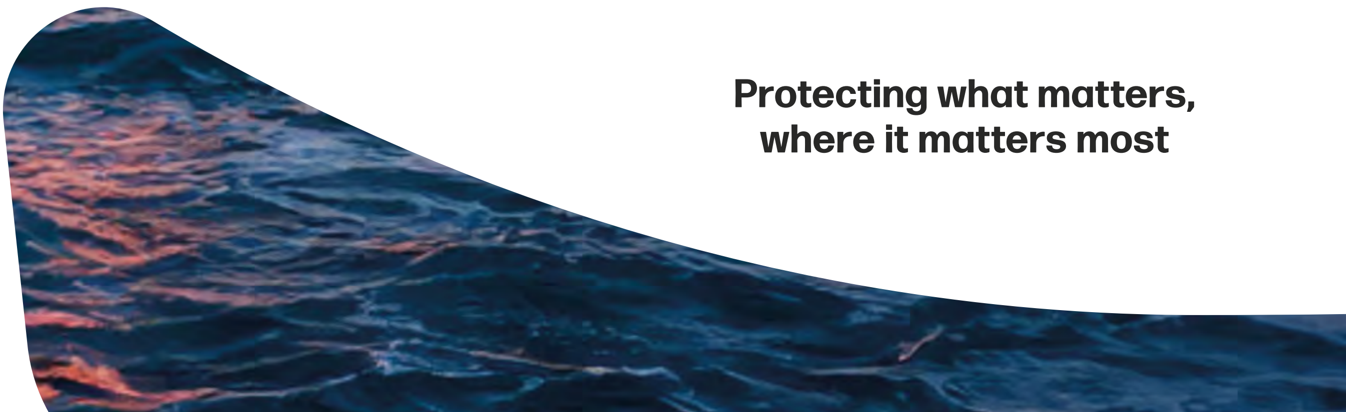
A Leader in advanced Security and Surveillance Systems

Synectics plc Annual Report & Accounts 2023



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.

Our vision

To 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.

Our values

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

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

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

* Synectics plc is referred to as 'Synectics', the 'Company' and the 'Group' in this document.

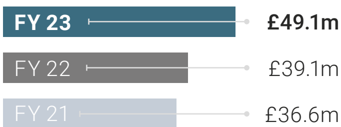
Highlights[1]

- Revenue increased 26% to £49.1 million (2022: £39.1 million)
- Substantial increase in underlying operating profit[2] to £3.1 million (2022: £1.2 million)
- Underlying EBITDA[3] increased to £4.8 million (2022: £3.2 million)
- Underlying earnings per share[4] increased to 14.2p (2022: 6.9p)
- Net cash at 30 November 2023 of £4.6 million with no bank debt[5] (30 November 2022: £4.3 million)
- Strong order book at 30 November 2023 of £29.2 million (30 November 2022: £24.4 million)
- Recommended final dividend increased by 50% to 3.0p per share (FY 2022: 2.0p)
- Strong results, exceeding market expectations, underpinned by growing demand from the oil and gas sector
- Solid order book, reinforced by sound order intake and significant contract wins across all sectors, with continued momentum into 2024
- Continued investment in technology development saw the release of new AI and sector-specific features to the proprietary Synergy software platform, and advancements to the COEX explosion-protected camera stations range
- Ongoing focus on specialist, core markets – gaming, oil and gas, public space, transport and critical infrastructure – offers significant growth opportunities

Financial Overview

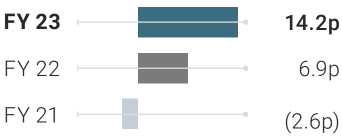
£49.1 million

Revenue



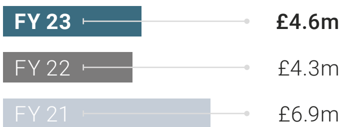
14.2p

Underlying diluted EPS[1]



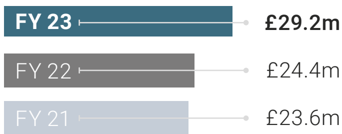
£4.6 million

Net cash



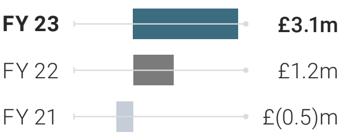
£29.2 million

Order book



£3.1 million

Underlying operating profit/(loss[1])



1. Following the disposal of a non-core business in November 2022, all comparative figures in this announcement reflect continuing operations, unless otherwise stated.
2. Underlying operating profit represents profit before tax, finance costs and non-underlying items (see note 6).
3. Underlying EBITDA represents profit before finance costs, tax, depreciation, amortisation and non-underlying items.
4. Underlying earnings per share are based on underlying profit after tax but before non-underlying items.
5. Excluding IFRS 16 lease liabilities.

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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.

Our IP

Our core IP comprises of our proprietary Synergy security and surveillance software and our COEX explosion-proof camera range.

Synergy Software

Synergy is a highly scalable, flexible and user-friendly security and surveillance system. It's trusted to protect some of the most challenging and regulatory demanding environments across the globe.

→ Read more on our products on pages 8 to 13

COEX Cameras

Manufactured in the UK, our COEX cameras ensure clear, accurate, and unfailing image quality in hazardous environments.

Our Markets

Gaming

Oil & Gas

Public Space

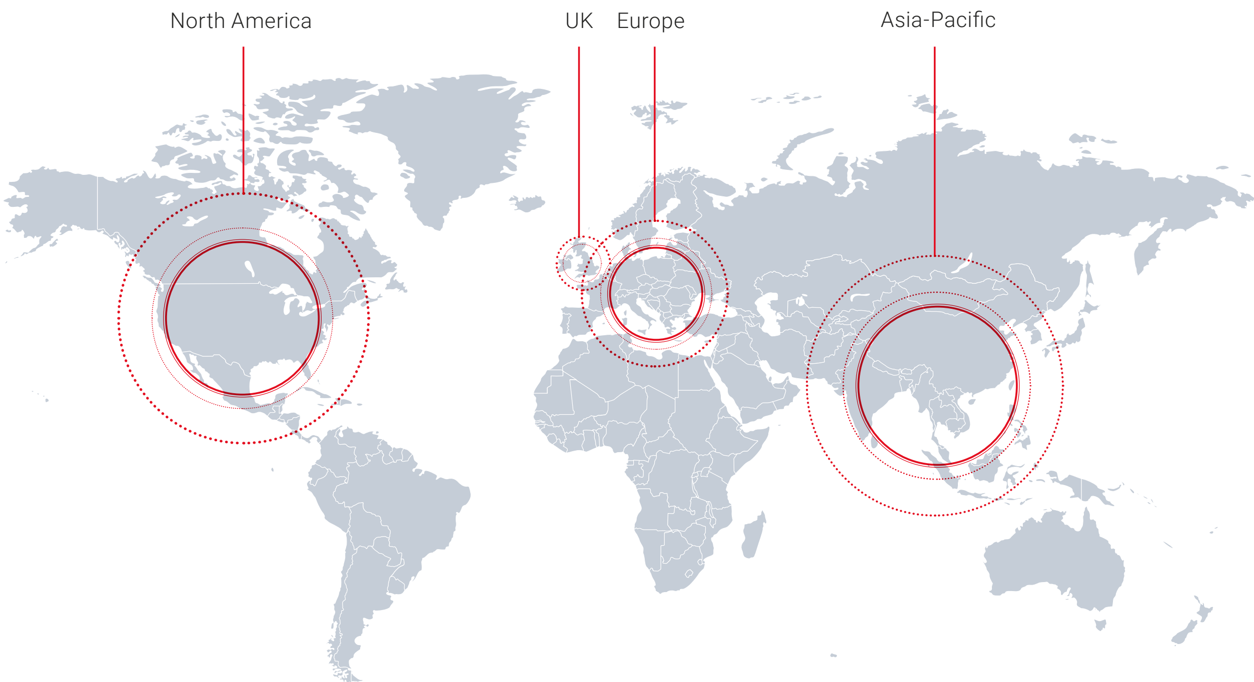
Transport

Critical Infrastructure

→ Read more on our markets on pages 14 and 15

Where We Work

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



Why Invest?

Synectics represents a compelling investment opportunity for those seeking a combination of stability, innovation, and reputation operating in strong and growing markets across the globe.

1

Dividend-paying UK-based technology company with global operations

Our company is a technological innovator addressing a global market and provides investors with stable dividends.

2

Trusted brand with strategic partnerships and sales channels

We've built a strong reputation with long-standing customers and partnerships and, alongside our diversified sales channels network, have ensured a wide reach and strong sales opportunities.

3

Continued customer-driven innovation, including AI capabilities

Our products are at the forefront of technological advancement, incorporating artificial intelligence and other capabilities to deliver cutting-edge security and surveillance solutions.

4

Tailored solutions for specialist markets with high barriers to entry

Our solutions are specially designed for very particular markets with high barriers to entry, presenting lucrative opportunities in sectors often challenging to penetrate.

5

Poised to deliver growth in strong and growing markets

We're a company strategically positioned for growth, backed by a strong track record, and ready to capitalise on emerging opportunities in our target markets.

Synectics delivered a strong operational and financial performance in FY 2023, exceeding the market's expectations

Steve Coggins
Interim Chair
26 February 2024

This excellent performance is testament to the strength of the Company's proposition, the ongoing dedication of its employees, the quality of its customer relationships and the strategic focus of its senior management team who continue to provide stability and guidance.

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

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

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

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

We were deeply saddened to hear of the passing of David Coghlan, earlier this month. David's contribution to the Company over his 16-year tenure was immeasurable, and he personified our values. On behalf of everyone in the Company, we offer our sincere condolences to his family.

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

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

Building on these foundations, the Company is ideally placed to capitalise further on its specialist end markets.

The Company has seen continued sales momentum, driven by a robust order book and a strong pipeline

Paul Webb
Chief Executive Officer
26 February 2024

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

Underlying operating profit[1] increased substantially to £3.1 million (FY 2022: £1.2 million) on the back of increased revenue, up 26% to £49.1 million (FY 2022: £39.1 million).

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

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

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

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

Our global business

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

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

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

1. Underlying profit represents profit before tax, finance costs and non-underlying items, see note 6.

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

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

Business review

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

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

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

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

- leveraging expertise in its core specialist markets;
- extending partnerships with local partners in each market and geography;
- recruiting, developing and retaining talent;
- investing in new technology and product development; and

building on long-standing customer relationships to expand revenue streams.

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

Technology

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

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

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

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

In FY 2023, the Company spent a total of £3.2 million on technology development (FY 2022: £3.2 million). Of this, £1.0 million was capitalised (FY 2022: £0.2 million), and the remainder was expensed to the Income Statement. £0.7 million of previously capitalised development cost was amortised in the year (FY 2022: £1.0 million). These figures are included in the results of the Systems division on page 24.

ESG

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

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

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

People

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

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

Outlook

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

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

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

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

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

We have made significant strides in advancing the development of our core intellectual property

Throughout the year, the Company specifically focused on the evolution of the Synergy and the COEX camera station range.

We continued with a focus on releasing product enhancements and integrations that enable our solutions to expand beyond the control room, with time and money saving operational features built with the latest technology.

Cutting-Edge Cloud Enhancements

Our cloud solutions have taken significant leaps forward from both architectural and functionality perspectives. Added support for multiple regions ensures our global customers comply with any regional data sovereignty regulations whilst only onwards sharing the exact moments of footage through the most secure authentication and authorisation techniques.

Expanding AI and Analytics

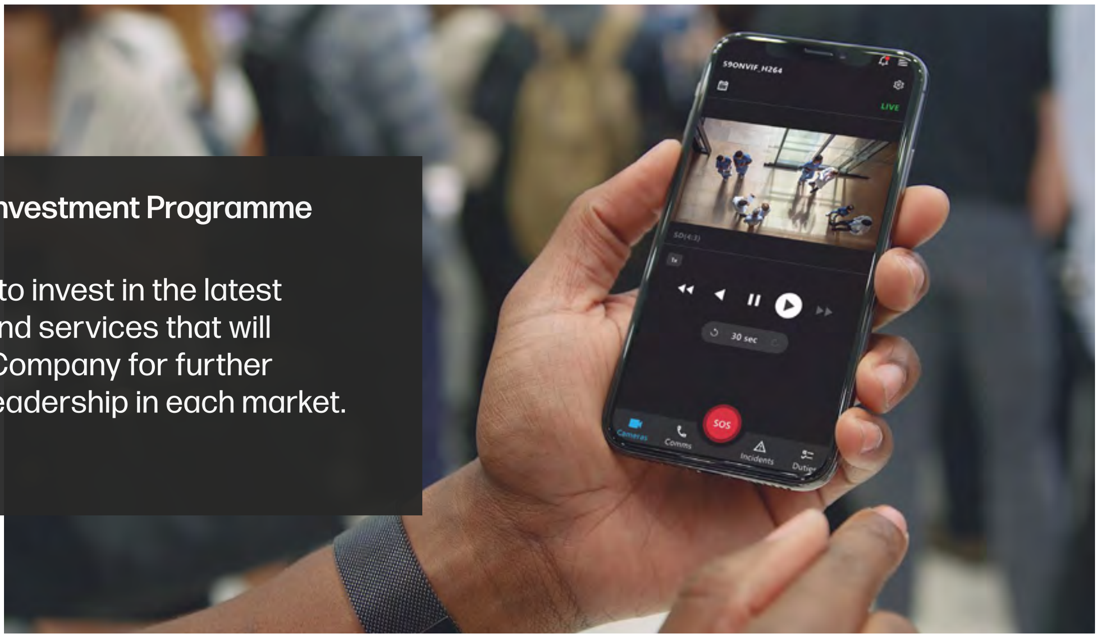
In a strategic step towards the future, we have seamlessly integrated our solutions with third-party AI and analytics tools. This has enabled customers to benefit from intelligent queue management to intruder or suspicious activity detection.

Improved Mapping Capabilities

The quest for efficiency is at the core of our product development philosophy. We've introduced enhanced mapping capabilities, including auto-plotting and improved map navigation to streamline operations. Additional premium GIS maps have been added to support customer functionality requirements, such as dynamic layer support for traffic flow monitoring and real-time location services.

Fortifying Cybersecurity and Data Privacy

In an era where cyber threats loom large, we continue to take proactive measures to fortify Synergy against potential cyber-attacks. Tighter controls on user activity and enhanced encryption protocols within Synergy serve as a formidable defence mechanism, ensuring the integrity and security of our systems.



Technology Investment Programme

We continue to invest in the latest technology and services that will position the Company for further growth and leadership in each market.

Where We're Investing

Cloud Services	IT departments are increasingly involved in the decision-making of surveillance solutions. Our investment focus is ensuring that Synergy's architecture is flexible to enable deployment in numerous infrastructure/network platform configurations, whether on-premises, hybrid, cloud, or hyper-converged. We'll continue to ensure that our customers can seamlessly transition from on-premises deployment to cloud as their needs change.
AI and Analytics	Renowned for our expertise in technology integration, we are poised to deliver cutting-edge AI technology natively into Synergy. Our commitment extends to offering not only native AI, but an unparalleled experience with third-party AI tools, including embedded video forensic search capabilities ensuring customers are able to deploy best-of-breed technology to suit their specific needs.
Subscription Model and SaaS	By prioritising choice, cost management, and flexibility for our customers, our adoption of a subscription model and SaaS is poised to shape the future of Synergy with support for our customers preferred procurement and deployment method.
Mobile	Our mobile app will continue to focus on streamlining task management, coordination, delegation, collaboration, and communication with real-time notifications – extending beyond the control room for workforce empowerment.
Enhanced Web Features	Our commitment to facilitating an anytime, anywhere Synergy experience is underscored by ongoing investments in web-based functionalities. Ensuring flexible access for both customers and their stakeholders is paramount, particularly for remote working, on-location incident management, and seamless evidence sharing.
Camera Performance	We're dedicated to advancing our COEX and Synectics IP camera ranges, focusing on performance enhancements and integrating features like 4K, radiometrics, and edge AI/analytics seamlessly with Synergy.

Advancing security and surveillance beyond the control room

Over the past year, Synectics has successfully implemented cutting-edge surveillance technologies across multiple projects, resulting in substantial benefits for our customers. Through the strategic integration of the latest advancements in surveillance systems, our company has enhanced stakeholder collaborations, streamlined multi-site management, and facilitated seamless remote access via both web and mobile platforms.

By staying at the forefront of technological innovation, Synectics has not only bolstered the security measures in place but has also transformed the way our customers interact with their surveillance system. The implementation of these state-of-the-art technologies has fostered improved communication and cooperation among stakeholders, leading to more efficient and effective security.

Improving Incident Management Through Collaboration

Throughout the year, we've continued to work closely with our customers to ensure our technology supports their requirements to seamlessly coordinate activity and share information with law enforcement and emergency services during an incident.

The Cloud Evidence Locker also continues to prove to be an invaluable tool, enabling our customers to easily store, share and manage evidence with relevant parties.

Streamlining Operations with Multi-Site Management

There's a growing demand from our customers to have the ability to monitor and manage their entire estate from a single location. Capitalising on Synergy's inherent scalability, we have strategically fortified our platform.

These advancements have empowered our customers to improve operational efficiency by equipping their security teams with the tools to ensure a consistent response, automate and synchronise lockdown/evacuation protocols, and facilitate seamless local and remote access.

Complete Situational Awareness Anytime, Anywhere

We have made substantial investments in bolstering Synergy's remote access capabilities, aiming to improve situational awareness outside of the control room.

