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Global Specialists in Integrated Security Systems

Company number: 1740011

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Synectics plc

Annual Report and Accounts for the year ended 30 November 2020

Synectics plc

Synectics (AIM: SNX) is a leader in the design, integration and support of advanced security and surveillance systems that enable clients around the world to protect their people, communities and assets.

With over 30 years of field-proven experience, Synectics has intimate knowledge of specialist customer requirements across the transport, *critical infrastructure, public space, gaming, and oil & gas sectors,* where security is fundamental to successful business operations.

The Group's expert engineering teams work in partnership with customers to create integrated product and technology solutions, proven in the most complex and demanding operating environments.

Find out more at www.synecticsplc.com

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

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

Transport

Read more page 18

Critical Infrastructure

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Public Space

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Gaming

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Oil & Gas

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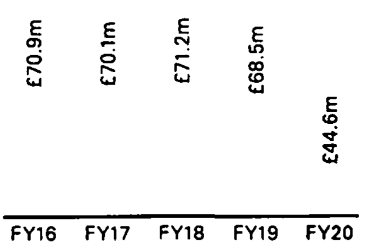
Headlines

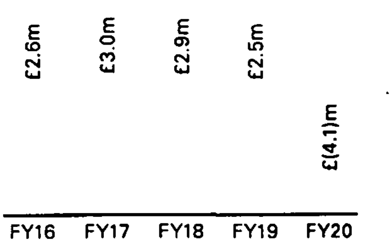
- Revenue £44.6 million (2019: £68.5 million)
- Underlying loss[1] £(4.1) million (2019: profit £2.5 million)
- Loss before tax £(6.3) million (2019: profit £1.6 million)
- Underlying diluted EPS[1] (17.2)p (2019: 13.9p)
- Diluted EPS (27.7)p (2019: 9.6p)
- Net cash at 30 November 2020 £6.9 million (2019: £3.6 million; 26 Feb 2021: £4.5 million) with no debt[2]
- Year-end order book £25.4 million (2019: £32.7 million; 26 Feb 2021: £32.9 million)
- Simplified organisation resulting in the closure of a number of operating sites and reduced operational cost base by annualised £2.4 million
- Dividend recommencement to be reviewed during this financial year once the timing of recovery is clearer

Financial overview

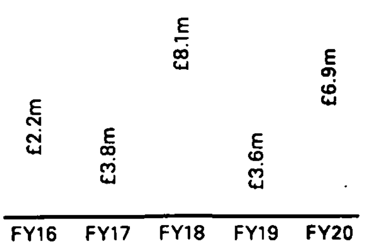
Revenue



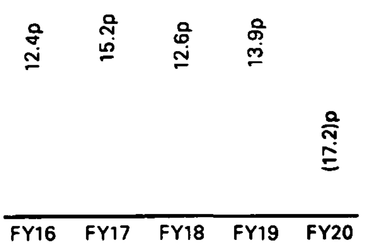
Underlying (loss)/profit before tax[1]



Net cash



Underlying diluted EPS[1]



1. Underlying (loss)/profit represents (loss)/profit before tax and non-underlying items (which comprise restructuring costs and amortisation of acquired intangibles). See note 6 to the financial statements for further detail. Underlying earnings per share are based on (loss)/profit after tax but before non-underlying items.
2. Excluding IFRS 16 lease liabilities.

In this report

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

Our business at a glance

Who we are

Synectics plc is an agile, innovative leader in the world of advanced surveillance technology systems.

We are experts in the specialist markets in which we operate, with decades of experience in areas of critical need. 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 – giving them peace of mind by securing the assets, people, and livelihoods they are responsible for protecting.

We have built an enduring reputation for our problem-solving expertise, technical excellence, and total commitment to delivering for our customers.

What we do

Synectics specialises in the creation of security and surveillance solutions that are precisely adapted for some of the world's most challenging environments.

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

We protect and support critical assets of public infrastructure, from nuclear power stations in the UK, to transport networks in Germany, offshore energy installations in Qatar, and the highest grossing casinos in Singapore and Las Vegas.

Why choose Synectics

Synectics delivers large-scale security and surveillance projects for world-class companies, frequently winning major contracts in direct competition with conglomerates many times our size.

We succeed because we combine the scale and track record required to handle the most challenging programmes with the agility and "can do" attitude of an independent firm.

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

Customer-led innovation
Synectics works in partnership with customers to understand their perspective, track emerging trends, support their evolving needs, and deliver solutions that work.

Deep industry expertise
Specialist teams with deep industry and sector experience, built through 30 years of real-life customer implementations, delivering successful projects around the world.

Focused product development
Our product development is guided by the needs of customers, maximising their long-term technology investment and achieving an optimised balance between resources invested and performance outcomes.

Global capability, local knowledge
From gaming and casinos to transport, oil & gas, critical infrastructure, and public space, Synectics has an intimate understanding of the pressures, priorities and challenges customers face on a daily basis.

Specialists in complex and highly regulated environments
Synectics understands challenging environments, delivering complex projects requiring specialist knowledge and tailored solutions, often in highly regulated industries.

Our vision...

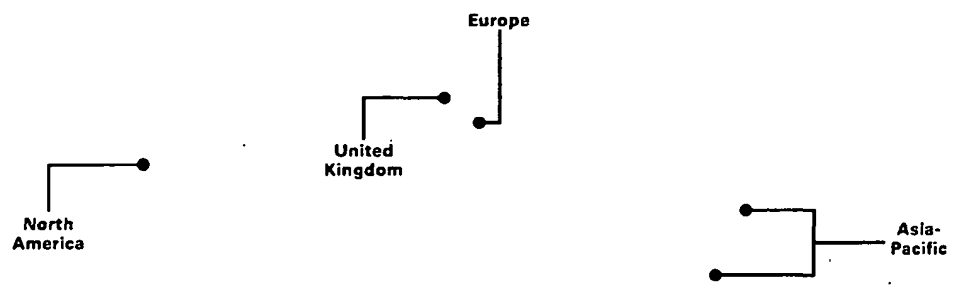
Synectics will lead the creation of security and surveillance solutions that are precisely adapted for some of the world's most challenging environments – and be the provider of choice "where it matters most".

Our purpose...

By building a deep understanding of our customers' needs, we create solutions they can rely on completely – helping to give peace of mind by securing the people, assets, and livelihoods they are responsible for protecting.

Where we work

We are committed to providing our customers with the support they need when and where they need it most. Our regional presence enables us to respond with agility and timeliness and offer a truly customer-centric approach.



Transport

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

Critical infrastructure

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

Public space

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

Gaming

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

Oil & gas

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

"

The Company is significantly geared to the return towards normal business and well placed to capitalise fully on its recent strategic contract successes once the recovery is underway."

David Coghlan
Chairman

Overview

For almost all of the financial year to 30 November 2020, and the period since, Synectics has operated in a global environment the likes of which few of us could have imagined twelve months ago. While the spread of the Group's commercial and government customers provided some cushion, a number of our end markets have suffered significant pandemic-related impacts, particularly global casinos and gaming resorts. As a result, our consolidated revenues in the year ended 30 November 2020 declined by 35% compared to 2019 and the Group incurred both underlying losses and additional costs to realign our expense base. These impacts, and the actions taken to address them, also placed heavy personal and professional burdens on Synectics' management team and staff.

Against that background, the Board is reassured and proud that our people have both tackled the difficulties with energy and commitment and demonstrated a real determination to maintain the pace of delivering Synectics' core strategy in readiness to take full advantage of the recovery when it comes.

As soon as the seriousness of the coronavirus situation became apparent, the Board and senior management team took necessary actions to secure the future of the Company, including:

- protecting, as a first priority, the health and well-being of the Company's staff and customers;
- cutting discretionary operating and capital expenditure, while preserving the recently increased levels of investment in core product development and customer support;
- maintaining employee posts through taking advantage of UK and US government job support schemes;
- agreeing voluntary salary and fee reductions with the senior management team and the Board respectively;
- suspending and subsequently cancelling dividend payments to shareholders;
- accelerating actions already underway to reorganise the Company's Systems division into a global single business structure, and to amalgamate the Group's UK security and on-vehicle integration activities as Synectics Security; and
- reducing headcount across the Group by 10%.

The Board believes that these actions struck the right balance between protecting Synectics' short-term financial position and preserving investment in its intellectual property, people, skills, and market positions.

In relation to that latter objective, I am pleased to report that Synectics delivered excellent progress in its largest strategic investment focus, the new Synergy surveillance command and control platform for major urban transportation and infrastructure hubs. Development of the innovative Berlin S-Bahn project for Deutsche Bahn continued on time and on budget, despite the virus constraints. The system successfully went live on the S-Bahn network as planned on 1 January 2021, and we were delighted to receive public accolades from the customer for that achievement.

The importance of this initial implementation of the new version of Synergy in Berlin was borne out by the recent award to Synectics for a similarly innovative, cloud-based surveillance control system in London.

These new Synergy systems are almost wholly software based, so will underpin the Group's objective of increasing earnings quality through a higher gross margin business mix and an increasing proportion of recurring revenue.

Following an obviously difficult year, the Board remains convinced that Synectics is well placed to weather the remainder of the current disruptions and to deliver on its core long-term growth objectives.

Results

For the year to 30 November 2020, Synectics' consolidated revenue was £44.6 million (2019: £68.5 million). The underlying loss before tax[1] was £(4.1) million (2019: profit £2.5 million).

During the year the Group provided £2.2 million for non-underlying charges related principally to consolidating its security integration and on-vehicle activities into a new single business, Synectics Security, and restructuring the Systems division. These charges are more fully described in note 6 to the financial statements. As a result, the loss before tax was £(6.3) million (2019: £1.6 million). The underlying diluted loss per share was (17.2)p (2019: 13.9p), and the diluted loss per share was (27.7)p (2019: 9.6p).

The tax credit in the year was £1.6 million (2019: £0.1 million) consisting largely of the recognition of tax losses incurred in the year.

The impact on these results of foreign exchange movements during the year was not material. Net cash at 30 November 2020 was £6.9 million[2] (2019: £3.6 million); net cash at 26 February 2021 was £4.5 million. The Company has no bank debt and available undrawn facilities of £3.0 million. This cash inflow across the year was largely the result of reduced working capital requirements as revenues declined, and is expected to reverse, at least in part, once revenues start to recover.

The consolidated firm order book at 30 November 2020 was £25.4 million (2019: £32.7 million) around two-thirds of which is expected to be traded in FY 2021 with the balance largely long-term service and support contracts. The order book at 26 February 2021 was £32.9 million.

During 2020, the Board accelerated actions already underway to simplify the Group's organisation and management structure into Synectic Systems and Synectics Security, and reduced its operating cost base by an annual run rate of approximately £2.4 million whilst preserving its capabilities and opportunities.

Dividend

The Board is not recommending the payment of a final dividend. Declaration and payment of the recommended final dividend of 3.5p per share in respect of the financial year to 30 November 2019 were suspended and subsequently cancelled in April 2020 when the potential impact of the pandemic began to emerge. The Board intends to reassess the restoration of dividends during this financial year once the timing of recovery is clearer.

Technology development

Continued investment in our intellectual property and technology base remains an important priority for the Group. During the 2020 financial year, Synectics spent a total of £4.0 million on technology development (2019: £3.8 million). Of this total, £0.8 million was capitalised, and the remainder expensed to the Income Statement. £0.4 million of previously capitalised development costs were amortised in the year.

The current versions of Synectics' command and control platform incorporate the latest cybersecurity enhancements and market-leading capability for deployment in secure hybrid cloud or full cloud architectures in the largest scale security management environments.

Strategy

Synectics' primary strategy remains to develop and capitalise on market-leading positions within relevant sectors of the global surveillance and security market where customers value high-performance, sector-specific capability. We achieve cost competitiveness and scalability in these markets by maintaining a standard modular core technology engine which supports solutions tailored as required for specific sectors and customers.

Significant technology development investment is focused on expanding the range of capabilities of the core Synergy platform to enable end-to-end control of the overall surveillance function and resources in complex operating environments. To customers whose other options would largely be based on bespoke development, the Synectics alternative offers the flexibility and power they need, but at lower cost and with substantially reduced risk.

People

It has been customary for me to use this opportunity to thank Synectics' employees publicly, on behalf of the Board and shareholders, for their efforts in the year under review. In the wake of an extraordinarily taxing and disruptive year for everyone, such customary thanks seem wholly inadequate to the quite exceptional levels of commitment, flexibility, creativity, and support for others demonstrated by our Synectics colleagues in 2020.

Against a background of high uncertainty, and where some hard decisions on staffing levels were necessary, it was inspiring to witness or hear told so many fine examples of the Company's culture in action. To those heroes and heroines, sung and unsung, I offer the Board's most sincere gratitude.

As another measure of the direct impact of our people on the business, for the fifth year running the Company's independently assessed metric of overall customer satisfaction has risen. The Board attaches significant importance to the results of this annual survey as a leading indicator of the Group's performance, and the long-term success and sustainability of the business.

Outlook

At the time of writing, it appears that the success of available vaccines against Covid-19 will lead the world back towards normality during 2021. The timing, profile, and end point of that process, however, remain highly uncertain.

The largest direct negative impact affecting Synectics currently is the closure of, or lack of business in major casinos and gaming resorts in the United States and the Far East, in turn driven by travel and other restrictions on the public. We would expect Synectics' business from its customers in that sector to recover in a relatively straightforward manner once leisure travel in those two core markets returns.

In each of the transport, infrastructure and oil & gas sectors, the dynamics of recovery will be more complex, depending on the available resources and priorities of the different government, quasi-government, and commercial customers the Company deals with. Some of these will continue to benefit from government policy decisions to fund infrastructure spending to boost economic recovery, while others may suffer from tightened budgets for some time to come.

Trading in the first quarter of the current financial year generally continued at the low levels experienced across 2020, with lockdowns and travel restrictions still affecting both the volume and sales cycle timing of new business. Recent contract wins, most notably in the UK and Europe, have increased the Group's firm order book by nearly 30% since the year end and there are some small early signs of renewed activity in the gaming surveillance sector in the United States and Asia. However, there remains obvious substantial uncertainty as to the timing of macro-economic recovery.

The Board regularly reviews the balance between maintaining the right level of investment in product development and customer support, and vigilantly preserving the Group's financial resources. Given Synectics' balance sheet strength, we regard the current position as prudent, leaving the Company significantly geared to the return towards normal business and well placed to capitalise fully on its recent strategic contract successes once the recovery is underway.

David Coghlan
Chairman

1 March 2021

1. Underlying (loss)/profit represents (loss/)profit before tax and non-underlying items (which comprise restructuring costs and amortisation of acquired intangibles). See note 6 to the financial statements for further detail.

