



Global Specialists in Integrated Security Systems



Synectics plc

Annual Report and Accounts for the year ended 30 November 2013



We design and deliver integrated, end-to-end security and surveillance control systems for the world's most demanding security environments

Innovating
Integrating
Protecting

Security, surveillance and operations management systems are converging. We design and build powerful, intuitive command and control systems that solve complex problems which are completely adaptable to the individual requirements of the customers we serve.

Introduction

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2013: A year of strong performance and important strategic milestones

Financial highlights

- » Revenue up 7% to £82.4 million (2012: £77.0 million)
- » Underlying profit* before tax up 26% to £7.1 million (2012: £5.7 million)
- » Profit before tax up 41% to £6.6 million (2012: £4.7 million)
- » Underlying diluted EPS* up 29% to 32.6p (2012: 25.2p)
- » Diluted basic EPS up 42% to 29.4p (2012: 20.7p)
- » Recommended increased final dividend of 5.5p per share (2012: 5.0p) making 8.5p for the year (2012: 7.5p)
- » Underlying operating margin** 8.8% (2012: 7.4%)
- » Net cash at 30 November 2013: £1.2 million (2012: £4.6 million)
- » Year-end order book £28.1 million (2012: £36.9 million)

Operational highlights

- » Secured a number of complex major system contracts with large global blue chip customers
- » Implemented improved organisational structure, providing the scalable platform necessary for future growth
- » Continued investment in research & development culminating in the launch of a new and upgraded command and control platform post year end
- » Full acquisition of Indanet completed
- » Far Eastern operational hub established with £7 million contract win and subsequent acquisition of Coex Services Asia Pte Ltd in Singapore

Our year at a glance: Key contracts and acquisitions

Shell GTL Pearl Project

A contract to protect the Shell GTL Pearl Project in Qatar. A state-of-the-art surveillance contract for the world's largest 'Gas to Liquids' plant

Singapore Contract

A large system contract for a major client in Singapore. The £7 million contract involved the design and delivery of a fully integrated surveillance recording solution and a control room replacement and upgrade

Luton Borough Council

First CCTV control room outsourcing project with Luton Borough Council. The partnership contract involves managing and staffing of the Council's control room, along with the maintenance of access control systems and the provision of ad-hoc guarding services

Dec

Jan

Feb

Mar

Deutsche Bahn

A framework contract with German railways Deutsche Bahn to deliver an onboard network solution for 215 Bombardier double-decker trains across Berlin and other regions in Germany

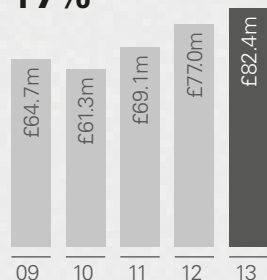
Avon and Somerset Police

A £2.7 million contract to deliver a fully integrated security management solution for three main operational police custody centres, and a tri-force shared tactical firearms training facility

Acquisition of Indanet

Completed the acquisition of the remaining 49% of the issued share capital of Indanet AG

Revenue (£m)
+7%



**Underlying Profit*
Before Tax (£m)**
+26%



**Underlying Operating
Margin** (%)**
+1.4%



**Underlying Diluted EPS*
(p)**
+29%



* Underlying profit represents profit before tax, non-underlying items (which comprise restructuring costs, acquisition costs, share-based payment charge, amortisation of acquired intangibles and reclassification of available-for-sale financial assets to profit or loss), impairment of goodwill and adjustments to deferred and contingent consideration. Underlying earnings per ordinary share are based on profit after tax but before non-underlying items, impairment of goodwill and adjustments to deferred and contingent consideration.

** Underlying operating margin represents underlying operating profit as a percentage of revenue, where underlying operating profit represents underlying profit before tax before charging finance income and finance costs.

Stagecoach Group

Stagecoach extended our successful ten-year relationship. The continued partnership, worth more than £5 million over three years, will initially see 1,660 new vehicles equipped with the latest on-vehicle CCTV solutions

Go-Ahead Group

Secured a £5 million, three-year contract with the international public transport company, Go-Ahead Group. Synectics will supply, install, maintain and support CCTV systems on Go-Ahead's fleet of 4,600 buses and develop an integrated software solution to combine Go-Ahead's on-vehicle CCTV with other critical business systems

Stadler

Stadler placed two new orders with Indanet – an IP video system on all new Fast Light Innovative Trains ('FLIRT') for the North Germany Railway and a new CCTV system for two new metro trains for the Berlin public transport operator, BVG

May

Jun

Jul

Sept

Nov

Acquisition of Coex Services Asia

Completed the acquisition of the outstanding 80% shareholding of Coex Services Asia Pte Limited, based in Singapore. Coex Services Asia is now taking the lead in integrating our sales and engineering personnel from other customer sectors to form a new Far East operating hub for all of Synectics' activities

Australian Liquid Natural Gas Plant

Awarded contracts worth more than £2.5 million for security systems for a large Liquid Natural Gas project in Australia. The systems will provide offshore visual surveillance of the facilities using COEX™ hazardous area and marine camera stations, which will be encoded, recorded, monitored and controlled by Synectics' hardware and software



"Synectics produced another good performance in 2013. Sales were buoyant in our core specialist markets of oil & gas and gaming surveillance systems, particularly in the Far East and Middle East."

David Coghlan
Chairman

Introduction

Synectics produced another good performance in 2013. Sales were buoyant in our core international specialist markets of oil & gas and gaming surveillance systems, particularly in the Far East and Middle East.

Early in the year we completed the final major step in reorganising our activities into two divisions. All of Synectics' proprietary technology-led activities were brought together into a single Systems division, and the services-led activities into our Integration & Managed Services division. The new structure has already shown significant benefits in increased co-operation between business sectors allowing the Group to pursue bigger, more integrated contracts.

Synectics has also been undertaking a major upgrade of its information technology systems. This upgrade was implemented in the Integration & Managed Services division in 2013 and will be continued across the Group's UK operations in 2014.

We expect the current year to be focused on consolidating these significant organisation and infrastructure investments. Therefore the Board expects results for the current year to be at a similar level to 2013. Further details are set out in the Outlook section opposite.

Results

For the year to 30 November 2013, Synectics' consolidated revenue grew by 7% to £82.4 million (2012: £77.0 million). The Group made an underlying profit before tax* of £7.1 million, an increase of 26% compared with 2012. The underlying operating margin was 8.8% (2012: 7.4%). Underlying diluted earnings per share increased by 29% to 32.6p (2012: 25.2p). Further details on operating performance are set out in the divisional performance reviews opposite.

Group profit before tax was £6.6 million (2012: £4.7 million), after exceptional and non-underlying items totalling £0.5 million (2012: £0.9 million).

* Profit before tax, restructuring costs, acquisition costs, share-based payment charge, amortisation of acquired intangibles and reclassification of available-for-sale financial assets to profit or loss, impairment of goodwill and adjustments to deferred and contingent consideration.

Net cash at 30 November 2013, after deducting all borrowings, was £1.2 million (2012: £4.6 million). The cash outflow for the year derived primarily from an increase in working capital from the timing of customer payments under major oil & gas and gaming contracts, acquisition payments and the purchase of new premises for the Systems division's new operations centre.

Dividend

In view of the increased profits for the year and our strong Balance Sheet, the Board has decided to recommend an increase in the final dividend from 5.0p to 5.5p, payable on 7 May 2014 to shareholders on the register on 28 March 2014. If approved by shareholders, this will bring the total dividend for the year to 8.5p, an increase of 13% over the prior year.

Research & Development

Total Group expenditure on technology development in 2013 was £2.7 million (2012: £2.0 million). Of this, £1.0 million was capitalised, and the remainder expensed to the Income Statement. £0.3 million of previously capitalised development was amortised during the year.

The Synectics Technology Centre operates within the Systems division as a consolidated development unit for the Group as a whole. The focus continues to be on developing products that are specifically directed to the needs of Synectics' core target customer sectors. We aim for the Group's development roadmap to operate in a well-controlled environment that will enable us simultaneously both to deliver on time our planned new product introductions and to support globally the bespoke, large-scale and innovative projects that our customers are increasingly looking for.

People

2013 was another year where organisational changes, consolidation of operating units, new systems and managing growth without necessarily having all the required resources in place at the outset, all placed considerable strain on the energy and goodwill of many of our employees.



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Synectics combines best-of-breed hardware, software, integration and service to deliver reliable, flexible and affordable turn-key solutions for the fast-changing needs of critical security environments.



See our full range of products on our website: www.synecticsplc.com

Once again the commitment and talent shown by Synectics' people in dealing with these pressures successfully, for the benefit of the Group and our customers, was extraordinary. On behalf of the Board and of our shareholders, I pass on to them our very sincere thanks.

Strategy and Financial Objectives

Synectics' strategy remains as it has been for some time, that is to combine deep sector-specific market knowledge with proprietary technology, particularly software, to provide, maintain and manage sophisticated high-end electronic surveillance systems that are increasingly adapted to the specialist needs of the customer sectors we target – Oil & Gas, Gaming, Transport, Banking & Finance, Critical Infrastructure and Public Space.

Over the past three to four years the Group has implemented substantial organisational restructuring and internal process improvements to enable us to service our specialist target markets globally in an effective, scalable and profitable manner. We are now much better positioned to do that. One result has been that 45% of Synectics' revenues in 2013 were derived from outside the UK, up from 17% in 2008. More tellingly, 80% of last year's revenues within the higher margin Systems division came from customers outside the UK.

In 2010 the Board publicly set an objective for the Group to achieve a consolidated operating margin of 8-10%, within a reasonable time frame and given normal economic conditions. During 2013 Synectics achieved that objective, with an underlying operating profit margin of 8.8%. The subsidiary profitability objectives set for our different business areas have also largely been met. We believe that further progress in raising margins is achievable, though the Group's current financial priority is revenue growth in our core target customer sectors. Having reached the objectives laid out three years ago, the Board intends during 2014 to define goals for the next medium-term phase of the Group's development.

Outlook

After strong order intake earlier in the year, several parts of the Group have subsequently been experiencing delays in receipt of anticipated large orders. The value of the Group's consolidated order book at 30 November 2013 was £28.1 million, compared with £36.9 million a year earlier. Delays are continuing to some extent, but bid activity for large projects in the oil & gas and gaming sectors remains solid, and an increased pace of sales is anticipated from several new products being launched in the second quarter of 2014, including an important new generation of Synectics' core command and control software.

As well as achieving rapid profits growth over the past two years, Synectics has implemented extensive strengthening of its management, organisation structure and information technology systems. Such improvements have been essential to provide the platform necessary to achieve the Group's future growth plans. The emphasis this year is on bedding in and consolidating the changes.

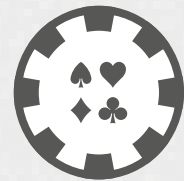
Taken together, these factors lead the Board to expect another good performance in 2014, with results likely to be at a similar level to 2013. The pattern of our current order pipeline suggests that trading will be significantly skewed towards the second half.

Last year's major Far East contract success and new operations hub, and the market leadership position Synectics has now secured within the global oil & gas surveillance market, have established clear opportunities that underpin the Board's expectation of substantial further growth over the coming two to three years.

David Coghlan
Chairman

26 February 2014


Deeper integration of all aspects of electronic security systems and process management is a major evolutionary trend in our chosen market sectors



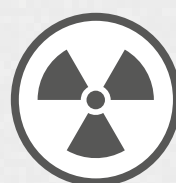
Our focus is on sectors where security and surveillance needs are mission critical: Oil & Gas, Gaming, Transport, Banking & Finance, Critical Infrastructure, and Public Space.

All of these sectors are growing and we estimate they account for around 40% of the global market.

Our response to this market need is to build on the core principle that inspired our name. Synectics intelligently combines disparate technologies in creative ways to provide total solutions that are greater than the sum of their parts. Underpinned by decades of customer-driven system development including our proprietary command and control software platform, Synergy™ and deep vertical industry knowledge by our in-house research & development team, we excel at delivering complex projects that require tailored solutions with high reliability, scalability and flexibility.

 Find out more **about our markets** on our website: www.synecticsplc.com

| | Oil & Gas | Gaming |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| How we succeed | A proven track record and strong long-lasting relationships within this sector make Synectics the perfect partner. Highly-skilled people enable us to interact with highly knowledgeable customers throughout every stage of the project. | We provide customers in this tightly regulated market with enterprise-class surveillance systems. Our systems can be seamlessly integrated, are scalable and are designed for performance, reliability and flexibility. |
| Demand drivers | This market faces many complex challenges to ensure the security of its sites: safety of on-site personnel, protection of offshore and onshore pipeline locations and the monitoring of hazardous and explosive areas. The market demands solutions that comply with the ever changing landscape of the rigorous compliance legislation in this sector. | Gaming environments are cash intensive and require some of the most complex surveillance solutions. Customers in this market are keen to take up the fully integrated security solutions Synectics can offer to mitigate the risk of player scams, fraudulent claims, staff collusion and other security infringements. |
| Growth opportunities | As the need for comprehensive reliable, integrated, multi-site management systems continues to grow, the value of Synectics' reputation for delivering solutions for demanding environments will increase and open up further opportunities in the market. | Effective gaming surveillance systems must deliver on performance and resiliency to ensure the highest level of protection. Our evolved Synergy™ command and control software platform will open up opportunities for growth in this sector. |



Transport

Banking & Finance

Critical Infrastructure

Public Space

We have demonstrated success in delivering large-scale, integrated solutions for the most demanding of transport environments. Our solutions help operators improve passenger safety and comfort, deter crime and combat fraudulent claims.

We combine flexible, robust hardware with our 'open architecture' Synergy™ command and control software platform to create comprehensive banking security solutions.

We deliver turn-key/end-to-end solutions in this market, based on intuitive command and control. Synectics' strength in design, integration, outsourced management and process enable us to assume an ever-increasing responsibility for the protection of critical sites, infrastructure and employees.

A strong history and understanding of supporting this sector, coupled with flexibility and reliability, make Synectics the ideal choice for public surveillance applications. Integration with third party alarms from commercial properties can generate new revenue streams for customers.

Transportation environments face a variety of unique security challenges to ensure the efficient, safe and secure transport of passengers and cargo. The demand for intelligent and attractive public transportation solutions is high.

In the banking environment Data Centre perimeter detection, monitoring of areas with sensitive data, access control, biometrics, analytics and the need to connect systems and trigger actions via a command and control software platform are key demand drivers within this sector.

National infrastructure is an obvious target for disruption of essential services. Synectics is ideally positioned to mitigate this risk, through innovation, technology, integration, remote monitoring, alarm escalation and provision of resource and response services as and when needed.

Government authorities and associated agencies in the public space sector require specialist surveillance systems that enable them to work together to resolve incidents quickly, efficiently and effectively. Reduced budgets with no reduction in duty of care for the public means delivering more with less.

Synectics' capability to integrate legacy systems with latest generation technology using Synergy™ gives us the opportunity to deliver truly class-leading integrated solutions to the transport market.

Synectics' combined capability to meet the demand for Data Centre protection, outsourced remote monitoring and turn-key cash-in-transit solutions present growth opportunities for the Group.

As many organisations move to consolidate their offerings, Synectics is in an ideal position to offer an end-to-end technology and resource solutions to manage costs and improve the identification of potential threats.

The consolidation of control rooms and a reduction in budgets for non-critical services is driving the need for innovative support from the private sector. Synectics can be this partner of choice.

Delivering end-to-end integrated security systems and services...

» We target specific sectors

We utilise our deep sector-specific market knowledge to develop long-term strategic partnerships with customers with security and surveillance needs of sufficient complexity and scale that they value the sophistication of Synectics' capabilities and expertise.

Key sectors include:



Oil & Gas



Banking & Finance



Gaming



Critical Infrastructure



Transport



Public Space

» delivering end-to-end integrated electronic security systems

We develop specialist application software command and control systems, surveillance products and managed services that support the needs of our customers. From system consultation and design through installation and maintenance to a fully managed or outsourced service solution.

Providing a range of products:



Synectics' IP HD
360 camera

Find out more about our latest products on our website: www.synecticsplc.com



Our business is fully integrated: from system consultation and design through installation and maintenance to a fully managed or outsourced service solution.

» **based on proprietary technologies**

Our open systems are based on core proprietary technology, in particular integration software. This technology is developed for our specific target customer sectors, and provides fundamental differentiation from mainstream suppliers in the wider electronic security market.

» **and supported by excellent service**

Synectics is committed to providing complete customer service with a range of pre and after sales support as well as a full range of services provided in-house during the project engineering phase.

» **to meet increasingly sophisticated needs**

Customers are increasingly looking for us to deliver integrated solutions uniquely tailored for their needs, whilst demanding reliability and a high level of control for systems in a range of demanding security environments.

We invest in our research & development expertise to understand these unique requirements and deliver innovative solutions that protect our customers' critical infrastructures today and in the future.

Our integrated offering:



...to companies in our target sectors across the globe

We have concentrated our resources in five key geographic operational hubs, positioned to maximise our ability to serve customers in the global sectors we target.

Each sector is global, large in its own right and growing. As a result our business is becoming increasingly global. Our operations in the UK, Europe, the US, Middle East and the Far East are already benefiting from the software-based surveillance opportunities that are unfolding. With our strong proprietary technology focus, we are well-positioned to take advantage of these opportunities. We intend to accelerate the application and development of our successful business model into overseas markets and at home, focusing on those customer sectors where the system performance requirements are very demanding and fundamental to their operational needs.



North America

Our solutions are becoming the product of choice in many entertainment resorts and cruise liners and we are investing in routes to market for our next generation solutions in oil & gas, marine and urban surveillance programmes.

US HUB
(SANTA BARBARA)

5
strategic hubs

Operations by geography

Our sales are measured by geographic destination of the end-user.

North America

Our sales remain strong but with casino construction forecast to remain flat we will continue to focus on system upgrades from recurring customers and capitalise on oil & gas opportunities in the region.

Revenue
6.1%
£5.1m

United Kingdom and Europe

Our performance in the UK remains strong and the market for integrated surveillance solutions continues to show signs of growth.

Revenue
61.4%
£50.6m

Middle East

7% of global sales came from the Middle East and the market for oil & gas continues to show healthy signs of growth.

Revenue
7.0%
£5.7m

500+
employees

UK

The UK remains the home of Synectics. Our operations sit at the heart of our global activities – Synectics’ global support centre and research & development facilities are based in the UK and the new UK operations centre will serve our key geographic hubs.

UK HUB

GERMAN HUB (MUNICH)

Europe

With 100% ownership of Indanet in Munich, Germany, we have the platform for growth in all of our target sectors as well as their core transport sector.

UAE HUB

Middle East

During 2013 our operational centre was established in Dubai to provide close customer service and support in this very active area. We continue to win significant projects in the region.

SINGAPORE HUB

Far East

During 2013 we acquired 100% of Singapore-based Coex Services Asia. Sales of our EX explosion-rated, marine and hazardous area surveillance products into the Far East oil & gas installations and shipyards continue to grow. We are extending the portfolio to the full range of Synectics products and services via this new operational hub.

Asia and Pacific

The substantial contract delivered through the Far East hub in Singapore contributed to our growth in this region. The market remains robust with many large projects planned in the region.

Revenue
22.9%
£18.9m



Rest of the World

Sales continue to grow in this region, in part supported by strengthened partnerships with global transport operators.

Revenue
2.6%
£2.1m



£82m
total sales

We sell and service integrated security solutions through a global network

Unlike some of our competitors, Synectics has direct involvement in the design, creation, commissioning and support of integrated security systems. This gives us unique insight into all aspects of the service support cycle.

Customers value our talented people, commitment, insight and agility. Our highly knowledgeable experts maintain end-user contact in order to fully explore the ways in which our systems can help improve wider business processes.

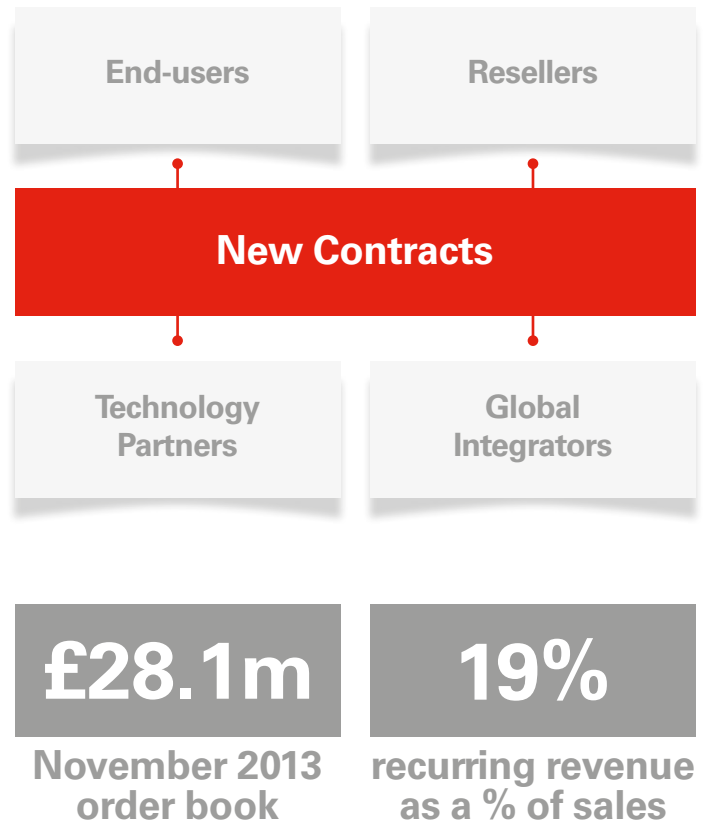
Sales channels

In addition to direct sales with end-users, we work with resellers, technology partners and international global integrators to generate new business.

Our revenue model

We have a largely contract-based revenue model with cycles of one to five years. By continuing to innovate and keeping close to our customers we benefit from high contract renewal levels, helping to secure our income streams for the longer term.

We drive revenue growth by winning larger shares of bigger projects – by identifying major opportunities at an early stage and by working with customers to develop solutions which protect their investments.



In order to develop a more effective and scalable business, we integrated our service offering into two focused divisions during 2013:

Systems

Synectics' specialist **Systems** division has brought all Synectics' proprietary technology-led activities together to focus on designing integrated end-to-end surveillance command and control systems for the world's most demanding security environments. It excels at complex projects that require innovative tailored solutions with high reliability and flexibility, for Oil & Gas, Gaming, Transport, Banking & Finance, Critical Infrastructure, and Public Space applications.


Integration & Managed Services

The **Integration & Managed Services** division focuses on delivering end-to-end, high integrity security and surveillance solutions, specialist mobile systems for transport operators, as well as managed services, which offer a range of flexible, scalable, service-led solutions for the management of facilities and security related services.

