Global Specialists in Integrated Security Systems

SYNECTICS

Synectics plc

Annual Report and Accounts for the year ended 30 November 2016

Synectics plc is a leader in the design, integration, control and management of advanced surveillance technology and networked security systems

With over 30 years of field-proven experience, Synectics has acquired intimate knowledge of the unique customer requirements and priorities in commercial, public and industrial environments where security is critical to their operations.

Meeting the needs of highly demanding clients for Oil & Gas, Gaming, Transport, Infrastructure, High Security & Public Space applications, Synectics engineers sector-specific, tailored security solutions that its customers rely upon to safeguard their people, facilities and assets – across the world.

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

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

Oil & Gas

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Gaming

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Transport & Infrastructure

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High Security & Public Space

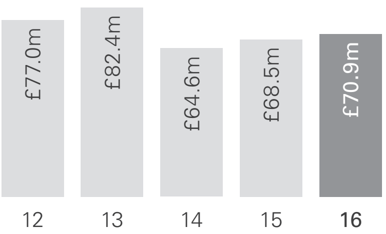
Read more **page 14**

Headlines

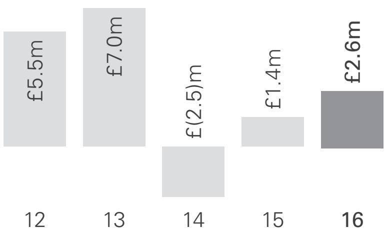
- Revenue up 4% to £70.9 million (2015: £68.5 million)
- Underlying profit[1] up over 80% to £2.6 million (2015: £1.4 million[2])
- Profit before tax £2.0 million (2015: £0.5 million)
- Underlying diluted EPS[1] 12.4p (2015: 7.2p)
- Diluted EPS 8.8p (2015: 2.5p)
- Net cash at 30 November 2016 £2.2 million (2015: £0.5 million)
- Year-end order book £26.2 million (2015: £26.6 million)
- Recommended final dividend increased to 2.0p per share (2015: 1.0p)

Financial overview[2]

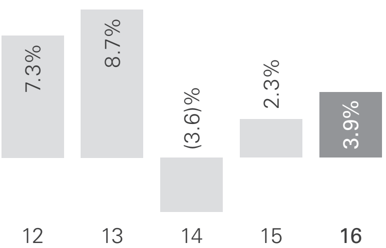
Revenue
+4%



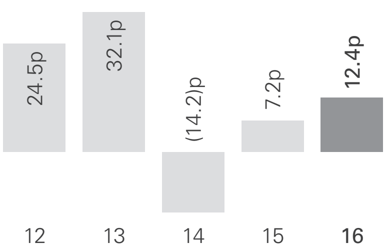
Underlying profit/(loss)[1] before tax
+84%



Underlying operating margin[3]
+1.6%



Underlying diluted EPS[1]
+72%



1. Underlying profit represents profit before tax and non-underlying items (which comprise restructuring costs and amortisation of acquired intangibles). Underlying earnings per share are based on profit after tax but before non-underlying items. A reconciliation of 'alternative performance measures' to measures prescribed in financial standards is given on page 26.
2. Comparatives have been adjusted throughout where necessary to reflect the change in treatment of share-based payments, which, from the year ended 30 November 2016, have been included within underlying costs.
3. Underlying operating margin represents underlying operating profit/(loss) as a percentage of revenue, where underlying operating profit/(loss) represents underlying profit/(loss) before tax before charging finance income and finance costs.

In this report

Visit our investor website for up to the minute news and announcements:
synecticsplc.com

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

Synectics is right sized… big enough to deliver reliable, intricate technology solutions for the world's most demanding environments, but small enough to listen, adapt and maintain a personal touch with our partners and clients. The leading oil & gas plants, casinos, transport operators and public authorities select Synectics.

Technology and experience

Scalable, highly flexible and user friendly, Synergy 3 – our unique 'command and control' software platform – provides the foundation for the solutions we deliver.

Synectics' products evolve to meet the ever changing criteria of our clients because we employ a customer-driven design philosophy. As new regulations, threats or integration challenges impact our customers, we listen, learn and react quickly to adapt current products or build new technology.

Our core strengths are responding quickly to technology gaps, collaborating with third-party products and partners, and creating tailored solutions for unique problems.

Structure

Synectics serves four principal industry sectors and our operations are international – spanning Europe, the Middle East and Africa, Asia-Pacific and North America.

Our business is organised into two main divisions:

- **Systems division,** which develops, integrates and delivers resilient, flexible electronic surveillance solutions based around our proprietary Synergy 3 command and control software platform and other specialist products, and operates globally across all sectors; and
- **Integration & Managed Services division,** which focusses on the design, delivery and maintenance of end-to-end security and surveillance systems and facilities management services, and operates principally in the UK in high security & public space sectors.

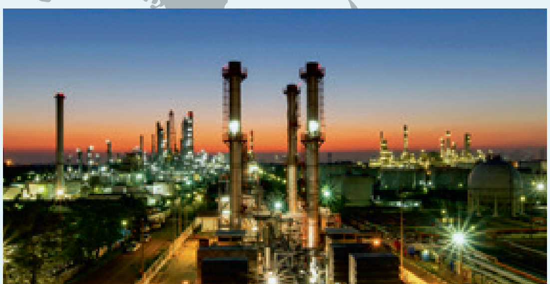
Recording and monitoring over 100,000 video channels in over 100 casinos across three continents.

Operational hubs

Safeguarding landmark national heritage sites and venues and protecting visitors, staff, property and artefacts.

Protecting major airports and stations throughout the world, including the busiest airport in the southern hemisphere.

Monitoring over 27,000 vehicles globally, ensuring passenger safety, mitigating costly insurance claims and aiding vehicle and driver performance.



Securing the largest oil & gas projects in over 50 countries throughout the world.

"

Synectics produced a solid performance in 2016, continuing the strong trend of improvement set in train during the previous year."

David Coghlan
Chairman

Overview

Synectics produced a solid performance in the year to 30 November 2016, continuing the strong trend of improvement set in train during the previous year.

The Group's profits, profit margin and return on capital made reasonable progress back towards our target levels, but they clearly have some way yet to go. This reflects the fact that our core business is still operating below capacity, in the main as a result of continuing reduced activity in the global oil & gas industry, historically one of Synectics' largest customer sectors.

Good results were achieved in mobile transportation and, particularly, in high-end casinos, where the Synectics team produced a quite exceptional performance in successfully delivering several new multi-million pound surveillance systems centred on our core software technology.

A number of actions were implemented during 2016 to simplify the Group's operating structure, to further strengthen divisional leadership and to position Synectics to address more effectively its natural customer base within the growing market for high-end security protecting public transport and critical infrastructure. As part of this process, non-essential costs were removed from the business, and additional investments made to enable accelerated growth in our core markets.

Results

For the year to 30 November 2016, Synectics' consolidated revenue increased by 4% to £70.9 million (2015: £68.5 million). The Group made an underlying profit[1] of £2.6 million (2015: £1.4 million[2]). After charging £0.7 million (2015: £0.9 million) for exceptional restructuring and other non-underlying costs, the consolidated profit before tax for the year was £2.0 million (2015: £0.5 million). Underlying diluted earnings per share were 12.4p (2015: 7.2p) and diluted earnings per share were 8.8p (2015: 2.5p). These results benefited by around £0.2 million from the impact of the depreciation of sterling across the year on the earnings of our foreign subsidiaries, compared to the exchange rates used in setting the Group's budgets for the year. On a constant currency basis compared with average exchange rates for the full 2015 financial year, the translation benefit was around £0.4 million. In both cases, this translation benefit was partially offset by corresponding increases in the sterling costs of US dollar-denominated components used in our systems sold in the UK.

The Group's balance sheet continued to strengthen, with net cash at 30 November 2016 of £2.2 million (2015: £0.5 million). The consolidated firm order book at year end was £26.2 million (2015: £26.6 million).

Dividend

In light of Synectics' improved results and positive cash position, the Board is recommending payment of an increased final dividend of 2.0p per share (2015: 1.0p), payable on 5 May 2017 to shareholders registered on 31 March 2017, for consideration by shareholders at the Company's Annual General Meeting on 27 April 2017.

People

A sincere thank you is due to all Synectics' employees for the exceptional commitment demonstrated by so many of them over the past year. The Board continues to increase its emphasis on employee communications, and on training and development, which we know are both important to our employees themselves and critical to the healthy future of the business.

I would also like to pay public tribute on behalf of us all at Synectics to Nigel Poultney, who died suddenly last May. Nigel joined Synectics 25 years ago, and was for many years our Group Finance Director, until his retirement from that position in December 2015. He played a critical leadership role in the development of Synectics from our tiny beginnings in the electronic security industry, and was a much valued colleague, friend and mentor to many of us across the Group. He is much missed.

Strategy and organisation

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

The consolidation of the Group's transport & infrastructure systems activities, and recent additional investments in domain-specific sales and technical capabilities, have provided the right platform from which to substantially grow sales within that important sector over coming years. Specific targets include airports, ports, transportation hubs, public transport vehicles, utility supplies, financial services infrastructure and government security agencies. Different parts of Synectics have well established track records in all of these areas. Much work has been done to pull those different parts of our business much closer together, and to integrate and beef-up our efforts to extend Synectics' core expertise more widely through the Group's operations hubs in Europe, the Far East, the Middle East and North America.

As the volume of digital data generated by high-end, video-centric security systems continues to grow exponentially, the complexity of extracting meaningful and actionable intelligence from that data is opening up many opportunities for innovation. Throughout its more than 25-year history, Synectics has consistently demonstrated the combination of deep technical capability and practical, expertise-based sales approach needed to benefit from such opportunities. This is essentially an entrepreneurial skill.

A core aim of our strategy, keenly understood by senior management, is to ensure that the business keeps building the culture and processes necessary to maintain that entrepreneurial essence at larger scale as we grow.

Outlook

Given the long lead times for major oil & gas projects, we do not expect any material improvement in market conditions in that sector in the coming year, and last year's performance in the gaming sector was exceptional. In contrast, we expect our other business areas to move ahead significantly in the current financial year, building on the increased momentum established in the latter part of 2016. Synectics' specialised product and service offerings are the strongest they have been and, we believe, remain reasonably well insulated from many of the pressures that affect more commodity-driven parts of the market.

We are looking forward to a challenging year in 2017, in which the Board expects Synectics to make further satisfactory progress towards our strategic and financial objectives.

Looking a bit further ahead, the oil & gas market will recover, and we are geared to benefit significantly when it does. From the creation of its positions in the oil & gas and gaming markets, Synectics has clearly proven that it has the skills and technology to build global leadership in some of the most difficult and exacting sectors of the high-end electronic security field. We are now focussing those same skills and technology on similarly demanding areas within the expanding transport & infrastructure sector, and are determined to achieve similar success. The Board is therefore confident that the Group's growth prospects are excellent.

David Coghlan
Chairman

21 February 2017

1. Underlying profit represents profit before tax and non-underlying items (which comprise restructuring costs and amortisation of acquired intangibles).
2. Comparatives for 2015 have been adjusted throughout where necessary to reflect the change in treatment of share-based payments, which, from the year ended 30 November 2016, have been included within underlying costs.

> **We will continue to build on the progress we have made, and I strongly believe that the actions we have already taken leave us better placed to deliver for our customers, and ultimately our shareholders – now and into the future."**

Paul Webb
Chief Executive

Building strong foundations for the future

Over the past 18 months, we have worked across the Group to improve our operating capabilities and to lay the foundations for the next stage of growth. During 2016, we completed a series of initiatives whose effect has been to strengthen certain key areas: the way we approach customer relationships; our strategies for attracting, developing and retaining people; our operational processes and efficiency; and the investments we continue to make in developing the sophisticated yet user-friendly products our clients demand. Crucially, we have succeeded in embedding the principles which underlie these changes as an everyday part of 'business as usual' within the Group.

All of this is the result of a great deal of hard work and excellent co-operation right across the business. We have continued to strengthen our team, and people from different parts of the Group are working together more closely than ever before to ensure that we leverage our capabilities as widely and effectively as possible.

We will continue to build on the progress we have already made, and I strongly believe that the actions we have already taken leave us better placed to deliver for our customers, and ultimately our shareholders – now and into the future.

Guided by our customers

To help us to understand and anticipate the evolving needs within our markets, we have recently conducted the largest survey among our customers that we have ever undertaken. Our aim was to gain as much insight as possible into our customers' priorities, how they feel we are performing for them, and what we need to focus on to continue to improve the solutions and services we provide. This exercise has proved exceptionally valuable, and I am very grateful to the customers all over the world who took part.

More than a third rated us nine or ten out of ten for our overall performance and their likelihood to recommend us. Many took the opportunity to praise the reliability of our products and services, the user-friendliness of our solutions, our ability to adapt our approaches to meet their needs, the quality of our technical expertise and business understanding, and the unusual commitment of our people. At the same time, we got clear direction on where they need more from us, and this feedback has enabled us to take actions, both across the Group and for specific customers, to raise or expand our game where we need to.

The overall results from the survey are creditable and have given us confidence that areas which we felt were important strengths are seen as exactly that by our customers. However, I am determined that we should view the performance scores as a baseline upon which we can and must continue to improve.

A unique business with a unique culture

Synectics combines the scale and track record required to handle major projects, with the agility, innovation and 'can do' attitude of an independent firm.

We punch above our weight. We deliver large-scale programmes for world class companies. We protect and support critical public infrastructure around the world. We win highly prized contracts in direct competition with global conglomerates many, many times our size.

At the same time, in an industry where smaller firms can sometimes appear lightweight, we are respected for our integrity and we have built a deep and enduring reputation.

Our business is built around some fundamental strengths:

- deep knowledge of the sectors we serve;
- high-end technical expertise;

- top quality products and systems that deliver in the most challenging environments;
- the flexibility and agility to tailor customised solutions to customers' precise needs; and
- a strong 'human touch' – warm, personable people with a huge commitment to our clients.

These assets have enabled us to build a formidable company over the past 25 years, and a business which I believe has now established the foundations for considerable further growth.

A clearly defined proposition in a dynamic market

The medium and long-term prospects for the security and surveillance industry are strong. The industry as a whole will continue to grow, fuelled not only by the need for sophisticated protection in an uncertain world, but also by the expansion of the markets in which our customers operate and the continuing requirement in many parts of the world for new or substantially upgraded infrastructure.

We will continue to serve our customers through two main business models.

Our Systems businesses, marketed under the Synectics brand, secure major contracts for the design, development, and deployment of security and surveillance solutions founded on our Synergy 3 platform. We look to identify future opportunities at an early stage, so that we can work closely with customers to create solutions tailored to their needs. We have an enviable track record, and this enables us to benefit both from high levels of contract renewal and recommendations to new customers.

Our Integration & Managed Services businesses, trading under the Quadrant Security Group and SSS Management Services brands, work with customers to design security, surveillance and facilities management solutions, and then implement, maintain and support them over time.

These two models are highly complementary, and allow us to work with each customer in a manner which delivers the maximum value for their business and, in turn, to create strong value for our investors.

My colleagues and I are immensely proud of Synectics and we are ambitious for the future. Our mission is clear: to lead the creation of security and surveillance solutions that are precisely adapted for some of the world's most challenging environments.

We continue to attract and retain top calibre professionals, provide solutions which enable our customers to meet the considerable challenges they face and, in the process, are confident we can deliver growth for our own business and strong returns for our shareholders.

Above all, we recognise that effective, well integrated security command and control is not only about physical assets, smart technology and sophisticated products. At its heart it is about people; the general public whom we seek to serve, and the industry professionals who accept the very human responsibility of protecting us all.

Paul Webb
Chief Executive

21 February 2017

"From our strong heritage in public space surveillance we have developed market-leading positions globally in gaming and oil & gas, as well as the UK bus and coach market.

Great technology, a flexible attitude and deep sector expertise are what set Synectics apart – and the business is well positioned for significant further growth."

Paul Webb
Chief Executive

Oil & Gas

A proven leader in a challenging market

The oil & gas industry has faced considerable challenges in recent years, with the pressure on oil prices in particular inhibiting investment in new exploration and infrastructure.

The downturn in the market is inevitably bringing changes. We are seeing a different landscape emerging in terms of customers and opportunities, and we believe the shakedown in the industry will continue for some while yet.

What remains unaltered is the complexity of the task our customers face in ensuring the security of their sites: safeguarding on-site personnel; protecting offshore and remote onshore pipeline locations; and monitoring hazardous and explosive areas. The market also demands solutions that meet the rigorous and constantly changing requirements of compliance legislation in this sector.

Even in the difficult commercial conditions which currently prevail, the need for comprehensive, reliable and integrated site management systems remains a key requirement.

That's why our proposition has endured for over 30 years. Our robust and reliable camera stations (COEX) – combined with our ability to tailor and deploy integrated solutions that make mission-critical data manageable, meaningful and actionable – mean we are able to offer turnkey solutions for the oil, gas and marine industry that deliver performance and peace of mind.

Multi-site infrastructure is common within the oil & gas sector. It is not always efficient, economical or safe to physically patrol all locations on an estate, or manage individual surveillance solutions locally. The systems and products we deploy must be faultless and facilitate remote monitoring and analysis, often thousands of miles away from the site itself.

Products need to perform flawlessly under extreme conditions; one site we protect experiences temperatures which oscillate between 40°C in summer and -40°C in winter. Whether the challenge is location, temperature, light, corrosion or threat detection – image quality and system reliability cannot be compromised.

The oil & gas industry is all about people, in terms of both worker protection and professional partnerships. It's about teamwork. Our projects involve working closely with our 'end clients' – the companies which own and operate oil & gas installations – but they also involve working with engineers, construction firms, telecommunications providers, and other specialist security and surveillance firms.

The collective reputation of our highly skilled, experienced people, coupled with our ability to design, test, document, certify and deploy end-to-end surveillance and security solutions, supports our partners, reassures end users and enables us to build strong, enduring relationships at every level and every stage of a project's lifecycle.

Those relationships have helped Synectics develop a truly global project profile. We work with customers and partners throughout Europe and the Middle East. In the APAC region, we are active in Australia, Singapore, Vietnam, Malaysia, Indonesia and Thailand, and expanding our presence in South Korea, Japan and China. We also continue to pursue selected opportunities in the US, working in tandem with our partners in Houston.

Our experience and knowledge of the oil & gas industry is enabling us to anticipate and respond to the changes that are occurring in the market. Synectics holds a strong position in this sector, and we are proud of the reputation we have built.

- We safeguard landmark oil & gas projects in over 50 countries worldwide.
- We monitor the world's largest gas-to-liquids plant, Shell Pearl in Qatar, with over 340 cameras across the site.
- We have delivered over 10,000 COEX camera stations in the last ten years to oil & gas and marine installations across the globe.
- We protect the largest, most expensive floating structure ever built (Shell Prelude Floating Liquefied Natural Gas Facility).

"I felt that with the amount of R&D that Synectics was putting into the product, they were the horse we had to be backing. So, we made the change and we now work solely with Synectics."

"Their people are well versed; they're very familiar with our business and our operating environment."

Customer comments

Case study

Strategic review

Protecting a vast energy facility in the Middle East

A major oil company in the Middle East is developing a refinery and terminal complex along with a world-scale electrical power plant based on integrated gasification combined cycle technology. Synectics has been working to support this world leading company at every stage of the project.

The refinery will cover an area of 12km². Every day, it will process 400,000 barrels of heavy and medium crudes and produce 80 million barrels of gasoline and 250 million barrels of diesel.

The facility will also generate more than 1 million tonnes of benzene and paraxylene petrochemical products every year. Associated terminal facilities are located on the coast for easy transport.

Synectics' deep knowledge of the industry has proved vital at every stage of the project. Beginning with initial advice on design, we have moved on to develop a tailored Synergy 3 command and control solution to deliver end-to-end surveillance, and to date we have supplied over 230 COEX camera stations.

Darren Alder, Divisional Director – Oil & Gas said: "We were delighted to be able to make our expertise and proven capabilities available to support the customer with this project. This is a major installation of great strategic importance, and we're proud to be associated with it."

Gaming

Reliability, flexibility and a superior user experience have earned us worldwide success

Gaming is one of the most technically demanding, highly regulated leisure industries in the world. Monitoring vast, crowded facilities in low-light conditions where massive amounts of cash constantly changes hands creates a distinctly challenging security and surveillance environment for our high profile clients.

Casinos are the largest users of surveillance cameras in single location sites, with camera counts often totalling in the thousands. They depend on those cameras to guard against fraud, staff collusion, security threats and theft and also to avoid regulatory penalties, making image quality and system reliability essential. Downtime is unacceptable.

However, gaming surveillance is not just about cameras. It is also about data. Accurately identifying and efficiently neutralising risk is paramount to casino profitability. Those risks can only be recognised if awareness extends to all aspects of operations, which is why casinos also rely on player tracking systems, point of sales information, alarms, gaming systems, access control, slot management solutions and video analytics.

No single system gives a comprehensive view of operations, so systems integration is key. However, the data generated by individual systems is too vast and disconnected to understand in a meaningful way. Operators need to be able to 'cut through the noise' to quickly detect, prioritise and respond to events that truly matter and deserve attention, in a way which suits their specific property and user preferences.

An effective gaming surveillance solution meets all these demands. It empowers users to work smarter, not harder, giving them instant access to the relevant and specific information they need, and – through features such as integrated workflows – the ability and confidence to take appropriate and consistent action under critical conditions.

Synectics' commitment to developing solutions such as these is why we have become a serious global player in the gaming sector. Our success in gaming is founded on deep specialist knowledge of the sector – gained over 30 years – and the ability of our expert technical and service teams to devise creative ways to solve problems, rapidly develop and test improvements, and deploy turnkey solutions quickly to meet customer challenges.

Our proposition is based around proven, scalable, highly reliable, customisable, open platform, turnkey systems. Synectics' solutions are built using the unique features and capabilities of the Synergy 3 software platform, and offer the flexibility to work with customers' existing hardware, popular third-party products and their preferred integration partners as required.

Having expanded from our original base in North America we now serve over 100 major casinos across Asia and other parts of the world. Today, we are active in the US, Canada, Macau, Singapore, Malaysia, the Philippines, South Korea, Australia, South Africa, Europe and the Netherlands, as well as with several leading global cruise lines. The majority of our customers are large single property or multi-casino gaming corporations which value close, long-term partnerships, technical ingenuity and turnkey reliability, which Synectics offers.

While we expect a slowdown in new resort openings in Asia, and for these markets to be impacted by China's slowing economy and clampdown on corruption, we have performed strongly in recent years, our large customers continue to expand and renew their systems, and there are significant new opportunities on the horizon.

