax losses not recognised	125	161
Utilisation of previously unrecognised tax losses	(94)	(43)
Research and development	(83)	(99)
Other differences	(15)	(6)
Effect of changes in tax rates and tax laws	33	(142)
Expenses / (income) not deductible for tax purposes	44	(155)
Adjustment in respect of prior periods	(32)	(165)
Total tax charge / (credit) for the year	490	(306)
Income tax credit attributable to continuing operations	490	(278)
Income tax attributable to a discontinued operation	-	(28)
	490	(306)

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 2023 has also been impacted by R&D tax relief and current year losses.

Deferred tax

The deferred tax in the Consolidated Statement of Financial Position relates to the following:

	Property, plant and equipment £000	Other temporary differences £000	Losses £000	Total £000
Deferred tax (liability)/asset				
At 1 December 2021	(438)	(411)	2,752	1,903
(Charged)/credited to the Income Statement	(125)	221	(506)	(410)
Credited to the Statement of Comprehensive Income	-	110	-	110
Currency translation adjustment	(3)	4	65	66
At 30 November 2022	(566)	(76)	2,311	1,669
(Charged)/credited to the Income Statement	19	(92)	(326)	(399)
Credited to the Statement of Comprehensive Income	-	-	-	-
Currency translation adjustment	-	(2)	(22)	(24)
At 30 November 2023	(547)	(170)	1,963	1,246

Factors that may affect future tax charges

Deferred tax assets of £2.0 million (2022: £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 £3.8 million (2022: £4.0 million). No deferred tax asset (2022: £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. There is no time limit in which the tax losses are required to be utilised.

In addition to the above, the Group has capital losses of approximately £17.8 million (2022: £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.

6 Dividends

The following dividends were paid by the Company during the year:

	2023		2022	
	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	2.0	344	1.5	267
Interim dividend paid in respect of current year	-	-	-	-
	2.0	344	1.5	267
Total dividend paid, net of shares held by the share trust	2.0	338	1.5	253
Proposed final dividend for the year ended 30 November	3.0	515	2.0	356

Subject to shareholders' approval at the Company's forthcoming Annual General Meeting to be held on 24 April 2024, the Directors recommend a final dividend of 3.0p per share (2022: 2.0p) to be paid on 3 May 2024 to shareholders on the register as at the close of business on 12 April 2024 (the shares being marked ex-dividend on 11 April 2024). No interim dividend was paid during 2023 (2022: £nil).

7 Earnings per share

	2023		2022	
	Pence per share	Pence per share	Pence per share	Pence per share
		Continuing operations	Discontinued operations	Total
Basic earnings per share	12.8	3.8	4.9	8.7
Diluted earnings per share	12.8	3.8	4.9	8.7
Underlying basic earnings per share	14.2	6.9	0.2	7.1
Underlying diluted earnings per share	14.2	6.9	0.2	7.1

Profit per share has 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.

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

	2023		2022	
	£000	Continuing operations £000	£000	Total £000
Earnings for basic and diluted earnings per share	2,163	639		1,465
Non-underlying items	302	658		(118)
Impact of non-underlying items on tax credit for the year	(69)	(125)		(153)
Earnings for underlying basic and underlying diluted earnings per share	2,396	1,172		1,194

	000	000
Weighted average number of ordinary shares – basic calculation	16,889	16,888
Dilutive potential ordinary shares arising from share options	1	2
Weighted average number of ordinary shares – diluted calculation	16,890	16,890

8 Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank and in hand	4,604	4,256

Balances are held with large international banking groups with 'A' credit ratings.

9 Company Information

The financial information set out herein does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 as it does not contain all the information required to be disclosed in the financial statements prepared in accordance with UK-adopted International Accounting Standards. The financial information for the year ended 30 November 2023 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 26 February 2024 and which, if adopted by the members at the Annual General Meeting, will be delivered to the Registrar of Companies for England and Wales.

The financial information for the year ended 30 November 2022 has been extracted from the Group's audited financial statements which have been delivered to the Registrar of Companies for England and Wales.

The reports of the auditors on both these financial statements were unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

Copies of these results, and the full financial statements when published, will be available on the Company's website at www.synecticsplc.com and at the Company's registered office: Synectics plc, Synectics House, 3-4 Broadfield Close, Sheffield, S8 0XN.

Forward-looking statements

This report may contain certain statements about the future outlook for Synectics plc. Although the Directors believe their expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.