20 February 2018

Synectics plc

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

Final Results for the year ended 30 November 2017

Synectics plc (AIM: SNX), a leader in the design, integration, control and management of advanced surveillance technology and networked security systems, reports its audited final results for the year ended 30 November 2017.

Headlines

- Revenue £70.1 million (2016: £70.9 million)
- Underlying profit[1] up 15% to £3.0 million (2016: £2.6 million)
- Profit before tax up 50% to £3.0 million (2016: £2.0 million)
- Underlying diluted EPS[1] 15.2p (2016: 12.4p)
- Diluted EPS 15.1p (2016: 8.8p)
- Return on capital employed 8.5% (2016: 7.6%)
- Net cash at 30 November 2017 £3.8 million (2016: £2.2 million)
- Year-end order book £24.4 million (2016: £26.2 million)
- Recommended final dividend increased to 3.0p per share (2016: 2.0p)

[1]Underlying profit represents profit before tax and non-underlying items (which comprise restructuring costs and amortisation of acquired intangibles). Underlying earnings per share are based on profit after tax but before non-underlying items.

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

"These results are pleasing in their own right, and especially satisfying in our 30th Anniversary Year as they reflect the dedication of our people to meet new challenges while remaining true to the values which inspired our Company's creation."

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Chairman's Statement

Overview

Last year saw the 30th anniversary of the start-up of Synectics. This landmark provided the occasion not only to celebrate the achievements of all those who have helped to build Synectics into a successful technology business, from the founders to our current apprentices, but also to reflect on what has changed and what endures.

I am pleased to say that during my engagement across the various parts of the business in 2017 I found a high degree of alignment around the enduring purpose and values of Synectics. I won't repeat these, since they are set out in detail elsewhere; suffice it to say here that the core elements are, and have been for 30 years, *value to customers* and *innovation*. I believe these will remain the foundation for a sustainable and prosperous future for the Company.

During the 2016/17 financial year the Group's results continued to reflect the impact of the 2015 collapse in global oil & gas prices on one of our largest customer sectors. Management has taken action to maintain profitability in that area by reducing costs, and delivered a very creditable increase in operating margin in our oil & gas activities last year. The Board remains convinced that the right course is to preserve the critical capability that underlies our leading market position in the sector, and indeed to focus on positioning the business to gain market share once the recovery is underway. We believe the right balance has been struck in the interests of long-term value.

Other underlying factors that influenced our results include a global gaming market that remained buoyant, increased demand from infrastructure customers, such as utilities, data centres and transport hubs, and a sharp decline in new bus deliveries in the UK.

Against that background, the Board is pleased with the performance of the Company for 2016/17, which was in line with our expectations.

We expect the trend of growing profitability of our business operations to continue in the current financial year. In addition, opportunities have been identified for innovative development of our core product set, using emerging technology applications being introduced in other fields to expand Synectics' offerings to its current markets. Consistent with our growth strategy, the Board has authorised a significant increase in R&D expense to capitalise on those opportunities. The increased expense for this investment means that the Board's current expectations are for reported profits in 2017/18 to be broadly flat compared to last year. Further detail is set out in the Outlook section below.

Results

For the year to 30 November 2017, Synectics' consolidated revenue was £70.1 million (2016: £70.9 million). This reflected a reduction in gaming sector revenue following the exceptionally high level achieved in 2016, lower than expected revenues in UK transport, offset with progress in infrastructure projects and integrated systems.

An improvement in operating margins across both of the Group's divisions led to a 15% increase in underlying profit before tax to £3.0 million (2016: £2.6 million). There were no material non-underlying costs in the year, so statutory profit before tax was also £3.0 million (2016: £2.0 million). Underlying diluted earnings per share were 15.2p (2016: 12.4p) and diluted earnings per share were 15.1p (2016: 8.8p). On a constant currency basis[2], these results benefited directly by around £0.2 million from the impact of the depreciation of sterling across the year on the earnings of our foreign subsidiaries. However, this translation benefit was partially offset by corresponding increases in the sterling costs of US dollar-denominated components used in our systems sold in the UK.

