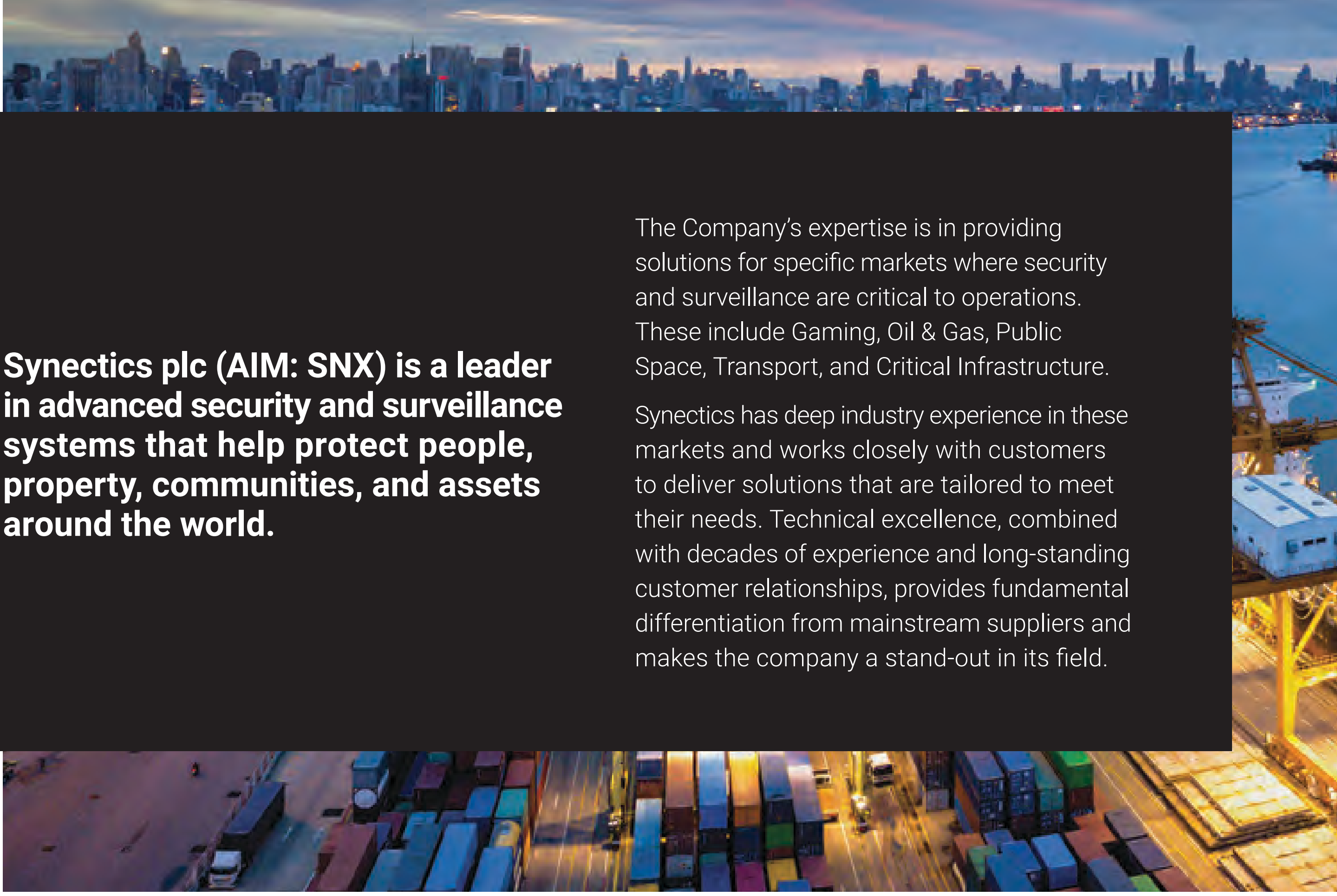
SYNECTICS

A leader in advanced Security and Surveillance Systems

Synectics plc Annual Report & Accounts 2022

Protecting what matters, where it matters most



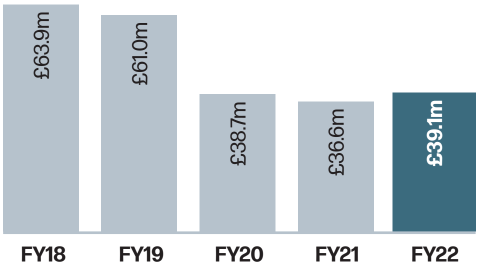
Synectics plc (AIM: SNX) is a leader in advanced security and surveillance systems that help protect people, property, communities, and assets around the world.

The Company's expertise is in providing solutions for specific markets where security and surveillance are critical to operations. These include Gaming, Oil & Gas, Public Space, Transport, and Critical Infrastructure.

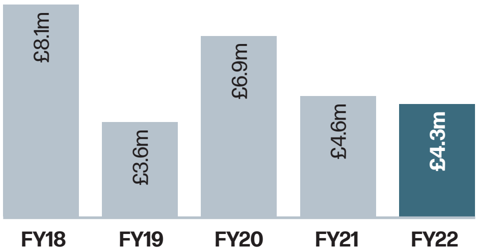
Synectics has deep industry experience in these markets and works closely with customers to deliver solutions that are tailored to meet their needs. Technical excellence, combined with decades of experience and long-standing customer relationships, provides fundamental differentiation from mainstream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

Financial Overview

Revenue



Net cash



Headlines[1]

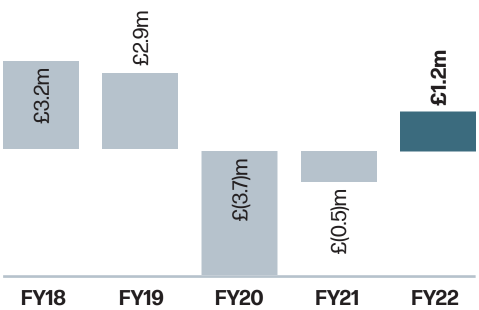
- Revenue: £39.1 million (2021: £36.6 million)
- Continued turnaround of underlying operating profit[2] to £1.2 million (2021: £(0.5) million)
- Underlying earnings per share: 6.9p (2021: (2.6)p)
- Net cash at 30 November 2022: £4.3 million (2021: £4.6 million) with no bank debt[3] and undrawn bank facilities of £3.0 million
- Order book at 30 November 2022 solid at £24.4 million (2021: £23.6 million) with a strong pipeline of expected orders
- Strong gross margin performance in both operating divisions
- Recommended final dividend of 2.0p per share (2021: 1.5p)

1 Following the disposal of a non-core business in November 2022, all figures included in the consolidated income statement set out in this report reflect continuing operations unless otherwise stated. Further details of discontinued operations can be found in note 4.

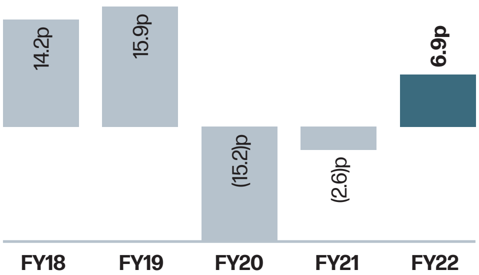
2 Underlying operating profit/(loss) represents profit/(loss) before tax, finance costs and non-underlying items; see note 7 for further details.

3 Excluding IFRS 16 lease liabilities.

Underlying operating profit/(loss)[2] £m



Underlying diluted EPS[1]



Our Business Model

Who We Are

Synectics plc is a leader in advanced security and surveillance systems.

We are experts in the specialist markets in which we operate with decades of experience. We have a deep and unique understanding of our customers' issues and challenges, and we draw on this to create solutions they can rely on completely.

What We Do

We specialise in the creation of security and surveillance solutions that are tailored for some of the world's most challenging environments.

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

How We Do It

Operating globally, the Systems Division secures major contracts for the design, development and deployment of security and surveillance solutions for environments where security is operationally critical. Based primarily on its proprietary software platform, Synergy, it works in partnership with customers to create tailored solutions that meet their requirements.

Systems' revenue streams are project-based and include many large-scale programmes. Much of its revenue comes from repeat business from customers whom it supports over time and across multiple sites and estates.

Operating primarily in the UK and Ireland, the Security Division generates revenue via a service-based model, working directly with end users to design, deliver, maintain and support best-in-class solutions.

How we create value

Customer-led innovation

We work in partnership with our customers to understand their perspective, track trends, support their needs, and deliver solutions.

Long-term partnerships

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

Deep industry expertise

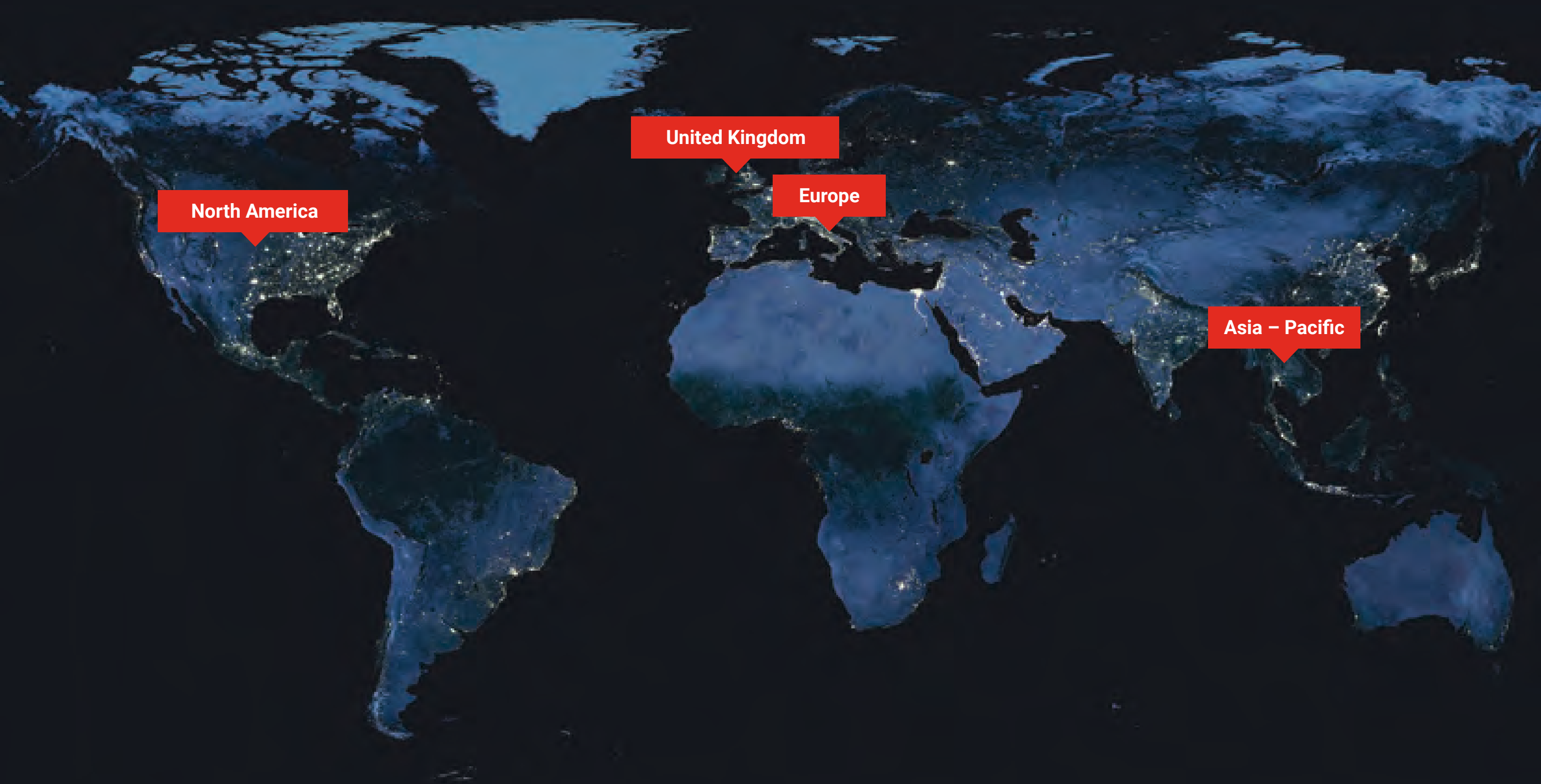
We have deep industry experience, built through 35 years of implementation and delivering successful projects around the world.

Specialists in complex and regulated environments

We understand challenging, complex environments, delivering projects that need specialist knowledge and tailored solutions.

Where We Work

We are committed to providing our customers with the support they need when and where they need it most.



Our Markets

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

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

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

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

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

Chair's Statement

"I see great potential in Synectics. It has a clearly defined role in the security technology market. I am committed to ensuring that our stakeholders better understand our strategic direction and the value we bring."

Craig Wilson
Chair

It is my great pleasure to introduce this report as the new Chair of Synectics. I am delighted to have joined such an excellent company that embraces strong values and truly lives up to them through its outstanding record of creative and practical innovation.

Driven by the desire to find viable and lasting solutions for its customers, Synectics stands out among technology companies as a warm place, where intelligence and deep knowledge are matched by energy, commitment, and a very human approach to work.

Synectics thinks about its customers in the right way, valuing and securing long-term relationships through a sense of partnership that is strongly reciprocated.

I have joined the Company at an important stage in its evolution and have been impressed by the business' resilience in riding through the unprecedented circumstances of the past three years. Indeed, despite unavoidable disruption to critical business streams, especially in the gaming sector, the Company has remained cash positive and returned to profit in the year ended 30 November 2022.

Additionally, it has retained and strengthened its relationships with key customers, providing a foundation for sustained recovery and growth as markets continue their recovery.

I see great potential in Synectics. It has a clearly defined role in the security technology market, focusing on a series of sectors that each have complex security requirements where its know-how is most relevant, and where the Company has built deep expertise and relationships over many years. The Company is constantly evolving and innovating, and has the agility required to succeed in an increasingly volatile and unpredictable world, while anticipating and responding to changing customer needs. Its reputation for rigour and the reliability of its solutions only adds to this potential.

The Board understands that it can be challenging for external stakeholders to fully grasp the breadth and depth of Synectics' capabilities and how they align with the market's needs. I am committed to improving communication and transparency so that our stakeholders can better understand Synectics' value and its strategic direction. I am equally committed to the high standards of probity through good governance that stakeholders expect.

Despite everything that has happened in the world in recent times, the outlook for this industry is extremely favourable, and demand for the expertise of our people and the technologies and solutions they create will be high. Synectics is well-placed to benefit from these opportunities, and it is the Board's role to support the Company's management in ensuring that we focus our resources on the right opportunities, foster an environment that will leverage the talents of our people, and enable sustained growth and success for the business.

Finally, I would like to thank my predecessor, David Coghlan, for the many years of leadership he has brought Synectics, for his counsel and for his warm welcome.

"The company is constantly evolving and innovating, and has the agility required to succeed in an increasingly volatile and unpredictable world, while anticipating and responding to changing customer needs."

Craig Wilson
Chair
21 February 2023

Strategic Overview

Our strategy remains to develop and capitalise on market-leading positions within relevant sectors of the global surveillance and security market where customers value high performance, sector-specific capability.

Our Strategic Pillars

People and Culture

Why it's important

Our people are essential to successfully delivering our strategy and achieving our long-term business performance.

We must provide rewarding employment and excellent development opportunities within a stimulating, vibrant culture. By doing so, we can accelerate professional development, improve productivity, attract the best talent and create future leaders.

Our focus

Our focus remains on employing, motivating and retaining the best people to create a high-performing, engaged team through a culture which reflects our values and empowers people.

We will build strength in depth and make sure most of, and our best people, are customer-facing.

Solutions

Why it's important

Retaining our reputation as a solutions-focused leader in our industry will continue to help generate flagship opportunities that are at the edge of innovation.

Adding value by offering an agile, scalable approach to our customers' most complex operational needs and challenges enables us to provide tailored solutions that are unmatched in the industry.

Our focus

We will utilise the full potential of new technologies to create best-in-class solutions which are:

- Easy to deploy, configure, upgrade and use
- Unique value add to our clients through our flexible, scalable and robust capabilities and control room automation

Customer Experience

Why it's important

Our success is founded on lasting relationships with our customers.

Customers stay with us as we provide peace of mind through robust, technically advanced solutions that deliver reliability in the most challenging environments.

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

Our focus

We will maintain a relentless focus on service delivery and customer satisfaction.

We will be recognised as delivering a great customer experience.

Our **Vision**

Synectics will be at the forefront of developing solutions that are tailored for specific markets where security and surveillance are critical to operations. We will be the go-to provider in these markets **– protecting what matters, where it matters most.**

Our **Purpose**

We value our people and culture highly, and through this we build a deep understanding of our customers' needs, and strive to continually enhance our products, services, collaboration and support to create solutions they can rely on completely.

We are committed to being a trusted partner ensuring security, safety, and peace of mind.

Growth Through Partnerships

Why it's important

Our continued drive to expand and strengthen partnerships across the globe enables us to grow in our core markets and brings about new, adjacent opportunities where our solutions complement the customer's complex requirements.

Approaching these opportunities with the right partners will enable us to reshape and grow the business over the coming years.

Our focus

We will create tightly managed commercial relationships with leading go-to-market partners who can sell, install, support, customise and add value to our software.

Systems and Processes

Why it's important

It's vital that we continually assess and improve our systems and processes to deliver a first-class and consistent customer service and support offering.

A willingness to adapt, embrace new technologies and find new, smarter ways of working is fully encouraged across the business so that we can deliver efficiencies while providing an even better service to our customers.

Our focus

We will continually improve our systems and processes to:

- Improve customer satisfaction
- Help our employees be effective
- Be cost-effective and efficient

Sustainability

Why it's important

We recognise our responsibility to contribute to a sustainable future for current and future generations and to minimise any negative impact from our operations.

We are committed to ensuring environmental, social and governance ('ESG') considerations are integrated into the business by embedding a sustainability strategy into the Group's wider strategy.

Our focus

Our focus is to carry out an initial baseline review of sustainability and ESG activities, including a materiality assessment, is being completed. The outcome of which will inform the risk management and strategy for the Group.

Our People and Culture

We have a great story to tell at Synectics and our success is based on our distinctive and unique culture that's been nurtured over decades.

Synectics is proud of the commitment and talent within its team and we are investing in our people to grow an outstanding team to deliver our future growth ambitions.

What We've Done

Engagement

Employees are at the heart of our business and employee engagement is especially important during times of significant change, as has been seen in recent years. We encourage employee engagement through two-way communication to provide employees with the opportunity to share their views and preferences. One of the ways in which we do this is through our annual Employee Opinion Survey ('EOS'), in which all employees are invited to take part. We had a great response of 90% across the Group and we are pleased that overall employee engagement has increased since 2021. The results of the Employee Opinion Survey were shared with employees and action plans have been developed to address opportunities for improvement.

Our employee engagement is reflected in the commitment provided by our long-serving employees. We are proud that we have a high proportion of long-serving employees with 44% with more than five years' and 25% with over ten years' service.

Recruitment and onboarding

Synectics recognises that the continued future growth of the business depends on its ability to attract, motivate and retain talented people. The Group aims to create a positive and inclusive working environment underpinned by our values, where there are opportunities to gain experience that will support future career development.

We have improved our approach to recruiting and onboarding in the year, focusing on attracting the right people as well as developing talent within our business. One of the areas that we have made good progress in is our partnerships with local universities and apprenticeship providers, helping the business to recruit and skill-up diverse talent.

It is important for employees to feel their contribution is valued and that they are rewarded appropriately. Synectics is investing in its people and has actively reviewed and improved the benefits package to retain and attract great talent.

Health and wellbeing

We take the wellbeing of our employees very seriously and, with the current emphasis on mental health awareness, we have trained a group of mental health first aiders across the entire business to provide support to our employees.

We recently launched our new Health and Wellbeing initiative which runs throughout the year and highlights the importance of good practices that support health and wellbeing and reinforces our positive and inclusive culture.

Our Values

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

We are Human

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

We are Enterprising

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

We are Customer Driven

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

We are Honourable

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

Investing in Our Future

At Synectics we recognise the need for investment in developing future skills in the business. We have formed partnerships with local universities and apprenticeship providers to offer a variety of apprenticeship programmes in different areas across the business.

An example of this is our apprentices from Sheffield Hallam University who are obtaining qualifications in areas such as Digital and Technology Solutions and Cyber Security.

We have already seen a huge benefit from the apprenticeship programme, whilst also providing opportunities for young people from our local community.

"I have been given good opportunities to learn and develop throughout my career at Synectics."

Employee Opinion Survey Feedback

Our Customers

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

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

We understand the needs, environments, and challenges of our customers and work closely with them to deliver proven and robust solutions that incorporate the latest advanced technologies. 80% of our customers view Synectics as their preferred long-term partner, believing that our solutions will be an excellent fit for their organisation's future needs.

> **"Synectics were very accommodating and we had great access to specialists when we required."**
>
> **"Excellent technical assistance and customer services."**
>
> **"Continually exceed expectations."**
>
> Customer Excellence Survey 2022

Elevating the Customer Experience

Our Customer Excellence programme reaches across all the organisations and sectors we serve and has become an essential dialogue channel between us, our customers, and our partners. Central to the programme is our annual Customer Excellence Survey which helps us to understand their needs better and create action plans that respond to their priorities.

This year, we maintained our highest ever Net Promoter Score ('NPS™') at +32, with more than half our customers scoring us 9 or 10 out of 10 on their likelihood to recommend us.

Our core strengths were again widely recognised by our customers: including the reliability of our solutions, the power of our technology, our ability to meet their requirements and provide user-friendly systems, and our team's specialist expertise and commitment.

Growth Through Partnerships

Building and nurturing a network of leading go-to-market partners is key for Synectics to expand our reach and increase market presence.

We identify potential partners with strong reputation, proven track record and deep understanding of the industry. We provide training and support and strive for collaboration and open communication to help them sell, install and maintain our solutions effectively.

This strategy helps us access new markets and increase sales, crucial for achieving business objectives and growing in the industry. Additionally, partners help provide localised support, offer tailored solutions and help us build long-term relationships with the end user.

Keeping students, staff and the public safe

"With 20 CCTV-trained operators, we needed a system that could be tailored to individual needs and preferences while being able to assess threats and risks across different sites."

Richard Yates
Head of Security, University of Sheffield

Delivering critical surveillance and support

"Better still, the way Synergy is designed and the way Synectics work means the installation and commissioning process is simplified. Synectics engineers are always there if we need support."

Chris Ball
General Manager West, Western Advance

Ready for future needs

"We've been careful to adopt technology that balances current functionality with future flexibility. As such, we're confident we have the right system in place to keep our visitors and venues safe for many years to come."

Tony Tolley
Head of Security & Safety, Queen Elizabeth Olympic Park

Our Markets

The work we have done during 2022 to augment our strategy has been designed to reinforce our commitment to these selected markets.

This focus allows us to differentiate our offering and deliver solutions that enable our customers to succeed in their markets.

It also enables us to open up new opportunities with different groups of customers where we can apply our products and technologies to take on new and evolving industry challenges.

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

In Synectics Security, while our heartland is within public space markets, we see opportunities across other market sectors that are underserved by existing competitors.

The markets we target present an extraordinarily diverse range of working environments and operational challenges. They also have important things in common – scale, complexity, and an imperative need for proven technologies applied with absolute rigour.

Gaming

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

Capabilities such as automation and video analytics will support casino operators as they emerge from the pandemic and look to maximise operating capabilities across gaming floors. Increasingly we see opportunities beyond the core casino surveillance into security and operations management across major integrated resorts.

Oil & Gas

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

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

Public Space

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

Our heritage in public space surveillance protection, particularly in the UK, has made us the partner of choice for local authorities where Synergy is deployed to make cities safer.

Critical Infrastructure

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

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

Transport

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

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

Market Experience

Making 'major-event' data sharing part of everyday public space protection

For any town or city hosting a large-scale event, from international concerts to key dates in the sporting calendar, safeguarding public safety is always paramount.

High people counts, varied locations and the multiple stakeholders typically associated with managing major event security, calls for a specific suite of surveillance capabilities – one that enables collaborative working and security co-ordination on a grand scale.

In 2022, Synectics answered this call as part of the West Midlands highly successful Commonwealth Games operations.