Contract highlight:

Gorgon Project


Synectics has successfully delivered surveillance systems for a further phase of the Chevron-managed Gorgon project. Located 130km off the North West coast of Australia, the Greater Gorgon Gas Field is the largest single natural gas resource in Australia with hydrocarbon reserves estimated at approximately 40 trillion cubic feet. Synectics is providing a complete solution.

 Read more about the **Systems** division from page 22

Contract highlight:

Luton Borough Council

Synectics developed an innovative outsourced service solution for Luton Borough Council by taking a holistic view of their security service delivery. The partnership harnesses our expertise in design, technology, installation and maintenance and managed services whilst enabling local authorities to professionalise and streamline their public security and CCTV systems to deliver best value to police, businesses and the local community.

 Read more about the **Integration & Managed Services** division from page 26



“2013 has been another good year of positive progress for Synectics which has resulted in us delivering once again our best underlying PBT.”

John Shepherd
Chief Executive


Where we are heading

Our vision is to become a leading global supplier of integrated surveillance and security systems, which are a fundamental part of our customers’ operations.

Our strategy is to combine deep sector-specific market knowledge with proprietary technology, particularly software, to provide, maintain and manage sophisticated electronic security systems that are increasingly adapted to the needs of the specialist customer sectors we target: Oil & Gas, Gaming, Transport, Banking & Finance, Critical Infrastructure and Public Space.

John Shepherd
Chief Executive

26 February 2014

 Find out how we measure our performance from page 16

1 —

Integrating our business

We are **integrating** our business units into one company.

What this means

We have consolidated our activities into two divisions.

The new structure has already shown significant benefits in increased co-operation between business sectors allowing the Group to pursue bigger, more integrated contracts.

We are on target to successfully migrate two UK assembly, testing and system acceptance operations into one new facility in North Lincolnshire.

We are removing old business and cultural barriers. More open dialogue between senior management is already creating tangible revenue growth, margin enhancement and cost reduction initiatives.

How we are doing it

Achievements in 2013

- » Acquired Coex Services Asia Pte Limited
- » Concluded the early acquisition of Indanet
- » Won Luton Borough Council Contract – first outsourcing model
- » Implemented an Integrated Services Model – managing processes for our back and front office functions to improve service performance, reduce costs and improve the customer experience

Next steps

We will continue to develop a ‘one company’ culture that builds on our core principles and values and create a unified company ethos which will facilitate a far greater degree of internal collaboration.



Women's development programme

We continue to invest in a proactive and collaborative model, 'An Inspirational Journey' which focuses on building confidence, recognising capabilities and developing contacts. It aims to encourage women to exceed their own expectations.

2 — Exploiting opportunities

We are **exploiting** global opportunities from five strategic geographic operational hubs.

We have established five operational hubs at strategic locations around the globe and are building operational centres of excellence to support them. We acquired Coex Services Asia in Singapore and in November we delivered the first phase of a large system contract for a major client in Singapore which helped establish the Far East operational hub.

Indanet has adopted Synectics' proprietary systems technologies into its portfolio to enable them to access other Synectics' core market sectors.

- » Secured a large system contract for a major client
- » Delivered the Outsourcing Services contract for Luton Borough Council
- » Won a contract to deliver a state-of-the-art surveillance solution for the world's largest 'Gas to Liquids' plant in Qatar
- » Secured a contract with Go-Ahead Group
- » Extended a number of successful long-term relationships with key sector clients

We will pursue opportunities in our core sectors through our global hubs. We will exploit key customer relationships across multiple sectors. We will further develop the Synectics brand.

3 — Investing in growth

We are **investing** in technology, facilities and business management capability to create sustainable long-term growth.

We continue to strengthen our team of experts and support organisational initiatives to develop the Synectics team.

We invested in the evolution of Synectics' core command and control software platform which will be launched in the second quarter of 2014.

The Group is implementing internal process improvements to enable us to service our specialist target markets globally in an effective, scalable and profitable manner.

- » Appointed industry and sector specialists and strengthened the business development team
- » Increased investment in research & development to £2.7 million
- » Started major programme of investment in IT infrastructure upgrades
- » Acquired major new fit-for-purpose facility in North Lincolnshire, UK for Systems

During 2014 we will continue to implement best practice processes. We will continue our programme of increased investment in people, facilities, systems, process improvements and research & development.



“Financial performance in 2013 was again strong with underlying profit before tax increasing by 26% to £7.1 million as sales increased by 7% to £82.4 million.”

Nigel Poultney
Finance Director

Keeping track of Group performance

Group results for the year

Financial performance in 2013 was again strong with profit before tax growing by 41% to £6.6 million and underlying profit before tax increasing by 26% to £7.1 million as sales increased by 7% to £82.4 million.

Cash generation was weaker than in 2012 with free cash flow in the year of £0.3 million as working capital increased at 30 November 2013 as a result of a number of large projects completing around the year-end date, and increased capital investment during the year. Year-end net cash was £1.2 million (2012: £4.6 million).


Other key performance indicators are discussed in more detail on the following pages.

In February the Group completed the acquisition of the remaining 49% outstanding share capital in Indanet AG for £1.4 million and subsequently changed its corporate structure to that of a GmbH to streamline its management processes. In July the company acquired the remaining 80% outstanding share capital in Coex Services Asia Pte Ltd ('CSA') for an initial net consideration of £0.5 million in cash, £0.4 million in Synectics shares and the transfer of the Group's 20% interest in O&G Vision Pte Ltd ('O&G'), a sister company to CSA, valued at £0.1 million.

During the year the Group continued the consolidation of its businesses so that the Group now comprises two divisions, Systems and Integration & Managed Services ('IMS'). Therefore the segmental information reported below and throughout this Annual Report and Accounts reflects this organisational structure, with 2012 results restated accordingly.

Key performance indicators

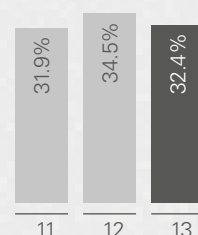
Our performance is measured principally using the following financial indicators.

 Our Key Performance Indicators continue on the following pages

Revenue (£m) +7%



Gross margin (%) -2.1%



Key performance indicators

| Measure | 2013 | 2012 | Inc/(dec) | Inc/(dec) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------|-----------|-----------|
| Revenue (£ million) | 82.4 | 77.0 | 5.4 | 7% |
| Gross margin % | 32.4% | 34.5% | (2.1%) | |
| Underlying operating profit (£ million) Operating profit before non-underlying items* and goodwill impairment | 7.2 | 5.7 | 1.5 | 26% |
| Underlying profit before tax (£ million) Profit before tax, non-underlying items*, goodwill impairment and adjustments to deferred and contingent consideration | 7.1 | 5.7 | 1.4 | 26% |
| Underlying operating margin % Ratio of underlying operating profit to revenue | 8.8% | 7.4% | 1.4% | |
| Diluted basic earnings per share (p) | 29.4 | 20.7 | 8.7 | 42% |
| Diluted underlying earnings per share (p) Based on underlying profit before tax | 32.6 | 25.2 | 7.4 | 29% |
| Order book (£ million) | 28.1 | 36.9 | (8.8) | (24%) |
| Recurring revenue (£ million) Contracted sales where a service is delivered over a future time period and revenues are recognised in the relevant future accounting period | 15.6 | 16.7 | (1.1) | (7%) |
| Recurring revenue as % of total revenue | 18.9% | 21.7% | (2.8%) | |
| Net cash (£ million) Cash balances net of loans | 1.2 | 4.6 | (3.4) | (74%) |
| Working capital % Working capital as % revenue | 18.0% | 13.3% | 4.7% | |
| Free cash flow (£ million) Cash flow from operations less capital expenditure, but before any payments in respect of non-underlying items | 0.3 | 6.5 | (6.2) | (95%) |
| Cash conversion % Ratio of free cash flow to underlying operating profit | 4.7% | 113.8% | (109.1%) | |

* Non-underlying items comprise restructuring costs, acquisition costs, share-based payment charge, amortisation of acquired intangibles and reclassification of available-for-sale financial assets to profit or loss.

Underlying operating profit (£m)

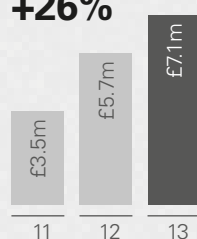
+26%



Operating profit before non-underlying items* and goodwill impairment.

Underlying profit before tax (£m)

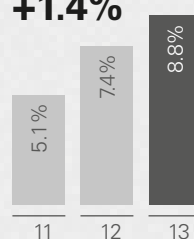
+26%



Profit before tax, non-underlying items*, goodwill impairment and adjustments to deferred and contingent consideration.

Underlying operating margin (%)

+1.4%



Ratio of underlying operating profit to revenue.

Income Statement

Overall Group revenue for the year to 30 November 2013 amounted to £82.4 million compared with £77.0 million in the previous year, an increase of £5.4 million (7%).

Revenue split between our two business segments was as follows:

| Revenue | 2013 £000 | 2012 £000 | Inc/ (dec) £000 | Inc/ (dec) |
|--------------------------------|---------------|---------------|-----------------------|---------------|
| Systems | 44,753 | 38,913 | 5,840 | 15.0% |
| Integration & Managed Services | 38,368 | 39,460 | (1,092) | (2.8%) |
| Intra-Group | (758) | (1,334) | 576 | |
| Total revenue | 82,363 | 77,039 | 5,324 | 6.9% |

The Systems division reported strong sales growth in the year primarily as a result of the contribution from the significant contract won through our Singaporean subsidiary with a new customer in the Far East, which we announced in March, and continuing growth in its oil & gas sector activities.

Conversely sales from the IMS division contracted by 2.8% mainly as a result of reduced activity in the managed services business which principally addresses the multi-site retail sector.

For the first time 2013 saw sales of our proprietary products and technology, through the Systems division, outstripping the sales of the IMS division.

Recurring revenue in the year fell from £16.7 million (21.7% of total sales) to £15.6 million (18.9% of total sales) largely as a result of reduced contracted sales in the managed services business.

The proportion of sales arising outside the UK (measured by the destination of the end-user) continued to grow reaching 45% in 2013, compared with 37% in the previous year, boosted by the substantial contract delivered through our Far East hub in Singapore.

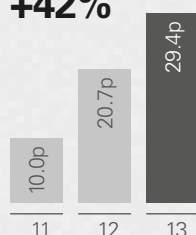
| Sales by geographic destination of end-user | 2013 £000 | | 2012 £000 | | Inc/ (dec) £000 |
|---------------------------------------------|---------------|-------------|---------------|-------------|-----------------------|
| UK | 45,284 | 55% | 48,390 | 63% | (3,106) |
| Rest of Europe | 5,277 | 6% | 6,961 | 9% | (1,684) |
| UK and Europe – total | 50,561 | 61% | 55,351 | 72% | (4,790) |
| North America | 5,062 | 6% | 7,192 | 9% | (2,130) |
| Middle East | 5,739 | 7% | 10,647 | 14% | (4,908) |
| Asia and Pacific | 18,892 | 23% | 3,157 | 4% | 15,735 |
| Rest of World | 2,109 | 3% | 692 | 1% | 1,417 |
| Total revenue | 82,363 | 100% | 77,039 | 100% | 5,324 |

Consolidated gross margins for 2013 fell by 2.1% largely as a result of the impact of the large Far Eastern contract in the Systems division, noted above.

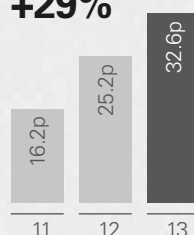
The full segmental analysis is as follows:

| Gross margin % | 2013 | 2012 | Inc/ (dec) |
|--------------------------------|--------------|--------------|---------------|
| Systems | 38.5% | 42.6% | (4.1%) |
| Integration & Managed Services | 24.7% | 25.4% | (0.7%) |
| Total Group | 32.4% | 34.5% | (2.1%) |

Diluted basic earnings per share (p) +42%



Diluted underlying earnings per share (p) +29%



Based on underlying profit before tax.

Order book (£m) -24%



Underlying operating expenses fell by 6.7% to £19.5 million largely as a result of reduced payroll costs and professional fees included in central costs.

| Operating expenses | 2013 £000 | 2012 £000 | Inc/ (dec) £000 | Inc/ (dec) |
|-----------------------------------------------------------------|---------------|--------------|-----------------------|---------------|
| Underlying operating expenses | 19,482 | 20,877 | (1,395) | (6.7%) |
| Non-underlying items: | | | | |
| Restructuring costs | 562 | 973 | (411) | |
| Acquisition costs | 265 | – | 265 | |
| Share-based payment charge | 78 | 119 | (41) | |
| Amortisation of intangible assets | 123 | 116 | 7 | |
| Reclassification of available-for-sale assets to profit or loss | (525) | – | (525) | |
| | 503 | 1,208 | (705) | |
| Impairment of Indanet goodwill | – | 3,993 | (3,993) | |
| Total operating expenses | 19,985 | 26,078 | (6,093) | (23.4%) |

Non-underlying operating expenses amounted to £0.5 million (2012: £1.2 million) and included restructuring costs of £0.6 million arising from the reorganisation and consolidation of the Group's activities into two divisions, and acquisition costs of £0.3 million incurred in acquiring the outstanding share capital not previously held by the Group in both Indanet and CSA.

These amounts were offset by £0.5 million representing the value of the Group's 20% stake in both CSA and O&G prior to the acquisition of CSA, which was credited to the Income Statement at the point of acquisition in accordance with step accounting principles.

Finance costs in 2012 were distorted by the recognition of a £4.3 million credit arising from the renegotiation of the deferred and contingent consideration conditions of the Indanet acquisition. If this item is disregarded then net finance costs in 2013 increased by £40,000 to £93,000. The increase arises as a result of a reduced net cash position and the additional debt taken on during the year as described below.

| Finance income/(costs) | 2013 £000 | 2012 £000 | Inc/ (dec) £000 | Inc/ (dec) |
|-----------------------------------------------------|--------------|--------------|-----------------------|---------------|
| Finance income | 245 | 244 | 1 | 0.4% |
| Finance costs | (338) | (297) | (41) | 13.8% |
| Net underlying finance costs | (93) | (53) | (40) | 75.5% |
| Adjustment to deferred and contingent consideration | – | 4,252 | (4,252) | |
| Net total | (93) | 4,199 | (4,292) | |

Consolidated underlying profit before tax was £7.1 million in 2013 compared with £5.7 million in the year to 30 November 2012.

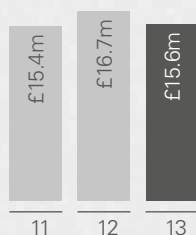
Profit from the Systems division grew by 17.5% on the back of 15.0% revenue growth, whilst reduced sales in the IMS division led to lower profitability mainly in the managed services activities.

| Underlying profit | 2013 £000 | 2012 £000 | Inc/ (dec) £000 | Inc/ (dec) |
|-------------------------------------|--------------|--------------|-----------------------|---------------|
| Systems | 7,009 | 5,964 | 1,045 | 17.5% |
| Integration & Managed Services | 2,223 | 2,653 | (430) | (16.2%) |
| Central costs | (2,015) | (2,906) | 891 | (30.7%) |
| Underlying operating profit | 7,217 | 5,711 | 1,506 | 26.4% |
| Interest | (93) | (53) | (40) | 75.5% |
| Underlying profit before tax | 7,124 | 5,658 | 1,466 | 25.9% |

Research & development costs are charged to the division benefiting from the service provided by the Synectics Technology Centre, principally the Systems division. In 2013 £2.7 million was spent on research & development with £1.7 million charged to the Income Statement after capitalisation of £1.0 million of development costs. This compares with total expenditure of £2.0 million in 2012 of which £0.6 million was capitalised.

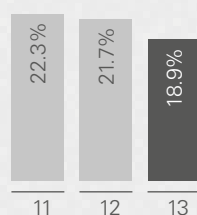
Recurring revenue (£m)

-7%



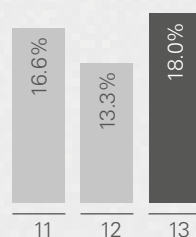
Recurring revenue as % of sales

-2.8%



Working capital %

+4.7%



Contracted sales where a service is delivered over a future time period and revenues are recognised in the relevant future accounting period.

Working capital as % of revenue.

Group underlying operating margins continued to advance in the year to reach 8.8% compared with 7.4% in 2012.

| Underlying operating margins | 2013 | 2012 | Inc/(dec) |
|--------------------------------|-------------|-------------|-------------|
| Systems | 15.7% | 15.3% | 0.4% |
| Integration & Managed Services | 5.8% | 6.7% | (0.9%) |
| Total Group | 8.8% | 7.4% | 1.4% |

The tax charge for 2013 was £1.7 million compared with £1.3 million in 2012. The underlying tax rate (being the percentage ratio of the tax charge for the period to underlying profit before tax, after adding back the tax effect of non-underlying items), was 23.5% (2012: 27.5%) and benefited from both reduced UK corporation tax rates and a lower average tax rate applicable to the Group's Singaporean subsidiary.

At 30 November 2013 the Group had total tax losses of £1.9 million (2012: £0.6 million) of which none has yet been recognised in the financial statements.

Diluted basic earnings per share for 2013 were 29.4p compared with 20.7p in the year ended 30 November 2012.

However, the Directors believe that a better measure of performance is the diluted underlying earnings per share which is calculated on the underlying profit before tax as defined above. This earnings per share measure improved by 29% to 32.6p compared with 25.2p in 2012.

| Earnings per share | 2013 p | 2012 p | Inc/(dec) p | Inc/(dec) |
|---------------------------------------|--------|--------|-------------|-----------|
| Diluted basic earnings per share | 29.4 | 20.7 | 8.7 | 42.0% |
| Diluted underlying earnings per share | 32.6 | 25.2 | 7.4 | 29.4% |

Statement of Financial Position

The net assets of the Group amounted to £39.5 million at 30 November 2013 (2012: £35.1 million) and can be summarised as follows:

| | 2013 £000 | 2012 £000 |
|-------------------------------|---------------|---------------|
| Property, plant and equipment | 2,641 | 1,680 |
| Intangibles | 22,672 | 20,669 |
| Non-current assets | 25,313 | 22,349 |
| Bank balances | 5,774 | 6,491 |
| Other net current assets | 14,861 | 10,244 |
| Tax liabilities | (1,587) | (613) |
| Provisions | (244) | (1,481) |
| Loans and borrowings | (4,575) | (1,850) |
| Net assets | 39,542 | 35,140 |

Non-current assets at 30 November 2013 were £25.3 million compared with £22.3 million at 30 November 2012.

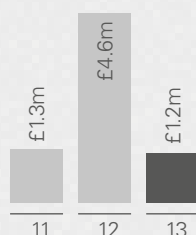
Total capital expenditure in the year amounted to £2.9 million compared to £1.4 million in 2012, reflecting continued investment in the future development of the business. Major items were £0.8 million spent on a property in Scunthorpe to accommodate the growth in the oil & gas sector activities and the reorganisation of the Systems division, £1.0 million on technology development projects, and £0.2 million on MIS systems within the IMS division.

This compares with depreciation and amortisation charges of £1.2 million (2012: £1.1 million).

The Balance Sheet value of goodwill increased by £1.2 million as a result of the CSA acquisition.

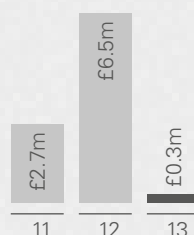
Working capital levels rose by £4.6 million to £14.9 million at 30 November 2013, principally as a result of several large contracts in progress around the year-end date, and lower than typical levels of working capital at the previous year end.

Net cash (£m) -74%



Cash balances net of loans.

Free cash flow (£m) -95%



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

Cash conversion % -109.1%



Ratio of free cash flow to underlying operating profit.

Working capital expressed as a percentage of annual revenues increased from 13% in 2012 to 18% at 30 November 2013.

Tax liabilities increased as a result of the increased tax charge on higher annual profits, with an increased proportion of overseas profits being paid in arrears rather than during the year in which the taxable profits arose.

Provisions at 30 November 2013 reduced to £0.2 million (2012: £1.5 million) after payment of £1.4 million of deferred and contingent consideration for Indanet in February 2013.

Cash

The Group ended the year with net cash balances of £1.2 million at 30 November 2013 (2012: £4.6 million) after deducting loans of £4.6 million drawn to finance the acquisition of Indanet and to purchase the property in Scunthorpe.

The net cash outflow of £0.7 million in the year is summarised in the table opposite.

Major items include capital expenditure of £2.9 million described above, and net cash outlays of £1.9 million to acquire the outstanding 49% and 80% of Indanet and CSA respectively, which were financed in part by drawing £3.0 million on the Group's loan facilities with its UK banks.

Tax payments of £0.7 million in 2013 were substantially lower than in 2012. Payments in 2012 included £0.5 million of US tax held over from 2011, whilst 2013 benefited from the deferral of certain overseas tax payments into 2014.

Dividend payments increased to £1.3 million (2012: £1.1 million).

Free cash flow, that is cash flow generated from operations less capital expenditure (but excluding any cash flows in respect of non-underlying items), was £0.3 million (2012: £6.5 million) and represents a cash conversion rate of 5% (2012: 114%), being the ratio of free cash flow to underlying operating profit.

| | 2013 £000 | 2012 £000 |
|----------------------------------------------------------------|--------------|--------------|
| Cash flows | | |
| Underlying operating profit | 7,217 | 5,711 |
| Depreciation and amortisation charges | 1,048 | 1,014 |
| Change in working capital | (5,029) | 1,191 |
| Cash from operations before non-underlying payments | 3,236 | 7,916 |
| Non-underlying items | (493) | (570) |
| Cash generated from operations | 2,743 | 7,346 |
| Interest paid | (93) | (53) |
| Taxation paid | (731) | (1,745) |
| Capital expenditure | (2,898) | (1,417) |
| Acquisitions | (1,858) | – |
| New borrowings | 2,952 | 81 |
| Issue of shares and share scheme interest realised in the year | 382 | 249 |
| Dividends paid | (1,336) | (1,140) |
| Effect of exchange rate changes | 122 | 72 |
| Net cash flow | (717) | 3,393 |
| Cash at the beginning of the year | 6,491 | 3,098 |
| Cash at the end of the year | 5,774 | 6,491 |
| Free cash flow | 338 | 6,499 |
| Cash conversion | 5% | 114% |



Nigel Poultney
Finance Director

26 February 2014



Division: Systems

Synectics' Systems division provides specialist video-based electronic surveillance systems and technology globally to end customers with large-scale highly complex security requirements, particularly for oil & gas operations, gaming and critical infrastructure protection.

| | |
|-------------------|-------------------------------------|
| Revenue | £44.8 million (2012: £38.9 million) |
| Gross margin | 38.5% (2012: 42.6%) |
| Operating profit* | £7.0 million (2012: £6.0 million) |
| Operating margin* | 15.7% (2012: 15.3%) |

At the beginning of 2013 all of the Group's proprietary Synectics branded surveillance systems activities were brought together under a single operating and management structure. This move has included the integration of Systems' two UK assembly, testing and system acceptance operations into one new facility near Scunthorpe, which will open in the first half of 2014.