The Group's balance sheet continued to strengthen, with net cash at 30 November 2017 of £3.8 million (2016: £2.2 million). The consolidated firm order book at year end was £24.4 million (2016: £26.2 million).

[2] Using average exchange rates for the year ended 30 November 2016.

Dividend

The Board is recommending payment of an increased final dividend of 3.0p per share (2016: 2.0p), payable on 4 May 2018 to shareholders registered on 3 April 2018, for approval by shareholders at the Company's Annual General Meeting to be held on 26 April 2018.

Business Review

Synectics' business is to provide integrated electronic security systems and services to specialist high-end markets. Our systems are based on core proprietary technology, in particular systems integration and command and control software. This technology is adapted for the specific needs of our target customer sectors, and provides fundamental differentiation from mainstream suppliers in the wider electronic security market.

Systems Division

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

Revenue	£46.1 million (2016: £48.3 million)
Gross margin	39.8% (2016: 38.9%)
Underlying operating profit[3]	£4.2 million (2016: £4.2 million)
Operating profit	£4.2 million (2016: £3.7 million)
Underlying operating margin[3]	9.2% (2016: 8.7%)
Operating margin	9.2% (2016: 7.7%)

[3] Before non-underlying items and Group central costs.

Gaming

After exceptionally strong results in 2016, the Group's gaming activities recorded another very good performance in 2017. During this period, Synectics' Synergy 3 command and control system consolidated its leadership position in both of the major global market regions: the Far East and North America.

Important new systems and upgrades were delivered in the Philippines, Macau, Singapore, Korea, Las Vegas and other casino locations in North America and Europe, as well as substantial sales to several major cruise lines for ship-board gaming. Much of this was repeat business for established customers, in either existing or new locations.

Gaming premises operate in sensitive regulatory environments, where quality and performance standards for surveillance technology are extremely demanding, and where failure can be not only costly, but potentially threatening to the customer's business itself. They are also environments where surveillance technology can be adapted and developed to bring meaningful business benefits as well as satisfying security requirements. These characteristics continue to play to Synectics' strengths in reliability, technical innovation and dedicated customer support.

The global market for casino-based gaming continues to grow, especially for integrated resorts that combine casinos with other attractions, such as theme parks. The size of individual new projects means that revenue can be lumpy in given years, but the long-term trend remains positive, and the barriers to entry for general market competitors are quite considerable.

Oil & Gas

Revenue from Synectics' oil & gas activities stabilised and produced an improved profit contribution last year, in a period of continuing difficult conditions in the underlying market. Oil prices have now roughly doubled from their lows of 2015/16 and early-cycle businesses in the sector are already experiencing significantly increased activity. Nevertheless, a proportion of Synectics' revenue has traditionally derived from large-scale upstream projects, and these will take longer to ramp up.

Particular successes during last year included a large involvement in Petronas' RAPID project in Malaysia, and new customer wins in offshore infrastructure being built in the Far East. The Group also received an initial major order for its new design of explosion-rated camera stations adapted for the US market – in this case, for a significant new field in the Gulf of Mexico being developed by a major international oil company.

Transport & Infrastructure

The market for sophisticated surveillance systems in transport & infrastructure is growing, and is an area of increased focus for the Group.

Synectics' presence in protecting the UK's national and public infrastructure was further strengthened during the year. We won major new business from established and new clients operating a nationwide utility network, power stations, financial services data and cash centres, universities and large-scale shopping and leisure malls. One such new contract provided the opportunity for the first deployment of our Synergy 3 surveillance in a cloud-based environment, an area in which we will be making substantial investment in the future.

During last year, Synectics won and delivered a significant expansion to its integrated surveillance management system at Jakarta's main international airport, the busiest in the Southern Hemisphere, as it continues to grow.

The Group continues to expand its operations in Europe, through co-operation between our German and UK-based teams, establishing partnerships with major transport system operators and suppliers, including BVG (the government operator of Europe's largest integrated transport hub, in Berlin), Deutsche Bahn and Siemens Mobility. We continue to expect growth from our European transport activities over coming years.