Video feeds from thousands of cameras from disparate systems spread over thirty sites, including local authorities, sporting venues, transport hubs and retail centres, were integrated into Synergy. And by the time the summer arrived, authorised members from the principal stakeholders involved could access live footage from a vast 'mega network' of cameras spread across the region either via the event suite or remotely.

Key features and capabilities of the Synergy solution deployed are highly suitable for wider adoption by any town or city as part of their core public protection infrastructure. Particularly in terms of secure data sharing.

Easier multi-agency collaboration

Our web-client solution allows authorised users to access key features of Synergy natively in their browser from any connected device — whether that is a desktop, laptop or tablet. This includes, but is not limited to, viewing live and recorded video footage, alarm notifications and accessing reporting functionality.

This means:

- Surveillance managers can access incident data anytime, anywhere.
- Operatives e.g. security guards or maintenance workers, can access data vital to their roles while in the field.
- Authorised personnel from different organisations can be given secure access to Synergy for joint operations.

The solution is incredibly secure, employing the very latest user authentication measures and permission settings to manage, monitor and closely control 'who can access what' based on their specific roles and responsibilities. As a web-based technology, it also negates the need for significant infrastructure investment.

This was put to good effect, enabling authorised personnel from local authorities, law enforcement agencies and other key stakeholders across the West Midlands to access cameras throughout the region, share vital information and 'get eyes on' quickly in response to an incident.

Digital-first shared access to transport surveillance

Remote access to Synergy isn't the only option we've developed to help teams from different organisations work more closely together to enhance public safety and security.

We also made sharing video between control rooms much easier via Digital Video Network Protocol (DVNP). This capability is perfect for organisations who may not want to share access to their Synergy solution but who do want to share live video content or camera control.

For the Commonwealth Games, DVNP was used to give the surveillance team access to live footage from the cameras operated by Highways England. This ensured that key routes for events and incoming visitors were closely monitored as part of wider event management.

While Synergy has enabled camera sharing between London boroughs for many years thanks to compliance with specific TVNP protocols, authorities in the West Midlands are one of the UK's earliest adopters of our DVNP shared access solution.

Regardless of region, country or even continent, our towns and cities are always going to be best protected when disparate organisations invested in public safety – police, councils, transport operators – work in collaboration with the ability to see and share surveillance footage from each other's systems.

The innovations we are developing make this both possible and practical, breaking down barriers that have previously prevented the 'joined up' approach necessary for achieving safer city objectives.

"Our Synergy platform is ideally suited to achieving the level of integration and shared access needed for effective inter-agency collaboration. In the case of the 2022 Commonwealth Games, it provided the framework and specific tools needed for all stakeholders concerned to prioritise public safety."

Paul Webb,
Chief Executive, Synectics

Market Experience

Helping casinos adopt the latest investigation tools

Traditionally casino operators around the world adopted a closed network environment. However, as new technology becomes available, casinos are starting to take advantage of the opportunities and insights these can offer.

A casino customer secured in 2022 perfectly illustrates how the capabilities of our Synergy solution can be harnessed to deliver their operational requirements and meet their evolving needs.

Real-time data analytics

Real-time data analytics are being used to flag fraud indicators in Synergy. This analyses live data from their gaming table systems against known risk scenarios.

In case of any anomalies of concern, Synergy immediately alerts the surveillance team and generates on-screen guidance on how to deal with the situation.

This ensures that the team is always aware of any activity on the gaming floor that falls outside expected 'fair play' data parameters and can investigate further.

Integrated analytics tools are being used to unearth data trends or patterns of concern over time. For example, they are using it to track if payouts are higher when specific dealers are on duty. This helps the casino identify and address any issues related to employee misconduct.

Intuitive 'gesture-based' control

Surveillance operators can swipe, tap and scroll to manage integrated solutions and functions within Synergy via a connected device. This is enabling the team to transition quickly between tasks, providing the familiarity of a mobile experience with all the benefits of Synergy, saving investigative time and resource.

Pioneering cloud-based evidence sharing

We're also helping this particular customer to become one of the first casinos in the world to harness cloud-based evidence-sharing. Our Cloud Evidence Locker provides a secure means for sharing video and evidential data files with other authorised users.

Plans are currently in place to extend usage for working with insurers and local law enforcement.

Synergy is a powerful tool that helps casino operators to stay ahead of the curve by providing real-time data analytics, intuitive gesture-based controls, and pioneering cloud-based evidence-sharing capabilities. It's helping identify and address issues related to misconduct, fraud, and other operational concerns.

Pioneering camera capabilities for new applications

Synectics has been a leader in the design and deployment of hazardous area camera stations for over 35 years where they have been protecting oil and gas facilities throughout the world.

Our COEX camera stations in conjunction with Synergy unlock greater monitoring potential. Customers are now seeking our expertise to provide new ways of protecting their assets, property and people at risk from flammable and explosive environments.

Radiometrics – detecting more than meets the eye

Last year we were invited to develop a COEX and Synergy-based solution that could transform the storage of hazardous and flammable materials, in this case, the storage of biomass. Biomass, when held in large quantities, is susceptible to combustion due to the dust and fine particles involved.

Our radiometric-enabled COEX thermal camera stations, used in conjunction with Synergy, allow operators to set areas of interest within a camera's specific field of view, assign temperature thresholds, and then 'see' heat variations that may be indicative of danger.

For biomass held in large container sheds, this means detecting rising temperatures that might be a pre-cursor to gas build up and eventual combustion.

We also developed an air blast function which prevents particles from settling on the camera in a way that could affect readings.

Integration for improved risk analysis

Crucially, Synergy is able to pair camera and radiometric data with information from sensory edge-device systems such as fire, smoke, gas, and chemical detection. With the biomass storage project, this means Synergy can integrate valuable data from CO^2 sensors in the storage facilities.

Synergy alerts operators of deviations and provides on-screen guidance to support safety and security teams in their investigation of any incidents or safety protocols required.

This project in particular demonstrates the flexibility that our COEX and Synergy solutions deliver to customers operating in hazardous areas to provide the safeguarding measures necessary.

Our Solutions

During the year, the Company continued to progress the development of its core intellectual property – the fourth-generation Synergy platform and COEX camera station range.

Web access capabilities

Our new web-based capabilities allow users to utilise core Synergy features “beyond the control room” and provide the foundation for a next-generation user interface across the product suite.

Enhanced ‘end-to-end’ management

Significant improvements have been made to the end-to-end management of events, incidents, and operational procedures – facilitating multi-agency collaboration, both with other Synergy users and external systems.

Improved cybersecurity measures

Synergy now comes in its most secure state “out of the box” with its improved cybersecurity measures. Synergy is as cyber-secure as it possibly can be.

Further integrations

With our open approach and utilising industry and technology standards, we’ve increased compatibility with other systems our customers are using.

Next-generation video streaming

Next-generation video streaming is here, allowing for video to decode and display natively within web browsers without the need for any plugins.

Improved COEX camera range

The COEX camera range has also been improved with the inclusion of video content analysis technology – delivering the features that customers are increasingly looking for.

Technology Focus

Cybersecurity

Cybersecurity is critical to our customers' operations and it is vital that they can trust their suppliers to provide them with the most secure solutions possible. We actively monitor cyber security vulnerability communities such as CVE to identify potential risks in the underlying technology we rely on such as operating systems and libraries and react accordingly to close any potential vulnerabilities in our technology. We penetration test our products and test against latest operating system security patches to ensure our customers are in the most cyber-secure state.

Customer-Driven Innovation

Our customers are at the forefront of everything we do. We actively discuss current and future requirements and market and technology trends to improve our products and capabilities in line with their operational needs. Taking security and surveillance "beyond the control room" is an important next step to improve many of our customers operations be it to manage field workers, respond rapidly to incidents or give access to regulators to verify conformance.

Integration

We work in partnership with other vendors to provide an ecosystem that meets our customer's operational requirements. Be it slot machines for our Gaming customers, process management systems for Oil & Gas, perimeter intrude detection for Critical Infrastructure or licence plate recognition in smart cities. Synergy provides that single pane of glass to ensure users have the information to make operational decisions at their fingertips. Supporting open standards such as ONVIF, video system integration protocols like DVNP or our own REST APIs, our customers are ensured of best-in-class integration.

Evolution

Synergy continues to evolve in line with our customers operational challenges and needs. Along with flexibility of deployment either on-premises, hybrid or full cloud, Synergy is also able to be used by operators using thick client, web client, mobile or tablet technology. Ease of use is vital to our customers to ensure they respond to incidents in the most efficient and effective manner, as such we are evolving our user interface to use modern web components consistent with tools and technologies that our users interact with in their everyday lives.

Engaging with Our Stakeholders

The successful delivery of Our Vision and Purpose is dependent on a deep understanding of our stakeholders and our engagement with them, which provides valuable input into the Board's decision making to promote the long-term success of the Company.

The Directors take their duties under Section 172(1) of the Companies Act 2006 seriously and have acted in a way they consider, in good faith, has promoted the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in Section 172(1) (a–f) in the decisions taken during the year ended 30 November 2022.

Our commitment to the relationships with our stakeholders as true long-term partners is fundamental to the way we achieve sustainable growth and financial returns. Our engagement with them sets the context for the strategy, set out on pages 6 and 7.

The Board considers its key stakeholders to be its employees, customers, partners, shareholders and the communities in which the Group operates. Ongoing engagement with all the stakeholder groups is important in any strategic decision making, with formal and informal feedback from stakeholders being shared at Board meetings and used to inform and influence key matters and decisions made by the Board during 2022, as set out on page 38.

Our People

Our employees are our strength and the foundation of our success; we are committed to their health, safety, and wellbeing. We believe that ongoing engagement with them, alongside a wider business community, is important in any strategic decision making. Further information about the engagement with our employees can be found on pages 8 and 9.

Our Customers

We set out on page 10 that everything we do is driven by a deep understanding of our customers' needs and the challenges they must solve. We do this by working in close partnership with our customers to understand their businesses and anticipate their needs. Our Customer Excellence Survey and programme continues to inform Board decisions about future strategy and investment priorities. Further information about these can be found on page 10.

Our Partners

Our engagement with a wide range of technology partners and industry suppliers to create and deliver our tailored customer solutions and enabled the development of our technology programme. Details about the decisions that informed the solutions can be found on pages 18 and 19.

Our Investors

The Board is committed to regular, timely and effective communications with investors and other financial stakeholders. This engagement has influenced the disposal of SSS, Board composition and dividend policy during the year.

Our Commitment to Sustainability

At Synectics, we continue to care about our impact on the world, our contribution to our local communities, and the way we conduct ourselves. We remain fully committed to ensuring the responsible operation of our business and safe, secure, and ethical conduct at all times across each of our locations around the globe.

The Board recognises the importance of sustainability and is committed to ensuring environmental, social and governance ('ESG') considerations are integrated into the business by embedding a sustainability strategy into the Group's wider strategy.

During the year, an ESG Board Committee was established and, with reference to the QCA's Practical Guide to ESG, the Committee initiated a process to formalise the Group's approach to sustainability using the five steps recommended by the QCA.

During early 2023, an initial baseline review of sustainability and ESG activities, including a materiality assessment, is being completed; the outcome of which will inform the risk management and strategy for the Group. As part of the assessment, issues of importance to internal and external stakeholders will be identified, which will shape the development of the strategy. The results of this review will enable the Board to integrate sustainability throughout the Group's operations. An update on the results of the initial review and development of our sustainability strategy will be communicated within the Annual Report due for release in 2024.

Environment

We recognise our responsibility to contribute to a sustainable future and to minimise any environmental impact from our operations. We are committed to environmental sustainability, both globally and in our local communities, and are actively seeking ways to reduce our environmental footprint.

Social

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

Governance

In addition to complying with the QCA Corporate Governance Code and all other applicable laws and regulations, we are committed to conducting business in an ethical and responsible manner. We require all our employees and all third parties acting on our behalf to behave honestly and to operate with integrity.

Chief Executive's Statement

"The Company's return to profitability and maintained strong cash position pay testimony to the underlying strength of the business and provide a robust platform for the future. With recovering markets, a sound order book and a strong pipeline of opportunities, the Board is confident of further profitable growth this year."

Paul Webb
Chief Executive

Firstly, I wish to take this opportunity to thank David Coghlan, who retired from the Board last week after many years' service in helping to create our business.

David's contribution to the development of this business is inestimable, and he personifies our values. On behalf of everyone in the Company, sincere thanks are due for his leadership, relentless commitment, limitless enthusiasm, and ever-available support.

Synectics is now at an exciting point in its evolution. Our leadership has been refreshed with the appointments of Craig Wilson as Chair, Andrew Lockwood as Non-Executive Director, and the return of Amanda Larnder as Finance Director.

From a trading perspective, we have demonstrated great resilience in coming through these unprecedented times. The Company returned to profit this year and our final results have been delivered in line with the Board's expectations.

The completion of the disposal of the non-core SSS business, as announced on 30 November 2022, concluded the planned consolidation of our businesses and operating footprint.

We are benefiting from the tighter operating footprint established over the last few years; our sales and marketing efforts are focused on sectors offering the best opportunities for recovery, and we have continued to invest in product and technology development.

Supply chain problems have not to date had a material impact on the business and continue to be well managed. Concerns remain, however, that global supply constraints remain real, particularly concerning extended lead-times and limited component availability.

Our actions to continue strengthening and simplifying the business are bearing fruit. Our oil & gas business is picking up significantly as new investment within that industry returns, and we are continuing to make progress in public space, transportation, and critical infrastructure. While the gaming sector remains challenging in Asia, we are starting to see movement on new projects and a steady recovery in North America.

We see our customer relationships as integral to our purpose and inextricably linked to the achievement of our financial goals, and are delighted that, throughout the turbulence of the past three years, we have achieved and sustained high levels of customer approval.

Our financial results are of course the critical measure of the way in which these core strengths combine to deliver value for our business.

The Company's return to profitability and maintained strong cash position pay testimony to the underlying strength of the business and provide a robust platform for the future.

The fundamentals of the business are healthy. The depth of our customer relationships, the calibre of our people, and the quality of our technical expertise are the core pillars upon which Synectics is built.

The security technology market has solid long term growth prospects, and Synectics has a clearly defined role in this market.

With recovering markets, a sound order book and a strong pipeline of opportunities, the Board is confident of further profitable growth this year. However, the constraints of global supply chains and the timing of some of the larger new business opportunities remain uncertain.

Above all, everything is driven by our customers. Their continued support and endorsement coupled with the assets we have in the Company give me confidence that Synectics will continue to flourish in the years ahead.

"We see our customer relationships as integral to our purpose and inextricably linked to the achievement of our financial goals, and are delighted that, we have achieved and sustained high levels of customer approval."

Paul Webb
Chief Executive
21 February 2023

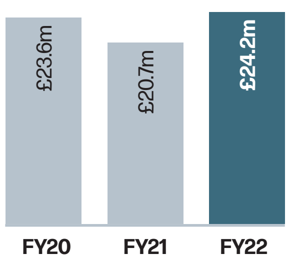
Performance Review

Systems division

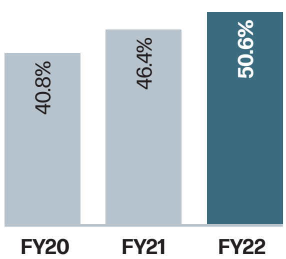
Synectics' Systems division provides specialist surveillance systems, based on its own proprietary technology, to global end customers with large-scale highly complex security requirements, particularly for Gaming, Oil & Gas, Public Space, Transportation and Critical Infrastructure applications.

Revenue	**£24.2 million (2021: £20.7 million)**
Gross margin	**50.6% (2021: 46.4%)**
Operating profit[1]	**£1.9 million (2021: £0.1 million)**
Operating margin	**7.8% (2021: 0.3%)**

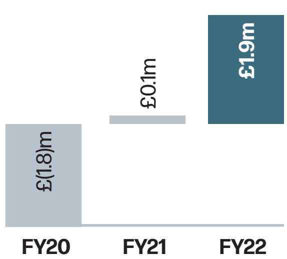
Revenue



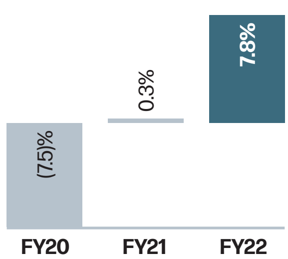
Gross margin



Underlying operating profit[1]



Underlying operating margin



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

The Company comprises a 'Systems' business which operates globally, and a UK-based 'Security' integration business.

Operating profit increased significantly in the year as revenues continued to recover. The gross margin also improved materially, reflecting sustained savings in direct costs as well as a planned increase of software in the revenue mix. The progressive increase of software as a proportion of the division's revenue means that gross margin should remain strong going forward.

The global gaming market continued to be heavily impacted by the extended closure of much of the gaming market in Asia, with low levels of activity where resorts were open, and the impact is still being absorbed globally by all of the major gaming operators.

Activity levels in the oil & gas market continued to gather momentum in the second half of the year, with a strong trading performance and a solid pipeline of expected orders in 2023 across all regions.

Europe, Middle East and Africa

Revenue £10.6 million (2021: £10.1 million)

Revenues in EMEA saw stronger performance in the oil & gas market, with other markets continuing at approximately the same level as in the previous year.

Activity levels in the oil & gas market continued to gather momentum during the year, with solid trading performance and the pipeline of expected orders in 2023 at higher levels than we have seen for some time, particularly in the Middle East.

A major project undertaken during the year involved the deployment of Synergy, including new web-based features, for West Midlands Police and other agencies across the region - consolidating their regional security control capability in advance of a very successful operation centred around the Commonwealth Games.

Work also continued with City of London Police on their Safe City programme. Both these projects provide powerful references for further growth of Synectics' position at the forefront of operational control systems for Safe City programmes.

Other highlights included new systems and expansions for a number of local authorities across the UK; transport projects in the UK and Ireland, working with the Group's Security division; and further work with a national power utility.

North America

Revenue £7.6 million (2021: £5.3 million)

Gaming sector revenues in North America started to recover in late 2021 and this recovery continued steadily throughout last year. Much of the work was with existing customers and sites, with a number of customers updating their systems, and committing to extended support contracts.

Also noteworthy was the increase in activity in the Oil & Gas market, with the supply of specialist COEX cameras to projects in the Gulf of Mexico seeing a significant upturn on the previous year.

Asia Pacific

Revenue £6.0 million (2021: £5.3 million)

Performance continued to be heavily impacted by the continued closure of much of the Gaming market, and low levels of activity where resorts were open, meaning planned surveillance projects continue to be postponed. Whilst most travel restrictions have now been lifted, any expected increase in visitor numbers is still tentative.

Nevertheless, the Company has been awarded a contract to provide the surveillance system for a large new-build integrated resort in the Philippines, which is expected to be completed during 2023.

Activity levels in the Oil & Gas market in the region gathered momentum, particularly towards the end of the year, with a solid trading performance, a sound order book, and a strong pipeline of expected orders in 2023.

Security division

Synectics Security is a UK-focused provider of large-scale electronic security systems for critical and regulated environments. Its main markets are in public space, transport, high security, and infrastructure projects. Its capabilities include UK Government security-cleared personnel and facilities, with nationwide project delivery, service and support. Synectics Security delivers products and technology both from Synectics' Systems division, and other partners.

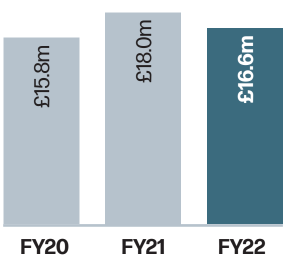
The division experienced several customer-led delays to major projects during the year which, coupled with some supply chain issues in the second half resulted in slightly weaker revenues, although operating profit was improved due to progress in gross margin and continued control of the cost base.

Nevertheless, significant progress was made to position the division for growth, moving beyond its traditional heartland in public space and transport into more complex, critical and highly regulated security environments, providing scope for improved operating margins.

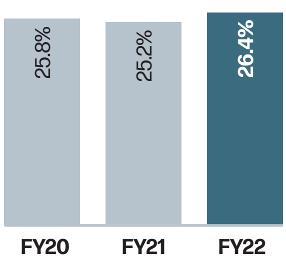
The division has entered 2023 with developing opportunities within the utilities, power generation and nuclear segments and a notable increase in interest for larger, more 'connected' security and surveillance solutions across public space and transport infrastructure. These broad scale, integrated security and surveillance solutions provide opportunities for sales growth, in co-operation with the Group's Systems division and other technology partners.

Revenue	**£16.6 million (2021: £18.0 million)**
Gross margin	**26.4% (2021: 25.2%)**
Operating profit[1]	**£1.2 million (2021: £0.9 million)**
Operating margin	**7.0% (2021: 5.2%)**

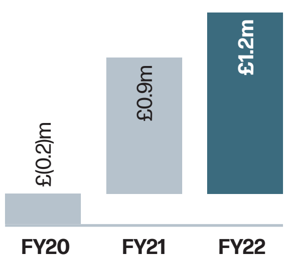
Revenue



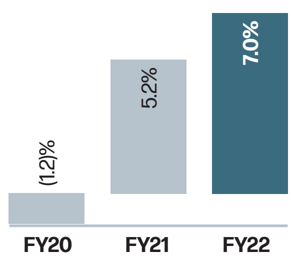
Gross margin



Underlying operating profit[1]



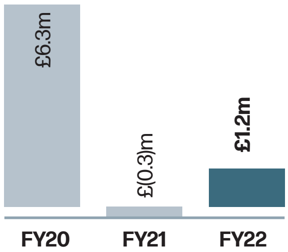
Underlying operating margin[1]



1 Continuing operations before non-underlying costs (see note 2) and Group central costs.

Key Performance Indicators

Free cash flow

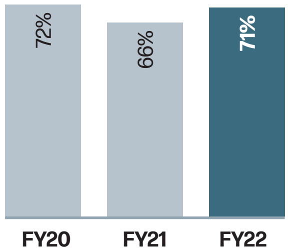


Definition: Cash flow from operation less capital expenditure, but before any payments in respect of non-underlying items.

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

Performance: Due to an improved profit performance free cash flow increased to £1.2m from an outflow of £0.3m in the prior year.

Employee Engagement

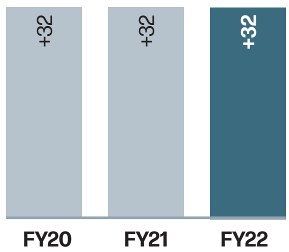


Definition: A score, based on our Employees' responses to questions within the relevant themes of our annual independent Employee survey.

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

Performance: Employee engagement has shown a positive movement in the year. In difficult circumstances, our people have remained engaged.

Net Promoter Score™

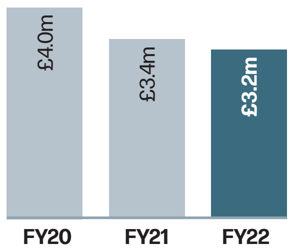


Definition: An index measuring the willingness of our customers to recommend our products & services to others, sourced from our annual Customer Excellence survey.

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

Performance: We maintained our highest ever NPS as our core strengths continue to be recognised by our customers.

R&D Spend

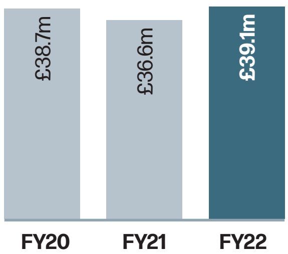


Definition: Expenditure on R&D before any capitalisation or amortisation.

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

Performance: Investment in R&D has been maintained and is expected to increase going forwards.

Revenue

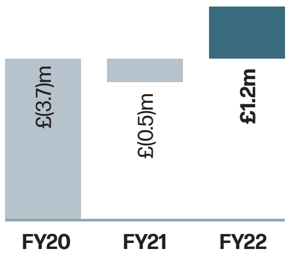


Definition: Income earned from the delivery of goods and services.

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

Performance: Revenue increased by 6.8% driven by strong growth in the Systems division.

Underlying operating profit/(loss)

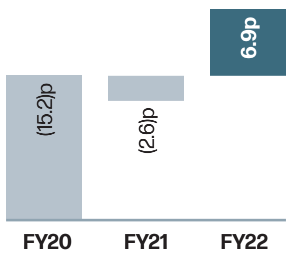


Definition: Operating profit/(loss) before IFRS 16 lease interest and non-underlying items.