This enhancement empowers authorised users to securely observe live or recorded video footage, receive prompt alarm notifications, and access comprehensive reporting seamlessly from any connected device.

Enhancing Mobile Communication

Synergy's mobile application is undergoing continuous development, introducing a range of new features that empower field-based personnel to seamlessly receive and transmit updates, access scheduled security tasks and guided workflows.

Safeguarding Oil & Gas facilities

As leaders in the field of explosion-proof camera technology, maintaining our position at the forefront of the industry is imperative. We are dedicated to consistently providing the latest security and surveillance solutions tailored for both onshore and offshore oil and gas facilities.

Over the past year, our COEX cameras have undergone significant advancements, showcasing some of the most sophisticated camera technology on the market.

This commitment to innovation has resulted in securing substantial contracts, enabling the widespread deployment of COEX cameras across strategic regions such as the Middle East, Australia, and the Gulf of Mexico. These achievements underscore our leadership in delivering solutions that meet the evolving needs of the global oil & gas market.

Improving Process Monitoring with 4K

Synectics was the first technology specialist to guarantee +70°C certification and 4K capabilities for hazardous-area cameras.

In these locations, safety is paramount and access is restricted and has protocols in place. COEX cameras with 4K technology provide a greater level of interrogation of live and recorded footage with the precise, sharp image quality required for critical monitoring, reducing the risk of missing vital information.

Increased Protection with Analytics

COEX cameras enhance threat detection capabilities at the edge for oil and gas facilities. These facilities are extensive and demand significant bandwidth, requiring careful management. Video transmission is set to lower quality as a default, switching to higher quality only when a specific event occurs.

This ensures operators receive notifications when an analytics event is triggered, providing high-resolution footage exclusively for noteworthy incidents, like when a virtual tripwire is crossed.

Shifting the analytical processing to the edge minimises the necessity for numerous servers and network equipment, ultimately leading to reduced maintenance costs.

Ensuring Safety and Regulatory Compliance

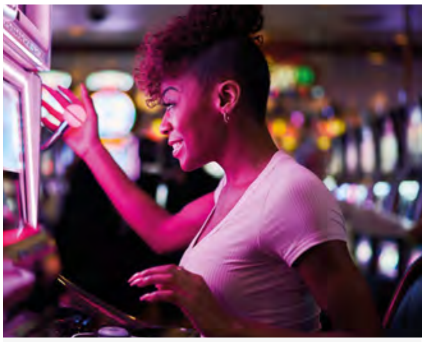
Our customers benefit from specific capabilities unlocked by pairing Synergy and radiometrics-enabled COEX cameras.

From flare stack analysis to emissions monitoring, prioritising safety and complying with current and evolving regulatory requirements. When any anomalies or incidents are detected, Synergy users have the means to take prompt, effective, informed, and coordinated action.

Our targeted markets include a wide spectrum of environments with operational challenges

Despite their diversity, they share key elements: extensive scale, intricate complexity, stringent regulations, and a need for rigorously applied, proven technologies.

Our dedication to these markets allows us to differentiate our offering by building tailor-made solutions that meet the unique security challenges that our customers face on a daily basis.



Gaming

Our security and surveillance solutions are used by some of world's largest and most regulated casinos. Specifically designed to detect threats, they ensure uninterrupted operations and comply with strict regulations.

Market Opportunities

The growth of the casino surveillance market is closely tied to the ongoing recovery and expansion of the global gaming industry and the changing landscape of internal and external threats. Our surveillance solutions are in increasing demand due to regulatory changes and a growing awareness of the importance of robust systems that drive adherence to policy.

Furthermore, we're discovering new opportunities beyond traditional casino surveillance, venturing into security and operations management across major integrated resorts worldwide. This strategic expansion positions us to capitalise on emerging prospects and solidify our role as a key player in the evolving landscape of the global gaming security and surveillance market.

Oil & Gas

Our customers tackle formidable challenges, including personnel safety, safeguarding facilities, and monitoring hazardous areas in remote locations. Synectics is the preferred choice due to its renowned COEX cameras, project expertise, and reputation.

Market Opportunities

With the ongoing global surge in energy demand, the imperative to fortify these facilities amplifies, thereby propelling the adoption of cutting-edge surveillance.

In light of these trends, our trajectory in this market is poised for sustained growth. The ongoing technological strides within the industry underscore the indispensability of integrating surveillance systems to enhance the efficiency and safety of oil and gas operations.

Our Synergy software and COEX cameras, are designed to address the escalating need for remote monitoring, anomaly detection, and hazard identification. Harnessing the capabilities of AI and analytics, our solution not only aligns with industry demands but positions us as the preferred supplier.

223,000
Channels are being monitored and recorded by Synergy worldwide.

Over 270
Synergy installations across key markets throughout the world.

10,000+
COEX camera stations delivered in the last ten years.

Public Space

Our integrated systems empower various high-footfall locations and facilities, including city centres, hospitals, tourist attractions, stadiums and venues, to enhance awareness, efficiently handle incidents, and safeguard the public.

Market Opportunities

Due to the persistent threats to public safety, there is a growing demand for advanced surveillance solutions to prevent and respond to security incidents. The need for effective monitoring in public spaces is expected to further drive the adoption of our surveillance solutions globally.

Our focus on delivering the latest AI, cloud, and mobile technologies that offer more efficient and proactive security measures will keep our solutions at the forefront of innovation in this market. Our legacy and expertise in towns and cities also lends itself to the diversification into complementary public space sectors. Where high footfall, multiple entry points, and multi-estate management are common challenges, our solutions excel. These include universities, healthcare, stadiums and venues, retail, tourist attractions and heritage sites.

Transport

Our Synergy software and on-vehicle technologies, enables transport operators to seamlessly connect, monitor, and control essential systems that play a pivotal role in ensuring passenger safety, security, and an unparalleled travel experience.

Market Opportunities

Rising security concerns and a focus on passenger safety is fuelling the demand for the latest surveillance solutions.

Our strategic investment in real-time threat detection, operational efficiency, privacy, collaboration, data insights and incident management is crucial to differentiating our offer and ensures we'll meet the needs of transport operators in the future.

These multifaceted benefits, coupled with increasing investments in smart transportation initiatives create a fertile ground for us to flourish in the vast potential of the transport market.

Critical Infrastructure

Our advanced yet user-friendly solutions are designed to safeguard critical infrastructure and utility estates, providing essential support for decision-makers in complex operational environments where threats to security include both physical and cyber.

Market Opportunities

With increasing investments in modernising and securing critical infrastructure, particularly in major investment areas of energy distribution needed to deliver electric vehicle charging networks, we're positioned for substantial growth in the market, capitalising on the need for solutions to safeguard essential services and vital national assets. As security threats against these entities intensify, the demand for the latest security and surveillance solutions becomes imperative.

Our technology has been meticulously optimised to enhance threat detection and response capabilities, mitigate costly downtime, and fortify the resilience of the vital services they deliver. Our extensive experience in protecting these facilities and networks affords us a unique advantage, positioning us to win significant projects in the future.

Ensuring regulatory compliance for an Asian casino resort

Technology Focus

- Unified Security & Surveillance
- CAD Mapping
- Advanced Incident Management
- Custom Forms & Reports
- Workflows
- Dashboards

Synectics Chosen for Peace of Mind at High-End Casino Resort in Asia

Synectics has been chosen to provide an integrated solution for an up-scale urban casino resort in Asia.

The casino resort and hotel in one of the most populous cities in Asia offers a high-end mix of slots, table games, high-stakes poker, bars, and restaurants.

A spokesperson for the resort said, "Once again, Synectics is the obvious choice for meeting our complex mix of surveillance needs."

Delivering Real-Time Visibility

From the casino's central control room, Synergy will give the surveillance team continuous access to live and recorded footage from over 3000 PTZ, Dome and Fisheye cameras from Synectics' IP camera range.

Built-in mapping capabilities, including CAD maps of gaming zones and hospitality areas, allow operators to easily visualise camera locations alongside layout details, including gaming table configurations.

Simplified System Management

As well as aiding rapid incident response and faster security investigations, Synergy mapping plus Synectics cameras' combination supports simplified surveillance system management and bulk camera configurations – an important capability for casinos with such large camera counts and frequently changing layouts.

The solution also harnesses H.265 compression to provide high-quality recording and image clarity with reduced storage requirements.

The spokesperson added: "Synergy has been my 'go-to' for many years in the major casinos I've worked at across the region. Not just for ease of use, but for absolute peace of mind – especially regarding clarity, continuous coverage, and regulatory compliance."

Regulatory Compliance and 24/7 Coverage

The Synergy solution developed is fully compliant with the country's gaming surveillance regulatory requirements, which include the need for operator usage transparency and comprehensive audit trails. 24/7 coverage is delivered via redundancy measures, including hot-swap technology for fail over recording and dual head-end server replication.

Critical surveillance for an offshore oil & gas field

Technology Focus

- COEX Cameras
- TriMode Technology
- Intelligent Edge Recording
- Certified to 70° Celsius
- Radiometrics
- Cybersecurity

Surveillance for Saudi Aramco's Zuluf Expansion

Synectics is supplying specialist camera stations for Saudi Aramco's Zuluf development programme.

The Zuluf field is approximately 40 kilometres off Saudi Arabia's northeast coast and the development programme, consisting of a new unmanned oil production well-head connected to a new central processing facility, is expected to be on-stream by the end of 2026.

United Arab Emirates-based offshore engineering and fabrication giant National Petroleum Construction Company confirmed the award of the contract to Synectics and its integration partner, Exctel Engineering, for the Process CCTV system for the programme.

COEX™ C3000 TriMode Camera Stations

Based on a large number of Synectics' latest generation COEX C3000 TriMode camera stations, the Process CCTV system will provide safety monitoring and surveillance covering critical locations on the platforms to monitor process activities and protect Saudi Aramco's employees and assets.

Designed for hazardous-area applications and able to withstand operating temperatures up to 70°C, the COEX C3000 TriMode camera stations include the latest thermal imaging and encoding technology, providing unprecedented visual feedback in all lighting conditions.

Synectics' Expertise and Commitment

Darren Alder, Head of Oil & Gas at Synectics commented: "Synectics was selected for this project based on a proud legacy and outstanding reputation for delivering high-quality, field-proven solutions to the global oil and gas industry. Our ability and commitment to delivering the project scope to the required time-scale was also a crucial factor in the contract award."

Paul Webb, Chief Executive of Synectics, added: "Activity levels in the oil & gas market are now higher than we have seen for some years, and this large contract follows a number of smaller projects already received this year. The dedicated team at our operations centre continues to work closely with our supply chain partners to ensure that we can meet the increased demand we anticipate in this market in the near future."

Keeping critical financial assets secure

Technology Focus

- Multi-Site Management
- Cybersecurity
- Automatic Number Plate Recognition
- Access Control Integration
- Workflows
- 4K Cameras

An Integrated Solution for Multi-Site Management

A prominent UK financial institution is undergoing a comprehensive upgrade of its security infrastructure to counter emerging physical and cyber risks across a national network of critical assets. The initiative encompasses migrating to a fully IP infrastructure using cutting-edge Lenovo hardware, event detection and incident management functionality within Synergy, and benefiting from Synectics' latest AI-enabled 4K cameras.

With dispersed facilities, including data centres, cash handling locations, and disaster recovery centres, the financial institution faces diverse security challenges, from theft and vandalism to potential cyber threats.

Centralised Monitoring and Management

Critical to the institution's security is the ability to monitor and manage security systems from control rooms at each site and centrally from the primary Alarm Receiving Centre (ARC). This capability, facilitated by Synergy, will be further enhanced with the ongoing upgrade.

Synergy seamlessly integrates third-party systems such as access control, intercom audio, and ANPR. This integration, coupled with intelligence from video surveillance, provides 24/7 situational awareness to operators at each facility and the ARC, allowing for rapid, coordinated responses to security events.

Robust Threat Defence

To safeguard against vulnerabilities during cash storage and distribution, the financial institution employs Synergy's local/central control capabilities. Multi-stage access verification includes automated ANPR checks, personnel validation, and manual photo ID confirmation, ensuring comprehensive threat defence.

Data Resilience

Addressing data loss concerns, the project involves replacing ageing software and hardware, enhancing surveillance capabilities, and establishing a backup ARC with full Synergy capabilities for disaster recovery.

Future-Proofed Protection

The institution plans to replace all analogue cameras with Synectics AI-ready 4K models, offering flexibility for future enhancements. The system's scalability ensures the ability to integrate additional third-party solutions and expand to cover more sites, providing future-proofed protection.

Transforming security and surveillance in healthcare

Technology Focus

- Unified Security & Surveillance
- Mobile
- Dynamic Mapping
- Cloud Evidence Sharing
- Automatic Number Plate Recognition
- Workflows

Prioritising Patients' Safety

Consolidating the surveillance of five hospitals across two campuses and multiple clinics and child-care facilities into a unified Synergy surveillance solution will improve resilience while creating efficiencies and security enhancements for an NHS Foundation Trust.

Almost 900 IP cameras across the sites will be monitored from the control room, providing 24/7 coverage of the facilities. In addition, individual sites will have localised recording capabilities, with a fail over server deployed at one site to ensure coverage continuity in the event of a major incident.

Enhanced Surveillance Capabilities

The new system will give the Trust's security team access to enhanced surveillance capabilities such as dynamic mapping, which allows users to overlay camera locations with street maps and internal floor plans and secure real-time evidence sharing via the Cloud Evidence Locker. The latter will support efficient collaboration with local police – an essential factor for busy city hospitals.

The Trust will use BriefCam's video analytics technology through a Synergy integration. As well as supporting day-to-day security monitoring, it is anticipated that analytics will help with patient safety applications, for example, locating lost or vulnerable patients without manually reviewing hours of footage.

Automatic number plate recognition will also form part of the new system, enabling the Trust to identify flagged vehicles, find witnesses and support the police with on-site incidents.

The solution will be one of the first in this sector to utilise Synergy's mobile app, enabling field-based personnel – for instance, security officers and maintenance staff – to receive and send updates supported by dynamic guidance workflows.

In addition to supporting the efficient fulfilment of scheduled security tasks and live incident management, Synergy also ensures all actions are automatically logged on the NHS incident management system, which is currently a manual process and, therefore, susceptible to error.

Scalable and Future-Proofed

A spokesperson at the NHS Foundation Trust commented: "Keeping people safe is our top priority, but we knew we couldn't do this effectively with an ageing surveillance network. So, when looking for a new system, we wanted something innovative that would give us longevity."

A distinctive blend of strengths and organisational culture

Synectics' robust and proven business model consistently generates substantial value for stakeholders. Our approach to operations, coupled with strategic partnerships and innovations, reflects our commitment to sustained success and growth in a dynamic technology landscape.

Our Strengths

At Synectics, our success is rooted in our exceptional people and culture, fostering an environment where innovation and collaboration thrive. With a foundation built on industry expertise, we navigate the complexities of our field with ease. Our strategic partnerships amplify our capabilities, enabling us to deliver unparalleled solutions.

People and Culture
We focus on employing, motivating and retaining the best people to create high-performing, engaged teams through a culture which reflects our values and empowers people.

Industry Expertise
Our unmatched industry experience has been built through 35 years of implementation and delivering successful projects around the world.

Strategic Partnerships and Sales Channels
We create tightly managed commercial relationships with leading go-to-market partners who can sell, install, support, configure, and add value to our offerings.

Customer-Driven Innovation
We offer unique solutions to our customers by utilising the full potential of new technologies to create best-in-class solutions which are easy to deploy, configure, upgrade and use.

Delivering for our stakeholders

Our People

Rewarding work

Development opportunities

Positive and inclusive culture

Health and wellbeing initiatives

Two Divisions Operating Distinct Business Models

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

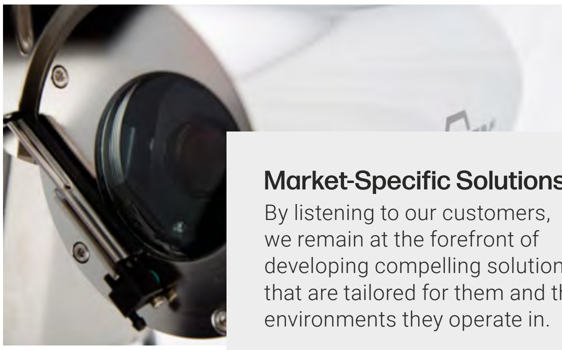
Synectics' Security division delivers integrated solutions, service and support directly to end-users in the UK and Ireland – principally within public space, transport, and national infrastructure – utilising a combination of proprietary technology and third-party products.

Our Customer Value Proposition

We play a distinctive and pivotal role in the security technology market by crafting innovative solutions and technologies tailored to address the intricate security demands within our designated markets.

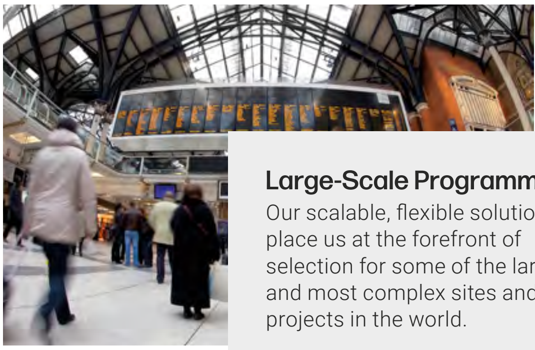
Industry Leading Technology

By investing in technology development and integrating with the latest third-party tools, we're able to lead the way in advanced security and surveillance software.