Our UK mobile systems business won a further three-year extension of its long-term partnership with Stagecoach, the UK's largest bus operator, for surveillance systems on its nationwide fleet. The UK bus and coach market itself, as noted above, was characterised in 2017 by an unexpectedly large fall in new bus deliveries, which was mirrored by a decline in Synectics' revenues from that sector. By contrast, light rail and tram services grew in the UK last year, and Synectics was pleased to win significant orders from London and North East train operators.

Integration & Managed Services Division

Synectics' Integration & Managed Services ('IMS') division is one of the leading UK providers of design, integration, turnkey supply, monitoring and management of large-scale electronic security systems. Its main markets are in critical infrastructure, public space and multi-site systems. Its capabilities include a nationwide network of service engineers, UK government security-cleared personnel and facilities, and an in-house 24-hour monitoring centre and helpdesk. The IMS division supplies proprietary products and technology from Synectics' Systems division as well as from third parties.

Revenue	£25.1 million (2016: £23.3 million)
Gross margin	22.3% (2016: 22.0%)
Underlying operating profit[4]	£1.0 million (2016: £0.5 million)
Operating profit	£1.0 million (2016: £0.4 million)
Underlying operating margin[4]	4.0% (2016: 2.2%)
Operating margin	4.0% (2016: 1.9%)

[4] Before non-underlying items and Group central costs.

Integrated Systems

The IMS division as a whole produced solid gains in revenue and profit during 2017, driven particularly by operational improvements, and consequent higher margins, in our high security systems support activities.

Among notable new business wins in 2017 were surveillance systems and support for Newcastle and York mainline rail stations, Goldsmiths University of London, the Royal National Orthopaedic Hospital, the British Museum, Westminster Abbey and the Highways Agency.

Our position as one of the leading accredited high security providers in the UK means that we continue to win significant ongoing work for government agencies.

The UK market for sophisticated, high quality security systems integration and support is growing. Technology is advancing at an increasing pace and Synectics' activities in this area are increasingly focussed on customers who need and value expertise, and are prepared to invest in a longer term relationship rather than rely on one-off lowest-price tenders. Given that, having access to the resources of a parent company at the forefront of surveillance technology development is a clear advantage.

Managed Services

The focus of the division's managed services activities continues to be on delivering security and facilities management services for clients with large and complex multi-site estates. Significant investment in a new operating system has allowed us to focus on providing actionable management information rather than just large quantities of data. The Group is well placed to lead this trend and meet customers' expanding expectations. This in turn is providing opportunities to increase the scope and value of the services Synectics offers.

Research & Development

Continued investment in our proprietary technology base remains an important priority for Synectics. During 2017, the Group spent a total of £2.6 million on technology development (2016: £2.2 million). Of this total, £0.5 million was capitalised, and the remainder expensed to the Income Statement. £0.8 million of previously capitalised development costs were amortised in the year.

The year saw significant work developing functionality for specific customer projects, which in turn has allowed Synectics to add features to the core capabilities of our Synergy 3 command and control software platform. A large amount of effort was also expended in unifying and developing our transport solutions, where we see an increasing appetite from customers for more technically complex solutions. We will be investing further in this area this year.

People

I would like once again to pass on the Board's sincere thanks to Synectics' employees at all levels. This is an organisation with a culture of high expectations for commitment and performance, especially in delivering on our promises to customers. As such, the pressures on employees are often considerable and are consistently borne with fortitude and good humour. We recognise and are deeply grateful for their continuing contributions to the business.

Our annual employee opinion survey last summer demonstrated high and upward-trending results across most areas of the business. This reflected substantial efforts by management to increase communication and engagement throughout the Group. This effort, which is strongly supported by the Board, will continue.

Strategy

Synectics' strategy remains to create leadership positions within specialised sectors of the electronic security and surveillance industry, through the combination of expert, sector-specific market knowledge and, where appropriate, our own proprietary technologies. These proprietary technologies are based on open systems and built around Synectics' core command and control integration software; they are developed specifically for our chosen specialist market sectors and provide fundamental differentiation from the offerings of mainstream suppliers in the wider electronic security market.