Relevance: Underlying operating profit/(loss) helps us to understand our performance excluding those items considered non-underlying to assess the baseline nature of profit or loss.

Performance: Underlying operating profit is up from £(0.5)m in 2021 to £1.2m in 2022 reflecting increased revenues and strong gross margins in both divisions.

Underlying diluted earnings per share

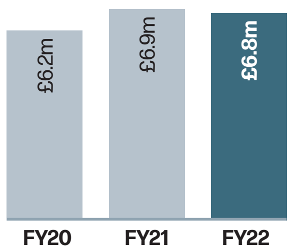


Definition: Ratio of underlying profit/(loss) after tax to weighted number of ordinary shares in issue and dilutive potential ordinary shares arising from share options.

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

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

Recurring revenue



Definition: Contracted annual revenue, typically software support, subscriptions, maintenance and service contracts.

Relevance: To enable us to track and assess the strength of the underlying contracted revenues of the business.

Performance: Recurring revenue remains consistent with 2021 although multi-year order book has increased.

Finance Director's Report

Improved financial performance from revenue growth and strong gross margins

Group results for the year

This is an exciting time to have re-joined Synectics as Finance Director. Following the challenging years of the pandemic, 2022 was an encouraging year for the Group as the business returned to profit, giving us momentum as we move into 2023.

Total revenue for the year increased by 6.8% from £36.6 million to £39.1 million resulting in underlying operating profit of £1.2 million compared to a loss of £0.5 million in 2021.

Although our results continued to be impacted by the Covid-19 pandemic, particularly in gaming where much of the market remained closed, we nevertheless made revenue progress in this sector. Revenues in oil and gas improved year-on-year, particularly in the second half, and order intake in this sector has been strong in recent months.

Continued tight control of the cost base, together with margin growth in both divisions, also contributed to the return to profitability.

We completed the sale of the non-core SSS business, the final part of our restructuring programme which has been delivered over the last couple of years. The disposal generated a net non-underlying profit before tax of £776,000. All results and figures in respect of the consolidated income statement are therefore presented on a continuing basis, unless otherwise stated.

The Group ended the year with a strong cash balance of £4.3 million (2021: £4.6 million), an outflow of £0.4 million. Adjusting for non-underlying cash items, capital expenditure, tax and financing, free cash inflow in the period was £1.2 million (2021: £0.3 million outflow).

We have proposed a dividend of 2.0p, reflecting the improved financial performance in the year.

Other key performance indicators are shown on page 27 and are discussed in more detail on the following pages.

Income Statement

Overall Group revenue for the year to 30 November 2022 amounted to £39.1 million compared with £36.6 million in the previous year, an increase of £2.5 million (6.8%).

Revenue split between our two business segments was as follows:

Revenue	2022 £000	2021 £000	Inc/(dec) £000	Inc/(dec) %
Systems	**24,201**	20,661	3,540	17.1%
Security	**16,595**	18,004	(1,409)	(7.8)%
Intra-Group sales	**(1,680)**	(2,029)	349	17.2%
Total revenue	**39,116**	36,636	2,480	6.8%

"2022 was an encouraging year for the Group, giving us momentum as we move into 2023."

Amanda Larnder
Finance Director

Revenue in the Systems division of £24.2m was £3.5 million (17.1%) ahead of 2021 due to the improved performance in oil & gas as well as the recovery in gaming revenues in North America.

Revenues in the Security division decreased by £1.4 million (7.8%) to £16.6 million due predominantly to customer-led delays on key projects.

Recurring revenue was consistent year on year at £6.8m (2021: £6.9 million) representing approximately 17% of sales (2021: 19%).

The proportion of sales arising outside the UK (measured by the geographical location of the contract) increased during the year to 47%, compared with 45% in the previous year.

Sales by geographical location of contract	2022 £000		2021 £000		Inc/(dec) £000
UK	**20,597**	**53%**	19,976	55%	621
Rest of Europe	**3,139**	**8%**	5,382	15%	(2,243)
UK and Europe – total	**23,736**	**61%**	25,358	70%	(1,622)
North America	**7,570**	**19%**	5,276	14%	2,294
Asia Pacific	**5,952**	**15%**	5,278	14%	674
Middle East and Africa	**1,858**	**5%**	724	2%	1,134
Total revenue	**39,116**	**100%**	36,636	100%	2,480

Consolidated gross margin for 2022 increased by 3.9% points overall to 42.5%. This was predominantly due to significantly improved margins in the Systems division as a result of the strong cost control and a higher level of mix of software revenues in the year.

The full segmental analysis is as follows:

Gross margin %	**2022**	2021	Inc/(dec)
Systems	**50.6%**	46.4%	4.2%
Security	**26.4%**	25.2%	1.2%
Total Group	**42.5%**	38.6%	3.9%

Underlying operating expenses in the year increased by 3.7% to £15.5 million.

Operating expenses	**2022 £000**	2021 £000	Inc/(dec) £000	Inc/(dec)
Underlying operating expenses	**15,528**	14,980	548	3.7%
Non-underlying items:				
Costs in relation to legal matters	**335**	–	335	
Restructuring costs	**231**	–	231	
Pension buy-out costs	**92**	–	92	
Non-underlying operating expenses	**658**	–	658	
Total operating expenses	**16,186**	14,980	1,206	8%

Non-underlying operating expenses amounted to £0.7 million (2021: £nil) and related to Board restructuring costs, fees in relation to ongoing legal matters and the continued costs incurred to finalise the buy-out of the defined benefit pension scheme.

The underlying profit before tax from continuing operations was £1.0 million in 2022 compared with a loss of £0.6 million in 2021. The Group recorded a profit before tax of £0.4 million (2021: loss £0.6 million).

Underlying operating profit/(loss)	**2022 £000**	2021 £000	Diff £000
Systems	**1,880**	58	1,822
Security	**1,166**	945	221
Central costs	**(1,894)**	(1,457)	(437)
Underlying operating profit/(loss)	**1,152**	(454)	1,606
Net finance costs (including IFRS 16)	**(133)**	(104)	(29)
Underlying profit/(loss) before tax	**1,019**	(558)	1,577

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

Operating profit/(loss)	**2022 £000**	2021 £000	Diff £000
Systems	**1,630**	58	1,572
Security	**1,166**	945	221
Central costs	**(2,302)**	(1,457)	(845)
Operating profit/(loss)	**494**	(454)	948
Net finance costs	**(133)**	(104)	(29)
Profit/(loss) before tax	**361**	(558)	919

In 2022 £3.2 million was spent on R&D. Of which, £0.2 million was capitalised with £3.0 million charged to the Income Statement. This compares with expenditure of £3.4 million in 2021, of which £0.6 million was capitalised.

The Group underlying operating margin was a profit of 2.9% compared with a loss of (1.2)% in 2021.

Underlying operating margin	**2022**	2021	Inc/(dec)
Systems	**7.8%**	0.3%	7.5%
Security	**7.0%**	5.2%	1.8%
Total Group	**2.9%**	(1.2)%	4.1%

The Group operating margin was a profit of 1.3% (2021: loss (1.2)%) split by division as follows:

Operating margin	**2022**	2021	Inc/(dec)
Systems	**6.7%**	0.3%	6.4%
Security	**7.0%**	5.2%	1.8%
Total Group	**1.3%**	(1.2)%	2.5%

The tax credit for 2022 was £0.3 million compared with a credit of £0.1 million in 2021 and was impacted by the profit of a discontinued operation, which was non-taxable, differences in overseas tax rates and the research & development tax relief.

The deferred tax asset in relation to losses reduced as previous losses were utilised. Historic tax losses of £5.7 million (30 November 2021: £6.6 million) exist and may be capable of offset against future taxable profits of certain Group companies but have not yet been recognised in the financial statements due to uncertainty of recoverability at this point.

Diluted earnings per share for 2022 were 3.8p compared with (2.6)p in the year ended 30 November 2021. The Directors believe that a better measure of performance is the underlying diluted earnings per share, due to it being calculated on the underlying profit before tax as defined above. Underlying diluted earnings per share were 6.9p compared with (2.6)p in 2021.

Earnings per share	**2022 p**	2021 p	Inc/(dec) p
Diluted earnings per share	**3.8**	(2.6)	6.4
Underlying diluted earnings per share	**6.9**	(2.6)	9.5

Finance Director's Report continued

Statement of Financial Position

The net assets of the Group amounted to £37.0 million at 30 November 2022 (2021: £35.3 million) and can be summarised as follows:

	2022 £000	2021 £000
Property, plant and equipment (excluding right of use assets)	**1,948**	2,419
Right of use assets	**2,650**	2,562
Intangible assets	**20,776**	21,728
Non-current assets (excluding deferred tax assets)	**25,374**	26,709
Cash balances	**4,256**	4,641
Other net current assets	**9,640**	6,338
Net tax assets (including deferred tax assets)	**2,094**	1,903
Lease liabilities	**(2,820)**	(2,839)
Provisions	**(1,542)**	(1,408)
Net assets	**37,002**	35,344

Exchange rate movements in the year increased the retranslated value of goodwill on overseas acquisitions by £0.2 million. Total capital expenditure of £0.3 million has decreased from £0.9 million in 2021 due to less capitalisation of development costs than in the previous year.

Working capital levels increased by £3.3 million compared with the prior year, predominantly due to the sale of the discontinued operation which has strengthened the Group's balance sheet.

	2022 £000	2021 £000
Stock	**4,219**	3,936
Trade and other debtors	**9,090**	11,156
Contract Assets	**6,317**	5,244
Trade and other payables	**(8,111)**	(10,902)
Contract liabilities	**(1,875)**	(3,096)
Total	**9,640**	6,338

Net tax assets at 30 November 2022 amounted to £2.1 million (2021: £1.9 million) and comprised a current tax asset of £0.4 million (2021: £nil), deferred tax assets of £2.7 million (2021: £2.5 million) and deferred tax liabilities of £1.1 million (2021: £0.5 million).

Provisions at 30 November 2022 amounted to £1.5 million (2021: £1.4 million). This amount includes £1.0 million (2021: £1.0 million) of warranty provisions and £0.3 million for property dilapidations (2021: £0.3 million).

Cash

The Group ended the year with net cash of £4.3 million which was at a similar level to 30 November 2021 of £4.6 million. The net cash outflow of £0.4 million (2021: outflow £2.2 million) in the year is summarised in the table below.

	2022 £000	2021 £000
Underlying operating profit/(loss) - continuing	**1,152**	(454)
Underlying operating profit/(loss) - discontinued	**37**	(21)
Underlying operating profit/(loss)	**1,189**	(475)
Depreciation and amortisation and loss on disposal of non-current assets	**2,186**	2,209
Other non-cash movements	**98**	(249)
Increase in working capital	**(1,931)**	(928)
Cash from operations before non-underlying payments	**1,542**	557
Cash flow relating to non-underlying items	**(555)**	(1,321)
Cash generated by/(used in) operations	**987**	(764)
Net cash disposed on discontinued operation	**(268)**	–
Tax received	**242**	157
Capital expenditure	**(314)**	(842)
Lease payments and bank interest	**(913)**	(1,018)
Dividends paid	**(253)**	–
Effect of exchange rate changes on cash	**134**	244
Net cash flow	**(385)**	(2,223)

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:

	2022 £000	2021 £000
Free cash flow		
Reported cash generated from operations	**987**	(764)
Capital expenditure	**(314)**	(842)
Payments in respect of non-underlying costs	**555**	1,321
Free cash flow	**1,228**	(285)

Going concern

The financial statements have been prepared on a going concern basis. The Directors have reviewed the Group's funding position and financial forecasts for the foreseeable future, which has included scenario modelling and stress testing of budgets. See note 1 to the financial statements for further detail around the testing performed.

Use of non-GAAP financial performance measures

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

In the following table we provide a reconciliation of this and other non-GAAP measures, as defined in the Performance Review on pages 24 to 26, to relevant GAAP measures:

Underlying profit measures

	2022 £000	2021 £000
Underlying operating profit/(loss)		
Reported operating profit/(loss)	**494**	(454)
Costs associated with ongoing legal matters	**335**	–
Costs associated with restructuring Central operations	**231**	–
Costs associated with buy-out of the defined benefit pension scheme	**92**	–
Underlying operating profit/(loss)	**1,152**	(454)
Underlying profit/(loss) before tax		
Reported profit/(loss) before tax	**361**	(558)
Costs associated with ongoing legal matters	**335**	–
Costs associated with restructuring Central operations	**231**	–
Costs associated with buy-out of the defined benefit pension scheme	**92**	–
Underlying profit/(loss) before tax	**1,019**	(558)

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

GAAP reconciliation

	Gross profit		Operating profit	
Systems	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Underlying profit				
Reported profit	**12,248**	9,589	**1,630**	58
Costs associated with ongoing legal matters	**–**	–	**250**	–
Underlying profit	**12,248**	9,589	**1,880**	58

	Gross profit		Operating profit	
Security	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Underlying profit				
Reported profit	**4,381**	4,549	**1,166**	945
Non-underlying items	**–**	–	**–**	–
Underlying profit	**4,381**	4,549	**1,166**	945

Underlying diluted EPS

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

Net cash

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

Amanda Larnder
Finance Director
21 February 2023

Risks and Risk Management

We seek to understand and manage the various risks that arise from our operations.

The Group is subject to a variety of risks which may have an adverse impact on the business, results of operations, cash flow, turnover, profitability, assets, liquidity and capital reserves.

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

The Board, advised by the Audit Committee (the 'Committee'), has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Committee advises the Board on matters of risk management and has its own report, which can be read on pages 46 to 49. Responsibility for implementing sound and effective systems of internal control has been delegated by the Board to senior management. The purpose of the system of internal control is to manage, rather than eliminate, the risk of failure to achieve business objectives and to only provide reasonable, but not absolute, assurance against material misstatement or loss.

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

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

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

Attract and Retain Talented People

Exposure to Specific Market Sectors

Product Failure

Project Delivery

Technology Development

Business Systems Resilience[1]

1 New

Risk Factors that may impact the business	Mitigation What we are doing to minimise the risk
The continued future growth of the business depends on its ability to attract, motivate and retain talented people. Due to the technical specialism required by the Group, we are dependent on our employees with key engineering and technical skills. Market competition for key leadership and specialist talent has become increasingly strong, in particular: • wage inflation is increasing. • there is a skills shortage in technical roles. • the shift to remote and hybrid working has seen employees in lower paid geographical regions work remotely in higher paid areas such as London or even in other countries such as America.	• We have improved our approach to recruitment and onboarding, focusing on attracting the right people as well as well as developing talent within the business. • We aim to offer competitive remuneration packages and incentive arrangements and have recently reviewed and improved our benefits offering. • We have engaged in a new apprenticeship programme to develop future skills for the business. • We review employee engagement via an annual survey and regular "pulse" checks with feedback and recommended actions agreed at Board level and built into business units' plans. • We take the wellbeing of our employees seriously and have rolled out measures to support employee health and wellbeing.
One of the Group's key strengths is its expertise in delivering tailored solutions to customers in key sectors with critical security needs. The success of this strategy has resulted in revenues which are concentrated in a relatively small number of market segments. This results in a level of risk related to external market-specific impacts – for example the continued impact that Covid-19 has had on casinos in Asia, which is affecting new projects within gaming. Similarly, external factors, including governmental policies, may impact the timing and scale of investment within our key markets.	• The Group's reorganisation of the Systems division under a unified global leadership was designed to support a broadening of the customer base which should result, over time, in a more balanced mix of sector revenues in each region. • The merger of our Security and Mobile Systems businesses in the prior year, to form Synectics Security, has also enabled new opportunities to be sought in both existing and new sectors which should also, over time, reduce the level of sector-related risk. • As part of its future growth plans, the business is identifying and evaluating possible growth opportunities in both existing and new sectors.
If the Group's product offering fails to meet agreed standards there is a risk that the Group will be exposed to replacement or rework costs as a result of this failure, and the associated reputational impact on its ability to secure new business.	• Product quality is closely monitored and reviewed across the Group with comprehensive product testing and customer support in place. • The Group maintains rigorous quality standards in all its operations and expects the same standards of its supplier base. • Where possible product liability is mitigated through contractual arrangements within the supply chain.
The failure to deliver key projects in line with planned costs and timings could impact the future financial performance of the Group. Where the Group's service offering fails to meet agreed standards, specifications, or timescales there is a risk that the Group will be exposed to cost overruns and claims for contractual liabilities, which could have adverse financial and reputational consequences.	• All tenders that are submitted must comply with the Group's comprehensive risk assessment process. Large and/or higher risk project tenders are rigorously reviewed by the Executive Directors and, where necessary, by the Board. • The Group operates robust systems and procedures and maintains rigorous quality standards to ensure the monitoring and successful delivery of projects and service delivery.
As the security and technology industries evolve, become more complex and transition to digital technology, there is a risk that the Group's product offering does not keep up with the market resulting in potential loss of customers and/or reduced revenues.	• The Group continues to invest significantly in research & development, focusing on customer-led development to ensure that the most appropriate product development paths are followed. • We are actively growing our team of in-house developers and engineers, ensuring we have the right skills for our future technology development within the business. • We operate in niche markets and focus the development of our technology on the particular needs of customers within those markets. • The Board regularly reviews the product development roadmap to gain assurance that we will continue to be able to meet the evolving needs of our customers.
Our IT infrastructure and business applications are key to the operational effectiveness of the business and any significant disruption to these could lead to a potential loss of operating capabilities and financial impacts.	• We continue to enhance our IT infrastructure and systems to improve resilience capabilities. This involves investment in our network and hosting environment. • We have a business continuity plan, which is regularly tested, to minimise disruption in the event of a technology failure. • Our cloud-based backup solution is in place to ensure that a system can be recovered swiftly to reduce downtime.

Risks and Risk Management continued

	Risk Factors that may impact the business	Mitigation What we are doing to minimise the risk
Cybersecurity	Unauthorised access to the Group's systems or to our customers' systems in relation to software supplied by the Group could result in material losses. In addition to the risk of financial theft or fraud, losses could result from an inability to run key internal processes affecting the ability of the business to operate. Security breaches could result in the loss of intellectual property or other confidential information which may also result in fines from regulatory bodies. Actual breaches or deficiencies within our cybersecurity procedures could impact the Group's external certifications which could affect our ability to do business within certain regulated environments.	• The Group operates strict cybersecurity practices to secure information, trade secrets, source code and our product development processes. This includes training, penetration testing, external accreditations such as ISO 27001 and cybersecurity monitoring. • We employ numerous industry-leading practices to ensure our products are secure from cyberattacks including data encryption of data at rest and in transit, and the use of digital secure certificates.
Macro-economic Disruption	Markets around the world have seen significant disruption in recent years, in particular from Covid-19, Brexit and the crisis in Ukraine. This has caused volatility in economic factors such as interest rates, exchange rates and commodity prices as well as inflationary pressures, changes to taxation and cross-border trade complexities. These uncertain conditions and inflationary pressures could reduce demand for our product, prevent the Group from providing adequate service levels to our customers, cause short-term supply chain disruption and higher operating costs; all of which could pose a risk to the financial performance of the Group. The Group operates internationally giving rise to further exposure from changes in exchange rates.	• During the Covid-19 pandemic, plans for business continuity, working practices, staff deployment and welfare across sites, working from home and hygiene precautions were implemented and these have continued since and are reviewed on an ongoing basis. • The business has shown resilience during these unprecedented times in recent years and has now returned to solid profitability during the year. Financial performance is continuously monitored and challenged. • The Group continues to broaden its customer base and achieve a more balanced mix of sector revenues, which places less dependency on any one particular market. • The Group manages exchange rate risk on an ongoing basis by seeking to avoid significant imbalances between costs and revenues in each currency and to the extent that this is not possible, hedging future cash flows using forward exchange contracts.
Supply-chain and Market Pressure	The Group sources key technology components from a broad international supplier base. In many cases specialist components are tailored to the Group's requirements and it can involve significant time and effort to establish a new supplier. There is a risk that in the event of a supplier failing or not being able to deliver the required quantities or to agreed lead times, that the Group's ability to service its customers will be adversely impacted. More recently, changing commercial behaviour by some suppliers and the global chip shortage has increased the supply-chain risk and driven up prices of certain components, which puts pressure on the margins achieved by the Group.	• Vigorous checks are performed on all new suppliers and alternative sources of key components are developed where possible. • Regular communication is held with our suppliers to maintain strong relationships, working together to resolve any potential issues. • Supplier performance for delivery and quality is monitored regularly. • Robust stock management is in place, including detailed reviews of future product demands that are used to assess stock levels and provide 12 month rolling forecasts to key suppliers. To minimise lead times and reduce risk where possible suppliers are obliged to hold buffer stocks of key components and safety stocks are also held by the Group where required and the levels frequently reviewed.

Strategic report approval

The Strategic report, which comprises the Chairman's statement on page 4, the Strategic review on pages 6 to 23, the Performance review on pages 24 to 34 and the above Risks and risk management section on pages 32 to 34, was approved by the Board.

By order of the Board

Claire Stewart
Company Secretary
21 February 2023

The Board of Directors

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

Craig Wilson
Chair

Craig is a chartered engineer with a distinguished leadership background in both large and small technology companies. He was Chief Executive of listed multi-national software and business process services company Xchanging plc until its acquisition by Computer Sciences Corporation in 2016. He is currently a non-executive director of AIM-quoted AdEPT Technology Group plc and chair (non-board) of private-equity backed Kao Data Limited.

Paul Webb
Chief Executive

Paul joined the Group in 2004 and drove the rapid growth of the Group's Systems activities before becoming Chief Executive in 2015. With a 35-year career in the electronic surveillance industry, he has held roles spanning engineering, business development and general management. Before joining the Group, Paul was MD of a surveillance business that was acquired by Siemens, and previously lived and worked in Asia. He has a degree in Physics from Imperial College, London.

Amanda Larnder
Finance Director

Amanda started her career with Ernst & Young where she qualified as a Chartered Accountant ('CA') and following senior management roles specialising in listed companies, she joined Synectics in 2012, becoming Group Financial Controller and then Acting Finance Director during 2019. She left Synectics in 2020 due to the relocation of the Head Office and spent time supporting the management teams of businesses looking to raise new capital through a sale or listing. Amanda re-joined Synectics and was appointed as Finance Director on 4 July 2022.

Steve Coggins
Non-Executive Director

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

Dr Alison Vincent
Independent Non-Executive Director

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

Andrew Lockwood
Independent Non-Executive Director

Andrew has over 30 years' experience of reshaping and growing technology, managed services and healthcare businesses and is currently CEO of KFM, a provider of healthcare support services. Prior to joining KFM, he was MD of Capita plc's international healthcare technology and services businesses, Commercial Director for data solutions at Daisy Communications Plc, Interim Chief Executive Officer at Retalika Limited, a SaaS business, President and co-founder of Graphita Inc, and Executive Vice President and General Manager at Covad Communications.

Corporate Governance Statement

Introduction from the Chair of Synectics plc

This is my first statement as Chair, and I am happy to report that the Company continues to recognise the importance of good corporate governance and maintains compliance with all ten principles of the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code').

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

Craig Wilson
Chair
21 February 2023

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

Synectics is a leader in advanced security and surveillance systems. Through the business model set out on pages 2 and 3 and the Group's strategic pillars on pages 6 and 7, they enable the fulfilment of the Group's Vision and Purpose creating long-term value for shareholders.

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

Communication

The Board welcomes dialogue with shareholders as they believe that communicating openly with its shareholders is important to ensure that its strategy, business model and performance are clearly understood. The Executive Directors, supported by the Chair, actively seek engagement with shareholders through face-to-face meetings, investor roadshows and presentations, attending investor conferences and regular announcements to the London Stock Exchange.

The Annual General Meeting ('AGM')

The AGM is the main forum for communication with retail shareholders and all members of the Board, including the Chair, Chief Executive and Finance Director, routinely attend the AGM and are available to answer questions raised by shareholders. The AGM notice is sent to shareholders at least 21 days before the meeting and shareholders are encouraged to vote online. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting and, following the meeting, published on the Company's website.

Substantial Shareholders

The Board actively seeks to build a relationship with its substantial shareholders. Shareholder relations are managed primarily by the Chief Executive and Finance Director, supported by the Chair as appropriate. The Board is kept informed of the views and any concerns of substantial shareholders by briefings, as appropriate, from the Chair following one-to-one meetings.