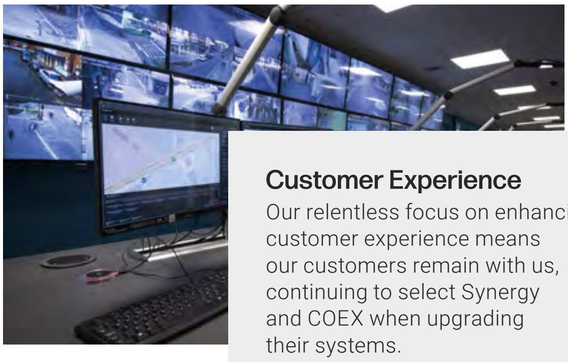
Market-Specific Solutions

By listening to our customers, we remain at the forefront of developing compelling solutions that are tailored for them and the environments they operate in.



Large-Scale Programmes

Our scalable, flexible solutions place us at the forefront of selection for some of the largest and most complex sites and projects in the world.



Customer Experience

Our relentless focus on enhancing customer experience means our customers remain with us, continuing to select Synergy and COEX when upgrading their systems.

Customers

Peace of mind

Tailored solutions

Reliability

Technical excellence

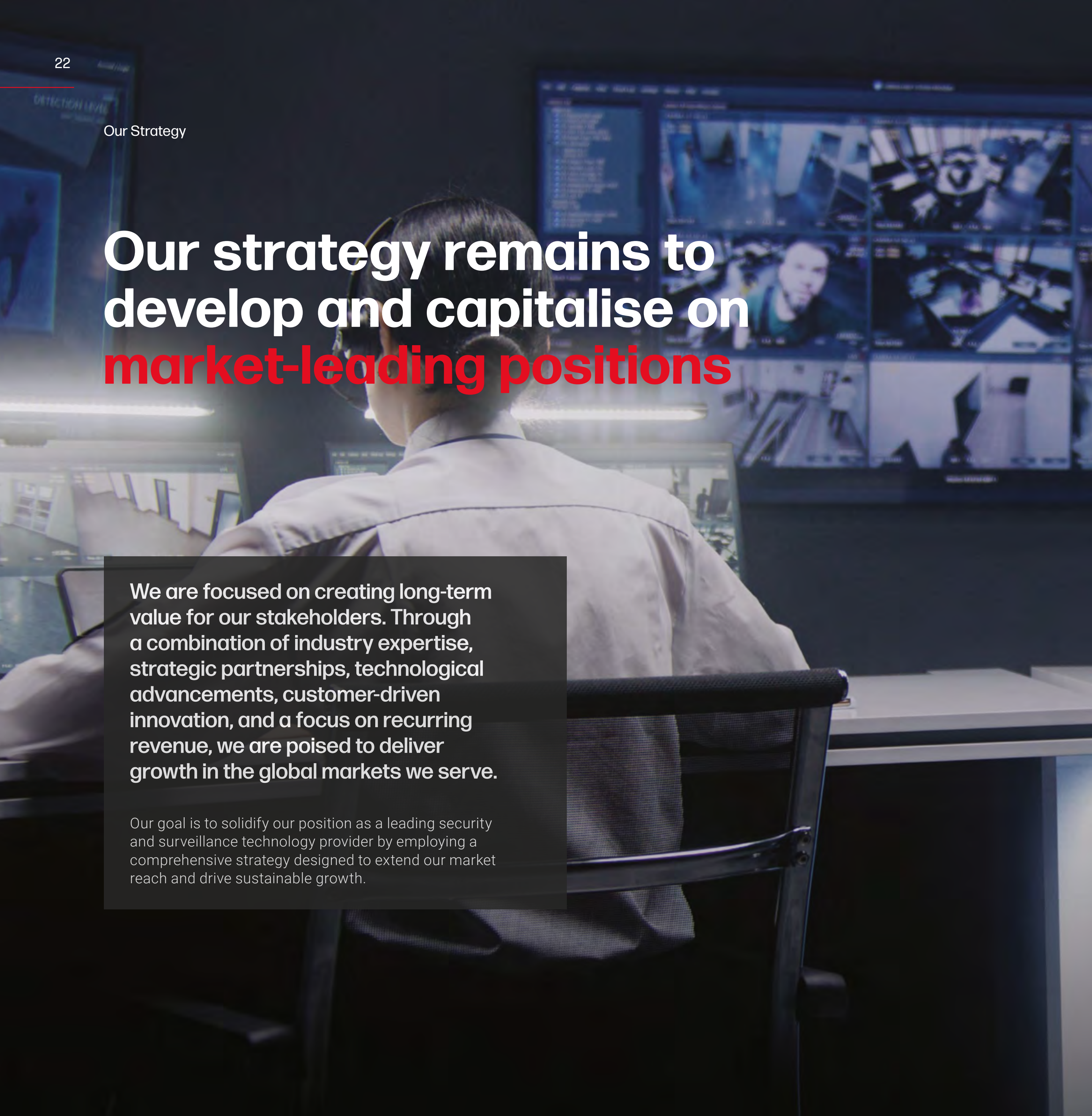
Shareholders

Poised for growth

Market-leading positions

Dividend paying

Trusted UK Company



Our strategy remains to develop and capitalise on market-leading positions

We are focused on creating long-term value for our stakeholders. Through a combination of industry expertise, strategic partnerships, technological advancements, customer-driven innovation, and a focus on recurring revenue, we are poised to deliver growth in the global markets we serve.

Our goal is to solidify our position as a leading security and surveillance technology provider by employing a comprehensive strategy designed to extend our market reach and drive sustainable growth.

Leveraging Sector Expertise and Target Markets

We understand the unique demands of each sector and will continue to capitalise on our expertise to cater to their unique needs. Our Synergy platform is ideally placed to meet these diverse requirements via its unparalleled flexibility. By focusing on these specific markets, we aim to expand our global footprint, targeting tailored solutions for each industry.

Driving Sales through Partnerships

Our strategy involves forming strategic partnerships with local specialists and integrators in each market and geography. These alliances will bolster our sales efforts, enabling us to reach a wider audience and deliver tailored solutions that meet the specific requirements of each region.

Investing in New Technology and Product Development

A core pillar of our growth strategy is investing in cutting-edge technology. This involves continuous internal development efforts to create innovative solutions, as well as best-in-class AI capabilities. By embracing technological advancements, we aim to stay ahead of the curve and meet the evolving needs of our customers.

Building on Relationships to Expand Revenue Streams

We are committed to further strengthening our long-standing customer relationships. Through these relationships, we will explore adjacent opportunities and additional contract awards. This approach will not only solidify our position as a trusted partner but also increase the breadth and depth of our service offerings.

Increasing Contracted Recurring Revenue

Our goal is to increase the level of contracted recurring revenue. This approach is fundamental in providing greater visibility and stability in our revenues, thereby underpinning our forecasts and ensuring strong, sustainable growth.

Recruiting and Retaining Talent

Our focus remains on employing, motivating, and retaining the best people to cultivate high performing, engaged teams through a culture which reflects our values and empowers people. By doing so, we can accelerate professional development, improve productivity, attract the best talent, and create future leaders.

Synectics' Systems Division

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

	2023	2022
Revenues - EMEA	**£15.0m**	£10.6m
Revenues - North America	**£5.0m**	£7.6m
Revenues - Asia Pacific	**£12.0m**	£6.0m
Total revenue	**£32.0m**	£24.2m
Gross margin	**46.4%**	50.6%
Operating profit[1]	**£4.1m**	£1.9m
Operating margin	**12.7%**	7.8%

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

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

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

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

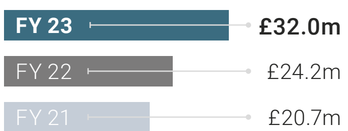
The appetite for significant refurbishments and new builds within the casino market in North America has been relatively subdued compared to Asia, but there are encouraging signs. The Company is well positioned to succeed when investment decisions are made – there are lucrative projects expected to be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

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

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

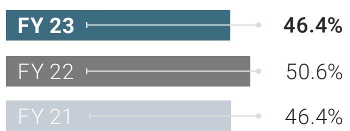
£32.0 million

Revenue



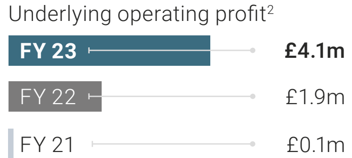
46.4%

Gross Margin



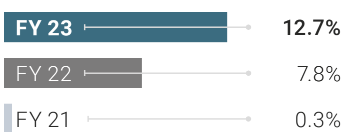
£4.1 million

Underlying operating profit[2]



12.7%

Underlying operating margin[1]



1. After research and development expenditure, but before non-underlying costs (see note 6) and allocated central costs.
2. After research and development expenditure, but before non-underlying costs and Group central costs.

Synectics’ Security Division

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

	2023	2022
Revenue	**£18.3m**	£16.6m
Gross margin	**28.3%**	26.4%
Operating profit[1]	**£1.3m**	£1.2m
Operating margin	**7.1%**	7.0%

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

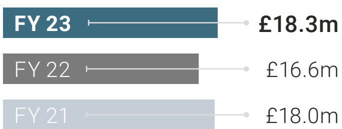
Further to completing a number of on-vehicle contracts in Ireland and the UK during the year, customers, including WrightBus and Stagecoach, have contracted Synectics to provide new on-vehicle CCTV systems, and the outlook for new on-vehicle systems contracts in FY 2024 appears promising.

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

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

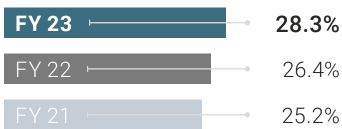
£18.3 million

Revenue



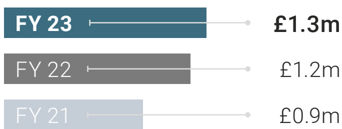
28.3%

Gross Margin



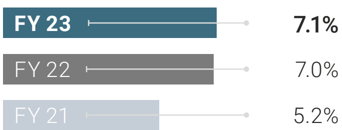
£1.3 million

Underlying operating profit[2]



7.1%

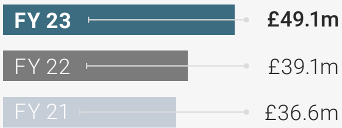
Underlying operating margin[1]



1. Before non-underlying costs (see note 6) and allocated central costs. Comparative figures relate to continuing operations.
2. Continuing operations before non-underlying costs and Group central costs.

£49.1 million

Revenue



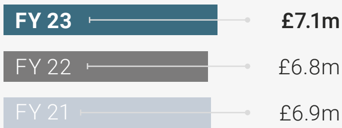
Definition
Income earned from the delivery of goods and services.

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

Performance
Revenue increased by 25.6% driven by strong growth in the Systems division.

£7.1 million

Recurring revenue



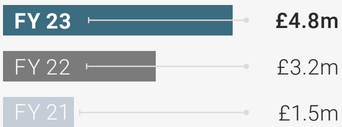
Definition
Contracted annual revenue, typically software support, subscriptions, maintenance and service contracts.

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

Performance
Recurring revenue remains consistent with 2022.

£4.8 million

Underlying EBITDA



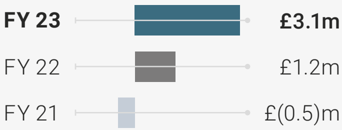
Definition
Profit before interest, taxation, depreciation, amortisation and non-underlying items.

Relevance
EBITDA is a measure of operational profitability before the potentially distorting effects of changes in interest, taxation, depreciation and amortisation.

Performance
Underlying EBITDA has increased by £1.6m from £3.2m in 2022 to £4.8m in 2023. This highlights the reduction in amortisation in the year of £0.3m when comparing to the movement in underlying operating profit.

£3.1 million

Underlying operating profit/(loss)



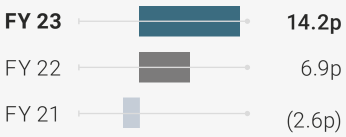
Definition
Operating profit/(loss) before IFRS 16 lease interest and non-underlying items.

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

Performance
Underlying operating profit is up by £1.9m from £1.2m in 2022 to £3.1m in 2023 reflecting increased revenues and strong gross margins in both divisions.

14.2p

Underlying diluted earnings per share



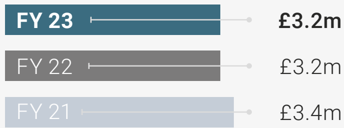
Definition
Ratio of underlying profit/(loss) after tax to weighted number of ordinary shares in issue and dilutive potential ordinary shares arising from share options.

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 a measure that is more representative of our baseline performance.

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

£3.2 million

Technology Spend



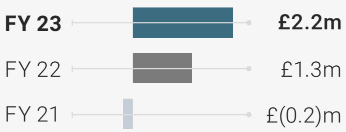
Definition
Expenditure on technology before any capitalisation or amortisation.

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 technology has been maintained and is expected to increase going forwards.

£2.2 million

Free cash flow



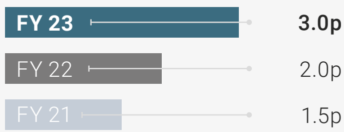
Definition
Cash flow from operations (after tax) less capital expenditure, but before any payments in respect of non-underlying items.

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 £2.2m from £1.3m in the prior year.

3.0p

Dividend



Definition
Dividend per ordinary share.

Relevance
Dividend performance is key to shareholders and therefore the Group have a progressive dividend policy.

Performance
The increase in dividend per share from 2.0p in 2022 to 3.0p in 2023 is driven by the improved profitability of the Group.

The second year of increased profitability driven by higher revenues from recovery in our end markets

Amanda Larnder
Chief Financial Officer
26 February 2024

Group Results for the Year

Performance in 2023 was substantially ahead of the prior year, with both divisions achieving double-digit percentage growth year-on-year for revenue and profit. In particular within Systems, oil and gas activity achieved significant growth with revenues in this area increasing 49% year-on-year.

Total consolidated revenue for the year increased by 25.6% from £39.1 million to £49.1 million. Despite a slight fall in gross margin of 1.8 percentage points and the impact of inflationary pressures, underlying operating profit increased by £1.9 million (165%) from the previous year.

The Group ended the year with a strong cash balance of £4.6 million (2022: £4.3 million), an inflow of £0.3 million. Adjusting for non-underlying cash items, capital expenditure, tax and financing, free cash inflow in the period was £2.2 million (2022: £1.3 million).

We have proposed a dividend of 3.0p, reflecting the improved financial performance in the year.

Following the sale of the non-core SSS business on 30 November 2022, all results and figures in respect of the consolidated income statement are presented on a continuing basis, unless otherwise stated.

Other key performance indicators are shown on pages 26 and 27 and are discussed in more detail on the following pages.

Performance was substantially ahead of FY22, with both divisions achieving double-digit percentage growth year-on-year for revenue and profit.

Income Statement

Total revenue for the year to 30 November 2023 increased by 25.6% to £49.1 million (2022: £39.1 million). Revenue split between our two business segments was as follows:

Revenue	2023 £000	2022 £000	Inc/dec £000	Inc/dec
Systems	**32,015**	24,201	7,814	32.3%
Security	**18,261**	16,595	1,666	10.0%
Intra-Group sales	**(1,148)**	(1,680)	532	31.7%
Total revenue	**49,128**	39,116	10,012	25.6%

Revenue in the Systems division of £32.0m was £7.8 million (32.3%) ahead of 2022 due to the improved performance in oil and gas as well as the recovery in gaming revenues in Asia. Revenues in the Security division increased by £1.7 million (10%) to £18.3 million.

Recurring revenue was slightly ahead of the previous year at £7.1m (2022: £6.8 million) representing approximately 14.4% (2022: 17.4%) of sales.

The proportion of sales arising outside the UK (measured by the geographical location of the contract) increased during the year to 52%, compared with 47% in the previous year.

Sales by geographical location of contract	2023 £000		2022 £000		Inc/dec £000
UK	**23,745**	**48%**	20,597	53%	3,148
Rest of Europe	**3,395**	**7%**	3,139	8%	256
UK and Europe- total	**27,140**	**55%**	23,736	61%	3,404
North America	**5,001**	**10%**	7,570	19%	(2,569)
Asia Pacific	**11,999**	**25%**	5,952	15%	6,047
Middle East and Africa	**4,988**	**10%**	1,858	5%	3,130
Total revenue	**49,128**	**100%**	39,116	100%	10,012

Consolidated gross profit for 2023 increased by 20.3% to £20.0 million. Gross margin decreased by 1.8 percentage points overall to 40.7%. This was predominantly due to increased levels of oil & gas revenues and hence the mix of hardware and software sales.

The full segmental analysis is as follows:

Gross margin %	2023	2022	Inc/(dec)
Systems	**46.4%**	50.6%	(4.2)%
Security	**28.3%**	26.4%	1.9%
Group	**40.7%**	42.5%	(1.8)%

Underlying operating expenses in the year increased by 9.5% to £17.0 million due largely to inflationary increases across the cost base relating to people, utilities, property and professional services fees, as well as increases in investment in people and sales commissions year-on-year.

Operating expenses	2023 £000	2022 £000	Inc/dec £000	Inc/dec
Underlying operating expenses	**16,951**	15,478	1,473	9.5%
Non-underlying items:				
Costs in relation to legal matters	**207**	335	(128)	
Restructuring costs	**14**	231	(217)	
Pension buy-out costs	**81**	92	(11)	
Non-underlying operating expenses	**302**	658	(356)	
Total operating expenses	**17,253**	16,136	1,117	6.9%

Non-underlying operating expenses amounted to £0.3 million (2022: £0.7 million) and related to costs associated with legal matters which have now been settled and the remaining costs incurred to finalise the buy-out of the defined benefit pension scheme.