Given this level of change and inevitable disruption, the division produced a good overall performance for the year.

The main highlight of the year was the award by a new customer in the Far East of the first phase of what we believe to be the largest and most technically demanding single-site physical surveillance system in the world. The system was delivered on time last November, and has since been operating successfully at the customer's location. Final acceptance testing is expected to be complete shortly. The contract provides for significant continuing maintenance and upgrade work, and we anticipate additional follow-on orders. We expect this

system to act as a powerful reference site for future sales in the region and elsewhere.

Also in the Far East, Synectics completed the acquisition of the outstanding 80% shareholding of Coex Services Asia Pte Limited, based in Singapore. Coex Services Asia has acted for many years as Synectics' agent and partner in the region for the oil & gas sector. The very capable management team from Coex Services Asia is now taking the lead in integrating our sales and engineering personnel from other customer sectors to form a new Far East operating hub for all of Synectics' activities.

Further progress was made in cementing Synectics' position as the leading supplier of surveillance systems to the several massive LNG developments taking place off the coast of Australia. During the year, we delivered a further phase of the Chevron-managed Gorgon project, and were confirmed as the chosen video surveillance supplier for the £25 billion Ichthys project, led by the Japanese oil company Inpex.

Oil & Gas, Heavy Industrial and Marine

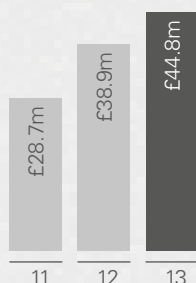
2013 was another record year for the oil & gas team who once again delivered an outstanding performance and a significant number of projects including Gorgon and the TAKREER Inter-Refineries Pipeline project expansions.

The global market for oil & gas continues to show healthy signs of growth. We anticipate 2014 will present new challenges as competition intensifies, but with strong customer and primary contractor relationships and a number of major projects in the pipeline, we remain confident and predict positive results in 2014.

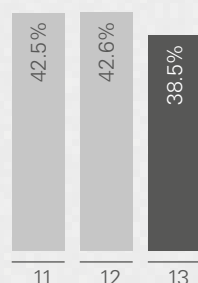
Going forward Synectics will continue to maintain momentum in its core markets, Middle East and Asia-Pacific, whilst actively pursuing opportunities in the US as part of our market entry strategy, having strengthened our business development resource.

* Before non-underlying items and Group central costs.

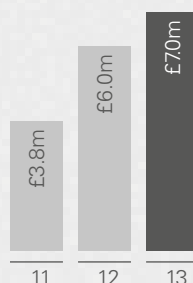
Revenue (£m)
+15%



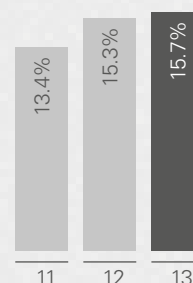
Gross margin (%)
-4.1%



Operating profit (£m)
+18%



Operating margin (%)
+0.4%



2014 will also see the launch of a revised range of COEX™ camera stations with HD resolution, and in-built IP functionality developed specifically for high temperature operation.

The shipping and marine sector is critical to the global economy and we continue to see real growth opportunities in this market.

We are actively promoting a technology shift in the shipping and marine sector which is to combine the image-capture quality of evolving camera stations with enhanced integration capabilities of intelligent monitoring and control systems, so that shipping and marine companies can keep assets secure while also enhancing overall operational efficiencies.

We are actively building on last year's successful performance working with the dominant Korean shipyards and are rapidly developing a good reputation in this market.

In 2013 Synectics delivered and commissioned solutions for eight LNG carriers, six specialist vessels, two navy vessels and 16 container ships.

We also received Det Norske Veritas ('DNV') type approval for our COEX™ range of camera stations in 2013.

Gaming

In 2013 Systems' performance in the gaming sector produced the best overall results to date. North American and UK sales remained strong but with few new casino builds last year, our major wins were focused on system replacements and upgrades from key repeat customers.

While we expect to win several new gaming customers in the coming year, new casino construction remains relatively flat in the US, so the majority of Systems' business will once again come from recurring gaming customers. We will focus on servicing and supporting core clients while cultivating new opportunities through resellers, tradeshows and PR.

Converting ageing analogue systems to hybrid and IP-based technologies and upgrading existing systems to Synectics' new Synergy3™ software platform present key opportunities which we expect to drive demand from new and existing customers.

The biggest gains in 2013 came from the Asia-Pacific region where we delivered and deployed a 5,000 channel system in one of the world's largest and most demanding gaming properties. In addition, Synectics made further inroads into the cruise ship market with new system sales to Star and Norwegian cruise lines. Synectics also secured its first casino project in the Philippines which has already led to another significant regional win for 2014.

On the heels of these initial successes in Southeast Asia, we are pursuing and quoting other major gaming opportunities in Macau, Singapore and the Philippines which we expect to bear fruit in 2014 and beyond. The Asia-Pacific gaming market remains quite robust with large new or expansion projects planned in Macau, Manila and Korea. Synectics' new encoders and IP cameras have been well received in the region, high profile customers are pleased with Synectics' performance and Synergy™, our command and control software platform, remains amongst the most capable and popular in the industry. Synectics' new Synergy3™ command and control software platform is designed to enhance our competitive position.

Several of Synectics' established Asian and North American corporate customers are also developing casino properties in the UK, Spain and throughout Europe. We are actively collaborating with various influencers and sales teams to leverage key top level relationships to our global advantage in all regions.

Overall, Synectics continues to grow its customer base and product reputation and maintains a top tier brand presence in the global gaming market.



Critical Infrastructure, High Security and Public Space

Synectics has a long track record of delivering solutions for critical infrastructure protection, high security, and environments where protecting people and assets is critical.

We continued to deliver innovative solutions to a number of critical infrastructure projects during 2013, including a complex multi-site system for a major utilities provider.

As we see this market developing to require even more intelligent integration, Synectics is ideally placed to deliver end-to-end solutions in this market and we believe we are building a unique and powerful capability here – developing from video surveillance to a more evolved command and control system, bringing together disparate systems across multiple sites.

Transport – Europe

This market is addressed by our European operation, Indanet, based in Munich. In the early part of 2013 we concluded the acquisition of the remaining 49% of its outstanding shares, two full years ahead of plan, allowing us to take full management control and accelerate integration with the rest of the Group.

The European transport market is growing fast with an estimated 11 billion passenger journeys last year in Germany alone. Operators face a variety of safety and security threats such as crime, vandalism, environmental and dangerous passenger situations.

Indanet works closely with leading transport operators such as Berlin BVG, Frankfurt VGF, Munich SWM and Deutsche Bahn, as well as suppliers such as Siemens Transportation and Stadler to help them address these threats by enabling quick and effective action via centralised command and control systems. These systems perform advanced analytics on data collected from video and other sensors which in turn helps operators predict and prevent problems before they arise. These capabilities lead to a reduction in crime, faster law enforcement response and cleaner stations

as well as helping passenger transport companies to attract and retain business and improve the well-being of passengers on their trip.

For Mobile Train Solutions we expect to see significant investments in IP-based technologies in the European market during 2014. This technology forms the basis for more intelligent train systems which integrate many aspects of surveillance, passenger information and train equipment status reporting systems. Indanet's Data-Hub Spider solution is already being implemented by Deutsche Bahn on its Regional Trains.

The adoption of Synectics' proprietary system technologies into the Indanet portfolio will enable them to access other market sectors throughout the European region.

Research & Development

The Synectics Technology Centre ('STC') operates as a centralised development unit for the Group as a whole and has played a key role in helping Synectics secure and deliver a number of major project successes during the year.

In order to improve our ability to meet highly complex bespoke project specific development requirements we continued to strengthen the STC team and invested in developing more standardised proprietary system components during 2013.

Synectics delivers the same underlying platforms across all sectors with shared hardware, firmware and software with only minor sector-specific modifications.

A number of new developments have been launched in 2013, these include:

EcoNaSS

In many environments the recurring costs of powering and cooling the equipment and data centres needed for enterprise video storage systems is high. The EcoNaSS product was introduced to significantly reduce these costs by using intelligent hard drive powering techniques to ensure only drives being written to or read from are active at any time. Coupled with a linear file system to



prolong hard drive life and reduce power consumption even when writing data, the EcoNaSS draws less than 70W of power to provide a useable 45TB of storage. This typically produces energy savings of 50% on average.

Synergy Reporting Engine

KPI Reporting has long been an important aspect of our customers' operations yet obtaining the relevant data and producing the reports has been a largely manual process of gathering data from numerous systems to create the required outputs. The updated Synergy Reporting Engine allows system managers to produce complex reports simply via either a range of pre-defined templates, or by creating their own report styles and data sets in the key system operational areas of Incident Management, User Activity Logging, Video Exports and Reviews and Fault Handling.

Most importantly the user creating the reports needs no IT skills such as database knowledge or third party reporting tools.

During 2014 we will launch several exciting new products:

- » next generation of our flagship **Synergy™ security management software platform** providing improved user interface and tiered levels of functionality to suit varying operational requirements. The next generation of the Synergy™ platform has been undergoing extensive on-site beta testing during the latter part of 2013 with a launch scheduled for Spring 2014;
- » new **enterprise storage platforms** to significantly increase the volume of video data throughput. This will become increasingly important with the continuing industry shift to HD and the forthcoming introduction of UltraHD cameras;
- » new **on-vehicle hybrid recorder** utilising the e1600 encoder technology platform;
- » new **Video Management System ('VMS') keyboard controllers**; and
- » improved **HD camera products** based on class leading sensor technology also with UltraHD resolution capability.



Contract highlight:

Synectics has designed and delivered a critical system for a **multi-purpose construction vessel**, destined to support projects in Brazil. To ensure operators have the complete picture, the system solution incorporates more than 50 monitor locations, many using Synectics' Micro DisplayWall Units to show multiple camera feeds. Integration to remotely operated underwater vehicle (ROV) control and pipe laying systems, as well as interfaces to the vessel's video conferencing facilities, are also included within the design and scope of this system.



Division: Integration & Managed Services

Synectics' Integration & Managed Services ('IMS') division is one of the leading UK providers of design, integration, turn-key supply, monitoring and management of large-scale electronic security systems. Its main markets are in critical infrastructure, transport, 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 help desk. The IMS division supplies proprietary products and technology from Synectics' Systems division as well as from third parties.

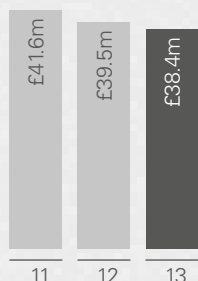
* Before non-underlying items and Group central costs.

| | |
|-------------------|-------------------------------------|
| Revenue | £38.4 million (2012: £39.5 million) |
| Gross margin | 24.7% (2012: 25.4%) |
| Operating profit* | £2.2 million (2012: £2.7 million) |
| Operating margin* | 5.8% (2012: 6.7%) |

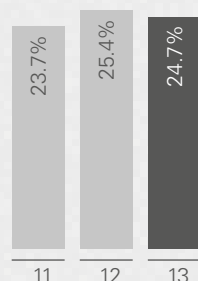
The divisional reorganisation, management changes and new MIS systems implemented in 2013 had a significant impact on the Integration & Managed Services division, particularly in the critical infrastructure and public space systems integration sectors. Despite these changes, significant successes were delivered in winning a major new national multi-year supply and maintenance contract for Go-Ahead Group in the transport sector, expansion of our ongoing contract with Magnox for nuclear sites, and a number of contracts for UK prisons and police facilities.

Particularly pleasing was the success of our pilot local government CCTV control room management outsourcing project for Luton Borough Council. We believe this area offers substantial opportunities in the consolidation of adjacent local authority CCTV control rooms into single centres, generating substantial savings for the authorities and improved operating effectiveness.

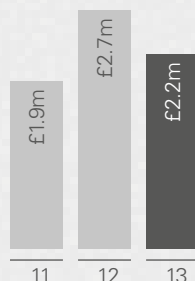
Revenue (£m)
-3%



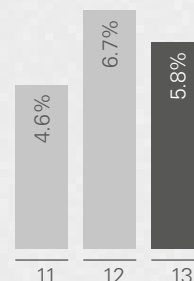
Gross margin (%)
-0.7%



Operating profit (£m)
-16%



Operating margin (%)
-0.9%



The IMS division was also recognised by the international security industry for its role in the protection of competitors and the public at the Olympics sailing events in Dorset in 2012, receiving the coveted 'Security Project of the Year' at the UK's premier security equipment trade show, IFSEC 2013.

Financial performance for the year was held back by the profile of our multi-year managed services contracts being more weighted towards early years, where lower margins are usual, and by delays in closing out a large integration project. The latter issue has been closely addressed as part of the organisational and MIS changes referred to above and should not recur.

As a result of the restructuring, the level of intra-Group co-operation within different sectors of the IMS division, and between the IMS division and the Systems division has already increased markedly. The ability of the organisation to act effectively in cross-selling and in combining customer offerings across system design, supply, integration, maintenance and outsourced management is a critical element of the Group's strategy.

We expect tangible benefits to flow from this approach in the current year, and an improved result from the IMS division for 2014.

Justice & Blue Light

In 2013 the IMS division secured a major contract with Avon & Somerset Police to develop and deliver security and CCTV solutions. Success in this sector is the result of a strong consultancy approach – working closely with clients, consultants and providers of complementary

technology to deliver fully integrated multi-discipline security management solutions across a wide range of locations, including custody suites and training facilities. We are actively working with over 25% of all Police Forces and as spending on security technology within the 43 UK Police Forces continues we are well-placed to further develop new business in 2014.

High Security

The IMS division strengthened its sales team to focus on the opportunities within this sector and relationships are developing positively with a number of organisations. The specialist team has not only increased the number of relationships in this sector, but is also using cross-Group innovation to deliver services that are unique in the market and have the potential to disrupt traditional security models.

Banking & Finance

In the Banking & Finance sector there is an increasing trend to look to outsource security services to Facilities Management providers, as well as invest in security technology, to reduce manpower and other operating costs. This is in part driven from US parent company initiatives, a trend we expect to see continue over the next year. In response to this initiative, we have taken steps to strengthen relationships with key clients in the sector. The IMS division is now recognised as a strategic partner adding value in the area of risk mitigation.



Public Space & Commercial

The IMS division continues to deliver added value solutions to a large number of local and central government security operations throughout the UK. As budgets for non-essential services are coming under increasing pressure, our position in the market remains strong and we are able to provide additional service beyond the traditional CCTV installation market which has grown significantly in recent years.

Managed Services

2013 saw the first full year of operation of the Luton control room which was outsourced to Synectics in early 2013. Our specialist team has received repeated praise for support given to local police forces in apprehending suspected criminals, and we have delivered on the value adding promises we made at the outset of the contract. Despite the challenging budgetary restrictions being

imposed on local authorities, the IMS division continues to win more business in this sector.

A key focus area in 2013 was to engage and secure contracts with new clients in both the Security and Facilities Management arenas via a revised sales strategy and market proposition. As a result six new clients were secured.

The outlook for 2014 remains positive as we further develop our integrated security solution offering.

Transport – UK, EMEA, APAC

2013 was a very successful year for our UK-based Mobile Systems team. We retained a major contract with Stagecoach and won a further new strategic contract with Go-Ahead, from a key competitor. We also expanded our sales in exports and other diversified markets.



Contract highlight:

Synectics is developing a strategically-driven partnership with **Go-Ahead Group**, one of the UK's top five bus operators. Synectics will supply, install, maintain and support CCTV systems on Go-Ahead's fleet of 4,600 buses as well as develop an integrated software solution using the latest technology and a specialist security control-hub to combine Go-Ahead's on-vehicle CCTV with other critical business systems. The solution will enable Go-Ahead's comprehensive CCTV equipment to deliver added business benefits – reduce costs, improve efficiency and make surveillance footage easier to access and utilise.



The two big contract awards, each worth more than £5 million over three years, provide an excellent foundation for growth and opportunities in the UK bus and coach market and have propelled us to a market leading position in the UK.

The export market for Synectics' mobile systems is expanding significantly. The Mobile Systems team has made good progress working in partnership with Alexander Dennis to supply CCTV and multi-media systems to the Asia-Pacific region, particularly Hong Kong. Our overseas sales in this sector increased by 110% in 2013. We anticipate continuing strong demand particularly from Asia and the Middle East and are working closely with bus manufacturers and overseas operators to capitalise on these opportunities.

Market opportunities are continuing to develop in other transport sectors with market and product diversification in blue light, rail and tram, and cash-in-transit. The Mobile Systems team secured a number of key sales in the year and is at an advanced stage on a number of potential opportunities for 2014.

Growth in the rail and tram market is expected to accelerate. With the largest market being EMEA, and with existing relationships with operators, we are well-placed to make further inroads in this market.

**In 2013 our overseas sales
in this sector increased by**

110%

Understanding and managing key risks to the Group

The Group seeks to understand and manage the various risks that arise from its 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 of Directors, advised by the Audit Committee, has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. 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 can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority. In particular there are clear procedures for capital investment appraisal and approval, contract risk appraisal and financial reporting within a comprehensive financial planning and accounting framework.

Given the size and growth of the Group a dedicated internal audit function has been put in place during the year to give additional assurance on controls and supplement the work undertaken by the external auditor.

| Risk Things which may impact the business | |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Reputational risk | The nature of the Company's business and its customer base mean that Synectics is particularly dependent for future business on its reputation in the marketplace, particularly for the quality and reliability of its products and services, and the overall integrity of its people. |
| Price & margin pressure | The electronic security industry in general is competitive with continued pressure on sales and margins. |
| Technological risk | As the industry becomes increasingly technical and transitions to digital technology, there is a risk that products become obsolete or irrelevant. |
| People skills & dependency | As with most businesses, particularly those operating in a technical field, we are dependent on our employees with key managerial, engineering and technical skills. |
| Exchange rate risk | The Group operates internationally giving rise to exposure from changes in foreign exchange rates. |
| Contractual liabilities | Where the Group's product or service offering fails to meet agreed standards or timescales there is a risk that the Group will be exposed to claims for contractual liabilities as a result of this failure. |
| Integration risk | The implementation of the Group's strategic business plan is challenged by the risks of managing two different business models. |

Mitigation

What we are doing to minimise the risk

The Group addresses this risk by the Board and all levels of management consistently emphasising that those attributes are embedded in the culture of the Group, and by regularly seeking feedback from customers and employees.

We will continue to focus on customer sectors where electronic security systems have a critical cost of failure, or an extreme environmental requirement, rather than the mass volume markets. In addition we will maintain a core of increasingly software-based proprietary technology giving higher margin opportunities, and focus on developing recurring revenues.

Synectics has countered this risk through its 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 Group aims to offer appropriate remuneration packages and incentive arrangements, as well as maintaining certain key-man insurance policies, in order to mitigate this risk.

The Group manages this risk principally through forward exchange contracts. As the Group expands its sales and other activities outside the UK, these policies will be further developed to manage the impact of currency variations.

The Group maintains rigorous quality standards in all its operations and carefully assesses the terms on which it agrees to enter into contractual relationships at appropriate levels of responsibility.

We have taken steps to reorganise Synectics plc around the two business models, with clear senior level accountability for each model.



Read more about how the Group manages risk in the **Corporate Governance Statement** from **page 36**

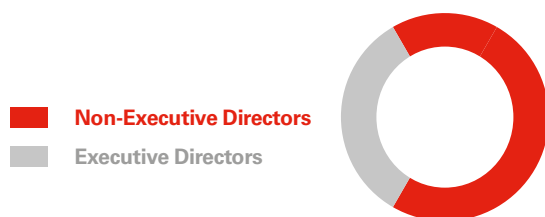


The **Audit Committee** advises the Board of Directors on matters of risk management. They have their own report, which can be read on **page 44**

The Board of Directors

Board composition

The Board of Synectics comprises, in addition to the Chairman, three independent Non-Executive Directors and two Executive Directors. Membership of each of the Audit Committee and the Remuneration Committee is made up solely of the three independent Non-Executive Directors. That structure has been in place for nearly three years, and follows the Code provisions for listed companies of any size.



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. He is currently a director of AIM-quoted SCISYS plc and chairman and/or a director of several other companies, mainly in the electronics technology field.



Dennis Bate CBE
Independent Non-Executive Director

has 53 years of experience in the construction industry, of which 38 years were spent with Bovis, most latterly as board director responsible for Bovis' operations in the UK and Eastern Europe, and then Bovis' Lend Lease operations. He was awarded the CBE for his services within the industry.



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.



John Shepherd

Chief Executive

has a degree in Electronic Engineering from the University College of North Wales and he is a fellow of the RSA. He is a former Managing Director of Smiths Detection Division, former CEO of First Technology plc and former Non-Executive Chairman of FTSA Holdings Ltd.

■ Non-Executive Directors
■ Executive Directors



Peter Rae

Senior Independent Director

is an Independent Non-Executive Director and is a graduate of Cambridge University, and formerly Chief Executive of S.W.Wood plc (now Wyndeham Press plc). He has current interests in a wide range of engineering and other businesses.



Nigel Poultney

Finance Director

has a degree in Business Studies from Aston University, and qualified as a Chartered Accountant with Deloitte, Haskins and Sells in 1981. He joined Synectics plc in 1991, having previously worked for Dairy Crest and the RTZ group.



"The Board continues to support wholeheartedly the letter and spirit of the UK Corporate Governance Code, and it remains our intent to follow Code provisions wherever we sensibly can."

David Coghlan
Chairman

Introduction to governance

Our 2012 Annual Report included for the first time a specific section reporting on the evolving approach of Synectics' Board to the Company's corporate governance. We view this change as an important and very positive step in the development of our communication with shareholders.

In the introduction to that section last year, I provided a progress report on our continuing review of governance matters in general as well as a lengthy explanation of the rationale behind the views and actions the Board has taken on three critically important issues:

- » Values and Leadership;
- » The Composition, Independence and Effectiveness of the Board; and
- » The Group's Share-Based Long-Term Remuneration Plans.

A year on, those comments remain both current and centrally relevant to the overall picture of Synectics' governance. I won't repeat them here, but any shareholder wishing to will find the 2012 Annual Report available on our corporate website.