Investor Presentations

The Chief Executive and Finance Director make presentations to analysts, substantial shareholders, and private investors each year immediately following the release of the full year and half year results. Copies of the 2022 presentations can be found on the Synectics plc page on Investor Meet Company (www.investormeetcompany.com). Investment reports from analysts and feedback reports from brokers following the investor meetings and presentations are also circulated to the Board and discussed.

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

Stakeholders

The Board has identified a range of stakeholders on which the success of the Company is dependent. The Executive Directors are involved in all discussions with all stakeholders to ensure that their needs, interests and expectations are both understood and aligned with those of the Company. This is, in turn, fed back to the Board, so that members are regularly updated on wider stakeholder engagement and are aware of stakeholder insights into the issues that matter most to them and the business, to allow the Board to understand and consider these issues in their decision making. For information about how stakeholders inform the decision making of the Board, please see page 20.

Employee Engagement

One of the Company's most important stakeholders is the Group's employees. The Board therefore closely monitors and reviews the results of the Group's annual Employee Engagement Survey as well as other feedback it receives in relation to employee engagement. Employee involvement in the business is encouraged by means of team working, regular team briefings, consultative committees and working parties. For more information about how we engage our employees, please see pages 8 and 9.

Customer Engagement

The Company has a deep understanding of the needs of the Group's customers, and to further develop relationships with its customers, the Board receives feedback from the annual Customer Excellence Survey, including the progress made against previous years' initiatives as well as new initiatives made in the current year. See page 10 for more information on our Customer Excellence programme.

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

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

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

Further information on the Group's internal control systems, the key risks facing the Group, and how the Board gets its assurance that the risk management and related control systems in place are effective can be found in the Audit Committee report on pages 41 to 43 and the Risks and Risk Management section on pages 32 to 34.

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

The Board

During the year, there were a number of changes to the Board ensuring that the size and composition of the Board remained sufficiently independent, balanced and contained a breadth of experience to provide effective oversight of the Group's strategy, performance, resources, and standards of conduct.

The Board has adopted a schedule of matters reserved for its consideration and those delegated to its 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.

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

Board Meetings

Board meetings are held regularly throughout the year. Prior to the start of each financial year, a schedule of dates for that year is compiled to allow an appropriate spread of meetings across year, in line with the Company's half-year and full-year results and to ensure full attendance of Board members where possible.

In the 2022 financial year, seven scheduled Board meetings, three Audit Committee meetings and six Remuneration Committee meetings were held and were supplemented by calls in between. In addition, as it does each year, the Board convened and participated in a separate session on the Group's strategy and five-year plan.

Since the pandemic, the Board has now returned to physical meetings, with various individuals attending on a virtual basis when, and if, required.

Board and Committee papers are distributed sufficiently in advance of meetings to enable due consideration. Following the meeting, the members of the Board receive copies of the minutes and can raise any queries or concerns with the Company Secretary, Board or Committee Chairs. Any specific actions arising from such meetings are agreed and then followed up as appropriate.

A formal agenda is produced for each meeting and includes strategy, business performance, operations, human resources, finance and governance. The agenda is reviewed and agreed by the Chair to ensure that the Board addresses the right issues at the right times and that sufficient time is allowed for appropriate consideration and debate. The agenda is further structured to allow senior employees the opportunity to present various subjects to the Board, giving the Board the opportunity to meet various employees and to develop greater business knowledge and depth of awareness of business-specific opportunities and threats.

Corporate Governance Statement continued

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

Board Meetings continued

During the 2022 financial year, matters dealt with by the Board included:

- Group budgets and five-year plan;
- reviewing and monitoring the Group strategy and progress against business objectives;
- operational and financial performance of the Group;
- monitoring progress of projects being undertaken by the Group;
- the approval of financial statements and dividend policy;
- considering the risk registers and the outcome of the risk review, as reviewed in detail by the Audit Committee;
- the approval of the half-year and full-year financial results, upon the recommendation of the Audit Committee;
- the re-appointment of RSM UK Audit LLP as external auditor, upon the recommendation of the Audit Committee;
- reviewing and approving the annual update to the Group's approach to meeting the requirements of the Modern Slavery Act 2015;
- reviewing and approving the Group's anti-bribery policy;
- Board and Committee evaluation, reviewing progress of actions from the 2021 evaluation and setting actions for 2022;
- approval of large contracts and bids;
- approval of large capital expenditure projects;
- Chair succession and recruitment;
- Board and senior management succession planning and general recruitment and retention;
- Committee reports and recommendations;
- review of corporate governance reporting and the Group's policies and procedures;
- reviewing the IT strategy;
- overview of HR insights and strategy and priorities;
- reviewing the Company's ESG sustainability strategy;
- reviewing the findings of the 2022 Employee Opinion Survey;
- disposal of SSS Management Services;
- monitoring the progress of the Customer Excellence programme and the Market Development programme; and
- reviewing the Group's product development roadmap and technological developments in the industry.

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

	Board	Audit Committee	Remuneration Committee
CA Wilson[1]	1 of 1	–	–
DJ Coghlan[2]	7 of 7	–	–
PA Webb	7 of 7	–	–
AL Larnder[3]	3 of 3	–	–
DM Bedford[4]	4 of 4	–	–
SW Coggins	7 of 7	3 of 3	6 of 6
A Vincent	6 of 7	2 of 3	6 of 6
AS Lockwood[5]	3 of 3	1 of 1	3 of 3
MJ Butler[6]	7 of 7	3 of 3	5 of 5

1. Appointed to the Board on 4 November 2022.
2. Retired from the Board on 16 February 2023.
3. Appointed to the Board on 4 July 2022.
4. Resigned from the Board on 1 July 2022.
5. Appointed to the Board on 1 June 2022.
6. Resigned from the Board on 30 November 2022.

Board Appointments

All terms and conditions of their roles are contained in the Non-Executive Directors' letter of appointment and Executive Directors' service contract. Both the letters of appointment and service contractors are updated as appropriate from time to time and are available on request from the Company Secretary.

Independence

The QCA Code recommends that an AIM company should have at least two independent non-executive directors, but clarifies that independence is a board judgement. Accordingly, the Board considers that Steve Coggins due to his length of tenure, is not independent for the purposes of the Code, but his greater depth of experience and knowledge facilitates challenge and provides support to the Executive Directors. He, together with Alison Vincent and Andrew Lockwood who fulfil the criteria of two independent non-executive directors as recommended, form an effective team with a blend of skill sets which meet the needs of the Company and are fully committed to working for the benefit of all shareholders and stakeholders.

Directors' Conflicts Of Interest

A register is maintained by the Company Secretary to monitor and manage any potential conflicts of interest. Directors are reminded of their duties at each Board meeting and 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.

Company Secretary

The Company Secretary, in conjunction with the Chair, ensures that accurate, timely and clear information is provided to the Board in order for well-informed discussions to take place and decisions made. 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.

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

The Board considers that the Company benefits from a range of highly experienced individuals, with sector specialist skills and personal qualities and capabilities that can deliver the strategy of the Company. It is satisfied that, between its members, it has an effective and appropriate balance of skills and experience, including in the areas of technology, engineering, finance, international trading, innovation, sales and marketing. Further information on the biographies of each Director can be found on page 35.

Training

Each member of the Board takes responsibility for maintaining their skill set, which includes roles and experience with other boards and organisations as well as formal training and seminars. The training requirements for all Board members are reviewed annually and arranged where appropriate.

Information

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

Diversity

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

Induction

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

Independent Advice

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

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

The Board carries out an annual self-assessment of its performance. This includes evaluation of the performance and effectiveness of the Board and of its Committees. The process is led by the Chair and involves detailed questionnaires and one-to-one reviews of the feedback. The results of the evaluation are the subject of a full, robust, and open debate at a meeting of the Board, where actions for improvements are agreed. Progress against these actions is then monitored and reported on throughout the year. Currently, individual Directors do not get individually appraised and they do not formally appraise the Chairman's performance. However, the performance evaluation of the Committees on which the Non-Executive Directors sit is deemed appropriate for the evaluation of their performance.

In 2022, the Board identified that there was significant concern regarding staff retention, recruitment of key roles and the recovery of revenue growth in Systems and their need to understand the Board's role in supporting these issues. They felt their introduction of blended hybrid working arrangements together with a good degree of constructive and effective challenge around the 2022 budget, were areas that the Board had worked well. As a result of the evaluation, the following action points were discussed and agreed:

- better communication for investors and shareholder value articulation;
- changes to Systems management structure;
- rigorous focus on Synectics delivering profit recovery at or above market expectations 2022 & 2023;
- ensure LTIP incentives remained effective; and
- conduct an effective in-depth 2022 strategy review.

Corporate Governance Statement continued

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

The Board and senior management endeavour to lead by example and to demonstrate the Company values (see page 9) at all times. The values underpin the Company's strong ethical culture and influence decision making and behaviours across the Group. Internal policies and practices support this, ensuring that no one is discriminated against based on sex, race, marital status, disability, age, sexual orientation or religion.

Anti-Bribery

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

Modern Slavery

The Company opposes modern slavery in all its forms and will try to prevent it by any means that it can. It is expected that anyone who has any suspicions of modern slavery within the business, or the supply chain will raise their concerns without delay. The Group maintains relationships with many different organisations in its supply chain, as well as directly employing over 250 people worldwide. Each year the Board reviews internal measures to ensure the Group is doing what it can to prevent slavery and human trafficking. The Company's modern slavery statement can be found at www.synecticsplc.com.

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

Roles of the Board, Chair and Chief Executive

The Board is responsible for the long-term success of the business. It is responsible for overall Group strategy; approval of major contracts; approval of significant investments; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of each business, their annual budgets, and their performance in relation to those budgets and subsequent forecasts.

The roles of the Chair and the Chief Executive continue to be undertaken by separate individuals. The Chair is responsible for leadership of the Board and ensuring that there is appropriate strategic focus and direction and effective communication with shareholders. The Chief Executive is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the leadership and management of the business in conjunction with the Finance Director and members of senior management.

Executive Team

The Executive Directors and senior management are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of the strategy, plans and budgets approved by the Board, as well as managing key business risks.

Board Committees

The Group has two standing Board Committees: an Audit Committee and a Remuneration Committee. The roles and activities of those Committees are included in the respective Committee reports on pages 41 to 47.

The Company does not have a nomination committee. Instead, the function of a nomination committee, is undertaken by the Board as a whole. Where necessary and appropriate, a nominations sub-committee is appointed temporarily to fulfil specific tasks. Given the size of the Group, and the size and composition of its Board, the Directors believe it is both practical and beneficial for matters of Board composition and recruitment, Board evaluation, Executive and Non-Executive succession planning, and training and development to be undertaken by the Board. All such matters are regularly scheduled on the Board's agenda and are discussed thoroughly and robustly, incorporating the detailed perspectives and experience of all Directors.

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

Shareholders

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year results, regular stock exchange announcements, its AGM, meetings with large existing or potential new shareholders and bi-annual presentations on Investor Meet Company. A range of corporate information (including the latest news, announcements and governance information) is also available to shareholders, investors and the public on the Company's website www.syneticsplc.com.

Employees

The Executive Directors and senior manager have an open dialogue with all employees of the Group and communicate globally on a bi-annual basis to the whole Group. They also, through monthly briefs, communicate key events and activities, including customer contract wins and financial information, new starters, long-service and recognition. In addition, webinars and training events are held at which employees are informed about new products and services and they have the opportunity to network with their fellow employees. The annual Employee Engagement Survey also informs the Board and the Group as to concerns and needs of the employees. Further information about the survey can be found on page 8.

Customers and Suppliers

Maintaining strong relationships with customers and key suppliers and is vital to the Group and therefore senior management regularly liaise with them in relation to new opportunities and development of existing products and services. Monthly newsletters, webinars, blogs and social media posts also keep them up-to-date with various ways in which Synectics can benefit them and their businesses. The Customer Excellence Programme and Customer Excellency Survey creates additional channels of dialogue with customers. For further information about these initiatives, please see page 10.

Audit Committee Report

Introduction from the Chair of the Audit Committee

On behalf of the Audit Committee (the 'Committee'), I am pleased to present the Committee's report for the year ended 30 November 2022, which has been approved by the Board.

During the year, the Committee has considered the integrity of the Group's financial reporting and provided advice to the Board that the 2022 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the Company's shareholders with the necessary information to assess the Company's position, performance, business model and strategy. The activities of the Committee are kept under review in line with regulatory and market developments.

During the year, there have been some changes to the membership of the Committee with Andrew Lockwood joining on 1 June and Michael Butler leaving on 30 November. Both Alison Vincent and I remained members of the Committee throughout the year, with myself serving as Chair. All members of the Committee have no personal or financial interests, other than as shareholders, in the matters considered by the Committee.

Steve Coggins
Chair of the Audit Committee
21 February 2023

Role and Operation of the Committee

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

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

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

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

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

Audit Committee Report continued

Role and Operation of the Committee continued

During the financial year the Committee considered the following matters:

- the suitability of the Group's accounting policies and practices;
- the half-year and full-year financial results, including the assessment of going concern and recommendation to the Board that it is appropriate to adopt the going concern assumption;
- the full-year report and audit findings of RSM UK Audit LLP ('RSM') for 2021;
- the evaluation of the performance and independence of RSM;
- the internal control environment across the Group, including approving updates to the Group's Delegation of Authority document;
- the actions arising from the audit findings of RSM and progress made against each;
- the re-appointment of RSM as the Group's external auditor;
- the arrangements in respect of internal audit, including its resourcing and the scope of the annual internal audit plan, as well as reports on the activity carried out during the year;
- the assessment of the internal finance organisation;
- the annual review of the Group's policies on whistleblowing and provision of non-audit services;
- the review of the Committee's terms of reference and recommendation of the updated terms of reference to the Board for approval;
- the review and approval of RSM's plan for 2022, which detailed the proposed audit scope and risk and governance assessment;
- the review and approval of RSM's fees for 2022;
- the results of the internally conducted assessment of the Committee's performance and effectiveness in 2022;
- a review of the Group's internal controls, detailed reviews of strategic and operational risks facing the Group, the risk registers and the mitigating actions to minimise risk;
- the approval of the Committee plan for 2022;
- the review of the finance priorities and finance teams following the change of Group Finance Director.

Financial Reporting

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

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

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

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

Area of focus	How the matter was addressed by the Audit Committee
Revenue recognition and contract accounting	The Committee continued to review the Group's revenue recognition principles and financial statements disclosures in line with the requirements of IFRS 15. In addition, the Committee reviewed the controls in place to ensure the appropriateness of the estimates used in assessing contract stage of completion, anticipated profitability and the amounts recognised in the financial statements. The Committee agreed with the conclusions reached.
Goodwill and investment impairment review	The Committee reviewed management's report outlining the approach taken on impairment testing and the key assumptions and sensitivities supporting the conclusions. The Committee agreed with the conclusions reached on impairment.
Going concern	The Committee reviewed management's report outlining the assessment of going concern, giving consideration to the Group's forecast cash flows, liquidity requirements and borrowing facilities. Following this review the Committee agreed that the going concern basis of accounting continues to be appropriate.
Non-underlying items	The Committee considered the presentation of the Group's financial statements and the appropriateness of the presentation of non-underlying items. The Committee reviewed the nature, timing and significance of the non-underlying items identified and concurred with management that the treatment was appropriate and consistently applied across years. See note 7 for an analysis of non-underlying items.
Disposals	The Committee considered the disclosures and classification of the disposal of SSS Management Services Ltd ('SSS') which completed on 30 November. The Committee reviewed the profit on disposal, the net cash flows and presentation of SSS as a discontinued operation and agreed that the treatment and disclosures made by management were appropriate.

Risk Management and Internal Control

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

Risk Management

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

Effective Internal Control

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

The controls relating to financial reporting include:

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

The Committee having considered the controls in place during 2022 have concluded the risk management and related control systems in place are effective. Details of the system of internal control, the principal risks facing the Group, and the strategies put in place to mitigate them, are set out in the Risks and Risk Management section on pages 32 to 34.

External Audit

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

Appointment of the External Auditor

The Committee reviews and evaluates the performance of the external auditor and makes recommendations regarding the appointment of the external auditor to the Board. In making this recommendation, the Committee considers auditor effectiveness and independence, and any other factors which may impact upon the external auditor's re-appointment. After careful consideration, the Committee recommends the re-appointment of RSM UK Audit LLP as external auditor of the Group, subject to approval by shareholders at the 2023 AGM.

Audit Independence

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

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

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

Non-Audit Services

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

RSM occasionally provides non-audit services to the Group which are governed by the Group's non-audit services policy. Compliance with the policy is actively managed and an analysis of non-audit services is reviewed throughout the year. During the year ended 30 November 2022 £8,000 (2021: £3,000) for services provided to the Group were non-audit services.

Remuneration Committee Report

Introduction from the Chair of the Remuneration Committee

On behalf of the Remuneration Committee (the 'Committee'), I am pleased to present my first report as Chair of the Committee for the year ended 30 November 2022, which has been approved by the Board.

This report is divided into two sections:

1. an unaudited section which sets out the work of the Committee in 2022 and the Company's remuneration policy for Executive Directors and Non-Executive Directors; and
2. an audited section, the Remuneration Report, which details the remuneration paid to Directors in the year ended 30 November 2022.

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

During the year, the Committee members comprised Steve Coggins and Alison Vincent. I joined the Committee on 1 June and took over as Chair following Michael Butler's departure on 30 November. All members of the Committee have no personal or financial interests, other than as shareholders, in the matters considered by the Committee.

Andrew Lockwood
Chair of the Remuneration Committee
21 February 2023

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

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

The principal duties of the Committee are to:

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

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

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

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

- approval of global pay review for 2021;
- approval of discretionary bonus payments 2021;
- approval of formal bonus targets and discretionary bonus payments for 2022;
- approval of no Executive bonus for the year ended 30 November 2021;
- review of 2020 and 2021 Synectics Performance Share Plan ('PSP') awards due to the impact of Covid-19;
- approval of discretionary Executive bonus for 2022 H1 profitable performance;
- review of the outturn of the 2019 PSP awards and the determination that those awards had not met the performance criteria and lapsed in full;
- approval of the Group's updated Share Dealing Policy and Code;
- approval of amendment of 2020 and 2021 PSP awards;
- review of the Committee's terms of reference and recommendation of the updated terms of reference to the Board for approval;
- approval of an award of options under the PSP on 2 August 2022 for the Senior Leadership Team and to the Group Finance Director;
- approval of global pay review for 2022.

Remuneration Policy for Executive Directors

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

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

Basic salary	The Group aims to pay competitive market salaries and to recognise individual development and progression through the annual salary and personal review processes. Salaries are reviewed annually.
Annual performance-related bonuses	In line with the scheme covering other senior members of staff, performance-related bonuses for the Executive Directors are based on the achievement of specific financial targets for the Group and agreed personal objectives.
Pension arrangements	The Group makes contributions into money purchase schemes on behalf of the Executive Directors. Pension payments are based only on basic salary.
Other benefits	These principally comprise car benefits, life assurance and membership of the Group's healthcare scheme.
Long-term incentive arrangements	The Group operates various share plans in which the Executive Directors participate or have a prior interest in. Details of the share plans are given in note 24 to the financial statements. Directors' interests in the shares of the Group are detailed in the shareholdings disclosure on page 48.

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

Remuneration Policy for Non-Executive Directors

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

After considering recommendations from the Chair, the Board determines the remuneration of the Non-Executive Directors excluding the Chair. The remuneration of the Chair is determined by the Committee.

Non-Executive Directors receive fees which are reviewed annually in light of their responsibilities, experience and contribution to the Group's affairs, as well as market rates. Non-Executive Directors do not receive any performance-related pay or rewards, and the Group does not deduct for, or contribute to, a pension. There were no increases to the Non-Executive Directors' fees in the current year, which have been held since 2013.

Remuneration Committee Report continued

a) Remuneration (Audited information)

Details of the Directors' emoluments are given below.

	Salary and fees £000	Bonuses[1] £000	Benefits £000	**2022 Total (excl. pension) £000**	2021 Total (excl. pension) £000	**2022 Pension allowance[2] £000**	2021 Pension allowance[2] £000
Chairs							
C Wilson[3]	7	–	–	**7**	–	**–**	–
DJ Coghlan[4]	85	–	3	**88**	88	**–**	–
Executive Directors							
PA Webb	269	39	4	**312**	262	**31**	30
AL Larnder[5]	60	–	–	**60**	–	**3**	–
DM Bedford[6]	222[7]	–	1	**223**	162	**7**	11
Non-Executive Directors							
SW Coggins	30	–	–	**30**	30	**–**	–
A Vincent	30	–	–	**30**	30	**–**	–
A Lockwood[8]	15	–	–	**15**	–	**–**	–
MJ Butler[9]	35[10]	–	–	**35**	30	**–**	–
Total	753	39	8	**800**	602	**41**	41

1. Bonuses are paid or accrued based on the achievement of agreed personal objectives and corporate performance metrics.
2. Pension allowance includes the Company contribution for the Director to the Group's defined contribution pension scheme and cash payments in lieu of contributions.
3. Appointed to the Board on 4 November 2022.
4. Retired from the Board on 16 February 2023.
5. Appointed to the Board on 4 July 2022.
6. Resigned from the Board on 4 July 2022.
7. Includes £30,000 compensation for loss of office and £84,250 PILON.
8. Appointed to the Board on 1 June 2022.
9. Resigned from the Board on 30 November 2022.
10. Includes £5,000 PILON.

b) Share Schemes (Audited information)

The Directors' interests in the Company's share schemes are presented below.

Performance Share Plan ('PSP')

The following Executive Directors held an interest in the Company's shares at 30 November 2022 through awards made under the PSP, which was established on 9 October 2012, as set out below and in note 24 to the financial statements.

	7 August 2020		2 August 2022	
Date awarded	Number of shares	Issue price (p)	Number of shares	Issue price (p)
AL Larnder	–	–	124,000	117.5
PA Webb	300,000	130.0	–	–

In August 2020, a one-off award was made to Paul Webb (the '2020 Executive Option') vesting over a three to five-year period up to the end of the Company's financial year ending 30 November 2025. The 2020 Executive Option was divided into three equal tranches, vesting after the next three, four and five full financial years respectively, depending on the achievement of the performance criteria at each measurement date, and are exercisable at nil cost and must be exercised within ten years of the date of award.

In May 2022 the performance criteria of the 2020 Executive Option was varied and they will now be measured according to the average of the compound annual growth rate ('CAGR') of the total shareholder return ('TSR') and the CAGR of adjusted underlying diluted earnings per share ('EPS') achieved by the end of each of the Company's three relevant financial years, being respectively three, four and five financial years respectively. If this average is 20% (previously 25%) or more, 100% of that tranche of options will vest. If this average is above 10% (previously 15%) and below, 20% (previously 25%), between 0% and 100% of the options will vest (on a straight-line basis). 75% of any options not vesting at the three-year and four-year vesting points may be carried forward to the following financial year. Any options not vesting at the end of the five-year period will lapse.

To achieve alignment with the conditions attached to the 2020 Executive Option, a one-off award was made in August 2022 to Amanda Larnder (the '2022 Executive Option'). The 2022 Executive Option vests over an approximately 3.6-year period up to the announcement of the Company's audited final results for the financial year ending 30 November 2025 and is measured on the similar performance criteria to the amended 2020 Executive Option. The 2022 Executive Options are divided into two equal tranches, with vesting dependent, inter alia, on the achievement of performance criteria for each of the Company's financial years ending 30 November 2024 and 2025.

The performance criteria of the 2022 Executive Option is measured according to the average of the CAGR of the TSR and the CAGR of EPS. If this average is 20% or more, 100% of the award will vest. If this average is above 10% and below 20%, between 0% and 100% of the award will vest (on a straight-line basis).

Executive Shared Ownership Plan ('ExSOP')

The following Directors held an interest in the Company's shares at 30 November 2022 through participation in the ExSOP, which was established on 7 July 2009, having superseded an earlier scheme established in 2005, as set out in note 24 to the financial statements. The last awards under the ExSOP were made in March 2011.