Underlying operating profit increased substantially to £3.1 million in 2023 compared to £1.2 million in 2022. EBITDA increased by 49.2% to £4.8 million (2022: £3.2 million) and the Group recorded a profit before tax of £2.7 million (2022: £0.4 million).

Underlying operating profit	2023 £000	2022 £000	Diff £000
Systems	**4,051**	1,880	2,171
Security	**1,300**	1,166	134
Central costs	**(2,295)**	(1,894)	(401)
Underlying operating profit	**3,056**	1,152	1,904
Depreciation and amortisation	**1,779**	2,088	(309)
Underlying EBITDA	**4,835**	3,240	1,595

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

Operating profit	2023 £000	2022 £000	Diff £000
Systems	**3,885**	1,630	2,255
Security	**1,300**	1,166	134
Central costs	**(2,431)**	(2,302)	(129)
Operating profit	**2,754**	494	2,260
Net finance costs	**(101)**	(133)	32
Profit before tax	**2,653**	361	2,292

In 2023 £3.2 million (2022: £3.2 million) was spent on research & development. Of which, £1.0 million (2022: £0.2 million) was capitalised with £2.2 million (2022: £3.0 million) charged to the Income Statement.

The Group underlying operating margin increased to 6.2% (2022: 2.9%), split by division as follows.

Underlying operating margin	2023	2022	Inc
Systems	**12.7%**	7.8%	4.9%
Security	**7.1%**	7.0%	0.1%
Group	**6.2%**	2.9%	3.3%

The Group operating margin increased to 5.6% (2022: 1.3%) split by division as follows:

Operating margin	2023	2022	Inc
Systems	**12.1%**	6.7%	5.4%
Security	**7.1%**	7.0%	0.1%
Group	**5.6%**	1.3%	4.3%

The effective rate of corporation tax for the year on an underlying basis was 19% (2022: (15)%). On a statutory basis, the effective rate was 18% (2022: (77)%). The effective rate is significantly higher than the previous year because there were less losses to recognise in the current year and there have been no material effects of changes in international tax rates or prior period adjustments, as there were in the previous year.

Underlying earnings per share were 14.2p (2022: 6.9p). Basic and diluted earnings per share were 12.8p (2022: 3.8p).

The Board adopts a progressive dividend policy and is proposing a final dividend of 3p (2022: 2p).

Statement of Financial Position

The net assets of the Group amounted to £38.9 million at 30 November 2023 (2022: £37.0 million) and can be summarised as follows:

	2023 £000	2022 £000
Property, plant and equipment (excluding right of use assets)	**1,909**	1,948
Right of use assets	**1,830**	2,650
Intangible assets	**21,128**	20,776
Non-current assets (excluding deferred tax assets)	**24,867**	25,374
Cash balances	**4,604**	4,256
Working capital	**11,588**	9,640
Net tax assets (including deferred tax assets)	**1,156**	2,094
Lease liabilities	**(1,938)**	(2,820)
Provisions	**(1,400)**	(1,542)
Net assets	**38,877**	37,002

Total capital expenditure of £1.4 million has increased from £0.3 million in 2022 predominantly due to increased capitalisation of development costs.

Working capital levels increased by £1.9 million compared with the prior year, this is discussed in the cash flow section below.

	2023 £000	2022 £000
Stock	**5,069**	4,219
Trade and other debtors	**13,868**	9,090
Contract assets	**6,954**	6,317
Trade and other payables	**(11,270)**	(8,111)
Contract liabilities	**(3,033)**	(1,875)
Total	**11,588**	9,640

Cash flow

The Group's cash balance increased in the year by £0.3 million from £4.3 million at the beginning of the year to £4.6 million at 30 November 2023. The net cash flow is shown in the table below:

Free cash flow	2023 £000	2022 £000
Operating cash flow before movement in working capital	**5,049**	2,784
Movements in working capital	**(2,449)**	(1,797)
Tax	**434**	242
Capital expenditure	**(1,394)**	(314)
Payments in respect of non-underlying items	**539**	408
Free cash flow	**2,179**	1,323
Net cash disposed on discontinued operation	**–**	(268)
Lease payments and bank interest	**(848)**	(913)
Dividends paid	**(338)**	(253)
Payments in respect of non-underlying items	**(539)**	(408)
Effect of exchange rate changes on cash	**(106)**	134
Net cash flow	**348**	(385)

The Group generates good levels of cash flow from operations; however, there has been a working capital outflow in the year driven predominantly by a large increase in the level of trade debt year-on-year. This was due to roughly one third of Group revenues being recognised and hence invoiced in the final quarter, some delays in payment of significant invoices due to customer led project delays and also the increase in oil and gas activity, as oil and gas customers tend to be on longer payment terms than those in other sectors. In addition, inventory levels have increased due to the additional hardware required for the increased oil and gas activity, as well as some buffer levels for increased lead times on certain products. The apparent working capital outflow in the prior year related predominantly to the sale of the discontinued operation, which strengthened the Group's balance sheet.

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 and 25, to relevant GAAP measures:

Underlying profit measures

Underlying operating profit	**2023 £000**	2022 £000
Reported operating profit	**2,754**	494
Costs associated with legal matters	**207**	335
Costs associated with restructuring	**14**	231
Costs associated with buy-out of the defined benefit pension scheme	**81**	92
Underlying operating profit	**3,056**	1,152

Underlying EBITDA	**2023 £000**	2022 £000
Underlying operating profit (see above table)	**3,056**	1,152
Depreciation and amortisation	**1,779**	2,088
Underlying EBITDA	**4,835**	3,240

Underlying profit before tax	**2023 £000**	2022 £000
Reported profit before tax	**2,653**	361
Costs associated with legal matters	**207**	335
Costs associated with restructuring	**14**	231
Costs associated with buy-out of the defined benefit pension scheme	**81**	92
Underlying profit before tax	**2,955**	1,019

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

GAAP reconciliation

Systems	Gross profit 2023 £000	Gross profit 2022 £000	Operating profit 2023 £000	Operating profit 2022 £000
Underlying profit				
Reported profit	**14,841**	12,248	**3,885**	1,630
Costs associated with ongoing legal matters	**–**	–	**166**	250
Underlying profit	**14,841**	12,248	**4,051**	1,880

Security	Gross profit 2023 £000	Gross profit 2022 £000	Operating profit 2023 £000	Operating profit 2022 £000
Underlying profit				
Reported profit	**5,166**	4,381	**1,300**	1,166
Non-underlying items	**–**	–	**–**	–
Underlying profit	**5,166**	4,381	**1,300**	1,166

Underlying EPS

The Group monitors underlying EPS. In calculating earnings for underlying EPS, net profit is adjusted to eliminate the post-tax impact of non-underlying items. Note 12 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, excluding lease liabilities.

Amanda Larnder
Chief Financial Officer
26 February 2024

The successful delivery of our vision and purpose is dependent on a deep understanding of our stakeholders and our engagement with them

Our People

Why this stakeholder group is important

- They are our strength and the foundation of our success; we are committed to their health, safety, and well-being

How we have engaged with this stakeholder group

- Employee Opinion Survey and workshops – receiving a 90% + response rate for the second year in a row
- Monthly and global briefs
- Regular 1:1s with line managers

What is important to this stakeholder group

- Recognition and appreciation. A work-life balance with importance being placed on their well-being

Actions or outcomes resulting from our engagement

- Performed a global salary and benefits benchmarking review and implemented the results
- Encouragement to give 360° kudos and internal awards for demonstrating values
- Renewed focus on health & well-being including hybrid working where roles allow

Our Partners

Why this stakeholder group is important

- They enable us to create and deliver tailored customer solutions and enable the development of our technology programme

How we have engaged with this stakeholder group

- Regular discussions and interactions
- Webinars and presentations

What is important to this stakeholder group

- The needs of their customers and the opportunities to deliver maximum operational benefit

Actions or outcomes resulting from our engagement

- Grown the resources available to support our partners leading to increased access to Synectics Small and Medium Enterprises (SMEs)
- Improved information sharing
- Plans for an enhanced Partner Programme in 2024

This provides valuable input into the Board's decision making to promote the long-term success of the Company.

As Directors, we take our duties under Section 172(1) of the Companies Act 2006 seriously and have acted in a way we 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 we have taken during the year ended 30 November 2023.

Our values, together with our internal policies, enable us to uphold high standards of business conduct and 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 page 20.

We consider our key stakeholders to be our employees, partners, customers, investors and the communities in which the business 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 2023 as set out on pages 44 and 45.

Our Customers

Why this stakeholder group is important

- 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

How we have engaged with this stakeholder group

- Customer Excellence Survey and programme
- Webinars and presentations
- Regular discussions and interviews re strategy and sustainability
- Monthly newsletter

What is important to this stakeholder group

- Trust us to deliver solutions that give them peace of mind and will not let them down when it matters most
- They demand us to keep our solutions at the forefront of technology that will enable them to continue to operate in the most efficient and effective way

Actions or outcomes resulting from our engagement

- Deeper engagement to ensure they understand our direction and remain their vendor of choice
- Ensure our solutions continue to be leading edge whilst remaining compliant to the requisite industry regulations and standards
- Deliver self-paced operational learning so our customers can maximise the benefits of our solutions

Our Investors

Why this stakeholder group is important

- They are vital for the future success of our business providing funds which aid business growth and the generation of sustainable returns

How we have engaged with this stakeholder group

- Regular communication with substantial shareholders
- AGM
- Bi-annual Investor Meet presentations
- Investor site visit
- Refreshed website and communications

What is important to this stakeholder group

- Gaining additional insights and hearing more from Synectics to enable them to better assess the Company's investment potential. In addition to official announcements and presentations, they are eager for the chance to engage directly with the Board

Actions or outcomes resulting from our engagement

- Appointment of investor relations firm: Vigo Consulting, to improve communications with, and reach new, investors
- First investor site visit for those who had expressed a prior interest, with future visits planned

We are committed to ensuring the responsible operation of our business across each of our locations around the globe

We understand the importance of sustainability and take our environmental, social and governance ('ESG') responsibilities seriously and in 2023 began, with the assistance of specialist external advisors, a review to inform our future ESG strategies, engage with stakeholders on the issues that most matter to them and build focus on what sustainability means to us.

This review took a four phase approach:

- Phase 1: Understand
- Phase 2: Develop
- Phase 3: Implement
- Phase 4: Measure and Report

During the year we have made good progress on our ESG review, completing phase one; Understand, by undertaking an ESG optic assessment, stakeholder mapping and a materiality assessment.

Understand - Stage 1

This involved desk-based research reviewing ESG information from a number of sources to identify ESG issues of significance to us, our stakeholders and our industries. The sources were selected for their relevance to us and included sustainability standards and frameworks, Government codes of practice and regulation, publications of industry bodies and peers' corporate materials. The ESG issues identified were grouped into five key areas of business operations:

- Employees and People
- Communities and Social Impact
- Ethics and Governance
- Products and Services
- Climate and Nature

Phase 1: Understand

Stage 1
The ESG issues identified were grouped into five key areas of business operations

Stage 2
Questionnaire and interview with key stakeholders

Results
23 key topics under three core umbrellas were identified

During the year we have made good progress on our ESG review, completing phase one; Understand, by undertaking an ESG optic assessment, stakeholder mapping and a materiality assessment.

Understand - Stage 2

The information collected in Stage 1 then informed a materiality assessment which involved a questionnaire and interview with key stakeholders. The questionnaire asked recipients to rank ESG issues by their perceived levels of importance to them and Synectics and, where appropriate, provide supporting notes and information to clarify their reasoning. Interviews then took place to clarify the stakeholder's responses, discuss ESG concerns and to provide additional commentary.

Understand - Results

Once all inputs from the questionnaires and interviews were collected, a cumulative ranking system was applied to help identify material issues that were of most importance to stakeholders.

Twenty-three key topics under three core umbrellas were identified.

Next steps - Develop

The results of the materiality assessment will now be analysed and used to develop our sustainability strategy and short-, medium- and long-term targets. Together with the specialist external advisors, we will work to integrate ESG objectives and targets into our business strategy and risk management system.

The sustainability strategy and targets will be shared in future annual reports to allow our stakeholders to monitor and track our ESG journey.

Fundamentals

1 Culture, values and behaviour

2 Governance and compliance

3 Customer trust/satisfaction

4 Product safety and quality

5 Security of supply

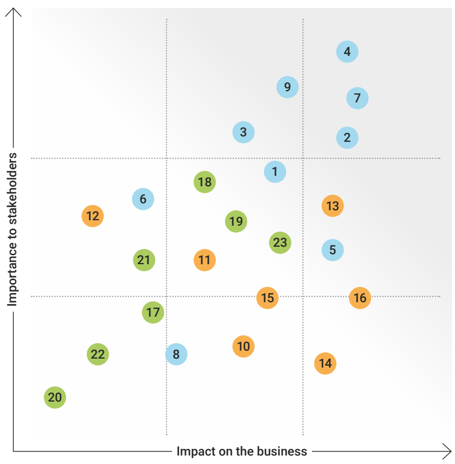
6 Human rights (modern slavery, child labour)

7 Data security and privacy

8 Misuse of data

9 Robust infrastructure

The cumulative rankings were placed onto a matrix, allowing the ESG issues to be visualised and prioritised.



People

10 Societal acceptance of surveillance

11 Delivery of social value

12 Social externalities of customer base

13 Employee recruitment and retention

14 Training and engagement

15 Diversity and inclusion

16 Health & safety of employees/ contractor

Planet

17 Material sourcing

18 Product lifespan/obsolescence

19 E-waste

20 Packaging

21 Net zero/GHG management

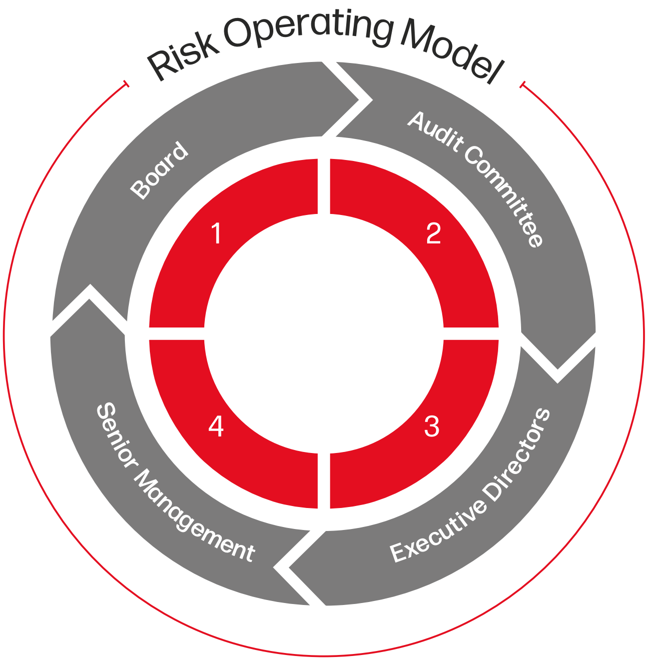
22 Transportation

23 Low carbon transition

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

The Board has overall responsibility for ensuring there is a robust and effective framework in place for the Group's risk management activities. Assisted by the Audit Committee, the Board monitors the principal risks and uncertainties facing the Group as well as the actions taken to mitigate those risks

Through an established risk management approach, our capability to assess risks is continually improving, such that our strategic, significant and emerging risks are identified and managed effectively.



1. Board

Delegation of responsibility for the review of the adequacy of the effectiveness of the internal control framework.

2. Audit Committee

Authorised to review the effectiveness of the Group's internal control mechanisms, financial reporting, internal audit and risk management processes.

3. Executive Directors

Responsible for the day-to-day operational and commercial activity across the Group and are, therefore responsible for the management of risk.

4. Senior management

Responsible for implementing sound and effective systems of internal control, 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.

Established 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.

Key

Increased

No change

Decreased

	Risk Factors that may impact the business	Mitigation What we are doing to minimise the risk
Attract and retain talented people (Decreased)	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 the USA.	We have enhanced our recruitment and on boarding procedures, with a specific emphasis on both attracting suitable candidates and nurturing talent from within the Group. Our focus extends to offering competitive remuneration packages and incentive structures, as evidenced by recent enhancements to our benefits programme. Additionally, we've initiated a new apprenticeship scheme aimed at cultivating essential skills for the future of our business. To gauge employee engagement levels, we conduct an annual survey supplemented by regular 'pulse' checks, with feedback and recommended actions discussed at the Board which are then integrated into the business. We have prioritised the well-being of our employees and have rolled out measures to support employee health and well-being.
Exposure to specific market sectors (Decreased)	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. Similarly, external factors, including governmental policies, may impact the timing and scale of investment within our key markets.	The Group has two well-established divisions with distinct business models and growth objectives. These divisions enable us to attain a varied revenue stream from our targeted markets, mitigating the risk of dependency on any single market or region. The Company is strategically targeting adjacent markets where our solutions seamlessly fit, thereby broadening and maximising opportunities in our existing markets. Concurrently, the group has reinvigorated its focus on business development to deepen its presence in its end markets, enhancing its capacity for further scalability within key sectors.
Product failure (No change)	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. We maintain 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.
Project delivery (No change)	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.