As the volume of digital data generated by high-end, video-centric security systems continues to grow exponentially, the complexity of extracting meaningful and actionable intelligence from that data is opening up many opportunities for innovation. Throughout its 30-year history, Synectics has consistently demonstrated the combination of deep technical capability and practical, expertise-based sales approach needed to benefit from such opportunities. This is essentially an entrepreneurial skill.

A core element of our strategy is to ensure that the business keeps building the culture and processes necessary to maintain that entrepreneurial essence at larger scale as we continue to grow.

Outlook

The 2018 financial year has begun in line with the Board's expectations. The year will be marked by a number of positive and short-term negative counter-currents in our largest market sectors, and also by clear opportunities to invest organically in solidifying Synectics' position as a market leader in specialist high-end surveillance.

The IMS division continues to perform well, and we expect further growth in profits this year.

Within the larger Systems division, Synectics' revenue and profit trends over the remainder of this year are likely to be different in our three major end-user segments:

- The gaming sector, which has performed exceptionally well in the last two years and where Synectics continues to gain market share, will see a respite in major new resort developments coming on stream in the Far East and a likely slowdown in surveillance upgrade programmes in the United States. Despite entering the current financial year with an order book and qualified pipeline of new business 50% higher than at the same time last year, we anticipate at this stage that the profit contribution from the sector in 2017/18, although still strong, is likely to be lower than last year's.

- The global oil & gas surveillance sector should continue to generate a stable positive contribution to profits in the current year. There is evidence of a recent pick-up in market activity, and Synectics is well placed to benefit as soon as new projects come on line. However, the normal gestation period of upstream oil & gas projects means that the upturn in our revenues in that sector should not be expected before 2019.

- Following further investment in sales resources, revenues from the transport & infrastructure sector, outside the UK bus market, are expected to grow at an increased rate in 2017/18.

Finally, after close evaluation the Board has authorised an increase of approximately £500,000 in this year's R&D expense to accelerate Synectics' development of our core software product base. We see an opportunity to provide sophisticated end users with real improvements in the capability, breadth and cost-effectiveness of their security systems. With its established customer base and trusted reputation for successful technical innovation, Synectics is ideally positioned to benefit from the increasing pace of developments in the wider information technology sphere which we believe can now be profitably applied to our markets. Although this increased R&D is in one sense discretionary expenditure, the Board's judgement is that the long-term interests of the Company will best be served by ensuring that we invest sufficient resources now to capitalise fully on the capabilities and market positions that Synectics has successfully established and built over recent years.

Taken together, the above factors lead the Board to conclude that the Group's consolidated underlying profit before tax in our 2018 financial year is most likely to be broadly flat compared to last year, as the impact of growth in underlying current business is offset by increased investment in strengthening our position for the future.

We believe that Synectics continues to make good progress towards its objectives. The improvements made to management and operational structures over the past couple of years are working well, the Group is starting to behave much more like a single focussed business, and there is an apparent growing sense of confidence in most parts of our operations. The Board has recently reviewed the Group's latest medium-term plans. It remains our belief that, given normal economic conditions, Synectics is capable within its current business base of achieving its targets of significant revenue growth from current levels, and an operating profit margin of 8 – 10%.

David Coghlan
Chairman

20 February 2018

Consolidated Income Statement
For the year ended 30 November 2017

	Note	**2017 £000**	2016 £000
Revenue	2	**70,102**	70,913
Cost of sales		**(46,153)**	(47,014)
Gross profit		**23,949**	23,899
Operating expenses		**(20,823)**	(21,808)
Profit from operations			
Excluding non-underlying items	2	**3,149**	2,757
Non-underlying items	3	**(23)**	(666)
Total profit from operations		**3,126**	2,091
Finance income		**183**	215
Finance costs		**(313)**	(351)
Profit before tax			
Excluding non-underlying items		**3,019**	2,621
Non-underlying items	3	**(23)**	(666)
Total profit before tax		**2,996**	1,955
Income tax expense	4	**(443)**	(484)
Profit for the year attributable to equity holders of the Parent		**2,553**	1,471
Basic earnings per share	6	**15.5p**	9.0p
Diluted earnings per share	6	**15.1p**	8.8p
Underlying basic earnings per share	6	**15.6p**	12.7p
Underlying diluted earnings per share	6	**15.2p**	12.4p