Case study

Monitoring over 5,000 channels for Las Vegas five-star resort

- We operate in the world's largest gaming markets – the US, Canada, Macau, Singapore and the Philippines.
- We monitor the highest grossing casinos in Las Vegas, New York and Singapore.
- We record and monitor over 100,000 video channels in over 100 casinos across three continents.
- We have over 15,000 cameras recording on 15 gaming cruise ships.
- At one site, a single Synectics system records over 20,000 channels.
- Ontario Lottery Gaming has installed Synectics solutions in over 30 gaming properties over the past 15 years.

"I believe you have some of the best and most knowledgeable staff. No matter what you give them they will help fix any issues and they are patient when they are dealing with someone who is not as experienced as themselves."

"The Synectics product for casino CCTV applications has certainly ridden a wave of interest in Asia. Well done Synectics!"

Customer comments

In 2016, Synectics secured a multi-million dollar contract to supply an integrated video and security management solution for Wynn Las Vegas and Encore casinos. The Wynn resort is one of the most iconic and prestigious gaming and leisure resorts on the Las Vegas Strip.

The contract is our first 5,000+ channel 'five-star' property in the US, setting another landmark for Synectics and building upon similar successes in the Asia-Pacific region. It further reinforces our growing credentials as one of the world's leading surveillance system suppliers for casinos.

The new Synectics solution will enable Wynn's surveillance and security teams to centrally monitor, record and manage video from over 5,000 PTZ and fixed dome analogue and IP cameras, alongside alarm and transactional data from third-party systems.

Synergy's open design has enabled Wynn to re-utilise much of its legacy surveillance equipment, including cameras, storage servers and encoders, while economically transitioning to newer technology and greater capabilities.

Adam Heisler, Synectics' International Gaming Sales Director, commented: "There's no 'one size fits all' requirement or solution for the gaming industry, but Synergy's extraordinary flexibility enables casinos to 'flex' the application to meet their unique and ever changing needs.

"Synergy 3 does not just collect data from multiple sources; it collates and presents relevant information to busy operators with corresponding video and alarm data, packaged with clear on-screen instructions on how they should respond. The system can also be programmed to automate certain responses – such as opening/locking doors – if user-specific 'data events' occur. For large-scale sites like this, intelligent system automation can make a huge difference to operational efficiency and profits."

Transport & Infrastructure

Experience driving expansion in growth sectors

Transport & infrastructure sectors offer some of the largest opportunities for the security and surveillance industry over the next five to ten years.

- Worldwide investment in critical infrastructure establishments, such as airports, metro systems and ports, is at an all time high.
- Continuing urbanisation around the world is driving both the opportunity and the need for the expansion of transport systems, such as metro, mass transit rail and bus, that rely on population density to function efficiently.
- The global rail industry is going through a massive technology refresh and we are seeing more rolling stock replacements than ever before.

In parallel to these developments, the unrelenting threat of terrorism and crime leaves owners and operators of transport infrastructure with no choice but to invest in smart and robust security, emergency and operational technologies. The market is looking for continued innovation.

It is also looking for simplification. The vast array of systems now essential to transport & infrastructure settings generate huge volumes of data, a fact driving the industry to seek out solutions which can maximise and make sense of the information at its fingertips. Transport owners and operators are recognising the potential for more powerful, integrated command and control systems, which not only protect the public but help to deliver a better passenger experience, both in and around the 'hubs' (rail, metro and bus stations) and on the vehicles themselves.

Transport surveillance is no longer just about CCTV. It is about protecting and serving people at every stage of their passenger journey.

All of these developments very much play to our strengths. Synectics has been designing and delivering integrated end-to-end solutions for transport hubs for decades. Our smart, flexible, user-friendly solutions, with Synergy 3 at their core, can be found protecting airports, ports and rail networks throughout the world.

Together with our suite of cameras, recording and integrated data management solutions for on-vehicle applications – from bus fleets to rail stock – we are ideally positioned to meet vehicle, site, network-wide and converged surveillance needs.

Our 'complete journey' credentials are increasingly important moving forward. The worlds of on-vehicle and transport hub surveillance are merging to enable Smart City operations – situational awareness spanning entire critical urban infrastructures. Synergy 3's open architecture and integration capabilities support organisations looking to enable connectivity and data sharing between vehicles and transport hubs to achieve true convergence and Smart City ideals.

Transport operators responsible for protecting passengers, transport assets and infrastructure have complex needs and face challenges which justify serious investment. They need solutions and experienced partners they can trust and evolve with. Synectics meets these distinct requirements.

From our hubs in the UK, Germany, the Middle East and Southeast Asia, we deploy transport & infrastructure solutions for high profile projects across the globe. But we also retain the agility of a high value challenger brand where expertise, flexibility, desire and a strong personal service ethic can be brought to bear.

- We protect the busiest airport in the Southern Hemisphere.
- We provide and support command and control systems for the fourth busiest metro system in Europe, covering 170 stations and serving 1 billion passengers each year.
- We work with the largest rail operator in Germany and the largest rail network in Europe.
- We supply four of the top railway rolling stock builders in Europe.
- We protect 50% of London Boroughs and our solutions support 88% of London buses.
- Our solutions support 27,000 vehicles worldwide.

Synectics is one of the strongest technically. The quality of the product is good and the backup seems to be good as well."

Customer comment

Case study

Securing stations for Virgin Trains East Coast Mainline

In 2016, Virgin Trains chose Quadrant to replace and maintain the CCTV infrastructure for its UK East Coast service, which spans over 200 miles of railway line and incorporates nine key stations.

The upgrade is part of Virgin Trains' continuous development programme to deliver an enhanced passenger experience, encompassing customer safety and security, as the East Coast Mainline franchise operator.

The fully-IP solution includes replacing approximately 500 analogue cameras and a new fibre-based communications infrastructure.

A key component of the solution is the level of integration it will enable, including data analytics systems capable of detecting virtual boundary breaches such as track trespass and detection of left objects. Multiple levels of system resilience and redundancy built into the surveillance solution will ensure highly secure operations, mitigating the risk of data loss or system downtime.

In addition to improving localised surveillance at the stations, the highly scalable IP solution developed will also enable real-time footage from different locations to be viewed remotely for enhanced incident support or escalation, and for training purposes.

David Byrne, Head of Property at Virgin Trains on the East Coast, said: "We are very excited to be working with Quadrant as we strive to improve our CCTV and communications infrastructure now and in the future. We have been impressed by the team and appreciate the time and energy they have dedicated to interpret our requirements, demonstrating their commitment to customers.

As well as being one of the UK's busiest arterial routes, the East Coast Mainline boasts some of the country's most historic stations. In addition to meeting key technical requirements, we needed a provider capable of fully addressing these needs and tailoring quite precise details, even down to the colour of equipment and cabling, in order to be sympathetic to the surroundings.

Quadrant more than met this challenge and in the solution they have proposed also reflected our commitment to limiting any potential disruption to passengers."

High Security & Public Space

An outstanding track record

We have a long and well established reputation as experts within the high security & public space sectors, delivering turnkey, end-to-end solutions, as well as the technology that lies at their heart.

Our strength in design, integration, outsourced monitoring and management enables us to assume an ever increasing responsibility for the protection and operational improvement of critical and high security sites, infrastructure and employees.

Synectics' Systems division serves these customers globally with technology, while our integration & managed services teams at Quadrant and SSS operate primarily in the UK market.

Public space

The public space landscape is increasingly defined by three conflicting but equally important needs. Heightened threat levels make public safety an absolute priority. However, significant investment in legacy infrastructure and restricted budgets have driven an emphasis towards cost efficiency and utilising existing assets. It is a dilemma we are well positioned to help our customers tackle.

Synectics' surveillance solutions and services are ideally suited to multi-site consolidation such as merged control rooms, inter-agency communications, unifying analogue and IP camera technology, and enforcing operational efficiencies for cost reduction.

For more than three decades we have engineered and installed enterprise-class surveillance solutions to protect town and city centres – Synectics monitors more than 100 town and city centres in the UK alone – universities, heritage sites, hospitals, prisons and defence sites.

High security

Often matching public space settings for size and complexity, commercial high security sites – from financial institutions and utility networks to power stations and data centres – are vital and therefore vulnerable to the threat of disruptive attack.

Physical security is paramount in these environments, as is the need to demonstrate process and protocols in line with regulatory compliance. Clear audit trails are a must. Operators in this arena also need value-added solutions which facilitate greater integration of security systems with other operational and building management systems.

Our public space expertise is relevant and valuable. Coupled with our history of developing and installing specialist security and surveillance systems for large-scale industrial and commercial environments where high quality video, reliable monitoring, advanced systems integration and situational management functionality are essential, Synectics is the perfect partner for customers operating in the high security arena.

Managing and verifying services

Public space/commercial organisations – particularly those with multi-site estates such as retail and leisure facilities – often have an additional requirement. In addition to facing the security and efficiency challenges already highlighted – the need to centrally manage, track and audit property, facilities and security services is vital.

Simplifying and streamlining overwhelming amounts of measurable data to deliver service and security transparency has become a distinct sector requirement.

Our SSS business enables us to fulfil this need and capitalise on the opportunity it presents. Utilising new generation computer aided facilities management ('CAFM') systems to provide tailored dashboards and reporting capabilities, we offer support models ranging from simple monitoring of specific signals (refrigeration temperatures, security alarms) or auditing our clients' contractors for compliance and invoice accuracy, through to acting as a principal security and FM contractor on our clients' behalf (subcontracting and managing all services).

Together with our Group-wide capabilities in high security & public space surveillance, we are in a powerful and unique position to deliver single vendor, end-to-end solutions.

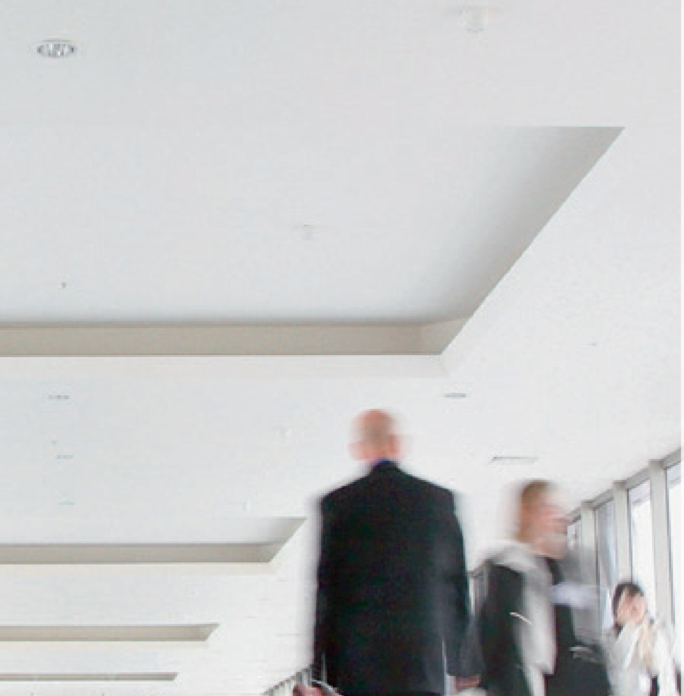
Case study

Delivering customer experience in a safe environment for intu

- We have the UK's largest dedicated high security service team.
- We protect 50% of the UK's nuclear power stations.
- We have provided security and surveillance to over 100 town and city centres in the UK.
- Britain's leading heritage and tourist sites trust us to protect its visitors and treasures.
- We maintain security solutions at two-thirds of the UK's major secure mental health hospitals.
- The UK's largest shale gas producer relies on us to upgrade and maintain its sites' security solutions.
- We protect and manage over 25,000 sites, £50 million of customer spend and handle 500,000 operational transactions each year.

"They're very different from other suppliers we've got. They're more responsive and I think it's because we've got that personal knowledge of each other. We know who we're dealing with. You're not just a phone call."

Customer comment



Synectics companies have been working closely with intu Properties plc, the leading consumer-facing shopping centre brand, to support its expansion and upgrade programme.

Four of intu's UK shopping centres – intu Metrocentre, intu Trafford Centre, intu Eldon Square and intu Braehead – have already deployed solutions based on Synectics' Synergy software.

Over the past year, Quadrant has been appointed as the integrator and ongoing service provider at three of the sites. These include intu Eldon Square, a Gold Award winning mall refurbishment in Newcastle which is being further enhanced by a vibrant new restaurant area, Grey's Quarter. We are working both directly with intu and through Sir Robert McAlpine, the construction and civil engineering firm employed to refurbish Grey's Quarter.

The solution we have designed offers a digital platform that delivers a very high degree of user-specified configuration, flexibility and integration. It combines the power to integrate a vast array of video streams and data feeds with the intuitive simplicity of touch screen control and the comfort of ergonomically designed control rooms.

Gian Fulgoni, Chief Information Systems Officer at intu said: "We have been highly impressed by the breadth of Synectics plc's capabilities. The combination of the Quadrant integration team and Synectics' Synergy 3 software is getting us exactly what we need. These installations are perfectly in tune with intu's brand values, allowing us to offer our shoppers the best possible customer experience in a safe environment."

Technology which brings the best out of people

Smart technology should be an enabler of human capability, not an end in itself.

Synectics has always been committed to developing and providing tools which allow clients to use the systems to their maximum effect – tailored solutions which meet their exact needs, in the environment they operate and the sector they serve.

The key to achieving this is that our technology experts are also security and surveillance experts. They understand our clients' environments, the details which can make the difference between success and failure. Our systems are designed by security professionals for security professionals.

The power, flexibility and user-friendliness of Synergy 3

At the heart of our solution is Synergy 3, a powerful, highly flexible platform which sets us apart as a technical leader in our industry.

We are all accustomed to the world of the internet and the smartphone, accessing anything we need with a single click of a mouse or touch of a screen. This expectation is transforming the security environment with professionals expecting these advancements to translate into technologies and functionality that deliver intuitive and responsive control.

Customisation is key. The solutions we develop using Synergy 3 can be configured to associate threats detected with a customer's specific operating procedures or legislative requirements to generate real-time on-screen workflows that enable rapid, informed and consistent decision making. This principle extends to user experience. The graphical user interfaces we design are highly user friendly, and can also be customised for each individual operator.

Specialist solutions that add value

We make a significant ongoing investment in developing, and rigorously testing, new technologies and tools. But we are also careful to focus our attention on solutions that add real value.

Integration and interoperability – multiple systems working seamlessly together – are becoming ever more important watchwords for our customers.

The reality is that many of the individual components in a security and surveillance solution are relatively generic. Often, much of the hardware required can be obtained on the open market at highly competitive prices. Where industry standard components are perfectly suited to the job in hand, we use what is already available and integrate it into our systems.

Our open architecture mindset provides additional long-term benefits for organisations and their infrastructure. When organisations upgrade their capabilities to take advantage of latest technology, they frequently want to be able to leverage what they already have and enhance it, not rip it out and start again. Synectics' solutions enable them to do this efficiently, by connecting with third-party solutions, existing hardware and other components which may still be relevant, and creating new applications and superior performance around these.

We also develop the proprietary specialist hardware needed in environments for which generic products are simply not sufficient. For example, our COEX camera stations are designed and thoroughly proven to cope with the most challenging environments, including extreme climates and hazardous areas. They are widely deployed by our customers in the oil & gas, marine and critical infrastructure sectors, where they offer a level of performance and reliability that standard products cannot approach.

Designing for a fast-changing world

In many cases, our clients need to integrate surveillance functionality with a whole host of other applications that go way beyond traditional surveillance.

Across the transport sectors for example, from city buses to long distance trains, we are working with organisations which want the ability to unify visual and audio data, alarms and any number of transport-specific sub-systems, within a single monitoring and control environment, in order to improve security but also enhance overall passenger experience.

They are not alone. This desire for holistic solutions which connect many capabilities across an enterprise, while offering an intuitive, tailored experience for each individual user, points the way forward. Helping organisations achieve this ambition is a task to which Synectics' specialist 'value-added' approach and technical expertise are well suited.

“The Synergy system is probably one of, if not the best, on the market. The guys who work on it on a day-to-day basis love the fact that it's so easy.”

Customer comment

Technology highlight

Gesture-based control for intuitive surveillance management

The EX300 Advanced Control Suite comprises a tablet device which incorporates numerous gesture-based components including jog shuttle, a physical keyboard and a joystick device, with users able to mix and match these devices according to sector application and/or user preference.

The tablet component is the heart of the solution and features highly customisable modular Synergy 3 software. Synergy 3 enables users to identify, prioritise and simplify recurring control functions, for example camera selections or clip cutting. In busy and highly pressured environments, these features enhance the user experience and save valuable time in situations where actions need to be both fast and accurate.

“In the digital era, the phrase 'at the touch of a button' has been replaced by 'at the swipe of a finger'. We wanted to reflect that in the design of this new control suite.”

David Aindow
Product and Technology Director

A technology leader with a human culture

Synectics is a company with a strong personal touch and a recognition that people matter.

Our customers are not only large global corporations – leading players in their chosen industries, governments and major public bodies – they are the individuals within those organisations who carry perhaps the most important professional responsibility of all. That of protecting and serving their fellow citizens.

People rely on the technologies we develop and solutions we provide to identify risks and deal with operational threats day in, day out. Our teams are motivated to deliver the best possible solutions to our clients, tailoring our proven technologies and products to meet their precise needs. In these situations, nothing is too much trouble.

Going the 'extra mile' may be a business cliché but, to us, it is essential. When the stakes are so high it has to be.

Specialist skills, sector knowledge

Our teams have decades of experience of working in the industry – they are security and surveillance experts, not technology generalists. More importantly, they are also industry specialists. It is impossible to comprehend what customers need without first appreciating the world in which they operate.

The flexibility of our solutions means that, for example, customers operating in the oil & gas and gaming sectors are able to utilise the same proven, industry-leading software platform, Synergy 3.

But it is the experience and knowledge of our sector experts that allow us to tailor those solutions in order to deliver exactly what these diverse and distinctive customer groups require, from considering the scale and complexity of what has to be accomplished, to recognising the minute changes to a user interface that will make an operator's job easier and save vital seconds at a crucial moment.

Understanding sector challenges is not Synectics 'adding value' to its proposition. It is our proposition.

Investing in our culture and our capabilities

In recent years, we have embedded policies and practices across the business to ensure that the 'whole' is greater than the sum of the parts. We know who we are as a company, and we are aligned behind a common purpose.

Training at all levels and in all the disciplines relevant to our business, from technical skills to leadership capabilities, is hugely important to us. As is recruitment. We place great emphasis on attracting and selecting the right people – strengthening our team with significant and targeted external hires, while also recognising the critical importance of developing and retaining our best people, and of succession planning.

We are immensely proud of our people, and it is clear, if you walk into any of our offices around the world, that our teams are proud of each other and the work they do for our customers.

Our values underpin everything we do. We are totally customer focussed, we…

UNDERSTAND

We listen, advise, respond and add value to all our internal and external customers.

INNOVATE

We are flexible, creative, proactive people and we deliver expert solutions using innovative technologies.

RESPECT

We embrace diversity, care, trust and thank each other. We are inclusive and we communicate openly and honestly.

DO THE RIGHT THING

We act with integrity and we collaborate to deliver on our commitments. We challenge each other to improve.

We always accept a challenge

Synectics first began supporting the work of the Brathay Trust in 2012. Brathay is a UK-based charity whose mission is to improve the life chances of children, young people and their families by inspiring them to engage positively in their communities.

Each year, our teams undertake special challenges to raise money for the Trust. Last September, 22 Synectics employees from our UK and German offices rowed 38km across three lakes in the Lake District. Demonstrating their flexibility and agility, as well as their sheer staying power, our heroes started their adventure in open canoes, then switched to ten-man voyager canoes, before rowing whalers along the entire 18km length of Lake Windermere.

In the run up to the expedition, Synectics staff held a series of other events to raise further donations for the charity.

"I have to say I am impressed with them. From the Chairman down, all very smart, dedicated people."

Customer comment

"This is the third year that Synectics staff have helped us help young people by raising an amazing grand total of almost £20,000. Their generosity is improving vulnerable young people's lives."

Scott Umpleby
Head of Fundraising, Brathay

22 Synectics employees from our UK and German offices rowed 38km across three lakes in the Lake District.

"Close control of the cost base, together with revenue and margin growth, have contributed to the Group's continued profitable recovery."

Mike Stilwell
Finance Director

Keeping track of Group performance

Group results for the year

The Group continued its profitable recovery in 2016 after returning to profitability in the previous year.

Total revenue for the year increased by 4% from £68.5 million to £70.9 million resulting in an underlying operating profit of £2.8 million compared to a profit of £1.6 million in 2015. Total profit from operations increased to £2.1 million (2015: £0.7 million).

Close control of the cost base, together with revenue and margin growth, have contributed to the Group's continued profitable recovery.

Our results continued to be impacted by disruption in global oil & gas markets. In response to this we reduced our manufacturing capacity in this sector during the year to reflect market conditions, whilst continuing to retain capability.

In contrast, our revenues in the gaming industry enjoyed an exceptionally strong year, with two major new-build casino projects being delivered in the Far East.

£0.6 million of restructuring costs were incurred during the year as we further integrated our product portfolio, development and sales activities across our transportation & infrastructure businesses, and reduced capacity in Oil & Gas. These costs are included in £0.7 million of non-underlying items reflected in the Income Statement.

Overall cash inflow in the period was £1.1 million. Cash generated from trading was partially offset by an increase in working capital as high levels of activity in the final two months of the financial year meant that short-term levels of customer receivables and accrued revenue at 30 November 2016 were abnormally high. The Group finished the year with net cash of £2.2 million compared with net cash at 30 November 2015 of £0.5 million. The net movement of £1.7 million comprised an increase in cash and cash equivalents of £1.1 million and a £0.5 million reduction in term debt.

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

Income Statement

Overall Group revenue for the year to 30 November 2016 amounted to £70.9 million compared with £68.5 million in the previous year, an increase of £2.4 million (3.5%).

In the last Annual Report, we set out details of a reorganisation to bring together, under a single management team within the Systems division, the Group's various activities supplying our proprietary surveillance and command and control systems to customers in the transport & infrastructure market sector. As a result, the divisional results shown below for last year have been restated to provide comparability.

Revenue split between our two business segments was as follows:

Revenue	2016 £000	2015 £000	Inc/(dec) £000	Inc/(dec)
Systems	**48,281**	46,386	1,895	4.1%
Integration & Managed Services	**23,290**	23,104	186	0.8%
Intra-Group sales	**(658)**	(986)	328	
Total revenue	**70,913**	68,504	2,409	3.5%

Revenues in the Systems division increased by £1.9 million to £48.3 million. An exceptional sales performance in our Gaming sector, together with growth in our core UK mobile transportation business, was partially offset by continued difficulties in the oil & gas sector.

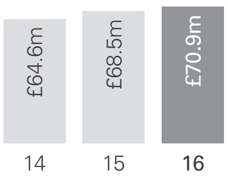
Revenues in the IMS division increased marginally by 1% to £23.3 million. This improvement was seen largely in our UK integration business, which continues to make steady progress.