2. Excluding IFRS 16 lease liabilities.

"Results have clearly been significantly affected by the pandemic, particularly in our global Gaming markets. However, the business is well placed to capitalise on recent landmark project wins, which utilise its latest technology developments."

Paul Webb
Chief Executive

During a year like no other, our team has stepped up time and again. Covid-19 has touched all aspects of our operation. We have worked with our customers to enable them to utilise Synectics solutions to manage their pandemic response; we have transformed our approach to ongoing operations to ensure rapid and effective support despite all the constraints; and through all of this we have continued to deliver on customer projects around the world.

Against this backdrop we have kept a clear view of our long-term goals and aspirations. We have continued to progress our transformation agenda, harnessing a new generation of technologies to address fast evolving customer needs. We are now seeing much of what we have worked towards in recent years becoming reality.

I am immensely proud of what the Synectics team has achieved during 2020. It is testament to the resilience of our people and the way in which we have evolved as a customer-centric organisation that we have successfully worked through some of the most challenging circumstances any of us have ever faced. We have adapted many of our working processes, from developing virtual factory acceptance testing to taking our Synergy training online. We have learnt much, and many of our new ways of working will become a permanent part of our customer service and support offer.

Strategic evolution

The experiences of 2020 have caused every one of us to re-evaluate what we do, not just in immediate response to the crisis but with a longer-term perspective as well. In many areas of life, the pandemic has accelerated changes which were already underway, whether in online shopping or remote working. Some of the more dramatic shifts may be partly reversed when some form of normality returns but there will undoubtedly be a lasting impact.

This is as true for Synectics as a business as it is for each of us in our personal lives. We have taken the opportunity to augment our strategy, sharpening our structure, our cost base, and the way we view opportunities to take better advantage of the individual and combined strengths within our portfolio of businesses. This has enabled us to define more clearly the purpose of each Group business and the individual success factors critical to enhancing our market positions. We are confident this will make us stronger and healthier going forward.

We increasingly see our opportunities evolving far beyond the more traditional security and surveillance remit of many of our competitors. This in turn is further crystallising our view of the opportunities where we can make best use of our strengths for clients and deliver return for shareholders. This is not in mass market, high volume delivery of commoditised products, where others may be better positioned to serve the need. Rather, our opportunity is in specialist markets where our scale, approach, expertise, and technology-driven solutions enable us to create and deliver clearly differentiated solutions.

Our key sectors include transport, critical infrastructure, public space, oil & gas, and gaming. Within each, we configure solutions that are tailored to customers' individual requirements. This is at the heart of what makes Synectics different. We are prepared to work alongside our customers, using proven technology to create a solution to their specification that has the flexibility to grow and evolve with their business requirements.

We entered 2020 in a strong position, confident in the foundations we have established over the last few years with a customer-centric organisation, partnership philosophy, and solutions-driven technology development for our chosen markets. These principles remain as valid as ever, and their accelerated application over the past twelve months leaves us strongly placed to create value for customers and drive sustainable long-term growth and shareholder return.

Creating solutions

Our growth opportunity is facilitated by the investment we have made in our Synergy software platform. Synergy is extraordinarily powerful, spanning a breadth of customer environments from mainstream video management systems to increasingly complex enterprise-level operational security systems. The underlying technology development programme is focused on creating a flexible suite of capabilities that can then be customised to meet the needs of each customer in our core sectors.

We are supporting customers as they seek to progress beyond retrospective analysis of incidents to fully proactive approaches to surveillance. More and more customer conversations are about how we enable wider operational security delivery, with a focus on field service team enablement and remote site management.

The Synectics team has responded with a new generation of Synergy solutions that are creating possibilities for integrated command, control, and communications across complex operations. These solutions are no longer confined to traditional control room operations and are also supporting customers to work faster, more flexibly, and more effectively with colleagues in the field.

Our new generation of solutions is enabling us to expand our potential within long-established markets, for example public space, where Synectics is a known leader and has great opportunity to innovate. It is also allowing us to leverage our technology in new ways, as in our work with Deutsche Bahn for Berlin's S-Bahn, which went live on 1 January 2021.

Synergy is now supporting live operations across an extensive urban transport network to connect, respond, and collaborate with passengers and staff on-board trains and at stations. It is part of a wider Deutsche Bahn commitment to revolutionise Berlin's rail services and deliver an outstanding passenger experience.

Our new Workforce Management capability will further enhance S-Bahn's operational efficiency and enable rapid, co-ordinated incident responses. When combined with the mobile application, S-Bahn will be able to extend bi-directional control room operations into the field, automating and managing field team task assignments in real time.

The project also utilises the latest developments in Synergy as a hybrid cloud software platform. We are strengthening our customers' ability to ensure operational safety by using a hybrid model that seamlessly evolves traditional hardware-centric approaches into new cloud-based solutions at a pace that suits them.

This pioneering work is already attracting interest from other transport hub and smart city projects around the world, as authorities and operators see the power Synergy has to transform their operations.

Customer partnerships

Our Customer Excellence programme is designed to get to the heart of what matters to our customers. It is an essential element of our approach to supporting customers' evolving business needs and building fruitful, long-term customer partnerships.

That Synectics is held in high regard by the customers we serve was further evidenced by this year's annual customer experience survey. Our headline performance scores, including customers' willingness to recommend us, have increased further and the metric that gives me particular pleasure is that almost 90% of our customers say they see us as their preferred long-term partner. Increasingly our customers trust us to identify the roadmap that will guide and support the emerging needs of their businesses. The conversations are about what we can make possible rather than just about what we can deliver today.

Given the challenges of 2020 this has been exceptionally welcome feedback for everyone in the Synectics team. It corroborates our belief in the importance of customer partnerships and reflects everything we do to support our customers, whatever the circumstances.

We use the survey to drive real change in our business. It influences our strategic direction – for example how we structure our Synergy platform, modularising its capabilities to make it even easier for customers to tailor a solution that meets their business needs. And it guides the day-to-day operation of our business. We encourage our customers to tell us where we need to do better and we fund and implement specific initiatives to drive improvements, across the Company and within individual business units, based on their feedback.

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Almost 90% of our customers say they see us as their preferred long-term partner."

Paul Webb
Chief Executive

Business change

To build the delivery engine for our refined strategy, we have made a number of important changes to our organisational structure. These changes are designed to enable the growth opportunities that will deliver our future profitability, while also building on our work to make further improvements to customer support.

The restructuring of our Systems division under a single, unified global management organisation will improve customer support while also reducing the overall cost base of global operations.

Within this simpler overall structure, we have implemented a regional footprint that is making it easier for customers to access the services and support they need. In parallel, we are working behind the scenes to centralise administrative and operational activities. This will give us efficiencies which in turn release further value for customers and shareholders but importantly will also provide better and more consistent business information to improve customer support and enhance management intelligence.

Over the past year we have worked to strengthen the customer support model in all our businesses, aligning our people, skills, and organisation more tightly around our strategic priorities. At the same time, we have evolved our solutions-led approach so we can more readily identify and deploy the technologies our customers need.

We believe the net effect of these changes will be to strengthen our leadership, ensure our frontline teams are fully customer focused, and release additional bandwidth to target new opportunities for growth.

In our systems integration businesses, the creation of Synectics Security brings together Synectics Mobile Systems, our on-vehicle security integration business, with QSG, our Nottingham-based high security integration business.

Synectics Security is now one of the largest independent security integrators operating in the UK and Ireland today. The new entity is ideally positioned to capitalise on the opportunities we expect to shape the future of this market. Like in our Systems business, we are focused on sectors and customers where we add significant value through tailored solutions using our specialist knowledge and our commitment to build enduring relationships.

The new business has excellent partnerships across the solutions portfolio that will enable the team to develop its traditional heartlands in public space and transport and embrace new opportunities that utilise its experience in complex, critical and highly regulated environments. Increasingly we see opportunity in more interconnected urban infrastructures where there is ever closer alignment between transportation and large-scale security and surveillance operations. Approaching these converged opportunities with the right partners will enable us to reshape the business over the next two to three years.

The change has been well received by customers and the rebrand has provided the opportunity to reinvigorate the market visibility of our integration operations and build awareness of the enhanced business proposition.

Looking ahead

2020 will be remembered as a year we were all keen to move on from. For Synectics, this is not just because of the exceptional circumstances, but because of the exciting and often ground-breaking customer projects we will deliver in 2021 and beyond.

While we move ahead into a changed world, our fundamental beliefs remain the same. We are dedicated to building lasting customer relationships and creating technology-driven solutions that add value where it is most needed, while creating a great place to work where our people can flourish and contribute to a business with real-world impacts.

I believe we have emerged from 2020 stronger as a team, with a greater unity of purpose around what Synectics can achieve for our customers.

We have entered 2021 in the strongest possible position, with positive energy and momentum to address the new opportunities we have created for ourselves. Looking ahead we expect to see a surge back into markets which suffered particularly from the impact of the pandemic, such as gaming, when circumstances allow. Alongside this, factors such as increasing urbanisation and the corresponding demand for transport and safe cities will continue to create demand for the technology-led solutions we create.

We know that we are only at the beginning of what is possible. Our understanding of the emerging market demands we are well positioned to serve and our customers' appetite for true partnerships – strongly reciprocated – give us great confidence in the direction we are taking.

Paul Webb
Chief Executive

1 March 2021

The Covid-19 pandemic began to impact our operating markets in March 2020. We responded quickly to support our stakeholders and ensure business resilience.

Our priorities

Throughout the pandemic our priorities have been to:

- protect the health and well-being of our employees and customers;
- provide ongoing support to our customers, especially where we are delivering essential security and safety;
- manage our business for the long term by taking prudent short-term actions and maintaining capability.

These principles have shaped our Covid-19 response, which we reviewed regularly as the situation evolved. We have taken the opportunity to change and improve our many of ways of working for good, using the pandemic environment to reimagine what is possible.

Summarising our key actions by stakeholder group:

Our people

Our focus has been to keep our 400 global employees connected and supported through an unprecedented period.

- We enabled all employees who were able to do so to work from home from 19 March 2020.
- Where employees' roles could not be delivered from home or required customer site visits, they were provided with letters confirming they were providing critical support services.
- We invested in technology to improve collaborative home working and communications, using Microsoft Teams and our cloud HR system for regular business and pandemic updates, moving other interactions online.
- All employees have access to support and guidance through our health and well-being portal and we have maintained regular contact with furloughed staff.
- We established protocols for safe workplaces so employees can return to office working when local guidance permits.

We are proud of how the Synectics team came together to support our customers, our business, and each other as we navigated our way through a period of new and unforeseen challenges. We have also taken the opportunity to change and improve our many of ways of working for good, using the pandemic environment to re-imagine what is possible.

Our customers

The pandemic has affected activity across all of our markets. We have adapted to ensure continuity of customer support and to minimise disruption to project delivery.

- Our teams continued to deliver customer projects and win new business, using our new tools and working practices.
- We modified many working processes to enable continuity of service, for example moving Factory Acceptance Testing ('FAT') online.
- We have supported our customers through the challenges and enforced changes they have experienced, which was reflected in a further increase in our customer survey Net Promoter Score.

Our partners

Synectics works with wide-ranging partners which support the development and implementation of our client solutions. As Covid-19 impacted we took an increasingly flexible approach to manage the implications.

- We moved quickly to deliver customer projects before the major impacts began in early March.
- Our supply chain activity moved online, where we switched to a short-term planning model, managing dynamic daily changes to our customer delivery plan.
- We worked closely with suppliers, updating them quickly, so they could better manage the consequences of a volatile climate.
- As customers have reopened businesses and facilities, we have worked with our technology partners to add people counting, social distancing, and temperature monitoring applications to Synergy platforms.

Our financial performance

The Synectics Directors moved quickly at the start of the pandemic, taking immediate actions to protect the business.

- Non-urgent spend and investments were curtailed.
- We utilised available business support programmes, including the UK Coronavirus Job Retention Scheme and VAT payment deferral schemes, the US Paycheck Protection Program, and Singapore government support grants.
- We agreed voluntary salary and fee reductions with the senior management team and the Board respectively.
- All non-urgent recruitment was suspended.
- Pay awards and bonuses were frozen, except for employees moving into new roles.
- Dividend payments were cancelled.

Our business model

We create opportunity by delivering innovative solutions tailored to customers' requirements in market sectors where Synectics' specialist expertise creates high value.

To achieve this Synectics embraces two complementary business models founded on shared principles which govern the relationships we seek to build with customers, the way in which we work with them, and the partnerships we create with other providers to serve our customers better and enhance our market reach.

The individual divisions – Systems and Security (previously known as Integration & Managed Services) – enable us to address a wide range of customer opportunities in the markets and geographies we target. Those opportunities are often in challenging or complex environments where our specialist knowledge is especially valuable to customers.

In the last year we simplified the structure of the Group to enable each operating division to enhance its distinct specialisms, improve client outcomes, and create new opportunities for growth.

SYSTEMS

The Systems division secures major contracts for the design, development, and deployment of security and surveillance solutions, primarily based on its proprietary technology platform, Synergy.

The Systems division operates as a unified global business (Synectics) with offices located around the world to support and service its customers.

Much of Systems' work is sold and delivered in partnership with specialist integrators. These relationships allow its solutions to be deployed in the most efficient way for customers and enable Synectics to maximise its global reach. Synectics also works directly with end users wherever this offers the most effective approach for customers.

Revenue is earned primarily through the application of intellectual property, in the form of Synectics' proprietary software and specialist expertise. This allows complex client challenges and needs to be translated into robust, practical, and user-friendly solutions.

Synectics identifies future opportunities at an early stage, working in partnership with customers to understand their needs and create solutions that are tailored to their business requirements.

Increasingly the business is applying its technology and expertise to target wider opportunities that embrace tailored enterprise security operations management solutions.

Systems' revenue streams are typically project based and include many large-scale programmes. Much of its revenue comes from repeat business from clients which it supports over time and across multiple sites and estates. This is both a tribute to the strength of Synectics' customer relationships and an important factor in the long-term health and resilience of the business.

Our Systems business has a **growth** strategy.

SECURITY

The Security businesses generate revenue via a service-based model, working directly with end users to design, deliver, maintain, and support best-in-class solutions.

The businesses primarily serve customers in the UK and Ireland.

Contracts are frequently multi-year and deliver a strong recurring and repeat revenue basis for the Group.

Synectics Security is a systems integrator. Its solutions are tailored to specific customer needs, from electronic systems for complex, critical, or regulated environments, to on-vehicle transport systems that protect passengers, drivers, and on-board staff.

Synectics Security leverages Synergy software where this is the customer's preferred solution and also works with other partners, integrating their capabilities to provide the ideal outcome for end users.