Consolidated Statement of Comprehensive Income
For the year ended 30 November 2017

	2017 £000	2016 £000
Profit for the year	**2,553**	1,471
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement (loss)/gain on defined benefit pension scheme, net of tax	**(363)**	151
	(363)	151
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(760)**	614
Gains on a hedge of a net investment taken to equity	**125**	535
	(635)	1,149
Total comprehensive income for the year attributable to equity holders of the Parent	**1,555**	2,771

Consolidated Statement of Financial Position
As at 30 November 2017

	Note	**2017 £000**	2016 £000
Non-current assets			
Property, plant and equipment		**2,796**	3,076
Intangible assets		**21,749**	22,115
Retirement benefit asset		**289**	720
Deferred tax assets		**159**	216
		24,993	26,127
Current assets			
Inventories		**10,739**	9,997
Trade and other receivables		**24,418**	24,771
Tax assets		**16**	72
Cash and cash equivalents	7	**4,721**	5,848
		39,894	40,688
Total assets		**64,887**	66,815
Current liabilities			
Loans and borrowings	8	**(900)**	(2,778)
Trade and other payables		**(22,493)**	(22,077)
Tax liabilities		**(328)**	(623)
Current provisions	9	**(149)**	(439)
		(23,870)	(25,917)
Non-current liabilities			
Loans and borrowings	8	**-**	(900)
Non-current provisions	9	**(102)**	(215)
Deferred tax liabilities		**(161)**	(202)
		(263)	(1,317)
Total liabilities		**(24,133)**	(27,234)
Net assets		**40,754**	39,581
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		**(2,185)**	(2,341)
Currency translation reserve		**754**	1,389
Retained earnings		**12,612**	10,960
Total equity		**40,754**	39,581

Consolidated Statement of Changes in Equity
For the year ended 30 November 2017

	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 2015	3,559	16,043	9,971	(2,639)	240	9,668	36,842
Profit for the year	-	-	-	-	-	1,471	1,471
Other comprehensive income							
Currency translation adjustment	-	-	-	-	1,149	-	1,149
Re-measurement gain on defined benefit pension scheme, net of tax	-	-	-	-	-	151	151
Total other comprehensive income	-	-	-	-	1,149	151	1,300
Total comprehensive income for the year	-	-	-	-	1,149	1,622	2,771
Dividends paid	-	-	-	-	-	(163)	(163)
Credit in relation to share-based payments	-	-	-	-	-	131	131
Share scheme interests realised in the year	-	-	-	298	-	(298)	-
At 30 November 2016	3,559	16,043	9,971	(2,341)	1,389	10,960	39,581
Profit for the year	-	-	-	-	-	2,553	2,553
Other comprehensive loss							
Currency translation adjustment	-	-	-	-	(635)	-	(635)
Re-measurement loss on defined benefit pension scheme, net of tax	-	-	-	-	-	(363)	(363)
Total other comprehensive loss	-	-	-	-	(635)	(363)	(998)
Total comprehensive income for the year	-	-	-	-	(635)	2,190	1,555
Dividends paid	-	-	-	-	-	(498)	(498)
Credit in relation to share-based payments	-	-	-	-	-	111	111
Share scheme interests realised in the year	-	-	-	156	-	(151)	5
At 30 November 2017	**3,559**	**16,043**	**9,971**	**(2,185)**	**754**	**12,612**	**40,754**