In this year's introduction, I would like to focus primarily on explaining the Board's views and policies, and the actions we are taking, on two other important governance areas: diversity and risk management.

Diversity

Synectics' policy on diversity has been for a long time to recruit the best available candidate for each position, while recognising that decision making within our senior management teams will be better if such teams incorporate diverse viewpoints, backgrounds and experience. Baldly stated, that sounds trite and obvious. The crux of the issue is what we are doing in practice to assess and improve the Group's performance on this dimension.

Our approach is to:

- » foster a Company culture that is open, respectful of individuals and intolerant of any form of discrimination;
- » ensure that performance appraisals of executive managers clearly include their progress in recruiting and developing well-balanced, effective teams; and
- » help managers, through the Group HR function, to recognise that we are all subject to unconscious biases that should be explicitly understood in recruitment decisions.

A major part of the reason that the Board rotates its meetings around the Group operations, and that Non-Executive Directors make site visits outside of formal meetings, is to help us to assess directly how the various senior management teams work together. These are in reality subtle and complex matters where the judgement and experience of individual Directors are crucial in helping the Board to identify issues that may need attention.

A disappointing proportion of the public diversity debate has been overly simplistic, for example, often conflating gender balance, where a number can be measured, a



@Chevron Australia

Synectics develops long-term strategic partnerships with our customers and specifically organisations that have the security and surveillance needs of sufficient complexity and scale that they value the sophistication of our capabilities and expertise.



See a selection of contract highlights on our website: www.synecticsplc.com

target set and a box ticked, with diversity in the true sense. Nevertheless, in 2013 the Board reviewed Synectics' position on that metric. As at 30 November 2013, 29% of our senior managers across the Group were female. This compares with a recent survey showing a figure for senior managers across all UK businesses of 20%¹. It is also worth noting that two of our female senior managers are Operations Directors, usually an area with a strong male bias, especially in technical engineering businesses.

During 2013 we continued our support of the 'Inspirational Journey' initiative aimed at developing our female senior managers. The 'Journey' aims to provide women with greater choice and control in their career, encouraging them to exceed their own expectations in pushing themselves forward.

This does not mean we are satisfied. Our strategy is for Synectics to continue to expand internationally, which will mean the challenge of encouraging and managing the degree of real diversity the Company needs will only grow.

Risk management

During 2012 Steve Coggins was appointed as Chairman of the Audit Committee, with a brief that included taking a fresh look at our approach to risk management at Board level.

One result from that process was an extensive and thorough review across last financial year of the risks that Synectics faces, both at operating unit and Group levels. Specifically, this involved interviews with senior managers and with all Directors covering their individual views ranking both the likelihood and potential impact of the whole range of identified risks. This was then collated and discussed by the Board to produce a consensus list and ranking which is now monitored and updated as necessary at each Board meeting.

In addition, in July 2013 the Audit Committee approved a revised and strengthened internal audit programme, as described in the Audit Committee Report on page 44.

Synectics is also in the process of implementing IT systems upgrades across major parts of the business, which will enable enhanced management reporting and control, as well as significantly improved business continuity plans in the event of a catastrophic failure on one or more of our sites.

Collectively these actions have contributed to an improved control environment across the Group.

Again, we are not satisfied and there is more to be done, particularly as our geographic spread continues to increase. The Board does believe, however, that we have moved forward substantially in this area over the past year.

As a final point, I would like to provide an update on the Board itself. Last year I reported that we were keeping under review the right time to make an additional Non-Executive Director appointment. It is now our intention to initiate a search for such an appointment towards the end of 2014.

The Board continues to support wholeheartedly the letter and spirit of the UK Corporate Governance Code, and it remains our intent to follow Code provisions wherever we sensibly can within the constraints of the Group's size and resources.

David Coghlan
Chairman

26 February 2014

¹ Grant Thornton International Business Report 2012.

The corporate governance disclosures include the Chairman's Introduction, the Corporate Governance Statement, the Remuneration Committee Report and the Audit Committee Report.

The Board

The Board comprises a Non-Executive Chairman, three Non-Executive Directors and two Executive Directors. The Company believes the size and composition of the Board give it sufficient independence, balance and broad experience to provide effective oversight of Synectics' strategy, performance, resources and standards of conduct. The 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 Group 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 Group Chief Executive, John Shepherd, assisted by senior management.

Peter Rae fulfils the role of the Senior Independent Director of the Company. He was appointed based on his ability to perform the role and his deep knowledge and experience of the Group. He supports and deputises for the Chairman on matters relating to Directors and engagement with shareholders.

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 is a matter reserved for the Board. All Directors have direct access to the Company Secretary and to independent professional advice at the Company's expense as required.

The Company 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 2013, seven scheduled Board meetings and two additional Board meetings were held. In addition, as it does each year, the Board also convened and participated in a separate full day's discussion of the Group's strategy and three-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, financial and capital plans; and considering Group policies and any major investments or organisational changes.

Agenda items scheduled for every Board meeting include strategy, 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.

Following Board Committee meetings, the Board receive copies of the Committees' minutes at the next Board meeting and can raise any queries or concerns with the Committee chairmen.

Board meetings

Board meetings are scheduled in different Group offices to give the Board the opportunity to meet local management and employees, and to develop greater business knowledge and depth of awareness of business specific opportunities and threats. All Directors receive papers sufficiently in advance of meetings to enable due consideration.

During 2013, 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 three-year plan;
- » financial statements and approval of dividends;
- » review and approval of acquisitions;
- » risk management oversight and monitoring of Group risk registers;

- » review of internal controls and approval of internal audit plan;
- » review of pension arrangements in light of auto-enrolment;
- » board and senior management succession planning;
- » approval of large contracts and bids;
- » approval of large capital expenditure projects;
- » committee reports and recommendations;
- » remuneration of Executive Directors and senior management;
- » review of corporate governance reporting; and
- » board and Committee evaluation and progress of actions from 2012 evaluation.

Details of attendance at Board and Board Committee meetings during the 2013 financial year were as follows:

| | Total number of meetings | | |
|----------------------------------------------------|--------------------------|-----------------|------------------------|
| | Board meetings | Audit Committee | Remuneration Committee |
| DJ Coghlan Chairman | 9 | – | – |
| D Bate | 9 | 3 | 4 |
| SW Coggins Chairman of Audit Committee | 9 | 3 | 4 |
| PM Rae Chairman of Remuneration Committee | 9 | 3 | 4 |
| J Shepherd | 9 | – | – |
| NC Poultney | 9 | – | – |

Directors' conflicts of interest

A Conflicts 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 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 consider 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 Committees

The Company has two Board Committees: a Remuneration Committee and an Audit Committee. The roles and activities of those committees are included in the respective committee reports on pages 39 to 44.

The functions of a nominations committee are undertaken by the Group Board as a whole. 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 directly.

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.

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. Further comments on this area are included in the Chairman's Introduction on the previous page.

Board performance and effectiveness

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 Secretarial department. On acceptance of appointment all Directors are provided with an induction pack, which includes: their appointment letter and terms; latest accounts and constitutional documents; protocol for conflicts of interest, price-sensitive information, Directors' duties and data protection; Group Model Code and Group policies; Board meeting procedures and Matters Reserved; Board minutes for the previous twelve months; 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.

Performance evaluation

The Board undertakes a self-assessment process annually. 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 debated and challenged, robustly and openly, in a Board meeting and actions for improvement are agreed. Progress against these actions is then monitored and reported on throughout the following year. The performance of the Chairman is reviewed in the Chairman's absence by the Board, led by the Senior Independent Director. Directors' individual performance and development objectives are set to support individual and business needs, as well as the action plan for the Board and Committees.

Independence

As part of the appraisal of each Director, the independence of all Non-Executive Board members is reviewed and evaluated annually. Peter Rae, Steve Coggins and Dennis Bate have served on the Board for sixteen, nine and eight years respectively. Each brings different and

complementary high-level experience relevant to the current business and future development of the Group. During 2013 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 and contribute to the success of the Company and to the performance and effectiveness of the Board. For these reasons, each of the three Non-Executive Directors is considered by the Board to be independent.

Shareholder engagement

The Board welcomes dialogue with shareholders and actively engages with shareholders through face-to-face meetings, written queries, and at the Company's Annual General Meeting. Individual meetings are conducted with those substantial shareholders who so request following the announcement of final and half year results. The Group's brokers are requested to collate all responses from such investor meetings and to pass these to the Board. In addition, the Chairman apprises all Board members of any other significant shareholder feedback or discussions. As part of the continued review of the Company's governance reporting, these 2013 Annual Report and Accounts include expanded narrative governance disclosures that take into account the views of shareholders expressed through the engagement process.

By Order of the Board



David Coghlan
Chairman

26 February 2014

This report provides information about the Remuneration Committee, the remuneration policies approved and applied by the Board, and the actual remuneration of Directors for the year ended 30 November 2013. This report does not constitute a directors' remuneration report in compliance with the requirements of the Code or the Companies Act 2006, as the Company is exempt from such requirements.

Unaudited information

Remuneration Committee

The Group's Remuneration Committee comprises:

- » Peter Rae, Chairman of the Committee, Senior Independent Director
- » Dennis Bate, Independent Non-Executive Director
- » Steve Coggins, Independent Non-Executive Director.

The Committee members are independent Non-Executive Directors and have no personal or financial interests, other than as shareholders, in the matters considered by the Committee.

The Remuneration 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 members of the Board. 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 Company's website at www.synecticsplc.com/Investor_Relations/Corporate_Governance/Board_Committees.

During the last financial year the Committee met four times. Neither the Executive Directors nor the Chairman attend other than by invitation of the Remuneration Committee and are not present at any discussion of their own remuneration.

The principal duties of the Remuneration 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 senior executive management 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 senior executive management;
- » ensure that contractual terms on termination and any payments made are fair, that failure is not rewarded and 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.

The Committee Chairman reports formally to the Board on the Committee's proceedings after each meeting; ensures that an annual report of the Company's remuneration policy and practices is published in the Company's Annual Report and Accounts; and (from 2012) ensures each year that the Remuneration Committee Report, which contains the Directors' remuneration, is put to shareholders for approval at the Annual General Meeting.

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

During the past financial year the Remuneration Committee met four times and considered the 2012 bonus awards and salary increases for the Executive Directors and senior executive management.

The Committee approved the discretionary executive bonus scheme to take effect in the financial year 2013 for Executive Directors. For the 2013 financial year, the upper limits on bonuses were set at 75% of base salary for the Chief Executive and 60% for the Finance Director. An award of options under the Performance Share Plan on 29 October 2013 was considered and approved. The Committee also approved exercises of options over shares, and sales of shares, in respect of the Company's various incentive plans during the year.

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 is also aimed at ensuring employees are rewarded fairly for their individual contributions to its performance and 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 only made on the basis of 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. 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 46.

Executive Directors are not entitled automatically to compensation payments for loss of office, other than payment in lieu of their contractual notice period if legally required.

Executive Directors do not hold directorships in other companies and accordingly no remuneration is due to the Company.

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 Remuneration 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 Company does not deduct for, or contribute to, a pension.

Audited information

Details of the Directors' emoluments are given below and form part of the audited financial statements.

a) Remuneration

| | Salary and fees £000 | Bonuses* £000 | Benefits £000 | 2013 Total (excl pension) £000 | 2012 Total (excl pension) £000 | 2013 Pension £000 | 2012 Pension £000 |
|--------------------------------|-------------------------|------------------|------------------|-----------------------------------------|-----------------------------------------|-------------------------|-------------------------|
| Executive Directors | | | | | | | |
| J Shepherd | 250 | 35 | 30 | 315 | 450 | 30 | 29 |
| NC Poultney | 156 | 21 | 30 | 207 | 250 | 43 | 43 |
| Non-Executive Directors | | | | | | | |
| DJ Coghlan | 75 | – | 11 | 86 | 88 | – | – |
| PM Rae | 30 | – | – | 30 | 25 | – | – |
| SW Coggins | 30 | – | – | 30 | 25 | – | – |
| D Bate | 30 | – | – | 30 | 25 | – | – |
| Total | 571 | 56 | 71 | 698 | 863 | 73 | 72 |

* Bonuses were paid or accrued in the year ended 30 November 2013 for specific achievement of agreed personal objectives and corporate performance metrics.

Pension contributions shown above reflect pension payments into money purchase arrangements. There were no other pension payments or accrued pension benefits arising under money purchase schemes in respect of Directors.

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 2013 and 26 February 2014.

Performance Share Plan

The following Executive Directors held an interest in the Company's shares at 30 November 2013 through awards made under the Synectics' Performance Share Plan (the 'PSP'), which was established on 9 October 2012, as set out below and in note 24.

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 Executive Shared Ownership Plan (below).

No rights under this scheme were exercised by Directors during the year.

| Date awarded | 9 October 2012 | | 31 October 2013 | |
|--------------|------------------|-----------------|------------------|-----------------|
| | Number of shares | Issue price (p) | Number of shares | Issue price (p) |
| J Shepherd | 15,000 | 272.5 | 5,000 | 510.0 |
| NC Poultney | 10,000 | 272.5 | 5,000 | 510.0 |

Executive Shared Ownership Plan

The following Directors held an interest in the Company's shares at 30 November 2013 through participation in the Quadnetics Group Executive Shared Ownership Plan (the 'ExSOP'), which was established on 7 July 2009, having superseded an earlier scheme established in 2005, as set out below and in note 24. 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* | | 7 March 2011 | |
|--------------|------------------|-----------------|------------------|-----------------|
| | Number of shares | Issue price (p) | Number of shares | Issue price (p) |
| J Shepherd | 370,338 | 147.5 | 15,000 | 173.0 |
| NC Poultney | 200,000 | 147.5 | 10,000 | 173.0 |
| DJ Coghlan | 93,243 | 147.5 | – | – |

* Share awards issued on this date were rolled over from share awards held under a previous version of the ExSOP.

Employees' Share Acquisition Plan

The Executive Directors also participate in the Quadnetics Employees' Share Acquisition Plan (the 'ESAP') which was adopted on 23 April 2010. Deductions from salary are used to buy partnership shares in Synectics plc 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.

The Executive Directors had the following interests over Company shares held in the ESAP at 30 November 2013:

| | Purchase price (p) | J Shepherd Number of shares | NC Poultney Number of shares |
|---------------------------|--------------------|-----------------------------|------------------------------|
| Partnership shares | | | |
| 14 October 2010 | 147.5 | 338 | 338 |
| 7 April 2011 | 177.5 | 422 | 422 |
| 2 November 2011 | 185.5 | 405 | 405 |
| 20 April 2012 | 200.0 | 375 | 375 |
| 9 October 2012 | 272.5 | 275 | 275 |
| 3 April 2013 | 282.5 | 265 | 265 |
| 14 October 2013 | 393.0 | 191 | 191 |
| | | 2,271 | 2,271 |
| Dividend shares | | | |
| 25 July 2011 | 200.0 | 7 | 7 |
| 2 November 2011 | 205.0 | 9 | 9 |
| 17 May 2012 | 289.0 | 19 | 19 |
| 9 October 2012 | 272.5 | 14 | 14 |
| 8 May 2013 | 445.0 | 21 | 21 |
| 4 October 2013 | 488.0 | 13 | 13 |
| | | 83 | 83 |
| | | 2,354 | 2,354 |

Employees' Share Acquisition Plan continued

The mid-market price 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 2012 | 284.5p |
| At 30 November 2013 | 610.0p |

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

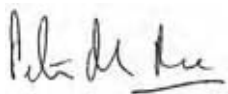
| | Ordinary shares of 20p each |
|---------|-----------------------------|
| Maximum | 615.0p |
| Minimum | 284.5p |

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 |
|-------------|---------------|
| DJ Coghlan | 12 months |
| D Bate | 1 month |
| SW Coggins | 1 month |
| PM Rae | 1 month |
| J Shepherd | 12 months |
| NC Poultney | 12 months |

By Order of the Board



Peter Rae

Chairman of the Remuneration Committee

26 February 2014

The Audit Committee comprises:

- » Steve Coggins, Chairman of the Committee, Independent Non-Executive Director
- » Dennis Bate, Independent Non-Executive Director
- » Peter Rae, Senior Independent Director.

All of the Committee members are independent Non-Executive Directors and have no personal or financial interests, other than as shareholders, in the matters considered by the Committee.

The Audit Committee has formal terms of reference which 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 Company's website at www.synecticsplc.com/Investor_Relations/Corporate_Governance/Board_Committees.

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

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

The main function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities. Its principal duties are to:

- » make recommendations to the Board on the appointment, re-appointment or removal of the external auditor and the amount of their remuneration;
- » discuss and agree the scope of the audit and review the auditor's management letter and the Company'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 statement on internal control systems and recommend the statement to the Board for approval;
- » 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 Audit Committee approved the 2012 Annual Report and Accounts and the 2013 half year results, recommended re-appointment of the auditor, and agreed the scope of the 2013 audit with the auditor. In addition, the Committee spent considerable time on re-assessing the Board's approach to setting and monitoring internal controls and overall risk management within the Group. Specifically, the Committee led a number of Board discussions on risk and controls and arranged for specific presentations to the Board by the Group Financial Controller and the Finance Director on expanding the

scope of activities and analysis undertaken on these issues. One example of improved oversight as a result of this expanded review process during the year was the identification and quantification of risks associated with dependencies on certain component suppliers, and agreed actions to mitigate certain of those risks. The Board reviews a summary of the key risks and agreed mitigating actions taken from risk reviews prepared for each business.

Internal controls

The conclusions of the Committee's review and assessment of internal controls are set out in the Risk and Risk Management section on pages 30 to 31.

Audit independence

The Audit Committee and the Board place great emphasis on the objectivity of the external auditor in its reporting to shareholders.

The audit partner and senior manager are present at Audit Committee meetings as required to ensure full communication of matters relating to the audit. The overall performance of the auditor is reviewed annually by the Audit 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 Audit Committee also has discussions with the auditor, without management being present, on the adequacy of controls and on any judgemental areas. The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are approved by the Audit Committee.

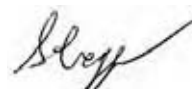
Assignments of non-audit work have been and are subject to controls by management that have been agreed by the Audit Committee so that audit independence is not compromised.

Other than audit, the Board is required to give prior approval of work carried out by the auditor and its associates 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 Audit Committee with confidence in the independence of the auditor in its reporting on the audit of the Group.

Non-audit services

The Audit Committee is satisfied that the current provision of non-audit services by the Group's auditor does not impair its independence or objectivity. That conclusion is based on the relatively low amount of fees for non-audit services in comparison to audit services (see note 6 to the financial statements), and on specific discussions with the auditor.

By Order of the Board



Steve Coggins
Chairman of the Audit Committee

26 February 2014

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

Principal activities

The principal activities of Synectics plc (the 'Company') and its subsidiary companies (the 'Group') are set out within the Strategic Report which comprises the Chairman's Statement, Strategic Review and the Performance Review on pages 4 to 31.

Review of business and future developments

The Consolidated Income Statement for the year ended 30 November 2013 is set out on page 50.

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 4 to 31. These reports together with the Chairman's Introduction, Corporate Governance Statement, the Remuneration Committee Report and the Audit 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;
- » Gross margin %;
- » Underlying operating profit and underlying profit before tax;
- » Operating margin %, being the ratio of underlying operating profit to revenue;
- » Diluted basic earnings per share;
- » Diluted underlying earnings per share (based on underlying profit after tax);
- » Order book;
- » Recurring revenue (being contracted sales where a service is delivered over a future time period and revenues are recognised in the relevant future accounting period);
- » Recurring revenue as a % of total revenue;
- » Net cash balance;
- » Working capital %;
- » Free cash flow; and
- » Cash conversion %.

Principal risks and uncertainties

Details of the principal risks and uncertainties considered by the Board to affect the Group, and the related risk mitigation actions, are given on pages 30 to 31.

Group results and dividends

The consolidated profit after tax for the year was £4,917,000 (2012: £3,367,000).

The Directors recommend a final dividend of 5.5p per share (2012: 5.0p per share), totalling £947,000 on 7 May 2014 to shareholders registered on 28 March 2014. Together with the interim dividend of 3.0p per share paid on 20 September 2013, this brings the total dividend for the year to 8.5p per share (2012: 7.5p per share) amounting to £1,466,000 in total (2012: £1,297,000).

Financial instruments

Details of financial instruments to which the Group is a party are shown in note 31 to the financial statements.

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 £2.7 million (2012: £2.0 million), of which £1.6 million (2012: £1.4 million) has been written off to the Income Statement.

Share capital

The Company's issued ordinary share capital comprises a single class of ordinary shares of 20p each, which 17,694,891 shares were in issue and listed on the Alternative Investment Market of the London Stock Exchange as at 30 November 2013. No shares were held in treasury and 1,492,564 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. No securities were issued in connection with a rights issue during the year.

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 13,034 shares in the Company were purchased by the employee benefit trust during the 2013 financial year.

Directors' interests

Interests of the Directors and their connected persons in the issued share capital of the Company as at 30 November 2013 are as follows:

| | 2013 Number of shares held | 2013 Interests in share schemes | 2013 Total interests in shares | 2012 Total interests in shares |
|-------------|----------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------------|
| DJ Coghlan | 1,501,303 | 93,243 | 1,594,546 | 2,094,546 |
| PM Rae | 218,302 | – | 218,302 | 218,302 |
| D Bate | 146,000 | – | 146,000 | 146,000 |
| J Shepherd | 66,272 | 407,692 | 473,964 | 461,174 |
| SW Coggins | 13,080 | – | 13,080 | 13,080 |
| NC Poultney | 13,000 | 227,354 | 240,354 | 234,864 |
| | 1,957,957 | 728,289 | 2,686,246 | 3,167,966 |

Significant shareholdings

As at the close of the market on 21 February 2014, 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 | Nature of interest |
|--------------------------------------|---------------------|-----------------------------|-----------------------|
| Investec Wealth & Investment Ltd | 1,901,958 | 10.75% | Indirect |
| Quadnetics Employees Benefit Trust | 1,483,714 | 8.38% | Direct |
| Standard Life Investments Ltd | 1,384,398 | 7.82% | Direct |
| Old Mutual Plc | 1,061,517 | 5.99% | Indirect |
| Whitehall Associated SA | 1,000,000 | 5.65% | Direct |
| Nutraco Nominees Ltd UKREITS Account | 664,332 | 3.75% | Indirect |

Board of Directors

The Directors were all in office throughout the financial year ended 30 November 2013. There have been no changes to the Board of Directors subsequent to the year end. Details and biographies of the Directors are shown on pages 32 and 33.