Recurring revenue remained constant year on year at £15.9 million (2015: £15.9 million), representing approximately 22% of sales (2015: 23%).

The proportion of sales arising outside the UK (measured by the geographical location of the contract) increased slightly during the year to 45%, compared with 43% in the previous year.

Revenue

+4%



KPI definition

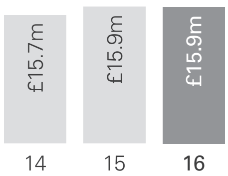
Income earned from the delivery of goods and services.

Why we measure

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

Recurring revenue

–%



KPI definition

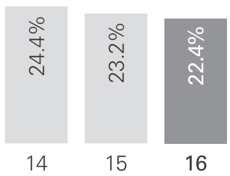
Contracted sales where a service is delivered over a future time period and revenues are recognised in the relevant future accounting period.

Why we measure

Recurring revenue provides an indication of quality of earnings as contracted income reduces dependence on winning new business.

Recurring revenue as % of total revenue

-0.8%



KPI definition

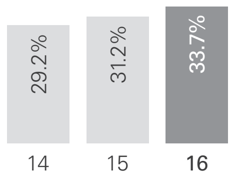
Recurring revenue as % of total revenue.

Why we measure

Recurring revenue as % of total revenue helps us understand how much of the Group's total revenue is made up of contracted income. Higher recurring revenue relative to total revenue reduces the risk and uncertainty of achieving a forecast result.

Gross margin

+2.5%



KPI definition

Ratio of gross profit to revenue.

Why we measure

Gross margin is an important measure of profit available to cover the overheads necessary to generate that profit.

Sales by geographical location of contract	2016 £000		2015 £000		Inc/(dec) £000
UK	**39,318**	**55%**	38,833	57%	485
Rest of Europe	**4,648**	**7%**	5,681	8%	(1,033)
UK and Europe – total	**43,966**	**62%**	44,514	65%	(548)
North America	**4,800**	**7%**	6,341	9%	(1,541)
Middle East	**4,330**	**6%**	4,903	7%	(573)
Asia-Pacific	**17,058**	**24%**	12,746	19%	4,312
Africa	**759**	**1%**	–	–	759
Total revenue	**70,913**	**100%**	68,504	100%	2,409

Consolidated gross margins for 2016 increased by 2.5% overall. Improvements in margins of 4.1% across the Systems division were partially offset by small margin reductions in the IMS division due largely to price competition in our facilities management business.

The full segmental analysis is as follows:

Gross margin	2016	2015	Inc/(dec)
Systems	**38.9%**	34.8%	4.1%
Integration & Managed Services	**22.0%**	22.4%	(0.4)%
Total Group	**33.7%**	31.2%	2.5%

Underlying operating expenses in the year increased by 7.0% to £21.1 million. This is largely due to the full-year impact of increased amortisation of our Synergy 3 software and transport development costs, reduced capitalisation of development spend as accounting rules dictate that it is not appropriate to capitalise ongoing enhancements to products launched in the market, together with the accrual for future costs of a Group property vacated during the year. In addition, the prior year benefited from receipt of a regional grant credited to overheads, which was not repeated in the current year.

Operating expenses	2016 £000	2015 £000	Inc/(dec) £000	Inc/(dec)
Underlying operating expenses	**21,142**	19,753	1,389	7.0%
Non-underlying items:				
Restructuring costs	**585**	806	(221)	
Amortisation of acquired intangibles	**81**	107	(26)	
	666	913	(247)	
Total operating expenses	**21,808**	20,666	1,142	5.5%

Non-underlying operating expenses amounted to £0.7 million (2015: £0.9 million) and included restructuring costs of £0.6 million as we further integrated our product portfolio, development and sales activities across our transportation & infrastructure businesses, and reduced capacity in Oil & Gas to reflect market conditions.

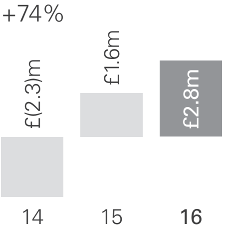
Net finance costs in 2016 reduced by £27,000 to £136,000 as the cost and utilisation of borrowing facilities fell over the year.

Finance income/(costs)	2016 £000	2015 £000	Inc/(dec) £000	Fav/(adv)
Finance income	**215**	225	(10)	(4.4)%
Finance costs	**(351)**	(388)	37	9.5%
Net finance costs	**(136)**	(163)	27	16.6%

Consolidated underlying profit before tax was £2.6 million in 2016 compared with a profit of £1.4 million in the year to 30 November 2015. Profit before tax increased to £2.0 million (2015: £0.5 million).

Underlying operating profit/(loss)

+74%



KPI definition

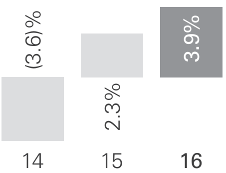
Operating profit/(loss) before non-underlying items[1].

Why we measure

Underlying operating profit is a key indicator of trends in baseline performance excluding the impact of items which by their nature do not reflect core results.

Underlying operating margin

+1.6%



KPI definition

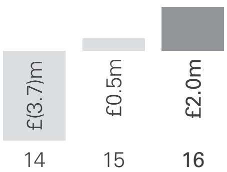
Ratio of underlying operating profit/(loss) to revenue.

Why we measure

To assess trends in the underlying returns generated by the business to better manage current and future performance.

Profit/(loss) before tax

+282%



KPI definition

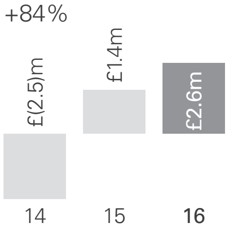
Profit/(loss) before tax.

Why we measure

Profit/(loss) before tax helps us understand our absolute performance including those costs considered non-underlying.

Underlying profit/(loss) before tax

+84%



KPI definition

Profit/(loss) before tax and non-underlying items[1].

Why we measure

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

Underlying profits from the Systems division increased to £4.2 million as a result of a 4.1% increase in revenue and a further reduced cost base in Oil & Gas. These results benefited by around £0.2 million from the impact of the depreciation of sterling across the year on the earnings of our foreign subsidiaries, compared to the exchange rates used in setting the Group's budgets for the year. On a constant currency basis compared with average exchange rates for the full 2015 financial year, the translation benefit was around £0.4 million. In both cases, this translation benefit was partially offset by corresponding increases in the sterling costs of US dollar-denominated components used in our systems sold in the UK. In IMS, although sales improved marginally by 0.8%, increasing competition in our facilities management business impacted margin so that profit for the division was slightly down at £0.5 million. Central costs increased by £0.1 million to £2.0 million.

Underlying profit	2016 £000	2015 £000	Inc/(dec) £000	Fav/(adv)
Systems	**4,211**	2,886	1,325	45.9%
Integration & Managed Services	**522**	597	(75)	(12.6)%
Central costs	**(1,976)**	(1,895)	(81)	(4.3)%
Underlying operating profit	**2,757**	1,588	1,169	73.6%
Interest	**(136)**	(163)	27	16.6%
Underlying profit before tax	**2,621**	1,425	1,196	83.9%

In common with evolving accounting best practice, the Group's share-based payments charge of £0.1 million (2015: £0.1 million) has now been disclosed within the underlying result in both the current and prior year.

A reconciliation of operating profit by division to profit before tax is as follows:

Operating profit	2016 £000	2015 £000	Inc/(dec) £000	Fav/(adv)
Systems	**3,699**	2,365	1,334	56.4%
Integration & Managed Services	**449**	597	(148)	(24.8)%
Central costs	**(2,057)**	(2,287)	230	10.1%
Operating profit	**2,091**	675	1,416	209.8%
Interest	**(136)**	(163)	27	16.6%
Profit before tax	**1,955**	512	1,443	281.8%

Research & development costs are charged to the division benefiting from the service provided by the Synectics Technology Centre, principally the Systems division. In 2016 £2.2 million was spent on research & development with £1.9 million charged to the Income Statement after capitalisation of £0.3 million of development costs. This compares with total expenditure of £2.1 million in 2015 of which £0.6 million was capitalised.

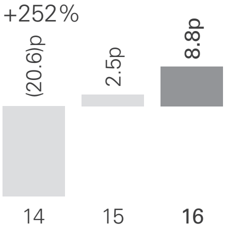
Due largely to improved performance in Systems in 2016, the Group's underlying operating margin was 3.9% compared with 2.3% in 2015.

Underlying operating margins	2016	2015	Inc/(dec)
Systems	**8.7%**	6.2%	2.5%
Integration & Managed Services	**2.2%**	2.6%	(0.4)%
Total Group	**3.9%**	2.3%	1.6%

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

Diluted earnings per share

+252%



KPI definition

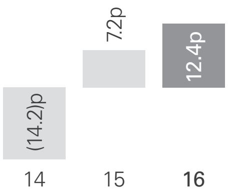
Ratio of profit after tax to weighted diluted shares.

Why we measure

To enable us to track, assess and compare the return for investors and to provide them with a measure of return to compare with other investment opportunities.

Underlying diluted earnings per share

+72%



KPI definition

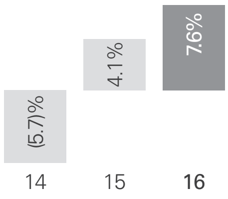
Ratio of underlying profit after tax to weighted diluted shares.

Why we measure

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

Return on capital employed

+3.5%



KPI definition

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

Why we measure

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

The Group's operating margin was 2.9% (2015: 1.0%) split by division as follows:

Operating margins	**2016**	2015	Inc/(dec)
Systems	**7.7%**	5.1%	2.6%
Integration & Managed Services	**1.9%**	2.6%	(0.7)%
Total Group	**2.9%**	1.0%	1.9%

The tax charge for 2016 was £0.5 million compared with £0.1 million in 2015 due to the higher profits generated in the year. 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 21%. The favourable impact of lower tax rates applicable to the Group's subsidiaries in Singapore and Macau was offset by tax losses elsewhere, the benefit of which has not yet been recognised. Over the medium term the effective tax rate is expected to decrease.

At 30 November 2016 the Group recognised a deferred tax asset of £0.4 million (2015: £0.5 million) in relation to tax losses which are expected to be offset against future taxable profits. Further tax losses of £4.0 million (30 November 2015: £2.6 million) exist and may be capable of offset against the future taxable profits of certain Group companies, but have not yet been recognised in the financial statements due to uncertainty of recoverability at this point.

Diluted earnings per share for 2016 were 8.8p compared with 2.5p in the year ended 30 November 2015. However, the Directors believe that a better measure of performance is the underlying diluted earnings per share which is calculated on the underlying profit before tax as defined above. Underlying diluted earnings per share were 12.4p compared with 7.2p in 2015.

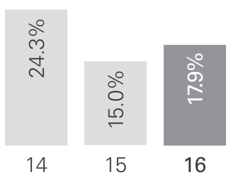
Earnings per share	**2016 p**	2015 p	Inc/(dec) p	Inc/(dec)
Diluted earnings per share	**8.8**	2.5	6.3	252%
Underlying diluted earnings per share	**12.4**	7.2	5.2	72%

Due to improved profitability, return on capital employed (based on total profit from operations) for 2016 was 5.7% compared with 1.7% in the year ended 30 November 2015. However, the Directors believe that a better measure of performance is the return based on underlying operating profit. Return on capital employed (based on underlying operating profit) was 7.6% compared with 4.1% in 2015.

Return on capital employed	**2016**	2015	Inc/(dec)
Based on total profit from operations	**5.7%**	1.7%	4.0%
Based on underlying operating profit	**7.6%**	4.1%	3.5%

Working capital

-2.9%



KPI definition

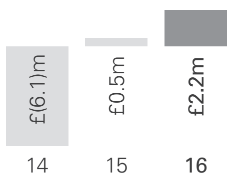
Working capital as % of revenue.

Why we measure

To understand the extent to which resources have been tied up in the generation of sales to assess the risk of having insufficient liquid resources to meet day-to-day cash requirements as they fall due.

Net cash/(debt)

+295%



KPI definition

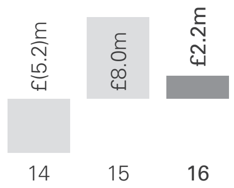
Cash balances net of loans.

Why we measure

Net cash/(debt) provides an indicator of the strength of the balance sheet measured through the liquid resources available to the business to meet future cash requirements.

Free cash flow

-72%



KPI definition

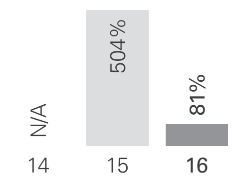
Cash flow from operations less capital expenditure, but before any payments in respect of non-underlying items.

Why we measure

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

Cash conversion

-423%



KPI definition

Ratio of free cash flow to underlying operating profit.

Why we measure

Cash conversion indicates how successful the business has been in generating cash (after replacing the capital assets used in generating that cash) from the baseline profit earned in the period.

Statement of Financial Position

The net assets of the Group amounted to £39.6 million at 30 November 2016 (2015: £36.8 million) and can be summarised as follows:

	2016 £000	2015 £000
Property, plant and equipment	**3,076**	3,264
Intangibles	**22,115**	22,372
Retirement benefit asset	**720**	515
Non-current assets (excluding deferred tax assets)	**25,911**	26,151
Net cash balances	**4,322**	3,224
Loans and borrowings	**(2,152)**	(2,675)
Net cash	**2,170**	549
Other net current assets	**12,691**	10,267
Net tax (liabilities)/assets (including deferred tax assets)	**(537)**	4
Provisions	**(654)**	(129)
Net assets	**39,581**	36,842

Non-current assets (excluding deferred tax assets) at 30 November 2016 were £25.9 million compared with £26.2 million at 30 November 2015.

Total capital expenditure in the year decreased to £0.7 million compared to £1.0 million in 2015. During 2016 £0.3 million was capitalised in respect of technology development projects. The Group continues to invest significant amounts in the development and enhancement of its product portfolio. However, accounting rules for capitalisation of development spend dictate that it is not appropriate to capitalise ongoing work on enhancements for products which have been launched in the market. Exchange rate movements in the year increased the retranslated value of goodwill on overseas acquisitions by £0.8 million.

The capital expenditure of £0.7 million (2015: £1.0 million) compares with depreciation and amortisation charges of £2.0 million in the year (2015: £1.9 million).

Working capital levels increased by £2.4 million to £12.7 million at 30 November 2016 as high levels of activity in the last two months of the financial year impacted debtors and accrued revenue. In addition the weakening of sterling against most major currencies increased the sterling equivalent of foreign currency working capital balances.

As a consequence, working capital expressed as a percentage of annual revenues increased from 15% in 2015 to 18% at 30 November 2016.

Net tax liabilities increased during the year due largely to the current tax charge on profits generated in 2016. Net tax liabilities at 30 November 2016 amounted to £0.5 million (2015: £nil) and comprised a current tax asset of £0.1 million (2015: £0.5 million), a current tax liability of £0.6 million (2015: £0.4 million), deferred tax assets of £0.2 million (2015: £0.2 million) and deferred tax liabilities of £0.2 million (2015: £0.3 million).

Provisions at 30 November 2016 amounted to £0.7 million (2015: £0.1 million). £0.3 million relates to the costs of further integrating activities across our transportation and critical infrastructure businesses during the year, and £0.4 million is held to cover future property costs, largely for a building vacated during the year.

Cash

The Group ended the year with net cash of £2.2 million at 30 November 2016 (2015: £0.5 million). This included term loans of £2.2 million drawn to finance the acquisition of Synectic Systems GmbH (previously Indanet GmbH) in 2012 and to purchase the property in Scunthorpe in 2013. The term loans are repayable in 2017 and 2018 respectively.

The movement in net cash during the year is reflected in the Statement of Financial Position as follows:

	£000
Increase in cash balances	2,510
Increase in bank overdrafts	(1,412)
Net cash inflow	1,098
Loan repayments during the year	786
Effect of exchange rate changes on retranslation of Euro term loan	(263)
Increase in net cash	1,621

The net cash inflow of £1.1 million in the year is summarised in the following table. Major non-operating cash flow items include capital expenditure of £0.7 million as described above, scheduled loan repayments of £0.8 million, and dividends of £0.2 million. In addition, cash balances increased by £0.3 million as a result of favourable exchange rate movements during the year.

	2016 £000	2015 £000
Underlying operating profit	**2,757**	1,588
Depreciation and amortisation charges and profit/loss on disposal of non-current assets	**1,979**	1,735
Share-based payment charge	**131**	125
(Increase)/decrease in working capital	**(1,631)**	5,383
Unrealised currency translation (gains)/losses	**(275)**	46
Government grant released to Income Statement	**–**	(146)
Cash from operations before non-underlying payments	**2,961**	8,731
Restructuring costs	**(365)**	(1,814)
Cash generated from operations	**2,596**	6,917
Interest paid (net)	**(156)**	(181)
Taxation received	**15**	78
Capital expenditure	**(731)**	(1,001)
Disposal proceeds	**–**	280
Cash received from government grant	**–**	311
Loan repayments	**(786)**	(727)
Share scheme interests realised in the year	**–**	13
Dividends paid	**(163)**	–
Effect of exchange rate changes on cash	**323**	(49)
Net cash flow	**1,098**	5,641

Use of non-GAAP financial performance measures

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

In the following table we provide a reconciliation of this and other non-GAAP measures, as defined in the Performance review on pages 20 to 31, to relevant GAAP measures:

Underlying profit measures

	2016 £000	2015 £000
Underlying operating profit		
Reported operating profit	**2,091**	675
Restructuring costs	**585**	806
Amortisation of acquired intangible assets	**81**	107
Underlying operating profit	**2,757**	1,588
Underlying profit before tax		
Reported profit before tax	**1,955**	512
Restructuring costs	**585**	806
Amortisation of acquired intangible assets	**81**	107
Underlying profit before tax	**2,621**	1,425

Underlying diluted EPS

The Group monitors underlying diluted EPS. In calculating earnings for underlying diluted EPS, net profit is adjusted to eliminate the post-tax impact of non-underlying items. Note 12 includes a reconciliation of earnings used for underlying EPS.

Underlying return on capital employed

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

Free cash flow

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

	2016 £000	2015 £000
Free cash flow		
Reported cash generated from operations	**2,596**	6,917
Capital expenditure	**(731)**	(721)
Payments in respect of restructuring costs	**365**	1,814
Free cash flow	**2,230**	8,010

Net cash/(debt)

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

A reconciliation of reported operating profit to non-underlying profit for Systems and IMS is as follows:

GAAP reconciliation – Systems

Systems	**2016 £000**	2015 £000
Underlying operating profit		
Reported operating profit	**3,699**	2,365
Restructuring costs	**512**	521
Underlying operating profit	**4,211**	2,886

GAAP reconciliation – IMS

IMS	**2016 £000**	2015 £000
Underlying operating profit		
Reported operating profit	**449**	597
Restructuring costs	**73**	–
Underlying operating profit	**522**	597

Mike Stilwell
Finance Director

21 February 2017

Systems

Oil & Gas

Gaming

Transport & Infrastructure

High Security & Public Space

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

Revenue	£48.3 million (2015: £46.4 million)
Gross margin	38.9% (2015: 34.8%)
Underlying operating profit[1]	£4.2 million (2015: £2.9 million)
Operating profit	£3.7 million (2015: £2.4 million)
Underlying operating margin[1]	8.7% (2015: 6.2%)
Operating margin	7.7% (2015: 5.1%)

1. Before non-underlying items and Group central costs.

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

During the 2016 financial year our divisional structure was changed in order to bring together the different elements of Synectics' activities serving the transport & infrastructure market sector. As a result, certain activities previously reported under the Integration & Managed Services division are included below within the Systems division. Comparative figures have been restated accordingly.

Gaming

Our Gaming business enjoyed an exceptionally good year, delivering large integrated systems to three major resorts during the period. Revenues from the sector increased by nearly 20% and profits more than doubled.

Synectics' commitment to integration and innovation have helped secure a number of high profile gaming contracts in 2016 – all with our proprietary Synergy 3 command and control software at their core – including a multi-million dollar 6,000-channel project in Manila, a 5,000 channel premier resort on the Las Vegas Strip, a major new-build integrated resort in Macau, and two next generation mega cruise ships based in the Asia-Pacific region.

The Group has performed well in Asia over the last few years, on the back of Synergy 3 systems being chosen for a significant proportion of the new large gaming-related resorts being built across the region. Whilst the current rate of new-build projects is slowing down, we now have a strong installed base in this area and prospects for the future are sound.

There are signs of the US gaming market returning to normal after a period of flat or declining activity, which bodes well for our future in this key region.

Project highlight: Philippines mega resort

Set in 44 ha on the oceanfront, the five-star resort will be home to one of the world's newest and largest gaming projects, located just outside of Manila in the Philippines. The new casino resort will encompass the biggest gaming floor in the Philippines with around 500 gaming tables, 3,000 slot machines and several exclusive VIP and high limit areas.

Performance review

Oil & Gas

The oil & gas market remains difficult, with lower revenues in the sector, as we reported in our interim results, continuing for the full year. We took action in the second half to reduce capacity in our Operations Centre in line with market conditions, whilst taking care to retain capability. This resulted in the sector remaining profitable for the year, even though revenues declined significantly and now account for less than 15% of Group revenue. Although market sentiment appears to be improving, we do not expect the sector to return to significant growth until at least 2018.

Despite the depressed market conditions, the business did well in securing a number of significant packages of work, the majority of which were expansions or additions to existing facilities in the Middle East including continued development of an oil tank farm and refinery complex in Saudi Arabia, as well as expansion and additions at a number of gas fields in the region.

Major new projects secured include our first major project in North America – the Cameron LNG terminal – and a substantial new project in Malaysia – the Pengerang Refinery and Petrochemical Integrated Development ('RAPID'), where work will continue over the next two years.

Project highlight: RAPID

Malaysian oil & gas company Petroliam Nasional Berhad (Petronas) is developing a refinery and petrochemical integrated development project ('RAPID') and other associated facilities in Pengerang, Southern Johor, Malaysia. The complex will cover an area of 2,000 ha and include a crude oil refinery and petrochemical complex capable of processing 300,000 barrels per day. The refinery will use modern technologies to develop these products and adhere to stringent environmental regulations.

Transport & Infrastructure

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

Having successfully delivered an integrated security management solution for the new Terminal 3 Ultimate at Jakarta's Soekarno-Hatta International Airport, Southeast Asia's busiest, Synectics was appointed in 2016 to develop a dedicated surveillance solution for the Customs Unit. This system extension will be fully integrated with the main terminal security system as it continues to grow.

Our core UK mobile transportation business continued to perform strongly. Synectics was awarded a contract extension to continue to support Go-Ahead's fleet of almost 5,000 vehicles across the UK, taking our relationship with this operator to over five years. We have also undertaken a major programme to upgrade the complete fleet for Nottingham City Transport, encompassing a large number of new-build vehicles as well as the entire existing fleet.