Key

- Increased
- No change
- Decreased

	Risk Factors that may impact the business	Mitigation What we are doing to minimise the risk
Technology development	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 technology, 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.
Business systems resilience	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.	In alignment with our commitment to enhance the resilience of our on-premises systems, we are developing a new technical strategy with a focus of delivering secure and highly available hybrid cloud hosting solutions to meet the evolving needs of our businesses. We are also enhancing our existing business continuity plan, with the aim to improve the recovery time objective and recovery point objective for critical systems, reducing downtime in the event of a disaster. This initiative is supported by our cloud-based backup strategy, a crucial element in providing this high level of service.
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.	In our ongoing commitment to cybersecurity, we've established a partnership with an award-winning managed security service provider. This collaboration ensures continuous 24/7 monitoring to detect potential threats promptly and respond efficiently to mitigate cyber risks across our group. Complementing this strategic alliance, we've implemented a new cyber awareness training programme. Our efforts are underscored by external accreditations, such as ISO 27001, and a steadfast adherence to industry best practices aimed at effectively mitigating cyber risks.

Key
- Increased
- No change
- Decreased

	Risk **Factors that may impact the business**	Mitigation **What we are doing to minimise the risk**
Macro-economic disruption (No change)	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 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.	The business has shown resilience during unprecedented times in recent years and has continued to deliver a strong performance. We maintain a vigilant approach towards monitoring and challenging our financial performance. Our focus remains on expanding our customer base and diversifying revenue streams across sectors, reducing reliance on any single market. To mitigate exchange rate risk, we proactively manage currency imbalances by aligning costs and revenues and, where necessary, utilise forward exchange contracts to hedge future cash flows.
Supply-chain and margin pressure (Increased)	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 component shortages has increased the supply-chain risk and driven up prices of certain components, which puts pressure on the margins achieved by the Group.	We conduct thorough assessments on all new suppliers and explore alternative sources for crucial components whenever feasible. We maintain regular communication with our suppliers to foster strong relationships and collaboratively address any potential concerns. We consistently monitor supplier performance in terms of delivery and quality. We implement stringent stock management practices, including comprehensive evaluations of future product demands to determine optimal stock levels. We provide 12-month rolling forecasts to our key suppliers to minimise lead times and mitigate risks. Additionally, suppliers are required to maintain buffer stocks of critical components, and the Group holds safety stocks as necessary, with levels regularly reviewed.

Strategic Report approval

The Strategic Report, which comprises the Interim Chair's statement on page 5, the Strategic Review on pages 8 to 23, the Performance Review on pages 24 and 25 and the above Risks and Risk Management section on pages 38 to 41, was approved by the Board.

By order of the Board

Claire Stewart
Company Secretary
26 February 2024

We recognise the importance of good corporate governance

Dear Shareholder,

As Interim Chair, it is my pleasure to write to you about the governance of Synectics plc as it is my responsibility for providing overall leadership to the Board and ensuring that good corporate governance is embraced by Synectics during this interregnum.

I am happy to confirm that the Board remains fully committed to ensuring that high standards of governance, values and behaviours are consistently applied throughout the Group, helping to ensure the integrity of our business, the successful delivery of our strategy and the long-term success of the Group as a whole.

The Company continues to adopt and comply with the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') and implements its ten principles of corporate governance. This Annual Report and the Corporate Governance section of our website at www.synecticsplc.com outlines the Company's approach to corporate governance and reports how the Company complies with the ten principles of the QCA Code.

Throughout the year, the Company continued to engage with its shareholders and stakeholders on the current position of the business and its future strategy, including regular investor meetings, investor presentations around financial results, and a site visit for investors which was held in November 2023. Further information on our stakeholder engagement can be found on pages 34 to 35. Our primary means of communicating the Group's corporate governance structure is through our Annual Report, various disclosures made on our website and announcements to the London Stock Exchange. Where specific questions are raised by private individual shareholders and institutional investors, we engage directly with those shareholders.

The Board and senior management endeavour to lead by example and to demonstrate the Company values (see inner front cover) 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 no one is discriminated against and that the values are upheld in everything we do.

On 20 October 2023, Craig Wilson stepped down as Chair of the Board and I took on the role of Interim Chair. Due to the timing of this change, I also retained my role as Audit Committee Chair and member of the Remuneration Committee. Although not in line with the QCA Code or Committees' terms of reference, the Board felt that due to proximity of the change so close to the Company's year-end, and the extent of my knowledge of the business, that this was the best thing to do in the circumstances providing consistency and continuity for all.

The Board continues to review the composition of the Board and its Committees and the search for a new Chair, alongside a potential new Non-Executive Director, is now underway. We will provide shareholders with further updates as and when appropriate.

Steve Coggins
Interim Chair
26 February 2024

QCA Code Principles

1. Establish a strategy and business model which promotes long-term value for shareholders.
2. Seek to understand and meet shareholder needs and expectations.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.
5. Maintain the Board as a well-functioning, balanced team led by the Chair.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.
8. Promote a corporate culture that is based on ethical values and behaviours.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Board

The Board comprises, in addition to the Chair, two 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.

Steve Coggins

Interim Non-Executive Chair

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.

Paul Webb

Chief Executive Officer

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

Chief Financial Officer

Amanda is an experienced finance professional having held senior finance roles in businesses, as well as senior management roles specialising in listed companies at Ernst & Young, where she started her career. She holds a degree in International Business and Modern Languages from Aston University and is a member of the Institute of Chartered Accountants of Scotland ('ICAS').

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 and Connected Places Catapult where she is also the Chair of The Digital Twin Hub. 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.

Board Responsibility: The long-term success of Synectics plc			
Audit Committee		**Remuneration Committee**	
Responsibility • Financial reporting • Risk management • Internal control	**Members**[1] • SW Coggins (Chair) • A Vincent • AS Lockwood	**Responsibility** • Remuneration policy • Incentive plans • Performance targets	**Members**[1] • AS Lockwood (Chair) • A Vincent • SW Coggins
→ Committee Report found on pages 48 to 50		→ Committee Report found on pages 51 to 54	

↓

Executive Directors, in conjunction with senior management

Responsibility:
- Formulation of strategy
- Day-to-day management and trading
- Operational and financial performance
- Plans and budgets

1. All members of the Committee have no personal or financial interests, other than as shareholders, in the matters considered by the Committee.

Due to the size of the Board, there is no Nomination Committee. Instead the function of a nomination committee is undertaken by the Board as a whole.

Board and Committee attendance

The table below shows the number of Board and Committee meetings attended during the year:

	Board	Audit Committee	Remuneration Committee
SW Coggins	8 of 8	3 of 3	4 of 4
PA Webb	8 of 8	–	–
AL Larnder	8 of 8	–	–
A Vincent	8 of 8	3 of 3	4 of 4
AS Lockwood	7 of 8	2 of 3	4 of 4
CA Wilson[2]	6 of 6	–	–
DJ Coghlan[3]	1 of 1	–	–

Members of senior management and professional advisors attended Board meetings by invitation as appropriate throughout the year.

At each Board meeting, the Chief Executive Officer delivers a high-level update on the business, and the Board considers specific reports, reviews business and financial performance, as well as key initiatives, risks and governance. In addition, throughout the year, senior management and other colleagues delivered presentations to the Board and Committees on proposed initiatives and progress on projects.

2. Resigned from the Board on 20 October 2023.
3. Retired from the Board on 16 February 2023.

Key activities and matters dealt with by the Board in 2023

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. During the year, the Board met eight times and, in addition, participated in two sessions on the Group's strategy and five-year plan.

February[P1]
- Approve final results and dividend policy
- Risk review
- Bribery and Modern Slavery policies

March[V]
- IT plan
- NED remuneration

April[P2]
- Strategy
- AGM
- Project review
- HR update
- ERP update
- Board evaluation

June[V]
- Divisional update

July[P1]
- Approve interim results
- Divisional update
- Risk review

September[V]
- IT update
- PR update

October[P2]
- Strategy
- Marketing update
- Investor relations
- HR plan
- ESG

November[V]
- Budget
- Chair succession

Key activities and matters dealt with by the Committees in 2023

Audit Committee: met three times during the year		
February[P1]	**July[P1]**	**October[P2]**
• Review of final results with external auditor • Approve Committee report • Risk review	• Audit controls • Review of interim results • Risk review • Internal assessment • Whistleblowing and non-auditor services policies • Terms of reference	• Audit plan and fees • Committee review • Internal audit

Remuneration Committee: met four times during the year			
February[P1]	**April[P2]**	**July[P1]**	**November[V]**
• Approve Committee report • Approve 2022 Executive bonus • LTIP award • 2023 Executive bonus plan	• Chair remuneration • Approve 2023 Executive bonus	• Chair remuneration • Share dealing policy • Terms of reference	• Company-wide salary review • LTIP clarification • Senior management remuneration • Chair remuneration • Executive remuneration

P1. Physical 1 day meeting.
V. Virtual meeting.
P2. Physical 2 day meeting (including strategy session).

Application of the QCA Code

The Company has adopted the QCA Code since 2018 on the basis that it is the corporate governance code most suited to our requirements, size, strategy, resources and stage of development, as it offers a flexible but rigorous outcome-oriented framework in which we can continue to develop our governance model to support our business. The QCA Code requires us to apply the principles as set out above and to publish certain related disclosures in our Annual Report, on our website, or a combination of the two. We have followed the QCA Code's recommendations and have therefore provided disclosure relating to Principles 2, 3 and 9, as well as those aspects of Principles 8 and 10 recommended to be disclosed on a website at www.synecticsplc.com and cover the remaining Principles in this Annual Report.

Principle 1: Strategy and business model

Synectics is a leader in advanced security and surveillance systems. The Group's strategy and business model is described in the Strategic Report on pages 8 to 23.

Principle 4: Effective risk management

The Group embeds risk management throughout the Group, further information can be found in the Audit Committee report on pages 48 to 50 and the Risk and Uncertainties on pages 38 to 41.

Principle 5: A balanced Board

During the year, there were changes to the leadership of the Board with Craig Wilson being appointed Chair, following David Coghlan's retirement in February, and then subsequently resigning himself in October when Steve Coggins stepped into the role on an interim basis. Despite the changes in leadership, the size and composition of the Board has 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 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 QCA 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.

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.

Key matters dealt with by the Board in 2023 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 2022 evaluation;
- 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 2023 Employee Opinion Survey;
- 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.

Principle 6: Board experience, skills and capabilities

Details of the Directors' biographies can be found on page 43.

The Board considers that it 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 knowledge including experience in the areas of technology, engineering, finance, international trading, innovation, sales and marketing. The Executive and Non-Executive Directors' skill sets are complementary, and together provide a blend of commercial, operational and financial expertise. The skill set is suitably broad and sufficiently high calibre such that all decision making at Board level is robust and mindful of the fiduciary responsibilities that need to be discharged to all shareholders.

Each Board member takes responsibility for maintaining their individual skill set, which includes roles and experience with other boards and organisations. They are also aware of the importance of keeping informed of the various activities and developments in the markets in which they operate and attend conferences and training events throughout the year to keep their skills, contacts and knowledge current. Formal training requirements for all Board members are reviewed annually and arranged where appropriate.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary. Details of the Company's advisers can be found on page 110 and on the Company's website www.synecticsplc.com.

Principle 7: Board evaluation

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 Chair'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 five areas of improvement against which progress has been made during the year especially improving communication for investors and demonstrating shareholder value and focusing on Synectics delivering profit recovery at or above market expectations in 2022 and 2023.

This year's Board evaluation took place in April, however, this focused on the previous tenure under Mr Coghlan rather than being forward looking under Mr Wilson. Accordingly, the Board took the decision to delay the evaluation until later in the year when the Board had experienced further time under Mr Wilson's leadership. Unfortunately, due to unforeseen circumstances, the delayed evaluation of the Board did not take place. Following the resignation of Mr Wilson and the appointment of an Interim Chair, the Board did not feel that it was appropriate to undertake the evaluation during an interregnum.

Following the appointment of a new Chair the Board evaluation will be put back on the agenda as a matter of priority.

Principle 8: Culture based on ethical values and behaviours

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.

The Company opposes modern slavery in all its forms and will try to prevent it by any means that it can. Anyone who has any suspicions of modern slavery within the business, or the supply chain is encouraged to 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.

Steve Coggins
Chair of the Audit Committee
26 February 2024

Introduction

On behalf of the Audit Committee (the 'Committee'), I am pleased to present the Committee's report for the year ended 30 November 2023, 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 2023 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.

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 found on the Governance section of our website at www.synecticsplc.com.

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.

Summary of the Committee's responsibilities

- Reviewing the half-year and annual financial statements and formal announcements relating to financial performance and advising the Board on whether they are fair, balanced and understandable;
- Reviewing the external auditors' independence and considering the nature, scope, and results of the auditors' and reviewing the policy on any non-audit services that are provided by the external auditors and making recommendations to the Board on their appointment and remuneration;
- Reviewing compliance with legal requirements, accounting standards and the AIM Rules and is focused on ensuring that effective systems of internal financial and non-financial controls (including for the management of risk and whistle-blowing) are maintained;
- Reviewing and agreeing the scope and work of the Group's internal audit activities and considering findings of internal investigations and management's response to these, and
- Reviewing the Committee's performance, constitution and terms of reference to ensure it operates effectively and to recommend any changes to the Board for approval.

Key areas of Committee focus during the year

- The suitability of the Group's accounting policies and practices;
- The half-year and annual financial results, including the assessment of goodwill, impairment and going concern and recommending to the Board that it is appropriate to adopt those assumptions (see further information below);
- The full-year report and audit findings of the external auditor, the actions arising from the findings and progress made against each;
- The reappointment, remuneration, performance evaluation and independence of the external auditor;
- The internal control environment across the Group, including approving updates to the Group's Delegation of Authority document;
- Review and approval of the external auditor's plan for 2023, which detailed the proposed audit scope and risk and governance assessment; and
- The approval of the Committee plan for 2023.

Financial reporting

During the year, the Committee reviewed and recommended approval of the half-year and annual 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 as set out below:

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.

Area of focus	How the matter was addressed by the 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 6 for an analysis of non-underlying items.

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 Chief Financial Officer;
- 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 2023 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 38 to 41.

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 reappointment 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 2024 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 2023 £3,551 (2022: £8,000) for services provided to the Group were non-audit services.

Andrew Lockwood
Chair of the Remuneration Committee
26 February 2024

Introduction from the Chair of the Remuneration Committee

On behalf of the Remuneration Committee (the 'Committee'), I am pleased to present my report as Chair of the Committee for the year ended 30 November 2023, which has been approved by the Board.

This report is divided into two sections:

1. an unaudited section which sets out 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 2023.

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.

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 Chair of the Board 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 Governance section of our website at www.synecticsplc.com.

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

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 that each year 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.

Summary of the Committee's responsibilities

- Making recommendations to the Board for approval of overall Group remuneration policies, and the specific remuneration each year for all Directors and the senior management team, including bonuses, incentive payments and share options and awards;
- Ensuring Executive Directors and the senior management team are provided with appropriate incentives to encourage enhanced performance in a fair and reasonable manner;
- Reviewing the design of share incentive plans for approval by the Board and determining the policy on annual awards to Executive Directors and senior management and reviewing progress made against performance targets and agreeing incentive awards;
- Reviewing the Committee's performance, constitution and terms of reference to ensure it operates effectively and to recommend any changes to the Board for approval.

Key areas of Committee focus during the year

- Ongoing review of long-term incentive plans and approval of an award of options under the PSP for the senior leadership team;
- Approval of the 2022 bonus scheme payments to the Executive Directors and senior management;
- Review and approval of 2023 bonus scheme;
- Review and approval of the remuneration of the Chair;
- Approval of global pay review for 2024 and review of Executive Directors salary for 2024.

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 22 to the financial statements. Directors' interests in the shares of the Group are detailed in the shareholdings disclosure on page 56.

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. Having been held since 2013, it was agreed during the year to increase the Non-Executive Directors' fees to £32,500 with a further £2,500 for chairing a committee.

Details of the Directors' emoluments are given below.

a) Remuneration (Audited information)

	Salary and fees £000	Bonuses[1] £000	Benefits £000	**2023 Total (excl. pension) £000**	2022 Total (excl. pension) £000	**2023 Pension allowance[2] £000**	2022 Pension allowance[2] £000
Chairs							
SW Coggins[3]	39	–	–	**39**	30	**–**	–
C Wilson[4]	85[5]	–	–	**85**	7	**–**	–
DJ Coghlan[6]	50	–	6	**56**	88	**–**	–
Executive Directors							
PA Webb	281	64	5	**350**	312	**32**	31
AL Larnder[7]	167	16	–	**183**	60	**12**	3
DM Bedford[8]	–	–	–	**–**	223[9]	**–**	7
Non-Executive Directors							
A Vincent	32	–	–	**32**	30	**–**	–
A Lockwood[10]	35	–	–	**35**	15	**–**	–
MJ Butler[11]	–	–	–	**–**	35[12]	**–**	–
Total	689	80	11	**780**	800	**44**	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.
3. Appointed Interim Chair on 20 October 2023.
4. Appointed to the Board on 4 November 2022 and resigned from the Board on 20 October 2023.
5. Includes £17,499 PILON.
6. Retired from the Board on 16 February 2023.
7. Appointed to the Board on 4 July 2022.
8. Resigned from the Board on 4 July 2022.
9. Includes £30,000 compensation for loss of office and £84,250 PILON.
10. Appointed to the Board on 1 June 2022.
11. Resigned from the Board on 30 November 2022.
12. 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 2023 through awards made under the PSP, which was established on 9 October 2012. Further information about the PSP is set out in note 22 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	–	–

Executive Shared Ownership Plan ('ExSOP')

The following Director held an interest in the Company's shares at 30 November 2023 through participation in the ExSOP, which was established on 7 July 2009, having superseded an earlier scheme established in 2005. Further information about the ExSOP is set out in note 22 to the financial statements.