SSS Management Services specialises in security and facilities management for multi-site retail operations in the UK. It offers a range of support services from monitoring to contract management, analytics, and reactive and planned maintenance.

Our Security business has a **profitability** strategy.

How we deliver

THE PILLARS OF OUR SUCCESS

Strategic review

CUSTOMERS

Our business is founded on successful, lasting relationships with our customers. We provide peace of mind through robust, technically advanced security and surveillance solutions designed to deliver reliably in the most challenging environments.

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

SOLUTIONS

Synectics has always been at the vanguard of security and surveillance technology, applying emerging capabilities to build sophisticated, value-adding solutions with the exceptional rigour our clients demand.

Today, the foundation of our solutions is Synergy, an innovative, highly flexible platform that marks us out as a technical leader in our industry.

PEOPLE

As our Company has grown, we have remained true to the human values at its heart – mutual respect, deep personal commitment, and pride in the application of world-class expertise in finding solutions to practical, real-world challenges.

We provide rewarding employment and excellent development opportunities within a stimulating working environment.

Our pillars enable the Synectics team to focus on the market sectors where we can leverage the full potential of our capabilities.

We are ideally positioned to benefit from the drivers of growth within our chosen markets: the expanding scale and nature of risks and threats; increasing investment in critical infrastructure requiring protection; and our customers' need for agile partners and value-adding solutions.

Our values

Our Company values underpin everything we do, and we consistently recognise individuals within our business who demonstrate these positive behaviours.

We are **TOTALLY CUSTOMER FOCUSED**

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

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

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

We **DO THE RIGHT THING**
We act with integrity and we collaborate to deliver on our commitments. We challenge each other to improve

Our customers

Our continued success within the expanding global security and surveillance industry is founded on our track record of productive, enduring customer relationships.

Everything we do is driven by a deep understanding of customers' needs, the environments they work in, and the challenges they must solve. Almost 90% view us as their preferred long-term partner, with a belief that our solutions will be an excellent fit with their organisations' future needs. We are proud of the trust and support this signifies and we know it gives us a terrific platform upon which to build.

Customers come to Synectics for our technical expertise and market knowledge. We work in close partnership to understand their perspective and deliver solutions that work while tracking relevant emerging trends. Our customers recognise that we are specialists in the security and surveillance solutions they need and that we understand the specific challenges they face. Our teams have an intimate knowledge of the pressures, priorities, and challenges our customers manage every day.

Some of the underlying principles and technologies are of course transferable across markets, even with industries as diverse as those we target. The scope and flexibility of Synectics' Synergy software platform, for example, means that it is used by customers in all of these areas – from the world's busiest transport systems, gaming resorts, and city centres, to critical infrastructure developments across the globe.

The key, however, lies in customising the way in which the vast array of tools and expertise at our disposal are used to create the right solution. Not just for each market, but for each individual customer. Having the knowledge, discipline, and desire to assess each set of requirements and deliver a precisely tailored solution is critical.

The key is to look at things through the eyes of the customer. We focus on the big picture outcomes they need to deliver while also looking at the detailed practicalities of how they need to work day to day. What will be easy and intuitive to use? Where will extra speed or precision of results make all the difference when it matters most? What does a customer need to anticipate? These are the questions we consider and answer with the right, tailored solution.

Our Customer Excellence programme, now in its fifth year, has created an additional channel of dialogue with our clients. Central to the programme is a structured annual survey across our entire client base, run for us by an independent research consultancy. The feedback our customers share is constructive and insightful. It enables us to better understand their needs and motivations and create action plans that address their issues.

This year, despite everything that was going on in our world, we had the highest level of customer participation yet. Our Net Promoter Score ('NPS™') rose again, and more customers than ever said they would recommend Synectics. We are incredibly grateful for the time our customers take to give their honest opinions on what we must continue to do well and where we must improve.

We were delighted that our technology, the reliability, flexibility and user friendliness of our solutions, and the specialist expertise and personal commitment of our teams continue to be recognised as major strengths. These are central to our exceptionally high levels of repeat business.

As we continue to build our organisation around our customer first philosophy, we are in a strong position to support the organisations and businesses across the world that we are proud to call our customers, as they plan for a future beyond the immediate crises the world has faced this year.

Supporting the well-being of students, visitors, and staff

"Throughout the process, Synectics has gone the distance to deliver. We're delighted with the results and we're sure the system will help us in our mission to provide an ever safer environment for our students."

Mark Stacey
Security Systems Operational Manager, Nottingham Trent University

Protecting people, safeguarding energy assets

"Very few organisations have the range and quality of products, combined with system integration capabilities and expertise, to develop an industrial solution for an oil & gas project of this scale. That's why we were keen to work with Synectics."

Toni Partipilo
Sales & Proposals Director, General Dynamics

Delivering a world-class leisure experience

"I'd seen what Synectics' solutions are capable of from my time in Singapore and Macau. Given our mission here to match global competitors and deliver a world-class experience, it made sense that the management team selected Synergy. What has surprised me is how well and easily we've been able to incorporate the system's features to enhance our specific operational set-up."

Jonas Bautista
Manager of Surveillance & Security, Gongzi Jeju Casino

Keeping our cities safe

"Our approach to surveillance and how we use Synergy 3 means we are catching more criminals and securing high arrest rates, all of which allows us to make significant inroads into the overall reduction of crime and disorder, making Salford a safer place to live, work, and visit."

Councillor David Lancaster
Salford City Council

Providing reliability and flexibility

"Synectics has one of the best reputations for gaming surveillance and not just from a system reliability point of view – the Synergy solution also plays well with others which gives us the flexibility we need."

Brett Davis
Director of Surveillance, Harrah's Hoosier Park Racing & Casino

Helping to create the future of transport

"We aim to push the boundaries of intelligent transport to deliver the best, most open, and integrated service possible for the benefit of residents and visitors alike. As a recognised leader in transportation command and control solutions, Synectics has committed to working closely with us to develop a tailored system that delivers a positive customer experience for passengers using S-Bahn Berlin's services – both now and well into the next decade."

Bastian Knabe
Chief Financial Officer, S-Bahn Berlin

Our solutions

Synectics is at the forefront of how security and surveillance technology can be applied to protect people, communities, and assets. We combine our human ingenuity with advanced technical capabilities to create tailored solutions that enable our customers to achieve their business ambitions.

We are focused on markets where security and surveillance are fundamental to a customer's entire operation. Our teams' intimate understanding of the pressures, priorities, and challenges our customers face in each of our specialist sectors is why customers select Synectics and work with us long term.

What marks us out as a technical leader is our Synergy software platform. It is the foundation of the integrated solutions we configure to meet the specific requirements of each client project. Synergy enables our clients' expert security operations management teams to make the best real-time security and surveillance decisions.

Synergy's seamless ability to integrate and interoperate with other systems, devices and third-party applications is crucial to our customers' success. This approach unlocks huge operational advantage for end users in their daily work, preventing, detecting, and managing incidents by ensuring the right people always have the information they need to make vital security and business decisions.

The principles that underlie our approach – open architecture and modular design – enable us to create the diverse array of customised solutions that our customers need today. These principles give Synergy the power to adapt to new market opportunities and make future innovation possible.

Established technology trends in mobile, cloud and the Internet of Things ('IoT') are leading our customers to explore options for complex enterprise-wide security operations management. The deep domain experience we utilise to design and develop customer-specific solutions is driving a digital revolution in smart transportation, smart casino, and safe city projects. Our latest work for Berlin's S-Bahn, transforming its security, passenger service, and operational management, is a clear indication of the opportunity Synergy presents for so many more businesses.

Our challenge is to guide our customers' journey through the possibilities open to them and the technical delivery of what they need, while ensuring we optimise their investment in Synectics technology. For example, the new field service team enablement capability (known as Workforce Management) and mobile application within Synergy is giving S-Bahn complete visibility of activity across its network. Using bi-directional field-based collaboration and communication tools, S-Bahn can process and react to events within pre-defined response times and manage its workforce as effectively as possible.

Our fluid approach is also helping us to navigate the evolution from embedded traditional IT infrastructure and on-premise security and surveillance systems to cloud-based solutions.

Knowing that a cloud-only solution would not suit all operating challenges, we have developed Synergy as a hybrid cloud platform. Synergy has the flexibility to combine cloud services with traditional IT infrastructure in a single unified environment. Our customers can move to cloud architectures at a time and speed that is right for them, without having to abandon the systems and devices that are essential to their ongoing operations. We believe this is a winning formula.

While Synergy is our technological "flagship", we apply our deep knowledge of customers' current and emerging needs across the full Synectics portfolio. In the past year we have led innovation in our oil & gas market with the launch of a 4K smart camera version of our world-renowned COEX explosion-proof camera stations. We are also pushing ahead with on-vehicle connected IoT solutions for the mobile surveillance systems used by bus and rail operators. Our new Cloud Evidence Management solution reduces the time and cost of managing incidents across agencies and jurisdictions, where multiple bodies are involved in assessing and resolving the situation.

With our unified portfolio of software solutions, hardware products, and integration partners, we have a scalable platform for future innovation. Our technology and our product development programmes will support profitable sales growth within each of our strategic markets by creating new competitive advantages and opportunities.

Synectics has always been, and will remain, a technical leader in security and surveillance. And it is this, coupled with our unwavering dedication to customer-driven innovation, that is helping us become a trusted partner in enterprise security operations management.

Technology roadmap themes

Four themes underpin our approach to technology development and solutions delivery.

The critical importance of cybersecurity

As our systems have become more interconnected and complex, cybersecurity has become an essential feature of a Synergy deployment. We are committed to protecting our customers' systems to manage attacks and reduce exposure to threats. Our built-in cybersecurity capabilities can now be deployed across hybrid and multi-cloud environments with an active toolset that manages, monitors and controls system access management, application services, integrations and API calls, devices, and data protection (at rest and in transit).

Customer-driven innovation

Synergy is the platform of choice for clients with complex operational security and surveillance challenges in public space, gaming, transport, and critical infrastructure markets. The scale and intricacy of the systems needed by these customers has previously required expensive, inflexible bespoke software solutions. Synergy is radically changing this model, combining off-the-shelf core modules with the necessary bespoke software elements. Our new approach reduces cost, delivery timescales, and, most importantly, project risk, as it is built using proven component technology.

Integration

Synergy's open architecture supports the seamless integration of software applications to create a fully tailored solution. Customers can leverage their investment in Synergy through its ability to interoperate with the proprietary, legacy, and niche third-party systems that are vital to their service, safety, and security needs. Applications including facial recognition and data analytics are now supporting customers as they adapt successfully to "new normal" operating conditions.

Evolution

We live in a world where each customer is in charge of their own roadmap and can change at the pace that suits their needs rather than moving to a generic drumbeat. We evolve our products rather than starting again. This allows Synectics to keep in step with each customer while creating new possibilities. For example, integrated command, control, and communications across complex operations are no longer confined to traditional control room operations but instead seamlessly connect centrally based and in-field staff, enabling customers to work faster, more flexibly, and more effectively.

Our people

The talent, agility, and dedication of our people have been demonstrated countless times over the last year as everyone within our business has stepped up and adapted to new ways of operating, working with each other, and supporting our customers.

The response of our people to the pandemic reflects the human values that lie at the heart of Synectics: mutual respect, deep personal commitment, and the pride we all take in applying world-class expertise to solve practical challenges.

Those human values have always been an important anchor for us as our "technology" industry has evolved. Our work protects assets and infrastructure, but its most important purpose is to protect people – to keep them safe, give them peace of mind, and enable them to pursue their lives without concern. Whether protecting employees, members of the public, or both, the people who use our solutions – our customers – shoulder an enormous responsibility and rely on us to be with them every step of the way.

Our customers consistently praise the expertise of our people and their commitment to problem solving and project delivery. A customer reflected on the dedication of our people through the pandemic, saying: "they excelled in every area; changes were fluid but yet they stayed in control and supported every change required".

It is crucial that we continue to attract, retain, develop and inspire the high-calibre people that make all of this possible – it is central to the success of our business strategy. Our talent programme is built around three simple streams of activity:

- right people, right roles;
- learning and development; and
- communication and engagement.

Our individual initiatives all connect into these streams.

Our employee recognition and awards programmes celebrate the successes of our people. During the last year, over a quarter of our employees took time to praise the contribution of a colleague through our online programme.

We have invested in technology to support our transition to new ways of working during the pandemic, from how we communicate with each other to the delivery of learning resources and support for home-based working. This allowed many of our people to switch literally overnight to working productively at home. Many of the enhancements we have made have become permanent changes to our ways of working.

We have also adopted new technologies as we continued to bring talented new people into the business to fill critical roles, particularly to expand our technical and sales capabilities. We adapted our approach throughout the recruitment process, from online assessment centres through to onboarding and team welcomes.

Personal development for our employees has remained a priority, again enabled by the rapid adoption of new tools and approaches. We have encouraged all of our employees to continue their professional development and strengthen their skill base, including our apprentices and more junior colleagues who have undertaken formal training programmes. For many of those furloughed as part of the UK's Coronavirus Job Retention Scheme, development programmes have provided an important means of staying connected.

Our cloud-based Colleague eXperience ('CX') platform, launched last year to enhance communications and connect our global workforce to Synectics' business strategy, has continued to evolve. It forms part of a wider employee engagement strategy that this year has seen us bring all of our people together to launch our updated global strategy and build our interactive team briefing programme. The tool has also played an important role in helping us to keep in touch with colleagues on furlough.

Our pride in the Synectics team has grown even further this year. Our goal has always been to offer stimulating, rewarding employment with excellent development opportunities within a very human and engaged working environment. This year we have seen our people step up when they were most needed, and this gives us even greater confidence in our ability to succeed.

Global market specialisms

Our markets

Synectics chooses to operate in clearly defined markets where we add customer value through deep sector knowledge, industry experience, and our focused solutions portfolio.

Our approach allows us to differentiate our offering and deliver tailored solutions that enable our customers to succeed in their markets. Our primary targets are transport, critical infrastructure, public space, gaming, and oil & gas.

The work we have done during 2020 to augment our strategy has been designed to reinforce our commitment to these selected markets.

Global security and surveillance markets will continue to expand and they are changing rapidly. Our knowledge is enabling us to anticipate trends and support customers as their disciplines evolve. The pandemic may have impacted urbanisation, new investment in infrastructure, and international travel during 2020, but these will remain enduring global trends. Combined with unrelenting and more diverse threats, they are driving demand for high quality, reliable solutions to protect people, communities and assets.

Most of our target markets are complex or highly regulated, or both. We take the time to understand these challenges, combining our global perspective with an intimate knowledge of local market nuances, such as the regional variations in the laws that govern casino operations.