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

	7 July 2009[1]		7 March 2011	
Date awarded	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 ('ESAP')

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

	Total number of partnership and dividend shares held at 1 December 2021	Number of partnership shares purchased during the year	Number of dividend shares purchased during the year	Total number of partnership and dividend shares held at 30 November 2022	Value of shares as at 30 November 2022 (£)	Holding date
PA Webb	11,327	1,684	165	13,176	14,823	Various

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

	Ordinary shares of 20p each
At 1 December 2021	112.5p
At 30 November 2022	112.5p

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

	Ordinary shares of 20p each
Maximum	140.0p
Minimum	85.1p

c) Service Contracts

There are no Directors' service contracts with notice periods more than 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
CA Wilson	6 months
PA Webb	12 months
AL Larnder	6 months
SW Coggins	6 months
A Vincent	3 months
AS Lockwood	3 months

Statutory Directors' Report

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

Principal Activities

The principal activities of Synectics plc (the 'Company') and its global subsidiary companies (the 'Group') are set out within the Strategic Report, which comprises the Chair's Statement, the Strategic Review, the Performance Review and the Risks and Risk Management Section.

Review of Business and Future Developments

The Consolidated Income Statement for the year ended 30 November 2022 is set out on page 57.

A review of the Group's business activities during the year and its prospects for the future can be found in the Chair's Statement, the Strategic Review, and the Performance Review on pages 4 to 34. These reports, together with the Corporate Governance Statement, the Audit Committee Report and the Remuneration Committee Report, are incorporated into this report by reference and should be read as part of this report.

Key Performance Indicators

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

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

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 32 to 34.

Group Results and Dividends

The consolidated profit after tax for the year was £1,465,000 (2021: loss of £479,000).

The Directors recommend the payment of a final dividend of 2.0p per share (2021: 1.5p), totalling around £355,881. Subject to approval, this is expected to be paid on 5 May 2023 to shareholders on the register as at the close of business on 11 April 2023. No interim dividend was paid during the year (2021: nil).

Financial Instruments

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

Fixed Assets

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

Research & Development Expenditure

The Group has continued to invest in research & development of both software and hardware products for surveillance applications during the year incurring total costs of £3.2 million (2021: £3.4 million), of which £3.0 million (2021: £2.8 million) has been expensed to the Income Statement.

Share Capital

The Company's issued ordinary share capital comprises a single class of ordinary shares of 20p each, with 17,794,439 shares in issue and listed on AIM of the London Stock Exchange as at 30 November 2022. No shares were held in treasury and 1,013,850 shares were held by the Company's employee share trusts. Details of movements in the issued share capital can be found in note 23 to the financial statements.

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

Employee Share Plans

During the year, the Company has remained within its headroom limits for the issue of new shares for share plans as set out in the rules of the plans. The Company uses an employee benefit trust to acquire partnership shares (at the end of each accumulation period) and dividend shares in the market, when permitted. A total of 31,453 ordinary shares of 20p each in the Company were purchased by the employee benefit trust at a cost of £39,143.78 during the 2022 financial year.

Directors' Interests

Interests of the Directors and their connected persons in the issued share capital of the Company as at 30 November 2022 were as follows:

	2022 Number of shares held	**2022 Interests in share schemes**	**2022 Total interests in shares**	2021 Total interests in shares
DJ Coghlan	**1,581,303**	**93,243**	**1,674,546**	1,639,546
C Wilson	**–**	**–**	**–**	–
PA Webb	**57,115**	**513,176**	**570,291**	593,442
AL Larnder	**4,326**	**124,000**	**128,326**	–
SW Coggins	**26,870**	**–**	**26,870**	26,870
A Vincent	**–**	**–**	**–**	–
AS Lockwood	**–**	**–**	**–**	–
	1,669,614	**730,419**	**2,400,033**	2,516,715

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 2023.

Significant Shareholdings

As at the close of the market on 31 January 2023, the Company was aware of the following holdings, excluding Directors' holdings, of 3% or more of the Company's total issued share capital:

	Number of shares	% of total voting rights
Whitehall Associated SA	5,320,000	29.90%
Stonehage Fleming Investment Management Limited	1,922,196	10.80%
Downing LLP	1,921,333	10.80%
Quadnetics Employee Benefit Trusts	1,013,850	5.70%

Board of Directors

Steve Coggins, David Coghlan, Alison Vincent, and Paul Webb were in office throughout the financial year ended 30 November 2022. Andrew Lockwood was appointed to the Board on 1 June 2022. David Bedford resigned from the Board on 1 July 2022 and Amanda Larnder was appointed to the Board on 4 July 2022. Michael Butler resigned from the Board on 30 November 2022. Craig Wilson was appointed to the Board on 7 November 2022 as chair-designate and took over as Chair on 17 February 2023. Details and biographies of the current Directors are shown on page 35.

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 require the consent of the Company's shareholders.

In accordance with the Articles, one-third of the Directors (other than those being elected for the first time) are required to retire by rotation at each Annual General Meeting ('AGM'). The Directors retiring by rotation at the 2023 AGM are Paul Webb 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.

Conflicts of Interest

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

Related Party Transactions

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

Essential Contracts or Arrangements

The Group has several 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 305 people in 2022 (2021: 328).

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

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

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

Employee Engagement

The Group's employees are the strength and the foundation of its success, and regular engagement through various media: email alerts, focus groups, monthly bulletins, team briefings, a bi-annual senior management conference and an annual staff survey enables the Directors to take into account the interests of employees when making decisions throughout the year. Further information about how the Group engages with employees can be found on pages 8 and 9.

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 44 to 49.

Statutory Directors' Report continued

Policy on Payment of Suppliers

The Group's policy during the year was to pay suppliers in accordance with agreed terms. At 30 November 2022 the Group had 54 days' purchases outstanding in trade payables (2021: 52 days').

Charitable Donations and Activity

The Group made donations amounting to £3,182 (2021: £1,250) to charitable causes during the year.

Streamlined Energy and Carbon Reporting ('SECR')

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

Going Concern

The Directors have considered the Group's current activities and future prospects, financial performance, liquidity position and risks and uncertainties affecting the business, which are set out in the strategic report, in assessing the appropriateness of the going concern assumption. The Directors continue to monitor the effects of the Covid-19 pandemic on the business and will react accordingly if any material risks arise.

When assessing the going concern assumption, the Directors have reviewed the year-to-date actual results, as well as detailed financial forecasts and the Group's funding position for the period through to August 2024. This review includes in depth scenario modelling and stress testing of budget and strategy planning.

In preparing its going concern assessment, management have considered any potential future impact of Covid-19 on the business. 2022 results have been impacted by slow recovery in the gaming sector, particularly the extended closure of much of the gaming market in Asia; however there are early signs of recovery as opportunities start to arise now that restrictions have been lifted. The Directors consider that the Group benefits from a level of diversification within both sectors and geographies that helps mitigate an element of macro-economic risk. Despite the challenging trading environment experienced in the financial year in gaming, this diversification was seen, for example, in oil & gas where there has been strong order intake in early 2023.

The Directors believe that the Group operates in a resilient industry enabling it to continue its profitable growth trajectory following this solid turnaround year. In addition, there is further resilience from the Group's operating model with strong customer and supplier relationships, approximately one-fifth of revenue being recurring and high levels of repeat business.

Forecasting and stress testing

The Directors have undertaken a rigorous budgeting and forecasting process with management to understand the impact of the economic environment on the future of the business. The assumptions used in the financial forecasts are based on recent financial performance, management's extensive industry experience and reflect expectations of future market conditions.

The base case scenario reflects the remaining uncertainty regarding the timing of the return to normal trading circumstances within the gaming sector. Despite the rigour applied, the base case showed a positive cash balance throughout the year with no requirement to utilise the £3 million overdraft facility. Sensitivity and stress testing has been performed on the base case model; various plausible but severe downside scenarios were applied which considered general downturns resulting in reductions in revenue and margins and the related impact on working capital. Under these downsides, the directors have not considered any mitigating factors that would be applied. The scenario testing applied confirmed that, even with no mitigating factors considered, the overdraft facility would not need to be utilised until 2024 and that there would be sufficient headroom within the facility throughout the outlook period. The base case was then reverse stress tested and the level of deterioration required for the Group to become close to the banking headroom was deemed to be highly unlikely.

Cash and funding position

Positive cash balances were maintained throughout the year and ended the year at £4.3 million (2021: £4.6 million). Undrawn overdraft facilities of £3 million were held throughout the period. Despite the central forecast indicating that the Group should not require to draw upon the overdraft facilities for the foreseeable future, management is in the process of renewing, as a matter of prudence, the overdraft facility of £3 million with Lloyds Bank until March 2024. Whilst the renewal process is still underway at the time of signing these accounts, the bank has indicated that the facilities are expected to renew as normal.

Conclusion

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

Annual General Meeting ('AGM')

The notice convening the AGM is distributed separately to shareholders at least 21 working days before the meeting. Separate Resolutions are proposed on each substantially separate issue. The proxy results from the 2023 AGM will be made available on the Company's website after the meeting.

Auditor

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

Strategic Report

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

Disclosure of Information to Auditor

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

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report, 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. The directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

The Group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group 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 UK-adopted International Accounting Standards;
- 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 Group's and the arent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of 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.

The Directors confirm that to the best of their knowledge:

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

Forward-looking Statements

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

The Directors' report has been approved by the Board.

By Order of the Board

Claire Stewart
Company Secretary
21 February 2023

Independent Auditor's Report
To the members of Synectics plc

Opinion

We have audited the financial statements of Synectics plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2022 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement, company statement of comprehensive income, company statement of changes in equity, company statement of financial position and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	Group • Revenue recognition • Goodwill impairment Parent Company • Impairment of investments and amounts due from subsidiaries
Materiality	Group • Overall materiality: £435,000 (2021: £475,000) • Performance materiality: £326,000 (2021: £356,000) Parent Company • Overall materiality: £170,000 (2021: £180,000) • Performance materiality: £127,500 (2021: £135,000)
Scope	Our audit procedures covered 74% of revenue including discontinued operations, 85% of total assets and 87% of profit before tax including discontinued operations.

Key audit matters

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

Revenue recognition

Key audit matter description	The Group recognised revenue of £39.1m (2021: £36.6m), a substantial element of this revenue and profit is recognised from non-recurring contracts, which may span accounting periods. Contract accounting requires the assessment of the stage of completion of each contract and likely outcome of the contract in order to determine the revenue and profit to be recognised. Refer to Audit Committee Report (pages 41 to 43), accounting policies and critical accounting estimates and judgements (pages 61 to 71) and financial disclosures (note 3 – pages 73 to 75) There is a risk of misstatement resulting from inappropriate recognition bases being used and inaccurate estimates being made.

How the matter was addressed in the audit	Our procedures included but were not restricted to: • A review of the appropriateness of the revenue recognition and contract accounting policies and practices; • Evaluation of the controls in place to assess the accuracy of the stage of completion and likely outcome of the contracts; • Testing a sample of contracts to agree details to supporting documentation and consider and challenge the contract accounting estimates; • A review of significant old accrued income balances; and • A retrospective review of the outcome of contracts in progress at the prior year end to assess the validity of the estimates applied in the prior period.

Goodwill impairment

Key audit matter description	The Group has a carrying value of goodwill of £19.6m (2020: £20.1m) – refer to Audit Committee Report (pages 41 to 43), accounting policies and critical accounting estimates and judgements (pages 61 to 71) and financial disclosures (note 16 – pages 82 and 83). The risk is that the goodwill is not recoverable and should be impaired. Impairment testing requires management to identify appropriate cash generating units ("CGU"), identify the carrying amount of each CGU, including its goodwill, and determine whether the higher of fair value less cost to sell and the value in use for the CGU, based on the net present value of the forecast earnings of the CGU, exceeds the carrying amount. Impairment testing involves a significant degree of estimation in forecasting future performance and setting appropriate assumptions such as growth rates and working capital movements and judgement in the selection of discount rates.
How the matter was addressed in the audit	Our procedures included but were not restricted to: • Considering whether the CGU reflect the IAS 36 requirement that they represent the smallest identifiable group of assets that generate cash flows that are largely independent and, whether, if an alternative view was taken there would be any impact on the impairment assessment; • Agreeing the forecast future performance to the most recently approved business plan; • A critical assessment of the key assumptions made in determining the recoverable amounts of each CGU, with particular focus on poorer performing components; • Considering the forecasts in the context of historical forecasting accuracy and our understanding of the sectors in which the Group operates; • Considering the appropriateness of the judgements used in the selection of the discount rates used, including comparison with external data sources; • Undertaking our own sensitivity analyses; and • Assessing the appropriateness of the Group's disclosures about the sensitivity of their impairment assessment.

Impairment of investments and amounts due from subsidiaries (parent company only)

Key audit matter description	At 30 November 2022 the parent company balance sheet includes investments of £35.8m (2021: £35.8m) and amounts due from subsidiaries of £5.5m (2021: £4.5m). Refer to accounting policies and critical accounting judgements (pages 99 to 100) and financial disclosures (notes 6 and 7 – pages 101 to 103). The risk is that the carrying value of the investments and intercompany receivables are not recoverable and should be impaired.
How the matter was addressed in the audit	Our procedures included but were not limited to: • A critical assessment of the key assumptions made in determining the recoverable amounts of each investment, with particular focus on the poorer performing subsidiaries; • Considering whether the investments are supported by future cash flows across the divisions; • Agreeing the forecast future performance to the most recently approved business plan, and confirming these are consistent with those used for the assessment of goodwill impairment and going concern; • Considering the forecasts in the context of historical forecasting accuracy and our understanding of the sectors in which the Group operates; • Considering the appropriateness of the assumptions used in the calculation of the discount rates used, including comparison with external data sources; • Undertaking our own sensitivity analyses; • Assessing the assumptions used in the measurement of expected credit loss in respect of amounts due from subsidiaries and comparison to the assumptions supporting the testing of investments in subsidiaries to assess whether they were consistent; and • Assessing the appropriateness of the Company's disclosures about the estimates used.

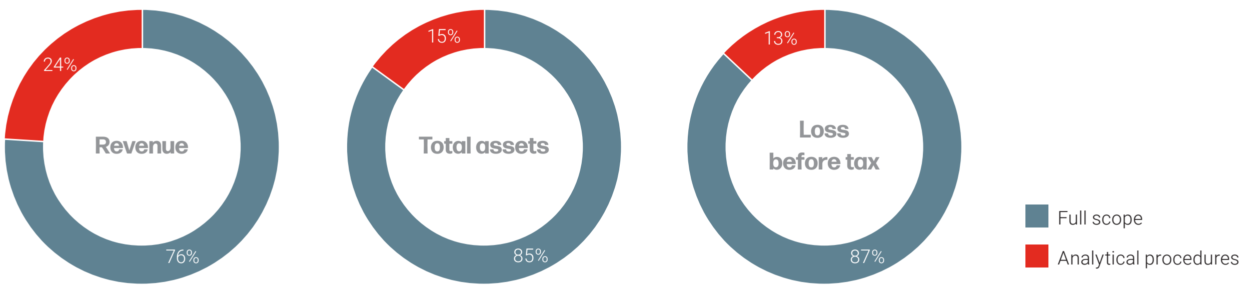
Independent Auditor's Report continued
To the members of Synectics plc

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

	Group	Parent company
Overall materiality	£435,000 (2021: £475,000)	£170,000 (2021: £180,000)
Basis for determining overall materiality	0.9% of revenue including discontinued operations	0.4% of net assets
Rationale for benchmark applied	Revenue has been chosen as revenue levels are considered the key driver for the business given a largely fixed cost base.	Net assets chosen as the parent company is a holding company. As a non-revenue generating entity, shareholder focus is on the value of assets held.
Performance materiality	£326,000 (2021: £356,000)	£127,500 (2021: £135,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £21,700 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £8,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
The group consists of 8 components, located in the following countries; UK, Singapore, USA, Germany, Macau.

The coverage achieved by our audit procedures was:



Full scope audits were performed for 4 components and analytical procedures at group level for the remaining 4 components.

Of the above, the full scope audits were performed by the group audit team.

Conclusions relating to going concern

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

- Testing the arithmetic integrity of the cash flow forecasts;
- Assessing the cash flow forecasts, which cover a period to August 2024, together with expected headroom over the facilities in place and challenged the assumptions used by management;
- Considering management's sensitivities against recent trading performance and the resulting potential impact on headroom within agreed facilities;
- Considering the performance of the various sectors in which the group operates and the relative risks to revenues from those sectors, and uncertainties regarding timing of recovery from the impact of Covid-19, and whether these have been included in sensitivities used by management;
- Comparing the actual cash flows since the year-end to the forecasts to determine whether they were consistent; and
- Reviewing the group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with reporting standards.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 51, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report continued
To the members of Synectics plc

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

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

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

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

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

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

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

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team and component auditors included:
IFRS, FRS101, Companies Act 2006 and AIM Rules	• Review of the financial statement disclosures and testing to supporting documentation; • Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	• Inspection of advice received from external tax advisers; • Input from a tax specialist was obtained regarding the tax accounting and disclosures.
Health and safety regulations and industry accreditations	• ISAs limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of management and where appropriate, those charged with governance (as noted above) and inspection of legal and regulatory correspondence, if any.

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

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	• See key audit matters above.
Management override of controls	• Testing the appropriateness of journal entries and other adjustments; • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and • Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Use of our report

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

GRAHAM BOND FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor Chartered Accountants, 14th Floor, 20 Chapel Street Liverpool L3 9AG

22 February 2023

Consolidated Income Statement
For the year ended 30 November 2022

Continuing operations	Note	2022 Underlying items £000	2022 Non-underlying items (note 7) £000	2022 Total £000	2021 Underlying items £000	2021 Non-underlying items (note 7) £000	2021 Total £000
Revenue	2, 3	**39,116**	**–**	**39,116**	36,636	–	36,636
Cost of sales		**(22,486)**	**–**	**(22,486)**	(22,497)	–	(22,497)
Gross profit		**16,630**	**–**	**16,630**	14,139	–	14,139
Operating expenses		**(15,528)**	**(658)**	**(16,186)**	(14,980)	–	(14,980)
Other income	5	**50**	**–**	**50**	387	–	387
Operating profit/(loss)		**1,152**	**(658)**	**494**	(454)	–	(454)
Finance costs	11	**(133)**	**–**	**(133)**	(104)	–	(104)
Profit/(loss) before tax from continuing operations		**1,019**	**(658)**	**361**	(558)	–	(558)
Income tax credit	12	**153**	**125**	**278**	116	–	116
Profit/(loss) for the year from continuing operations		**1,172**	**(533)**	**639**	(442)	–	(442)
Discontinued operations[1]							
Profit/(loss) for the year from discontinued operations		**22**	**–**	**22**	(37)	–	(37)
Profit on sale of discontinued operations	4	**–**	**804**	**804**	–	–	–
Profit/(loss) for the year		**1,194**	**271**	**1,465**	(479)	–	(479)
Profit/(loss) for the year attributable to equity holders of the Parent Company from:							
Continuing operations		**1,172**	**(533)**	**639**	(442)	–	(442)
Discontinued operations		**22**	**804**	**826**	(37)	–	(37)
Earnings/(losses) per share from continuing and discontinued operations	14						
Basic				**8.7p**			(2.8)p
Diluted				**8.7p**			(2.8)p
Earnings/(losses) per share from continuing operations	14						
Basic				**3.8p**			(2.6)p
Diluted				**3.8p**			(2.6)p

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

Consolidated Statement of Comprehensive Income
For the year ended 30 November 2022

	2022 £000	2021 £000
Profit/(loss) for the year from continuing operations	**639**	(442)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement loss on defined benefit pension scheme, net of tax	**–**	(1,073)
	–	(1,073)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**246**	(20)
Gains/(losses) on net investment in a foreign operation taken to equity	**41**	(184)
	287	(204)
Tax on items that may be reclassified	**110**	–
Total comprehensive income/(expense) for the year from continuing operations	**1,036**	(1,719)
Total comprehensive income/(expense) for the year from discontinued operations	**826**	(37)
Total comprehensive income/(expense) for the year attributable to equity holders of the Parent	**1,862**	(1,756)

Consolidated Statement of Financial Position

As at 30 November 2022

	Note	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	15	**4,598**	4,981
Intangible assets	16	**20,776**	21,728
Deferred tax assets	12	**2,741**	2,452
		28,115	29,161
Current assets			
Inventories	17	**4,219**	3,936
Trade and other receivables	18	**9,090**	11,156
Contract assets	3	**6,317**	5,244
Tax assets		**425**	–
Cash and cash equivalents	19	**4,256**	4,641
		24,307	24,977
Total assets		**52,422**	54,138
Current liabilities			
Trade and other payables	20	**(8,111)**	(10,902)
Contract liabilities	3	**(1,875)**	(3,096)
Lease liabilities	21	**(683)**	(816)
Current provisions	22	**(796)**	(487)
		(11,465)	(15,301)
Non-current liabilities			
Non-current provisions	22	**(746)**	(921)
Lease liabilities	21	**(2,137)**	(2,023)
Deferred tax liabilities	12	**(1,072)**	(549)
		(3,955)	(3,493)
Total liabilities		**(15,420)**	(18,794)
Net assets		**37,002**	35,344
Equity attributable to equity holders of the Parent Company			
Called up share capital	23	**3,559**	3,559
Share premium account		**16,043**	16,043
Merger reserve		**9,971**	9,971
Other reserves		**(1,436)**	(1,436)
Currency translation reserve		**940**	715
Retained earnings		**7,925**	6,492
Total equity		**37,002**	35,344

The financial statements on pages 57 to 96 were approved and authorised for issue by the Board of Directors on 21 February 2023 and were signed on its behalf by:

Paul Webb
Chief Executive

Amanda Larnder
Finance Director

Company number: 1740011

Consolidated Statement of Changes in Equity
For the year ended 30 November 2022

	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 2020	3,559	16,043	9,971	(1,448)	919	7,987	37,031
Loss for the year	–	–	–	–	–	(479)	(479)
Other comprehensive expense							
Currency translation adjustment	–	–	–	–	(204)	–	(204)
Remeasurement loss on defined benefit pension scheme, net of tax	–	–	–	–	–	(1,073)	(1,073)
Total other comprehensive expense	–	–	–	–	(204)	(1,073)	(1,277)
Total comprehensive expense for the year	–	–	–	–	(204)	(1,552)	(1,756)
Transactions with owners in their capacity as owners							
Credit in relation to share-based payments (note 25)	–	–	–	–	–	69	69
Share scheme interests realised in the year	–	–	–	12	–	(12)	–
At 30 November 2021	3,559	16,043	9,971	(1,436)	715	6,492	35,344
Profit for the year	–	–	–	–	–	1,465	1,465
Other comprehensive income							
Currency translation adjustment	–	–	–	–	287	–	287
Tax relating to components of other comprehensive income	–	–	–	–	(62)	172	110
Total other comprehensive income	–	–	–	–	225	172	397
Total comprehensive income for the year	–	–	–	–	225	1,637	1,862
Transactions with owners in their capacity as owners							
Dividends paid	–	–	–	–	–	(253)	(253)
Credit in relation to share-based payments (note 25)	–	–	–	–	–	49	49
At 30 November 2022	**3,559**	**16,043**	**9,971**	**(1,436)**	**940**	**7,925**	**37,002**

Consolidated Cash Flow Statement
For the year ended 30 November 2022

Continuing operations	Note	2022 £000	2021 £000
Cash flows from operating activities			
Profit/(loss) from continuing operations		**639**	(442)
Profit/(loss) from discontinued operations		**826**	(37)
Profit/(loss) for the year		**1,465**	(479)
Income tax credit	12	**(306)**	(116)
Finance costs	11	**148**	121
Depreciation and amortisation charge		**2,186**	2,121
Loss on disposal of non-current assets		**–**	88
Net foreign exchange differences		**(212)**	6
Profit arising on sale of discontinued operation, before transaction fees	4	**(923)**	–
Inventory write down		**243**	(658)
Cash flow relating to non-underlying items in previous years		**–**	(1,321)
Other non-cash movement		**268**	390
Share-based payment charge		**49**	12
Operating cash inflow/(outflow) before movement in working capital		**2,918**	164
(Increase)/decrease in inventories		**(526)**	1,383
(Increase)/decrease in receivables and contract assets		**(85)**	260
Decrease in payables and contract liabilities		**(1,186)**	(2,571)
Cash impact of provisions		**(134)**	–
Cash generated from/(used in) operations		**987**	(764)
Tax received		**242**	157
Net cash generated from/(used in) operating activities		**1,229**	(607)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	**(86)**	(73)
Capitalised development costs	16	**(207)**	(648)
Purchased software	16	**(21)**	(154)
Net cash disposed on discontinued operation	4	**(268)**	–
Proceeds from sale of property plant and equipment		**–**	33
Net cash used in investing activities		**(582)**	(842)
Cash flows from financing activities			
Lease payments		**(913)**	(1,006)
Bank interest paid		**–**	(12)
Dividends paid to equity holders of the parent		**(253)**	–
Net cash used in financing activities		**(1,166)**	(1,018)
Net decrease in cash and cash equivalents		**(519)**	(2,467)
Effect of exchange rates on cash and cash equivalents		**134**	244
Cash and cash equivalents at the beginning of the year		**4,641**	6,864
Cash and cash equivalents at the end of the year	19	**4,256**	4,641

Notes to the Consolidated Financial Statements

For the year ended 30 November 2022

1 Principal accounting policies

General information

Synectics plc is a public limited company incorporated in England and Wales and domiciled in the UK. The main activities of the Company and its subsidiaries (the 'Group') are the provision of specialist video based electronic surveillance systems and technology, for use in high security applications, extreme or hazardous environments, and integrated transport applications.