	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

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 following Director held an interest in the Company's shares at 30 November 2023 through participation in the ESAP which was adopted on 23 April 2010. Further information about the ESAP is set out in note 22 to the financial statements.

	Total number of partnership and dividend shares held at 1 December 2022	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 2023	Value of shares as at 30 November 2023 (£)	Holding date
PA Webb	13,176	1,639	264	15,079	15,833	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 2022	112.5p
At 30 November 2023	105.0p

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

	Ordinary shares of 20p each
Maximum	141.45p
Minimum	92.4p

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
SW Coggins	6 months
PA Webb	12 months
AL Larnder	6 months
A Vincent	3 months
AS Lockwood	3 months

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 2023 is set out on page 64.

A review of the Group's business activities during the year and its prospects for the future can be found in the Interim Chair's Statement on page 5, the Strategic Review on pages 8 to 23, and the Performance Review on pages 24 and 25. 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 operating profit;
- underlying EBITDA;
- underlying diluted earnings per share (based on underlying profit after tax);
- recurring revenue;
- free cash flow;
- dividend level; and
- Technology 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 38 to 41.

Group results and dividends

The consolidated profit after tax for the year was £2,163,000 (2022: £1,465,000).

The Directors recommend the payment of a final dividend of 3.0p per share (2022: 2.0p), totalling around £515,830. Subject to approval, this is expected to be paid on 3 May 2024 to shareholders on the register as at the close of business on 12 April 2024. No interim dividend was paid during the year (2022: nil).

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 28 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 (2022: £3.2 million), of which £2.2 million (2022: £3.0 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 2023. No shares were held in treasury and 1,025,794 shares were held by the Company's employee share trusts. Details of movements in the issued share capital can be found in note 21 to the financial statements.

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 15,762 ordinary shares of 20p each in the Company were purchased by the employee benefit trust at a cost of £19,096 during the 2023 financial year.

Directors' interests

Interests of the Directors and their connected persons in the issued share capital of the Company as at 30 November 2023 were as follows:

	2023 Number of shares held	2023 Interests in share schemes	2023 Total interests in shares	2022 Total interests in shares
SW Coggins	**26,870**	**–**	**26,870**	26,870
PA Webb	**57,115**	**515,079**	**572,194**	570,291
AL Larnder	**4,326**	**124,000**	**128,326**	128,326
A Vincent	**–**	**–**	**–**	–
AS Lockwood	**–**	**–**	**–**	–
	88,311	**639,079**	**727,390**	725,487

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 26 February 2024.

Significant shareholdings

As at the close of the market on 26 February 2024, 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%
Downing LLP	1,921,333	10.80%
Stonehage Fleming Investment Management Limited	1,707,196	9.59%
DJ Coghlan	1,581,303	8.89%
Quadnetics Employee Benefit Trusts	1,025,794	5.76%

Board of Directors

Steve Coggins, Paul Webb, Amanda Larnder, Alison Vincent and Andrew Lockwood were in office throughout the financial year ended 30 November 2023. On 20 October 2023, Craig Wilson resigned as Chair and left the Board and Steve Coggins was appointed as Chair in the interim. Details and biographies of the Directors are shown on page 43.

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 Alison Vincent and Andrew Lockwood.

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 25 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.

Employee engagement

The Group employed an average of 269 people in 2023 (2022: 263).

The Group's employees are the strength and the foundation of its success, and regular engagement through various media: email, focus groups, monthly bulletins, team briefings and an annual employee opinion survey enables the Directors to take into account the interests of employees when making decisions through-out the year. Further information about how the Group engages with employees can be found on page 34.

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 note 22 to the financial statements.

Policy on payment of suppliers

The Group's policy during the year was to pay suppliers in accordance with agreed terms. At 30 November 2023 the Group had 61 days' purchases outstanding in trade payables (2022: 46 days').

Charitable donations and activity

The Group made donations amounting to £3,259 (2022: £3,182) 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 global events on the business and will react accordingly if any material risks arise.

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

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

The Directors consider that the Group benefits from a level of diversification within the sectors and geographies in which it operates that helps mitigate an element of macro-economic risk. The Directors believe that the Group operates in a resilient industry enabling it to continue its profitable growth trajectory. In addition, there is further resilience from the Group's operating model with strong customer and supplier relationships, 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 shows 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 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 £4.6 million (2022: £4.3 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 2025. Whilst the renewal process is still underway at the time of signing these accounts, the bank has indicated that the facilities are expected to renew as previously.

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 2024 AGM will be made available on the Company's website after the meeting.

Auditor

RSM UK Audit LLP has been reappointed by the Board as the Company's external auditor, upon the recommendation of the Audit Committee. Accordingly, a resolution for the reappointment 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 the 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 Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and 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 group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with UK Generally Accepted Accounting Practice (UK 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 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 the company and of the profit or loss of the Group and the Company for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- ensure that the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the 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 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.

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
26 February 2024

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 2023 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 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 2023 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
Materiality	**Group** • Overall materiality: £465,000 (2022: £435,000) • Performance materiality: £348,000 (2022: £326,000) **Parent Company** • Overall materiality: £440,000 (2022: £170,000) • Performance materiality: £330,000 (2022: £127,500)
Scope	Our audit procedures covered 85% of total consolidated revenue, 82% of total consolidated assets and 84% of total consolidated profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 £49.1m (2022: £39.1m), 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 to determine the revenue and profit to be recognised. Refer to Audit Committee Report (pages 48 to 50), accounting policies and critical accounting estimates and judgements (pages 69 to 76) and financial disclosures (note 3 – pages 78 and 79). There is a risk of misstatement resulting from inappropriate recognition bases being used and inaccurate estimates being made.

Independent Auditor's Report continued

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 samples of contracts to agree details to supporting documentation and consider and challenge the contract accounting estimates; • Testing a sample of contract assets to supporting documentation, including sales invoices raised after the year-end, to assess whether they had been calculated correctly and were recoverable; 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 £19.7m (2022: £19.7m) – refer to Audit Committee Report (pages 48 to 50), accounting policies and critical accounting estimates and judgements (pages 69 to 76) and financial disclosures (note 14 – pages 87 and 88). 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; • 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; • Considering the forecasts in the context of historical forecasting accuracy and our understanding of the markets in which the Group operates; • Considering the appropriateness of the judgements used in the selection of the discount rates used by engaging with an internal valuation specialist; • Undertaking our own sensitivity analyses; and • Assessing the appropriateness of the Group's disclosures about the sensitivity of their impairment assessment.

Our application of materiality

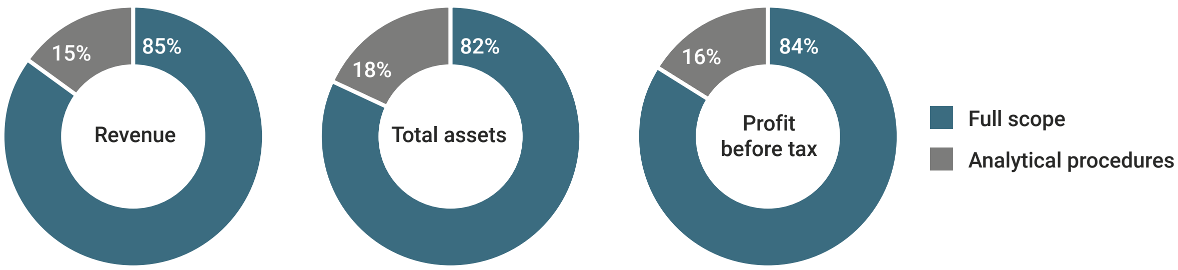
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the 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	£465,000 (2022: £435,000)	£440,000 (2022: £170,000)
Basis for determining overall materiality	0.9% of revenue	95% of group overall materiality and 1.2% 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	£348,000 (2022: £326,000)	£330,000 (2022: £127,500)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £23,200 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £22,000 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 7 components, located in the following countries; UK, Singapore, USA, Germany and 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 3 components.

All of the above work was undertaken 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 2025, 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 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.

Independent Auditor's Report continued

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 58, 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.

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:

- 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;
- 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.

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the Group audit engagement team 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 advisors; Input from an internal 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 Group 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.

Charles Fray (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
14th Floor
20 Chapel Street
Liverpool
L3 9AG
27 February 2024

Consolidated Income Statement

For the year ended 30 November 2023

Continuing operations	Note	2023 Underlying £000	2023 Non-underlying items (note 6) £000	2023 Total £000	2022 Underlying £000	2022 Non-underlying items (note 6) £000	2022 Total £000
Revenue	2,3	**49,128**	**–**	**49,128**	39,116	–	39,116
Cost of sales		**(29,121)**	**–**	**(29,121)**	(22,486)	–	(22,486)
Gross profit		**20,007**	**–**	**20,007**	16,630	–	16,630
Operating expenses		**(16,951)**	**(302)**	**(17,253)**	(15,478)	(658)	(16,136)
Operating profit		**3,056**	**(302)**	**2,754**	1,152	(658)	494
Finance costs	9	**(101)**	**–**	**(101)**	(133)	–	(133)
Profit before tax		**2,955**	**(302)**	**2,653**	1,019	(658)	361
Income tax (charge)/credit	10	**(559)**	**69**	**(490)**	153	125	278
Profit for the year from continuing operations		**2,396**	**(233)**	**2,163**	1,172	(533)	639
Discontinued operations[1]							
Profit for year from discontinued operations	4	**–**	**–**	**–**	22	804	826
Profit for the year		**2,396**	**(233)**	**2,163**	1,194	271	1,465
Profit for the year attributable to equity holders of the Parent Company from:							
– Continuing Operations		**2,396**	**(233)**	**2,163**	1,172	(533)	639
– Discontinued Operations		**–**	**–**	**–**	22	804	826
Earnings per share from continuing and discontinued operations	12						
Basic				**12.8p**			8.7p
Diluted				**12.8p**			8.7p
Earnings per share from continuing operations	12						
Basic				**12.8p**			3.8p
Diluted				**12.8p**			3.8p

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

Consolidated Statement of Comprehensive Income

For the year ended 30 November 2023

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

Consolidated Statement of Financial Position

As at 30 November 2023

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	13	**3,739**	4,598
Intangible assets	14	**21,128**	20,776
Deferred tax assets	10	**2,262**	2,741
		27,129	28,115
Current assets			
Inventories	15	**5,069**	4,219
Trade and other receivables	16	**13,868**	9,090
Contract assets	3	**6,954**	6,317
Tax assets		**–**	425
Cash and cash equivalents	17	**4,604**	4,256
		30,495	24,307
Total assets		**57,624**	52,422
Current liabilities			
Trade and other payables	18	**(11,270)**	(8,111)
Contract liabilities	3	**(3,033)**	(1,875)
Lease liabilities	19	**(573)**	(683)
Tax liabilities		**(90)**	–
Current provisions	20	**(606)**	(796)
		(15,572)	(11,465)
Non-current liabilities			
Non-current provisions	20	**(794)**	(746)
Lease liabilities	19	**(1,365)**	(2,137)
Deferred tax liabilities	10	**(1,016)**	(1,072)
		(3,175)	(3,955)
Total liabilities		**(18,747)**	(15,420)
Net assets		**38,877**	37,002
Equity attributable to equity holders of the Parent Company			
Called up share capital	21	**3,559**	3,559
Share premium account		**16,043**	16,043
Merger reserve		**9,971**	9,971
Other reserves		**(1,436)**	(1,436)
Currency translation reserve		**912**	940
Retained earnings		**9,828**	7,925
Total equity		**38,877**	37,002

The financial statements on pages 64 to 109 were approved and authorised for issue by the Board of Directors on 26 February 2024 and were signed on its behalf by:

Paul Webb
Chief Executive Officer

Amanda Larnder
Chief Financial Officer

Company number: 1740011

Consolidated Statement of Changes in Equity

For the year ended 30 November 2023

	Called up share capital £000	Share premium account £000	Merger reserve £000	Other reserves £000	Currency translation reserve £000	Retained earnings £000	Total £000
At 1 December 2021	3,559	16,043	9,971	(1,436)	715	6,492	35,344
Profit for the year	–	–	–	–	–	1,465	1,465
Other comprehensive income							
Currency translation adjustment	–	–	–	–	287	–	287
Tax relating to components of other comprehensive income	–	–	–	–	(62)	172	110
Total other comprehensive income	–	–	–	–	225	172	397
Total comprehensive income for the year	–	–	–	–	225	1,637	1,862
Transactions with owners in their capacity as owners							
Dividends paid	–	–	–	–	–	(253)	(253)
Credit in relation to share-based payments (note 23)	–	–	–	–	–	49	49
At 30 November 2022	3,559	16,043	9,971	(1,436)	940	7,925	37,002
Profit for the year	–	–	–	–	–	2,163	2,163
Other comprehensive income							
Currency translation adjustment	–	–	–	–	(28)	–	(28)
Total other comprehensive income	–	–	–	–	(28)	–	(28)
Total comprehensive income for the year	–	–	–	–	(28)	2,163	2,135
Transactions with owners in their capacity as owners							
Dividends paid	–	–	–	–	–	(338)	(338)
Credit in relation to share-based payments (note 23)	–	–	–	–	–	78	78
At 30 November 2023	**3,559**	**16,043**	**9,971**	**(1,436)**	**912**	**9,828**	**38,877**

Consolidated Cash Flow Statement

For the year ended 30 November 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Profit from continuing operations		**2,163**	639
Profit from discontinued operations		**–**	826
Profit for the year		**2,163**	1,465
Income tax charge/(credit)	10	**490**	(306)
Finance costs	9	**101**	148
Depreciation and amortisation charge		**1,779**	2,186
Net foreign exchange differences		**318**	(212)
Non-underlying items		**302**	658
Profit arising on sale of discontinued operation, before transaction fees	4	**–**	(923)
Inventory write down		**316**	243
Cash flow relating to non-underlying items incurred in current or previous years		**(539)**	(408)
Movement in provisions and other non-cash movement		**41**	(116)
Share-based payment charge		**78**	49
Operating cash inflow before movement in working capital		**5,049**	2,784
Increase in inventories		**(1,166)**	(526)
Increase in receivables and contract assets		**(5,686)**	(85)
Increase/(decrease) in payables and contract liabilities		**4,403**	(1,186)
Cash generated from operations		**2,600**	987
Tax received		**434**	242
Net cash generated from operating activities		**3,034**	1,229
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(273)**	(86)
Capitalised development costs	14	**(950)**	(207)
Purchased software	14	**(171)**	(21)
Net cash disposed on discontinued operation	4	**–**	(268)
Proceeds from sale of property plant and equipment		**–**	–
Net cash used in investing activities		**(1,394)**	(582)
Cash flows from financing activities			
Lease payments	19	**(835)**	(913)
Other interest paid		**(13)**	–
Dividends paid to equity holders of the parent		**(338)**	(253)
Net cash used in financing activities		**(1,186)**	(1,166)
Net increase/(decrease) in cash and cash equivalents		**454**	(519)
Effect of exchange rates on cash and cash equivalents		**(106)**	134
Cash and cash equivalents at the beginning of the year		**4,256**	4,641
Cash and cash equivalents at the end of the year	17	**4,604**	4,256

Notes to the Consolidated Financial Statements

For the year ended 30 November 2023

1 Principal accounting policies

General information

Synectics plc (the 'Company') is a public limited company incorporated in England and Wales and domiciled in the UK and is listed on AIM. The Company's registered address is at Synectics House, 3-4 Broadfield Close, Sheffield, S8 0XN. 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 (IAS) in conformity with the requirements of the Companies Act 2006. 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 65 to 101. The consolidated financial statements of the Group as at and for the year ended 30 November 2023 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. The consolidated financial statements are presented in GBP, which is the functional currency of the Group, and the financial statements are rounded to the nearest thousand (£000).

The following new standards became applicable to the Group 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 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;

The amendments above 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 Group for the annual reporting period ended 30 November 2023.

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

- 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.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Synectics Plc as at 30 November 2023 and the results of all its subsidiaries for the year then ended. Synectics Plc and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'the Group'.

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.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

1 Principal accounting policies continued

Basis of consolidation continued

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated.

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, with any non-effective element being recognised in the profit or loss account. 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 operations are held in the functional currency of those operations, are treated as assets and liabilities of the foreign operation and translated at the rates prevailing at the Statement of Financial Position date.

Going concern

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

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

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

1 Principal accounting policies continued

Going concern continued

Cash and funding position

Positive cash balances were maintained throughout the year and ended the year at £4.6 million (2022: £4.3 million). Undrawn overdraft facilities of £3 million were held throughout the year. Despite the central forecast indicating that the Group should not require to draw upon the overdraft facilities for the foreseeable future, management is in the process of renewing, as a matter of prudence, the overdraft facility of £3 million with Lloyds Bank until March 2025. Whilst the renewal process is still underway at the time of signing these accounts, the bank has indicated that the facilities are expected to renew as previously.

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.

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.

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).

1 Principal accounting policies continued

Revenue continued

Revenue and profit recognition continued

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.

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.

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.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

1 Principal accounting policies continued

Share-based payments continued

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.

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 a component of the Group which has been disposed of or classified as held for sale in the period, and where the component represents a separate major line of business or geographical area of operations with operations and cash flows that can be clearly distinguished from the rest of the Group.

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

1 Principal accounting policies continued

Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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 the 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.

Research & development costs

Research costs are expensed as incurred in the Consolidated Income Statement.