Consolidated Cash Flow Statement
For the year ended 30 November 2017

	Note	**2017 £000**	2016 £000
Cash flows from operating activities			
Profit for the year		**2,553**	1,471
Income tax expense	4	**443**	484
Finance income		**(183)**	(215)
Finance costs		**313**	351
Depreciation and amortisation charge		**1,654**	1,980
Loss on disposal of non-current assets		**2**	80
Unrealised currency translation losses/(gains)		**70**	(275)
Share-based payment charge		**111**	131
Operating cash flows before movement in working capital		**4,963**	4,007
(Increase)/decrease in inventories		**(857)**	642
Increase in receivables		**(105)**	(2,291)
Increase in payables and provisions		**330**	238
Cash generated from operations		**4,331**	2,596
Tax (paid)/received		**(653)**	15
Net cash from operating activities		**3,678**	2,611
Cash flows from investing activities			
Purchase of property, plant and equipment		**(309)**	(350)
Capitalised development costs		**(462)**	(337)
Purchased software		**(193)**	(44)
Net cash used in investing activities		**(964)**	(731)
Cash flows from financing activities			
Repayment of borrowings		**(1,259)**	(786)
Share scheme interests realised in the year		**5**	-
Interest paid		**(149)**	(156)
Dividends paid		**(498)**	(163)
Net cash used in financing activities		**(1,901)**	(1,105)
Effect of exchange rate changes on cash and cash equivalents		**(414)**	323
Net increase in cash and cash equivalents		**399**	1,098
Cash and cash equivalents at the beginning of the year		**4,322**	3,224
Cash and cash equivalents at the end of the year	7	**4,721**	4,322

Notes

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 IFRS as endorsed by the European Union ('adopted IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS. They have been prepared using the historical cost convention except where the measurement of balances at fair value is required.

2 Segmental analysis

Revenue	**2017 £000**	2016 £000
Systems	**46,062**	48,281
Integration & Managed Services	**25,139**	23,290
Total segmental revenue	**71,201**	71,571
Reconciliation to consolidated revenue:		
Intra-Group sales	**(1,099)**	(658)
	70,102	70,913

Underlying operating profit	**2017 £000**	2016 £000
Systems	**4,238**	4,211
Integration & Managed Services	**994**	522
Total segmental underlying operating profit	**5,232**	4,733
Reconciliation to consolidated underlying operating profit:		
Central costs	**(2,083)**	(1,976)
	3,149	2,757

Underlying operating profit 2017	**Underlying operating profit £000**	Amortisation of acquired intangibles £000	Total profit from operations £000
Systems	**4,238**	-	4,238
Integration & Managed Services	**994**	-	994
Total segmental underlying operating profit	**5,232**	-	5,232
Reconciliation to consolidated underlying operating profit:			
Central costs	**(2,083)**	(23)	(2,106)
	3,149	(23)	3,126

3 Non-underlying items

	2017 £000	2016 £000
Restructuring costs	**-**	585
Amortisation of acquired intangible assets	**23**	81
	23	666

The restructuring costs incurred during the prior year related predominantly to severance costs arising from specific reviews of the cost base across certain areas of the business.

4 Taxation

Tax charge	2017 £000	2016 £000
Current taxation		
UK tax	**36**	5
Overseas tax	**344**	691
Adjustments in respect of prior periods	**(60)**	(62)
Total current tax	**320**	634
Deferred taxation		
Origination and reversal of temporary differences	**285**	(115)
Adjustments in respect of prior periods	**(162)**	(35)
Total deferred tax	**123**	(150)
Total tax charge for the year	**443**	484

Reconciliation of tax charge for the year

The corporation tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.33% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	**2,996**	1,955
Tax on profit on ordinary activities before tax at standard rate of 19.33% (2016: 20%)	**579**	391
Effects of:		
Expenses not deductible for tax purposes	**103**	105
Net effect of different rates of tax in overseas businesses	**(149)**	(283)
Tax losses not recognised	**146**	345
Restatement of deferred tax balances for change in UK tax rate	**(14)**	23
Adjustment in respect of prior periods	**(222)**	(97)
Total tax charge for the year	**443**	484

The Group's tax rate is sensitive to a geographic mix of profits and reflects a combination of higher rates in certain jurisdictions, such as the US, UK and lower rates in Singapore and Macau. The Group's effective tax rate in 2017 has been impacted by the truing up of prudent tax provisions booked in the prior year. Over the medium term, the effective tax rate is expected to increase as the business continues to be profitable going forward.