In Europe, Synectics has been contracted to provide on-vehicle systems for new trams to be delivered to Munich starting in 2017, and will be working with a major European manufacturer to begin retrofitting trams for the main public transport operator in Antwerp, Belgium, to allow for safe driver-only operation. We have also secured further work to equip trains with surveillance systems for Deutsche Bahn in Germany.

Further afield, Hong Kong Citybus has contracted Synectics to provide systems on new factory built vehicles into 2017.

We continue to invest strongly in business development in transport & infrastructure, and anticipate further activity in tram and light rail as we go into 2017. As part of the deeper integration of Synectics' activities in this sector, the Group has invested to unify our product portfolio across the transport sector, with new solutions based on our T-Series recording platform and our Synergy Transport command and control system. We expect the impact of this investment in new products and sales resources to show through in 2017.

Project highlight: Go-Ahead

Go-Ahead's Group Procurement Director, Jeremy Marshall, said: "Synectics has been a valuable partner as we have undertaken significant upgrades to our fleet, both in London and nationally, over the last year, and we are pleased to have their support as we push towards technology integration and increased use of technology to drive value for the Group."

High Security & Public Space

During the year Synectics delivered an enterprise-class surveillance and threat management solution for one of the UK's largest banking and financial institutions. Deployed at cash centres across the UK, the system will enable both on-site threat detection as well as escalation to dedicated control centres and a disaster recovery centre.

We also secured a programme for a major national power utility, covering some of the sites most important to national security. A major upgrade across the estate meets the highest levels of security provision.

Research & development

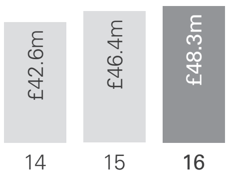
Continued investment in our proprietary technology base remains an important priority for Synectics. During 2016, the Group spent a total of £2.2 million on technology development (2015: £2.1 million). Of this total, £0.3 million was capitalised, and the remainder expensed to the Income Statement. £1.1 million of previously capitalised development costs were amortised in 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. The Group's development roadmap operates in a well controlled environment that enables us simultaneously both to deliver on time our planned new product introductions, and to support globally the bespoke, large-scale and innovative projects that an increasing proportion of our customers are looking for.

In 2016, major activities were focussed on our Synergy 3 command and control platform with the release of the EX300 user controller interface together with further developments to unify our product portfolio in the transport sector, as mentioned above.

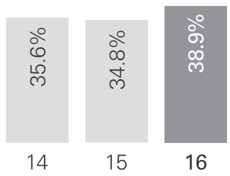
Revenue

+4.1%



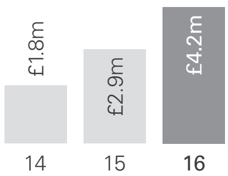
Gross margin

+4.1%



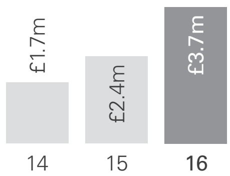
Underlying operating profit[1]

+46%



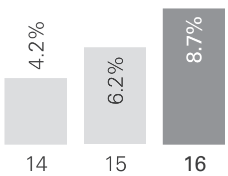
Operating profit

+56%



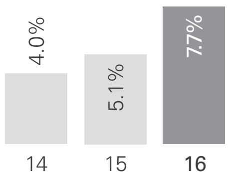
Underlying operating margin[1]

+2.5%



Operating margin

+2.6%



1. Before non-underlying items and Group central costs.

Integration & Managed Services

Transport & Infrastructure

High Security & Public Space

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

Revenue	£23.3 million (2015: £23.1 million)
Gross margin	22.0% (2015: 22.4%)
Underlying operating profit[1]	£0.5 million (2015: £0.6 million)
Operating profit	£0.4 million (2015: £0.6 million)
Underlying operating margin[1]	2.2% (2015: 2.6%)
Operating margin	1.9% (2015: 2.6%)

1. Before non-underlying items.

Integrated Systems

The restructuring and turnaround of the UK security systems integration business, successfully implemented during 2015, was consolidated in 2016. The senior management team was further strengthened, important new business was won and delivered, and the pipeline of expected new contracts for future years has grown substantially. Among the notable new business in 2016 we secured the contract to replace and maintain the surveillance system for Virgin Trains on the East Coast Mainline, incorporating nine stations and replacement communications infrastructure as well as an upgraded CCTV system.

Following the successful delivery of a complex integrated security and safety system to a large power station this year, further work has been secured in the energy sector with the award of two waste-to-energy plants in the UK to be delivered in the coming year.

We continue to work to support and upgrade numerous local authority 'safe city' systems. Whilst new investment in this sector is limited, our integrated services division remains a major player in supporting and maintaining local authority systems across the UK and this sector continues to provide substantial recurring revenue to the division.

The business has been selected to be the preferred systems provider for a major UK shopping centre chain, and we provided new state-of-the-art systems based on Synectics' proprietary Synergy 3 command and control system to four large shopping centres during the year.

Our position as one of the leading accredited high security providers in the UK means that we continue to win significant ongoing work for government agencies. One such important contract was renewed during 2016 for a further three years.

Managed Services

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

We are increasingly expanding this business beyond its traditional multi-site retail customer base. We are adapting Synectics' proposition to make it attractive to potential customers in a number of new areas, including the care sector, where a series of trials are currently ongoing.

Our IMS team is continuing to work in closer co-operation with the Systems division, to leverage these combined capabilities to the full for the benefit of customers. Our portfolio of joint projects is growing significantly. The gains from this integrated approach are benefiting both areas of the business and we expect that trend to accelerate.

Synectics' IMS division remains one of the UK's leading accredited providers of high security systems and services. The Board is confident the division will deliver improved results in 2017.

Project highlight: power station

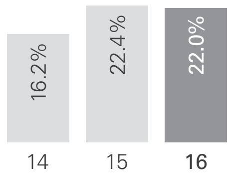
A complex integrated security and safety system was designed and delivered for a new UK power station and includes a two year maintenance contract. A key success factor was our long relationship with the power generation sector alongside the deep understanding of the challenges associated with this type of project.

Revenue

+1%

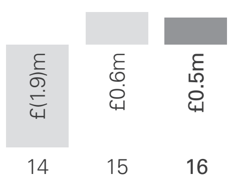
Gross margin

-0.4%



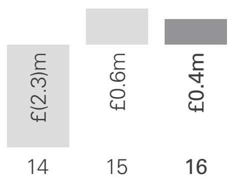
Underlying operating profit/(loss)[1]

-13%



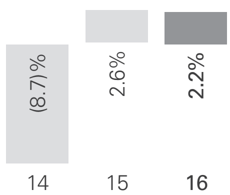
Operating profit/(loss)

-25%



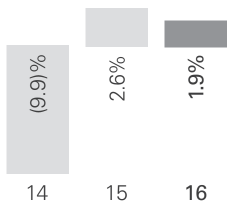
Underlying operating margin[1]

-0.4%



Operating margin

-0.7%



1. Before non-underlying items and Group central costs.

The Board of Directors

Board composition

The Board of Synectics comprises, in addition to the Chairman, four Independent Non-Executive Directors and two Executive Directors. Membership of each of the Audit Committee and Remuneration Committee is made up solely of the Independent Non-Executive Directors. This structure follows the UK Corporate Governance 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, and audit committee chairman, of AIM-quoted SCISYS plc and chairman and/or a director of several other companies, mainly in the electronics technology field.

Paul Webb
Chief Executive

joined the Group in 2004. Since then Paul has overseen the rapid growth of the Group's industrial systems activities and, more latterly, led the consolidation of all of Synectics' proprietary technology systems activities into a single operation. He has a degree in Physics from Imperial College London.

Mike Stilwell
Finance Director

joined Synectics in October 2012 as Group Financial Controller, after finance roles with the Saint-Gobain Group, Coventry Building Society and the Caparo Group. He qualified as a Chartered Accountant with KPMG in 2001 and has a degree in Accounting and Financial Analysis from the University of Warwick.

Peter Rae
Senior Independent
Non-Executive Director

is an Independent Non-Executive Director and is a graduate of Cambridge University, and has served on several quoted company boards. He has current interests in a wide range of engineering and other businesses.

Dennis Bate CBE
Independent
Non-Executive Director

has over 50 years' 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. Following retirement from Bovis, Dennis has held a number of non-executive roles and currently provides a wide range of consultancy services. He was awarded the CBE for his services within the industry.

Michael Butler
Independent
Non-Executive Director

has held various senior roles in general management, sales and marketing in telecommunications businesses, including president and chief operating officer and an executive board director of Inmarsat plc. He was previously managing director of MCI Worldcom UK. He is currently a director of several other companies, including non-executive chairman of Broadband Satellite Services Limited and non-executive director of The People's Operator plc, an AIM-listed mobile virtual network operator.

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.

"

A well developed strategy does not guarantee success. Nevertheless, we view the Board's obligations in this area as critical, the opposite of a box-ticking process. We are continually looking at how we can better fulfil those obligations."

David Coghlan
Chairman

For some time now Synectics has been including in its Annual Reports a specific section collating the Board's reports on the various elements of corporate governance. The formal reports on these matters are contained in the following pages. The purpose of this regular introduction is to provide a broader narrative account of Synectics' governance in one or two specific areas.

In previous introductions I have provided a progress report on our continuing review of governance in general as well as an explanation of the rationale behind the Board's approach to some important issues:

- values and leadership;
- the composition, independence and effectiveness of the Board;
- the Group's share-based long-term remuneration plans;
- diversity;
- risk management;
- corporate culture; and
- employee training and development.

Those comments remain an up-to-date reflection of core aspects of Synectics' governance. Anyone wanting a full picture will find the detail in the Company's 2012–2015 Annual Reports, available on our corporate website.

The topic I would like to address this year is the role of the Board in setting and monitoring Synectics' strategic direction. This is in many ways the most obvious of the board's tasks in any company, and probably the most important.

The UK Corporate Governance Code contains three principal observations on the role of the board in relation to strategy:

- that "the board should set the company's strategic aims";
- that "non-executive directors should constructively challenge and help develop proposals on strategy"; and
- that "the directors should include in the annual report an explanation of… the strategy for delivering the objectives of the company".

To deal with the last point first, Synectics operates in an unusually complex, multi-dimensional global market, and we have for some time tried to make our Annual Report as helpful as possible in describing in detail precisely how, where and why we believe the Company can continue to succeed and grow within that market. For the last three years, we have included in the report a separate section describing the relevant market sectors that we compete in, our business model and how we manage our people, technology and customer relationships as core elements of our strategy. We have received a number of compliments from shareholders and others on the comprehensiveness, clarity and usefulness of that reporting. We will continue the efforts to improve it further.

Rather than the strategy itself, however, I want to focus in this governance introduction on the issue of how the Board as a whole approaches its obligations in helping to develop, and in challenging, setting and monitoring, Synectics' strategic direction.

Synectics operates a three-year rolling planning cycle, formally updated at the end of each financial year. The plan is approved by the Board following a two-day session each November in which the full Board participates in interactive presentations, and probes previously circulated written plans, for the Group as a whole and for each of the market sectors managed across our two divisions. Each of the plans covers an analysis of the relevant market sector, customers, competitors, Synectics' relative position over time, strategic objectives, three-year financial projections, risk mitigation and sensitivities. Emphasis is placed wherever possible on objective data rather than anecdote or intuition. Outside consultants are used (sparingly) to gather and interpret direct feedback from customers and employees.

This annual strategy session is not a stand-alone event, but the culmination of an iterative process across the year, principally between the Chairman and the Chief Executive.

The Board works from the principle that the Chief Executive must 'own' the strategy. It must be his or her plan, which the Board has contributed to, challenged and ultimately approved, not the Board's plan that the Chief Executive is then tasked to implement. The iterative process therefore involves the Chairman acting as a regular sounding board, asking questions, challenging assumptions, passing on issues raised by Non-Executive Directors, and agreeing the specific agenda and approach for the Board's strategy sessions. The intention is that significant new issues are identified early and fully addressed in the process.

In addition to the main annual strategy session, the Board is involved at each of our regular meetings during the year in monitoring progress against the agreed strategic objectives included in the Group plan. We have been working on ways to help strike the right balance between superficiality and excessive detail for these Board monitoring reviews, which cover twelve objectives across each of the eight business areas. In 2017 we have adopted for the Board papers a new graphical approach, proposed by the Executive, to quickly highlight those strategy areas that may be going off track and warrant further discussion. I believe this will help to improve the quality of our reviews.

It goes without saying that the quality of the Board's contribution to strategy discussions is in part a function of our individual up-to-date knowledge of what is happening in the industry. To facilitate this, Synectics provides its Non-Executive Directors with a relevant media monitoring service, access to the leading online technical and business forum, briefings on industry technology developments and encouragement to attend significant trade shows.

A well developed strategy does not guarantee success. Nevertheless, we view the Board's obligations in this area as critical, the opposite of a box-ticking process. We are continually looking at how we can better fulfil those obligations.

Finally, I confirm that 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

21 February 2017

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

Peter Rae fulfils the role of the Senior Independent Non-Executive Director of the Group. 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 are matters reserved for the Board. All Directors have direct access to the Company Secretary and to independent professional advice at the Group's expense as required.

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

Role of the Board

Great importance is placed on a well informed and decisive Board. Board meetings are held regularly throughout the year. In the 2016 financial year, eight scheduled Board meetings and ten Board Committee meetings were held. In addition, as it does each year, the Board convened and participated in a separate two-day session on the Group's strategy and three-year plan, as detailed in the Chairman's introduction to governance.

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

Agenda items scheduled for every Board meeting include strategy, business performance, operations, human resources, finance and governance. The agenda is reviewed and agreed by the Chairman to ensure that the Board addresses the right issues at the right times and that sufficient time is allowed for appropriate consideration and debate.

Following Board Committee meetings, the Board receives 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 the 2016 financial year, matters dealt with by the Board included:

- review and monitoring of Group strategy and progress against business objectives;
- operational and financial performance of the Group;
- approval of Group budgets and three-year plan;
- approval of financial statements and dividend policy;
- risk management oversight, review of internal controls and monitoring of the Group's risk registers;
- Board and senior management succession planning;
- approval of large contracts and bids;
- approval of large capital expenditure projects;
- consideration of Committee reports and recommendations;
- remuneration of Executive Directors and senior management;
- review of corporate governance reporting;
- Board and Committee evaluation and progress of actions from the 2015 evaluation;
- review of the Group's product development roadmap and improvements to the R&D processes;
- monitoring the progress of the organisational structure and human capabilities strategic initiatives;
- consideration of the possible impacts of the result of the UK's EU referendum; and
- monitoring progress of the customer excellence initiatives.

Details of attendance at Board and Board Committee meetings during the 2016 financial year are as follows:

	Total number of meetings		
	Board	Audit Committee	Remuneration Committee
DJ Coghlan Chairman	8	–	–
D Bate	8	3	6
MJ Butler[1]	5	2	4
SW Coggins Chairman of Audit Committee	8	3	6
PM Rae Chairman of Remuneration Committee	8	3	6
MJ Stilwell	8	–	–
PA Webb	8	–	–

1. Number of meetings eligible to attend after appointment as a Non-Executive Director: five Board meetings; two Audit Committee meetings; and four Remuneration Committee meetings.

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 within, and Directors are reminded of their duties at each Board meeting. Any conflicts are declared at the first Board meeting at which the Director becomes aware of a potential conflict and then recorded in the Conflicts Register. The Board considers all conflicts in line with the provisions set out in the Articles and non-conflicted Directors can authorise conflicts with or without limits and conditions. The Directors are required to review their interests recorded in the Conflicts Register on an annual basis.

Board Committees

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

During the prior year, Synectics conducted an extensive and open search for an additional Independent Non-Executive Director, culminating in the appointment of Michael Butler on 23 February 2016. Michael has an impressive industry and business background, including international experience, with the combination of skills necessary to strengthen the Group. Michael's credentials are described in the 'Board of Directors' section on page 33.

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.

Board performance and effectiveness

Induction

The Group'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; the business plan; investor presentations; protocol for conflicts of interest; Directors' duties; Group Model Code and Group policies; Board meeting procedures and matters reserved; Board minutes and papers from previous meetings; and meeting dates and contact details. Substantive induction to the Group's businesses is provided through meetings with senior management and site visits to the Group's operations. This process was followed during the year upon the external appointment of Michael Butler as an Independent Non-Executive Director in February 2016.

Performance evaluation

The Board is currently in the process of carrying out its annual self-assessment. This includes evaluation of the performance and effectiveness of the Board, of its Committees and of each Director. The process is led by the Chairman and involves detailed questionnaires and one-to-one reviews of the collective and individual performance of Directors. The results of the Board and Committee evaluations are the subject of a full, robust and open debate in a Board meeting and actions for improvements are agreed. Progress against these actions arising from performance evaluations are 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.

Board performance and effectiveness continued

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 19, twelve and eleven years respectively and Michael Butler has served for one year. Each brings different and complementary high level experience relevant to the current business and future development of the Group. During 2016, and at all times previously, each has addressed all issues facing the Board with a high level of candour, robustness and insight. Their in-depth knowledge of the Group and the electronic surveillance industry, gained from their tenure, combined with their different and complementary skills and knowledge developed from other directorships, provide valuable independent perspectives that contribute to the success of the Group and to the performance and effectiveness of the Board. For these reasons, each of these four Non-Executive Directors is considered by the Board to be independent.

Shareholder engagement

The Board welcomes dialogue with shareholders and actively engages with them through face-to-face meetings and written queries, and at the Company's Annual General Meeting. 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 Group's governance reporting, the Annual Report and Accounts includes expanded narrative governance disclosures that take into account the views of shareholders expressed through the engagement process.

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 2016. This report does not constitute a directors' remuneration report in compliance with the requirements of the Code, as the Group is exempt from such requirements.

Unaudited information

Remuneration Committee

The Group's Remuneration Committee comprises:

- Peter Rae, Chairman of the Committee, Senior Independent Non-Executive Director;
- Dennis Bate, Independent Non-Executive Director;
- Michael Butler, Independent Non-Executive Director; and
- 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 Group's website at http://www.synecticsplc.com/index.php/remuneration-committee.

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 that the duty to mitigate loss is fully recognised;
- consider applicable legislation, regulation, best practice guidance and recommendations, and developments on remuneration policy and remuneration reporting;
- review remuneration trends at individual subsidiaries and the Group as a whole, and oversee any major changes in employee benefit structures across the Group;
- select and appoint any remuneration consultants to advise the Committee, if required; and
- review the Committee's performance, constitution and terms of reference to ensure it operates effectively and to recommend any changes to the Board for approval.

The Committee Chairman reports formally to the Board on the Committee's proceedings after each meeting; ensures that an annual report of the Group's remuneration policy and practices is published in the Group's Annual Report and Accounts; and 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 Group in order to perform its duties and to obtain external professional advice at the Group's expense.

During the year the Remuneration Committee met six times. Matters dealt with by the Remuneration Committee included the:

- approval of the 2015 bonus awards for certain senior executive management and salary increases for the Executive Directors and senior executive management;
- approval of the discretionary executive bonus scheme to take effect in the financial year 2016 for Executive Directors. For the 2016 financial year, the upper limits on bonuses were set at 75% of base salary for the Chief Executive and 50% for the Finance Director;
- approval of an award of options under the Performance Share Plan on 1 March 2016 for the Executive Directors and senior managers;
- approval of exercises of options over shares, and sales of shares, in respect of the Group's various incentive plans during the year;
- consideration of changes to pension regulations, in particular the impact of the introduction of tapered annual allowance;
- determination of the appropriate treatment of Performance Share Plan and Executive Shared Ownership Plan awards held by participants who had left the Group; and
- review of the outturn of the 2012 and 2013 Performance Share Plan awards and the determination that no proportion of the awards had vested and therefore that the awards had lapsed.

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 the Group's 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 based only on basic salary.
- Other benefits – these principally comprise car benefits, life assurance and membership of the Group's healthcare scheme.
- Long-term incentive arrangements – the Group operates various share plans in which the Executive Directors participate. Details of the share plans are given in note 22 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 automatically entitled 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 unrelated to the Group and, accordingly, no remuneration is due to the Group.

Remuneration policy for Non-Executive Directors

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

After considering recommendations from the Chairman, the Board determines the remuneration of the Non-Executive Directors excluding the Chairman. The remuneration of the Chairman is determined by the 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 Group does not deduct for, or contribute to, a pension.

Audited information

Details of the Directors' emoluments are given below.

a) Remuneration

	Salary and fees £000	Bonuses[1] £000	Benefits £000	**2016 Total (excl pension) £000**	2015 Total (excl pension) £000	**2016 Pension £000**	2015 Pension £000
Executive Directors							
MJ Stilwell (appointed 1 December 2015)	120	25	11	**156**	–	**6**	–
PA Webb	225	68	22	**315**	278	**27**	26
NC Poultney (retired 30 November 2015)	–	–	–	**–**	259	**–**	34
J Shepherd (retired 31 January 2015)	–	–	–	**–**	48	**–**	5
Non-Executive Directors							
D Bate	30	–	–	**30**	30	**–**	–
MJ Butler (appointed 23 February 2016)	23	–	–	**23**	–	**–**	–
SW Coggins	30	–	–	**30**	30	**–**	–
DJ Coghlan	75	–	13	**88**	87	**–**	–
PM Rae	30	–	–	**30**	30	**–**	–
Total	533	93	46	**672**	762	**33**	65

1. Bonuses are paid or accrued based on the 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 2016 and 21 February 2017.

Performance Share Plan

The following Executive Directors held an interest in the Company's shares at 30 November 2016 through awards made under the Synectics Performance Share Plan ('PSP'), which was established on 9 October 2012, as set out below and in note 22.

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, details of which are presented below.

The awards made in October 2013 reached the end of their vesting period in October 2016. The Committee has reviewed the Company's performance against the applicable performance conditions and determined that no proportion of the 2013 award could be considered to have vested. As such, the participants' interests in the 2013 award lapsed during the year, including the awards made to Messrs Webb and Stilwell of 5,000 and 7,000 shares respectively.