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 UK-adopted International Accounting Standards. 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 97 to 104. The consolidated financial statements of the Company as at and for the year ended 30 November 2022 comprise the Company and its subsidiaries.

These financial statements have been prepared using the historical cost convention except where the measurement of balances at fair value is required as set out below. The following policies are those that the Group considers to be its principal accounting policies in respect of its consolidated results. These financial statements are rounded to the nearest thousand (£000).

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

- amendments to IFRS 16 'Leases': Covid-19 Related Rent Concessions beyond 30 June 2021.

The amendment did not have a material impact on the financial statements.

New standards and interpretations not yet adopted

Accounting standards that have recently been issued or amended but are not yet mandatory have not been early adopted by the consolidated entity for the annual reporting period ended 30 November 2022.

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

- IFRS 17 'Insurance Contracts';
- amendments to IFRS 3: 'Business Combinations';
- amendments to IAS 16 'Property, Plant and Equipment';
- amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets';
- amendments to IFRS 9 'Financial Instruments';
- amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards';
- annual improvements to IFRS Standards 2018 – 2020 Cycle;
- amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from Single Transaction;
- amendments to IAS 8: Definition of Accounting Estimates;
- amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies;
- amendments to IAS 1: Classification of Liabilities as Current or Non-Current;
- amendments to IFRS 16: Leases – Lease Liability in a Sale and Leaseback; and
- amendments to IFRS 10 and IAS 28: Consolidated Financial Statements and Investments in Associates and Joint Ventures.

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

1 Principal accounting policies continued

Going concern

The Directors have considered the Group's current activities and future prospects, financial performance, liquidity position and risks and uncertainties affecting the business, which are set out in the strategic report, in assessing the appropriateness of the going concern assumption. The Directors continue to monitor the effects of the Covid-19 pandemic on the business and will react accordingly if any material risks arise.

When assessing the going concern assumption, the Directors have reviewed the year-to-date actual results, as well as detailed financial forecasts and the Group's funding position for the period through to August 2024. This review includes in depth scenario modelling and stress testing of budget and strategy planning.

In preparing its going concern assessment, management have considered any potential future impact of Covid-19 on the business. 2022 results have been impacted by slow recovery in the gaming sector, particularly the extended closure of much of the gaming market in Asia; however there are early signs of recovery as opportunities start to arise now that restrictions have been lifted. The Directors consider that the Group benefits from a level of diversification within both sectors and geographies that helps mitigate an element of macro-economic risk. Despite the challenging trading environment experienced in the financial year in gaming, this diversification was seen, for example, in oil & gas where there has been strong order intake in recent months.

The Directors believe that the Group operates in a resilient industry enabling it to continue its profitable growth trajectory following this solid turnaround year. In addition, there is further resilience from the Group's operating model with strong customer and supplier relationships, approximately one-fifth of revenue being recurring and high levels of repeat business.

Forecasting and stress testing

The Directors have undertaken a rigorous budgeting and forecasting process with management to understand the impact of the economic environment on the future of the business. The assumptions used in the financial forecasts are based on recent financial performance, management's extensive industry experience and reflect expectations of future market conditions.

The base case scenario reflects the remaining uncertainty regarding the timing of the return to normal trading circumstances within the gaming sector. Despite the rigour applied, the base case showed a positive cash balance throughout the year with no requirement to utilise the £3 million overdraft facility. Sensitivity and stress testing has been performed on the base case model; various plausible but severe downside scenarios were applied which considered general downturns resulting in reductions in revenue and margins and the related impact on working capital. Under these downsides, the directors have not considered any mitigating factors that would be applied. The scenario testing applied confirmed that, even with no mitigating factors, the overdraft facility would not need to be utilised until 2024 and that there would be sufficient headroom within the facility throughout the outlook period. The base case was then reverse stress tested and the level of deterioration required for the Group to become close to the banking headroom was deemed to be highly unlikely.

Cash and funding position

Positive cash balances were maintained throughout the year and ended the year at £4.3 million (2021: £4.6 million). Undrawn overdraft facilities of £3 million were held throughout the period. Despite the central forecast indicating that the Group should not require to draw upon the overdraft facilities for the foreseeable future, management is in the process of renewing, as a matter of prudence, the overdraft facility of £3 million with Lloyds Bank until March 2024. Whilst the renewal process is still underway at the time of signing these accounts, the bank has indicated that the facilities are expected to renew as normal.

Conclusion

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

Basis of consolidation

Subsidiaries

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

Change in subsidiary ownership and loss of control

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

1 Principal accounting policies continued

Basis of consolidation continued

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.

Goodwill

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

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

Goodwill in relation to the discontinued operation, which was a CGU in the prior year, has been written-off. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the discontinued operation.

Revenue

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

Performance obligations

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

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

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

Transaction price

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

1 Principal accounting policies continued

Revenue continued

Revenue and profit recognition

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

For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

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

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

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

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

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

Software licences

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

Contract modifications

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

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

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

Warranty arrangements

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

1 Principal accounting policies continued

Revenue continued

Costs of obtaining a contract

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

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

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

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

Contract balances

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

Government grants

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

Foreign currency

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

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2022

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.

In 2020 the decision was taken before the year end by the Board of Trustees and approved by the plc Board of Directors to secure a "buy-out" for all remaining liabilities by an insurance company and to wind up the pension scheme. During the year to 30 November 2021, an insurance company insured the pension liabilities which existed at 30 November 2020. The insurance policies are held by the scheme trustee and therefore are considered to be assets of the Group. It is expected that the "buy-out" process will be completed in 2023.

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.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction.

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

Taxation

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

Current tax

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

Deferred tax

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

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

1 Principal accounting policies continued

Taxation continued

Deferred tax continued

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

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

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

Current and deferred tax for the period

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

Non-underlying items

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

Discontinued operations

Discontinued operations relate to operations of the Group which have been disposed of in the period and where the operations and cash flows can be clearly distinguished from the rest of the Group, i.e. it had been a CGU in the previous year.

The net results of discontinued operations are presented separately in the Consolidated Income Statement (and the restated comparatives).

Dividends

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

Property, plant and equipment

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

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

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

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

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

1 Principal accounting policies continued

Research & development costs

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

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

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

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

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

Other intangible assets

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

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

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

Impairment of tangible and intangible assets

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

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

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

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

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

Inventories

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

Provisions

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

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

1 Principal accounting policies continued

Provisions continued

Restructuring

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

Warranty provisions

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

Dilapidations provisions

Dilapidations are recognised where there is a present obligation to repair and restore leased properties to their preoccupancy state at the end of the lease term. The provision is based on best estimates for individual properties, with reference to previous experience and size of leased property. The term is measured in accordance with the outstanding length of leases or the expected timing of specific obligations.

Financial instruments

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

Financial assets

Cash and cash equivalents

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

Trade and other receivables and contract assets

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

Trade and other receivables and contract assets are assessed for impairment using an expected credit loss ('ECL') model. The Group applies a simplified approach in calculating ECLs; therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs, at initial recognition and at each subsequent reporting date. The Group has established a provision matrix that is based on its historical experience over a period of 24 months before 30 November 2022, adjusted for forward-looking factors such as the economy and particular market issues. All reasonable and supportable information that is relevant and available without undue cost or effort is considered. The provision rates are based on days past due for groupings of various customer segments (i.e. by geography and business activities). Once recognised, trade receivables and contract assets are continuously monitored and updated.

Forward contracts

The Group enters into forward contracts from time to time in order to mitigate the Group's exposure to the risk arising from fluctuation in currency exchange rates. Open forward contracts are measured at fair value through profit and loss. There were no forward contracts at 30 November 2022.

Financial liabilities

Trade and other payables and lease liabilities

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

Loans and borrowings

Loans and borrowings comprise bank overdrafts.

Offsetting of financial assets and financial liabilities

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

1 Principal accounting policies continued

Equity instruments

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

Leases

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

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

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

The Group has elected to apply the practical expedient in IFRS 16 paragraph 15 not to separate non-lease components such as service charges from lease rental charges.

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.

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

Estimates

Revenue recognition

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

Goodwill

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

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

1 Principal accounting policies continued

Judgements

Revenue recognition

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

Provisions

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

Non-underlying items

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

Retirement benefit schemes

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

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

Deferred tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

2 Segmental analysis

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

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

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

Revenue Continuing operations	**2022** **£000**	2021 £000
Systems	**24,201**	20,661
Security	**16,595**	18,004
Reconciliation to consolidated revenue:		
Intra-Group sales	**(1,680)**	(2,029)
	39,116	36,636
Revenue from discontinued operations	**7,253**	6,959
Total revenue	**46,369**	43,595

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

2 Segmental analysis continued

Underlying operating profit/(loss) Continuing operations	2022 £000	2021 £000
Systems	**1,880**	58
Security	**1,166**	945
Total segmental underlying operating profit	**3,046**	1,003
Reconciliation to consolidated underlying operating profit/(loss):		
Central costs	**(1,894)**	(1,457)
	1,152	(454)

Underlying operating profit/(loss) 2022 **Continuing operations**	**Underlying operating profit £000**	**Non-underlying items** **Legal costs £000**	**Pension buy-out costs £000**	**Restructuring costs £000**	**Total operating profit £000**
Systems	**1,880**	**(250)**	**–**	**–**	**1,630**
Security	**1,166**	**–**	**–**	**–**	**1,166**
Total segmental underlying operating profit	**3,046**	**(250)**	**–**	**–**	**2,796**
Reconciliation to consolidated underlying operating profit:					
Central costs	**(1,894)**	**(85)**	**(92)**	**(231)**	**(2,302)**
	1,152	**(335)**	**(92)**	**(231)**	**494**

Underlying operating profit/(loss) 2021 Continuing operations	Underlying operating loss £000	Non-underlying items Legal costs £000	Pension buy-out costs £000	Restructuring costs £000	Total operating loss £000
Systems	58	–	–	–	58
Security	945	–	–	–	945
Total segmental underlying operating profit	1,003	–	–	–	1,003
Reconciliation to consolidated underlying operating loss:					
Central costs	(1,457)	–	–	–	(1,457)
	(454)	–	–	–	(454)

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**	**2022 Net assets £000**
Systems	**18,978**	**(10,541)**	**8,437**
Security	**9,330**	**(4,550)**	**4,780**
Total segmental net assets	**28,308**	**(15,091)**	**13,217**
Reconciliation to consolidated net assets:			
Goodwill	**19,707**	**–**	**19,707**
Cash and borrowings	**4,256**	**–**	**4,256**
Unallocated	**151**	**(329)**	**(178)**
	52,422	**(15,420)**	**37,002**

2 Segmental analysis continued

Net assets continued

	Assets £000	Liabilities £000	2021 Net assets £000
Systems	20,989	(8,232)	12,757
Security	7,884	(9,665)	(1,781)
Total segmental net assets	28,873	(17,897)	10,976
Reconciliation to consolidated net assets:			
Goodwill	19,845	—	19,845
Cash and borrowings	4,641	—	4,641
Unallocated	779	(897)	(118)
	54,138	(18,794)	35,344

By geographical segment Geographical location of contract	**2022 Revenue £000**	**2022 Total non-current assets £000**	**2022 Capital additions £000**	2021 Revenue £000	2021 Total non-current assets £000	2021 Capital additions £000
UK and Europe	**23,736**	**25,054**	**1,128**	25,358	26,040	1,750
North America	**7,570**	**230**	**3**	5,276	447	—
Middle East and Africa	**1,858**	**—**	**—**	724	—	—
Asia Pacific	**5,952**	**90**	**8**	5,278	222	42
	39,116	**25,374**	**1,139**	36,636	26,709	1,792

3 Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Revenue by contract location 2022 Continuing operations	**Systems £000**	**Security £000**	**2022 £000**
UK and Europe	**7,225**	**16,511**	**23,736**
North America	**7,570**	**—**	**7,570**
Middle East and Africa	**1,790**	**68**	**1,858**
Asia Pacific	**5,936**	**16**	**5,952**
	22,521	**16,595**	**39,116**

Revenue by contract location 2021 Continuing operations	Systems £000	Security £000	2021 £000
UK and Europe	7,354	18,004	25,358
North America	5,276	—	5,276
Middle East and Africa	724	—	724
Asia Pacific	5,278	—	5,278
	18,632	18,004	36,636

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2022

3 Revenue from contracts with customers continued

Disaggregated revenue information continued

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

Reconciliation to segment revenue 2022 **Continuing operation**	**Systems** **£000**	**Security** **£000**	**2022** **£000**
External	**22,521**	**16,595**	**39,116**
Intra-Group	**1,680**	**—**	**1,680**
	24,201	**16,595**	**40,796**

Reconciliation to segment revenue 2021 Continuing operations	Systems £000	Security £000	2021 £000
External	18,632	18,004	36,636
Intra-Group	2,029	—	2,029
	20,661	18,004	38,665

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

Timing of revenue recognition 2022 **Continuing operations**	**Systems** **£000**	**Security** **£000**	**2022** **£000**
Revenue transferred at a point in time	**7,475**	**5,213**	**12,688**
Revenue transferred over time	**15,046**	**11,382**	**26,428**
Intra-Group	**1,680**	**—**	**1,680**
	24,201	**16,595**	**40,796**

Timing of revenue recognition 2021 Continuing operations	Systems £000	Security £000	2021 £000
Revenue transferred at a point in time	4,078	7,137	11,215
Revenue transferred over time	14,554	10,867	25,421
Intra-Group	2,029	—	2,029
	20,661	18,004	38,665

Contract balances

	2022 **£000**	2021 £000
Contract assets	**6,317**	5,244
Contract liabilities	**(1,875)**	(3,096)

Contract assets relate to revenue earned from ongoing projects. As such, the balance of this account varies and depends on the number of ongoing projects at the end of the year. The timing of payment in respect of both contract assets and liabilities varies depending on the nature and terms of each individual contract, with payment sometimes being before and sometimes after satisfaction of the corresponding performance obligations. No expected credit loss has been recognised in relation to the contract asset as the Group's historical and forward looking experience shows that no credit losses have been incurred.

Contract liabilities relate to short-term advances received to deliver ongoing projects. The change in contract liabilities is due to the disposal of the discontinued operation (£0.5 million) and the timing of the contracts of some major multi-year service and maintenance contracts. The change in contract assets is due to the timing of major projects at the year end and has increased due to the increase in oil & gas projects which typically take longer to build, and some customer-led delays in the Security division which have delayed invoicing of the projects.

£2.9 million (2021: £4.3 million) of the contract liabilities balance at 1 December 2021 was recognised as revenue during the year. No revenue was recognised in the current year in relation to performance obligations satisfied, or partially satisfied in previous years.

3 Revenue from contracts with customers continued

Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 November 2022 that are expected to be recognised over more than one year is £7.4 million (2021: £8.7 million). These performance obligations relate predominantly to the provision of service and maintenance contracts and are as follows:

	2022 £000
Less than two years	**3,065**
Two to five years	**3,804**
More than five years	**526**

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

4 Discontinued operations

On 11 November 2022, the Group announced that it had reached an agreement to sell SSS Management Services Limited ('SSS'), which was previously part of the it's Security division. On 30 November 2022, the transaction was subsequently completed for £100,000 cash and further contingent consideration of £100,000.

IFRS 5 Non-current assets held for sale and discontinued operations requires that a component (one which the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, i.e. a cash-generating unit) of an entity which has been sold is disclosed as a discontinued operation. SSS was a separate CGU and the operations and cash flows could be clearly distinguished and therefore the disposal met the recognition criteria of a discontinued operation. SSS is no longer presented within the segmental note and its result is instead presented below, as well as the net cash flows attributable to the operating, investing and financing activities of the discontinued operation. The income statement comparatives at 30 November 2021 have been re-presented accordingly.

Notes to the Consolidated Statement of Financial Position are presented on a total group basis and, as a result, income statement and cash flow movements included in these notes may not reconcile to those presented in the Consolidated Income Statement and the Consolidated Cash Flow Statement.

Results from discontinued operations:

	2022 £000	2021 £000
Revenue	**7,253**	6,959
Cost of sales	**(5,902)**	(5,495)
Gross profit	**1,351**	1,464
Operating costs	**(1,314)**	(1,485)
Operating profit/(loss) before non-underlying items	**37**	(21)
Finance costs	**(15)**	(16)
Profit/(loss) before tax and non-underlying items	**22**	(37)
Non-underlying item – profit on disposal	**776**	–
Profit/(loss) before tax	**798**	(37)
Tax on non-underlying item	**28**	–
Profit/(loss) attributable to discontinued operations	**826**	(37)

The profit/(loss) from discontinued operations of £826,000 (2021: loss £(37,000)) is attributable entirely to the Group.

The average monthly number of persons employed by the discontinued operation during the year was 41 (2021: 45).

The average staff costs for the year for the above employees were:

	2022 £000	2021 £000
Salaries and wages	**1,335**	1,388
Social security costs	**144**	135
Pension costs	**87**	84
	1,566	1,607

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

4 Discontinued operations continued

Cash flow statement

	2022 £000	2021 £000
Net cash flows from operating activities	**189**	(4)
Net cash flows from investing activities	**(377)**	(87)
Net cash flows from financing activities	**(40)**	(67)
Net cash flows from discontinued operations	**(228)**	(158)

Profit on disposal

The Group recognised a net profit on disposal of £776,000 in relation to the disposal of SSS Management Services Limited. The gain arising from the sale is calculated as follows:

	£'000	£'000
Cash consideration		100
Contingent consideration		100
Sale costs		(147)
Net proceeds		**53**
Net book value of assets disposed		
Property, plant and equipment	(109)	
Right of use assets	(167)	
Intangible assets	(69)	
Deferred tax assets	(114)	
Trade and other receivables	(1,357)	
Cash and cash equivalents	(368)	
Trade and other payables	3,129)	
Lease liabilities	155	
Net book value of assets and liabilities disposed		**1,100**
Write off of associated goodwill		(377)
Profit on disposal		776
Tax attributable to the profit on disposal		28
Profit on disposal, net of tax		804

The disposal group was measured at its carrying value which was lower than its fair value less costs to sell.

5 Other income

In previous years the Group applied for various government support programmes introduced in response to Covid-19.

Payroll support

Included in profit for the year is £50,000 of government grants received from the Macau government relating to supporting the cost of the Macau business (2021: £23,000 other government grants). The Group has elected to present these grants separately rather than reducing the related expense. The Group does not have any unfulfilled obligations relating to these grants.

Forgivable loans

£364,000 was recognised in the 2021 Consolidated Income Statement in relation to forgivable loans from the federal government of the United States of America.

6 Net operating expenses

Continuing operations	2022 £000	2021 £000
Distribution costs	**242**	249
Administrative expenses (before non-underlying items)	**15,286**	14,731
Non-underlying items (note 7)	**658**	–
Total administrative expenses	**15,944**	14,731
	16,186	14,980

7 Non-underlying items

Continuing operations	2022 £000	2021 £000
Costs associated with ongoing legal matters	**335**	–
Costs associated with restructuring Central operations	**231**	–
Costs associated with the buy-out of the defined benefit pension scheme	**92**	–
	658	–

Central restructuring costs incurred during 2022 relate to the Board of Directors.

Costs associated with an ongoing buy-out of the defined benefit pension scheme represent costs incurred by the Group in relation to winding up the scheme. Full disclosure is included in note 29.

For details of the non-underlying item in relation to discontinued operations, refer to note 4.

8 Auditor's remuneration

Continuing operations	2022 £000	2021 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**62**	56
Fees payable to the Company's auditor for other services to the Group:		
– the audit of the Company's subsidiaries pursuant to legislation	**144**	132
Non-audit services	**8**	3
	214	191

9 Operating profit/(loss)

Continuing operations	2022 £000	2021 £000
Operating profit is stated after charging:		
Amortisation of intangible assets	**1,003**	912
Depreciation of property, plant and equipment – owned assets	**360**	213
Depreciation of property, plant and equipment – right of use assets	**725**	868
Net foreign exchange losses	**–**	77
Write down/(back) of inventories recognised as an expense	**243**	(658)
Cost of inventories recognised as an expense	**15,170**	13,898
Research & development costs	**2,993**	2,800
Rental payments under leases:		
– short-life/low-value leases	**48**	191

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

10 Staff costs and Directors' remuneration

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

Continuing operations	2022 Number	2021 Number
Reportable segment (see note 2)		
Systems	**146**	155
Security	**96**	108
Central	**21**	20
	263	283

Continuing operations	2022 £000	2021 £000
Staff costs		
Wages and salaries	**12,488**	13,021
Social security costs	**1,340**	1,401
Pension costs	**919**	947
Share-based payment charge (note 25)	**49**	68
	14,796	15,437

The Directors consider that the key management personnel of the business comprises its Board of Directors, whose remuneration is shown in the Remuneration Committee Report on pages 44 to 47. Details of the remuneration for key management personnel are set out in note 27.

11 Finance costs

Continuing operations	2022 £000	2021 £000
Interest payable on bank overdrafts	**–**	12
Interest payable on lease liabilities	**133**	92
	133	104

12 Taxation

Tax (credit)/charge	2022 £000	2021 £000
Current income tax		
UK tax	**–**	285
Overseas tax	**1**	–
Adjustments in respect of prior periods	**(717)**	–
Total current tax (credit)/charge	**(716)**	285
Deferred tax		
Origination and reversal of temporary differences	**(142)**	(927)
Adjustments in respect of prior periods	**552**	526
Total deferred tax charge/(credit)	**410**	(401)
Income tax credit reported in the Consolidated Income Statement	**(306)**	(116)

Further analysed as tax relating to:		
Underlying profit	**(153)**	(116)
Non-underlying items	**(153)**	–

12 Taxation continued

Reconciliation of tax credit for the year

The corporation tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
Profit/(loss) before tax from continuing operations	**361**	(558)
Profit/(loss) before tax from a discontinued operation	**798**	(37)
Total profit/(loss) before tax	**1,159**	(595)
Tax on profit/(loss) on ordinary activities before tax at standard rate of 19% (2021: 19%)	**220**	(113)
Effects of:		
Differences in overseas tax rates	**(77)**	(272)
Tax losses not recognised	**161**	142
Utilisation of previously unrecognised tax losses	**(43)**	(61)
Other differences	**(105)**	(493)
Effect of changes in tax rates and tax laws	**(142)**	2
(Income)/expenses not deductible for tax purposes	**(155)**	153
Adjustment in respect of prior periods	**(165)**	526
Total tax credit for the year	**(306)**	(116)
Income tax credit attributable to continuing operations	**(278)**	(116)
Income tax attributable to a discontinued operation	**(28)**	—
	(306)	(116)

The Group's tax rate is sensitive to a geographic mix of profits and reflects a combination of higher rates in the US and lower rates in Singapore and Macau. The Group's effective tax rate in 2022 has been impacted by R&D tax relief and current year losses, as well as the profit on disposal of the discontinued operation, which is not tax deductible.