Our focused approach is enabling us to open up new opportunities with different groups of customers where we can apply our products and technologies to take on new and evolving industry challenges. The innovative urban transport solutions we are now delivering for Deutsche Bahn are an excellent example of this and we believe herald a new generation of more comprehensive and fluid approaches to keeping customers safer while serving them better.

Our approach means different things for different parts of our business. In Synectics Security, while our heartland is within public space markets, we see opportunities across other market sectors that are underserved by existing competitors. Within the Systems business we are building new partnerships, beyond our traditional systems integrator model, that are opening new doors where our solutions can flourish.

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

Transport

Transport operators need powerful, integrated command and control systems and monitoring technologies that protect the public and help to deliver a better passenger experience, both in and around stations and on vehicles. Our tailored solutions meet these needs today and future-proof the path to the continued adoption of new innovations, with Synergy driving ground-breaking developments in operational management.

Our pioneering smart transport project with Berlin's S-Bahn went live in January 2021 and is transforming security, passenger service, and operational management across this network. Operational teams are now able to connect, respond, and collaborate with passengers and staff on board trains and at stations, and with field personnel working anywhere across the network.

Critical Infrastructure

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

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

Public Space

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

Synectics' heritage in public space surveillance protection, particularly in the UK, has made us the partner of choice for local authorities where Synergy is deployed to make cities safer. Our solutions monitor security across major retail estates, prevent theft and fraud, and protect valuable consumer goods.

Gaming

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

While 2020 has slowed this market, capabilities such as automation and video analytics will support casino operators as they emerge from the Covid-19 pandemic and look to maximise operating capabilities across gaming floors. Increasingly we see opportunities beyond the core casino surveillance into security and operations management across major integrated resorts.

Oil & Gas

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

At the heart of our offer is the highly regarded COEX camera range, which is specified by many end users as their product of choice. 2020 saw us achieve another industry first with the launch of the first 4K TriMode camera. The equipment is certified to operate in temperatures up to 70°C, and incorporates advanced cybersecurity capabilities.

Market experience

Taking control room capabilities into the field: breakthrough technology with transformational potential.

When the security and surveillance industry talks about "integration", it is usually referring to the requirement to connect technologies. Our ground-breaking work with S-Bahn Berlin is achieving something very different: the integration of people.

The programme has seen us design, develop, and deploy innovative new functionality in our Synergy hybrid cloud software platform that allows control room teams to connect, respond to, and collaborate with passengers and staff wherever they may be – on board trains, at stations, and in the case of the organisation's field personnel, working anywhere across the network.

By encompassing an innovative new mobile application as part of the solution, two-way communication with field teams means that security, safety, and day-to-day operational tasks can be automatically assigned and monitored, with task status dynamically updated in real time.

Suddenly, control room capabilities are no longer restricted to one location and one team, and can be shared across the organisation's operational ecosystem. This means that the right person or team with the right skill set and appropriate location for a particular task, whether planned in advance or required as an emergency response, can be fully engaged as part of a holistic system.

This revolutionary system has been designed by Synectics for Deutsche Bahn for deployment on the Berlin S-Bahn, so the domain in this instance is transport. The goal is to make passengers safer whilst serving them better.

However, the potential for this kind of application is vast. Any business with large workforces, disparate sites, or complex infrastructures where operational efficiency is fundamental to service, security, and safety will benefit from what is now possible with Synergy.

Synectics successfully supports a series of strategic market sectors, each with its own unique set of challenges. However, our underlying technologies can be readily adapted to transcend sector silos.

Creating control room capabilities which extend beyond four walls to support field service team enablement is the perfect example.

Innovating with a major rail network

Transport continues to be a key strategic market for Synectics. During 2020, we have won a series of important contracts and created new opportunities to showcase our evolving product portfolio and technical expertise.

Our recently consolidated integration business, Synectics Security, is playing a major part in these successes. These include gaining a major new contract awarded by Irish Rail (Iarnród Éireann) to upgrade all the InterCity Mark 4 rolling stock on its Dublin to Cork route to an IP-based video surveillance solution.

The deal, which was signed following a competitive bid process, covers the development and installation of an innovative, safety-critical IP video surveillance system that enables full connectivity from trains to the control room and replaces the existing CCTV approach. Each eight-coach train set, using the Synectics T2000 platform, will utilise IP 360-degree "fish-eye" cameras in vestibules and saloons to deliver high-quality surveillance.

Installation is scheduled to commence in September 2021. The programme includes a five-year contract to provide ongoing operational support and "in-territory" maintenance, an example of the way in which our Synectics Security business is able to secure very long-term commitments which provide guaranteed stability both for our customers' operations and our own business model.

The deal was the Group's second major public transport win in Ireland during the financial year and demonstrates that major national rail providers continue to turn to Synectics for technology solutions that meet next-generation requirements.

Iain Stringer, Managing Director of Synectics Security, commented: "We are delighted that Irish Rail has chosen our IP video security solution, alongside our design, programme management, and installation capabilities, to upgrade surveillance on one of its premier InterCity routes. This win represents a further step into on-vehicle heavy rail solutions for our Synectics Security business, building on our deep experience across light-rail markets. Our approach is opening up new opportunities for all rail operators to transition their video management capability to the cloud and improve operational effectiveness."

Serving the oil & gas industry through enduring strategic partnerships

The oil & gas industry is experiencing turbulent times, with the global pandemic adding to already challenging conditions. Despite this, Synectics continues to maximise important opportunities.

Forming close relationships with integration partners is key to this. Our work with the Australian systems integrator, Western Advance, is a case in point.

Western Advance is a specialist in electronic security, surveillance, and threat detection solutions. Since it first approached Synectics back in 2007 to deliver a site security solution for Gorgon, one of the world's largest natural gas developments, we have worked together on a series of high-profile projects in the region.

The Ichthys project is a notable example of what we achieve in partnership with Western Advance. Comprising both onshore and offshore facilities, the Ichthys LNG Project is operated by INPEX and is ranked among the most significant oil & gas projects in the world. It is protected by Synergy and the solution is currently undergoing an upgrade.

"The latest version of Synergy has a lot to endear it to major oil & gas operators," said Chris Ball, Major Bid Manager for Western Advance. "Not least its operating structure and built-in cyber measures which together offer the consistency and robust security increasingly demanded by developments moving to a single IP infrastructure for all systems.

"Better still, the way Synergy is designed and the way Synectics works mean the installation and commissioning process is simplified. Synectics engineers are always there if we need support but they don't have to fly out or answer calls all the time because their technology enables us to 'do what we do' and do it well. In a world of major time differences, and now Covid-19 restrictions, that's a huge advantage."

Upgrade work on Ichthys has also enabled INPEX to reduce energy consumption on site by making data storage more efficient. Previous hardware requirements have been reduced by two-thirds.

In addition to the Ichthys upgrade, Synectics and Western Advance continue to work on projects across the region. Chris Ball added: "We started partnering with Synectics because we could see they were always looking ahead in terms of technical developments. That hasn't changed – which is why we haven't changed our commitment to working with them."

Engaging with our stakeholders

The successful delivery of Synectics' strategy is dependent on a deep understanding of our stakeholders and effective mutual communication. Viewing these crucial relationships as true partnerships is fundamental to the Synectics philosophy.

Synectics' commitment to stakeholder engagement is fundamental to the way we achieve sustainable growth and financial returns.

Synectics has multiple stakeholders across its global operations. The Board considers its principal stakeholders to be our employees, customers, partners, communities, and investors.

The Board reviews its stakeholder list and engagement programmes on a regular basis. Formal and informal feedback from stakeholders is shared at Board meetings and used to inform and influence decision making.

In this section, we provide more detail on how we engage with each of these important groups.

Employees

Our employees are the foundation of our success; we are committed to their health, safety, and well-being.

- We hold regular briefing sessions and use our Colleague eXperience ('CX') platform to share strategy, performance updates and Company news.
- The annual Employee Engagement Survey gathers feedback to inform Company strategies and employee programmes.
- Our Employee Awards recognise outstanding achievements linked to Company values.
- All employees can participate in the Employee Share Acquisition Plan.

Customers

We are committed to working in close partnership with our customers to understand their businesses and anticipate their needs.

- Our Customer Excellence programme solicits structured feedback from customers to inform our decisions about future strategy and investment priorities.
- Our client management programme includes regular meetings to discuss business needs and share technology and solution developments.
- Regular communications are used to keep customers informed.

Partners

We engage with a wide range of technology partners and industry suppliers to create and deliver our tailored customer solutions.

- We maintain a regular dialogue with all technology partners, co-ordinated through our technology partner manager.
- Annual technology days take place with key strategic partners.
- We have a structured programme of action calls and quality reviews with our supply chain partners.

Communities

The Synectics team plays a full role in local programmes and charities.

- We support selected charities in the locations where we are based.
- We encourage employee initiatives to support the causes that matter to them.
- We make charity donations linked to business projects, for example, our annual Customer Survey.

Investors

The Board is committed to regular, timely and effective communications with investors and other financial stakeholders.

- We run investor roadshows to support results announcements.
- Our investor website provides easy access to relevant materials.
- We maintain regular contact with investors outside of the core reporting cycle.

Our commitment to sustainability

At Synectics, we care about our impact on the world, our contribution to our local communities, and the way we conduct ourselves. We are fully committed to ensuring the responsible operation of our business and safe, sound, and ethical conduct at all times at all of our locations.

Environment

We recognise our responsibility to contribute to a sustainable future and to minimise any negative impact that our operations could cause to the environment. We are committed to environmental sustainability, both globally and in our local communities, and are actively seeking ways to reduce our environmental impact.

- Environmental risk assessments are performed at all our sites globally to identify what impact the site has on the environment, such as the output of waste, and control measures implemented to minimise any impact.
- All our UK sites are certified to the Environmental Management System ISO 14001 and are subject to regular external and internal auditing.
- In the past year, recycling across the Group has increased from 78% to 84% of all waste.
- We are transitioning our engineering fleet onto more energy efficient hybrid models.
- We commit our suppliers to upholding our commitment to environmental control throughout our supply chain.

Social

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

- We aim to provide a safe working environment at all times; all our UK sites are certified to the Health and Safety Management System ISO 45001.
- We have redoubled our focus on employee health and well-being, embracing major programmes such as Mental Health Awareness Week.
- Our global communications platform connects all our colleagues worldwide and reinforces the sense of shared values and unified community among employees from many cultures.
- Our recruitment, development, and review programmes safeguard our commitment to diversity and equality throughout our Company.
- Each year, we contribute to a range of charitable and community initiatives, both as a company and through supporting the efforts of individual employees.

Governance

We are committed to conducting business in an ethical and responsible manner and to complying with all applicable laws and regulations. We require all our employees and all third parties acting on our behalf to behave honestly and to operate with integrity.

- We have a comprehensive suite of policies covering the conduct and ethics of all aspects of our business including anti-bribery, modern slavery, and safeguarding.
- Our induction process includes sessions on HR, health and safety, bribery, modern slavery, whistleblowing, and data protection to ensure all new employees understand our ways of working and our expectations of them.
- We require all our suppliers and partners to commit formally to upholding our standards of business ethics.
- All our UK sites are certified to the Information Security Management System ISO 27001 and are subject to regular external and internal auditing.
- Our recruitment, development, and review programmes safeguard our commitment to diversity and equality throughout our Company.
- Each year, we contribute to a range of charitable and community initiatives, both as a company and through supporting the efforts of individual employees.

Systems

Gaming | Oil & Gas | Critical Infrastructure | Transport | Public Space

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

Revenue	£23.6 million (2019: £40.5 million)
Gross margin	40.8% (2019: 42.0%)
Operating (loss)/profit[1]	£(1.8) million (2019: £4.7 million)
Operating margin[1]	(7.5)% (2019: 11.6%)

1. After research & development expenditure, but before non-underlying costs (see note 6 to the financial statements) and Group central costs.

The Systems division has been reorganised to operate as a single, global business. This represents the culmination of a transition over several years towards a more efficient, and more scalable, single Systems business unit, rather than the historical sector-based, multi-business structure.

After four years of uninterrupted organic revenue growth, and a like-for-like compound growth rate of operating profits over that period of 25% per year, the Systems division was substantially affected by the pandemic. This was particularly the case in its largest sector, global casinos and gaming resorts, which was effectively shut down for most of the period. High security and public space sectors proved more resilient.

Gross margins held up well, partially due to government support of direct labour costs in the UK and the US as well as the Company's actions in controlling costs, but also as the result of a higher proportion of software and services in the revenue mix in a period which brought fewer deployments of new hardware.

Europe, Middle East and Africa

(Revenue £13.6 million (2019: £15.7 million))

Revenues held up comparatively well in EMEA, helped by the large Deutsche Bahn S-Bahn project, but also the Company's greater footprint within the region in transport, critical infrastructure, and public space markets, which, as stated above, were generally more resilient. The Deutsche Bahn system went live, on time and on budget, on 1 January 2021 and deployment roll-out continues throughout 2021.

The EMEA business also benefited from:

- additional software orders from a major UK national power utility as it continues to roll out Synergy across its estate;
- the development of a Synergy replacement system for an iconic London department store;
- new systems and expansions of existing solutions for a number of London boroughs and local authorities across the UK;
- further work for Irish prisons and an extension of their support agreement;
- a new oil & gas contract in Saudi Arabia announced on 16 June 2020; and
- upgrades to the latest version of Synergy and new software support contracts for a number of customers across markets, as they recognise the value of keeping their systems updated and taking advantage of the new features that are continuously being added to the software platform.

North America

(Revenue £2.4 million (2019: £7.2 million))

Synectics delivered significantly lower revenues in 2020 in North America where its activities are almost exclusively in casino / gaming operations that were effectively shut down for most of the year.

Two new projects were secured early in 2020, for new casino properties in Pittsburgh and Philadelphia. Much of the remaining business came from recurring revenue under software support contracts, with most properties opting to renew their support contracts even when remaining closed.

Plans announced this time last year to increase business development resources in North America to cover a wider range of the Group's products and capabilities beyond the casino / gaming sector were put on hold when the pandemic started, as previously announced in the Company's interim results on 14 July 2020. We will re-activate this plan later in 2021, with new resources particularly focused on the launch in North America of Synectics' enhanced command and control capabilities for the transport and critical infrastructure sectors.

Asia Pacific

(Revenue £7.7 million (2019: £17.7 million))

Synectics' performance in the Asia Pacific region in 2020 was heavily impacted by the closure of most of the gaming market during the year and low levels of activity elsewhere.

In gaming, we were pleased to be able to sign a new five-year support contract with a major integrated resort operator in Singapore, as announced on 22 May 2020. We were encouraged to see some small system expansion orders at the end of the year, but we have yet to see a return to anything like normal levels of activity.