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

Date awarded	30 March 2015		1 March 2016	
	Number of shares	Issue price (p)	Number of shares	Issue price (p)
MJ Stilwell	25,000	125.0	15,000	117.5
PA Webb	50,000	125.0	30,000	117.5

Executive Shared Ownership Plan

The following Directors held an interest in the Company's shares at 30 November 2016 through participation in the Quadnetics Executive Shared Ownership Plan ('ExSOP'), which was established on 7 July 2009, having superseded an earlier scheme established in 2005, as set out below and in note 22. 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[1]		7 March 2011	
	Number of shares	Issue price (p)	Number of shares	Issue price (p)
PA Webb	100,000	147.5	100,000	178.0
DJ Coghlan	93,243	147.5	–	–

1. 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 ('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.

b) Share schemes continued

The Executive Directors had the following interests over Company shares held in the ESAP at 30 November 2016:

	Purchase price (p)	PA Webb Number of shares	MJ Stilwell Number of shares
Partnership shares			
14 October 2010	147.5	338	–
7 April 2011	177.5	422	–
2 November 2011	185.5	405	–
20 April 2012	200.0	375	–
9 October 2012	272.5	275	–
3 April 2013	282.5	266	–
14 October 2013	393.0	190	–
4 April 2014	404.0	186	–
2 October 2014	350.0	214	257
17 April 2015	153.0	492	588
22 October 2015	123.5	607	729
29 April 2016	162.0	463	555
20 October 2016	154.0	552	585
		4,785	**2,714**
Dividend shares			
25 July 2011	200.0	7	–
2 November 2011	205.0	9	–
17 May 2012	289.0	19	–
9 October 2012	272.5	14	–
8 May 2013	445.0	21	–
4 October 2013	488.0	13	–
7 May 2014	430.0	30	–
6 May 2016	154.0	26	10
		139	**10**
		4,924	**2,724**

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

	Ordinary shares of 20p each
At 1 December 2015	117.5p
At 30 November 2016	194.0p

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

	Ordinary shares of 20p each
Maximum	216.5p
Minimum	105.0p

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
D Bate	3 months
MJ Butler	3 months
SW Coggins	6 months
DJ Coghlan	12 months
PM Rae	1 month
MJ Stilwell	6 months
PA Webb	12 months

By Order of the Board

Peter Rae
Chairman of the Remuneration Committee

21 February 2017

The Audit Committee comprises:

- Steve Coggins, Chairman of the Committee, Independent Non-Executive Director;
- Dennis Bate, Independent Non-Executive Director;
- Michael Butler, Independent Non-Executive Director; and
- Peter Rae, Senior Independent Non-Executive 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 Group's website at http://www.synecticsplc.com/index.php/audit-committee.

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 certain meetings.

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

The 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 Group's response;
- review and agree the scope and work of the Group's internal audit activities;
- review half-year and annual financial statements and formal announcements relating to financial performance;
- review the adequacy and effectiveness of the Group's internal financial controls, and internal control and risk management systems;
- consider compliance with relevant laws and regulations;
- consider findings of internal investigations and management's response; and
- review the Committee's terms of reference and recommend any proposed changes to the Board for approval.

During the financial year the Audit Committee considered the following matters:

- the suitability of the Group's accounting policies and practices;
- the half-year and full-year financial results;
- the scope and cost of the external audit;
- the auditor's full-year report for 2015;
- the re-appointment and evaluation of the performance and independence of KPMG LLP as the Group's external auditor (incumbent since 2007);
- the review and approval of the external auditor's plan for 2016, which detailed the proposed audit scope and risk and governance assessment;
- the review and approval of the external auditor's fees for 2016;
- the review and approval of the proposed process and plan for the tender of the external audit and tax compliance services during 2017;
- the review of the Group policy on the provision of non-audit services by the external auditor;
- the internal control environment across the Group;
- the arrangements in respect of internal audit, including its resourcing and the scope of the annual internal audit plan for 2016/17;
- reports on the internal audit activity carried out during the year;
- detailed reviews of strategic and operational risks facing the Group, the risk registers and the mitigating actions to minimise risk;
- the review and approval of the updated whistleblowing policy;
- the assessment of the internal finance organisation;
- the results of the internally conducted assessment of the Audit Committee's performance and effectiveness;
- the continued use of alternative performance measures within the Annual Report as a means of providing useful information to investors;
- corporate governance developments; and
- the approval of the Audit Committee plan for 2017.

Internal controls

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. Details of the system of internal control, the principal risks facing the Group, and the strategies put in place to mitigate them, are set out in the Risk and Risk Management section on pages 48 and 49.

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.

In accordance with best practice and professional standards, external auditors are required to adhere to a rotation policy whereby the audit engagement partner is rotated after five years. The most recent audit partner rotation was in 2012 and so the current audit engagement partner will rotate off the Group audit in 2017, following the completion of the 2016 audit.

Following the completion of the audit for the year ended 30 November 2016, KPMG LLP will have provided external audit and tax compliance services to the Group for ten years. Having regard to the provisions of the UK Corporate Governance Code and relevant regulations regarding the tendering of external audit services, the Board, on the recommendation of the Audit Committee, intends to tender external audit and tax compliance services during 2017. The tender process will not be completed prior to the 2017 Annual General Meeting and so KPMG LLP will be recommended for re-appointment as auditor by the shareholders at the Annual General Meeting on 27 April 2017. If, following the tender process, a new audit firm is selected, the Board would make the appointment of the new auditor during the year and the audit firm would then be proposed to the 2018 Annual General Meeting for appointment by shareholders.

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 Audit Committee 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

KPMG LLP provides non-audit services to the Group, which are governed, so as to safeguard its independence and objectivity, by the Group's non-audit services policy. Compliance with the policy is actively managed and an analysis of non-audit services is reviewed throughout the year. During the year ended 30 November 2016 25% of services provided to the Group were non-audit services and related predominantly to corporate tax compliance (see note 5 to the financial statements).

By Order of the Board

Steve Coggins
Chairman of the Audit Committee

21 February 2017

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, the Strategic Review, the Performance Review and the Risks and Risk Management section, on pages 4 to 31, and pages 48 and 49.

Review of business and future developments

The Consolidated Income Statement for the year ended 30 November 2016 is set out on page 51.

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, the 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;
- underlying operating margin %, being the ratio of underlying operating profit to revenue;
- operating profit;
- profit before tax;
- diluted earnings per share;
- underlying diluted 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 % of total revenue;
- net cash balance;
- working capital %;
- return on capital employed %;
- 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 48 and 49.

Group results and dividends

The consolidated profit after tax for the year was £1,471,000 (2015: £406,000).

The Directors recommend a final dividend of 2.0p per share (2015: 1.0p), totalling around £340,000 on 5 May 2017 to shareholders registered on 31 March 2017. There was no interim dividend paid during the year (2015: £nil).

Financial instruments

Details of financial instruments to which the Group is a party are shown in note 30 to the financial statements.

Fixed assets

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

Research & development expenditure

The Group has continued to invest in research & development of both software and hardware products for surveillance applications during the year incurring total costs of £2.2 million (2015: £2.1 million), of which £1.9 million (2015: £1.6 million) has been written off to the Income Statement.

Share capital

The Company's issued share capital comprises a single class of ordinary shares of 20p each, with 17,794,439 shares in issue and listed on AIM of the London Stock Exchange as at 30 November 2016. No shares were held in treasury and 1,331,750 shares were held by the Company's employee share trusts. Details of movements in the issued share capital can be found in note 21 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 23,158 shares in the Company were purchased by the employee benefit trust during the 2016 financial year.

Directors' interests

Interests of the Directors and their connected persons in the issued share capital of the Company as at 30 November 2016 were as follows:

	2016 Number of shares held	2016 Interests in share schemes	2016 Total interests in shares	2015 Total interests in shares
D Bate	**196,000**	–	**196,000**	146,000
MJ Butler (appointed 23 February 2016)	**25,000**	–	**25,000**	–
SW Coggins	**13,080**	–	**13,080**	13,080
DJ Coghlan	**1,521,303**	**93,243**	**1,614,546**	1,614,546
PM Rae	**232,302**	–	**232,302**	232,302
MJ Stilwell (appointed 1 December 2015)	**6,910**	**42,724**	**49,634**	–
PA Webb	**10,000**	**284,924**	**294,924**	268,883
	2,004,595	**420,891**	**2,425,486**	2,274,811

There has been no change in the interests of the Directors and their connected persons in the issued share capital of the Company from those set out in the table above to 21 February 2017.

Significant shareholdings

As at the close of the market on 3 February 2017, 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
Whitehall Associated SA	5,320,000	29.90%	Direct
Charles Stanley Group Plc	1,576,428	8.86%	Direct
Quadnetics Employees Benefit Trust	1,331,750	7.48%	Direct
Hargreave Hale Limited	1,238,354	6.96%	Indirect
Cavendish Asset Management	691,200	3.88%	Direct

Board of Directors

With the exception of Michael Butler, who was appointed to the Board on 23 February 2016, all Directors were in office throughout the financial year ended 30 November 2016. Mike Stilwell was appointed to the Board and appointed Finance Director on 1 December 2015. Details and biographies of the current 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 2017 Annual General Meeting are David Coghlan and Steve 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 Group's auditor.

Conflicts of interest

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

Related party transactions

Internal controls are in place to ensure that any related party transactions involving Directors or their connected persons are carried out on an arm's length basis and are properly recorded. Details of any related party transactions are given in note 26 to the financial statements.

Essential contracts or arrangements

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

Change of control provisions

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

Employment policies

The Group employed an average of 517 people in 2016 (2015: 533).

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, a biannual senior management conference and an annual staff survey. Details of the performance of the Group are shared with all employees at the appropriate time using the methods above.

The Group operates an HMRC-approved share incentive plan to encourage employees to take a greater interest in the Group's performance through share ownership. Details are set out in the Remuneration Committee Report on pages 39 to 42.

Policy on payment of suppliers

The Group's policy during the year was to pay suppliers in accordance with agreed terms. At 30 November 2016 the Group had 61 days' purchases outstanding in trade payables (2015: 59 days').

Charitable donations and activity

The Group made donations amounting to £3,057 (2015: £3,700) to charitable causes during the year.

Political donations

The Group made no political donations during the financial year. 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. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

Annual General Meeting

The notice convening the Annual General Meeting is distributed separately to shareholders at least 20 working days before the meeting. Separate Resolutions are proposed on each substantially separate issue. The poll results from the 2017 Annual General Meeting will be made available on the Company's website after the meeting.

Auditor

A Resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming 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, the Strategic Report, the 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), including FRS 101 'Reduced Disclosure Framework'.

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 position and performance, business model and strategy.

Forward-looking statements

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

Strategic Report approval

The Strategic Report, set out on pages 4 to 31, and pages 48 and 49, consists of the Chairman's Statement, the Strategic Review, the Performance Review and the Risks and Risk Management section.

By Order of the Board

Richard Brierley
Company Secretary

21 February 2017

Understanding and managing key risks to the Group

Synectics plc 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. The Directors believe the internal control environment is adequate and appropriate given the size and complexity of the Group.

During the year, an updated risk reporting framework was adopted by the Board. As part of this framework, the divisional management teams submit a report to monthly business review meetings setting out their top five business risks, mitigation plans and associated timescales. The Executive Directors review and challenge this risk analysis with the divisional management teams at each business review meeting. The Executive Directors then review the individual divisional submissions, consider the broader strategic threats facing the Group and present their assessment of the most significant risks facing the Group to the Audit Committee and then the Board every six months for detailed review and discussion. The Audit Committee and Board also receive the detailed risk reviews prepared by the divisional teams and these business risk registers are used when setting the Group's internal audit strategy.

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

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 pages 43 and 44.

Expansion into the international transport & infrastructure sector

People skills and dependency

Reputational risk

Project delivery risk and contractual liabilities

Technological risk

Product failure risk

Price and margin pressure

Declining global energy prices impacting project awards and timescales

Geopolitical risk impacting project awards and timescales

Exchange rate risk and 'Brexit'

Risk **Factors that may impact the business**	Mitigation **What we are doing to minimise the risk**
With the oil & gas market still depressed, expansion into the international transport & infrastructure sector is a key growth opportunity for the Group. There is a risk that the Group may fail to take full advantage of the opportunity presented by this sector due to a poor understanding of the markets or poor delivery of the Synectics proposition.	During the year the Group has appointed a transport & infrastructure sector lead to develop and deliver the strategy for these markets and drive the business forward. Synectics has a proven and current track record of delivering large-scale, integrated solutions for transport & infrastructure environments and the core Synectics infrastructure offer, which combines smart technology and human capability, is readily deployable in these growing markets. In addition, the allocation of development resource is kept under review to ensure the Group's technical thinking is sufficiently agile and forward looking to successfully serve these markets.
As with most businesses, particularly those operating in a technical field, we are dependent on our employees with key managerial, engineering and technical skills.	The Group aims to offer appropriate remuneration packages and incentive arrangements, together with an agile environment which encourages and rewards excellent performance, in order to mitigate this risk. In addition the Group actively reviews its succession planning objectives and, in recent years, has increased its focus on personal development reviews and the provision of relevant training for all members of staff.
The nature of the Group's business and its customer base means that Synectics is 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.	The Board recognises the importance of maintaining Synectics' strong culture and promoting its core values. The Board, and all levels of management, consistently emphasise the need to embed these attributes in the culture of the Group, and test this by regularly seeking feedback from customers and employees.
Where the Group's service offering fails to meet agreed standards or timescales there is a risk that the Group will be exposed to cost overruns and claims for contractual liabilities as a result of this failure.	Project and service delivery are closely monitored and reviewed across Synectics on a regular and frequent basis. The Group maintains rigorous quality standards in all its operations, undertakes comprehensive risk assessments and carefully assesses the terms on which it agrees to enter into contractual relationships at appropriate levels of responsibility.
As the industry becomes increasingly technical and transitions to digital technology, there is a risk that products become obsolete or irrelevant.	Synectics seeks to counter 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.
Where the Group's product offering fails to meet agreed standards there is a risk that the Group will be exposed to replacement or rework costs as a result of this failure.	Product quality is closely monitored and reviewed across Synectics. The Group maintains rigorous quality standards in all its operations and expects the same standards of its supplier base. Where possible product liability is mitigated through contractual arrangements within the supply chain.
The electronic security industry in general is competitive with continued pressure on sales and margins.	Synectics 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 Synectics will maintain a core of increasingly software-based proprietary technology giving higher margin opportunities, and focus on developing recurring revenues.
Declining returns for companies investing in large energy-related infrastructure ventures may lead to projects being delayed or cancelled altogether. This could reduce demand for the Group's specialist products designed predominantly for the oil & gas sector, and hence negatively impact performance. These delays could also detrimentally impact the Group's working capital position.	The Group mitigates this risk by addressing a number of sectors, other than oil & gas, which are less heavily influenced by oil prices, in particular by seeking to secure opportunities in the transport & infrastructure sector. In addition, overhead costs are kept under constant review to ensure that they are appropriate to activity levels within the business, an example of which is further action to reduce costs in the Systems division during the year, whilst maintaining necessary capability.
Political instability has the potential to impact whether new projects go ahead, existing project timescales and the trading partners the Group chooses to work with. The Group's trading performance, particularly within the oil & gas sector, is potentially exposed to delays in the scheduling of large-scale projects as a result of the changing geopolitical landscape in the Middle East. These delays could also detrimentally impact the Group's working capital position.	The Group attempts to mitigate this risk through winning business globally in regions where project timescales are not impacted by local political issues and ensuring detailed knowledge of projects on which it is bidding.
The Group operates internationally giving rise to exposure from changes in foreign currency exchange rates and access to markets.	The Group manages this risk through the matching of foreign currency receipts and payments, where possible, or alternatively through forward exchange contracts. The Board is closely monitoring any risks or opportunities that may emerge as a result of any potential change in the UK's relationship with the EU. We do not currently see any direct risks to the Group as a result of any change, although, as noted in the Chairman's Statement, the Group's results this year benefited from favourable exchange rate movements in the translation of profits earned overseas.

Independent auditor's report
To the members of Synectics plc

We have audited the financial statements of Synectics plc for the year ended 30 November 2016 set out on pages 51 to 95. 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), including FRS 101 'Reduced Disclosure Framework'.

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 47, 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 2016 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 LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

21 February 2017

Consolidated income statement
For the year ended 30 November 2016

	Note	2016 £000	2015 £000
Revenue	2	**70,913**	68,504
Cost of sales		**(47,014)**	(47,163)
Gross profit		**23,899**	21,341
Operating expenses	3	**(21,808)**	(20,666)
Profit from operations			
– Excluding non-underlying items	6	**2,757**	1,588
– Non-underlying items	4	**(666)**	(913)
Total profit from operations		**2,091**	675
Finance income	8	**215**	225
Finance costs	9	**(351)**	(388)
Profit before tax			
– Excluding non-underlying items		**2,621**	1,425
– Non-underlying items	4	**(666)**	(913)
Total profit before tax		**1,955**	512
Income tax expense	10	**(484)**	(106)
Profit for the year attributable to equity holders of the Parent		**1,471**	406
Basic earnings per share	12	**9.0p**	2.5p
Diluted earnings per share	12	**8.8p**	2.5p
Underlying basic earnings per share	12	**12.7p**	7.3p
Underlying diluted earnings per share	12	**12.4p**	7.2p

Consolidated statement of comprehensive income
For the year ended 30 November 2016

	2016 £000	2015 £000
Profit for the year	**1,471**	406
Items that will not be reclassified subsequently to profit or loss		
Remeasurement gain/(loss) on defined benefit pension scheme, net of tax	**151**	(36)
	151	(36)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**614**	234
Gains/(losses) on a hedge of a net investment taken to equity	**535**	(345)
	1,149	(111)
Total comprehensive income for the year attributable to equity holders of the Parent	**2,771**	259

Consolidated statement of financial position
As at 30 November 2016

	Note	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment	13	**3,076**	3,264
Intangible assets	14	**22,115**	22,372
Retirement benefit asset	29	**720**	515
Deferred tax assets	10	**216**	152
		26,127	26,303
Current assets			
Inventories	15	**9,997**	10,391
Trade and other receivables	16	**24,771**	21,265
Tax assets		**72**	542
Cash and cash equivalents	17	**5,848**	3,338
		40,688	35,536
Total assets		**66,815**	61,839
Current liabilities			
Loans and borrowings	19	**(2,778)**	(857)
Trade and other payables	18	**(22,077)**	(21,389)
Tax liabilities		**(623)**	(379)
Current provisions	20	**(439)**	(104)
		(25,917)	(22,729)
Non-current liabilities			
Loans and borrowings	19	**(900)**	(1,932)
Non-current provisions	20	**(215)**	(25)
Deferred tax liabilities	10	**(202)**	(311)
		(1,317)	(2,268)
Total liabilities		**(27,234)**	(24,997)
Net assets		**39,581**	36,842
Equity attributable to equity holders of the Parent Company			
Called up share capital	21	**3,559**	3,559
Share premium account		**16,043**	16,043
Merger reserve		**9,971**	9,971
Other reserves		**(2,341)**	(2,639)
Currency translation reserve		**1,389**	240
Retained earnings		**10,960**	9,668
Total equity		**39,581**	36,842

The financial statements on pages 51 to 83 were approved and authorised for issue by the Board of Directors on 21 February 2017 and were signed on its behalf by:

Paul Webb
Chief Executive

Mike Stilwell
Finance Director

Company number: 1740011

Consolidated statement of changes in equity

For the year ended 30 November 2016

	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 2014	3,559	16,043	9,971	(2,656)	351	9,177	36,445
Profit for the year	–	–	–	–	–	406	406
Other comprehensive loss							
Currency translation adjustment	–	–	–	–	(111)	–	(111)
Remeasurement loss on defined benefit pension scheme, net of tax	–	–	–	–	–	(36)	(36)
Total other comprehensive loss	–	–	–	–	(111)	(36)	(147)
Total comprehensive (loss)/income for the year	–	–	–	–	(111)	370	259
Credit in relation to share-based payments (note 23)	–	–	–	–	–	125	125
Share scheme interests realised in the year	–	–	–	17	–	(4)	13
At 30 November 2015	3,559	16,043	9,971	(2,639)	240	9,668	36,842
Profit for the year	–	–	–	–	–	1,471	1,471
Other comprehensive income							
Currency translation adjustment	–	–	–	–	1,149	–	1,149
Remeasurement gain on defined benefit pension scheme, net of tax	–	–	–	–	–	151	151
Total other comprehensive income	–	–	–	–	1,149	151	1,300
Total comprehensive income for the year	–	–	–	–	1,149	1,622	2,771
Dividends paid (note 11)	–	–	–	–	–	(163)	(163)
Credit in relation to share-based payments (note 23)	–	–	–	–	–	131	131
Share scheme interests realised in the year	–	–	–	298	–	(298)	–
At 30 November 2016	**3,559**	**16,043**	**9,971**	**(2,341)**	**1,389**	**10,960**	**39,581**

Consolidated cash flow statement

For the year ended 30 November 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Profit for the year		**1,471**	406
Income tax expense	10	**484**	106
Finance income	8	**(215)**	(225)
Finance costs	9	**351**	388
Depreciation and amortisation charge		**1,980**	1,885
Loss/(profit) on disposal of non-current assets and impairment		**80**	(43)
Government grant released to Income Statement	24	**–**	(146)
Unrealised currency translation (gains)/losses		**(275)**	46
Share-based payment charge		**131**	125
Operating cash flows before movement in working capital		**4,007**	2,542
Decrease in inventories		**642**	2,233
(Increase)/decrease in receivables		**(2,291)**	4,362
Increase/(decrease) in payables and provisions		**238**	(2,220)
Cash generated from operations		**2,596**	6,917
Tax received		**15**	78
Net cash from operating activities		**2,611**	6,995
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(350)**	(346)
Sale of property, plant and equipment		**–**	280
Capitalised development costs	14	**(337)**	(553)
Purchased software	14	**(44)**	(102)
Net cash used in investing activities		**(731)**	(721)
Cash flows from financing activities			
Repayment of borrowings		**(786)**	(727)
Share scheme interests realised in the year		**–**	13
Cash received from government grant	24	**–**	311
Interest paid		**(156)**	(181)
Dividends paid	11	**(163)**	–
Net cash used in financing activities		**(1,105)**	(584)
Effect of exchange rate changes on cash and cash equivalents		**323**	(49)
Net increase in cash and cash equivalents		**1,098**	5,641
Cash and cash equivalents at the beginning of the year		**3,224**	(2,417)
Cash and cash equivalents at the end of the year	17	**4,322**	3,224

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.

Basis of preparation

These financial statements have been prepared in accordance with IFRS as endorsed 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 Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework'; these are presented on pages 84 to 95.

The consolidated financial statements of the Company as at and for the year ended 30 November 2016 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.

New standards and interpretations not yet adopted

As at 30 November 2016 there are a number of standards, amendments and interpretations in issue (some of which have not yet been adopted by the EU) with an effective date for financial years beginning on or after the dates disclosed below and which have not been early adopted by the Group.