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 and, being eligible, offer themselves for re-election. The Directors proposed for re-election at the 2014 Annual General Meeting are DJ Coghlan and SW Coggins.

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 Company'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 Company ('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. There were no related party transactions during the year or up to the date of this report.

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 Company; 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 512 people in 2013 (2012: 474).

The Group has established 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 makes every effort to recruit and continue the employment, training and promotion of those persons who are or become disabled.

Employee engagement

The Group engages with its employees regularly through various media: email alerts, focus groups, monthly bulletins, team briefings, an annual senior management conference and annual staff survey. Details of the performance of the Group are shared with all employees at the appropriate time using the methods above.

The Company operates a 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.

Policy on payment of suppliers

The Group's policy during the year was to pay suppliers in accordance with agreed terms. At 30 November 2013 the Group had 63 days' purchases outstanding in trade payables (2012: 52 days').

Charitable donations and activity

The Company made a donation of £2,700 (2012: £1,510) to charitable causes during the year.

Political donations

The Company made no political donations during the year and its policy is not to make such donations.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have reviewed the Group's objectives, policies and processes for managing its capital, financial risk management, financial instruments, exposure to credit and liquidity risk, and financial forecasts. As a result of this review the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The notice convening the Annual General Meeting is included with this Annual Report and Accounts on pages 95 and 96 and includes full details of the resolutions proposed.

Auditor

The Group's auditor, KPMG Audit Plc, notified the Company it was in the process of transferring its audit work to KPMG LLP. The Board has recommended KPMG LLP be appointed as auditor and a resolution concerning its appointment will be put to shareholders at the Annual General Meeting.

Post-balance sheet events

There are no post-balance sheet events to report.

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' Responsibilities Statement

The Directors are responsible for preparing the Annual Report, Strategic Report, Directors' 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. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 and prudent;
- » for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- » for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- » prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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 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.

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.

Responsibilities statement

The Directors confirm that to the best of their knowledge:

- » the financial statements, prepared in accordance with IFRSs as adopted by the EU, 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 performance, business model and strategy.

Strategic Report approval

The Strategic Report, set out on pages 4 to 31, consists of the Chairman's Statement, Strategic Review and Performance Review.

By Order of the Board



Nigel Poultney
Company Secretary

26 February 2014

We have audited the financial statements of Synectics plc for the year ended 30 November 2013, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Parent Company Balance Sheet, and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement (set out on page 48), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2013 and of the Group's profit for the year then ended;
- » the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- » the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- » the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Stuart Smith (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

26 February 2014

Financial Statements
Consolidated Income Statement
For the year ended 30 November 2013

| | Note | 2013 £000 | 2012 £000 |
|------------------------------------------------------------------------------------------------------------------|------|---------------|--------------|
| Revenue | 2 | 82,363 | 77,039 |
| Cost of sales | | (55,664) | (50,451) |
| Gross profit | | 26,699 | 26,588 |
| Operating expenses | 3 | (19,985) | (26,078) |
| Profit from operations | | | |
| – Excluding non-underlying items and impairment of goodwill | 7 | 7,217 | 5,711 |
| – Non-underlying items | 4 | (503) | (1,208) |
| – Impairment of Indanet goodwill | 5 | – | (3,993) |
| Total profit from operations | | 6,714 | 510 |
| Finance income | 10 | 245 | 244 |
| Finance costs | 11 | (338) | 3,955 |
| Profit before tax | | | |
| – Excluding non-underlying items, impairment of goodwill and adjustment to deferred and contingent consideration | | 7,124 | 5,658 |
| – Non-underlying items | 4 | (503) | (1,208) |
| – Impairment of Indanet goodwill | 5 | – | (3,993) |
| – Adjustment to Indanet deferred and contingent consideration | 5 | – | 4,252 |
| Total profit before tax | | 6,621 | 4,709 |
| Income tax expense | 12 | (1,704) | (1,342) |
| Profit for the year attributable to equity holders of the parent | | 4,917 | 3,367 |
| Basic earnings per ordinary share | 14 | 30.9p | 21.6p |
| Diluted earnings per ordinary share | 14 | 29.4p | 20.7p |
| Underlying basic earnings per ordinary share | 14 | 34.2p | 26.3p |
| Underlying diluted earnings per ordinary share | 14 | 32.6p | 25.2p |

Financial Statements
Consolidated Statement of Comprehensive Income
For the year ended 30 November 2013

| | 2013 £000 | 2012 £000 |
|---------------------------------------------------------------------------------------------|--------------|--------------|
| Profit for the year | 4,917 | 3,367 |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Actuarial (losses)/gains | (264) | 34 |
| Effect of not recognising the pension scheme surplus | 264 | (34) |
| | - | - |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | (65) | 96 |
| Available-for-sale financial assets: | | |
| – Gains arising during the period, net of tax | 403 | - |
| – Less: reclassification adjustments for gains included in profit, net of tax | (403) | - |
| | (65) | 96 |
| Total comprehensive income for the year attributable to equity holders of the parent | 4,852 | 3,463 |

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Financial Statements
Consolidated Statement of Financial Position
As at 30 November 2013

| | Note | 2013 £000 | 2012 £000 |
|----------------------------------------------------------------|------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | 15 | 2,641 | 1,680 |
| Intangible assets | 16 | 22,672 | 20,669 |
| | | 25,313 | 22,349 |
| Current assets | | | |
| Inventories | 17 | 9,735 | 7,202 |
| Trade and other receivables | 18 | 27,695 | 26,504 |
| Cash and cash equivalents | 19 | 5,774 | 6,491 |
| | | 43,204 | 40,197 |
| Total assets | | 68,517 | 62,546 |
| Current liabilities | | | |
| Trade and other payables | 20 | (22,569) | (23,462) |
| Tax liabilities | | (1,118) | (282) |
| Current provisions | 22 | (147) | (1,433) |
| | | (23,834) | (25,177) |
| Non-current liabilities | | | |
| Loans and borrowings | 21 | (4,575) | (1,850) |
| Non-current provisions | 22 | (97) | (48) |
| Deferred tax liabilities | 12 | (469) | (331) |
| | | (5,141) | (2,229) |
| Total liabilities | | (28,975) | (27,406) |
| Net assets | | 39,542 | 35,140 |
| Equity attributable to equity holders of Parent Company | | | |
| Called up share capital | 23 | 3,539 | 3,514 |
| Share premium account | | 15,765 | 15,721 |
| Merger reserve | | 9,971 | 9,565 |
| Other reserves | | (2,797) | (3,239) |
| Currency translation reserve | | 127 | 192 |
| Retained earnings | | 12,937 | 9,387 |
| Total equity | | 39,542 | 35,140 |

The financial statements on pages 50 to 85 were approved and authorised for issue by the Board of Directors on 26 February 2014 and were signed on its behalf by:



John Shepherd
Chief Executive



Nigel Poultney
Finance Director

Company Number: 1740011

Financial Statements
Consolidated Statement of Changes in Equity
For the year ended 30 November 2013

| | 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 2011 | 3,514 | 15,719 | 9,565 | (3,486) | 96 | 7,041 | 32,449 |
| Profit after tax for the year | - | - | - | - | - | 3,367 | 3,367 |
| Dividends paid (note 13) | - | - | - | - | - | (1,140) | (1,140) |
| Credit in relation to share-based payments (note 25) | - | - | - | - | - | 119 | 119 |
| Currency translation adjustment | - | - | - | - | 96 | - | 96 |
| Issue of ordinary shares | - | 2 | - | - | - | - | 2 |
| Share scheme interests realised in the year | - | - | - | 247 | - | - | 247 |
| At 30 November 2012 | 3,514 | 15,721 | 9,565 | (3,239) | 192 | 9,387 | 35,140 |
| Profit after tax for the year | - | - | - | - | - | 4,917 | 4,917 |
| Dividends paid (note 13) | - | - | - | - | - | (1,336) | (1,336) |
| Credit in relation to share-based payments (note 25) | - | - | - | - | - | 78 | 78 |
| Currency translation adjustment | - | - | - | - | (65) | - | (65) |
| Issue of ordinary shares | 5 | 44 | - | - | - | - | 49 |
| Share scheme interests realised in the year | - | - | - | 442 | - | (109) | 333 |
| Acquisition of Coex Services Asia Pte Ltd | 20 | - | 406 | - | - | - | 426 |
| At 30 November 2013 | 3,539 | 15,765 | 9,971 | (2,797) | 127 | 12,937 | 39,542 |

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Financial Statements
Consolidated Cash Flow Statement
For the year ended 30 November 2013

| | Note | 2013 £000 | 2012 £000 |
|----------------------------------------------------------------|------|----------------|----------------|
| Cash flows from operating activities | | | |
| Profit for the year | | 4,917 | 3,367 |
| Income tax expense | 12 | 1,704 | 1,342 |
| Finance income | 10 | (245) | (244) |
| Finance costs | 11 | 338 | (3,955) |
| Depreciation and amortisation charge | | 1,187 | 1,109 |
| (Profit)/loss on disposal of non-current assets | | (16) | 21 |
| Impairment of goodwill | | – | 3,993 |
| Other non-underlying items | | (191) | 403 |
| Share-based payment charge | | 78 | 119 |
| Operating cash flows before movement in working capital | | 7,772 | 6,155 |
| (Increase)/decrease in inventories | | (2,533) | 257 |
| Increase in receivables | | (586) | (3) |
| (Decrease)/increase in payables and provisions | | (1,910) | 937 |
| Cash generated from operations | | 2,743 | 7,346 |
| Interest received | | 12 | 7 |
| Tax paid | | (731) | (1,745) |
| Net cash from operating activities | | 2,024 | 5,608 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 15 | (1,570) | (530) |
| Sale of property, plant and equipment | | 15 | 11 |
| Acquisition of subsidiaries, net of cash acquired | 5 | (1,858) | – |
| Capitalised development costs | 16 | (1,008) | (562) |
| Purchased software | 16 | (335) | (336) |
| Net cash used in investing activities | | (4,756) | (1,417) |
| Cash flows from financing activities | | | |
| New borrowings | | 2,952 | 81 |
| Share scheme interests realised in the year | | 333 | 247 |
| Issue of shares | | 49 | 2 |
| Interest paid | | (105) | (60) |
| Dividends paid | | (1,336) | (1,140) |
| Net cash from/(used in) financing activities | | 1,893 | (870) |
| Effect of exchange rate changes on cash and cash equivalents | | 122 | 72 |
| Net (decrease)/increase in cash and cash equivalents | | (717) | 3,393 |
| Cash and cash equivalents at the beginning of the year | | 6,491 | 3,098 |
| Cash and cash equivalents at the end of the year | 19 | 5,774 | 6,491 |

1 Principal accounting policies

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.

a) Basis of preparation

These financial statements have been prepared in accordance with IFRS as adopted by the EU ('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 UK GAAP; these are presented on pages 86 to 92.

The consolidated financial statements of the Company as at and for the year ended 30 November 2013 comprise the Company and its subsidiaries, and the Group's interest in jointly controlled entities.

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.

Standards and interpretations effective in the current period

The following standards and interpretations have been adopted in the financial statements as they are mandatory for the year ended 30 November 2013:

| Endorsed | | Effective for periods beginning on or after: |
|---------------------|-----------------------------------------------------|----------------------------------------------|
| Amendment to IAS 12 | Deferred Taxes: Recovery of underlying assets | 1 January 2012 |
| Amendment to IAS 1 | Presentation of other items of comprehensive income | 1 July 2012 |

The adoption of the standards and interpretations above has not had a material impact on the Group's financial statements.

In addition to the above, amendments to a number of standards, under the annual improvements project to IFRS, which are mandatory for the year ending 30 November 2013, have been adopted in 2013. None of these amendments have had a material impact on the Group's financial statements.

The following standards and interpretations are available for early adoption but have not been applied by the Group in these financial statements:

| Endorsed | | Effective for periods beginning on or after: |
|----------------------|---------------------------------------------------------|----------------------------------------------|
| IFRS 13 | Fair Value Measurement | 1 January 2013 |
| Amendments to IAS 19 | Defined Benefit Plans | 1 January 2013 |
| Amendments to IFRS 7 | Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| IFRS 10 | Consolidated Financial Statements | 1 January 2014 |
| IFRS 11 | Joint Arrangements | 1 January 2014 |
| IFRS 12 | Disclosure of Interests in Other Entities | 1 January 2014 |
| IAS 27 | Separate Financial Statements | 1 January 2014 |
| IAS 28 | IAS 28 Investments in Associates and Joint Ventures | 1 January 2014 |
| Amendments to IAS 32 | Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to IAS 36 | Recoverable amount disclosures for non-financial assets | 1 January 2014 |

The Directors anticipate that all of the above standards, interpretations and amendments will be adopted in the Group's financial statements for the year commencing 1 December 2013 and/or 1 December 2014 as appropriate.

Except for the amendment to IAS 19 none of these standards, interpretations or amendments is expected to impact profit, earnings per share or net assets in future periods.

The amendment to IAS 19 makes significant changes to the recognition and measurement of the deferred pension expense and termination benefits and disclosures of all employee benefits. It is anticipated that the amendment will impact the pension cost recognised in the Income Statement.

Financial Statements

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2013

1 Principal accounting policies continued

The following standards are not yet effective and have not been adopted early by the Group:

IFRS 9 Financial Instruments

Amendments to IAS 19: Defined benefit plans – Employee contributions

These standards are not expected to have a material impact on the financial statements of the Group.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing arrangements. The Group holds cash balances and is not reliant on debt within its capital structure. There is limited exposure to credit, liquidity and foreign currency risk, as detailed in note 31.

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position, and on the financial position of the Group, its cash flows and liquidity position, are described in the reports which together make up the Strategic Report on pages 4 to 31.

b) Basis of consolidation

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefit from their activities. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in full on consolidation.

A joint venture is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control. Joint control exists when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities are accounted for using the equity method. Under this method the Group's share of the profits less losses of jointly controlled entities is included in the Consolidated Income Statement and its interest in their net assets is included in investments in jointly controlled entities in the Consolidated Statement of Financial Position. Where the share of losses exceeds the interests in the entity, the carrying amount is reduced to nil and recognition of further losses is discontinued. Interest in the entity is the carrying amount of the investment together with any long-term interest that, in substance, forms part of the net investment in the entity.

c) Business combinations and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. Acquisition-related costs are recognised in profit or loss as incurred.

Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post-acquisition Income Statement.

Goodwill is subsequently carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units 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 cash-generating unit 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.

1 Principal accounting policies continued

d) Revenue

Revenue, which excludes value added tax, is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, which primarily takes place on delivery of the goods.

Installation contract income

Revenue and profits attributable to contracts are included in the Income Statement as the contracts proceed in proportions relevant to their state of completion, less amounts recognised in previous years.

Contract balances

Contract balances are stated at cost, net of amounts transferred to cost of sales in respect of work recorded as revenue, after deducting foreseeable losses and payments on account not matched with revenue. Provision is made for any losses as soon as they are foreseen. Amounts recoverable on contracts, which are included in receivables, are stated at the net sales value of the work done less payments on account. Excess payments on account are included in current liabilities.

The Group sells certain products bundled with maintenance or other services to be delivered over a predetermined period of time. Where the commercial substance is that the individual components operate independently of each other such that each component represents a separable good or service that can be provided to customers, either on a stand-alone basis or as an optional extra or, alternatively, where one or more of the components may be capable of being provided by another supplier, these are considered as identifiable and separate components to which general revenue recognition criteria can be applied separately. Once the separate components have been identified, the amount received or receivable from the customer is allocated based on the individual component's fair value.

Maintenance contracts

Income receivable from maintenance contracts is recognised in revenue on a straight-line basis over the contract term. Income from maintenance contracts which relates to periods subsequent to the year end is included in current liabilities as deferred income.

e) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets acquired under finance leases, including hire purchase agreements where applicable, are capitalised and depreciated in accordance with the Group's depreciation policy or over the term of the lease if shorter. The capital element of future lease payments is included in the Statement of Financial Position as obligations under finance leases. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income.

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease.

Benefits received as an incentive to sign a lease, whatever form they may take, are credited to the Income Statement on a straight-line basis over the lease term.

f) 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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. 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 Income Statement in the period in which they arise.

1 Principal accounting policies continued

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 balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. 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 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 balance sheet date.

g) 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 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 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 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, net of deferred taxation.

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.

h) 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.

For cash-settled share-based payment transactions, the fair value of the amount payable to the employee is recognised in the Income Statement with a corresponding movement in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the Income Statement.

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'.

i) Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit 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 balance sheet date.

1 Principal accounting policies continued

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 balance sheet 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 and associates, and interests in joint ventures, 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 balance sheet 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 balance sheet 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.

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

j) 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.

k) Property, plant and equipment

All property, plant and equipment assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of fixed assets, 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%
- » Short leasehold improvements – over the term of the lease
- » Plant, equipment and motor vehicles – 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 Income Statement.

1 Principal accounting policies continued**l) Research & development costs**

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

Development costs are capitalised and held as 'Intangible assets' in the 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 match revenue generated, 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.

Development expenditure that does not meet these criteria is written off to the Income Statement as incurred.

m) 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 the Income Statement on a straight-line basis from the date they 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 other than goodwill

At each balance sheet 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 cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units.

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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income.

n) 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.

o) Provisions

Provisions are recognised in the 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

1 Principal accounting policies continued

Deferred consideration relating to business combinations

Deferred consideration relating to business combinations is initially measured at fair value at the date of acquisition and at subsequent reporting dates measured in accordance with the appropriate accounting standard, with the corresponding gain or loss being recognised in profit or loss.

Restructuring

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

p) 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. The Group does not apply hedge accounting.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits and bank current accounts, net of bank overdrafts, with an original maturity of three months or less at acquisition.

Trade and other receivables

Trade receivables are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost less any impairment loss.

Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost.

q) 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.

r) Judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management make various judgements that can significantly affect the amounts recognised in the financial statements. The critical judgements are considered to be the following:

Revenue recognition

Following detailed quantification of the Group's assets, liabilities and revenue deriving from contracts, the Directors are satisfied that revenue is recognised when, and to the extent that, the Group obtains the right to consideration, which is derived on a contract-by-contract basis from an assessment of the fair value of the goods or services provided as at the reporting date as a proportion of the total fair value of each contract. Where products and maintenance are bundled in a contract some judgement may be required to identify the separate components which are recognised in accordance with general revenue recognition criteria.

Capitalisation of development costs

It is Group policy to capitalise and amortise development expenditure for the production of new or substantially improved products and processes if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. Such expenditure is amortised over the period which the Directors expect to obtain economic benefits. 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.

1 Principal accounting policies continued**s) Significant estimates**

In the application of the Group'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. To date there has been no material impact on the carrying value of assets or liabilities from such estimates.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units 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.

Deferred tax

The Group has recognised deferred tax assets in respect of unutilised losses and other temporary differences arising in certain of the Group's businesses. This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profits. If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or temporary differences might be recognised, the value of the deferred tax asset will need to be revised in a future period.

The Group has losses for which no value has been recognised for deferred tax purposes in these financial statements, as future economic benefit of these temporary differences is not probable. If appropriate profits are earned in the future, the temporary difference may result in a benefit to the Group in the form of a reduced tax charge in a future period.

Provisions

Provisions are recognised in the 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. Provisions for restructuring are recognised when the Group has an approved restructuring plan that has either commenced or been announced publicly. Future operating costs are not provided for.

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 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 Integration & Managed Services. These, together with Central functions, comprise the Group's three reportable segments. No operating segments have been aggregated to form these reportable segments.

During the year, an internal reorganisation resulted in a change to the Group's reportable segments. Previously there were six reportable segments, including Central functions: Integration & Managed Services, Network Systems, Transport Systems, Industrial Systems, Research & Development Costs and Central Costs. Network Systems, Industrial Systems, Research & Development Costs and the German element of Transport Systems have been combined to form a single new operating segment, Systems. Integration & Managed Services has been combined with the UK element of Transport Systems to form the new segment, Integration & Managed Services. Prior year comparatives have been restated accordingly. The acquisition of Coex Services Asia Pte Limited (note 5) has been allocated to the Systems segment.

The reorganisation was undertaken to create a more effective and scalable organisation. The Synectics Technology Centre, in which the research & development activities of the Group are co-ordinated, has become an integral part of the Systems division such that the single management structure is capable of dealing more quickly and effectively with the day-to-day competition for scarce technical resources between customer projects and the Group's longer-term development roadmap.

2 Segmental analysis continued

The CODM uses underlying operating profit, as reviewed at monthly Operational 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 within the Group.

| Revenue | 2013 £000 | 2012 £000 |
|-----------------------------------------|--------------|--------------|
| Systems | 44,753 | 38,913 |
| Integration & Managed Services | 38,368 | 39,460 |
| Total segmental revenue | 83,121 | 78,373 |
| Reconciliation to consolidated revenue: | | |
| Intra-Group sales | (758) | (1,334) |
| | 82,363 | 77,039 |

Included in revenues arising from the Systems segment is approximately £8.5 million which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenues in either 2013 or 2012.

| Underlying operating profit | 2013 £000 | 2012 £000 |
|-------------------------------------------------------------|--------------|--------------|
| Systems | 7,009 | 5,964 |
| Integration & Managed Services | 2,223 | 2,653 |
| Total segmental underlying operating profit | 9,232 | 8,617 |
| Reconciliation to consolidated underlying operating profit: | | |
| Central costs | (2,015) | (2,906) |
| | 7,217 | 5,711 |

| Underlying operating profit 2013 | Underlying operating profit* £000 | Restructuring costs £000 | Acquisition costs £000 | Share-based payment charge £000 | Amortisation of acquired intangibles £000 | Gain on financial asset £000 | Total profit from operations £000 |
|-------------------------------------------------------------|--------------------------------------|-----------------------------|---------------------------|------------------------------------|----------------------------------------------|---------------------------------|--------------------------------------|
| Systems | 7,009 | (562) | (63) | (39) | – | 525 | 6,870 |
| Integration & Managed Services | 2,223 | – | – | (11) | – | – | 2,212 |
| Total segmental underlying operating profit | 9,232 | (562) | (63) | (50) | – | 525 | 9,082 |
| Reconciliation to consolidated underlying operating profit: | | | | | | | |
| Central costs | (2,015) | – | (202) | (28) | (123) | – | (2,368) |
| | 7,217 | (562) | (265) | (78) | (123) | 525 | 6,714 |

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Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2013

2 Segmental analysis continued

| Underlying operating profit 2012 | Underlying operating profit* £000 | Acquisition and restructuring costs £000 | Share-based payment charge £000 | Amortisation of acquired intangibles £000 | Impairment of Indanet goodwill £000 | Total profit from operations £000 |
|-------------------------------------------------------------|--------------------------------------|---------------------------------------------|------------------------------------|----------------------------------------------|----------------------------------------|--------------------------------------|
| Systems | 5,964 | – | (41) | – | – | 5,923 |
| Integration & Managed Services | 2,653 | – | (34) | – | – | 2,619 |
| Total segmental underlying operating profit | 8,617 | – | (75) | – | – | 8,542 |
| Reconciliation to consolidated underlying operating profit: | | | | | | |
| Central costs | (2,906) | (973) | (44) | (116) | (3,993) | (8,032) |
| | 5,711 | (973) | (119) | (116) | (3,993) | 510 |

* Underlying operating profit represents operating profit before non-underlying items (restructuring costs, acquisition costs, share-based payment charge, amortisation of acquired intangibles and reclassification of available-for-sale financial assets to profit or loss) and impairment of goodwill.