4 Taxation continued

Deferred tax assets of £0.3 million (2016: £0.4 million) have been recognised in relation to legal entities which suffered a tax loss in the preceding periods. The assets are recognised based upon future taxable profit forecasts for the entities concerned.

The Group has further tax losses which may be available to be carried forward for offset against the future taxable profits of certain Group companies amounting to approximately £4.8 million (2016: £4.0 million). No deferred tax asset (2016: £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.

5 Dividends

The Directors recommend the payment of a final dividend of 3.0p per share (2016: 2.0p per share), totalling around £506,000. Subject to shareholders' approval at the Company's Annual General Meeting to be held on 26 April 2018, this is expected to be paid on 4 May 2018 to shareholders registered on 3 April 2018. An interim dividend of 1.0p was paid during 2017 (2016: nil per share).

6 Earnings per share

	2017	2016
	Pence per share	Pence per share
Basic earnings per share	**15.5**	9.0
Diluted earnings per share	**15.1**	8.8
Underlying basic earnings per share	**15.6**	12.7
Underlying diluted earnings per share	**15.2**	12.4

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

	£000	£000
Earnings for basic and diluted earnings per share	**2,553**	1,471
Non-underlying items	**23**	666
Impact of non-underlying items on tax charge for the year	**(8)**	(60)
Earnings for underlying basic and underlying diluted earnings per share	**2,568**	2,077

	000	000
Weighted average number of ordinary shares – basic calculation	**16,480**	16,404
Dilutive potential ordinary shares arising from share options	**466**	338
Weighted average number of ordinary shares – diluted calculation	**16,946**	16,742

7 Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	**4,721**	5,848

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

	2017 £000	2016 £000
Cash at bank and in hand	**4,721**	5,848
Bank overdraft	**-**	(1,526)
	4,721	4,322

8 Loans and borrowings

	2017 Current £000	2017 Non-current £000	2017 Total £000	2016 Current £000	2016 Non-current £000	2016 Total £000
Bank term loan	**900**	**-**	**900**	1,252	900	2,152
Bank overdraft	**-**	**-**	**-**	1,526	-	1,526
Total	**900**	**-**	**900**	2,778	900	3,678

The terms and debt repayment details of the loans and borrowings are as follows:

	Value drawn £000	**Maturity**	**Interest rate**	**Security**
£1.5 million term loan facility	900	26 November 2018	LIBOR +2.0%	Group assets
£8.0 million overdraft facility	-	On demand	Base +2.0%	Group assets

During the year the remaining €1.3 million balance of the Euro term loan was repaid in full. £150,000 of the Sterling term loan was also repaid.

9 Provisions

	Restructuring £000	Deferred and contingent consideration £000	Property £000	Total £000
At 1 December 2015	55	49	25	129
Utilised in the year	(365)	(49)	-	(414)
Charge to the Income Statement	585	-	354	939
At 30 November 2016	275	-	379	654
Utilised in the year	(275)	-	(185)	(460)
Charge to the Income Statement	-	-	57	57
At 30 November 2017	**-**	**-**	**251**	**251**

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

	2017 £000	2016 £000
Current	**149**	439
Non-current	**102**	215
	251	654

10 Company information

Full Financial Statements

The auditors have issued an unqualified opinion on the full financial statements for the year ended 30 November 2017 which will be made available to shareholders and delivered to the Registrar of Companies in due course. The financial information for 2017 and 2016 does not comprise statutory financial statements. Statutory financial statements for the year ended 30 November 2016, on which the auditors gave an unqualified opinion, have been delivered to the Registrar of Companies. Further copies of these results, and the full financial statements when published, will be available on the Company website at www.synecticsplc.com and at the Company's registered office: Synectics plc, Studley Point, 88 Birmingham Road, Studley, Warwickshire, B80 7AS.

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.