Endorsed		Effective for periods beginning on or after:
IAS 1	Presentation of Financial Statements Disclosure initiative – amendments to IAS 1	1 January 2016
IAS 27	Separate Financial Statements Equity method in separate financial statements – amendments to IAS 27	1 January 2016
IAS 7	Statement of Cash Flows Disclosure initiative – amendments to IAS 7	1 January 2017
IAS 12	Income Taxes Recognition of deferred tax assets for unrealised losses – amendments to IAS 12	1 January 2017
IFRS 2	Share-based Payments Classification and measurement of share-based payment transactions – amendments to IFRS 2	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Directors anticipate that all of the above standards, interpretations and amendments will be adopted in the Group's financial statements for the accounting periods commencing on or after 1 December 2016 as appropriate.

IFRS 15 should be applied for annual reporting periods beginning on or after 1 January 2018 and is therefore applicable to the Group's financial statements for the accounting period commencing on 1 December 2018. The standard should be applied in full for the year of adoption, including retrospective application to all contracts that were not yet complete at the beginning of that period. IFRS 16 should be applied for annual reporting periods beginning on or after 1 January 2019. It can be adopted earlier, as long as IFRS 15 has also been adopted. The standard can be applied with full retrospective effect or the cumulative impact of initially applying IFRS 16 can be adjusted into opening equity at the date of initial application. Implementation of both of these standards may have an impact on the financial statements of the Group and an assessment of the impact is being carried out. The Group is presently unable to quantify the potential impact until this assessment has been concluded.

All other new standards and amendments are not expected to have a material impact on the financial statements.

1 Principal accounting policies continued

Changes in presentation

Share-based payment charges

During the year, the Group changed the presentation of the share-based payment charge. The charge is now shown within underlying operating expenses. Prior to this change, the Group presented the charge as a non-underlying item.

The Group believes the new presentation is now more appropriate as share-based payment transactions are considered to be part of the underlying trading performance of the Group.

The impact of this change on the consolidated financial statements is to reclassify the share-based payment charge from non-underlying items to underlying profit. This change did not result in a material impact on either the current year or prior year result. The impact on each line item of the Consolidated Income Statement and earnings per share is shown in the table below:

	2015		
	As reported £000	Adjustment £000	**Re-presented £000**
Consolidated Income Statement			
Profit from operations			
– Excluding non-underlying items	1,713	(125)	**1,588**
– Non-underlying items	(1,038)	125	**(913)**
Profit before tax			
– Excluding non-underlying items	1,550	(125)	**1,425**
– Non-underlying items	(1,038)	125	**(913)**
Underlying earnings per share			
Underlying basic earnings per share	8.0p	(0.7)p	**7.3p**
Underlying diluted earnings per share	8.0p	(0.8)p	**7.2p**

Deferred tax

During the year the Group changed the presentation of its deferred tax assets and liabilities to reflect net presentation by geography.

The impact of this change on the consolidated financial statements is to reclassify certain of the Group's deferred tax balances. The change did not result in a material impact on either the current year or prior year result. The impact on each line item of the Consolidated Statement of Financial Position is shown in the table below:

	2015		
	As reported £000	Adjustment £000	**Re-presented £000**
Non-current assets			
Deferred tax assets	–	152	**152**
Non-current liabilities			
Deferred tax liabilities	(159)	(152)	**(311)**

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position, and information 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 and on pages 48 and 49.

As detailed in note 19, the Group has secured banking facilities in place which are used to meet the day-to-day working capital requirements. There are various covenants attached to these facilities. The Directors have considered the financial position of the Group at 30 November 2016 and the projected cash flows and financial performance of the Group for at least twelve months from the date of approval of these financial statements.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group would be able to operate within the terms of its current facilities.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully and have adequate resources to continue in operation as a going concern for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

1 Principal accounting policies continued

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Change in subsidiary ownership and loss of control

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

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

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units 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.

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.

Installation contract income

Revenue and profits attributable to contracts are included in the Consolidated Income Statement as the contracts proceed in proportions relevant to their stage of completion (based on costs incurred as a proportion of estimated total contract costs), less amounts recognised in previous years.

Contract balances

When contract costs incurred to date plus recognised profits less recognised losses exceed payments on account, the surplus is shown as amounts due from customers for contract work. For contracts where payments on account exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the Consolidated Statement of Financial Position, as a liability. Amounts billed for work performed but not yet paid by the customer are included in the Consolidated Statement of Financial Position under trade and other receivables.

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.

1 Principal accounting policies continued

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. Revenues arising from the sale of goods are not significant to the total Group revenue.

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 Consolidated 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 Consolidated 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 Consolidated Income Statement on a straight-line basis over the lease term.

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 Consolidated Income Statement in the period in which they arise.

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

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

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

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset by reducing the cost of the asset, and therefore reducing subsequent depreciation charges.

1 Principal accounting policies continued

Retirement benefit costs

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

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

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

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 Consolidated 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 Consolidated 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'.

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.

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.

1 Principal accounting policies continued

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.

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

Current and deferred tax for the period

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

Non-underlying items

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

Dividends

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

Property, plant and equipment

All property, plant and equipment 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 Consolidated Income Statement.

Research & development costs

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

Development costs are capitalised and held as 'Intangible assets' in the Consolidated Statement of Financial Position when the costs relate to a clearly defined project; the costs are separately identifiable; the outcome of such a project has been assessed with reasonable certainty as to its technical feasibility and its ultimate commercial viability; the aggregate of the deferred costs plus all future expected costs in bringing the product to market is exceeded by the future expected sales revenue; and adequate resources are expected to exist to enable the project to be completed. Amortisation is charged 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 Consolidated Income Statement as incurred.

1 Principal accounting policies continued

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

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

Impairment of tangible and intangible assets 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.

Inventories

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

Provisions

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

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

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.

1 Principal accounting policies continued

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.

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.

Loans and borrowings

Loans and borrowings comprise bank term loans and bank overdrafts.

Offsetting of financial assets and financial liabilities

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Critical accounting estimates and judgements

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

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

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

Revenue recognition

When the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Judgement is required in assessing the nature of the contracts to determine if long-term contract accounting should be applied. Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Judgement is also required in assessing whether a contract becomes onerous. When it is considered probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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.

1 Principal accounting policies continued

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.

Goodwill

Goodwill recognised in a business combination does not generate cash flows independently of other assets or groups of assets. As a result, the recoverable amount, being the value in use, is determined at a cash-generating unit ('CGU') level. The determination of the CGU is judgemental and for goodwill impairment purposes represents the lowest level within the business at which the goodwill is monitored for internal management purposes, and cannot be larger than an operating segment. The relevant CGUs are deemed to be Systems and Integration & Managed Services which are the same as the segments we report in our segmental reporting.

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. The value-in-use calculation includes estimates about future financial performance and long-term growth rates and requires management to select a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used in the impairment review are disclosed in note 14 to the financial statements.

The future cash flows used in the value-in-use calculations are based on the latest Board approved three-year financial plans. Expectations about future growth reflect the expectations of growth in the markets in which the CGU operates. The discount rate is derived from the Group's post-tax weighted average cost of capital which is assessed each year. The discount rate used in each CGU is adjusted for the risk specific to that CGU. A 10% reduction in the present value of the cash flows or a 10% increase in the discount rates used in the value-in-use calculation would not result in an impairment charge being recognised.

Tax

The actual tax we pay on our profits is determined according to complex tax laws and regulations. We use estimates in determining the liability for the tax to be paid on our profits which we recognise in the financial statements. We believe the estimates, assumptions and judgements are reasonable but this can be complex. The final determination of prior year tax liabilities or assets could be different from the estimates reflected in the financial statements and may result in the recognition of an additional tax expense or tax credit in the financial statements.

The Group's profits/losses are subject to tax charges/credits across a number of countries, predominantly the UK, the US, Singapore, Macau and Germany. Where the interpretation of a local tax law is not clear, the tax position taken in a tax return may be enquired into by the local tax authorities. We review any uncertain tax positions, including, as part of this, whether transfer pricing arrangements have been explicitly agreed with local tax authorities.

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. Changes in assumptions which underpin the Group's forecast could have an impact on the amount of future taxable profits and could impact the amount or the period over which any deferred tax asset would be recovered.

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.

The value of the Group's income tax assets and liabilities is disclosed in the Consolidated Statement of Financial Position. The carrying value of the Group's deferred tax assets and liabilities, including the deferred tax asset recognised in respect of losses incurred in previous years, is disclosed in note 10.

1 Principal accounting policies continued

Defined benefit plans

The Group operates the Quadrant Group plc Retirement Benefit Scheme. Accounting for pensions requires the Group to use actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit asset or obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date based on historical experience and our judgement regarding future expectations. The Group has recognised an asset in respect of the scheme surplus at the balance sheet date. Future economic benefits are available to the Group in the form of reduction in future contributions or a cash refund. Further details regarding the defined benefit plan, including sensitivities, are given in note 29.

Provisions

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

As disclosed in note 20, the Group's provisions relate to obligations arising from onerous property leases and restructuring programmes. Provisions for restructuring are recognised when the Group has an approved restructuring plan that has either commenced or been announced publicly and involve estimation of the direct costs necessary for the restructuring. Future operating costs are not provided for. In respect of the property provision, although efforts are being made to sublet the vacant property, this is not always possible. Estimates have been made of the cost of vacant possession and of any shortfall arising from any sub-lease income being lower than the lease costs. Any such shortfall is recognised as a provision.

2 Segmental analysis

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the Chief Executive as he is primarily responsible for the allocation of resources to the segments and the assessment of the performance of each of the segments. Segment information is presented in respect of the Group's strategic operating segments. The operating segment reporting format reflects the differing economic characteristics and nature of the services provided by the Group and is the basis on which strategic and operating decisions are made by the CODM.

The management of the Group's operations, excluding Central functions, is organised within two strategic operating segments, Systems and 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.

The CODM uses underlying operating profit, as reviewed at monthly business review meetings, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the period under evaluation. Underlying operating profit is a consistent measure within the Group.

As highlighted in the Performance Review, the Group's transport & infrastructure systems activities, previously split across the two different segments, have now been more closely integrated under a single management team within the Systems division. Therefore, the transport & infrastructure systems activities previously included within Integration & Managed Services ('IMS') have been reallocated to Systems.

Revenue	2016 £000	2015[1] £000
Systems	**48,281**	46,386
Integration & Managed Services	**23,290**	23,104
Total segmental revenue	**71,571**	69,490
Reconciliation to consolidated revenue:		
Intra-Group sales	**(658)**	(986)
	70,913	68,504

1. Re-presented for the change in presentation of transport & infrastructure activities from IMS to Systems.

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

2 Segmental analysis continued

Underlying operating profit	2016 £000	2015[1] £000
Systems	**4,211**	2,886
Integration & Managed Services	**522**	597
Total segmental underlying operating profit	**4,733**	3,483
Reconciliation to consolidated underlying operating profit:		
Central costs	**(1,976)**	(1,895)
	2,757	1,588

1. Re-presented for the change in presentation of transport & infrastructure activities from IMS to Systems and for the change in presentation of the share-based payment charge, see note 1.

Underlying operating profit 2016	**Underlying operating profit[2] £000**	**Restructuring costs £000**	**Amortisation of acquired intangibles £000**	**Total profit from operations £000**
Systems	**4,211**	**(512)**	**–**	**3,699**
Integration & Managed Services	**522**	**(73)**	**–**	**449**
Total segmental underlying operating profit	**4,733**	**(585)**	**–**	**4,148**
Reconciliation to consolidated underlying operating profit:				
Central costs	**(1,976)**	**–**	**(81)**	**(2,057)**
	2,757	**(585)**	**(81)**	**2,091**

Underlying operating profit 2015[1]	Underlying operating profit[2] £000	Restructuring costs £000	Amortisation of acquired intangibles £000	Total profit from operations £000
Systems	2,886	(521)	–	2,365
Integration & Managed Services	597	–	–	597
Total segmental underlying operating profit	3,483	(521)	–	2,962
Reconciliation to consolidated underlying operating profit:				
Central costs	(1,895)	(285)	(107)	(2,287)
	1,588	(806)	(107)	675

1. Re-presented for the change in presentation of transport & infrastructure activities from IMS to Systems and for the change in presentation of the share-based payment charge, see note 1.
2. Underlying operating profit represents operating profit before non-underlying items (restructuring costs and amortisation of acquired intangibles).

2 Segmental analysis continued

Net assets

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

	Assets £000	Liabilities £000	**2016 Net assets £000**
Systems	30,486	(13,915)	**16,571**
Integration & Managed Services	9,197	(8,625)	**572**
Total segmental net assets	39,683	(22,540)	**17,143**
Reconciliation to consolidated net assets:			
Goodwill	19,921	–	**19,921**
Cash and borrowings	5,848	(3,678)	**2,170**
Unallocated	1,363	(1,016)	**347**
	66,815	(27,234)	**39,581**

	Assets[1] £000	Liabilities[1] £000	2015 Net assets[1] £000
Systems	29,114	(12,143)	16,971
Integration & Managed Services	8,759	(8,275)	484
Total segmental net assets	37,873	(20,418)	17,455
Reconciliation to consolidated net assets:			
Goodwill	19,166	–	19,166
Cash and borrowings	3,338	(2,789)	549
Unallocated	1,462	(1,790)	(328)
	61,839	(24,997)	36,842

1. Re-presented for the change in presentation of transport & infrastructure activities from IMS to Systems.

By geographical segment Geographical location of contract	**2016 Revenue £000**	**2016 Total assets £000**	**2016 Capital additions £000**	2015 Revenue £000	2015 Total assets £000	2015 Capital additions £000
UK and Europe	**43,966**	**46,020**	**208**	44,514	52,016	238
North America	**4,800**	**3,883**	**81**	6,341	4,326	57
Middle East	**4,330**	**3,665**	**–**	4,903	38	–
Africa	**759**	**597**	**–**	–	–	–
Asia-Pacific	**17,058**	**12,650**	**61**	12,746	5,459	51
	70,913	**66,815**	**350**	68,504	61,839	346

3 Net operating expenses

	2016 £000	2015[1] £000
Distribution costs	**232**	258
Administrative expenses (before non-underlying items)	**20,910**	19,495
Non-underlying items (note 4)	**666**	913
Total administrative expenses	**21,576**	20,408
	21,808	20,666

1. Re-presented for the change in presentation of the share-based payment charge, see note 1.

4 Non-underlying items

	2016 £000	2015[1] £000
Restructuring costs[2]	**585**	806
Amortisation of acquired intangible assets	**81**	107
	666	913

1. Re-presented for the change in presentation of the share-based payment charge, see note 1.
2. The restructuring costs incurred during 2016 and 2015 relate predominantly to severance costs arising from specific reviews of the cost base across certain areas of the business.

5 Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**39**	38
Fees payable to the Company's auditor for other services to the Group:		
– the audit of the Company's subsidiaries pursuant to legislation	**105**	93
– tax compliance services	**29**	54
– other tax advisory services	**19**	10
	192	195

6 Profit from operations

	2016 £000	2015 £000
Profit from operations is stated after charging:		
Amortisation of intangible assets	**1,382**	1,255
Depreciation of property, plant and equipment	**598**	630
Cost of inventories recognised as an expense	**33,853**	33,449
Research & development expenditure	**1,909**	1,569
Rental payments under operating leases:		
– plant, machinery and vehicles	**832**	922
– other	**795**	804

7 Staff costs and Directors' remuneration

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

	2016 Number	2015[1] Number
Reportable segment (see note 2)		
Systems	**301**	309
Integration & Managed Services	**203**	208
Central	**13**	16
	517	533

1. Re-presented for the change in presentation of transport & infrastructure activities from IMS to Systems.

7 Staff costs and Directors' remuneration continued

	2016 £000	2015 £000
Staff costs (for the above persons)		
Wages and salaries	**18,358**	18,171
Social security costs	**1,854**	1,842
Pension costs	**526**	506
Share-based payment charge	**131**	125
	20,869	20,644

The Directors consider that the key management personnel of the business comprises its Board of Directors, whose remuneration is shown in the Remuneration Committee Report on page 40. Details of the remuneration for key management personnel are set out in note 26.

8 Finance income

	2016 £000	2015 £000
Interest income on pension scheme assets	**215**	225

9 Finance costs

	2016 £000	2015 £000
Interest payable on bank overdrafts	**85**	92
Interest payable on bank loans	**63**	89
Interest on pension scheme liabilities	**203**	207
	351	388

10 Taxation

Tax charge	2016 £000	2015 £000
Current taxation		
UK tax	**5**	3
Overseas tax	**691**	295
Adjustments in respect of prior periods	**(62)**	(260)
Total current tax	**634**	38
Deferred taxation		
Origination and reversal of temporary differences	**(115)**	(163)
Adjustments in respect of prior periods	**(35)**	231
Total deferred tax	**(150)**	68
Total tax charge for the year	**484**	106

10 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 20% (2015: 20.33%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	**1,955**	512
Tax on profit on ordinary activities before tax at standard rate of 20% (2015: 20.33%)	**391**	104
Effects of:		
Expenses not deductible for tax purposes	**105**	112
Net effect of different rates of tax in overseas businesses	**(283)**	(164)
Tax losses not recognised	**345**	83
Restatement of deferred tax balances for change in UK tax rate	**23**	–
Adjustments in respect of prior periods	**(97)**	(29)
Total tax charge for the year	**484**	106

The Group's tax rate is sensitive to a geographic mix of profits and reflects a combination of higher rates in certain jurisdictions, such as the US, lower rates in Singapore and Macau and a nil effective rate in the UK due to available tax losses. The Group's effective tax rate has been adversely impacted in 2016 and 2015 by tax losses that have not yet been recognised. Over the medium term, the effective tax rate is expected to decrease as the business continues to be profitable going forward.

Deferred tax

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

Deferred tax (liability)/asset	Property, plant and equipment £000	Other temporary differences £000	Retirement benefit asset £000	Losses £000	Total £000
At 1 December 2014	(400)	(272)	(110)	640	(142)
Income Statement	20	101	–	(189)	(68)
Statement of Comprehensive Income	–	–	7	–	7
Currency translation adjustment	(3)	47	–	–	44
At 30 November 2015	(383)	(124)	(103)	451	(159)
Income Statement	202	(20)	–	(32)	150
Statement of Comprehensive Income	–	–	(34)	–	(34)
Currency translation adjustment	(6)	63	–	–	57
At 30 November 2016	**(187)**	**(81)**	**(137)**	**419**	**14**

Factors that may affect future tax charges

The UK government has announced its intention to further reduce the corporation tax rate to 17% effective by 1 April 2020. This has been substantively enacted during the year. Accordingly deferred tax has been provided for at the rate at which it is expected to be settled.

Deferred tax assets of £0.4 million (2015: £0.5 million) have been recognised in relation to legal entities which suffered a tax loss in the preceding periods. The assets are recognised based upon future taxable profit forecasts for the entities concerned.

The Group has further tax losses which may be available to be carried forward for offset against the future taxable profits of certain Group companies amounting to approximately £4.0 million (2015: £2.6 million). No deferred tax asset (2015: £nil) in respect of these losses has been recognised at the year end as the Group does not currently anticipate being able to offset these against future profits.

In addition to the above, the Group has capital losses of approximately £17.8 million (2015: £17.8 million) available for offset against future taxable gains. No deferred tax asset in respect of these losses, which would amount to £3.0 million, has been recognised in these financial statements as there is insufficient certainty that the asset will be recovered against future capital gains.

11 Dividends

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

	2016		2015	
	Pence per share	£000	Pence per share	£000
Final dividend paid in respect of prior year but not recognised as liabilities in that year	1.0	173	–	–
Interim dividend paid in respect of current year	–	–	–	–
	1.0	173	–	–
Total dividend paid, net of treasury share dividends	–	163	–	–
Proposed final dividend for the year ended 30 November	2.0	340	1.0	173

The proposed final dividend for the year ended 30 November 2016 has not been approved by shareholders and as such has not been included as a liability as at 30 November 2016. Subject to approval, this is expected to be paid on 5 May 2017 to shareholders on the register at 31 March 2017. This will give a total dividend for the year of 2.0p per share (2015: 1.0p per share).

12 Earnings per share

	2016 Pence per share	2015 Pence per share
Basic earnings per share	9.0	2.5
Diluted earnings per share	8.8	2.5
Underlying basic earnings per share[1]	12.7	7.3
Underlying diluted earnings per share[1]	12.4	7.2

1. Re-presented for the change in presentation of the share-based payment charge, see note 1.

Earnings per share have been calculated by dividing the profit attributable to equity holders of the Parent after taxation for each financial year by the weighted average number of ordinary shares in issue and ranking for dividend during the year.

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

	2016 £000	2015[1] £000
Earnings for basic and diluted earnings per share	1,471	406
Non-underlying items	666	913
Impact of non-underlying items on tax charge for the year	(60)	(128)
Earnings for underlying basic and underlying diluted earnings per share	2,077	1,191

1. Re-presented for the change in presentation of the share-based payment charge, see note 1.

	2016 000	2015 000
Weighted average number of ordinary shares – basic calculation	16,404	16,370
Dilutive potential ordinary shares arising from share options	338	193
Weighted average number of ordinary shares – diluted calculation	16,742	16,563

13 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 2014	2,151	1,498	4,296	7,945
Additions	–	16	330	346
Disposals	(315)	(59)	(161)	(535)
Government grant related to asset	(165)	–	–	(165)
Transfer between categories	–	(15)	15	–
Currency translation adjustment	–	13	(19)	(6)
At 30 November 2015	1,671	1,453	4,461	7,585
Additions	–	61	289	350
Disposals	–	(204)	(486)	(690)
Currency translation adjustment	–	14	211	225
At 30 November 2016	**1,671**	**1,324**	**4,475**	**7,470**
Depreciation				
At 1 December 2014	80	855	3,058	3,993
Charge for the year	34	112	484	630
Disposals	(93)	(44)	(161)	(298)
Transfer between categories	33	(10)	(23)	–
Currency translation adjustment	–	14	(18)	(4)
At 30 November 2015	54	927	3,340	4,321
Charge for the year	33	107	458	598
Disposals	–	(204)	(484)	(688)
Currency translation adjustment	–	12	151	163
At 30 November 2016	**87**	**842**	**3,465**	**4,394**
Net book value				
At 30 November 2016	**1,584**	**482**	**1,010**	**3,076**
At 30 November 2015	1,617	526	1,121	3,264

14 Intangible assets

	Goodwill £000	Acquired intangibles £000	Capitalised development costs £000	Purchased software £000	Total £000
Cost					
At 1 December 2014	23,443	685	5,982	1,771	31,881
Additions	–	–	553	102	655
Disposals	–	–	–	(4)	(4)
Currency translation adjustment	(741)	(80)	(24)	(11)	(856)
At 30 November 2015	22,702	605	6,511	1,858	31,676
Additions	–	–	337	44	381
Disposals	–	–	–	(273)	(273)
Currency translation adjustment	1,699	125	68	20	1,912
At 30 November 2016	**24,401**	**730**	**6,916**	**1,649**	**33,696**
Amortisation and impairment					
At 1 December 2014	3,952	390	3,071	1,111	8,524
Charge for the year	–	107	930	218	1,255
Disposals	–	–	–	(4)	(4)
Currency translation adjustment	(416)	(49)	–	(6)	(471)
At 30 November 2015	3,536	448	4,001	1,319	9,304
Charge for the year	–	81	1,094	207	1,382
Impairment	–	–	74	–	74
Disposals	–	–	–	(269)	(269)
Currency translation adjustment	944	97	34	15	1,090
At 30 November 2016	**4,480**	**626**	**5,203**	**1,272**	**11,581**
Net book value					
At 30 November 2016	**19,921**	**104**	**1,713**	**377**	**22,115**
At 30 November 2015	19,166	157	2,510	539	22,372

Annual test for impairment of goodwill

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

As highlighted in the Performance Review, the Group's transport & critical infrastructure activities, previously a separate CGU, have been more closely integrated under a single management team within the Systems division. Therefore, Systems and Mobile have been combined into one Systems CGU. Prior year comparatives have been restated accordingly.