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 | 2013 Net assets £000 |
|--------------------------------------------|----------------|---------------------|----------------------------|
| Systems | 24,863 | (10,030) | 14,833 |
| Integration & Managed Services | 18,143 | (13,298) | 4,845 |
| Total segmental net assets | 43,006 | (23,328) | 19,678 |
| Reconciliation to consolidated net assets: | | | |
| Goodwill | 19,567 | – | 19,567 |
| Unallocated | 5,944 | (5,647) | 297 |
| | 68,517 | (28,975) | 39,542 |

| | Assets £000 | Liabilities £000 | 2012 Net assets £000 |
|--------------------------------------------|----------------|---------------------|----------------------------|
| Systems | 19,850 | (11,637) | 8,213 |
| Integration & Managed Services | 17,024 | (12,318) | 4,706 |
| Total segmental net assets | 36,874 | (23,955) | 12,919 |
| Reconciliation to consolidated net assets: | | | |
| Goodwill | 18,349 | – | 18,349 |
| Unallocated | 7,323 | (3,451) | 3,872 |
| | 62,546 | (27,406) | 35,140 |

| By geographical segment Geographical location of contract: | Revenue 2013 £000 | Total assets 2013 £000 | Capital additions 2013 £000 | Revenue 2012 £000 | Total assets 2012 £000 | Capital additions 2012 £000 |
|---------------------------------------------------------------|-------------------------|------------------------------|-----------------------------------|-------------------------|------------------------------|-----------------------------------|
| United Kingdom and Europe | 50,561 | 60,681 | 1,407 | 55,351 | 59,957 | 435 |
| North America | 5,062 | 2,313 | 154 | 7,192 | 2,589 | 95 |
| Middle East | 5,739 | – | – | 10,647 | – | – |
| Asia and Pacific | 18,892 | 5,523 | 9 | 3,157 | – | – |
| Rest of World | 2,109 | – | – | 692 | – | – |
| | 82,363 | 68,517 | 1,570 | 77,039 | 62,546 | 530 |

3 Net operating expenses

| | 2013 £000 | 2012 £000 |
|-------------------------------------------------------|--------------|--------------|
| Distribution costs | 384 | 315 |
| Administrative expenses (before non-underlying costs) | 19,098 | 20,562 |
| Non-underlying costs (note 4) | 503 | 1,208 |
| Impairment of Indanet goodwill (note 5) | – | 3,993 |
| Total administrative expenses | 19,601 | 25,763 |
| | 19,985 | 26,078 |

4 Non-underlying items

| | Note | 2013 £000 | 2012 £000 |
|-----------------------------------------------------------------|------|--------------|--------------|
| Restructuring costs | a | 562 | 973 |
| Acquisition costs | b | 265 | – |
| Share-based payment charge | | 78 | 119 |
| Amortisation of intangible assets | | 123 | 116 |
| Reclassification of available-for-sale assets to profit or loss | c | (525) | – |
| | | 503 | 1,208 |

a. The restructuring costs incurred during the year ended 30 November 2013 arose from the internal reorganisation of the Group's businesses into two divisions (page 13).

In 2012 restructuring costs related to the reorganisation and subsequent disposal of our UK defence activities, and included £0.4 million in respect of accelerated amortisation to fully write off goodwill and capitalised development costs relating to this activity.

b. Acquisition costs incurred during the year relate to the acquisition of the remaining 49% outstanding share capital of Indanet and the remaining 80% of Coex Services Asia Pte Ltd ('CSA') (note 5).

c. The profit arising on the reclassification of available-for-sale assets to profit or loss relates to the equity investments in the unlisted shares of CSA and O&G Vision Pte Ltd ('O&G') which were designated as available-for-sale assets immediately prior to the acquisition of the remaining issued share capital of CSA. £525,000 was reclassified to profit as part of the acquisition accounting (note 5).

5 Acquisitions

a) Indanet

In July 2011 Synectic Systems GmbH agreed to acquire 100% of the issued share capital of Indanet AG ('Indanet'), a leading German provider of integrated surveillance and security management systems to the transport industry, for a maximum total consideration of €10 million. Under the original terms of the acquisition, consideration of €2 million in cash was paid on completion for an initial tranche of shares equivalent to 51% of Indanet's issued share capital, and further consideration of between €1 million and €8 million for the remaining 49% of Indanet would be payable in three tranches between 2013 and 2015, dependent on Indanet's profits for the period from completion to 31 May 2015.

In February 2013, it was agreed to vary the original acquisition terms so that the entire outstanding share capital in Indanet was purchased for a total consideration of €1.64 million in cash. Therefore total consideration paid for the entire share capital of Indanet was €3.64 million and no further deferred or contingent consideration payments are required to be made. €1.7 million was drawn on the Group's bank term loan facility in the period to fund this final payment (note 21). The acquisition was accounted for during 2011 as a 100% acquisition as the agreement to acquire the remaining 49% of shares was irrevocable. Therefore, no further acquisition entries are required in respect of this transaction.

The acquisition has resulted in the following accounting adjustments:

| Deferred and contingent consideration | £000 |
|------------------------------------------|----------|
| At 1 December 2011 | 5,981 |
| IAS 39 charge | 266 |
| Adjustment to reflect renegotiated terms | (4,518) |
| Currency translation adjustment | (321) |
| At 30 November 2012 | 1,408 |
| Payment in February 2013 | (1,408) |
| At 30 November 2013 | – |

In addition to the above adjustments to the deferred and contingent consideration, the Indanet goodwill was impaired in 2012 by £3,993,000.

Financial Statements

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2013

5 Acquisitions continued

b) Coex Services Asia Pte Ltd

On 21 June 2013 the Group acquired the remaining 80% of the issued share capital of CSA, a private Singaporean company supplying surveillance systems in the Far East, primarily to the oil & gas sector, for a maximum total consideration of up to £2.1 million.

Initial consideration of £1.8 million has been paid, comprising £1.3 million cash, £0.4 million in ordinary shares in Synectics plc and the transfer of the Group's 20% interest in O&G valued at £0.1 million. Further consideration of up to £0.3 million in cash is dependent on the profit performance of CSA in the two years following acquisition.

The acquisition is expected to accelerate the Group's expansion into the Asia and Far East markets and should provide enhanced opportunities for the sale of Synectics' integrated surveillance control systems into this region.

Immediately prior to the date of acquisition, the Group held a 20% shareholding in CSA and O&G which was classified as available-for-sale financial assets held at fair value of £525,000. The movements in the fair value of the financial assets were recorded directly in equity as an unrealised gain and have been reclassified to the Income Statement, together with the associated deferred tax liability, as part of the acquisition accounting.

The fair value recognised, which is not materially different to the book value, in respect of the identifiable assets acquired and liabilities assumed is as set out in the table below:

| | £000 |
|----------------------------------------------------------------|-------|
| Property, plant and equipment | 8 |
| Financial assets | 1,476 |
| Financial liabilities | (426) |
| Net identifiable assets | 1,058 |
| Goodwill | 1,267 |
| Total consideration | 2,325 |
| Satisfied by: | |
| Cash | 1,320 |
| Equity instruments (101,403 ordinary shares of Parent Company) | 426 |
| Equity instruments (20% shareholding in O&G) | 70 |
| Contingent consideration arrangement | 54 |
| Total consideration transferred | 1,870 |
| Value of existing 20% shareholding | 455 |
| | 2,325 |
| Net cash outflow arising on acquisition | |
| Cash consideration | 1,320 |
| Less: cash balances acquired | (870) |
| | 450 |

The fair values shown are provisional and may be amended if information not currently available comes to light.

The fair value of the financial assets includes trade receivables with a fair value of £456,000.

The goodwill of £1.27 million arising from the acquisition can be attributed to the benefit of expansion into the Asia and Far East markets and the synergy benefits to the Group of the acquisition.

The contingent consideration arrangement of up to S\$500,000 is dependent on CSA's profits for the period from completion to 21 June 2015. S\$100,000 has been provided for such consideration in the fair value assessment above.

In connection with the acquisition of the remaining 80% of the equity interest in CSA, Synectics plc issued 101,403 ordinary shares based on the market value at the effective date of acquisition on 1 June 2013 of £4.20. The fair value of these shares is the published price of the shares at this date.

Acquisition-related costs (included in non-underlying operating expenses) amounted to £63,000.

CSA contributed £1.1 million revenue and £169,000 to the Group's operating profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of CSA had been completed on the first day of the financial year, Group revenues for the period would have been £84.3 million and Group profit from operations would have been £7.0 million.

6 Auditor's remuneration

| | 2013 £000 | 2012 £000 |
|--------------------------------------------------------------------------------------|--------------|--------------|
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 41 | 40 |
| Fees payable to the Company's auditor for other services to the Group: | | |
| – the audit of the Company's subsidiaries pursuant to legislation | 100 | 105 |
| – tax compliance services | 51 | 30 |
| – other tax advisory services | 26 | 19 |
| – other | – | 26 |
| | 218 | 220 |

Amounts paid to the Company's auditor and its associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed separately as the information is required instead to be disclosed on a consolidated basis.

7 Profit from operations

| | 2013 £000 | 2012 £000 |
|--------------------------------------------------|--------------|--------------|
| Profit from operations is stated after charging: | | |
| Amortisation of intangible assets | 538 | 673 |
| Depreciation of property, plant and equipment | 649 | 436 |
| Research & development expenditure | 1,643 | 1,432 |
| Cost of inventories recognised as an expense | 42,721 | 31,617 |
| Impairment | – | 3,993 |
| Rental payments under operating leases: | | |
| – plant, machinery and vehicles | 1,131 | 1,125 |
| – other | 377 | 675 |

8 Directors' and key management personnel's remuneration

The Directors consider that the key management personnel of the business comprises of its Board of Directors, whose remuneration is shown in the Remuneration Committee Report on page 41, and members of the Executive Management Team. Details of the remuneration for key management personnel are set out in note 27.

9 Employee information

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

| | 2013 Number | 2012 Number |
|--------------------------------------------|----------------|----------------|
| Class of business (see note 2) | | |
| Systems | 228 | 195 |
| Integration & Managed Services | 270 | 268 |
| Central | 14 | 11 |
| | 512 | 474 |
| | | |
| | 2013 £000 | 2012 £000 |
| Staff costs (for the above persons) | | |
| Wages and salaries | 19,529 | 17,959 |
| Social security costs | 2,176 | 2,010 |
| Pension costs | 488 | 472 |
| Share-based payment charge | 78 | 119 |
| | 22,271 | 20,560 |

Financial Statements

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2013

10 Finance income

| | 2013 £000 | 2012 £000 |
|------------------------------------------|--------------|--------------|
| Bank interest receivable | 12 | 7 |
| Expected return on pension scheme assets | 233 | 237 |
| | 245 | 244 |

11 Finance costs

| | 2013 £000 | 2012 £000 |
|----------------------------------------------------------------------|--------------|--------------|
| Interest payable on bank overdrafts | 27 | 7 |
| Interest payable on bank loans | 78 | 53 |
| Interest on pension scheme liabilities | 233 | 237 |
| | 338 | 297 |
| IAS 39 charge on deferred and contingent consideration (note 5) | – | 266 |
| Adjustment to Indanet deferred and contingent consideration (note 5) | – | (4,518) |
| | 338 | (3,955) |

12 Taxation

| Tax charge | 2013 £000 | 2012 £000 |
|---------------------------------------------------|--------------|--------------|
| Current taxation: | | |
| UK tax | 987 | 852 |
| Overseas tax | 512 | 541 |
| Adjustments in respect of prior periods | 93 | (227) |
| Total current tax | 1,592 | 1,166 |
| Deferred taxation: | | |
| Origination and reversal of temporary differences | 215 | 35 |
| Adjustments in respect of prior periods | (103) | 141 |
| Total deferred tax | 112 | 176 |
| | 1,704 | 1,342 |

12 Taxation continued**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 23.33% (2012: 24.67%). The differences are explained below:

| | 2013 £000 | 2012 £000 |
|-------------------------------------------------------------------------------------------|--------------|--------------|
| Profit on ordinary activities before tax | 6,621 | 4,709 |
| Tax on profit on ordinary activities before tax at standard rate of 23.33% (2012: 24.67%) | 1,545 | 1,162 |
| Effects of: | | |
| Expenses not deductible for tax purposes and temporary differences | 42 | 38 |
| Net effect of different rates of tax in overseas businesses | (237) | 94 |
| Tax losses not recognised | 467 | 208 |
| Income not taxable | (45) | (64) |
| Rate change on deferred tax balance | (58) | (10) |
| Adjustment in respect of prior periods | (10) | (86) |
| Total tax charge for the year | 1,704 | 1,342 |

Factors that may affect future tax charges

Legislation reducing the main rate of UK corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015 was substantively enacted during the period. Accordingly, current tax has been provided for at a rate of 23.33% and deferred tax has been provided for at 20% (2012: 23%) as it is expected that the majority of the deferred tax balance will be settled after 1 April 2015.

| Deferred tax liability | 2013 £000 | 2012 £000 |
|---------------------------------|--------------|--------------|
| At start of year | (331) | (133) |
| Charge to Income Statement | (112) | (176) |
| Currency translation adjustment | (26) | (22) |
| At end of year | (469) | (331) |

The deferred taxation balances comprise:

| | 2013 £000 | 2012 £000 |
|-----------------------------------|--------------|--------------|
| Fixed asset temporary differences | (341) | (184) |
| Other temporary differences | (128) | (147) |
| | (469) | (331) |

The Group has tax losses available to be carried forward for offset against the future taxable profits of certain Group companies amounting to approximately £1.9 million (2012: £0.6 million). No deferred tax asset (2012: £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 order to realise any economic benefit in the foreseeable future.

In addition to the above, the Group has capital losses of approximately £19 million (2012: £19 million) available for offset against future taxable gains. No deferred tax asset in respect of these losses, which would amount to £3.8 million, has been recognised in these financial statements as there is insufficient certainty that the asset will be recovered against future capital gains.

Financial Statements

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2013

13 Dividends

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

| | 2013 | | 2012 | |
|---------------------------------------------------------------------------------------------|-----------------|-------|-----------------|-------|
| | Pence per share | £000 | Pence per share | £000 |
| Final dividend paid in respect of prior year but not recognised as liabilities in that year | 5.0 | 858 | 4.5 | 791 |
| Interim dividend paid in respect of current year | 3.0 | 519 | 2.5 | 439 |
| | 8.0 | 1,377 | 7.0 | 1,230 |
| Total dividend paid, net of Treasury share dividends | | 1,336 | | 1,140 |
| Proposed final dividend for the year ended 30 November | 5.5 | 947 | 5.0 | 858 |

The proposed final dividend for the year ended 30 November 2013 has not been approved by shareholders and as such has not been included as a liability as at 30 November 2013. Subject to approval, this is expected to be paid on 7 May 2014 to shareholders on the register at 28 March 2014. This will give a total dividend for the year of 8.5p (2012: 7.5p).

14 Earnings per ordinary share

| | 2013 Pence per share | 2012 Pence per share |
|------------------------------------------------|-------------------------|-------------------------|
| Basic earnings per ordinary share | 30.9 | 21.6 |
| Diluted earnings per ordinary share | 29.4 | 20.7 |
| Underlying basic earnings per ordinary share | 34.2 | 26.3 |
| Underlying diluted earnings per ordinary share | 32.6 | 25.2 |

Earnings per ordinary 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.

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

| | 2013 £000 | 2012 £000 |
|-------------------------------------------------------------------------|--------------|--------------|
| Earnings for basic and diluted earnings per share | 4,917 | 3,367 |
| Non-underlying items | 503 | 1,208 |
| Impact of non-underlying items on tax charge for the year | 30 | (216) |
| Impairment of Indanet goodwill | – | 3,993 |
| Net adjustment to Indanet deferred and contingent consideration | – | (4,252) |
| Earnings for underlying basic and underlying diluted earnings per share | 5,450 | 4,100 |

| | 2013 000 | 2012 000 |
|------------------------------------------------------------------|-------------|-------------|
| Weighted average number of ordinary shares – basic calculation | 15,929 | 15,613 |
| Dilutive potential ordinary shares arising from share options | 789 | 630 |
| Weighted average number of ordinary shares – diluted calculation | 16,718 | 16,243 |

15 Property, plant and equipment

| | Freehold land and buildings £000 | Short leasehold improvements £000 | Plant, equipment and motor vehicles £000 | Total £000 |
|---------------------------------------------------|-------------------------------------------|--------------------------------------------|------------------------------------------------------|---------------|
| Cost: | | | | |
| At 1 December 2011 | 311 | 1,221 | 3,834 | 5,366 |
| Additions | – | 85 | 445 | 530 |
| Disposals | – | – | (985) | (985) |
| Transfer between categories, and from intangibles | – | 78 | (188) | (110) |
| Currency translation adjustment | – | – | 25 | 25 |
| At 30 November 2012 | 311 | 1,384 | 3,131 | 4,826 |
| Additions | 766 | 157 | 647 | 1,570 |
| Disposals | – | – | (107) | (107) |
| Transfer between categories, and from intangibles | – | (142) | 181 | 39 |
| Currency translation adjustment | – | – | (2) | (2) |
| At 30 November 2013 | 1,077 | 1,399 | 3,850 | 6,326 |
| Depreciation: | | | | |
| At 1 December 2011 | 39 | 566 | 3,143 | 3,748 |
| Charge for the year | 6 | 92 | 338 | 436 |
| Disposals | – | – | (966) | (966) |
| Transfer between categories | – | 71 | (121) | (50) |
| Currency translation adjustment | – | – | (22) | (22) |
| At 30 November 2012 | 45 | 729 | 2,372 | 3,146 |
| Charge for the year | 6 | 88 | 555 | 649 |
| Disposals | – | – | (107) | (107) |
| Transfer between categories | – | (52) | 52 | – |
| Currency translation adjustment | – | – | (3) | (3) |
| At 30 November 2013 | 51 | 765 | 2,869 | 3,685 |
| Net book value: | | | | |
| At 30 November 2013 | 1,026 | 634 | 981 | 2,641 |
| At 30 November 2012 | 266 | 655 | 759 | 1,680 |

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Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2013

16 Intangible assets

| | Goodwill £000 | Acquired intangibles £000 | Capitalised development costs £000 | Purchased software £000 | Total £000 |
|----------------------------------------|------------------|---------------------------------|---------------------------------------------|-------------------------------|---------------|
| Cost: | | | | | |
| At 1 December 2011 | 22,892 | 737 | 3,365 | 1,021 | 28,015 |
| Additions | – | – | 562 | 336 | 898 |
| Transfer between categories | – | – | – | 110 | 110 |
| Disposals | (192) | – | (303) | (224) | (719) |
| Currency translation adjustment | (358) | (38) | – | 1 | (395) |
| At 30 November 2012 | 22,342 | 699 | 3,624 | 1,244 | 27,909 |
| Additions | 1,182 | – | 1,008 | 335 | 2,525 |
| Transfer between categories | – | – | – | (39) | (39) |
| Currency translation adjustment | 36 | 17 | – | – | 53 |
| At 30 November 2013 | 23,560 | 716 | 4,632 | 1,540 | 30,448 |
| Amortisation: | | | | | |
| At 1 December 2011 | – | 48 | 1,961 | 817 | 2,826 |
| Charge for the year | – | 119 | 443 | 111 | 673 |
| Exceptional impairment charge (note 5) | 3,993 | – | – | – | 3,993 |
| Transfer between categories | – | – | – | 50 | 50 |
| Disposals | – | – | (81) | (221) | (302) |
| At 30 November 2012 | 3,993 | 167 | 2,323 | 757 | 7,240 |
| Charge for the year | – | 123 | 269 | 146 | 538 |
| Currency translation adjustment | – | (2) | – | – | (2) |
| At 30 November 2013 | 3,993 | 288 | 2,592 | 903 | 7,776 |
| Net book value: | | | | | |
| At 30 November 2013 | 19,567 | 428 | 2,040 | 637 | 22,672 |
| At 30 November 2012 | 18,349 | 532 | 1,301 | 487 | 20,669 |

Annual test for impairment of goodwill

During the year, the Group assessed the recoverable amount of goodwill by comparing it to the value-in-use of the cash-generating units to which it relates. Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill was allocated to the CGUs as follows:

| | 2013 £000 | 2012 £000 |
|--------------------------------|--------------|--------------|
| Systems | 10,378 | 9,160 |
| Integration & Managed Services | 4,580 | 4,580 |
| Transport Systems | 4,609 | 4,609 |
| | 19,567 | 18,349 |

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 three-year period. Cash flows beyond that period have been extrapolated using a steady 2.25% per annum growth rate, 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 of the CGUs.

16 Intangible assets continued

The key assumptions used in the cash flow projections are as follows:

- » No material changes in working capital
- » Terminal value applied after ten years assuming a ten (2012: eight) times multiple
- » Pre-tax discount rates:

| | 2013 % | 2012 % |
|--------------------------------|-----------|-----------|
| Systems | 8.9 | 9.1 |
| Integration & Managed Services | 9.2 | 9.5 |
| Transport Systems | 8.4 | 8.6 |

The discount rates used have been based upon 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.

The Directors believe that, based on sensitivity analysis performed, even in the current economic conditions any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the CGUs' carrying amounts to exceed the recoverable amounts.

In 2012, as a result of Indanet's rate of progress falling behind the plans set out at the time of its acquisition, the recoverable value of the Systems' CGU, to which Indanet is allocated, declined, resulting in an impairment of £3,993,000 to the goodwill value.