In the oil & gas sector, we secured a new project for a refinery in Vietnam early in the year. This was followed by activity largely limited to systems maintenance, although a number of operators did take the opportunity to upgrade their software to the latest version of Synergy.

Technology development

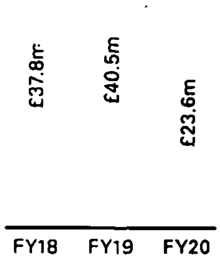
Continued investment in our intellectual property and technology base within the Systems division remains an important priority for the Group. During the 2020 financial year, Synectics spent a total of £4.0 million on technology development (2019: £3.8 million). Of this total, £0.8 million was capitalised (2019: £0.8 million), and the remainder expensed to the Income Statement. £0.4 million of previously capitalised development costs were amortised in the year.

During the year, Synectics made significant strides in developing the next generation of the Synergy software platform. The Company released major new functionality, including a work force management module and new mobile device applications, enabling customers to connect centralised control rooms seamlessly to field operations.

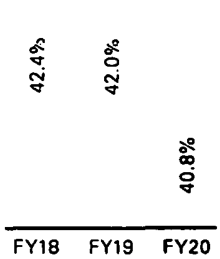
Further development of the Synergy cloud-based evidence management solution has enabled customers to reduce the time and cost of managing incidents across agencies and jurisdictions. Importantly, Synergy's enhanced built-in cybersecurity capabilities are deployable across the latest hybrid and multi-cloud environments, offering secure, deep integrations with rapidly evolving artificial intelligence-based innovations such as facial recognition.

We have developed Synergy as a hybrid cloud platform. As a result, customers can evolve to cloud solutions at a time and speed that are right for them, without having to abandon the numerous existing systems and devices across large areas that are essential to their ongoing operations. Synergy has the flexibility to combine cloud services with traditional IT infrastructure in a single unified environment. The Board believes this is a winning formula for the Company's markets and we are delighted that it played a significant part in the securing of our recent major project award in London. These expanded capabilities will increase Synectics' capacity to address what we believe is a large and growing market for similarly intelligent command and control systems.

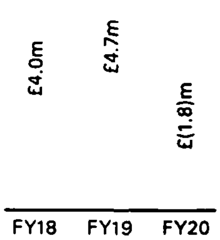
Revenue



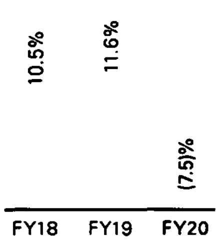
Gross margin



Underlying operating (loss)/profit[1]



Underlying operating margin[1]



Security

(formerly Integration & Managed Services)

Critical Infrastructure

Transport

Public Space

Synectics' Security division is a leading UK provider in the design, integration, monitoring, and management of large-scale electronic security systems for critical and regulated environments. Its main markets are in critical infrastructure, transport, and public space. Its capabilities include UK government security-cleared personnel and facilities, nationwide project delivery and service support, and an in-house 24-hour monitoring centre and helpdesk. Synectics Security supplies proprietary products and technology from Synectics' Systems division as well as selected outside partners, and also provides highly regarded security monitoring and facilities management services.

Revenue	£21.8 million (2019: £28.6 million)
Gross margin	24.6% (2019: 21.9%)
Operating loss[1]	£(0.4) million (2019: £0.0 million)
Operating margin[1]	(1.8)% (2019: (0.1)%)

1. Before non-underlying costs (see note 6 to the financial statements) and Group central costs.

The planned consolidation of the operations of Synectics' Integration and Managed Services division as reported in the Company's interim results released on 14 July 2020 was completed in the year. This consolidation included the closure or downsizing of several operating sites, with a consequent reduction in costs and sharpened focus on specialised and long-term customers for which Synectics can provide a valuable differentiated service. The new combined business, Synectics Security, was launched to the market in September 2020 and has been well received.

The new entity is well positioned to capitalise on the opportunities we expect to shape the future of this market. Like our Systems business, Synectics Security is focused on opportunities where it can add significant value through tailored solutions using its specialist knowledge and commitment to build customer partnerships.

Pleasingly, gross margins were higher than in the prior year, due principally to tighter cost control and an increased mix of higher margin on-vehicle activity in the second half of the year, including a number of large on-vehicle projects in the Republic of Ireland.

The Company announced a new project with Irish Rail on 17 November 2020. This will see Synectics develop and install during 2021 an innovative, safety-critical IP video surveillance system that enables full connectivity from trains to the engineering depot and other operational locations. Once the initial implementation is complete, it will be followed by a five-year in-territory maintenance programme.

Other highlights during the year included:

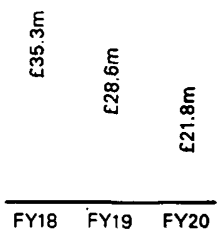
- a major systems upgrade for a government defence establishment, to be delivered in 2021;
- a new control room for West Midlands Police; and
- several new wins and upgrades for public space customers.

The newly formed Synectics Security business has excellent partnerships across the solutions portfolio. These will enable the team to develop beyond its traditional heartlands in public space and transport to embrace new opportunities that utilise its experience in complex, critical and highly regulated environments. Increasingly, we see opportunity in more inter-connected urban infrastructures where there is growing alignment between transportation and large-scale security and surveillance operations. Approaching these converged opportunities with the right partners will enable us to reshape the business over the next two to three years.

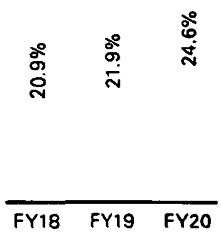
The changes we have made have been welcomed by customers and partners and rebranding as Synectics Security has provided an opportunity to reinvigorate market visibility of our integration operations and build awareness of their enhanced business proposition.

The Security division also includes our managed services business, SSS. This business is due significant credit for its heroic efforts to successfully provide uninterrupted security monitoring and facilities management services throughout the year to its customer base of UK companies with large multi-site estates. SSS also secured new contracts, including a multi-site retailer and a logistics company, as customers recognised the value of its services in helping them to protect their estates in these difficult times.

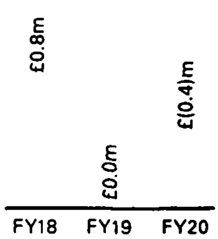
Revenue



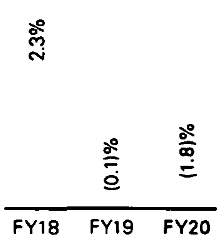
Gross margin



Underlying operating (loss)/profit[1]



Underlying operating margin[1]



Revenue

FY18	FY19	FY20
£71.2m	£68.5m	£44.6m

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 has been significantly impacted by the economic environment caused by the global pandemic.

Underlying (loss)/profit before tax

FY18	FY19	FY20
£2.9m	£2.5m	£(4.1)m

Definition

Profit before tax and non-underlying items[1].

Relevance

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

Performance

While impacted by the decrease in revenue, underlying profit before tax has been protected to some extent by the cost savings implemented by management and by government support.

Underlying diluted earnings per share

FY18	FY19	FY20
12.6p	13.9p	(17.2)p

Definition

Ratio of underlying profit 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.

Underlying return on capital employed

FY18	FY19	FY20
8.6%	7.4%	(13.0)%

Definition

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

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

This measure has been impacted by the trading performance along with the decrease in working capital during the year.

Free cash flow

FY18	FY19	FY20
£5.5m	£(3.1)m	£6.3m

Definition

Cash flow from operations 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

The year has seen a very positive cash inflow due to the measures taken to preserve cash and the unwinding of the high working capital position at the end of the previous financial year.

Employee engagement

FY18	FY19	FY20
67%	71%	72%

Definition

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

Relevance

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

Performance

Employee engagement has shown a positive movement in the year. In difficult circumstances, we have kept people connected.

Net Promoter Score™

FY18	FY19	FY20
+18	+22	+32

Definition

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

Relevance

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

Performance

Our net promoter score continues to improve, a reflection of our efforts to meet our customers' evolving needs.

R&D spend

FY18	FY19	FY20
£3.1m	£3.8m	£4.0m

Definition

Expenditure on R&D before any capitalisation or amortisation.

Relevance

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

Performance

Investment in R&D has been maintained despite the difficult year.

1. Non-underlying items comprise restructuring costs and amortisation of acquired intangibles. See note 6 to the financial statements.

"

Whilst the year may have been overshadowed by the global pandemic, the changes that we have made to the structure of the business, both as a result and in spite of the external environment, give us the strongest possible platform for generating substantial future returns."

David Bedford
Finance Director

Protecting our cash, driving efficiencies and investing for future growth

Group results for the year

The Group's financial performance in 2020 was not that which I was hoping to report at the end of my first year as Finance Director. The global pandemic hit a number of our key markets in ways which have proved both deeper and longer lasting than many commentators originally expected. However, we acted swiftly to control the impact as far as possible. As a business we exist to enable our customers to secure the people, assets and livelihoods they are responsible for protecting. This year our priority has been to do just that for our own business.

Given the uncertain and changing external environment we placed additional focus on our short-term planning routines and implemented tight spending restrictions. Temporary pay reductions were agreed with the Board and senior management. During the year we made use of available government support in all the geographies in which we operate. This included placing some UK-based staff on temporary furlough leave under the Coronavirus Job Retention Scheme. In total we recognised £1.3 million of income from government support. We closely managed our usage of cash including taking advantage of delayed VAT payments in the UK. Pleasingly no additional borrowing was required and we finished the year end with a cash balance of £6.9 million (2019: £3.6 million). The Group remains debt free.

Non-underlying costs of £2.2 million (2019: £0.9 million) were incurred during the year in relation to a number of key strategic projects, all of which contributed to the business ending the year in a stronger position for the future. The Systems division incurred £1.2 million of costs in bringing the German operations in line with customer needs, orientating the business around Berlin, and in improving operational efficiency by centralising the management team. The Security division has incurred £0.5 million in bringing together the two integration businesses under the Synectics Security brand and headquartering it in Nottingham. We also closed the satellite Studley finance office, bringing the whole plc team together in the Sheffield Group Head Office. The obligations of the defined benefit pension scheme have also been secured with an insurance company immediately following the year end. The cost of these two projects was £0.4 million.

The Group generated a free cash inflow in the period of £6.3 million (2019: £3.1 million outflow). This was primarily as a result of an £8.1 million decrease in working capital (2019: £4.9 million increase) driven by the reduction in trading, although it should be noted that 2019 was unusually high due to the timing of revenues at the end of that period.

The strong discipline over spending and cash has enabled the business to continue investing. Research & development spend increased to £4.0 million (2019: £3.8 million).

Income Statement

Overall Group revenue for the year to 30 November 2020 amounted to £44.6 million compared with £68.5 million in the previous year, a decrease of £23.9 million (34.8%).

Revenue split between our two business segments was as follows:

Revenue	2020 £000	2019 £000	Inc/(dec) £000	Inc/(dec)
Systems	**23,645**	40,529	(16,884)	(41.7)%
Security	**21,802**	28,603	(6,801)	(23.8)%
Intra-Group sales	**(799)**	(621)	(178)	
Total revenue	**44,648**	68,511	(23,863)	(34.8)%

Revenue in the Systems division decreased by £16.9 million (41.7%) to £23.6 million. Revenues from Asia Pacific and North America, both of which are exposed to the gaming sector, were especially impacted by the global pandemic. Revenue in these regions decreased by £10.0 million and £4.8 million respectively. While the EMEA region was also impacted, a more diverse customer base helped to restrict the decrease to £2.1 million.

Income Statement continued

Revenues in the Security division decreased by £6.8 million (23.8%) to £21.8 million.

Recurring revenue decreased year on year to £10.1 million (2019: £10.8 million), representing approximately 23% of sales (2019: 16%). Progress was made in renewing a number of maintenance agreements within the Systems division.

The proportion of sales arising outside the UK (measured by the geographical location of the contract) decreased during the year to 44%, compared with 50% in the previous year.

Sales by geographical location of contract	**2020 £000**		2019 £000		Inc/(dec) £000
UK	**25,203**	**56%**	34,187	50%	(8,984)
Rest of Europe	**5,345**	**12%**	4,948	7%	397
UK and Europe – total	**30,548**	**68%**	39,135	57%	(8,587)
North America	**3,166**	**7%**	7,679	11%	(4,513)
Asia Pacific	**8,334**	**19%**	18,113	26%	(9,779)
Middle East and Africa	**2,600**	**6%**	3,584	6%	(984)
Total revenue	**44,648**	**100%**	68,511	100%	(23,863)

Consolidated gross margin for 2020 decreased by 0.4% overall. This was predominantly due to the decreased revenue in the Systems division and the level of fixed costs that could not be reduced accordingly. Pleasingly the Security division was able to record improved gross margins despite the difficult market conditions.

The full segmental analysis is as follows:

Gross margin %	**2020**	2019	Inc/(dec)
Systems	**40.8%**	42.0%	(1.2)%
Security	**24.6%**	21.9%	2.7%
Total Group	**33.6%**	34.0%	(0.4)%

Underlying operating expenses in the year decreased by 4.1% to £19.9 million.

Operating expenses	**2020 £000**	2019 £000	Inc/(dec) £000	Inc/(dec)
Underlying operating expenses	**19,857**	20,714	(857)	(4.1)%
Non-underlying items:				
Costs in relation to legal claim	**(42)**	908	(950)	
Restructuring costs	**2,200**	–	2,200	
Amortisation of acquired intangibles	**23**	23	–	
	2,181	931	1,250	
Total operating expenses	**22,038**	21,645	393	1.8%

Non-underlying operating expenses amounted to £2.2 million (2019: £0.9 million) and predominantly arose as part of the restructuring actions undertaken across the Group to ensure that it is best placed to exceed customer expectations in the future. Full details of these costs are outlined in note 6 to the financial statements.

Underlying loss before tax was £4.1 million in 2020 compared with a profit of £2.5 million in 2019. The Group recorded a loss before tax of £6.3 million (2019: profit £1.6 million).

Whilst all areas of the business were fundamentally impacted by the global pandemic, the Security division proved relatively resilient with an underlying operating loss of £0.4 million compared to a loss of £27,000 in the previous year. The Systems division was impacted more deeply, recording an underlying loss of £1.8 million (2019: profit £4.7 million). Central costs were reduced at an underlying level to £1.8 million, a saving of £0.3 million on the previous year.