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 2020	(319)	(331)	(252)	2,165	1,263
(Charged)/credited to the Income Statement	(119)	(78)	—	598	401
Credited to the Statement of Comprehensive Income	—	—	252	—	252
Currency translation adjustment	—	(2)	—	(11)	(13)
At 30 November 2021	(438)	(411)	—	2,752	1,903
(Charged)/credited to the Income Statement	(125)	221	—	(506)	(410)
Credited to the Statement of Comprehensive Income	—	110	—	—	110
Currency translation adjustment	(3)	4	—	65	66
At 30 November 2022	**(566)**	**(76)**	**—**	**2,311**	**1,669**

Factors that may affect future tax charges

Deferred tax assets of £2.3 million (2021: £2.8 million) have been recognised in relation to legal entities which suffered a tax loss in the current or preceding periods. The assets are recognised based upon future taxable profit forecasts for the entities concerned.

The Group has further losses which may be available to be carried forward for offset against the future taxable profits of certain Group companies amounting to approximately £5.7 million (2021: £6.6 million). No deferred tax asset (2021: £nil) in respect of these losses has been recognised at the year end as the Group does not currently anticipate being able to offset these against future profits. There is no time limit in which the tax losses are required to be utilised.

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

12 Taxation continued

Factors that may affect future tax charges continued

In addition to the above, the Group has capital losses of approximately £17.8 million (2021: £17.8 million) available for offset against future taxable gains. No deferred tax asset in respect of these losses has been recognised in these financial statements as there is insufficient certainty that the asset will be recovered against future capital gains.

13 Dividends

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

	2022		2021	
	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	**1.5**	**267**	–	–
Interim dividend paid in respect of current year	**–**	**–**	–	–
	1.5	**267**	–	–
Total dividend paid, net of shares held by the share trust	**1.5**	**253**	–	–
Proposed final dividend for the year ended 30 November	**2.0**	**356**	1.5	267

The Directors recommend the payment of a final dividend of 2.0p per share held at 30 November 2022 (2021: 1.5p). No interim dividend was paid during 2022 (2021: £nil).

14 Earnings per share

	2022			2021		
	Pence per share (continuing operations)	**Pence per share (discontinued operations)**	**Pence per share Total**	Pence per share (continuing operations)	Pence per share (discontinued operations)	Pence per share Total
Basic earnings/(loss) per share	**3.8**	**4.9**	**8.7**	(2.6)	(0.2)	(2.8)
Diluted earnings/(loss) per share	**3.8**	**4.9**	**8.7**	(2.6)	(0.2)	(2.8)
Underlying basic earnings/(loss) per share	**6.9**	**0.2**	**7.1**	(2.6)	(0.2)	(2.8)
Underlying diluted earnings/(loss) per share	**6.9**	**0.2**	**7.1**	(2.6)	(0.2)	(2.8)

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

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

	Continuing operations 2022 £'000	**Total 2022 £000**	Continuing operations 2021 £'000	Total 2021 £000
Earnings/(losses) for basic and diluted earnings per share	**639**	**1,465**	(442)	(479)
Non-underlying items	**658**	**(118)**	–	–
Impact of non-underlying items on tax credit for the year	**(125)**	**(153)**	–	–
Earnings/(losses) for underlying basic and underlying diluted earnings per share	**1,172**	**1,194**	(442)	(479)

	2022 000	2021 000
Weighted average number of ordinary shares – basic calculation	**16,888**	16,888
Dilutive potential ordinary shares arising from share options	**2**	–
Weighted average number of ordinary shares – diluted calculation	**16,890**	16,888

Note: As a result of the Group's loss in 2021, potential ordinary shares arising from share options are considered anti-dilutive and have therefore been excluded from the diluted weighted average number of ordinary shares calculation.

15 Property, plant and equipment

	Freehold land and buildings £000	Short leasehold improvements £000	Plant, machinery and equipment £000	Right of use assets £000	Total £000
Cost					
At 1 December 2020	1,832	1,554	3,497	3,834	10,717
Additions	2	27	44	917	990
Disposals	—	(109)	(229)	(1,042)	(1,380)
Currency translation adjustment	—	1	(13)	(14)	(26)
At 30 November 2021	1,834	1,473	3,299	3,695	10,301
Reclassification	—	—	(989)	989	—
Additions	—	4	82	825	911
Disposals	—	(373)	(356)	(337)	(1,066)
Currency translation adjustment	—	(21)	90	22	91
At 30 November 2022	**1,834**	**1,083**	**2,126**	**5,194**	**10,237**
Depreciation and impairment					
At 1 December 2020	229	1,055	2,971	1,219	5,474
Charge for the year	37	148	52	929	1,166
Disposals	—	(87)	(227)	(1,027)	(1,341)
Currency translation adjustment	—	(3)	12	12	21
At 30 November 2021	266	1,113	2,808	1,133	5,320
Reclassification	—	—	(834)	834	—
Charge for the year	39	138	212	779	1,168
Disposals	—	(348)	(348)	(210)	(906)
Currency translation adjustment	—	(32)	81	8	57
At 30 November 2022	**305**	**871**	**1,919**	**2,544**	**5,639**
Net book value					
At 30 November 2022	**1,529**	**212**	**207**	**2,650**	**4,598**
At 30 November 2021	1,568	360	491	2,562	4,981

The net book value of right of use assets at 30 November 2022 relates to leasehold property £2,468,000 (2021: £2,459,000) and vehicles £182,000 (2021: £261,000).

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

16 Intangible assets

	Goodwill £000	Acquired intangibles £000	Capitalised development costs £000	Purchased software £000	Total £000
Cost					
At 1 December 2020	24,672	767	4,782	1,560	31,781
Additions	–	–	648	154	802
Disposals	–	–	–	(230)	(230)
Currency translation adjustment	(356)	(11)	(19)	(3)	(389)
At 30 November 2021	24,316	756	5,411	1,481	31,964
Additions	–	–	207	21	228
Disposals	(377)	–	–	(589)	(966)
Currency translation adjustment	422	3	5	3	433
At 30 November 2022	**24,361**	**759**	**5,623**	**916**	**31,659**
Amortisation and impairment					
At 1 December 2020	4,613	752	2,807	1,454	9,626
Charge for the year	–	3	880	72	955
Disposals	–	–	–	(181)	(181)
Currency translation adjustment	(142)	–	(19)	(3)	(164)
At 30 November 2021	4,471	755	3,668	1,342	10,236
Charge for the year	–	3	962	53	1,018
Disposals	(59)	–	(12)	(551)	(622)
Currency translation adjustment	242	1	5	3	251
At 30 November 2022	**4,654**	**759**	**4,623**	**847**	**10,883**
Net book value					
At 30 November 2022	**19,707**	**–**	**1,000**	**69**	**20,776**
At 30 November 2021	19,845	1	1,743	139	21,728

Annual test for impairment of goodwill

The carrying value of goodwill is tested annually for impairment 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.

Each of the Group's two divisions, Systems and Synectics Security, has been identified as the smallest identifiable group of assets that generate cash flows and are therefore assessed as CGUs. Each of these CGUs represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

SSS Management Services, which used to be part of the Security division, but a separate CGU, was sold on 30 November 2022 and hence all related goodwill has been written off.

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

	2022 £000	2021 £000
Systems	**10,895**	10,656
Security	**8,812**	8,812
SSS Management Services	**–**	377
	19,707	19,845

The recoverable amount of the CGUs is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and business plans approved by the Directors covering a five-year period. The average annual revenue growth rate for the five-year period is 16% (2021: 11%). Cash flows beyond that period have been extrapolated into perpetuity using a steady 2.0% per annum growth rate (2021: 2.0%), which the Directors consider to be specific to the business and does not exceed the UK long-term average growth rate and is therefore considered appropriate to apply to each CGU.

16 Intangible assets continued

Annual test for impairment of goodwill continued

The other key assumption used in the cash flow projections is the pre-tax discount rate:

	2022 %	2021 %
Systems	**15.5**	16.2
Security	**12.4**	12.5
SSS Management Services	**–**	12.5

The pre-tax 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 the general economic uncertainty created by Covid-19 and the crisis in Ukraine.

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

Sensitivity analysis has been performed on the pre-tax discount rates, which shows that a pre-tax discount rate of 29.8% (Systems) or 15.3% (Security) would be required in order to eliminate the headroom which exists in these CGUs. The Directors consider that the discount rates used, which are already risk adjusted to capture the Directors' view of the extent to which each CGU is exposed to macro-economic factors, represent a balanced view.

Further sensitivity was applied that the CGU's would only achieve 90% of the projected budgeted revenues going forward. The Directors consider this to be satisfactory to capture any risk associated with achievement of budget based on a review of the levels achieved over previous years.

The breakeven analysis performed by management identified that the Systems division would need to achieve less than 48% of budget and Security less than 74% in years two to five of the model to result in an impairment. These results would be significantly lower than previously achieved by the Group before the pandemic and therefore is an unlikely situation.

The Directors believe that, based on the sensitivity analysis and stress testing performed, any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts to exceed the recoverable amounts.

The value in use for the Group exceeds the carrying value of the assets by £25 million (2021: £14 million).

There is no impairment to goodwill in the period (2021: no impairment).

17 Inventories

	2022 £000	2021 £000
Raw materials and consumables	**1,415**	1,666
Work in progress	**279**	870
Finished goods for resale	**2,525**	1,400
	4,219	3,936

The cost of inventories recognised as an expense during the year was £15.2 million (2021: £14.3 million) in relation to continuing operations.

The cost of inventories recognised includes £243,000 (2021: £(658,000) in respect of write-offs of inventory to net realisable value.

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2022

18 Trade and other receivables

	2022 £000	2021 £000
Trade receivables	**7,518**	10,525
Allowance for expected credit losses	**(137)**	(468)
	7,381	10,057
Forward foreign currency contracts	**–**	46
Other receivables	**1,031**	660
Prepayments	**678**	393
	9,090	11,156

Trade receivables are non-interest bearing and generally have 30 to 90-day terms. At 30 November 2022 the Group had 69 days' sales outstanding in trade receivables (2021: 83 days).

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

Movement in allowance for expected credit losses

	2022 £000	2021 £000
At 1 December	**468**	465
Provided for in the year	**41**	89
Amounts utilised in the year	**(118)**	(59)
Amounts released in the year	**(254)**	(27)
At 30 November	**137**	468

Ageing of trade receivables

	2022 £000	2021 £000
Not due	**5,677**	6,719
Up to three months past due	**1,512**	1,940
Three to six months past due	**51**	778
Over six months past due	**278**	1,088
	7,518	10,525

19 Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	**4,256**	4,641

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

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

At 30 November 2022, the Group had undrawn overdraft facilities of up to £3.0 million (2021: £3.0 million), on which interest would be payable at the rate of Bank of England base rate plus 2.5% (2021: Bank of England base rate plus 2.5%).

20 Trade and other payables

	2022 £000	2021 £000
Trade payables	**3,297**	4,201
Other taxation and social security	**388**	585
Other payables	**53**	94
Accruals	**4,373**	6,022
	8,111	10,902

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

At 30 November 2022 £1.7 million (2021: £3.2 million) of the accruals balance relates to cost accruals for projects ongoing at the year end.

21 Lease liabilities

For details of the right of use assets, see note 15. The carrying amount of lease liabilities and the movements during the year are as follows:

	Vehicle £000	Property £000	Total £000
At 1 December 2020	263	2,527	2,790
Additions	133	813	946
Accretion of interest	25	84	109
Payments	(157)	(849)	(1,006)
At 30 November 2021	264	2,575	2,839
Additions	36	784	820
Accretion of interest	7	143	150
Payments	(126)	(787)	(913)
Currency translation adjustment	–	39	39
Disposals	–	(115)	(115)
At 30 November 2022	**181**	**2,639**	**2,820**

The lease disposed of in the year relates to the lease for the discontinued operation.

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date as follows:

	2022 £000	2021 £000
Current liabilities	**683**	816
Non-current liabilities	**2,137**	2,023
Total liabilities	**2,820**	2,839

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

21 Lease liabilities continued

Contractual maturity of lease liabilities:

	2022 £000	2021 £000
Up to 1 year	**683**	816
Between 1 year and 5 years	**1,561**	1,512
More than 5 years	**576**	511
	2,820	2,839

Amounts reported in the consolidated income statement include the following (see note 11):

	2022 £000	2021 £000
Interest on lease liabilities	**133**	92

The weighted average incremental borrowing rates applied to the lease liabilities recognised ranged between 3% - 3.1% (2021: 3% - 3.1%).

22 Provisions

	Legal £000	Warranty £000	Restructuring £000	Property £000	Total £000
At 1 December 2020	–	624	1,275	297	2,196
Utilised in the year	–	(41)	(1,182)	(97)	(1,320)
Released in the year	–	(6)	–	–	(6)
Charged to the Income Statement	–	414	–	124	538
At 30 November 2021	–	991	93	324	1,408
Utilised in the year	–	(119)	(15)	–	(134)
Released in the year	–	(15)	(78)	(78)	(171)
Charged to the Income Statement	250	178	–	11	439
At 30 November 2022	**250**	**1,035**	**–**	**257**	**1,542**

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

	2022 £000	2021 £000
Current	**796**	487
Non-current	**746**	921
	1,542	1,408

Costs of warranty include the cost of labour, material and related overhead necessary to repair a product during the warranty period. The standard warranty periods are usually one to three years. The Group accrues for the estimated cost of the warranty on its products shipped in the provision for warranty, upon recognition of the sale of the product. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically. Actual warranty costs are charged against the provision for warranty.

The Group has certain properties where the Directors believe that dilapidation costs may be incurred; therefore, appropriate cost provisions have been made. It is anticipated that substantially all of the property cost provision carried forward at 30 November 2022 will be utilised in more than one year.

In 2021, the restructuring provision related to the costs recognised in relation to the Group's restructuring activities in the prior year.

23 Called up share capital and reserves

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

	2022		2021	
	Number	**£000**	Number	£000
Ordinary shares of 20p each				
Authorised	**25,000,000**	**5,000**	25,000,000	5,000
Allotted, called up and fully paid	**17,794,439**	**3,559**	17,794,439	3,559

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. No shares were held in treasury; however, 905,329 shares (2021: 905,629) were held by the Group Executive Shared Ownership Plan ('ExSOP') at 30 November 2022 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.

Other reserves relates to the cost of shares held within the ExSOP of £2,154,000 (2021: £2,159,000) and the capital redemption reserve of £718,000 (2021: £718,000). The nominal value of the shares held in the ExSOP is £181,066 (2021: £181,126).

24 Options over shares of Synectics plc

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

ESAP

The ESAP was adopted on 23 April 2010. Deductions from salary are used to buy partnership shares in Synectics plc at the end of each six-month accumulation period. The Trustee will use any dividend income paid on these shares to buy further shares to be held in the scheme as dividend shares.

Partnership shares can be withdrawn from the scheme by the employee at any time, but withdrawals before the fifth anniversary after purchase are subject to income tax; withdrawals after the fifth anniversary of their purchase date can be made in full and are not subject to income tax. Dividend shares are required to be held in trust for a period of three years following the purchase date. Employees who leave the Group are required to withdraw all of their shares in the scheme and are subject to the same rules.

At 30 November 2022, the scheme holds 102,895 (2021: 96,062) ordinary shares with a market value of £115,757 (2021: £108,069).

Movements during the year were as follows:

	Number of shares
Shares held at 1 December 2021	96,062
Shares acquired during the year	31,437
Withdrawals from the scheme during the year	(24,604)
Shares held at 30 November 2022	**102,895**

ExSOP

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2022

24 Options over shares of Synectics plc continued

ExSOP continued

ExSOP shares outstanding at 30 November 2022 are exercisable as follows:

Date awarded	Exercise dates	Relevant share price at date of award	**2022 Number of shares**	2021 Number of shares
7 July 2009	8 July 2012 onwards	147.5p	**197,243**	197,243
7 March 2011	8 March 2014 onwards	178.0p	**108,000**	108,000
Balance of shares in respect of leavers			**600,086**	600,386
			905,329	905,629

Movements during the year were as follows:

	Number of shares
Shares held at 1 December 2021	905,629
Vested shares sold or transferred in the year	(300)
Shares held at 30 November 2022	**905,329**

Dividends have been waived in respect of the 600,086 (2021: 600,386) shares not specifically allocated to employees.

PSP

The 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 vesting period, at no cost to themselves. The number of shares that are awarded at the end of the vesting period is dependent on the achievement of certain performance criteria.

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.

2015-2019 PSP awards

The performance criteria are identical to those that apply under the existing ExSOP. Provided that the total return on Synectics plc shares has outperformed the Index by 5% or more in the three years following the award, beneficiaries will be entitled to receive the full number of shares awarded. If Synectics plc's share performance matches the Index, then 25% of the awarded shares will vest and between these points vesting will be pro-rata. If the total return on Synectics plc shares underperforms the Index, then no entitlement will vest. The limit on the number of shares over which interests may be awarded also remains unchanged.

2020-2021 awards and related 2022 modifications

In August 2020, a one-off award ('Executive option') was made to the Executive Directors vesting over a three to five-year period up to the end of the Company's financial year ending 30 November 2025. In August 2020 and March 2021, similar awards were made to include Persons Discharging Managerial Responsibilities ('PDMRs').

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

In May 2022 the performance criteria of the Executive option was varied and they will now be measured according to the average of the compound annual growth rate ('CAGR') of the total shareholder return ('TSR') and the CAGR of adjusted underlying diluted earnings per share ('EPS') achieved by the end of each of the Company's three relevant financial years, being three, four and five financial years respectively. If this average is 20% (previously 25%) or more, 100% of that tranche of options will vest. If this average is above 10% (previously 15%) and below, 20% (previously 25%), between 0% and 100% of the options will vest (on a straight-line basis). 75% of any options not vesting at the three-year and four-year vesting points may be carried forward to the following financial year. Any options not vesting at the end of the five-year period will lapse.

In August 2022, the performance criteria of the awards made to PDMRs in August 2020 and March 2021 were also varied (in line with the Executive option) and they will now be measured according to the average of the CAGR of the TSR and the CAGR of EPS achieved following the announcement of the Company's audited final results for the financial year ending 30 November 2023. If this average is 20% (previously 25%) or more, 100% of the Existing PDMR options will vest. If this average is above 10% (previously 15%) and below 20% (previously 25%), between 0% and 100% of the Existing PDMR options will vest (on a straight-line basis).

24 Options over shares of Synectics plc continued

PSP continued

2020-2021 awards and related 2022 modifications continued

The baseline for calculating the CAGR of TSR remains at £1.35 per share, and the baseline for calculating the CAGR of EPS remains at 11.87 pence per share (being the actual equivalent of the Company's EPS in the financial year ended 30 November 2019). Although the total vesting periods for the options remain unchanged, the periods over which the relevant CAGRs will be calculated will now commence from 30 November 2021, instead of from 7 August 2020 or 7 March 2021 as provided in the original grants, to allow for the impact of the Covid-19 hiatus affecting a substantial part of the Company's customer base.

2022 awards

To achieve alignment with the conditions attached to the Executive option granted in 2020, a one-off award was made in August 2022 to the Group Finance Director. This one-off award vests over an approximately 3.6-year period up to the announcement of the Company's audited final results for the financial year ending 30 November 2025 and is measured on the similar performance criteria to the amended Executive option. The options are divided into two equal tranches, with vesting dependent, inter alia, on the achievement of performance criteria for each of the Company's financial years ending 30 November 2024 and 2025.

The performance criteria of the 2022 one-off award is measured according to the average of the CAGR of the TSR and the CAGR of EPS. If this average is 20% or more, 100% of the award will vest. If this average is above 10% and below 20%, between 0% and 100% of the award will vest (on a straight-line basis).

PSP awards were also made in August 2022 to PDMRs on the same performance criteria, although these all vest over an approximately 2.6-year period and are exercisable from 2 August 2005.

PSP shares outstanding at 30 November 2022 are exercisable as follows:

Date awarded	Exercise dates	Relevant share price at date of award	**2022 Number of shares**	2021 Number of shares
30 March 2015	30 March 2018 onwards	125.0p	**1,000**	1,300
7 March 2019	7 March 2022 onwards	200.0p	**–**	45,000
7 August 2020	February 2024 onwards	130.0p	**140,000**	222,000
7 August 2020	February 2025 onwards	130.0p	**100,000**	162,000
7 August 2020	February 2026 onwards	130.0p	**100,000**	162,000
3 March 2021	3 March 2024 onwards	137.5p	**20,000**	20,000
2 August 2022	February 2025 onwards	117.5p	**162,000**	–
2 August 2022	February 2026 onwards	117.5p	**62,000**	–
			585,000	612,300

224,000 shares were awarded in the year (2021: 20,000), 251,000 expired (2021: 31,000) and 300 shares were exercised (2021: nil).

The weighted average expiry date of awards outstanding is 821 days (2021: 1,063 days) and the weighted average share price is 129.3p (2021: 135.6p)

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2022

25 Share-based payment charge

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

For the equity-settled share scheme awards, the estimate of the fair value of the services received for accounting purposes is measured based on a Black-Scholes option pricing model adjusted (based on a Monte Carlo simulation) to reflect the percentage reduction necessary as a result of the market-based performance conditions, using the following assumptions:

Synectics PSP	March 2019 awards	August 2020 3 yr awards	August 2020 4 yr awards	August 2020 5 yr awards	March 2021 3 yr awards	August 2022 4 yr awards	August 2022 5 yr awards
Number of share options awarded	65,000	222,000	162,000	162,000	20,000	162,000	62,000
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil	£nil
Share price on date of award	£2.00	£1.30	£1.30	£1.30	£1.375	£1.175	£1.175
Expected volatility	30%	50%	50%	50%	50%	50%	50%
Expected dividend yield	2.0%	4.0%	4.7%	5.3%	4.0%	3.22%	3.86%
Risk—free interest rate	1.35%	0.33%	0.33%	0.33%	0.33%	2.065%	2.065%
Vesting period	3 years	3.55 years	4.57 years	5.56 years	3 years	2.58 years	3.58 years
Expected life of option	3 years	3.55 years	4.57 years	5.56 years	3 years	2.58 years	3.58 years

Modifications 10 May 2022	August 2020 3 yr awards	August 2020 4 yr awards	August 2020 5 yr awards
Number of share options modified	162,000	162,000	162,000
Incremental fair value granted	£0.16	£0.16	£0.14
Share price on date of modification	£1.115	£1.115	£1.115
Expected volatility	50%	50%	50%
Expected dividend yield	2.24%	2.84%	3.48%
Risk—free interest rate	1.996%	1.996%	1.996%
Remaining vesting period	1.79 years	2.81 years	3.81 years
Expected life of modified option	1.79 years	2.81 years	3.81 years

Modifications 1 August 2022	August 2020 3 yr awards	March 2021 3 yr awards
Number of share options modified	40,000	20,000
Incremental fair value granted	£0.18	£0.18
Share price on date of modification	£1.165	£1,165
Expected volatility	50%	50%
Expected dividend yield	2.15%	2.15%
Risk—free interest rate	2.065%	2.065%
Remaining vesting period	1.57 years	1.57 years
Expected life of modified option	1.57 years	1.57 years

The weighted average fair value of options granted during 2022, at the date of grant, is £0.42 (2021: £0.44).

The expected volatility is based on historical volatility. In respect of the 2022, 2021 and 2020 options, historical volatility has been uplifted in order to account for the expectation of future growth in excess of historical volatility.

Share options and share scheme awards are granted under a service condition and also for grants to employees under the ExSOP and PSP, a performance measure based around the Company's share price relative to the Index.

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

	2022 £000	2021 £000
Equity-settled share-based payments	**49**	69

26 Contingent liabilities

There were no material contingent liabilities at 30 November 2022 or at 30 November 2021.

27 Related party transactions

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

Transactions with key management personnel are as follows:

	2022 £000	2021 £000
Salary and fees	**723**	602
Bonuses	**39**	–
Benefits	**8**	4
Total short-term remuneration	**770**	606
Post-employment benefits	**40**	41
Termination payment	**30**	–
Share-based payments	**25**	12
Social security costs	**97**	74
	962	733

Share options exercised by key management personnel during the year amounted to £nil (2021: £nil).

28 Capital commitments

At the year end, capital commitments not provided for in these financial statements amounted to £10,000 (2021: £4,000).

29 Pension commitments

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

a) Defined benefit scheme

The Group operates the Quadrant Group plc Retirement Benefit Scheme. This scheme includes a defined benefit section and a defined contribution section both in respect of past employees. The accrual of benefits in the defined benefit section ceased in 1996 and the liabilities relate only to members with preserved benefits or pensions in payment. A full actuarial valuation was carried out by a qualified independent actuary, independent of the scheme's sponsoring employer, as at 30 June 2019. These results have been updated to 30 November 2022. The major assumptions used by the actuary are shown below.