17 Inventories

| | 2013 £000 | 2012 £000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 2,585 | 4,427 |
| Work in progress | 1,341 | 227 |
| Finished goods for resale | 5,066 | 2,372 |
| | 8,992 | 7,026 |
| Contract balances | 743 | 176 |
| | 9,735 | 7,202 |

| | 2013 £000 | 2012 £000 |
|-----------------------------|--------------|--------------|
| Contract balances comprise: | | |
| Net costs incurred | 743 | 176 |

18 Trade and other receivables

| | 2013 £000 | 2012 £000 |
|----------------------------------|--------------|--------------|
| Trade receivables | 13,103 | 17,181 |
| Allowance for doubtful debts | (502) | (1,041) |
| | 12,601 | 16,140 |
| Amounts recoverable on contracts | 12,544 | 8,855 |
| Other receivables | 1,636 | 670 |
| Prepayments | 914 | 839 |
| | 27,695 | 26,504 |

Trade receivables are non-interest bearing and generally have a 30 to 90 day term. At 30 November 2013 the Group had 70 days' sales outstanding in trade receivables (2012: 66 days'). Trade receivables included £nil (2012: £356,174) due from related parties.

Due to their short maturities, the fair value of trade and other receivables approximates to their book value.

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Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2013

18 Trade and other receivables continued

Movement in allowance for doubtful debts

| | 2013 £000 | 2012 £000 |
|-----------------------|--------------|--------------|
| At 1 December | 1,041 | 679 |
| Provided | 39 | 385 |
| Amounts utilised | (578) | (23) |
| At 30 November | 502 | 1,041 |

As at 30 November 2013, trade receivables of £4,541,000 (2012: £5,963,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

| | 2013 £000 | 2012 £000 |
|------------------------------|--------------|--------------|
| Up to three months past due | 2,661 | 4,208 |
| Three to six months past due | 1,343 | 1,324 |
| Over six months past due | 537 | 431 |
| | 4,541 | 5,963 |

19 Cash and cash equivalents

| | 2013 £000 | 2012 £000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 5,774 | 6,491 |

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

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

20 Trade and other payables

| | 2013 £000 | 2012 £000 |
|------------------------------------|---------------|---------------|
| Trade payables | 8,410 | 9,476 |
| Other taxation and social security | 816 | 731 |
| Other payables | 529 | 125 |
| Accruals and deferred income | 12,814 | 13,130 |
| | 22,569 | 23,462 |

Due to their short maturities, the fair value of trade and other payables approximates to their book value.

21 Loans and borrowings

| | 2013 £000 | 2012 £000 |
|---------------------------|--------------|--------------|
| Bank term loan facilities | 4,575 | 1,623 |
| Other loans | – | 227 |
| Total loans | 4,575 | 1,850 |

21 Loans and borrowings continued

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 | Date repayable | Interest rate | Security |
|---------------------------------|--------------------|-------------------|------------------|----------|
| €3.7 million term loan facility | €3,700 | 31 January 2016 | EURIBOR +2.25% | None |
| £1.5 million term loan facility | £1,500 | 26 November 2018 | LIBOR +1.75% | None |

During the period €1.7 million was drawn against the Euro bank term loan facility, and the other loan held at 30 November 2012 was repaid as part of the acquisition for the remaining issued share capital of Indanet (note 5).

In addition, a new £1.5 million facility was drawn down to finance the purchase of an additional property as part of the internal reorganisation (note 2).

22 Provisions

| | Deferred and contingent consideration £000 | Restructuring £000 | Property £000 | Total £000 |
|----------------------------------------------------------------------|-----------------------------------------------------|-----------------------|------------------|---------------|
| At 1 December 2011 | 5,981 | 37 | 54 | 6,072 |
| Utilised in year | - | (37) | (10) | (47) |
| Charge to Income Statement | - | - | 29 | 29 |
| IAS 39 charge on deferred and contingent consideration | 266 | - | - | 266 |
| Adjustment to Indanet deferred and contingent consideration (note 5) | (4,518) | - | - | (4,518) |
| Currency translation adjustment | (321) | - | - | (321) |
| At 30 November 2012 | 1,408 | - | 73 | 1,481 |
| Utilised in year (note 5) | (1,408) | - | (14) | (1,422) |
| Charge to Income Statement | - | 126 | 10 | 136 |
| Acquisition during year (note 5) | 49 | - | - | 49 |
| At 30 November 2013 | 49 | 126 | 69 | 244 |

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

| | 2013 £000 | 2012 £000 |
|-------------|--------------|--------------|
| Current | 147 | 1,433 |
| Non-current | 97 | 48 |
| | 244 | 1,481 |

The Group has a number of properties where the Directors believe that dilapidation costs may be incurred or where the property is sublet and the Directors believe that they may not be able to fully recover future rental costs, and therefore appropriate cost provisions have been made. It is anticipated that the property cost provision and the restructuring provision carried forward at 30 November 2013 will be utilised within five years and one year respectively.

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Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2013

23 Called up share capital and reserves

The number of allotted, called up and fully paid shares is as follows:

| | 2013 | | 2012 | |
|------------------------------------|------------|-------|------------|-------|
| | Number | £000 | Number | £000 |
| Ordinary shares of 20p each | | | | |
| Allotted, called up and fully paid | 17,694,891 | 3,539 | 17,571,488 | 3,514 |

Share capital increased by 123,403 shares in the year as a result of 22,000 share options being exercised under the Quadnetics Group EMI Share Option Scheme (note 24) and 101,403 shares being issued as part of the acquisition of CSA (note 5).

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 meetings of the Group. The 1,492,564 shares held under the Group Executive Shared Ownership Plan ('ExSOP') at 30 November 2013 are treated as Treasury shares 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 £3,520,214 (2012: £3,962,214) has been deducted from other reserves. The nominal value of these shares is £298,513 (2012: £366,842). Other reserves also includes a capital redemption reserve of £8,000 (2012: £8,000).

24 Options over shares of Synectics plc

The Group operated five share schemes in the year: the Quadnetics Group EMI Share Option Scheme, the Protec plc EMI Share Option Scheme, the Quadnetics Employees' Share Acquisition Plan, the Quadnetics Executive Shared Ownership Plan and the Synectics Performance Share Plan.

Quadnetics Group EMI Share Option Scheme

The Quadnetics Group EMI Share Option Scheme was adopted on 27 December 2001. It is administered by the Board but is now closed as the size of the Group exceeds the limits imposed by HM Revenue & Customs.

Options outstanding at 30 November 2013 are exercisable as follows, subject to the holder still being employed by the Group at the time of exercise:

| Date granted | Exercise dates | Option price | Number of options |
|------------------------------------------------|---------------------------------------|--------------|-------------------|
| 5 March 2004 | 5 March 2006 – 4 March 2014 | 300.0p | 95,833 |
| 30 September 2004 | 30 September 2006 – 29 September 2014 | 280.0p | 3,715 |
| Outstanding options at 30 November 2013 | | | 99,548 |

Options outstanding at 30 November 2012 were 121,548. Options over 22,000 shares were exercised in the year.

Protec plc EMI Share Option Scheme

The Protec plc EMI Share Option Scheme was adopted on 9 May 2001. It is administered by the Board but the Scheme was closed to new members on 31 December 2005 following the acquisition of Protec plc by Synectics plc. The holders of Protec EMI options at the time of the acquisition were able to elect to convert these options into options of the same value over ordinary shares in Synectics plc in a ratio of one Synectics' share for every 43 Protec shares. As a result, former Protec EMI option holders held options over a further 581 ordinary shares at 30 November 2012, all of which lapsed in the year ending 30 November 2013.

24 Options over shares of Synectics plc continued

Quadnetics Employees' Share Acquisition Plan

The Quadnetics Employees' Share Acquisition Plan (the 'ESAP') was adopted on 23 April 2010. Deductions from salary are used to buy partnership shares in Synectics 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 tax free. 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.

The Scheme holds 39,054 ordinary shares at 30 November 2013, which were acquired by the Scheme Trustee as follows:

| Effective date of purchase | Type of shares | Third or fifth anniversary of the purchase date | Purchase/base price | 2013 Number of shares | 2012 Number of shares |
|-----------------------------------|----------------|-------------------------------------------------|---------------------|-----------------------|-----------------------|
| 14 October 2010 | Partnership | 15 October 2015 | 147.5p | 4,245 | 4,745 |
| 7 April 2011 | Partnership | 8 April 2016 | 177.5p | 5,872 | 6,495 |
| 25 July 2011 | Dividend | 26 July 2014 | 200.0p | 86 | 95 |
| 2 November 2011 | Partnership | 3 November 2016 | 185.5p | 5,472 | 6,072 |
| 2 November 2011 | Dividend | 3 November 2014 | 205.0p | 118 | 132 |
| 20 April 2012 | Partnership | 21 April 2017 | 200.0p | 5,979 | 6,909 |
| 17 May 2012 | Dividend | 18 May 2015 | 289.0p | 249 | 276 |
| 9 October 2012 | Partnership | 10 October 2017 | 272.5p | 5,033 | 5,715 |
| 9 October 2012 | Dividend | 10 October 2015 | 272.5p | 193 | 216 |
| 3 April 2013 | Partnership | 4 April 2018 | 282.5p | 5,756 | - |
| 8 May 2013 | Dividend | 9 May 2016 | 445.0p | 304 | - |
| 4 October 2013 | Dividend | 5 October 2016 | 488.0p | 199 | - |
| 14 October 2013 | Partnership | 15 October 2018 | 393.0p | 5,548 | - |
| Shares held at end of year | | | | 39,054 | 30,655 |

At 30 November 2013 the shares held by the ESAP Scheme had a market value of £238,229 (2012: £87,620).

Movements during the year were as follows:

| | Number of shares |
|---------------------------------------------|------------------|
| Shares held at 1 December 2012 | 30,655 |
| Shares acquired during the year | 13,034 |
| Withdrawals from the scheme during the year | (4,635) |
| Shares held at 30 November 2013 | 39,054 |

24 Options over shares of Synectics plc continued

Quadnetics Executive Shared Ownership Plan

The Quadnetics Executive Shared Ownership Plan (the 'ExSOP') was formed in July 2009. Under the provisions of the ExSOP, shares (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.

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 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, with pro-rata vesting for out-performance up to 5%.

In March 2011, 293,000 shares available in the Trust as a result of employees leaving the Group were transferred to the corporate Trustee of the Plan at £1.73 each as joint owner together with certain employees, being the mid-market price of the Company's ordinary shares immediately prior to the transfer.

ExSOP shares outstanding at 30 November 2013 are exercisable as follows:

| Date awarded | Exercise dates | Relevant share price at date of award | 2013 Number of shares | 2012 Number of shares |
|-----------------------------------------|----------------------|---------------------------------------|-----------------------|-----------------------|
| 7 July 2009 | 8 July 2012 onwards | 147.5p | 801,081 | 1,218,809 |
| 7 March 2011 | 8 March 2014 onwards | 173.0p | 203,000 | 213,000 |
| Balance of shares in respect of leavers | | | 488,483 | 402,403 |
| | | | 1,492,564 | 1,834,212 |

Movements during the year were as follows:

| | Number of shares |
|-------------------------------------------|------------------|
| Shares held at 1 December 2012 | 1,834,212 |
| Vested shares sold or transferred in year | (341,648) |
| Shares held at 30 November 2013 | 1,492,564 |

Dividends have been waived in respect of the 488,483 shares not specifically allocated to employees.

Synectics Performance Share Plan

The Synectics Performance Share Plan ('PSP') was formed on 9 October 2012.

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 out-performed the FTSE AIM All Share Total Return Index (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.

PSP shares outstanding at 30 November 2013 are exercisable as follows:

| Date awarded | Exercise dates | Relevant share price at date of award | 2013 Number of shares | 2012 Number of shares |
|-----------------|-------------------------|---------------------------------------|-----------------------|-----------------------|
| 9 October 2012 | 9 October 2015 onwards | 272.5p | 97,250 | 142,250 |
| 31 October 2013 | 31 October 2016 onwards | 510.0p | 78,500 | – |
| | | | 175,750 | 142,250 |

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 are 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 an adjusted Black-Scholes model using the following assumptions:

| Quadnetics ExSOP | March 2011 awards |
|----------------------------------------------|-----------------------------------|
| Number of jointly owned shares awarded | 293,000 |
| Share price on date of award | £1.780 |
| Amount paid by employee for each ExSOP award | 0.2p |
| Carrying cost | 1.75% of the initial market value |
| Volatility | 35% |
| Expected dividend yield | 4% |
| Risk free interest rate | 1.9% |
| Anticipated exercise date | 8 March 2014 |
| Expected life of ExSOP | 3 years |

| Synectics PSP | October 2012 awards | October 2013 awards |
|---------------------------------|---------------------|---------------------|
| Number of share options awarded | 142,250 | 78,500 |
| Exercise price | Nil | Nil |
| Share price on date of award | £2.725 | £5.10 |
| Expected volatility | 20% | 25% |
| Expected dividend yield | 3.5% | 2.2% |
| Risk free interest rate | 2.1% | 3.0% |
| Vesting period | 3 years | 3 years |
| Expected life of option | 4 years | 5 years |

The expected volatility is based wholly on the historic 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 FTSE AIM All Share Total Return Index.

The total charge recognised for the year arising from share-based payments is as follows:

| | 2013 £000 | 2012 £000 |
|--------------------------------------------|--------------|--------------|
| Equity-settled share-based payments | 78 | 119 |
| Total carrying value of liabilities | – | – |

26 Contingent liabilities

Certain subsidiary companies have agreed to guarantee a number of bank bonds, issued by Barclays Bank PLC and Lloyds TSB Bank plc, amounting to a total of £1.1 million at 30 November 2013 (2012: £1.6 million).

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Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2013

27 Related party transactions

1) Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The principal subsidiaries and divisions within the Group are listed on page 93.

All transactions with related parties were at arm's length.

2) Transactions with key management personnel:

| | 2013 £000 | 2012 £000 |
|-------------------------------|--------------|--------------|
| Salary and fees | 746 | 850 |
| Benefits | 90 | 89 |
| Bonus | 106 | 423 |
| Total short-term remuneration | 942 | 1,362 |
| Post employment benefits | 94 | 95 |
| Share-based payments | 33 | 67 |
| | 1,069 | 1,524 |

28 Capital commitments

At the year end capital commitments not provided for in these financial statements amounted to £209,000 (2012: £nil).

29 Operating lease commitments

The Group had total outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2013 £000 | 2012 £000 |
|--------------------------|--------------|--------------|
| Within one year | 2,088 | 1,634 |
| Within two to five years | 3,415 | 3,079 |
| In excess of five years | 1,491 | 837 |
| | 6,994 | 5,550 |

The Group's lease commitments primarily relate to land and buildings and vehicles.

30 Pension commitments

The Group operates a defined benefit pension scheme and a number of defined contribution schemes.

a) Defined benefit scheme

The Company operates the Quadrant Group plc Retirement Benefit Scheme. This scheme includes both a defined benefit section in respect of past employees of the Group and a defined contributions section in respect of one current employee. 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 2013. These results have been updated on an approximate basis to 30 November 2013. The major assumptions used by the actuary are shown below.

The Company has paid contributions of £72,128 (2012: £62,264) in the year.

The disclosures below relate to the defined benefit section, with the contributions to the defined contributions section being disclosed in section b).

Reconciliation of opening and closing balances of the present value of the defined benefit obligations

| | 2013 £000 | 2012 £000 |
|---------------------------------------------------|--------------|--------------|
| Defined benefit obligations at start of year | 5,629 | 5,159 |
| Interest cost | 233 | 237 |
| Actuarial (gains)/losses | (15) | 620 |
| Benefits paid | (282) | (387) |
| Defined benefit obligations at end of year | 5,565 | 5,629 |

Reconciliation of opening and closing balances of the fair value of plan assets

| | 2013 £000 | 2012 £000 |
|-------------------------------------------------|--------------|--------------|
| Fair value of plan assets at start of year | 5,996 | 5,450 |
| Expected return on assets | 233 | 237 |
| Actuarial (losses)/gains | (266) | 641 |
| Contributions by the Company | 72 | 62 |
| Benefits paid | (282) | (394) |
| Fair value of plan assets at end of year | 5,753 | 5,996 |

Total expense recognised in Income Statement

| | 2013 £000 | 2012 £000 |
|-----------------------------------------------------|--------------|--------------|
| Expected return on plan assets | (233) | (237) |
| Interest cost | 233 | 237 |
| Total expense recognised in Income Statement | - | - |

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Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2013

30 Pension commitments continued

(Losses)/gains recognised in the Consolidated Statement of Comprehensive Income

| | 2013 £000 | 2012 £000 |
|---------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Difference between expected and actual return on plan assets | (266) | 641 |
| Experience losses arising on the defined benefit obligations | (203) | (27) |
| Effects of changes in the demographic and financial assumptions underlying the present value of the defined benefit obligations | 205 | (580) |
| Total actuarial (losses)/gains (before restriction due to some of the surplus not being recognisable) | (264) | 34 |
| Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable | 264 | (34) |
| Total amount recognised in the Consolidated Statement of Comprehensive Income | – | – |

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income since the adoption of IAS 19 is £nil.

Assets

| | 2013 Fair value of plan assets £000 | 2012 Fair value of plan assets £000 | 2011 Fair value of plan assets £000 |
|---------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|
| Equity | 146 | 118 | 19 |
| Bonds | 5,611 | 5,874 | 5,431 |
| Cash | (4) | 4 | – |
| Total assets | 5,753 | 5,996 | 5,450 |

As at 30 November 2013, the fair value of the assets shown above include holdings of £45,000 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 ending 30 November 2013 was a loss of £33,000.

Principal actuarial assumptions

| | 2013 % per annum | 2012 % per annum | 2011 % per annum |
|------------------------------------------------------------------------|------------------------|------------------------|------------------------|
| Inflation | 3.70 | 3.00 | 3.20 |
| Inflation (CPI) | 2.80 | 2.50 | 2.70 |
| Rate of discount | 4.30 | 4.00 | 4.90 |
| Allowance for revaluation of deferred pensions of CPI or 5% pa if less | 2.80 | 2.50 | 2.70 |
| Allowance for commutation of pension for cash at retirement | – | – | – |

30 Pension commitments continued

The mortality assumptions adopted at 30 November 2013 imply the following life expectancies at age 65:

| | Years |
|-------------------------|-------|
| Male currently age 45 | 24.6 |
| Female currently age 45 | 27.0 |
| Male currently age 65 | 22.7 |
| Female currently age 65 | 25.2 |

Present value of defined benefit obligations, fair value of assets and surplus

| | 2013 £000 | 2012 £000 | 2011 £000 |
|----------------------------------------------|--------------|--------------|--------------|
| Fair value of plan assets | 5,753 | 5,996 | 5,450 |
| Present value of defined benefit obligations | 5,565 | 5,629 | 5,165 |
| Surplus in plan | 188 | 367 | 285 |
| Unrecognised surplus | (188) | (367) | (285) |
| Asset to be recognised | – | – | – |

The Company estimates that additional contributions of £5,083 will be paid to the plan during the year ending 30 November 2014.

History of experience gains and losses

| | 30 Nov 2013 £000 | 30 Nov 2012 £000 | 30 Nov 2011 £000 | 31 May 2010 £000 | 31 May 2009 £000 |
|------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Fair value of plan assets | 5,753 | 5,996 | 5,450 | 5,029 | 4,339 |
| Present value of defined benefit obligations | 5,565 | 5,629 | 5,165 | 4,885 | 4,322 |
| Surplus in plan | 188 | 367 | 285 | 144 | 17 |
| Experience adjustment on plan assets | (266) | 641 | 350 | 597 | (352) |
| Experience adjustment on defined benefit obligations | (203) | (27) | – | 124 | – |

Expected long-term rates of return

The expected long-term rate of return on cash is determined by reference to the rate of return of gilts at the balance sheet dates. The expected long-term return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The expected long-term rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

The expected long-term rates of return applicable for each period are as follows:

| | Period commencing 1 December 2012 % per annum | Period commencing 1 December 2011 % per annum |
|--------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Equity | 6.30 | 6.80 |
| Bonds | 3.90 | 4.48 |
| Cash | 2.40 | 2.70 |
| Overall for scheme | 3.95 | 4.49 |

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Notes to the Consolidated Financial Statements continued

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30 Pension commitments continued

b) Defined contribution schemes

Contributions made by the Company to the defined contribution section of the Quadrant Group plc Retirement Benefit Scheme amount to £50,000 in the year (2012: £49,000).

There are also a number of other defined contribution pension schemes operated by various companies within the Group. The Group's total expense for these other schemes in the year was £438,000 (2012: £423,000).

31 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), loans and borrowings on fixed terms (note 21) 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, with the US Dollar, the Euro and the Singapore Dollar being the main foreign currencies in which the Group operates. The Group's policy is to manage transaction exposure in respect of the Group's UK subsidiaries 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. The Group had no commitments in respect of forward exchange contracts at either 30 November 2013 or 30 November 2012.

At 30 November 2013, the Group entities based in the UK had the following forecast foreign currency transactions during the next two years which have not been hedged, principally due to either natural hedges being available of receipts against payments or to significant uncertainty over the timing of the transactions:

| | 2013 \$000 | 2012 \$000 |
|----------|---------------|---------------|
| Receipts | 770 | 2,231 |

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 8.5% (2012: 3.8%) of the Group's net assets as follows:

| | 2013 % | 2012 % |
|---------------|------------|------------|
| United States | 2.0 | 2.0 |
| Germany | 1.5 | 1.8 |
| Singapore | 5.0 | – |
| Total | 8.5 | 3.8 |

Translation exposure in respect of these assets is not hedged.

At 30 November 2013 the Group held cash balances of \$1,539,000 (2012: \$746,000), €162,000 (2012: €82,000) and S\$1,431,000 (2012: S\$2,730,000).

The following table details the Group's sensitivity to a 10% fall in the relevant foreign currencies:

| | USD impact | | Euro impact | | SGD impact | |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2013 £000 | 2012 £000 | 2013 £000 | 2012 £000 | 2013 £000 | 2012 £000 |
| Profit or loss | 33 | 158 | (130) | – | 205 | – |
| Other equity | 99 | 40 | (172) | – | 161 | – |
| Total | 132 | 198 | (302) | – | 366 | – |

31 Financial instruments continued

The table below shows the extent to which the Group had significant monetary assets and liabilities in currencies other than the local currency of the Company in which they are recorded. Foreign exchange differences on the retranslation of these assets and liabilities are recognised in the Group Income Statement.

| | Functional currency of Group operation | | |
|----------------------|----------------------------------------|--------------|------------------|
| | 2013 | | 2012 |
| | Sterling £000 | SGD £000 | Sterling £000 |
| Sterling | – | 568 | – |
| US Dollars | 543 | 783 | 433 |
| Euros | 56 | – | 67 |
| Canadian Dollars | – | – | 5 |
| Saudi Arabian Riyals | 44 | – | 40 |
| Total | 643 | 1,351 | 545 |

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.