Underlying operating profit	**2020 £000**	2019 £000	(Dec)/inc £000
Systems	**(1,774)**	4,691	(6,465)
Security	**(388)**	(27)	(361)
Central costs	**(1,805)**	(2,082)	277
Underlying operating (loss)/profit	**(3,967)**	2,582	(6,549)
Net finance costs (including IFRS 16)	**(139)**	(98)	(41)
Underlying (loss)/profit before tax	**(4,106)**	2,484	(6,590)

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

Operating (loss)/profit	**2020 £000**	2019 £000	Inc/(dec) £000
Systems	**(2,981)**	3,783	(6,764)
Security	**(916)**	(27)	(889)
Central costs	**(2,251)**	(2,105)	(146)
Operating (loss)/profit	**(6,148)**	1,651	(7,799)
Net finance costs	**(139)**	(98)	(41)
(Loss)/profit before tax	**(6,287)**	1,553	(7,840)

Research & development costs are charged to the division benefiting from the service provided by the Synectics Technology Centre, principally the Systems division. In 2020 £4.0 million was spent on research & development. Of this, £0.8 million was capitalised as development costs with £3.2 million charged to the Income Statement along with £0.4 million of development cost amortisation. This compares with expenditure of £3.8 million in 2019, of which £0.8 million was capitalised.

The Group underlying operating margin was a loss of 8.9% compared with a profit of 3.8% in 2019.

Underlying operating margin	**2020**	2019	Inc/(dec)
Systems	**(7.5)%**	11.6%	(19.1)%
Security	**(1.8)%**	(0.1)%	(1.7)%
Total Group	**(8.9)%**	3.8%	(12.7)%

The Group operating margin was a loss of 13.8% (2019: profit 2.4%) split by division as follows:

Operating margins	**2020**	2019	Inc/(dec)
Systems	**(12.6)%**	9.3%	(21.9)%
Security	**(4.2)%**	(0.1)%	(4.1)%
Total Group	**(13.8)%**	2.4%	(16.2)%

The tax credit for 2020 was £1.6 million compared with a charge of £0.1 million in 2019.

At 30 November 2020 the Group increased the deferred tax asset in relation to tax losses which are expected to be offset against future taxable profits by £1.0 million (2019: £0.6 million). Further tax losses of £6.2 million (30 November 2019: £4.8 million) exist and may be capable of offset against the future taxable profits of certain Group companies, but have not yet been recognised in the financial statements due to uncertainty of recoverability at this point.

Diluted earnings per share for 2020 were (27.7)p compared with 9.6p in the year ended 30 November 2019. The Directors believe that a better measure of performance is the underlying diluted earnings per share, due to it being calculated on the underlying profit before tax as defined above. Underlying diluted earnings per share were (17.2)p compared with 13.9p in 2019.

Earnings per share	2020 p	2019 p	Inc/(dec) p
Diluted earnings per share	**(27.7)**	9.6	(37.3)
Underlying diluted earnings per share	**(17.2)**	13.9	(31.1)

Return on capital employed (based on total profit from operations) for 2020 was (20.2)% compared with 4.8% in the year ended 30 November 2019. However, the Directors believe that a better measure of performance is the return based on underlying operating profit. Return on capital employed (based on underlying operating profit) was (13.0)% compared with 7.4% in 2019.

Return on capital employed	2020	2019	Inc/(dec)
Based on total profit from operations	**(20.2)%**	4.8%	(25.0)%
Based on underlying operating profit	**(13.0)%**	7.4%	(20.4)%

Statement of Financial Position

The net assets of the Group amounted to £37.0 million at 30 November 2020 (2019: £41.0 million) and can be summarised as follows:

	2020 £000	2019 £000
Property, plant and equipment (excluding right of use assets)	**2,628**	2,904
Right of use assets	**2,615**	–
Intangible assets	**22,155**	21,712
Retirement benefit asset	**1,325**	687
Non-current assets (excluding deferred tax assets)	**28,723**	25,303
Cash balances	**6,864**	3,580
Loans and borrowings	**–**	–
Net cash	**6,864**	3,580
Other net current assets	**4,725**	13,662
Net tax assets (including deferred tax assets)	**1,705**	103
Lease liabilities	**(2,790)**	–
Provisions	**(2,196)**	(1,687)
Net assets	**37,031**	40,961

The Group implemented IFRS 16 from 1 December 2019, resulting in a right of use asset and corresponding lease liability being brought onto the Statement of Financial Position at that date. As described in note 31 to the financial statements, the Group adopted the modified retrospective approach to implementation and no adjustment to brought forward retained earnings was required.

Non-current assets (excluding deferred tax assets) at 30 November 2020 were £28.7 million compared with £25.3 million at 30 November 2019.

Exchange rate movements in the year increased the retranslated value of goodwill on overseas acquisitions by £0.1 million.

Capital additions were £1.2 million, plus a further £0.4 million additions of right of use assets, compared to £1.5 million in 2019. £0.3 million was spent on property, plant and equipment, with minimal investment in external software. During 2020 £0.8 million was capitalised in respect of technology development projects. The Group continues to invest significant amounts in the development and enhancement of its product portfolio. However, accounting rules for capitalisation of development spend contain specific criteria around what should be capitalised for ongoing work on products which have been launched in the market.

Total capital expenditure of £1.6 million (2019: £1.5 million) compares with depreciation and amortisation charges of £2.2 million in the year (2019: £0.9 million). The increase is due to £1.1 million of depreciation of right of use assets.

The surplus on the Group's closed defined benefit pension scheme was £1.3 million at 30 November 2020 compared to £0.7 million at 30 November 2019. This increase is due largely to a gain on the plan assets. Substantially all of this movement has been posted to reserves through the Consolidated Statement of Comprehensive Income. After the year end, a "buy-out" of the pension scheme was agreed with an insurance company which will mean that these assets will be transferred off the Group balance sheet post year end. Full details can be found in note 32 to the financial statements.

Working capital levels decreased compared with the prior year to £4.7 million at 30 November 2020 and also decreased as a percentage of annual revenues from 19.9% in 2019 to 10.6% at 30 November 2020. This was significantly lower than we would ordinarily expect due to depressed sales performance during the current period.

Net tax assets at 30 November 2020 amounted to £1.7 million (2019: £0.1 million) and comprised a current tax asset of £0.5 million (2019: £35,000), a current tax liability of £63,000 (2019: £0.4 million), deferred tax assets of £1.9 million (2019: £1.3 million) and deferred tax liabilities of £0.6 million (2019: £0.8 million).

Provisions at 30 November 2020 amounted to £2.2 million (2019: £1.7 million). This amount includes £0.6 million (2019: £0.7 million) of warranty provisions and £1.3 million provision for restructuring costs (2019: £nil). The remaining balance relates to property dilapidation provisions.

Cash

The Group ended the year with net cash of £6.9 million at 30 November 2020 (2019: £3.6 million). The year-end balance was a direct result of conscious decisions made by management to preserve cash and due to the unwinding of working capital due to suppressed trade caused by the pandemic.

The net cash inflow of £3.3 million in the year is summarised in the table below.

	2020 £000	2019 £000
Underlying operating (loss)/profit	**(3,967)**	2,582
Depreciation and amortisation charges and profit/(loss) on disposal of non-current assets	**2,326**	934
Share-based payment charge	**50**	45
Other non-cash movements	**948**	(365)
Decrease/(increase) in working capital	**8,114**	(4,900)
Net foreign exchange losses	**80**	60
Cash from operations before non-underlying payments	**7,551**	(1,644)
Restructuring costs	**(1,652)**	–
Cash generated by/(used in) operations	**5,899**	(1,644)
Interest paid (net)	**(33)**	(103)
Taxation paid	**(148)**	(356)
Capital expenditure	**(1,218)**	(1,497)
Lease payments	**(1,117)**	–
Dividends paid	**–**	(810)
Effect of exchange rate changes on cash	**(99)**	(124)
Net cash flow	**3,284**	(4,534)

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. This year, in light of the uncertainty arising from the global pandemic, this review has included additional scenario modelling and stress testing of budgets. See note 1 to the financial statements for further detail around the testing performed.

Use of non-GAAP financial performance measures

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

In the following table we provide a reconciliation of this and other non-GAAP measures, as defined in the Performance Review on *pages 24 to 32, to relevant GAAP measures:*

Underlying profit measures

	2020 £000	2019 £000
Underlying operating (loss)/profit		
Reported operating (loss)/profit	**(6,148)**	1,651
Provision for costs of a legal claim	**(42)**	908
Costs associated with the restructuring of the Systems division	**1,249**	–
Costs associated with the restructuring of the Security division	**528**	–
Costs associated with restructuring Central operations	**273**	–
Costs associated with buy-out of the defined benefit pension scheme	**150**	–
Amortisation of acquired intangible assets	**23**	23
Underlying operating (loss)/profit	**(3,967)**	2,582
Underlying (loss)/profit before tax		
Reported (loss)/profit before tax	**(6,287)**	1,553
Provision for costs of a legal claim	**(42)**	908
Costs associated with the restructuring of the Systems division	**1,249**	–
Costs associated with the restructuring of the Security division	**528**	–
Costs associated with restructuring Central operations	**273**	–
Costs associated with buy-out of the defined benefit pension scheme	**150**	–
Amortisation of acquired intangible assets	**23**	23
Underlying (loss)/profit before tax	**(4,106)**	2,484

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

GAAP reconciliation

Systems	Gross profit 2020 £000	Gross profit 2019 £000	Operating profit 2020 £000	Operating profit 2019 £000
Underlying profit/ (loss)				
Reported profit/ (loss)	**9,643**	17,023	**(2,981)**	3,783
Restructuring costs	**-**	-	**1,249**	-
Release of provision for legal claim	**-**	-	**(42)**	908
Underlying profit/ (loss)	**9,643**	17,023	**(1,774)**	4,691

Security	Gross profit 2020 £000	Gross profit 2019 £000	Operating profit 2020 £000	Operating profit 2019 £000
Underlying profit/ (loss)				
Reported profit/(loss)	**5,368**	6,273	**(916)**	(27)
Restructuring costs	**-**	-	**528**	-
Underlying profit/ (loss)	**5,368**	6,273	**(388)**	(27)

Underlying diluted EPS

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

Underlying return on capital employed

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

Free cash flow

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

	2020 £000	2019 £000
Free cash flow		
Reported cash generated from operations	**5,899**	(1,644)
Capital expenditure	**(1,218)**	(1,497)
Payments in respect of non-underlying costs	**1,652**	-
Free cash flow	**6,333**	(3,141)

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 is the calculation used by the Group to measure net cash.

David Bedford
Finance Director

1 March 2021

Understanding and managing key risks to the Group

We seek to understand and manage the various risks that arise from our operations. The Group is subject to a variety of risks which may have an adverse impact on the business, results of operations, cash flow, turnover, profitability, assets, liquidity and capital reserves.

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

The Board, advised by the Audit Committee (the 'Committee'), has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Committee advises the Board on matters of risk management and has its own report, which can be read on pages 43 to 45. Responsibility for implementing sound and effective systems of internal control has been delegated by the Board to senior management. The purpose of the system of internal control is to manage, rather than eliminate, the risk of failure to achieve business objectives and to only provide reasonable, but not absolute, assurance against material misstatement or loss.

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

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

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

People skills and dependency

Exposure to specific market sectors

Product failure

Project delivery and contractual liability

Technology development

Bad debt and non-recovery of costs

Price and margin pressure

Cybersecurity

Exchange rates/international trade

Strategic project delivery

Complexity of operations

Macro-economic events

Risk **Factors that may impact the business**	Mitigation **What we are doing to minimise the risk**
Due to the technical specialism required by the Group, we are dependent on our employees with key managerial, engineering and technical skills.	We aim to offer competitive remuneration packages and incentive arrangements, together with an agile environment which encourages and rewards excellent performance. We assess employee engagement via an annual survey and regular "pulse" checks with feedback and recommended actions agreed at Board level and built into business units' plans. In addition, the Group actively reviews its succession planning objectives and skills matrix.
One of the Group's key strengths is its expertise in delivering tailored solutions to customers in key sectors with critical security needs. The success of this strategy has resulted in revenues which are concentrated in a relatively small number of market segments. This results in a level of risk related to external market-specific impacts – for example how Covid-19 has closed casinos worldwide which is affecting new projects within gaming. Similarly, external factors, including governmental policies, may impact the timing and scale of investment within our other key markets.	The Group's reorganisation of the Systems division under a unified global leadership is designed to support a broadening of the customer base which should result, over time, in a more balanced mix of sector revenues in each region. The merger of Quadrant Security Group and Synectics Mobile Systems to form Synectics Security has also enabled new opportunities to be sought in both existing and new sectors which should also, over time, reduce the level of sector-related risk.
If the Group's product offering fails to meet agreed standards there is a risk that the Group will be exposed to replacement or rework costs as a result of this failure, and the associated reputational impact on its ability to secure new business.	Product quality is closely monitored and reviewed across the Group with comprehensive product testing and customer support in place. The Group maintains rigorous quality standards in all its operations and expects the same standards of its supplier base. Where possible product liability is mitigated through contractual arrangements within the supply chain.
Where the Group's service offering fails to meet agreed standards or timescales there is a risk that the Group will be exposed to cost overruns and claims for contractual liabilities as a result of this failure.	Project and service delivery are closely monitored and reviewed across the Group on a regular and frequent basis. We maintain rigorous quality standards in all our operations, undertaking comprehensive risk assessments and carefully assessing the terms on which we agree to enter into contractual relationships at the appropriate level of responsibility.
As the industry becomes increasingly technical and transitions to digital technology, there is a risk that products become obsolete or irrelevant.	We seek to counter this risk through our investment in research & development resources and a continued focus on customer-led development to ensure that the most appropriate product development paths are followed. The Board regularly reviews the divisions' product development roadmaps to gain assurance that we will continue to be able to meet the evolving needs of our customers.
The Group is exposed to the risk of non-payment for work performed. This may be due to the inability of the customer to pay as a result of financial difficulty, or unwillingness to pay due to dissatisfaction with the work performed or dispute over the obligation to pay, particularly where extension of time and contract variations are claimed.	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. Where possible, credit risk is mitigated through deposit and milestone payment requirements which at least cover the cost of work performed. In addition, financial instruments such as letters of credit are utilised where appropriate. Robust reporting of outstanding positions, customer payment issues and projects experiencing delays is in place for the monthly business review meetings with the Executive Directors and, exceptionally, the Board.
The electronic security industry in general is competitive with continued pressure on sales and margins.	We will continue to focus on customer sectors where electronic security systems have a critical cost of failure, or an extreme environmental requirement, rather than the mass volume markets. In addition, we will maintain a core of increasingly software-based proprietary technology giving higher-margin opportunities and focus on developing recurring revenues.
Unauthorised access to the Group's systems or to our customers' systems in relation to software supplied by the Group could result in material losses. In addition to the risk of financial theft or fraud, losses could result from an inability to run key internal processes affecting the ability of the business to operate. Security breaches could result in the loss of intellectual property or other confidential information which may also result in fines from regulatory bodies. Actual breaches or deficiencies within our cybersecurity procedures could impact the Group's external certifications which could affect our ability to do business within certain regulated environments.	The Group operates strict cybersecurity practices to secure information, trade secrets, source code and our product development processes. This includes training, penetration testing, external accreditations such as ISO 27001 and cybersecurity monitoring. We employ numerous industry-leading practices to ensure our products are secure from cyberattacks including data encryption of data at rest and in transit, and the use of digital secure certificates. We have engaged with a cyber consultancy firm to undertake a full independent audit and to provide advice on further improving the cybersecurity of our products.
The Group operates internationally giving rise to exposure from changes in foreign currency exchange rates. The Group conducts a significant amount of trade with businesses located in European and international countries.	The Group manages exchange risk on an ongoing basis by seeking to avoid significant imbalances between costs and revenues in each currency and to the extent that this is not possible, hedging future cash flows using forward exchange contracts.
The failure to deliver key change projects in line with planned costs, benefits and timings could impact the future financial performance of the Group.	Proposals involving significant investment or organisational changes are rigorously reviewed by the Executive Directors and, where necessary, by the Board. The Group operates robust systems and procedures to ensure the monitoring and successful delivery of key projects.
For a company of its scale Synectics has relatively complex operations: multiple locations, varied product offerings, multiple information systems and significant overseas operations. This gives rise to the potential for inefficiency and a greater risk of weaknesses or failures in internal controls or systems.	Following the restructure of the Systems division, the Executive management is reviewing management processes and options to update and integrate information and accounting systems to reduce complexity and streamline processes. The creation of the merged Synectics Security business has also resulted in a simplification of internal business systems.
The Group is exposed to the risks which may be brought about by significant macro-economic events that either prevent our customers from operating and therefore impacts on revenue or that prevent the Group from providing adequate service levels to our customers.	This risk has been seen during the year with the global coronavirus pandemic. Plans for business continuity, working practices, staff deployment and welfare across sites, working from home and hygiene precautions have been implemented. They are reviewed on an ongoing basis. The financial impact upon the business is also monitored closely and frequently.