The Group has paid contributions of £nil (2021: £nil) in the year.

The disclosures below relate to the defined benefit section, with the contributions to the defined contribution section being disclosed in section b) on page 93.

Net defined benefit asset

	2022 £000	2021 £000
Fair value of scheme assets	**3,842**	5,191
Cash held in other debtors	**(52)**	(40)
Asset not recognised	**(80)**	–
Present value of scheme liabilities	**(3,710)**	(5,151)
Net defined benefit asset recognised in the Statement of Financial Position	**–**	–

Scheme cash of £80,000 has not been recognised as it is anticipated that the cash balance of £132,000 at 30 November 2022 will reduce in the period to the completion of the buy-out of the scheme.

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.

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

29 Pension commitments continued

a) Defined benefit scheme continued

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

	2022 £000	2021 £000
Defined benefit obligations at the start of the year	**5,151**	5,592
Interest cost	**85**	76
Remeasurements:		
– gains due to scheme experience	**–**	(24)
– (gain)/loss due to changes in demographic assumptions	**(4)**	26
– gains due to financial assumptions	**(1,243)**	(158)
Benefits paid	**(279)**	(361)
Defined benefit obligations at the end of the year	**3,710**	5,151

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

	2022 £000	2021 £000
Fair value of plan assets at the start of the year	**5,191**	6,917
Interest income	**86**	96
Return on plan assets, excluding amounts recognised in interest income	**(1,153)**	(1,459)
Contributions by the Company	**–**	–
Benefits and expenses paid	**(282)**	(363)
Fair value of plan assets at the end of the year	**3,842**	5,191

Assets

	2022 Fair value of plan assets £000	2021 Fair value of plan assets £000
Assets held by insurance company	**3,710**	5,151
Cash	**132**	40
Total assets	**3,842**	5,191

There are no 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 2022 was £nil (2021: £nil).

29 Pension commitments continued

a) Defined benefit scheme continued

Principal actuarial assumptions

	2022 % per annum	2021 % per annum
Inflation	**3.40**	4.00
Inflation (CPI)	**2.85**	3.45
Rate of discount	**4.60**	1.70
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.85**	3.45

The mortality assumptions adopted at 30 November 2022 imply the following life expectancies at age 65:

	2022 Years	2021 Years
Male currently aged 45	**22.9**	22.8
Female currently aged 45	**24.9**	24.8
Male currently aged 65	**21.6**	21.5
Female currently aged 65	**23.4**	23.3

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

The sensitivities shown are approximate and each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at 30 November 2022 is ten years (2021: twelve years).

	Change in assumption	Change in liability
Discount rate	Decrease of 0.25% p.a.	Increase by 2.3%
Rate of inflation	Increase of 0.25% p.a.	Increase by 0%
Rate of mortality	Increase in life expectancy of one year	Increase by 3.8%

The Company estimates that no additional contributions will be paid to the plan during the year ending 30 November 2023.

In 2020, the decision was taken before the year end by the Board of Trustees and approved by the plc Board of Directors to secure a "buy-out" for all remaining liabilities by an insurance company and to wind up the pension scheme. During the year to 30 November 2021, an insurance company insured the pension liabilities which existed at 30 November 2020. The insurance policies are held by the scheme trustee and therefore are considered to be assets of the Group. A remeasurement loss of £nil (2021: £1,073,000) has risen following the transaction which has been recognised in other comprehensive income. It is expected that the "buy-out" process will be completed in 2023.

b) Defined contribution schemes

There are a number of defined contribution pension schemes operated by various companies within the Group. The Group's total expense for continuing operations for these other schemes in the year was £919,000 (2021: £947,000).

30 Financial instruments

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Group consists of cash held in interest-bearing current accounts (note 19), bank overdrafts (note 19) and equity attributable to equity holders of the Parent, comprising issued share capital (note 23), reserves and retained earnings. The Group is not subject to any externally imposed capital requirements. The Group's dividend policy depends on both the earnings profile and investment opportunities together with wider macro-economic factors.

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

30 Financial instruments continued

Foreign currency risk

The Group operates internationally giving rise to exposure from changes in foreign exchange rates. The main foreign currencies in which the Group currently operates are the US dollar and the euro.

The Group's policy is to manage transaction exposure in respect of the Group's UK subsidiaries where appropriate through the use of forward exchange contracts, which are entered into in respect of forecast foreign currency transactions when the amount and timing of such forecast transactions becomes reasonably certain. At 30 November 2022, the Group had the following commitments in respect of forward exchange contracts:

	2022		2021	
	$000	Average rate $:£	$000	Average rate $:£
Forward US dollar sales	–	–	500	1.338
Forward US dollar purchases	–	–	–	–

The fair value of these forward foreign exchange contracts in 2021 is presented within trade and other receivables. Hedge accounting has not been applied.

At 30 November 2022, certain subsidiaries within the Group had the following forecast foreign currency transactions during the next two years which have not been hedged:

	2022		2021	
	€000	$000	€000	$000
Receipts	1,089	22,052	7,721	20,046
Payments	(4,014)	(22,505)	(1,284)	(24,556)

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 4.2% (2021: 6.1%) of the Group's net assets as follows:

Functional currency of entity	2022 %	2021 %
US dollars	(1.3)	(1.1)
Euros	5.5	7.2
Total	4.2	6.1

Translation exposure in respect of these assets is not hedged.

At 30 November 2022, the Group held foreign currency cash balances of $2,303,000 (2021: $1,420,000), €244,000 (2021: €241,000) and S$250,000 (2021: S$352,000).

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

	USD impact		Euro impact	
	2022 £000	2021 £000	2022 £000	2021 £000
Profit/(loss)	858	(204)	(28)	(24)
Other equity	205	(299)	508	548
Total	1,063	(503)	480	524

30 Financial instruments continued

Foreign currency risk continued

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

	2022 Sterling £000	2022 USD £000	2021 Sterling £000	2021 USD £000
Sterling	**–**	**263**	–	587
US dollars	**(1,355)**	**–**	(842)	–
Euros	**(145)**	**–**	33	–
Singapore dollars	**–**	**25**	–	31
Total	**(1,500)**	**288**	(809)	618

Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations, resulting in financial loss to the Group, and arises principally from the Group's receivables from customers and interest-bearing current accounts. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit using information supplied by independent rating agencies where available. The Group also uses other publicly available information and its own trading records to rate major customers. The credit risk on current accounts is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

For some trade receivables the Group may obtain security in the form of guarantees or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

At the Statement of Financial Position date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Consolidated Statement of Financial Position.

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:

	2022 £000	2021 £000
Current accounts (note 19)	**4,256**	4,641

The level of the Group's bank overdraft facilities is reviewed annually, and at 30 November 2022 the Group had undrawn overdraft facilities of up to 3.0 million, on which interest would be payable at the rate of bank base rate plus 2.5%.

Financial liabilities of the Group principally comprise trade creditors falling due for payment within twelve months of the Statement of Financial Position date (2021: twelve months), an undrawn bank overdraft (2021: undrawn) repayable on demand and lease liabilities.

Interest risk

Interest-bearing assets comprise cash held in current accounts, earning interest at bank base rate. During the year these bank deposits bore interest at base rate. The Group benchmarks the rates being obtained in order to maximise its returns within the credit risk framework referred to above.

Interest rates charged for the bank overdraft are set out in note 19.

The Group's funding position did not carry any significant interest rate risk at 30 November 2022 or 30 November 2021.

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

Notes to the Consolidated Financial Statements continued
For the year ended 30 November 2022

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.

The following companies have taken their entitlement to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies for the year ended 30 November 2022:

- Synectics EFX Limited; and
- Protec Limited.

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

32 Post-balance sheet events

There are no material post-balance sheet events known at the date of this report.

Company Statement of Comprehensive Income
For the year ended 30 November 2022

	2022 £000	2021 £000
Loss for the year	**(2,232)**	(1,204)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement loss on defined benefit pension scheme, net of tax	**–**	(1,073)
Total comprehensive expense for the year	**(2,232)**	(2,277)

Company Statement of Changes in Equity
For the year ended 30 November 2022

	Called up share capital £000	Share premium account £000	Merger reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 1 December 2020	3,559	16,043	9,971	(572)	13,551	42,552
Loss for the year	–	–	–	–	(1,204)	(1,204)
Other comprehensive expense						
Remeasurement loss on defined benefit pension scheme, net of tax	–	–	–	–	(1,073)	(1,073)
Total other comprehensive expense	–	–	–	–	(1,073)	(1,073)
Total comprehensive expense for the year	–	–	–	–	(2,277)	(2,277)
Transactions with owners in their capacity as owners						
Credit in relation to share-based payments	–	–	–	–	69	69
At 30 November 2021	3,559	16,043	9,971	(572)	11,343	40,344
Loss for the year	–	–	–	–	(2,232)	(2,232)
Other comprehensive expense						
Total other comprehensive expense	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	(2,232)	(2,232)
Transactions with owners in their capacity as owners						
Dividends paid	–	–	–	–	(253)	(253)
Credit in relation to share-based payments	–	–	–	–	49	49
At 30 November 2022	**3,559**	**16,043**	**9,971**	**(572)**	**8,907**	**37,908**

Company Statement of Financial Position
For the year ended 30 November 2022

	Note	2022 £000	2021 £000
Non-current assets			
Plant and equipment	4	**30**	8
Intangible assets	5	**9**	13
Deferred tax assets	10	**1,230**	–
Investments in subsidiary undertakings	6	**35,846**	35,836
		37,115	35,857
Current assets			
Other receivables	7	**5,661**	4,659
Cash at bank and in hand		**617**	808
Current tax		**21**	–
Deferred tax assets	10	**–**	348
		6,299	5,815
Total assets		**43,414**	41,672
Current liabilities			
Trade and other payables	9	**(5,363)**	(1,328)
		(5,363)	(1,328)
Non-current liabilities			
Deferred tax liabilities	10	**(143)**	–
		(143)	–
Total liabilities		**(5,506)**	(1,328)
Net assets		**37,908**	40,344
Equity			
Called up share capital	11	**3,559**	3,559
Share premium account		**16,043**	16,043
Merger reserve		**9,971**	9,971
Other reserves		**(572)**	(572)
Retained earnings		**8,907**	11,343
Total equity		**37,908**	40,344

The amount of loss for the year of the Company is £2.2 million (2021: loss £1.2 million).

The financial statements on pages 97 to 104 were approved and authorised for issue by the Board of Directors on 21 February 2023 and were signed on its behalf by:

Paul Webb
Director

Amanda Larnder
Director

Company number: 1740011

Notes to the Company Financial Statements
As at 30 November 2022

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

1 Company accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework'. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted International Accounting Standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions. Figures in these financial statements have been rounded to the nearest thousand (£000).

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

- paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payments' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7 'Financial Instruments: Disclosures'; and
- paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

Paragraph 38 of IAS 1 'Presentation of Financial Statements', comparative information requirements in respect of:

- paragraph 79(a)(iv) of IAS 1;
- paragraph 73 of IAS 16 'Property, Plant and Equipment'; and
- paragraph 118 (c) of IAS 28 'Intangible assets'

The following paragraphs of IAS 1 'Presentation of Financial Statements':

- 10(d) (statement of cash flows);
- 10(f)(a) (statement of financial position as at the beginning of the preceding period);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B–D (additional comparative information);
- 40A–D (requirements for a third statement of financial position);
- 111 (cash flow statement information);
- 134–136 (capital management disclosures);
- IAS 7 'Statement of Cash Flows';
- paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but not yet effective);
- paragraph 17 and 18A of IAS 24 'Related Party Disclosures' (key management compensation); and
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

In accordance with section 408(3) of the Companies Act 2006, the Company is exempt from the requirement to present its own Income Statement.

The financial statements have been prepared under the historical cost convention.

Going concern

The Directors have assessed, in light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the Parent Company financial statements. For further consideration of the going concern position of the Group see note 1 of the Group accounts.

Significant accounting policies

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

Notes to the Company Financial Statements continued
As at 30 November 2022

1 Company accounting policies continued

Investments in subsidiaries

Fixed asset investments in subsidiaries are stated at cost plus deemed capital contributions arising from share-based payment transactions less any provision for impairment. The Company records an increase in its investments in subsidiaries equal to the share-based payments charge recognised by its subsidiaries with a corresponding credit to equity. Details of the Group's share-based payment charge are set out in note 26 of the Group financial statements.

Employee share schemes

Transactions of the Company-sponsored ExSOP are treated as being those of the Company and are therefore reflected in the Parent Company financial statements. In particular, the scheme's purchases of shares in the Company are debited directly to equity.

Other significant accounting policies

Other significant accounting policies are consistent with the Group accounts and are disclosed in note 1 of the Group accounts.

Critical accounting estimates and judgements

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

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

Management has discussed its significant estimates and associated disclosures with the Audit Committee. An area involving a higher degree of judgement or complexity is the recoverability of the Company's investment in subsidiaries. The Company assesses the carrying value of its investments in subsidiaries using the value-in-use model. The value-in-use calculation includes estimates about future financial performance and long-term growth rates and requires management to select a suitable discount rate in order to calculate the present value of those cash flows. Management used pre-tax discount rates between 12.4% and 15.5% (see note 16 in the Group accounts). The future cash flows used in the value-in-use calculations are based on the latest five-year financial plans approved by the Board. Cash flows beyond that period have been extrapolated into perpetuity using a 2.0% per annum growth rate (2021: 2.0%).

Another area involving a higher degree of judgement is the inter-group balances (note 7) and impairment of these. Management assess the inter-group balances annually and assess repayment ability of the group Company's. Impairment is assessed using a 2-15% (2021: 2-15%) sensitivity for the margin of default expected. A provision of £440,000 (2021: £440,000) is in place and this is deemed satisfactory by management.

2 Auditor's remuneration

Fees payable to the Company's auditor for the audit of the Company's annual accounts are £62,000 (2021: £56,000).

3 Directors and employees

Detailed information on the emoluments, pensions, option holdings and shareholdings for each Director is shown in the Remuneration Committee Report on pages 44 to 47. All the Directors included in the Remuneration Committee Report are also Directors of the Company.

The average number of persons (including Executive Directors) employed by the Company during the year was 21 (2021: 19).

4 Plant and equipment

	£000
Cost	
At 1 December 2021	211
Additions	36
At 30 November 2022	**247**
Depreciation	
At 1 December 2021	(203)
Charge for the year	(14)
At 30 November 2022	**(217)**
Net book value	
At 30 November 2022	**30**
At 30 November 2021	8

5 Intangible assets

	£000
Cost	
At 1 December 2021	164
Additions	–
At 30 November 2022	**164**
Amortisation	
At 1 December 2021	(151)
Charge for the year	(4)
At 30 November 2022	**(155)**
Net book value	
At 30 November 2022	**9**
At 30 November 2021	13

6 Investments in subsidiary undertakings

	£000
Cost	
At 1 December 2021	44,351
Disposal	–
Share-based payments capital contribution	10
At 30 November 2022	**44,361**
Provision for impairment at 1 December 2021	(8,515)
Impairment in the year	–
Provision for impairment at 30 November 2022	**(8,515)**
Net book value	
At 30 November 2022	**35,846**
At 30 November 2021	35,836

Notes to the Company Financial Statements continued
As at 30 November 2022

6 Investments in subsidiary undertakings continued

Details of the Company's subsidiaries at 30 November 2022 are as follows:

	Registered office (see footnote)	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	1	UK	Ordinary shares	100%	Design and development of security and surveillance solutions
Synectics Security Limited	2	UK	Ordinary shares	100%	Design, installation and maintenance of security and surveillance solutions
Synectic Systems, Inc.	3	USA	Common stock	100%	Design and supply of security and surveillance solutions
Synectics EFX Limited	1	UK	Ordinary shares	100%	Intermediate holding company
Coex Limited	1	UK	Ordinary shares	100%	Dormant
Flash No.1 Limited	1	UK	Ordinary shares	99.9%	Dormant
Flash No.2 Limited	1	UK	Ordinary shares	50%	Dormant
Flash No.3 Limited	1	UK	Ordinary shares	100%	Dormant
Fotovalue Limited	1	UK	Ordinary shares	100%	Dormant
Foxall & Chapman Limited	1	UK	Ordinary shares	99.9%	Dormant
Look CCTV Limited	1	UK	Ordinary shares	50%	Dormant
Look Closed Circuit TV Limited	1	UK	Ordinary shares	100%	Dormant
Midlands Video Systems Limited	1	UK	Ordinary shares	50%	Dormant
Monument Photographic Laboratories Limited	1	UK	Ordinary shares	100%	Dormant
MVS (Research) Limited	1	UK	Ordinary shares	99.9%	Dormant
Newco 3006 Limited	1	UK	Ordinary shares	99.9%	Dormant
Protec Limited	1	UK	Ordinary shares	100%	Non-trading
QSG Limited	1	UK	Ordinary shares	99%	Dormant
Quadnetics Employees' Trustees Limited	1	UK	Ordinary shares	100%	Non-trading
Quadnetics Group Limited	1	UK	Ordinary shares	100%	Dormant
Quadnetics Limited	1	UK	Ordinary shares	99.9%	Dormant
Quadnetics SIP Trustees Limited	1	UK	Ordinary shares	100%	Non-trading
Synectics Managed Services Limited	1	UK	Ordinary shares	100%	Dormant
Quadrant Properties Limited	1	UK	Ordinary shares	99.9%	Dormant
Quadrant Research & Development Limited	1	UK	Ordinary shares	99.9%	Dormant
Quadrant Security Group Limited	1	UK	Ordinary shares	99%	Dormant
Quick Imaging Centre Limited	1	UK	Ordinary shares	99.9%	Dormant
S&M (Processing) Limited	1	UK	Ordinary shares	99.9%	Dormant
Sanpho Pension Trustees Limited	1	UK	Ordinary shares	50%	Dormant
SSS Managed Services Limited	1	UK	Ordinary shares	100%	Dormant
Stanmore Systems Limited	1	UK	Ordinary shares	99.9%	Dormant
Synectics Group Limited	1	UK	Ordinary shares	100%	Dormant
Synectics High Security Limited	1	UK	Ordinary shares	50%	Dormant
Synectics Industrial Systems Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Mobile Systems Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Security Networks Limited	1	UK	Ordinary shares	100%	Dormant
Synectic Systems Limited	1	UK	Ordinary shares	99.9%	Dormant
Synectics Surveillance Technology Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Technology Centre Limited	1	UK	Ordinary shares	100%	Dormant

6 Investments in subsidiary undertakings continued

	Registered office (see footnote)	Country of incorporation	Class of share	Nature of business
Indirectly held by Synectics plc				
Indanet GmbH	4	Germany	Ordinary shares	Intermediate holding company
Synectic Systems GmbH	4	Germany	Ordinary shares	Design and supply of security and surveillance solutions
Synectic Systems (Asia) Pte Limited	5	Singapore	Ordinary shares	Design and supply of security and surveillance solutions
Synectic Systems (Macau) Limited	6	Macau	Ordinary shares	Design and supply of security and surveillance solutions
Synectics No. 2 Limited	1	UK	Ordinary shares	Dormant

1 Synectics House, 3–4 Broadfield Close, Sheffield S8 0XN, UK.
2 3 Attenborough Lane, Chilwell, Nottingham NG9 5JN, UK.
3 6398 Cindy Lane, Suite 200, Carpinteria, California, USA.
4 Wilhelmstraße 118, 10963 Berlin, Germany.
5 150 Kampong Ampat, #01-01/01-01 A, Singapore 368324.
6 Avenida do Dr. Rodrigo Rodrigues, No. 600-E, Centro Comercial First Nacional, P14-04, Macau.

7 Other receivables

	2022 £000	2021 £000
Other receivables	**123**	76
Amounts due from subsidiaries	**5,459**	4,540
Prepayments	**79**	43
	5,661	4,659

Amounts due from subsidiaries are net of an expected credit loss provision of £1.3 million (2021: £1.3 million). Amounts owed from subsidiaries are repayable on demand and attract an arm's length rate of interest dependent on the territory in which the subsidiary resides.

8 Loans and borrowings

Loans and borrowings comprise the Company's overdraft facilities. The fair value of financial liabilities is not substantially different from the carrying value. The terms and debt repayment details are as follows:

	Value drawn £000	Maturity	Interest rate	Security
£3.0 million overdraft	–	On demand	Base +2.5%	Group assets

The bank overdraft facility is undrawn at the year end on a net basis and is part of a Group offset arrangement.

9 Trade and other payables

	2022 £000	2021 £000
Trade payables	**339**	79
Amounts owed to subsidiaries	**4,191**	975
Accruals	**833**	274
	5,363	1,328

Amounts owed to subsidiaries are repayable on demand and attract an arm's length rate of interest dependent on the territory in which the subsidiary resides.

10 Tax

	Deferred tax asset £000	Deferred tax liability £000	Total £000
At 1 December 2021	(348)	–	(348)
(Credited)/charged to the Income Statement	(882)	143	(739)
At 30 November 2022	**(1,230)**	**143**	**(1,087)**

Notes to the Company Financial Statements continued
As at 30 November 2022

10 Tax continued

The net deferred tax position at 30 November 2022 is £1,087,000 (2021: £348,000) and is set out below:

	2022 £000	2021 £000
Fixed asset timing differences	**(42)**	(44)
Other timing differences	**(168)**	(2)
Tax losses	**(877)**	(302)
	(1,087)	(348)

11 Called up share capital and reserves

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

	2022		2021	
	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 performance bonds amounting to £nil at 30 November 2022 (2021: £nil).

13 Capital commitments

At 30 November 2022, capital commitments not provided for in these financial statements amounted to £nil (2021: £nil).

14 Pension commitments

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

Defined contribution schemes

Contributions made by the Company to the defined contribution section of the Quadrant Group plc Retirement Benefit Scheme in the year amounted to £nil (2021: £nil).

In addition, the Company's total expense for other defined contribution pension schemes during the year was £75,000 (2021: £48,000).

Defined benefit schemes

There are no assets or liabilities in the pension scheme as at 30 November 2022. The table below sets out the gross assets and liabilities of the Group's closed defined benefit pension scheme that have been recognised in the Company's Statement of Financial Position as at 30 November 2022.

	2022 £000	2021 £000
Fair value of scheme assets	**3,842**	5,191
Cash held in other debtors	**(52)**	(40)
Asset not recognised	**(80)**	–
Present value of scheme liabilities	**(3,710)**	(5,151)
Net defined benefit asset recognised in the Statement of Financial Position	**–**	–

Scheme cash of £80,000 has not been recognised as it is anticipated that the cash balance of £132,000 at 30 November 2022 will reduce in the period to the completion of the buy-out of the scheme.

15 Post-balance sheet events

There are no material post-balance sheet events known at the date of this report.

Principal Subsidiaries

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

Synectic Systems Group Limited

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

Synectics House
3–4 Broadfield Close
Sheffield S8 0XN

Moat Road
Normanby Enterprise Park
North Lincolnshire DN15 9BL

Synectic Systems, Inc.

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

6398 Cindy Lane, Suite 200
Carpinteria
California, 93013
USA

Synectic Systems GmbH

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

Wilhelmstraße 118
10963 Berlin
Germany

Synectic Systems (Asia) Pte Limited

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

150 Kampong Ampat
#01-01/01-01A
Singapore 368324

Synectic Systems (Macau) Limited

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

Avenida do Dr. Rodrigo Rodrigues
No. 600-E
Centro Comercial First Nacional
P14-04
Macau

Synectics Security Limited

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

3 Attenborough Lane
Chilwell
Nottingham NG9 5JN

Advisers

Secretary and registered office

Claire Stewart

Synectics House
3–4 Broadfield Close
Sheffield S8 0XN

Nominated Adviser

Shore Capital & Corporate Ltd

Cassini House
57 St James's St
London SW1A 1LD

Auditor

RSM UK Audit LLP

14th Floor
20 Chapel Street
Liverpool L3 9AG

Bankers

Lloyds Bank plc

2nd Floor
125 Colmore Row
Birmingham B3 3SF

Stockbrokers

Shore Capital Stockbrokers Limited

Cassini House
57—58 St James's St
London SW1A 1LD

Registrars and transfer office

Link Group

10th Floor
Central Square
29 Wellington Street
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