At the balance sheet 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.

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:

| | 2013 £000 | 2012 £000 |
|--------------------------------|--------------|--------------|
| Current accounts | 5,774 | 6,491 |
| Loans and borrowings (note 21) | (4,575) | (1,850) |
| | 1,199 | 4,641 |

The level of the Group's bank overdraft facilities is reviewed annually and at 30 November 2013 the Group had undrawn overdraft facilities of up to £4 million, on which interest would be payable at the rate of bank base rate + 2%.

Financial liabilities of the Group principally comprise trade creditors falling due for payment within twelve months of the balance sheet date (2012: twelve months) and bank loans which fall due for payment within five years of the balance sheet date.

Due to the significant amount of cash held in current accounts, taken together with the undrawn bank overdraft facility, the Group's exposure to liquidity risk at 30 November 2013 and 30 November 2012 was negligible.

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 0.5% (2012: 0.5%). The Group benchmarks the rates being obtained in order to maximise its returns, within the credit risk framework referred to above.

The Group's short-term financial liabilities are all non-interest bearing. The interest rates for bank loans are set out in note 21.

The Group's funds did not carry any significant interest rate risk at 30 November 2013 or 30 November 2012.

A 0.5% fall in interest rates would not have a material impact on the results of the Group.

Financial Statements
Company Balance Sheet
As at 30 November 2013

| | Note | 2013 £000 | 2012 £000 |
|---------------------------------------------------------|------|----------------|----------------|
| Fixed assets | | | |
| Plant, equipment and motor vehicles | 5 | 191 | 136 |
| Investments in subsidiary undertakings | 6 | 19,261 | 19,211 |
| | | 19,452 | 19,347 |
| Current assets | | | |
| Debtors | 7 | 29,622 | 25,366 |
| Creditors: amounts falling due within one year | 8 | (4,856) | (6,469) |
| Net current assets | | 24,766 | 18,897 |
| Total assets less current liabilities | | 44,218 | 38,244 |
| Creditors: amounts falling due after more than one year | 8 | (6,669) | (4,459) |
| Loans and borrowings | 9 | (4,575) | (1,623) |
| Provisions for liabilities and charges | 10 | (47) | (51) |
| Non-current liabilities | | (11,291) | (6,133) |
| Net assets | | 32,927 | 32,111 |
| Capital and reserves | | | |
| Called up share capital | 11 | 3,539 | 3,514 |
| Share premium account | 12 | 15,765 | 15,721 |
| Merger reserve | 12 | 9,971 | 9,565 |
| Other reserves | 12 | (1,516) | (1,849) |
| Profit and loss account | 12 | 5,168 | 5,160 |
| Equity shareholders' funds | | 32,927 | 32,111 |

The financial statements on pages 86 to 92 were approved and authorised for issue by the Board of Directors on 26 February 2014 and were signed on its behalf by:



John Shepherd
Director



Nigel Poultney
Director

Company Number: 1740011

The principal activity of the Company was to act as a holding company for its trading subsidiaries.

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom ('UK GAAP'). A summary of the more important Company accounting policies, which have been consistently applied, is set out below.

a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

b) Turnover

Turnover, which excludes value added tax and trade discounts, represents the value of goods and services supplied during the year.

c) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets purchased at the date of acquisition, and is capitalised as a fixed asset and amortised on a straight-line basis over its estimated useful life of up to 20 years.

d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned, commencing on the first day of the month after being brought into use. The principal annual rates used for this purpose are 10% – 33%.

e) Leased assets

Rentals payable under operating leases are written off to the profit and loss account on a straight-line basis over the term of the lease.

f) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax balances are not discounted.

g) Pension costs

Company employees are members of two pension schemes, both of which operate on a money purchase basis. Contributions to these schemes are charged to the profit and loss account as incurred.

The Company 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 profit and loss account as other finance income or charges as appropriate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme liabilities and, to the extent that they are recoverable, pension scheme assets are recognised in the balance sheet and represent the difference between the market value of the scheme's assets and the present value of the scheme's liabilities, net of deferred taxation.

Pension scheme liabilities are determined on an actuarial basis using the projected unit 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.

h) Foreign currency

Transactions denominated in foreign currency are translated into Sterling at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated into Sterling at rates of exchange ruling at the end of the financial period or, if appropriate, at the forward contract rate. Exchange differences arising on these transactions are taken to the profit and loss account in the period in which they arise.

i) 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.

j) 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 purchase of shares in the Company are debited directly to equity.

Financial Statements

Notes to the Company Financial Statements continued

For the year ended 30 November 2013

2 Directors' remuneration

Directors' remuneration is shown in the Remuneration Committee Report on page 41.

3 Employee information

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

| Class of business | 2013 Number | 2012 Number |
|-------------------|----------------|----------------|
| Central | 14 | 11 |

| Staff costs (for the above persons) | 2013 £000 | 2012 £000 |
|-------------------------------------|--------------|--------------|
| Wages and salaries | 1,537 | 1,239 |
| Social security costs | 193 | 193 |
| Pension costs | 221 | 187 |
| Share-based payment charge | 28 | 46 |
| | 1,979 | 1,665 |

4 Dividends

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

| | 2013 | | 2012 | |
|---------------------------------------------------------------------------------------------|--------------------|-------|--------------------|-------|
| | Pence per share | £000 | Pence per share | £000 |
| Final dividend paid in respect of prior year but not recognised as liabilities in that year | 5.0 | 858 | 4.5 | 791 |
| Interim dividend paid in respect of current year | 3.0 | 519 | 2.5 | 439 |
| | 8.0 | 1,377 | 7.0 | 1,230 |
| Total dividend paid, net of Treasury share dividends | | 1,336 | | 1,140 |
| Proposed final dividend for the year ended 30 November | 5.5 | 947 | 5.0 | 858 |

The proposed final dividend for the year ended 30 November 2013 has not been approved by shareholders and as such has not been included as a liability as at 30 November 2013. Subject to approval, this is expected to be paid on 7 May 2014 to shareholders on the register at 28 March 2014. This will give a total dividend for the period of 8.5p (2012: 7.5p).

5 Plant, equipment and motor vehicles

| | £000 |
|----------------------------|------------|
| Cost: | |
| At 1 December 2012 | 305 |
| Additions | 334 |
| Disposals | (53) |
| Intra-Group transfers | (241) |
| At 30 November 2013 | 345 |
| Depreciation: | |
| At 1 December 2012 | 169 |
| Charge for the year | 47 |
| Disposals | (53) |
| Intra-Group transfers | (9) |
| At 30 November 2013 | 154 |
| Net book value: | |
| At 30 November 2013 | 191 |
| At 30 November 2012 | 136 |

6 Investments in subsidiary undertakings

| | £000 |
|---------------------------------------------------------------------|---------------|
| Cost at 1 December 2012 | 27,393 |
| Additions: | |
| – Share-based payments capital contribution | 50 |
| At 30 November 2013 | 27,443 |
| Provision for impairment as at 1 December 2012 and 30 November 2013 | (8,182) |
| Net book value: | |
| At 30 November 2013 | 19,261 |
| At 30 November 2012 | 19,211 |

At 30 November 2013 the Company held the following direct shareholdings in its subsidiaries which had been active during the year:

| Subsidiary and activity | Class of share | Country of incorporation | % held at 30 Nov 2013 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------|-----------------------|
| Synectic Systems Group Limited – Design and manufacture of video systems control products, integrated digital CCTV systems and CCTV equipment and systems for extreme or hazardous environments | Ordinary shares | UK | 100% |
| Quadrant Security Group Limited – Design, installation and maintenance of CCTV security systems and integrated security systems | Ordinary shares | UK | 100% |
| SSS Management Services Limited – Security management and support services | Ordinary shares | UK | 100% |
| Synectic Systems, Inc. – Design and supply of video systems control products and integrated digital CCTV systems | Common stock | USA | 100% |
| Synectic Systems GmbH – German holding company | Ordinary shares | Germany | 100% |

Details of the principal subsidiaries are shown on page 93.

7 Debtors

| | 2013 £000 | 2012 £000 |
|--------------------------------|---------------|---------------|
| Trade debtors | 5 | – |
| Deferred taxation | 15 | 18 |
| Other debtors | 83 | 21 |
| Amounts due from subsidiaries | 29,385 | 25,169 |
| Corporation tax receivable | 101 | 104 |
| Prepayments and accrued income | 33 | 54 |
| | 29,622 | 25,366 |

| | 2013 £000 | 2012 £000 |
|-----------------------------------|--------------|--------------|
| Deferred taxation | | |
| At 1 December 2012 | 18 | 24 |
| Charge to profit and loss account | (3) | (6) |
| At 30 November 2013 | 15 | 18 |

Financial Statements

Notes to the Company Financial Statements continued

For the year ended 30 November 2013

7 Debtors continued

The deferred taxation balances comprise:

| | 2013 £000 | 2012 £000 |
|--------------------------------|--------------|--------------|
| Fixed asset timing differences | 5 | 16 |
| Other timing differences | 10 | 2 |
| | 15 | 18 |

8 Creditors

| | 2013 £000 | 2012 £000 |
|-----------------------------------------------------|--------------|--------------|
| Amounts falling due within one year | | |
| Bank overdrafts | 4,025 | 5,748 |
| Trade creditors | 310 | 92 |
| Amounts owed to subsidiaries | 1 | 10 |
| Other taxation and social security | 61 | 12 |
| Other creditors | 50 | 7 |
| Accruals and deferred income | 409 | 600 |
| | 4,856 | 6,469 |
| Amounts falling due after more than one year | | |
| Amounts owed to subsidiaries | 6,669 | 4,459 |
| | 11,525 | 10,928 |

The bank overdrafts are part of a Group offset arrangement and the overall bank balances were positive at 30 November 2013.

9 Loans and borrowings

| | 2013 £000 | 2012 £000 |
|---------------------------|--------------|--------------|
| Bank term loan facilities | 4,575 | 1,623 |

The loans are a non-current liability; the terms are as follows:

| | Value drawn 000 | Date repayable | Interest rate | Security |
|---------------------------------|--------------------|-------------------|------------------|----------|
| €3.7 million term loan facility | €3,700 | 31 January 2016 | EURIBOR +2.25% | None |
| £1.5 million term loan facility | £1,500 | 26 November 2018 | LIBOR +1.75% | None |

During the period €1.7 million was drawn against the Euro bank term loan facility, and the other loan held at 30 November 2012 was repaid as part of the acquisition for the remaining issued share capital of Indanet (note 5 of the Group financial statements).

In addition, a new £1.5 million facility was drawn down to finance the purchase of an additional property as part of the internal reorganisation (note 2 of the Group financial statements).

10 Provisions

| | Property £000 |
|-----------------------------------|------------------|
| At 1 December 2012 | 51 |
| Utilised in year | (14) |
| Charge to profit and loss account | 10 |
| At 30 November 2013 | 47 |

The Company has a property that it currently sublets, where the Directors believe that they may not be able to fully recover future rental costs, and therefore appropriate cost provisions have been made. The provision carried forward at 30 November 2013 will be utilised over the remainder of the lease period which runs to 6 November 2014.

11 Called up share capital

The number of allotted, called up and fully paid shares is as follows:

| | 2013 | | 2012 | |
|------------------------------------|------------|-------|------------|-------|
| | Number | £000 | Number | £000 |
| Ordinary shares of 20p each | | | | |
| Allotted, called up and fully paid | 17,694,891 | 3,539 | 17,571,488 | 3,514 |

Share capital increased by 123,403 shares in the year as a result of 22,000 share options being exercised under the Quadnetics Group EMI Share Option Scheme (see note 24 of the Group financial statements) and 101,403 shares being issued as part of the acquisition of CSA (see note 5 of the Group financial statements).

12 Reserves

The movements on equity shareholders' funds during the year were as follows:

| | Called up share capital £000 | Share premium account £000 | Merger reserve £000 | Other reserves £000 | Retained earnings £000 | Total £000 |
|---------------------------------------------|---------------------------------------|-------------------------------------|---------------------------|---------------------------|------------------------------|---------------|
| At 1 December 2012 | 3,514 | 15,721 | 9,565 | (1,849) | 5,160 | 32,111 |
| Profit after tax for the year | – | – | – | – | 1,266 | 1,266 |
| Dividends paid (note 4) | – | – | – | – | (1,336) | (1,336) |
| Credit in relation to share-based payments | – | – | – | – | 78 | 78 |
| Issue of ordinary shares | 5 | 44 | – | – | – | 49 |
| Share scheme interests realised in the year | – | – | – | 333 | – | 333 |
| Acquisition of Coex Services Asia Pte Ltd | 20 | – | 406 | – | – | 426 |
| At 30 November 2013 | 3,539 | 15,765 | 9,971 | (1,516) | 5,168 | 32,927 |

Cumulative goodwill written off directly to the profit and loss account at 30 November 2013 was £593,000 (2012: £593,000).

The consolidated result attributable to the shareholders of Synectics plc for the year includes a profit of £1,266,000 (2012: £1,937,000) which has been dealt with in the financial statements of the Company. Synectics plc has taken advantage of the legal dispensation under section 408 of the Companies Act 2006 allowing it not to publish a separate profit and loss account.

13 Contingent liabilities

The Company has agreed, in some instances jointly with subsidiary companies, to guarantee borrowings, annual operating lease rentals and performance bonds amounting to £1.1 million at 30 November 2013 (2012: £1.6 million).

14 Capital commitments

At 30 November 2013 capital commitments not provided for in these financial statements amounted to £209,000 (2012: £nil).

Financial Statements

Notes to the Company Financial Statements continued

For the year ended 30 November 2013

15 Operating lease commitments

The Company is committed to making operating lease payments during the next year as follows:

| | 2013 | | | 2012 | | |
|---------------------------------------|----------------------------|---------------|---------------|----------------------------|---------------|---------------|
| | Land and buildings £000 | Other £000 | Total £000 | Land and buildings £000 | Other £000 | Total £000 |
| Operating leases which expire: | | | | | | |
| Within one year | 2 | 5 | 7 | – | – | – |
| Within two to five years | – | 66 | 66 | 27 | 32 | 59 |
| In excess of five years | 25 | – | 25 | – | – | – |
| | 27 | 71 | 98 | 27 | 32 | 59 |

16 Pension commitments

Employees of the Company are members of the defined contribution section of a defined benefit pension scheme (the Quadrant Group plc Retirement Benefit Scheme) and two defined contribution schemes operated by the Group. For further details of the Quadrant Group plc Retirement Benefit Scheme, see note 30 of the Group financial statements.

Defined contribution schemes

Contributions made by the Company to the defined contribution section of the Quadrant Group plc Retirement Benefit Scheme amount to £50,000 in the year (2012: £49,000).

In addition, the Company's total expense for other defined contribution pension schemes during the year was £171,000 (2012: £138,000).

Other Information

Principal Subsidiaries

The principal subsidiaries and divisions within the Group during the year were as follows:

Quadrant Security Group Limited

Design, installation, maintenance and management of advanced integrated CCTV and security systems.

www.qsg.co.uk

3 Attenborough Lane
Chilwell
Nottingham NG9 5JN
Tel: +44 (0) 115 925 2521

Axis 6, Rhodes Way
Radlett Road
Watford
Hertfordshire WD24 4YW
Tel: +44 (0) 1923 211550

9 Hadrian Court
Team Valley Industrial Estate
Gateshead
Tyne and Wear NE11 0XW
Tel: +44 (0) 191 487 2342

SSS Management Services Limited

Total security outsourcing support and management services to retail and multi-site customers.

www.sss-support.co.uk

Shannon House
245 Coldharbour Lane
Aylesford
Kent ME20 7NS
Tel: +44 (0) 1622 798200

Synectic Systems Group Limited

Design and development of advanced surveillance technology, operating through the divisions shown below:

www.synx.com

Synectics House
3-4 Broadfield Close
Sheffield S8 0XN
Tel: +44 (0) 114 255 2509

Moat Road
Lysaghts Way
Normanby Enterprise Park
Scunthorpe
North Lincolnshire DN15 9ZZ

Synectics Mobile Systems

Development and supply of CCTV systems for bus manufacturers and operators.

www.synx.com

Unit 2, Wyder Court
Millennium City Park
Off Bluebell Way
Preston PR2 5BW
Tel: +44 (0) 1253 891222

Synectic Systems, Inc.

Developers of integrated software solutions and products for complex security and surveillance networks.

www.synx.com

4180 Via Real, Suite A
Carpinteria
California 93013
USA
Tel: +1 805 745 1920

Indanet GmbH

Provider of integrated surveillance and security management systems to the European transport industry.

www.indanet.de

Machtlfinger Straße 13
81379 München
Tel: +49 89 748862-0

Synectics Systems (Asia) Pte Limited

Provision of specialist video-based electronic systems and technology, for use in high security applications.

www.synx.com

10 Ubi Crescent
#06-80 Ubi Techpark (Lobby E)
Singapore 408564
Tel: +65 6841 2891

Coex Services Asia Pte Limited

Design and supply of video systems control products and systems for extreme or hazardous environments.

10 Ubi Crescent
#06-80 Ubi Techpark (Lobby E)
Singapore 408564
Tel: +65 6841 289

Other Information

Advisers

Secretary and Registered Office

NC Poultney

Synectics plc

Studley Point

88 Birmingham Road

Studley

Warwickshire B80 7AS

Tel: +44 (0) 1527 850080

Email: legalandsecretarial@synecticsplc.com

Bankers

Lloyds TSB Bank plc

125 Colmore Row

Birmingham B3 3SF

Stockbrokers

Westhouse Securities Limited

Heron Tower

110 Bishopsgate

London EC2N 4AY

Auditor

KPMG Audit Plc

One Snowhill

Snow Hill Queensway

Birmingham B4 6GH

Registrars and Transfer Office

Capita Asset Services

The Registry

34 Beckenham Road

Beckenham BR3 4TU

Corporate Communications

Buchanan Communications Limited

107 Cheapside

London EC2V 6DN

Notice is hereby given that an Annual General Meeting of Synectics plc will be held at Westhouse Securities Limited, Heron Tower, 110 Bishopsgate, London EC2N 4AY on 30 April 2014 at 11.00am for the following purposes:

Ordinary Business

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions:

1. To receive and adopt the Reports of the Directors and Audited Accounts for the year ended 30 November 2013.
2. To declare a final dividend for the year ended 30 November 2013 of 5.5p per ordinary share to be paid on 7 May 2014 to members whose names appear on the register of members at the close of business on 28 March 2014.
3. To re-elect as a Director DJ Coghlan who, being eligible, submits himself for re-election.
4. To re-elect as a Director SW Coggins who, being eligible, submits himself for re-election.
5. To appoint KPMG LLP as auditor of the Company to hold office from conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to set its remuneration.

Special Business

To consider and, if thought fit, to pass the following Resolutions. Resolutions 6 and 9 will be proposed as Ordinary Resolutions and Resolutions 7 and 8 as Special Resolutions:

6. That, in substitution for the existing general authorities granted at the last Annual General Meeting of the Company, in accordance with section 551 of the Companies Act 2006 ('the Act'), the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £1,179,659 (being approximately 33% of the present issued share capital of the Company) provided that this authority (unless previously revoked or renewed) shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares and grant rights to subscribe or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
7. That,
 - (1) conditionally upon the passing of Resolution 6 and in substitution for all existing powers, in accordance with section 570 of the Act, the Directors be and are hereby given power to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 6 and be empowered pursuant to section 573 of the Act to sell ordinary shares (as defined in section 560 of the Act) held by the Company as treasury shares (as defined in section 724 of the Act) for cash as if section 561(1) of the Act did not apply to any such allotment or sale provided that this power shall be limited to allotment of equity securities and the sale of treasury shares:
 - a) in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer in favour of the existing holders of ordinary shares in the capital of the Company and other persons entitled to participate therein in proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the numbers of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange; and
 - b) (otherwise than pursuant to sub-paragraph (a) of this proviso) up to an aggregate nominal amount of £176,948, being approximately 5% of the Company's present issued share capital;

and the power hereby granted shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the said power shall allow and enable the Directors to make an offer or agreement before the expiry of that power which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

8. That the Company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Act to make one or more market purchases (as defined in section 693(4) of the Act) of its ordinary shares of 20p each on such terms and in such manner as the Directors shall determine, provided that:
- (1) the maximum number of ordinary shares hereby authorised to be acquired is 1,769,489 (representing 10% of the present issued ordinary share capital of the Company);
 - (2) the minimum price which may be paid for such shares is 20p per share (exclusive of all expenses);
 - (3) the maximum price which may be paid for such shares is, in respect of a share contracted to be purchased on any day, an amount (exclusive of expenses) equal to 5% above the average middle market quotations for an ordinary share of the Company as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange on the five dealing days immediately preceding the day on which the share is contracted to be purchased; and
 - (4) the power hereby granted shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or, if earlier, on 31 December 2015 provided that the Company may make a contract to purchase its ordinary shares under the authority hereby granted prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its ordinary shares in pursuance of such contract.
9. To approve the Remuneration Committee's Report containing the Directors' remuneration for the year ended 30 November 2013.

By Order of the Board

NC Poultney
Secretary

26 February 2014

Registered office
Studley Point
88 Birmingham Road, Studley
Warwickshire B80 7AS

Notes:

1. Further to Regulation 41 of the Uncertificated Securities Regulations 2001 only those shareholders registered in the register of members of the Company as at 6.00pm on 28 April 2014 shall be entitled to attend or vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after this time will be disregarded in determining the rights of any person to attend or vote at the meeting.
2. Any member entitled to attend and vote at the Annual General Meeting may (unless they have, pursuant to article 89 of the Company's Articles of Association, nominated someone else to enjoy such a right, in which case only the person so nominated may exercise the right) appoint a proxy (who need not be a member) to attend or vote instead of him. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. A member submitting a proxy is not precluded from attending the meeting and voting if they wish to do so. To be effective, proxy forms and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be received at the office of the Registrars of the Company, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU, not less than 48 hours before the time appointed for the holding of the meeting, or any adjournment thereof.
3. Copies of the Directors' service agreements will be available for inspection at the Registered Office of the Company during normal working business hours on each business day and will be available for inspection on the day of the Annual General Meeting for 15 minutes prior to and during the continuance of the meeting.
4. In the case of joint holdings, the vote of the senior holder shall be accepted to the exclusion of the other joint holders, whether in person or by proxy. For this purpose, seniority shall be deemed by the order of the names of the holders as entered in the Company's Register of Members in respect of relevant joint holdings.



consultancy, design and production by
designportfolio
design-portfolio.co.uk @design DP

Synectics plc

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B80 7AS, United Kingdom

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Email: info@synecticsplc.com



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