Strategic Report approval

The Strategic Report, which comprises the Chairman's Statement on pages 4 and 5, the Strategic Review on pages 6 to 23, the Performance Review on pages 24 to 33 and the above Risks and Risk Management section, was approved by the Board.

By order of the Board

Claire Stewart
Company Secretary

1 March 2021

The Board of Directors

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

Introduction from the Chairman

The Company follows the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code').

The QCA Code follows ten basic principles. Through a set of disclosures on their website and in their annual report, companies are required to provide an explanation of how they consider they are meeting those principles. As I reported last year, the Company continues to maintain compliance with all ten principles and is consistently reviewing areas for improvement in its governance practice.

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

David Coghlan
Chairman

1 March 2021

David Coghlan
Chairman

has degrees in Law and in Finance from the University of New South Wales in Sydney and an MBA from Wharton in Philadelphia. He was formerly a partner at strategy consultants Bain & Company. In addition to a background in developing and implementing board-level strategies for major multinational companies, David brings current wide experience as a director and founder of, and investor in, medium-sized technology growth companies in the B2B software and electronics sectors. He is currently a non-executive director and remuneration committee chairman of AIM-quoted Eckoh plc, and chairman of aviation simulation and training company Quadrant Group Limited. Until its takeover by CGI in December 2019, David was also a non-executive director and audit committee chairman of SCISYS plc.

Paul Webb
Chief Executive

joined the Group in 2004 and drove the rapid growth of the Group's Systems activities. With a 30-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 has previously lived and worked in Asia. He has a degree in Physics from Imperial College London.

David Bedford
Finance Director

holds a degree in Economics and Accounting from the University of Bristol and is a member of the Institute of Chartered Accountants in England and Wales. Having qualified with Deloitte & Touche in 1994, David joined Price Waterhouse's corporate finance group. Following seven years with Jaguar Land Rover, David held a number of senior finance positions within IMI Precision, the largest division of IMI plc.

Michael Butler
Senior Independent
Non-Executive Director

has held various senior roles in general management, sales and marketing in telecommunications businesses, including president and chief operating officer and an executive board director of Inmarsat plc. He was previously managing director of MCI Worldcom UK. He is currently a director of several other companies, including non-executive chairman of Broadband Satellite Services Limited and non-executive director of AddValue Technologies, a Singapore-listed provider of broadband solutions for the mobile satellite communications industry.

Steve Coggins
Independent
Non-Executive Director

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

Alison Vincent
Independent
Non-Executive Director

is an experienced IT industry leader with recent roles including group chief information security officer at HSBC and chief technology officer at Cisco. Prior to those positions she held technical leadership roles in NDS, Micro Focus and IBM. She has experience in cybersecurity, research & development, strategy execution, product management and business development, with particular expertise in digital strategy, innovation and mergers and acquisitions. She is a non-executive director for SEI Investments (Europe) Ltd, Bytes Technology Group plc and Connected Places Catapult. She is a lay member of council at Southampton University and is a technical adviser to Telesoft Technologies Ltd, Cybertonica Ltd and UMotif Ltd. Alison has a PhD in Cryptography and Combinatorics from London University and a First Class Honours BSc in Maths and Computer Science. She is a Fellow of the Royal Academy of Engineering, a Fellow of the British Computer Society and a Fellow of the Institution of Technology and Engineering.

Corporate governance statement

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

Synectics is a leader in the design, integration and support of advanced security and surveillance systems. Synectics embraces two complementary business models founded on shared principles which govern the relationships it seeks to build with customers, the way in which it works with them, and the partnerships it creates with other providers to serve its customers better and enhance its market reach.

- Systems: secures major contracts for the design, development, and deployment of security and surveillance solutions, primarily based on its proprietary technology platform, Synergy.
- Security: is a specialist provider of integrated security solutions for diverse, demanding applications.

The Board believes that by achieving leadership positions in the specific market sector and geographical regions that the Group targets, Synectics will generate sustainable revenue and profit growth, and thus long-term value for shareholders.

For information on our strategy and business model, please refer to the Strategic Review.

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

The Board welcomes dialogue with shareholders and actively engages with them through face-to-face meetings and written queries, and at the Company's Annual General Meeting ('AGM'). The AGM notice is sent to shareholders at least 21 days before the AGM. All Directors, including the Chairman, Chief Executive and Finance Director, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Company's corporate website.

The Directors actively seek to build a relationship with substantial shareholders. Shareholder relations are managed primarily by the Chief Executive and Finance Director, supported by the Chairman, as appropriate. The Chief Executive and Finance Director make presentations to analysts and substantial shareholders each year immediately following the release of the full-year and half-year results.

The Board is kept informed of the views and any concerns of major shareholders by briefings, as appropriate, from the Chairman. Investment reports from analysts and feedback reports from brokers following the investor meetings are also circulated to the Board. The Chairman and Senior Independent Non-Executive Director ('SID') are available to meet with major shareholders if required to discuss issues of importance to them.

As part of the continued review of the Company's governance reporting, the Annual Report and Accounts includes expanded narrative governance disclosures that take into account the views of shareholders.

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

The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and the business, and to enable the Board to understand and consider these issues in decision making. In addition to the Company's shareholders, one of the Group's most important stakeholder groups is our employees. The Board therefore closely monitors and reviews the results of the Group's annual Employee Engagement Survey as well as other feedback it receives in relation to employee engagement.

The Company has a deep understanding of the needs of our customers, another important stakeholder group. To further develop relationships with its customers, the Board receives feedback from the annual Customer Excellence Survey, including the progress made against previous years' initiatives as well as new initiatives made in the current year. See page 12 for more information on our Customer Excellence programme.

Modern slavery

The Company opposes modern slavery in all its forms and will try to prevent it by any means that it can. It is expected that anyone who has any suspicions of modern slavery within the business or the supply chain will raise their concerns without delay. The Group maintains relationships with many different organisations in its supply chain, as well as directly employing over 350 people worldwide. In light of the Modern Slavery Act 2015, 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 on our website at www.synecticsplc.com.

For more information on our people please see pages 16 and 17.

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

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

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

Further information on the Group's internal control systems, the key risks facing the Group, and how the Board gets its assurance that the risk management and related control systems in place are effective, can be found in the Audit Committee Report on pages 43 to 45 and the Risks and Risk Management section on pages 34 and 35.

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

The Board

During the year, the Board comprised a Chairman, three Non-Executive Directors and two Executive Directors. The resulting size and composition of the Board gave it sufficient independence, balance and broad experience to provide effective oversight of the Group's strategy, performance, resources and standards of conduct. The continued strong representation of Non-Executive Directors on the Board demonstrates its independence, provides a greater depth of experience and facilitates challenge.

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

Since his appointment as Senior Independent Director in 2018, Michael Butler continues to be responsible for supporting the Chairman and monitoring the division of responsibility between the Chairman and the Chief Executive. He is also available to address shareholder concerns where applicable.

The Company Secretary, in conjunction with the Chairman, ensures that accurate, timely and clear information is provided to the Board in order for informed decisions and discussions to take place. The Company Secretary is responsible for advising the Board on governance matters and regulatory requirements. The appointment and removal of the Company Secretary are matters reserved for the Board. All Directors have direct access to the Company Secretary and to independent professional advice at the Group's expense as required.

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

Role of the Board

Great importance is placed on a well informed and decisive Board. Board meetings are held regularly throughout the year. In the 2020 financial year, six scheduled Board meetings, three Audit Committee meetings and three Remuneration Committee meetings were held and were supplemented by Board and Committee calls in between. In addition, as it does each year, the Board convened and participated in a separate session on the Group's strategy and five-year plan.

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

Agenda items scheduled for every Board meeting include strategy, business performance, operations, human resources, finance and governance. The agenda is reviewed and agreed by the Chairman to ensure that the Board addresses the right issues at the right times and that sufficient time is allowed for appropriate consideration and debate. The agenda is further structured to allow members of the senior management team the opportunity to present various subjects to the Board, giving the Board the opportunity to meet senior management and employees, and to develop greater business knowledge and depth of awareness of business-specific opportunities and threats.

Board meetings

Usually, Board meetings are scheduled in different Group offices to give the Board sight of the business "first hand"; however, constraints during 2020 have led to the majority of meetings being held virtually. Board meetings are scheduled a year in advance to ensure full attendance where possible and all Directors receive papers sufficiently in advance of meetings to enable due consideration. Following Board and Committee meetings, the Board receives copies of the minutes at the next Board meeting and can raise any queries or concerns with the Board or Committee Chairmen.

During the 2020 financial year, matters dealt with by the Board included:

- review and monitoring of Group strategy and progress against business objectives;
- operational and financial performance of the Group;
- Group budgets and five-year plan;
- approval of financial statements and dividend policy;
- risk management oversight, review of internal controls and monitoring of the Group's risk registers;
- Board and senior management succession planning;
- approval of large contracts and bids;
- approval of large capital expenditure projects;
- Committee reports and recommendations;
- review of corporate governance reporting;
- Board and Committee evaluation, reviewing progress of actions from the 2019 evaluation and setting actions for 2019/20;
- considering the risk registers and the outcome of the risk review, as reviewed in detail by the Audit Committee;
- the re-appointment of RSM UK Audit LLP as external auditor, upon the recommendation of the Audit Committee;
- reviewing the findings of the 2020 Employee Engagement Survey;
- review of the QCA Code and agreement of actions necessary to achieve full compliance;
- review and approval of the annual update to the Group's approach to meeting the requirements of the Modern Slavery Act 2015;
- monitoring the programme of work to ensure the EU General Data Protection Regulation was successfully embedded within the organisation;

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

Board meetings continued

- monitoring the progress of the Customer Excellence programme and the Market Development programme; and
- reviewing the Group's product development roadmap and technological developments in the industry.

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

	Total number of meetings		
	Board	Audit Committee	Remuneration Committee
DJ Coghlan Chairman	6	–	–
DM Bedford[1]	6	–	–
MJ Butler Chairman of Remuneration Committee	6	3	3
SW Coggins Chairman of Audit Committee	6	3	3
PM Rae[2]	2	1	1
A Vincent[3]	6	3	3
PA Webb	6	–	–

1. Appointed to the Board on 6 January 2020.
2. Retired from the Board on 19 February 2020.
3. Appointed to the Board on 23 January 2020.

Directors' conflicts of interest

A Conflicts Register is maintained by the Company Secretary to monitor and manage any potential conflicts of interest. Training on the Companies Act 2006 has been given to all Directors on the provisions within, and Directors are reminded of their duties at each Board meeting. Any conflicts are declared at the first Board meeting at which the Director becomes aware of a potential conflict and then recorded in the Conflicts Register. The Board considers all conflicts in line with the provisions set out in the Articles and non-conflicted Directors can authorise conflicts with or without limits and conditions. The Directors are required to review their interests recorded in the Conflicts Register on an annual basis.

Board appointments

All Non-Executive Directors are provided with a letter of appointment on acceptance of the appointment, which includes the terms and conditions of their role. The letters of appointment are updated as appropriate from time to time and are available on request from the Company Secretary.

Independence

As part of the appraisal of each Director, the independence of all Non-Executive Board members is reviewed and evaluated annually. Dr Alison Vincent was appointed to the Board on 23 January 2020 and Peter Rae subsequently retired from the Board on 19 February 2020 following 21 years of service. Steve Coggins and Michael Butler have served on the Board for 16 and 5 years respectively. Each brings different and complementary high-level experience relevant to the current business and future development of the Group. During 2020, and at all times previously, each has addressed all issues facing the Board with a high level of candour, robustness and insight. Their in-depth knowledge of the Group and the electronic surveillance industry, gained from their tenure, combined with their different and complementary skills and knowledge developed from other directorships, provide valuable independent perspectives that contribute to the success of the Group and to the performance and effectiveness of the Board. For these reasons, each of these three Non-Executive Directors is considered by the Board to be independent.

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

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of technology, engineering, finance, law, international trading, sales and marketing.

Biographies of each Director can be found on pages 36 and 37.

Each member of the Board takes responsibility for maintaining his skill set, which includes roles and experience with other boards and organisations as well as formal training and seminars.

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

Diversity

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

In line with the Board's policy to appoint members who have the most appropriate skills for the role, irrespective of gender, Dr Alison Vincent was appointed to the Board as a Non-Executive Director on 23 January 2020. The Board believes that the appointment of a woman to the Board is in line with recommended best practice of increasing the number of women on boards and will give a new perspective to the Board.

Induction

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

Independent advice

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

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

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

As a result of the evaluation process during the year, the Board identified that there had been an improvement in the communication of the monthly financial information to the Board. The following action points were put in place, and achieved during the year:

- more advance notice of the Board papers;
- more varied Board agenda, with a wider discussion of matters for longer periods, together with a refresh/update on strategy during the year; and
- more senior leadership team presence.