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 expensed 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 Cash Generating Unit ('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.

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

1 Principal accounting policies continued

Impairment of tangible and intangible assets continued

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.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

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, less any allowance for expected credit losses. 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 2023, 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.

1 Principal accounting policies continued

Financial instruments continued

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 2023 or 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.

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 the financial statements in conformity with IFRS, requires management to make judgements, estimates and assumption that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and associated assumptions based on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. 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 both current and future periods are affected.

Management has discussed its significant estimates and associated disclosures with the Audit Committee. The judgements, estimates and assumptions that have significant risk of causing a material adjustment to the financial statements or are 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.

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

1 Principal accounting policies continued

Estimates continued

Impairment of 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 14 to the financial statements.

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.

Share based payments

In determining the fair value of equity-settled share-based payments and the related charge to the Consolidated Statement of Comprehensive Income, the Group makes assumptions about future events and market conditions. Judgement must be made as to the likely number of shares that will vest and the fair value of each award granted. The fair value is determined using the Black Scholes valuation model. At each year end, the Group revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity.

Recognition of deferred tax assets

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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

2 Segmental analysis

For management purposes, the Group is organised into business units as follows:

- Systems, which develops and delivers its proprietary, technology-led solutions to specialist markets globally – including oil and gas, gaming, transport, critical infrastructure and public space – through local systems integrators and channel partners. Capabilities centre around a proprietary software platform, Synergy, that is tailored to the unique requirements of each client; and specialist hardware for oil and gas markets.
- Security, which delivers integrated solutions, service and support directly to end-users in the UK and Ireland – principally within public space, transport, and national infrastructure – utilising a combination of proprietary technology and third-party products.

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 Chief Operating Decision Maker ('CODM').

2 Segmental analysis continued

The Executive Directors are the CODM as they monitor the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Intersegment transactions were made at market rate and relate to the sale of equipment and licences by Systems to Security and are eliminated on consolidation.

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

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

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.

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

2 Segmental analysis continued

By geographical segment	2023 Revenue	2023 Total non-current assets	2023 Capital additions	2022 Revenue	2022 Total non-current assets	2022 Capital additions
Geographical location of contract	£000	£000	£000	£000	£000	£000
UK and Europe	27,140	24,403	1,327	23,736	25,054	1,128
North America	5,001	113	120	7,570	230	3
Middle East & Africa	4,988	–	–	1,858	–	–
Asia Pacific	11,999	351	406	5,952	90	8
	49,128	24,867	1,853	39,116	25,374	1,139

3 Revenue from contracts with customers

Disaggregated revenue information

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

Revenue by contract location 2023	Systems	Security	2023
Continuing operations	£000	£000	£000
UK and Europe	9,128	18,013	27,141
North America	5,001	–	5,001
Middle East & Africa	4,750	238	4,988
Asia Pacific	11,988	10	11,998
	30,867	18,261	49,128

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

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 2023	Systems	Security	2023
Continuing operations	£000	£000	£000
Revenue transferred at a point in time	8,067	5,199	13,266
Revenue transferred over time	22,800	13,062	35,862
Intra-Group	1,148	–	1,148
	32,015	18,261	50,276

Timing of revenue recognition 2022	Systems	Security	2022
Continuing operations	£000	£000	£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

3 Revenue from contracts with customers continued

Contract balances

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

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

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

£1.6 million (2022: £2.9 million) of the contract liabilities balance at 1 December 2022 was recognised as revenue during the year. No revenue was recognised in the current year in relation to performance obligations satisfied, or partially satisfied in previous years.

Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 November 2023 that are expected to be recognised over more than one year is £5.9 million (2022: £7.4 million). These performance obligations relate predominantly to the provision of service and maintenance contracts and are as follows:

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

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 its Security division. On 30 November 2022 the transaction was subsequently completed for £100,000 cash and further contingent consideration of £100,000.

In the prior year, SSS is not 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.

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 for the prior year may not reconcile to those presented in the consolidated income statement and the consolidated cash flow statement.

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

4 Discontinued operations continued

Results from discontinued operations:

	2023 £000	2022 £000
Revenue	–	7,253
Cost of sales	–	(5,902)
Gross profit	–	1,351
Operating costs	–	(1,314)
Operating profit before non-underlying items	–	37
Finance costs	–	(15)
Profit before tax and non-underlying items	–	22
Non-underlying item – profit on disposal	–	776
Profit before tax	–	798
Tax on non-underlying item	–	28
Profit attributable to discontinued operations	–	826

The profit from discontinued operations of £nil (2022: profit £826,000) is attributable entirely to the Group.

The average monthly number of persons employed by the discontinued operation during the year was nil (2022: 41).

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

	2023 £000	2022 £000
Salaries and wages	–	1,335
Social security costs	–	144
Pension costs	–	87
	–	1,566

Cash flow statement

	2023 £000	2022 £000
Net cash flows from operating activities	–	189
Net cash flows from investing activities	–	(377)
Net cash flows from financing activities	–	(40)
Net cash flows from discontinued operations	–	(228)

5 Net operating expenses

Continuing operations	2023 £000	2022 £000
Distribution costs	**293**	242
Administrative expenses (before non-underlying items)	**16,658**	15,236
Non-underlying items (note 6)	**302**	658
Total administrative expenses	**16,960**	15,894
	17,253	16,136

Net operating expenses and net operating profit are after charging £2,224,000 (2022: £2,993,000) in relation to research and development costs.

6 Non-underlying items

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

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

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

Costs associated with the buy-out of the defined benefit pension scheme represent costs incurred by the Group in relation to winding up the scheme. See note 27.

7 Auditor's remuneration

Continuing operations	2023 £000	2022 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**70**	62
Fees payable to the Company's auditor for other services to the Group:		
– the audit of the Company's subsidiaries pursuant to legislation	**155**	144
Non-audit services	**4**	8
	229	214

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

8 Staff costs and Directors' remuneration

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

Continuing operations	2023 Number	2022 Number
Reportable segment (see note 2)		
Systems	**153**	146
Security	**94**	96
Central	**22**	21
	269	263

Continuing operations	2023 £000	2022 £000
Staff costs		
Wages and salaries	**14,530**	13,360
Social security costs	**1,432**	1,340
Pension costs	**608**	415
Share-based payment charge (note 23)	**78**	49
	16,648	15,164

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 51 to 54. Details of the remuneration for key management personnel are set out in note 25.

9 Finance costs

Continuing operations	2023 £000	2022 £000
Other interest payable	**13**	–
Interest payable on lease liabilities	**88**	133
	101	133

10 Taxation

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

Further analysed as tax relating to:		
Underlying profit	559	(153)
Non-underlying items	(69)	(153)

Reconciliation of tax charge/(credit) for the year

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

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

The Group's tax rate is sensitive to a geographic mix of profits and reflects a combination of higher rates in the US and lower rates in Singapore and Macau. The Group's effective tax rate in 2023 has also been impacted by R&D tax relief and current year losses.

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

10 Taxation continued

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	Losses £000	Total £000
At 1 December 2021	(438)	(411)	2,752	1,903
(Charged)/credited to the Income Statement	(125)	221	(506)	(410)
Credited to the Statement of Comprehensive Income	–	110	–	110
Currency translation adjustment	(3)	4	65	66
At 30 November 2022	(566)	(76)	2,311	1,669
(Charged)/credited to the Income Statement	19	(92)	(326)	(399)
Credited to the Statement of Comprehensive Income	–	–	–	–
Currency translation adjustment	–	(2)	(22)	(24)
At 30 November 2023	**(547)**	**(170)**	**1,963**	**1,246**
Deferred tax asset	29	270	1,963	2,262
Deferred tax liability	(576)	(440)	–	(1,016)
	(547)	**(170)**	**1,963**	**1,246**

Factors that may affect future tax charges

Deferred tax assets of £2.0 million (2022: £2.3 million) have been recognised in relation to legal entities which suffered a tax loss in the current or preceding periods. The assets are recognised based upon future taxable profit forecasts for the entities concerned.

The Group has further losses which may be available to be carried forward for offset against the future taxable profits of certain Group companies amounting to approximately £3.8 million (2022: £4.0 million). No deferred tax asset (2022: £nil) in respect of these losses has been recognised at the year end as the Group does not currently anticipate being able to offset these against future profits. There is no time limit in which the tax losses are required to be utilised.

In addition to the above, the Group has capital losses of approximately £17.8 million (2022: £17.8 million) available for offset against future taxable gains. No deferred tax asset in respect of these losses has been recognised in these financial statements as there is insufficient certainty that the asset will be recovered against future capital gains.

11 Dividends

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

	2023		2022	
	Pence per share	**£000**	Pence per share	£000
Final dividend paid in respect of prior year but not recognised as a liability in that year	**2.0**	**344**	1.5	267
Interim dividend paid in respect of current year	**–**	**–**	–	–
	2.0	**344**	1.5	267
Total dividend paid, net of shares held by the share trust	**2.0**	**338**	1.5	253
Proposed final dividend for the year ended 30 November	**3.0**	**515**	2.0	356

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

12 Earnings per share

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

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

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

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

	2023	2022
	000	000
Weighted average number of ordinary shares – basic calculation	**16,889**	16,888
Dilutive potential ordinary shares arising from share options	**1**	2
Weighted average number of ordinary shares – diluted calculation	**16,890**	16,890

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

13 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 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
Lease modifications	–	–	–	(781)	(781)
Additions	–	55	218	459	732
Disposals	–	(201)	(54)	(807)	(1,062)
Currency translation adjustment	–	(15)	(40)	(38)	(93)
At 30 November 2023	**1,834**	**922**	**2,250**	**4,027**	**9,033**
Depreciation and impairment					
At 1 December 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
Lease modifications	–	–	–	(272)	(272)
Charge for the year	37	120	148	759	1,064
Disposals	–	(201)	(52)	(807)	(1,060)
Currency translation adjustment	–	(12)	(38)	(27)	(77)
At 30 November 2023	**342**	**778**	**1,977**	**2,197**	**5,294**
Net book value					
At 30 November 2023	**1,492**	**144**	**273**	**1,830**	**3,739**
At 30 November 2022	1,529	212	207	2,650	4,598

The net book value of right of use assets at 30 November 2023 relates to leasehold property £1,733,000 (2022: £2,468,000) and vehicles £97,000 (2022: £182,000).

14 Intangible assets

	Goodwill	Acquired intangibles	Capitalised development costs	Purchased software	Total
	£000	£000	£000	£000	£000
Cost					
At 1 December 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
Additions	–	–	950	171	1,121
Disposals	–	–	–	–	–
Currency translation adjustment	(157)	–	–	(1)	(158)
At 30 November 2023	**24,204**	**759**	**6,573**	**1,086**	**32,622**
Amortisation and impairment					
At 1 December 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
Charge for the year	–	–	675	40	715
Disposals	–	–	–	–	–
Currency translation adjustment	(103)	–	–	(1)	(104)
At 30 November 2023	**4,551**	**759**	**5,298**	**886**	**11,494**
Net book value					
At 30 November 2023	**19,653**	**–**	**1,275**	**200**	**21,128**
At 30 November 2022	19,707	–	1,000	69	20,776

The amortisation charge is recognised within operating expenses on the Consolidated Income Statement.

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

14 Intangible assets continued

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 business units, Systems and 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.

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

	2023	2022
	£000	£000
Systems	**10,841**	10,895
Security	**8,812**	8,812
	19,653	19,707

The recoverable amount of the CGUs is determined based on a value-in-use calculation which uses cash flow projections for five years. These are based on financial budgets and business plans approved by the Directors covering a three-year period plus a further two years at a 5% growth rate. The average annual revenue growth rate for the five-year period is 9% (2022: 16%). Cash flows beyond that period have been extrapolated into perpetuity using a steady 2.0% per annum growth rate (2022: 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.

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

	2023	2022
	%	%
Systems	**13.2**	15.5
Security	**13.2**	12.4

The pre-tax discount rates used are based on the Group's weighted average cost of capital, and includes an adjustment to reflect the Group's small market capitalisation.

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 24.9% (Systems) or 16.6% (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, represent a balanced view.

The forecast cash flows of both CGUs have been risk adjusted by 10% (2022: £10%). 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 business unit would need to achieve less than 50% of forecast and Security less than 73% in all years 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 £27 million (2022: £25 million).

There is no impairment to goodwill in either CGU in the period (2022: no impairment).

15 Inventories

	2023 £000	2022 £000
Raw materials and consumables	**1,810**	1,415
Work in progress	**1,277**	279
Finished goods for resale	**1,982**	2,525
	5,069	4,219

The cost of inventories recognised as an expense during the year was £21.4 million (2022: £15.2 million) in relation to continuing operations.

The cost of inventories recognised includes £316,000 (2022: £243,000) in respect of write-offs of inventory to net realisable value.

16 Trade and other receivables

	2023 £000	2022 £000
Trade receivables	**12,197**	7,518
Allowance for expected credit losses	**(157)**	(137)
	12,040	7,381
Other receivables	**1,074**	1,031
Prepayments	**754**	678
	13,868	9,090

Trade receivables are non-interest bearing and generally have 30 to 90-day terms. At 30 November 2023 the Group had 78 days' sales outstanding in trade receivables (2022: 60 days).

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

Movement in allowance for lifetime expected credit losses

	2023 £000	2022 £000
At 1 December	**137**	468
Provided for in the year	**104**	41
Amounts utilised in the year	**–**	(118)
Amounts released in the year	**(84)**	(254)
At 30 November	**157**	137

Ageing of trade receivables

	2023 £000	2022 £000
Not due	**6,538**	5,677
Up to three months past due	**4,627**	1,512
Three to six months past due	**188**	51
Over six months past due	**844**	278
	12,197	7,518

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

17 Cash and cash equivalents

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

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

Currency	2023 £000	2022 £000
GBP	**3,381**	1,969
USD	**901**	1,723
EUR	**212**	211
SGD	**51**	153
AED	**47**	50
Other	**12**	150
	4,604	4,256

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 2023 the Group had undrawn overdraft facilities of up to £3.0 million (2022: £3.0 million), on which interest would be payable at the rate of Bank of England base rate plus 2.5% (2022: Bank of England base rate plus 2.5%).

18 Trade and other payables

	2023 £000	2022 £000
Trade payables	**5,552**	3,297
Other taxation and social security	**642**	388
Other payables	**124**	53
Accruals	**4,952**	4,373
	11,270	8,111

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

At 30 November 2023 £2.0 million (2022: £1.7 million) of the accruals balance relates to cost accruals for projects ongoing at the year end.

19 Lease liabilities

For details of the right of use assets, see note 13. The carrying amount of lease liabilities and the movements during the year are as follows:

	Vehicle £000	Property £000	Total £000
At 1 December 2021	264	2,575	2,839
Additions	36	784	820
Accretion of interest	7	143	150
Payments	(126)	(787)	(913)
Disposals	–	(115)	(115)
Currency translation adjustment	–	39	39
At 30 November 2022	181	2,639	2,820
Additions	–	459	459
Accretion of interest	4	84	88
Payments	(85)	(750)	(835)
Lease modifications	–	(571)	(571)
Currency translation adjustment	–	(23)	(23)
At 30 November 2023	**100**	**1,838**	**1,938**

The property lease liability of £1,838,000 (FY22: £2,639,000) relates to eight (FY22: eight) properties across the group with £786,000 (FY22: £1,376,000) relating to the Sheffield properties occupied by part of the Systems UK team and plc head office.

During the year the lease of a property in Singapore was extended and a new lease was commenced in the US.

Prior to 30 November 2023, a decision was made to activate the May 2023 break clause at the head office property in Sheffield, resulting in a lease modification. At 30 November 2023 the net book value of the right-of-use-asset was £39,000 and the lease liability was £38,000.

The lease disposed of in the prior year relates to a property occupied by SSS Management Services Limited.

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:

	2023 £000	2022 £000
Current liabilities	**573**	683
Non-current liabilities	**1,365**	2,137
Total liabilities	**1,938**	2,820

Contractual maturity of lease liabilities:

	2023 £000	2022 £000
Up to 1 year	**573**	683
Between 1 year and 5 years	**1,291**	1,561
More than 5 years	**74**	576
	1,938	2,820

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

19 Lease liabilities continued

Amounts reported in the Consolidated Income Statement include the following in relation to leases (see notes 2 and 9):

Depreciation charge of right-of-use assets	2023 £000	2022 £000
Leasehold property	**676**	665
Vehicles	**85**	114
	761	779
Interest on lease liabilities (included in finance cost)	**88**	133
Expense relating to short-term and low value leases (included in operating expenses)	**75**	48

The weighted average incremental borrowing rates applied to the lease liabilities recognised ranged between 3% – 3.3% (2022: 3% – 3.1%).

The Group leases office equipment under agreements of less than two years. These leases are either short-term or low value and so have been expensed as incurred and not capitalised as right-of-use assets.

20 Provisions

	Legal £000	Warranty £000	Restructuring £000	Property £000	Total £000
At 1 December 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
Utilised in the year	(237)	(629)	–	(30)	(896)
Released in the year	–	–	–	–	–
Charged to the Income Statement	–	685	–	82	767
Currency translation adjustment	(13)	–	–	–	(13)
At 30 November 2023	**–**	**1,091**	**–**	**309**	**1,400**

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

	2023 £000	2022 £000
Current	**606**	796
Non-current	**794**	746
	1,400	1,542

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 c.£100,000 of the property cost provision carried forward at 30 November 2023 will be utilised in less than one year in relation to the Sheffield property.