The carrying amount of goodwill was allocated to the CGUs as follows:

	2016 £000	2015 £000
Systems	**15,341**	14,586
Integration & Managed Services	**4,580**	4,580
	19,921	19,166

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. The three-year cash flows continue to be risk adjusted to reflect a conservative outlook. 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.

14 Intangible assets continued

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

- terminal value applied after ten years assuming a nine (2015: eight) times multiple; and
- pre-tax discount rates as follows:

	2016 %	2015 %
Systems	**12.6**	10.5
Integration & Managed Services	**12.8**	10.4

The discount rates used are based on the Group weighted average cost of capital, which has been risk adjusted to reflect divisional specific risks such as the nature of the market served, cost profiles and the barriers to entry into each market segment, as well as other macro-economic factors.

The other key assumptions have been assigned values by management using estimates based on past experience and expectations of the future performance of the CGUs.

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. There is no impairment to goodwill in the period.

15 Inventories

	2016 £000	2015 £000
Raw materials and consumables	**3,553**	4,449
Work in progress	**717**	821
Finished goods for resale	**5,438**	4,807
	9,708	10,077
Contract balances	**289**	314
	9,997	10,391

	2016 £000	2015 £000
Contract balances comprise:		
Net costs incurred	**289**	314

16 Trade and other receivables

	2016 £000	2015 £000
Trade receivables	**15,179**	13,502
Allowance for doubtful debts	**(144)**	(302)
	15,035	13,200
Amounts recoverable on contracts	**7,779**	6,177
Other receivables	**1,058**	1,137
Prepayments	**899**	751
	24,771	21,265

Trade receivables are non-interest-bearing and generally have 30 to 90-day terms. At 30 November 2016 the Group had 48 days' sales outstanding in trade receivables (2015: 59 days').

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

16 Trade and other receivables continued

Movement in allowance for doubtful debts

	2016 £000	2015 £000
At 1 December	**302**	273
Provided	**58**	241
Amounts utilised	**(216)**	(212)
At 30 November	**144**	302

As at 30 November 2016, trade receivables of £3,413,000 (2015: £3,962,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016 £000	2015 £000
Up to three months past due	**2,799**	3,216
Three to six months past due	**547**	196
Over six months past due	**67**	550
	3,413	3,962

17 Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	**5,848**	3,338

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

	2016 £000	2015 £000
Cash at bank and in hand	**5,848**	3,338
Bank overdraft	**(1,526)**	(114)
	4,322	3,224

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

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

18 Trade and other payables

	2016 £000	2015 £000
Trade payables	**9,134**	7,797
Other taxation and social security	**891**	1,334
Other payables	**161**	315
Accruals	**8,565**	8,224
Deferred income	**3,326**	3,719
	22,077	21,389

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

19 Loans and borrowings

	2016			2015		
	Current £000	Non-current £000	Total £000	Current £000	Non-current £000	Total £000
Bank term loans	**1,252**	**900**	**2,152**	743	1,932	2,675
Bank overdraft	**1,526**	**–**	**1,526**	114	–	114
Total	**2,778**	**900**	**3,678**	857	1,932	2,789

19 Loans and borrowings continued

The fair value of financial liabilities is not substantially different from the carrying value. The terms and debt repayment details of the loans and borrowings are as follows:

	Value drawn 000	Maturity	Interest rate	Security
€3.7 million term loan facility	€1,300	30 September 2017	EURIBOR +2.5%	Group assets
£1.5 million term loan facility	£1,050	26 November 2018	LIBOR +2.25%	Group assets
£8.0 million overdraft facility	£1,526	On demand	Base +2.5%	Group assets

During the year €0.8 million of the Euro, and £150,000 of the Sterling, bank loans were repaid.

20 Provisions

	Restructuring £000	Deferred and contingent consideration £000	Property £000	Total £000
At 1 December 2014	1,063	49	57	1,169
Utilised in year	(1,814)	–	(38)	(1,852)
Charge to Income Statement	806	–	6	812
At 30 November 2015	55	49	25	129
Utilised in year	(365)	(49)	–	(414)
Charge to Income Statement	585	–	354	939
At 30 November 2016	**275**	**–**	**379**	**654**

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

	2016 £000	2015 £000
Current	**439**	104
Non-current	**215**	25
	654	129

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 carried forward at 30 November 2016 will be utilised within three years. The restructuring provision relates to severance costs incurred in the year and is expected to be utilised in the year ending 30 November 2017.

21 Called up share capital and reserves

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

	2016		2015	
	Number	**£000**	Number	£000
Ordinary shares of 20p each				
Allotted, called up and fully paid	**17,794,439**	**3,559**	17,794,439	3,559

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. The 1,331,750 shares held under the Group Executive Shared Ownership Plan ('ExSOP') at 30 November 2016 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 £3,064,139 (2015: £3,363,003) has been deducted from other reserves. The nominal value of these shares is £266,350 (2015: £283,893).

22 Options over shares of Synectics plc

The Group operated three share schemes in the year: the Quadnetics Employees' Share Acquisition Plan, the Quadnetics Executive Shared Ownership Plan and the Synectics Performance Share Plan.

Quadnetics Employees' Share Acquisition Plan

The Quadnetics Employees' Share Acquisition Plan ('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 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 scheme holds 73,744 ordinary shares at 30 November 2016, 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	**2016 Number of shares**	2015 Number of shares
14 October 2010	Partnership	15 October 2015	147.5p	**2,852**	3,123
7 April 2011	Partnership	8 April 2016	177.5p	**3,897**	4,235
25 July 2011	Dividend	26 July 2014	200.0p	**57**	63
2 November 2011	Partnership	3 November 2016	185.5p	**3,579**	3,902
2 November 2011	Dividend	3 November 2014	205.0p	**79**	86
20 April 2012	Partnership	21 April 2017	200.0p	**3,540**	3,840
17 May 2012	Dividend	18 May 2015	289.0p	**164**	179
9 October 2012	Partnership	10 October 2017	272.5p	**2,629**	2,849
9 October 2012	Dividend	10 October 2015	272.5p	**125**	136
3 April 2013	Partnership	4 April 2018	282.5p	**2,812**	3,024
8 May 2013	Dividend	9 May 2016	445.0p	**189**	206
4 October 2013	Dividend	5 October 2016	488.0p	**121**	131
14 October 2013	Partnership	15 October 2018	393.0p	**2,436**	2,802
4 April 2014	Partnership	5 April 2019	404.0p	**2,390**	2,746
7 May 2014	Dividend	8 May 2017	430.0p	**282**	309
2 October 2014	Partnership	3 October 2019	350.0p	**3,960**	4,372
17 April 2015	Partnership	18 April 2020	153.0p	**8,799**	9,683
22 October 2015	Partnership	23 October 2020	123.5p	**12,853**	13,824
29 April 2016	Partnership	30 April 2021	162.0p	**10,468**	–
6 May 2016	Dividend	7 May 2019	154.0p	**348**	–
20 October 2016	Partnership	21 October 2021	154.0p	**12,164**	–
Shares held at end of year				**73,744**	55,510

At 30 November 2016 the shares held by the ESAP Scheme had a market value of £143,063 (2015: £59,673).

Movements during the year were as follows:

	Number of shares
Shares held at 1 December 2015	55,510
Shares acquired during the year	23,158
Withdrawals from the scheme during the year	(4,924)
Shares held at 30 November 2016	**73,744**

22 Options over shares of Synectics plc continued

Quadnetics Executive Shared Ownership Plan

The Quadnetics Executive Shared Ownership Plan ('ExSOP') was formed in July 2009. Under the provisions of the ExSOP, shares ('ExSOP shares') are jointly owned by nominated senior employees and by an employees' share trust on terms, similar to a share option scheme, whereby the value of appreciation in the Company's share price over a minimum three-year period accrues to the relevant employee, provided the Company meets certain performance thresholds.

In summary, none of the awarded ExSOP shares will vest unless the total return (dividends plus share price appreciation) on the Company's shares is better than the performance of the FTSE AIM All Share Total Return Index over the three-year period from award. The shares will vest fully if the Company's performance beats the Index by more than 5% over that period. If the Company's share performance matches the Index, then 25% of the awarded shares will vest and between these points vesting will be pro-rata.

ExSOP shares outstanding at 30 November 2016 are exercisable as follows:

Date awarded	Exercise dates	Relevant share price at date of award	**2016 Number of shares**	2015 Number of shares
7 July 2009	8 July 2012 onwards	147.5p	**419,743**	790,081
7 March 2011	8 March 2014 onwards	173.0p	**127,400**	142,400
Balance of shares in respect of leavers			**784,607**	486,983
			1,331,750	1,419,464

Movements during the year were as follows:

	Number of shares
Shares held at 1 December 2015	1,419,464
Vested shares sold or transferred in year	(87,714)
Shares held at 30 November 2016	**1,331,750**

Dividends have been waived in respect of the 784,607 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 outperformed the FTSE AIM All Share Total Return Index ('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 2016 are exercisable as follows:

Date awarded	Exercise dates	Relevant share price at date of award	**2016 Number of shares**	2015 Number of shares
31 October 2013	31 October 2016 onwards	510.0p	**–**	55,500
5 March 2014	5 March 2017 onwards	437.5p	**14,000**	14,000
30 March 2015	30 March 2018 onwards	125.0p	**282,000**	300,000
1 March 2016	1 March 2019 onwards	117.5p	**155,000**	–
			451,000	369,500

50,500 (2015: 84,250) options under the PSP expired during the year.

23 Share-based payment charge

The fair value of services received in return for share options granted or awards made under the Group's share schemes is measured by reference to the fair value of the share options granted or share scheme shares awarded.

For the equity-settled share scheme awards, the estimate of the fair value of the services received for accounting purposes is measured based on an adjusted Black-Scholes model using the following assumptions:

Synectics PSP	October 2013 awards	March 2014 awards	March 2015 awards	**March 2016 awards**
Number of share options awarded	78,500	25,500	335,000	**155,000**
Exercise price	nil	nil	nil	**nil**
Share price on date of award	£5.10	£4.375	£1.25	**£1.175**
Expected volatility	25%	30%	30%	**30%**
Expected dividend yield	2.2%	2.3%	4.0%	**3.0%**
Risk-free interest rate	3.0%	3.1%	1.8%	**1.8%**
Vesting period	3 years	3 years	3 years	**3 years**
Expected life of option	5 years	5 years	5 years	**5 years**

The weighted average fair value of options granted during 2016 is £1.01.

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:

	2016 £000	2015 £000
Equity-settled share-based payments	**131**	125
Total carrying value of liabilities	**–**	–

24 Government grants

	2016 £000	2015 £000
At 1 December	**–**	–
Received during the year	**–**	311
Released to the Income Statement	**–**	(146)
Offset against related asset	**–**	(165)
At 30 November	**–**	–

25 Contingent liabilities

Certain subsidiary companies have agreed to guarantee a number of bonds, issued by Lloyds Bank plc, HSBC and JLT, amounting to a total of £1.1 million at 30 November 2016 (2015: £1.0 million).

26 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The subsidiaries in the Group are listed in note 6 of the Company accounts.

During the year Synectic Systems Group Limited received a credit of £nil through return of goods (2015: returns of £5,360) to a company in which a Director of Synectics plc and its subsidiaries has an indirect interest. There were no amounts outstanding at 30 November 2016 (2015: £nil).

An amount of £nil (2015: £7,500) was paid for services provided in the year to a company in which a Director of Synectics plc held a direct interest. There were no amounts outstanding at 30 November 2016 (2015: £nil).

During the year an amount was paid to the spouse of a Director of Synectic Systems (Asia) Pte Limited of S$4,440 for provision of accommodation to an external consultant engaged by the company (2015: S$4,320).

26 Related party transactions continued

During the year rental amounts of S$78,150 were paid to a company in which two of the Directors of Synectic Systems (Asia) Pte Limited held a direct interest (2015: S$78,150).

Transactions with key management personnel:

	2016 £000	2015 £000
Salary and fees	**533**	613
Benefits	**46**	69
Bonus	**93**	80
Total short-term remuneration	**672**	762
Post-employment benefits	**33**	65
Share-based payments	**35**	28
	740	855

27 Capital commitments

At the year end capital commitments not provided for in these financial statements amounted to £131,000 (2015: £113,650).

28 Operating lease commitments

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

	2016 £000	2015 £000
Within one year	**1,485**	1,393
Within two to five years	**3,394**	2,956
In excess of five years	**431**	689
	5,310	5,038

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

29 Pension commitments

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

a) Defined benefit scheme

The Group operates the Quadrant Group plc Retirement Benefit Scheme. This scheme includes a defined benefit section and a defined contributions section both in respect of past employees. The accrual of benefits in the defined benefit section ceased in 1996 and the liabilities relate only to members with preserved benefits or pensions in payment. A full actuarial valuation was carried out by a qualified independent actuary, independent of the scheme's sponsoring employer, as at 30 June 2016. These results have been updated to 30 November 2016. The major assumptions used by the actuary are shown below.

The Group has paid contributions of £8,000 (2015: £nil) 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) on page 81.

Net defined benefit asset

	2016 £000	2015 £000
Fair value of scheme assets	**6,706**	6,310
Present value of scheme liabilities	**(5,986)**	(5,795)
Net defined benefit asset	**720**	515
Effect of not recognising the scheme surplus	**–**	–
Net defined benefit asset recognised in the balance sheet	**720**	515
Associated deferred tax liability	**(137)**	(103)

Future economic benefits are available to the Group in the form of a reduction in future contributions or a cash refund. Any surplus ultimately repaid by the Trustees would be subject to a tax charge deducted at source.

29 Pension commitments continued

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

	2016 £000	2015 £000
Defined benefit obligations at start of year	**5,795**	5,869
Interest cost	**203**	207
Remeasurements:		
– gains due to scheme experience	**(25)**	(11)
– gains due to changes in demographic assumptions	**(99)**	–
– losses due to financial assumptions	**469**	59
Benefits paid	**(357)**	(329)
Defined benefit obligations at end of year	**5,986**	5,795

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

	2016 £000	2015 £000
Fair value of plan assets at start of year	**6,310**	6,409
Interest income	**215**	225
Return on plan assets, excluding amounts recognised in interest income	**530**	5
Contributions by the Company	**8**	–
Benefits paid	**(357)**	(329)
Fair value of plan assets at end of year	**6,706**	6,310

Gains/(losses) recognised in the Consolidated Statement of Comprehensive Income

	2016 £000	2015 £000
Return on plan assets, excluding amounts recognised in interest income	**530**	5
Remeasurements	**(345)**	(48)
Total actuarial gains/(losses)	**185**	(43)
Total amount recognised in the Consolidated Statement of Comprehensive Income	**185**	(43)

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income since the adoption of IAS 19 is £682,000 (2015: £497,000).

Assets

	2016 Fair value of plan assets £000	2015 Fair value of plan assets £000	2014 Fair value of plan assets £000
Equity	**17**	155	151
Bonds	**6,648**	6,106	6,255
Cash	**41**	49	3
Total assets	**6,706**	6,310	6,409

As at 30 November 2016, the fair value of the assets shown above include holdings of £16,653 (2015: £17,596) in Synectics plc shares which constitute employer-related investments. There are no further amounts in assets which represent the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

Actual return on plan assets

The actual return on the plan assets over the year ended 30 November 2016 was £745,000 (2015: £230,000).

Principal actuarial assumptions

	2016 % per annum	2015 % per annum	2014 % per annum
Inflation	**3.50**	3.20	3.20
Inflation (CPI)	**2.60**	2.30	2.30
Rate of discount	**2.80**	3.50	3.60
Allowance for revaluation of deferred pensions of CPI or 5% pa if less	**2.60**	2.30	2.30

29 Pension commitments continued

The mortality assumptions adopted at 30 November 2016 imply the following life expectancies at age 65:

	2016 Years	2015 Years
Male currently age 45	**23.9**	24.1
Female currently age 45	**26.1**	26.5
Male currently age 65	**22.2**	22.3
Female currently age 65	**24.2**	24.6

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

The sensitivities shown are approximate and each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined obligation at the period ended 30 November 2016 is 12 years (2015: 13 years).

	Change in assumption	**Change in liability**
Discount rate	Decrease of 0.25% pa	Increase by 2.9%
Rate of inflation	Increase of 0.25% pa	Increase by 0.1%
Rate of mortality	Increase in life expectancy of one year	Increase by 3.9%

The Company estimates that no additional contributions will be paid to the plan during the year ending 30 November 2017.

History of experience gains and losses

	30 Nov 2016 £000	30 Nov 2015 £000	30 Nov 2014 £000	30 Nov 2013 £000	30 Nov 2012 £000
Fair value of plan assets	**6,706**	6,310	6,409	5,753	5,996
Present value of defined benefit obligations	**(5,986)**	(5,795)	(5,869)	(5,565)	(5,629)
Surplus in plan	**720**	515	540	188	367
Experience adjustment on plan assets	**–**	–	–	(266)	641
Experience adjustment on defined benefit obligations	**25**	11	1	(203)	(27)

b) Defined contribution schemes

Contributions made by the Company to the defined contribution section of the Quadrant Group plc Retirement Benefit Scheme amounted to £5,000 in the year (2015: £34,000).

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 £521,000 (2015: £472,000).

30 Financial instruments

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Group consists of cash held in interest-bearing current accounts (note 17), loans and borrowings on fixed terms (note 19), bank overdrafts (note 19) and equity attributable to equity holders of the Parent, comprising issued share capital (note 21), 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 become reasonably certain. The Group had no commitments in respect of forward exchange contracts at either 30 November 2016 or 30 November 2015.

30 Financial instruments continued

At 30 November 2016, certain subsidiaries within the Group 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:

	2016		2015	
	€000	$000	€000	$000
Receipts	50	3,000	–	4,390
Payments	(950)	(5,050)	(195)	(3,322)

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 10.2% (2015: 7.2%) of the Group's net assets as follows:

Functional currency of entity	2016 %	2015 %
United States Dollars	6.0	4.2
Euros	(7.9)	(3.0)
Singapore Dollars	12.1	6.0
Total	10.2	7.2

Translation exposure in respect of these assets is not hedged.

At 30 November 2016 the Group held foreign currency cash balances of $2,881,000 (2015: $1,963,000) and S$756,000 (2015: S$25,000), and was overdrawn by €3,307,000 (2015: €2,576,000).

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

	USD impact		Euro impact		SGD impact	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Profit/(loss)	43	34	(149)	(146)	233	192
Other equity	309	159	(234)	21	796	269
Total	352	193	(383)	(125)	1,029	461

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 Consolidated Income Statement.

	2016		2015	
	Sterling £000	SGD £000	Sterling £000	SGD £000
Sterling	–	1,503	–	198
US Dollars	(446)	259	(332)	333
Euros	(1,138)	–	(1,517)	–
Total	(1,584)	1,762	(1,849)	531

The Group's investment in its German subsidiary, Indanet GmbH (previously Synectic Systems GmbH), is hedged by a Euro-denominated loan (carrying amount: €3.7 million (2015: €3.7 million)) which mitigates the foreign currency risk arising from the retranslation of the subsidiary's net assets. The loan is designated as a net investment hedge. No ineffectiveness was recognised from the net investment hedge. The fair value of the loan is not substantially different from its carrying value. The Group's investments in other subsidiaries are not hedged.

30 Financial instruments continued

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:

	2016 £000	2015 £000
Current accounts (note 17)	**5,848**	3,338
Loans and borrowings (note 19)	**(3,678)**	(2,789)
	2,170	549

The level of the Group's bank overdraft facilities is reviewed annually and at 30 November 2016 the Group had undrawn overdraft facilities of up to £6.5 million, on which interest would be payable at the rate of bank base rate +2.50%.

Financial liabilities of the Group principally comprise trade creditors falling due for payment within twelve months of the balance sheet date (2015: twelve months), bank overdraft repayable on demand and bank loans which fall due for final repayment within two years of the balance sheet date.

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% to 4 August 2016 and 0.25% from 4 August 2016 to the end of the year (2015: 0.5%). The Group benchmarks the rates being obtained in order to maximise its returns, within the credit risk framework referred to above.

The interest rates for bank loans and overdrafts are set out in note 19.

The Group's funding position did not carry any significant interest rate risk at 30 November 2016 or 30 November 2015.

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

31 Subsidiaries

The Group consists of a Parent Company, Synectics plc, incorporated in the UK and a number of subsidiaries held directly and indirectly by Synectics plc, which operate and are incorporated around the world. Note 6 to the Company's financial statements lists details of all subsidiaries.

One subsidiary, Synectic Systems (Macau) Limited, has an accounting reference date of 31 December, which is different to that of the consolidated financial statements of 30 November. This is to more closely align the accounting period with the tax reporting requirements in Macau and thereby reduce administrative costs.