21 Called up share capital and reserves

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

	2023		2022	
	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 (2022: 905,329) were held by the Group Executive Shared Ownership Plan ('ExSOP') at 30 November 2023 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 (2022: £2,154,000) and the capital redemption reserve of £718,000 (2022: £718,000). The nominal value of the shares held in the ExSOP is £181,066 (2022: £181,066).

The currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to GBP. It is also used to recognise gains and losses on the hedges of the net investments in foreign operations.

22 Synectics plc share schemes

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 2023, the scheme holds 118,727 (2022: 102,895) ordinary shares with a market value of £124,663 (2022: £115,757).

Movements during the year were as follows:

	Number of shares
Shares held at 1 December 2022	102,895
Shares acquired during the year	29,953
Withdrawals from the scheme during the year	(14,121)
Shares held at 30 November 2023	**118,727**

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

22 Synectics plc share schemes continued

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.

ExSOP shares outstanding at 30 November 2023 are exercisable as follows:

Date awarded	Exercise dates	Relevant share price at date of award	**2023** **Number of shares**	2022 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**	600,086
			905,329	905,329

Movements during the year were as follows:

	Number of shares
Shares held at 1 December 2022	905,329
Vested shares sold or transferred in the year	–
Shares held at 30 November 2023	**905,329**

Dividends have been waived in respect of the 600,086 (2022: 600,086) 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 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.

22 Synectics plc share schemes continued

PSP continued

2020-2021 awards and related 2022 modifications continued

In August 2022, the performance criteria of the awards made to Persons Discharging Managerial Responsibilities ("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).

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. The baseline for calculating the CAGR of TSR is £1.35 per share, and the baseline for calculating the CAGR of EPS is 11.87 pence per share (being the equivalent of the Company's EPS in the financial year ended 30 November 2019).

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 Chief Financial Officer. 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.

2023 awards

In March 2023 awards were made to PDMRs.

Performance is measured according to the average of the CAGR of the TSR and the CAGR of Adjusted Underlying Diluted Earnings Per Share. If this average is 20% or more, 100% of the Award Shares will vest. If this average is above 10% and below 20%, between 0% and 100% of the Award Shares will vest (on a straight-line basis).

PSP shares outstanding at 30 November 2023 are exercisable as follows:

Date awarded	Exercise dates	Relevant share price at date of award	**2023** Number of shares	2022 Number of shares
30 March 2015	30 March 2018 onwards	125.0p	**1,000**	1,000
7 March 2019	7 March 2022 onwards	200.0p	**–**	–
7 August 2020	February 2024 onwards	130.0p	**140,000**	140,000
7 August 2020	February 2025 onwards	130.0p	**100,000**	100,000
7 August 2020	February 2026 onwards	130.0p	**100,000**	100,000
3 March 2021	3 March 2024 onwards	137.5p	**20,000**	20,000
2 August 2022	February 2025 onwards	117.5p	**162,000**	162,000
2 August 2022	February 2026 onwards	117.5p	**62,000**	62,000
13 March 2023	13 March 2026 onwards	1.275p	**80,000**	–
			665,000	585,000

80,000 shares were awarded in the year (2022: 224,000), no shares expired (2022: 251,000) and no shares were exercised (2022: 300).

The weighted average expiry date of awards outstanding is 516 days (2022: 821 days) and the weighted average share price is 128.8p (2022: 129.3p)

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

23 Share-based payment charge

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

For the equity-settled share scheme awards, the estimate of the fair value of the services received for accounting purposes is measured based on 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:

	August 2020	August 2020	August 2020	March 2021	August 2022	August 2022	March 2023
Synectics PSP	3 yr awards	4 yr awards	5 yr awards	3 yr awards	4 yr awards	5 yr awards	3 yr awards
Number of share options awarded	222,000	162,000	162,000	20,000	162,000	62,000	80,000
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil	£nil
Share price on date of award	£1.30	£1.30	£1.30	£1.375	£1.175	£1.175	£1.275
Expected volatility	50%	50%	50%	50%	50%	50%	50%
Expected dividend yield	4.0%	4.7%	5.3%	4.0%	3.22%	3.86%	2.16%
Risk-free interest rate	0.33%	0.33%	0.33%	0.33%	2.065%	2.065%	2.065%
Vesting period	3.55 years	4.57 years	5.56 years	3 years	2.58 years	3.58 years	3 years
Expected life of option	3.55 years	4.57 years	5.56 years	3 years	2.58 years	3.58 years	3 years

	August 2020	August 2020	August 2020
Modifications 10 May 2022	3 yr awards	4 yr awards	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

	August 2020	March 2021
Modifications 1 August 2022	3 yr awards	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 2023, at the date of grant, is £0.42 (2022: £0.42).

The expected volatility is based on historical volatility. In respect of the 2023, 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.

23 Share-based payment charge continued

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

	2023 £000	2022 £000
Equity-settled share-based payments	**78**	49

24 Contingent liabilities

There were no material contingent liabilities at 30 November 2023 or at 30 November 2022.

25 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:

	2023 £000	2022 £000
Salary and fees	**688**	723
Bonuses	**80**	39
Benefits	**11**	8
Total short-term remuneration	**779**	770
Post-employment benefits	**44**	40
Termination payment	**–**	30
Share-based payments	**52**	25
Social security costs	**96**	97
	971	962

Share options exercised by key management personnel during the year amounted to £nil (2022: £nil).

26 Capital commitments

At the year end, capital commitments not provided for in these financial statements amounted to £541,000 (2022: £10,000).

27 Pension commitments

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

a) Defined benefit scheme

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 'buy-out' process was completed and the pension scheme wound up in November 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 £608,000 (2022: £415,000).

28 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 current accounts (note 17), bank overdrafts (note 17) and equity attributable to equity holders of the Parent, comprising issued share capital (note 21), reserves and retained earnings. The Group is not subject to any externally imposed capital requirements. The Group's dividend policy depends on both the earnings profile and investment opportunities together with wider macro-economic factors.

Notes to the Consolidated Financial Statements continued

For the year ended 30 November 2023

28 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 2023 and 2022 the Group had no commitments in respect of forward exchange contracts:

Hedge accounting has not been applied.

At 30 November 2023, certain subsidiaries within the Group had the following forecast foreign currency transactions during the next two years which have not been hedged:

	2023		2022	
	€000	$000	€000	$000
Receipts	1,375	29,153	1,089	22,052
Payments	(7,836)	(35,827)	(4,014)	(22,505)

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 5.4% (2022: 4.2%) of the Group's net assets as follows:

	2023	2022
Functional currency of entity	%	%
US dollars	0.7	(1.3)
Euros	4.7	5.5
Total	5.4	4.2

Translation exposure in respect of these assets is not hedged.

At 30 November 2023 the Group held foreign currency cash balances of $1,139,000 (2022: $2,303,000), €230,000 (2022: €244,000) and S$86,000 (2022: S$250,000).

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

	USD impact		Euro impact	
	2023	2022	2023	2022
	£000	£000	£000	£000
Profit/(loss)	(5)	(52)	(73)	(52)
Other equity	(123)	(220)	461	484
Total	(128)	(272)	388	432

The maximum annual movement for both currencies between November 2020 and November 2023 is 10%.

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.

	2023		2022	
	Sterling	USD	Sterling	USD
	£000	£000	£000	£000
Sterling	–	803	–	263
US dollars	(1,863)	–	(1,355)	–
Euros	(517)	–	(145)	–
Singapore dollars	–	243	–	25
Total	(2,380)	1,046	(1,500)	288

28 Financial instruments continued

Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations, resulting in financial loss to the Group, and arises principally from the Group's receivables from customers. 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:

	2023	2022
	£000	£000
Current accounts (note 17)	**4,604**	4,256

The level of the Group's bank overdraft facilities is reviewed annually, and at 30 November 2023 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 (2022: twelve months), an undrawn bank overdraft (2022: undrawn) repayable on demand and lease liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The maturity of the financial liabilities table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

		Within 1 year	**2 to 5 years**	**Over 5 years**	**Remaining contract cashflows**	**Carrying amount**
30 November 2023	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Trade and other payables	18	**5,552**	**–**	**–**	**5,552**	**5,552**
Lease liabilities	19	**923**	**1,563**	**37**	**2,523**	**1,938**
		6,475	**1,563**	**37**	**8,075**	**7,490**

		Within 1 year	2 to 5 years	Over 5 years	Remaining contract cashflows	Carrying amount
30 November 2022	Note	£000	£000	£000	£000	£000
Trade and other payables	18	3,297	–	–	3,297	3,297
Lease liabilities	19	986	2,148	307	3,441	2,820
		4,283	2,148	307	6,738	6,117

The cashflows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Interest risk

Individual overdrawn current accounts are charged interest at bank base rate plus 2.5% as set out in note 17.

The Group's funding position did not carry any significant interest rate risk at 30 November 2023 or 30 November 2022.

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 2023

29 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.

Synectics EFX Limited has taken the entitlement to exemption from audit by parent company guarantee under section 479A of the Companies Act 2006 relating to subsidiary companies for the year ended 30 November 2023.

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.

30 Post-balance sheet events

There are no material post balance sheet events known at the date of this report.

Company Statement of Changes in Equity

For the year ended 30 November 2023

	Called up share capital £000	Share premium account £000	Merger reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 1 December 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
Loss for the year	–	–	–	–	(923)	(923)
Other comprehensive expense						
Total other comprehensive expense	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	(923)	(923)
Transactions with owners in their capacity as owners						
Dividends paid	–	–	–	–	(338)	(338)
Credit in relation to share-based payments	–	–	–	–	78	78
At 30 November 2023	**3,559**	**16,043**	**9,971**	**(572)**	**7,724**	**36,725**

Company Statement of Financial Position

For the year ended 30 November 2023

	Note	**2023 £000**	2022 £000
Non-current assets			
Plant and equipment	4	**106**	30
Intangibles assets	5	**17**	9
Deferred tax assets	10	**1,323**	1,230
Investments in subsidiary undertakings	6	**35,872**	35,846
		37,318	37,115
Current assets			
Other receivables	7	**5,377**	5,661
Cash at bank and in hand		**277**	617
Current tax		**148**	21
		5,802	6,299
Total assets		**43,120**	43,414
Current liabilities			
Trade and other payables	9	**(6,333)**	(5,363)
		(6,333)	(5,363)
Non-current liabilities			
Deferred tax liabilities	10	**(62)**	(143)
		(62)	(143)
Total liabilities		**(6,395)**	(5,506)
Net assets		**36,725**	37,908
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		**7,724**	8,907
Total equity		**36,725**	37,908

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 loss for the year of the Company is £0.9 million (2022: loss £2.2 million).

The financial statements on pages 101 to 109 were approved and authorised for issue by the Board of Directors on 26 February 2024 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 2023

1 Company accounting policies

General information

Synectics plc (the 'Company') 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.

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';
- 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);
- The requirements of paragraph 38 of IAS 1 'Presentation of Financial Statements to present comparative information in respect of paragraphs 79(a)(iv), 73 and 118 (c) of IAS 1;
- 10(d) ,10(f),16, 38A, 38B-D, 40A-D,111 and 134-136 of IAS 1 'Presentation of Financial Statements';
- 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.

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.

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 23 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.

Notes to the Company Financial Statements continued

As at 30 November 2023

1 Company accounting policies continued

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 a pre-tax discount rate of 13.2% (see note 14 in the Group accounts). The future cash flows used in the value-in-use calculations are based on financial budgets and business plans approved by the Directors covering a three-year period plus a further two years at 5% annual growth. Cash flows beyond that period have been extrapolated into perpetuity using a 2.0% per annum growth rate (2022: 2.0%).

Another area involving a higher degree of judgement is the inter-group balances (note 7) and expected credit loss of these. Management assesses the inter-group balances annually and assess repayment ability of the group companies. Impairment is assessed using a 2-15% (2022: 2-15%) sensitivity for the margin of default expected. A provision of £1.3 million (2022: £1.3 million) 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 £70,000 (2022: £62,000).

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 51 to 54. 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 22 (2022: 21).

4 Plant and equipment

	£000
Cost	
At 1 December 2022	247
Additions	107
At 30 November 2023	**354**
Depreciation	
At 1 December 2022	(217)
Charge for the year	(31)
At 30 November 2023	**(248)**
Net book value	
At 30 November 2023	**106**
At 30 November 2022	30

5 Intangible assets

	£000
Cost	
At 1 December 2022	164
Additions	15
At 30 November 2023	**179**
Amortisation	
At 1 December 2022	(155)
Charge for the year	(7)
At 30 November 2023	**(162)**
Net book value	
At 30 November 2023	**17**
At 30 November 2022	9

6 Investments in subsidiary undertakings

	2023	2022
	£000	£000
Cost		
At 1 December	**44,361**	44,351
Disposal	**–**	–
Share-based payments capital contribution	**26**	10
At 30 November	**44,387**	44,361
Provision for impairment		
At 1 December	**(8,515)**	(8,515)
Impairment in year	**–**	–
At 30 November	**(8,515)**	(8,515)
Net book value		
At 30 November	**35,872**	35,846

Notes to the Company Financial Statements continued
As at 30 November 2023

6 Investments in subsidiary undertakings continued
Details of the Company's subsidiaries at 30 November 2023 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	99.9%	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%	Dormant
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

6 Investments in subsidiary undertakings continued

	Registered office (see footnote)	Country of incorporation	Class of share	Proportion of voting rights and shares held	Nature of business
Synectics Technology Centre Limited	1	UK	Ordinary shares	100%	Dormant
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. 4885 Ward Road Suite 300, Wheat Ridge, CO 80033-1946, USA.
4. Wilhelmstraße 118, 10963 Berlin, Germany.
5. 150 Kampong Ampat, #01-01/01-01 A, Singapore 368324.
6. Alameda Dr. Carlos D'Assumpcao, No. 411-417, Edf. Dynasty Plaza, 6 andar Q, NAPE.

7 Other receivables

	2023 £000	2022 £000
Other receivables	**58**	123
Amounts due from subsidiaries	**5,284**	5,459
Prepayments	**35**	79
	5,377	5,661

Amounts due from subsidiaries are net of an expected credit loss provision of £1.3 million (2022: £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.

Notes to the Company Financial Statements continued

As at 30 November 2023

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

	2023 £000	2022 £000
Trade payables	**238**	339
Amounts owed to subsidiaries	**5,248**	4,191
Accruals	**847**	833
	6,333	5,363

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 2022	(1,230)	143	(1,087)
(Credited)/charged to the Income Statement	(93)	(81)	(174)
At 30 November 2023	**(1,323)**	**62**	**(1,261)**

The net deferred tax position at 30 November 2023 is £1,261,000 (2022: £1,087,000) and is set out below:

	2023 £000	2022 £000
Fixed asset timing differences	**(12)**	(42)
Other timing differences	**(130)**	(168)
Tax losses	**(1,119)**	(877)
	(1,261)	(1,087)

11 Called up share capital and reserves

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

	2023		2022	
	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 2023 (2022: £nil).

13 Capital commitments

At 30 November 2023 capital commitments not provided for in these financial statements amounted to £nil (2022: £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 27 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 (2022: £nil).

In addition, the Company's total expense for other defined contribution pension schemes during the year was £83,000 (2022: £75,000).

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

synecticsglobal.com
Synectics House
3 – 4 Broadfield Close
Sheffield S8 0XN
Tel: +44 (0) 114 255 2509

Moat Road
Normanby Enterprise Park
North Lincolnshire DN15 9BL
Tel: +44 (0) 1652 688 908

Synectic Systems, Inc.
Developers of integrated software solutions and products for complex security and surveillance networks

synecticsglobal.com
4885 Ward Road Suite 300
Wheat Ridge
CO 80033-1946
USA
Tel: +1 888 755 6255

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

synecticsglobal.com
Wilhelmstraße 118
10963 Berlin
Germany
Tel: +49 30 515655400

Synectic Systems (Asia) Pte Limited
Provision of specialist video-based electronic systems and technology, for use in high security applications

synecticsglobal.com
150 Kampong Ampat
#01-01/01-01A
Singapore 368324
Tel: +65 6749 6166

Synectic Systems (Macau) Limited
Provision of specialist video-based electronic systems and technology, for use in high security applications

synecticsglobal.com
Alameda Dr. Carlos D'Assumpcaos
No. 411-417
Edf. Dynasty Plaza, 6 andar Q
NAPE
Macau
Tel: +853 2855 5178

Synectics Security Limited
Design, installation, maintenance and management of advanced integrated CCTV and security systems

synectics-security.co.uk
3 Attenborough Lane
Chilwell
Nottingham NG9 5JN
Tel: +44 (0) 115 925 2521

Advisers

Secretary and registered office
Claire Stewart
Synectics plc
Synectics House
3 – 4 Broadfield Close
Sheffield S8 0XN
Tel: +44 (0) 114 280 2828
Email:
legalandsecretarial@synecticsplc.com

Bankers
Lloyds Bank plc
2nd Floor
125 Colmore Row
Birmingham B3 3SF

Nominated Advisor
Shore capital & Corporate Ltd
Cassini House
57-58 St James's Street
London SW1A 1LD

Stockbrokers
Shore Capital Stockbrokers Limited
Cassini House
57-58 St James's Street
London SW1A 1LD

Auditor
RSM UK Audit LLP
14th Floor
20 Chapel Street
Liverpool L3 9AG

Registrars and transfer office
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Synectics plc
Synectics House
3 – 4 Broadfield Close
Sheffield
S8 0XN

Tel: +44 (0) 114 280 2828
Email: @synecticsplc.com

www.synecticsplc.com