Company statement of comprehensive income
For the year ended 30 November 2016

	2016 £000	2015 (restated)[1] £000
Profit/(loss) for the year	**1,028**	(704)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement gain/(loss) on defined benefit pension scheme, net of tax	**151**	(36)
	151	(36)
Total comprehensive income/(loss) for the year	**1,179**	(740)

1. Restated on adoption of Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework', see note 16.

Company statement of changes in equity
For the year ended 30 November 2016

	Called up share capital £000	Share premium account £000	Merger reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 1 December 2014 (as previously reported)	3,559	16,043	9,971	(1,406)	5,851	34,018
Effect of transition to FRS 101 (note 16)	–	–	–	–	430	430
At 1 December 2014[1]	3,559	16,043	9,971	(1,406)	6,281	34,448
Loss for the year[1]	–	–	–	–	(704)	(704)
Other comprehensive loss						
Remeasurement loss on defined benefit pension scheme, net of tax[1]	–	–	–	–	(36)	(36)
Total other comprehensive loss	–	–	–	–	(36)	(36)
Total comprehensive loss for the year	–	–	–	–	(740)	(740)
Credit in relation to share-based payments	–	–	–	–	125	125
Share scheme interests realised in the year	–	–	–	13	–	13
At 30 November 2015[1]	3,559	16,043	9,971	(1,393)	5,666	33,846
Profit for the year	–	–	–	–	1,028	1,028
Other comprehensive income						
Remeasurement gain on defined benefit pension scheme, net of tax	–	–	–	–	151	151
Total other comprehensive income	–	–	–	–	151	151
Total comprehensive income for the year	–	–	–	–	1,179	1,179
Credit in relation to share-based payments	–	–	–	–	131	131
At 30 November 2016	**3,559**	**16,043**	**9,971**	**(1,393)**	**6,976**	**35,156**

1. Restated on adoption of FRS 101, see note 16.

Company balance sheet

As at 30 November 2016

	Note	2016 £000	2015 (restated)[1] £000
Fixed assets			
Plant, equipment and motor vehicles	5	**305**	407
Investments in subsidiary undertakings	6	**19,515**	19,426
Retirement benefit asset		**720**	515
		20,540	20,348
Current assets			
Debtors	7	**30,459**	30,440
Creditors: amounts falling due within one year	8	**(14,858)**	(14,946)
Net current assets		**15,601**	15,494
Total assets less current liabilities		**36,141**	35,842
Loans and borrowings	9	**(900)**	(1,932)
Provisions for liabilities and charges	10	**(85)**	(64)
Non-current liabilities		**(985)**	(1,996)
Net assets		**35,156**	33,846
Capital and reserves			
Called up share capital	11	**3,559**	3,559
Share premium account		**16,043**	16,043
Merger reserve		**9,971**	9,971
Other reserves		**(1,393)**	(1,393)
Retained earnings		**6,976**	5,666
Equity shareholders' funds		**35,156**	33,846

1. Restated on adoption of FRS 101, see note 16.

The financial statements on pages 84 to 95 were approved and authorised for issue by the Board of Directors on 21 February 2017 and were signed on its behalf by:

Paul Webb
Director

Mike Stilwell
Director

Company number: 1740011

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

1 Company accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework'. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ('IFRS') as adopted by the EU. In its transition to FRS 101, the Company has applied IFRS 1 'First-time Adoption of International Financial Reporting Standards', whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the Company's reported financial performance and position is provided in note 16 to the Company accounts.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payments' (details of the number and weighted average exercise prices of share options and how the fair value of goods or services received was determined).
- IFRS 7 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1 'Presentation of Financial Statements', comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1; and
  - Paragraph 73 of IAS 16 'Property, Plant and Equipment'.
- The following paragraphs of IAS 1 'Presentation of Financial Statements':
  - 10(d) (statement of cash flows);
  - 10(f) (statement of financial position as at the beginning of the preceding period);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7 'Statement of Cash Flows'.
- Paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but not yet effective).
- Paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirement in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.

In accordance with section 408(3) of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement. The amount of profit for the year of the Company is £1.0 million (2015 restated loss for the year (see note 16): £704,000).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of relevant financial assets and financial liabilities.

Going concern

The Directors have assessed, in light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the Parent Company financial statements. For further consideration of the going concern position of the Group, see page 47 of the Director's Report.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1 Company accounting policies continued

Fixed asset investments

Fixed asset investments are stated at cost plus deemed capital contributions arising from share-based payment transactions less any provision for impairment. The Company records an increase in its investments in subsidiaries equal to the share-based payments charge recognised by its subsidiaries with a corresponding credit to equity. Details of the Group's share-based payment charge are set out in note 23 of the Group financial statements.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the profit or loss account and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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%.

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.

Foreign currency

Transactions denominated in foreign currencies are translated into Sterling at the exchange rates prevailing at the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the dates of the balance sheet date.

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 is debited directly to equity.

Other significant accounting policies

Other significant accounting policies are consistent with the Group accounts and the table below references where they are disclosed:

Significant accounting policy	Page
Leased assets	58
Pension schemes	59
Dividends	60
Loans and borrowings	62
Provisions	64

Significant estimates

In the application of the Company's accounting policies, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Those estimates impacting the Company, which are also consistent with, and disclosed on pages 62 to 64, of the Group accounts, relate to defined benefit plans, provisions and deferred tax.

2 Auditor's remuneration

Fees payable to the Company's auditor for the audit of the Company's annual accounts are £39,000 (2015: £38,000).

3 Directors and employees

The remuneration of the Directors is set out below:

Directors' emoluments	2016 £000	2015 £000
Salaries and benefits	**471**	585
Pension benefits under defined contribution plan	**33**	65
	504	650

Detailed information on the emoluments, pensions, option holdings and shareholdings for each Director is shown in the Remuneration Committee Report on pages 39 to 42.

The average number of persons (including Executive Directors) employed by the Company during the year was 13 (2015: 16).

4 Dividends

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

	2016		2015	
	Pence per share	**£000**	Pence per share	£000
Final dividend paid in respect of prior year but not recognised as a liability in that year	**1.0**	**173**	–	–
Interim dividend paid in respect of current year	**–**	**–**	–	–
	1.0	**173**	–	–
Total dividend paid, net of treasury share dividends	**–**	**163**	–	–
Proposed final dividend for the year ended 30 November	**2.0**	**340**	1.0	173

The proposed final dividend for the year ended 30 November 2016 has not been approved by shareholders and as such has not been included as a liability as at 30 November 2016. Subject to approval, this is expected to be paid on 5 May 2017 to shareholders on the register at 31 March 2017. This will give a total dividend for the year of 2.0p per share (2015: 1.0p per share).

5 Plant, equipment and motor vehicles

	£000
Cost	
At 1 December 2015	758
Additions	16
Disposals	(35)
At 30 November 2016	**739**
Depreciation	
At 1 December 2015	351
Charge for the year	118
Disposals	(35)
At 30 November 2016	**434**
Net book value	
At 30 November 2016	**305**
At 30 November 2015	407

6 Investments in subsidiary undertakings

	£000
Cost	
At 1 December 2015	27,608
Share-based payments capital contribution	89
At 30 November 2016	**27,697**
Provision for impairment as at 1 December 2015 and 30 November 2016	(8,182)
Net book value	
At 30 November 2016	**19,515**
At 30 November 2015	19,426

6 Investments in subsidiary undertakings continued

Details of the Company's subsidiaries at 30 November 2016 are as follows:

	Country of incorporation	Class of share	Proportion of voting rights and shares held	Nature of business
Directly held by Synectics plc				
Synectic Systems Group Limited	UK	Ordinary shares	100%	Design and manufacture of video systems control products, integrated digital CCTV systems, and CCTV equipment and systems for extreme or hazardous environments
Quadrant Security Group Limited	UK	Ordinary shares	100%	Design, installation and maintenance of CCTV security systems and integrated security systems, and security management and support services
Synectic Systems Inc.	USA	Common stock	100%	Design and supply of video systems control products and integrated digital CCTV systems
Indanet GmbH	Germany	Ordinary shares	100%	German holding company
Coex Limited	UK	Ordinary shares	100%	Dormant
Flash No.1 Limited	UK	Ordinary shares	100%	Dormant
Flash No.2 Limited	UK	Ordinary shares	100%	Dormant
Flash No.3 Limited	UK	Ordinary shares	100%	Dormant
Fotovalue Limited	UK	Ordinary shares	100%	Dormant
Foxall & Chapman Limited	UK	Ordinary shares	100%	Dormant
Look CCTV Limited	UK	Ordinary shares	100%	Dormant
Look Closed Circuit TV Limited	UK	Ordinary shares	100%	Dormant
Midlands Video Systems Limited	UK	Ordinary shares	100%	Dormant
Monument Photographic Laboratories Limited	UK	Ordinary shares	100%	Dormant
MVS (Research) plc	UK	Ordinary shares	100%	Dormant
Newco 3006 Limited	UK	Ordinary shares	100%	Dormant
Protec plc	UK	Ordinary shares	100%	Dormant
QSG Limited	UK	Ordinary shares	100%	Dormant
Quadnetics Employees' Trustees Limited	UK	Ordinary shares	100%	Dormant
Quadnetics Group Limited	UK	Ordinary shares	100%	Dormant
Quadnetics Limited	UK	Ordinary shares	100%	Dormant
Quadnetics SIP Trustees Limited	UK	Ordinary shares	100%	Dormant
Quadrant Integrated Systems Limited	UK	Ordinary shares	100%	Dormant
Quadrant Properties Limited	UK	Ordinary shares	100%	Dormant
Quadrant Research & Development Limited	UK	Ordinary shares	100%	Dormant
Quadrant Support Services Limited	UK	Ordinary shares	100%	Dormant
Quadrant Video Systems plc	UK	Ordinary shares	100%	Dormant
Quick Imaging Centre Limited	UK	Ordinary shares	100%	Dormant
S&M (Processing) Limited	UK	Ordinary shares	100%	Dormant
Sanpho Pension Trustees Limited	UK	Ordinary shares	100%	Dormant
SSS Management Services Limited	UK	Ordinary shares	100%	Dormant
Stanmore Systems Limited	UK	Ordinary shares	100%	Dormant
Synectics Group Limited	UK	Ordinary shares	100%	Dormant
Synectics High Security Limited	UK	Ordinary shares	100%	Dormant
Synectics Industrial Systems Limited	UK	Ordinary shares	100%	Dormant
Synectics Mobile Systems Limited	UK	Ordinary shares	100%	Dormant
Synectics Security Group Limited	UK	Ordinary shares	100%	Dormant
Synectics Security Networks Limited	UK	Ordinary shares	100%	Dormant
Synectic Systems Limited	UK	Ordinary shares	100%	Dormant
Synectics Surveillance Technology Limited	UK	Ordinary shares	100%	Dormant
Synectics Technology Centre Limited	UK	Ordinary shares	100%	Dormant

6 Investments in subsidiary undertakings continued

	Country of incorporation	Class of share	Proportion of voting rights and shares held	Nature of business
Indirectly held by Synectics plc				
Synectic Systems GmbH	Germany	Ordinary shares	100%	Design and manufacture of video systems control products, integrated digital CCTV systems, and CCTV equipment and systems for the transport sector
Synectic Systems (Asia) Pte Limited	Singapore	Ordinary shares	100%	Design and supply of video systems control products and integrated digital CCTV systems
Synectic Systems (Macau) Limited	Macau	Ordinary shares	100%	Design and supply of video systems control products and integrated digital CCTV systems
A1 Presentations Limited	UK	Ordinary shares	100%	Dormant
Falcon Equipment and Systems Limited	UK	Ordinary shares	100%	Dormant
IES Integrated Electronic Systems Limited	UK	Ordinary shares	100%	Dormant
Integrated Environmental Systems Limited	UK	Ordinary shares	100%	Dormant
Protec 2001 Limited	UK	Ordinary shares	100%	Dormant
SDA Network Solutions Limited	UK	Ordinary shares	100%	Dormant
SDA Protec (2001) Limited	UK	Ordinary shares	100%	Dormant
SDA Protec Limited	UK	Ordinary shares	100%	Dormant
Sectronic (Marketing) Limited	UK	Ordinary shares	100%	Dormant
Security Design Associates (1979) Limited	UK	Ordinary shares	100%	Dormant
Software Developments (Digital Direct) Limited	UK	Ordinary shares	100%	Dormant
SSS Managed Services Limited	UK	Ordinary shares	100%	Dormant
Synectics Managed Services Limited	UK	Ordinary shares	100%	Dormant
Synectics No. 2 Limited	UK	Ordinary shares	100%	Dormant

7 Debtors

	2016 £000	2015 (restated)[1] £000
Other debtors	**283**	6
Amounts due from subsidiaries	**30,051**	30,308
Corporation tax receivable	**40**	47
Prepayments and accrued income	**85**	79
	30,459	30,440

1. Restated on adoption of FRS 101, see note 16.

8 Creditors

	2016 £000	2015 (restated)[1] £000
Amounts falling due within one year		
Bank overdrafts	**6,429**	7,161
Loans and borrowings (note 9)	**1,252**	743
Trade creditors	**229**	195
Amounts owed to subsidiaries	**6,617**	6,617
Other taxation and social security	**43**	–
Other creditors	**5**	11
Accruals and deferred income	**283**	219
	14,858	14,946

1. Restated for a reclassification from amounts owed to subsidiaries falling due after more than one year to amounts falling due within one year of £6.6 million.

The bank overdrafts are part of a Group offset arrangement.

9 Loans and borrowings

	2016 £000	2015 £000
Current (note 8)	**1,252**	743
Non-current	**900**	1,932
Total	**2,152**	2,675

Loans and borrowings comprise the Company's bank term loan and overdraft facilities. The terms and debt repayment details are as follows:

	Value drawn 000	Maturity	Interest rate	Security
€3.7 million term loan facility	€1,300	30 September 2017	EURIBOR +2.5%	Group assets
£1.5 million term loan facility	£1,050	26 November 2018	LIBOR +2.25%	Group assets
£8.0 million overdraft facility	£6,429	On demand	Base +2.5%	Group assets

During the year €0.8 million of the Euro, and £150,000 of the Sterling, bank loans were repaid.

10 Provisions for liabilities and charges

	Restructuring £000	Deferred tax £000	Total £000
At 1 December 2015[1]	57	7	64
Utilised in year	(57)	(23)	(80)
Charged/(credited) to profit and loss account	21	(45)	(24)
Charged to statement of Comprehensive Income	–	125	125
At 30 November 2016	**21**	**64**	**85**

1. Restated on adoption of FRS 101, see note 16.

The restructuring provision relates to severance costs incurred and is expected to be utilised in the year ending 30 November 2017.

The deferred taxation balances relate to the following:

	2016 £000	2015 (restated)[1] £000
Retirement benefit asset	**137**	103
Fixed asset timing differences	**(59)**	(16)
Other timing differences	**20**	(80)
Tax losses	**(34)**	–
	64	7

1. Restated on adoption of FRS 101, see note 16.

11 Called up share capital and reserves

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

	2016		2015	
	Number	£000	Number	£000
Ordinary shares of 20p each				
Allotted, called up and fully paid	**17,794,439**	**3,559**	17,794,439	3,559

12 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 2016 (2015: £1.0 million).

13 Capital commitments

At 30 November 2016 capital commitments not provided for in these financial statements amounted to £nil (2015: £nil).

14 Operating lease commitments

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

	2016 £000	2015 £000
Within one year	**52**	64
Within two to five years	**94**	102
	146	166

15 Pension commitments

The Company participates in all of the Group's pension schemes. Full disclosures relating to these schemes are given in note 29 to the Group accounts.

Defined contribution schemes

Contributions made by the Company to the defined contribution section of the Quadrant Group plc Retirement Benefit Scheme amounted to £5,000 in the year (2015: £34,000).

In addition, the Company's total expense for other defined contribution pension schemes during the year was £57,000 (2015: £58,000).

Defined benefit schemes

The table below shows the gross assets and liabilities of the Group's defined benefit pension scheme that have been recognised on the Company's balance sheet.

	2016 £000	2015 £000
Fair value of scheme assets	**6,706**	6,310
Present value of scheme liabilities	**(5,986)**	(5,795)
Net defined benefit asset recognised on the balance sheet	**720**	515
Associated deferred tax liability	**(137)**	(103)

100% of the values of the scheme assets and liabilities have been allocated to the Company as this reflects a reasonable estimate of its share of the surplus.

16 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 November 2016, the comparative information for the year ended 30 November 2015 and the opening FRS 101 balance sheet at 1 December 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheets, the Company has adjusted amounts reported in financial statements prepared in prior years in accordance with its previous basis of accounting. An explanation of how the transition to FRS 101 has affected the Company's reported financial performance and position is set out in the following tables.

Impact of transition to FRS 101 on the Company Statement of Comprehensive Income

	30 November 2015			
	As previously reported £000	Pension scheme adjustment[1] £000	Permanent as equity loan adjustment[2] £000	FRS 101 £000
Loss for the year	(447)	18	(275)	(704)
Items that will not be reclassified subsequently to profit or loss				
Remeasurement loss on defined benefit pension scheme, net of tax	–	(36)	–	(36)
	–	(36)	–	(36)
Total comprehensive loss for the year	(447)	(18)	(275)	(740)

1. It had been the Company's policy to account for the UK defined benefit pension scheme as a defined contribution scheme as permitted by FRS 17 'Retirement Benefits'. Upon transition to FRS 101, the Company has been allocated a share of the assets and liabilities of the Group's UK defined benefit pension scheme using an allocation method intended to reflect a reasonable approximation of its share of the surplus.
2. From 1 December 2015 it had been the Company's policy to account for a loan with one of its overseas subsidiaries as permanent as equity as permitted by SSAP 20 'Foreign Currency Translation'. There is no similar concept in individual company accounts under FRS 101 and therefore the foreign currency loan previously designated as permanent as equity is retranslated at each balance sheet date with the foreign exchange gain or loss taken to profit and loss.

Impact of transition to FRS 101 on the Company Balance Sheet

	30 November 2015			
	As previously reported[1] £000	Pension scheme adjustment[2] £000	Permanent as equity loan adjustment[3] £000	FRS 101 £000
Fixed assets				
Plant, equipment and motor vehicles	407	–	–	407
Investments in subsidiary undertakings	19,426	–	–	19,426
Retirement benefit asset	–	515	–	515
	19,833	515	–	20,348
Current assets				
Debtors	30,811	(26)	(345)	30,440
Creditors: amounts falling due within one year	(14,946)	–	–	(14,946)
Net current assets	15,865	(26)	(345)	15,494
Total assets less current liabilities	35,698	489	(345)	35,842
Loans and borrowings	(1,932)	–	–	(1,932)
Provisions for liabilities and charges	(57)	(77)	70	(64)
Non-current liabilities	(1,989)	(77)	70	(1,996)
Net assets	33,709	412	(275)	33,846
Capital and reserves				
Called up share capital	3,559	–	–	3,559
Share premium account	16,043	–	–	16,043
Merger reserve	9,971	–	–	9,971
Other reserves	(1,393)	–	–	(1,393)
Retained earnings	5,529	412	(275)	5,666
Equity shareholders' funds	33,709	412	(275)	33,846

16 Explanation of transition to FRS 101 continued

1. Re-presented for a reclassification from amounts owed to subsidiaries falling due after more than one year to amounts falling due within one year of £6.6 million as there are no unconditional rights to defer payment.

2. It had been the Company's policy to account for the UK defined benefit pension scheme as a defined contribution scheme as permitted by FRS 17 'Retirement Benefits'. Upon transition to FRS 101, the Company has been allocated a share of the assets and liabilities of the Group's UK defined benefit pension scheme using an allocation method intended to reflect a reasonable approximation of its share of the surplus. The related deferred tax asset has also been recognised. In addition, the 2015 deferred tax asset of £26,000 for timing differences has been re-presented within provisions for liabilities and charges.

3. From 1 December 2015 it had been the Company's policy to account for a loan with one of its overseas subsidiaries as permanent as equity as permitted by SSAP 20 'Foreign Currency Translation'. There is no similar concept in individual company accounts under FRS 101 and therefore the foreign currency loan previously designated as permanent as equity is retranslated at each balance sheet date with the foreign exchange gain or loss and related deferred tax taken to profit and loss.

	1 December 2014 (the Company's date of transition)			
	As previously reported[1] £000	Pension scheme adjustment[2] £000	Permanent as equity loan adjustment[3] £000	FRS 101 £000
Fixed assets				
Plant, equipment and motor vehicles	527	–	–	527
Investments in subsidiary undertakings	19,348	–	–	19,348
Retirement benefit asset	–	540	–	540
	19,875	540	–	20,415
Current assets				
Debtors	29,347	(26)	–	29,321
Creditors: amounts falling due within one year	(11,566)	–	–	(11,566)
Net current assets	17,781	(26)	–	17,755
Total assets less current liabilities	37,656	514	–	38,170
Loans and borrowings	(2,871)	–	–	(2,871)
Provisions for liabilities and charges	(767)	(84)	–	(851)
Non-current liabilities	(3,638)	(84)	–	(3,722)
Net assets	34,018	430	–	34,448
Capital and reserves				
Called up share capital	3,559	–	–	3,559
Share premium account	16,043	–	–	16,043
Merger reserve	9,971	–	–	9,971
Other reserves	(1,406)	–	–	(1,406)
Retained earnings	5,851	430	–	6,281
Equity shareholders' funds	34,018	430	–	34,448

1. Re-presented for a reclassification from amounts owed to subsidiaries falling due after more than one year to amounts falling due within one year of £5.7 million.

2. It had been the Company's policy to account for the UK defined benefit pension scheme as a defined contribution scheme as permitted by FRS 17 'Retirement Benefits'. Upon transition to FRS 101, the Company has been allocated a share of the assets and liabilities of the Group's UK defined benefit pension scheme using an allocation method intended to reflect a reasonable approximation of its share of the surplus. The related deferred tax asset has also been recognised. In addition, the 2014 deferred tax asset of £26,000 for timing differences has been re-presented within provisions for liabilities and charges.

3. The Company did not designate one of its loans as permanent as equity as permitted by SSAP 20 'Foreign Currency Translation' until 1 December 2015. Therefore there is no impact on the balance sheet as at 1 December 2014.

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

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

SSS Management Services

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

sss-support.co.uk

Shannon House
Coldharbour Lane
Aylesford
Kent ME20 7NS

Tel: +44 (0) 1622 798200

Synectic Systems Group Limited

Design and development of advanced surveillance technology

synecticsglobal.com

Synectics House
3–4 Broadfield Close
Sheffield S8 0XN

Tel: +44 (0) 114 255 2509

Moat Road
Normanby Enterprise Park
North Lincolnshire DN15 9BL

Tel: +44 (0) 1652 688908

Synectics Mobile Systems

Development and supply of CCTV systems for bus manufacturers and operators

synecticsmobile.com

2 Wyder Court
Bluebell Way
Millennium City Park
Preston PR2 5BW

Tel: +44 (0) 1253 891222

Synectic Systems, Inc.

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

synecticsglobal.com

4180 Via Real, Suite A
Carpinteria
California 93013
USA

Tel: +1 888 755 6255

Synectic Systems GmbH

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

synectics-germany.de

Machtlfinger Straße 13
81379 München

Tel: +49 89 748862-0

Synectic Systems (Asia) Pte Limited

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

synecticsglobal.com

10 Ubi Crescent
#06–80 Ubi Techpark (Lobby E)
Singapore 408564

Tel: +65 6749 6166

Synectic Systems (Macau) Limited

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

synecticsglobal.com

Avenida Comercial de Macau
Fit
5 Andar “A”
Macau

Tel: +65 6749 6166

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Lloyds Bank plc

125 Colmore Row
Birmingham B3 3SF

Stockbrokers

Stockdale Securities Limited

Beaufort House
15 St. Botolph Street
London EC3A 7BB

Auditor

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Registrars and transfer office

Capita Asset Services

The Registry
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Beckenham BR3 4TU

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