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

The Board aims to lead by example and do what is in the best interests of the Group. Synectics has a strong ethical culture, supported in recent years by embedding policies and practices across the business to ensure that the "whole" is greater than the sum of the parts. The success of the "whole" depends on the Company's business principles of Professionalism and Quality, Openness, Communication and Integrity, and Value and Respect our Employees, and on the values embedded in the business of Understand, Innovate, Respect and Do the Right Thing.

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.

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

Board programme

The Board sets direction for the Group through a formal schedule of matters reserved for its decision. Prior to the start of each financial year, a schedule of dates for that year's Board meetings is compiled to ensure an appropriate spread of meetings across the financial year and in line with the Group's half-year and full-year results reporting. This may be supplemented by additional meetings as and when required.

The Board meets at least six times each year in accordance with its scheduled meeting calendar. The attendance by each Board member at scheduled meetings is shown in the Board table on page 40.

During the year to 30 November 2020, the Board met either physically or virtually for all its scheduled meetings. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Minutes of the meetings are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by management or the Board, as appropriate.

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

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the business. It is responsible for overall Group strategy; approval of major contracts; approval of significant investments; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of each business, their annual budgets and their performance in relation to those budgets and subsequent forecasts. There is clear division of responsibility. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the business through the senior management team.

Senior management below Board level attend Board meetings where appropriate to present business updates. Board meetings throughout the year are usually held at the Group's various offices within the UK, giving access to the different locations to gain a greater understanding of the Group's activities; however, during 2020 all meetings have remained virtual.

Executive team

Until January 2020, the Executive team consisted of Paul Webb and Amanda Larnder, as Acting Finance Director, with support from the senior leadership team. On 6 January 2020, David Bedford was appointed to the Board as Finance Director and together with Paul Webb and the senior leadership team was responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, plans and budgets approved by the Board of Directors, as well as managing key business risks.

Board Committees

The Group has two standing Board Committees: an Audit Committee and a Remuneration Committee. The roles and activities of those Committees are included in the respective Committee reports on pages 43 to 49.

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

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

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all announcements and presentations) is also available to shareholders, investors and the public on the corporate website.

The Board receives regular updates on the views of shareholders through briefings and reports from the Chairman of the Board, the Chief Executive and the brokers. Analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

The Company conducts an annual Employee Engagement Survey to maintain an open communication with employees and introduced its Customer Excellence programme in 2016 which has created an additional channel of dialogue with customers.

Audit Committee report

Introduction from the Chairman of the Audit Committee

On behalf of the Audit Committee (the 'Committee'), I am pleased to present the Committee's report for the year ended 30 November 2020, 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 2020 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the Company's shareholders with the necessary information to assess the Company's position, performance, business model and strategy. The activities of the Committee are kept under review in line with regulatory and market developments.

During the year, the Committee comprised me as Chairman, Michael Butler, Peter Rae until 19 February 2020 and Alison Vincent from 23 January 2020. All members of the Committee are Independent Non-Executive Directors and have no personal or financial interests, other than as shareholders, in the matters considered by the Committee.

Steve Coggins
Chairman of the Audit Committee

1 March 2021

Role and operation of the Committee

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

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

During the year, the Committee met three times. Neither the Executive Directors nor the Chairman attend meetings other than by invitation by the Committee. 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 in order to perform its duties.

The Committee's principal duties are to:

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

During the financial year the Committee considered the following matters:

- the suitability of the Group's accounting policies and practices;
- the half-year and full-year financial results, including the assessment of going concern and recommendation to the Board that it is appropriate to adopt the going concern assumption;
- the scope and cost of the external audit;
- the auditor's full-year report for 2019;
- re-appointment of RSM UK Audit LLP ('RSM') as the Group's external auditor;
- the evaluation of the performance and independence of RSM as the Group's external auditor;
- the review and approval of the external auditor's plan for 2020, which detailed the proposed audit scope and risk and governance assessment;
- the review and approval of the external auditor's fees for 2020, including the review of the policy of the provision of non-audit fees by the auditor;

Role and operation of the Committee continued

- the internal control environment across the Group;
- the arrangements in respect of internal audit, including its resourcing and the scope of the annual internal audit plan for 2019/20, as well as reports on the activity carried out during the year;
- detailed reviews of strategic and operational risks facing the Group, the risk registers and the mitigating actions to minimise risk;
- the annual review of the whistleblowing policy and provision of non-audit services policy;
- the review of the Committee's terms of reference and recommendation of the updated terms of reference to the Board for approval;
- the assessment of the internal finance organisation;
- the results of the internally conducted assessment of the Committee's performance and effectiveness in 2020;
- the approval of the Committee plan for 2020;
- the training requirements of the Audit Committee members; and
- a technical update on IFRS 16.

Financial reporting

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

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

During the year, the Committee, management and the external auditor considered and concluded on a number of significant matters in relation to the financial statements. Those matters and what the Committee did to ensure that these matters had been appropriately addressed in the financial statements are set out below:

Area of focus	How the matter was addressed by the Audit Committee
Revenue recognition and contract accounting	The Committee continued to review the Group's revenue recognition principles and financial statements disclosures in line with the requirements of IFRS 15. In addition, the Committee reviewed the controls in place to ensure the appropriateness of the estimates used in assessing contract stage of completion, anticipated profitability and the amounts recognised in the financial statements. The Committee agreed with the conclusions reached.
Goodwill impairment review	The Committee reviewed a management 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.
Presentation of the Group's Income Statement – non-underlying items	The Committee considered the items classified as non-underlying and challenged the significance, timing and nature of those items and the disclosures in note 6 to the financial statements. The Committee agreed with the conclusions reached.

Risk management and internal control

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

Risk management

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

Effective internal control

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

The controls relating to financial reporting include:

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

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 34 and 35.

External audit

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

Appointment of the external auditor

The Committee reviews and evaluates the performance of the external auditor and makes recommendations regarding the appointment of the external auditor to the Board. In making this recommendation, the Committee considers auditor effectiveness and independence, and any other factors which may impact upon the external auditor's re-appointment. After careful consideration, the Committee recommends the re-appointment of RSM UK Audit LLP as external auditor of the Group, subject to approval by shareholders at the 2021 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, taking into account the views of management, and feedback is provided when necessary to senior members of the audit firm unrelated to the audit. The 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 in excess of £50,000. Part of this review is to determine that other potential providers of the services have been adequately considered. These controls provide the 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 2020 no fees for services provided to the Group were non-audit services.

Remuneration Committee report

Introduction from the Chairman of the Remuneration Committee

On behalf of the Remuneration Committee (the 'Committee'), I am pleased to present the Committee's report for the year ended 30 November 2020, which has been approved by the Board.

This report is divided into two sections:

- an unaudited section which sets out the work of the Committee in 2020 and the Company's remuneration policy for Executive Directors and Non-Executive Directors; and
- an audited section, the Remuneration Report, which details the remuneration paid to Directors in the year ended 30 November 2020.

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

During the year, the Committee comprised me as Chairman, Steve Coggins, Peter Rae until 19 February 2020 and Alison Vincent from 23 January 2020. All members of the Committee are Independent Non-Executive Directors and have no personal or financial interests, other than as shareholders, in the matters considered by the Committee.

Michael Butler
Chairman of the Remuneration Committee

1 March 2021

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 Chairman and the Executive Directors. No Director or manager is involved in any decision regarding their own remuneration. A copy of the terms of reference can be obtained from the Company Secretary or from the Governance section of the Company's website at www.synecticsplc.com.

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

The principal duties of the Committee are to:

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

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

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

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

- approval of no bonus awards and no salary increases for the Executive Directors and only a minimal salary increase for certain senior managers;
- approval of the 2020 discretionary Executive bonus scheme based on full year performance. For the 2020 financial year, the upper limits on bonuses were set at 75% of base salary for the Chief Executive and 50% of base salary for the Finance Director;
- approval of a new "one-off" award of options under the Synectics Performance Share Plan ('PSP') on 7 August 2020 for the Executive Directors;
- approval of an award of options under the PSP on 7 August 2020 for certain senior managers; and
- review of the outturn of the 2017 PSP awards and the determination that those awards had not met the performance criteria and lapsed in full.

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 23 to the financial statements. Directors' interests in the shares of the Group are detailed in the shareholdings disclosure on page 50.

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.

During the year, in response to the Covid-19 situation and employees being furloughed the Executive Directors and the senior leadership team agreed to a 10% reduction in salary. The Non-Executive Directors also agreed to reduce their fees by 20%.

Remuneration policy for Non-Executive Directors

Non-Executive Directors are independent of the Group and are expected to spend an average of approximately two days a month on the Group's business. They are not restricted from undertaking additional directorships, subject to avoiding any conflicts of interest. After considering recommendations from the Chairman, the Board determines the remuneration of the Non-Executive Directors excluding the Chairman. The remuneration of the Chairman is determined by the Committee.

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

Details of the Directors' emoluments are given below.

a) Remuneration

	Salary and fees £000	Bonuses[1] £000	Benefits £000	**2020 Total (excl. pension) £000**	2019 Total (excl. pension) £000	**2020 Pension allowance[2] £000**	2019 Pension allowance[2] £000
Executive Directors							
S Beswick[3]	–	–	–	–	66	–	3
DM Bedford[4]	131	–	1	**132**	–	**13**	–
PA Webb	244	–	2	**246**	318	**28**	29
Non-Executive Directors							
MJ Butler	26	–	–	**26**	30	–	–
SW Coggins	26	–	–	**26**	30	–	–
DJ Coghlan	67	–	6	**73**	87	–	–
PM Rae[5]	8	–	–	**8**	30	–	–
A Vincent[6]	22	–	–	**22**	–	–	–
Total	524	–	9	**533**	561	**41**	36

1. Bonuses are paid or accrued based on the achievement of agreed personal objectives and corporate performance metrics.
2. Pension allowance includes both contributions to the Group's defined contribution pension scheme and cash payments in lieu of contributions.
3. Resigned from the Board on 18 April 2019.
4. Appointed to the Board on 6 January 2020.
5. Retired from the Board on 19 February 2020.
6. *Appointed to the Board on 23 January 2020.*

b) Share schemes

The Directors' interests in the Company's share schemes are presented below. No new options were granted to, or exercised by, any Director between 1 December 2020 and 1 March 2021.

Performance Share Plan ('PSP')

The following Executive Directors held an interest in the Company's shares at 30 November 2020 through awards made under the PSP, which was established on 9 October 2012, as set out below and in note 23 to the financial statements.

Under the rules of the PSP, selected employees are awarded an interest over a certain number of Company shares which only vest after a three-year period, at nil cost to the employees. The number of shares that vest at the end of the three-year period is dependent on the Company meeting certain performance thresholds linked to the FTSE AIM All Share Total Return Index. The performance conditions are identical to those that applied under the Quadnetics Executive Shared Ownership Plan ('ExSOP'), details of which are presented below and apply to the awards made in 2018 and 2019. No changes to the performance conditions have been made during the year.

Date awarded	1 March 2018		7 March 2019		7 August 2020	
	Number of shares	Issue price (p)	Number of shares	Issue price (p)	Number of shares	Issue price (p)
DM Bedford	–	–	–	–	186,000	130.0
PA Webb	–	–	25,000	200.0	300,000	130.0

The 15,000 PSP awards granted on 1 March 2017 to Paul Webb did not meet the performance criteria on 1 March 2020 and lapsed.

In 2020, the Committee made a one-off award to the Executive Directors vesting over a five-year period up to the end of the Company's financial year ending 30 November 2025. The 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.

The performance criteria for the one-off award will 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') for each of the three relevant periods of roughly three, four and five years respectively. If this average is 25% or more, 100% of that tranche of options will vest. If this average is above 15% and below 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 year. Any options not vesting at the five-year point will lapse.

The baseline for calculating the CAGR of TSR is £1.35 per share, and the baseline for calculating the CAGR of adjusted underlying diluted EPS is 11.87p per share (being the actual equivalent adjusted EPS of the Company in the financial year to 30 November 2019).

Executive Shared Ownership Plan ('ExSOP')

The following Directors held an interest in the Company's shares at 30 November 2020 through participation in the ExSOP, which was established on 7 July 2009, having superseded an earlier scheme established in 2005, as set out in note 23 to the financial statements. The last awards under the ExSOP were made in March 2011.

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

Date awarded	7 July 2009[1]		7 March 2011	
	Number of shares	Issue price (p)	Number of shares	Issue price (p)
PA Webb	100,000	147.5	100,000	178.0
DJ Coghlan	93,243	147.5	–	–

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

Employees' Share Acquisition Plan ('ESAP')

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

The Executive Directors had the following interests over Company shares held in the ESAP at 30 November 2020:

	Total number of partnership and dividend shares held at 1 December 2019	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 2020	Value of shares as at 30 November 2020 (£)	Holding date
PA Webb	8,149	1,521	–	9,670	10,395	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 2019	152.5p
At 30 November 2020	107.5p

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

	Ordinary shares of 20p each
Maximum	165.0p
Minimum	85.0p

c) Service contracts

There are no Directors' service contracts with notice periods in excess of one year. The notice periods under the service agreements for Executive Directors and letters of appointment for Non-Executive Directors are as follows:

	Notice period
DM Bedford	6 months
MJ Butler	3 months
SW Coggins	6 months
DJ Coghlan	12 months
A Vincent	3 months
PA Webb	12 months

Statutory Directors' report

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

Principal activities

The principal activities of Synectics plc (the 'Company') and its subsidiary companies both in the UK and worldwide (the 'Group') are set out within the Strategic Report, which comprises the Chairman's Statement, the Strategic Review, the Performance Review and the Risks and Risk Management section, on pages 4 to 35.

Review of business and future developments

The Consolidated Income Statement for the year ended 30 November 2020 is set out on page 59.

A review of the Group's business activities during the year and its prospects for the future can be found in the Chairman's Statement, the Strategic Review and the Performance Review on pages 4 to 33. These reports, together with the Corporate Governance Statement, the Audit Committee Report and the Remuneration Committee Report, are incorporated into this report by reference and should be read as part of this report.

Key performance indicators

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

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

Principal risks and uncertainties

Details of the principal risks and uncertainties considered by the Board to affect the Group, and the related risk mitigation actions, are given on pages 34 and 35.

Group results and dividends

The consolidated loss after tax for the year was £4,671,000 (2019: profit £1,630,000).

The Directors do not recommend the payment of a final dividend.

Financial instruments

Details of financial instruments to which the Group is a party are shown in note 29 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 £4.0 million (2019: £3.8 million), of which £3.2 million (2019: £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 2020. No shares were held in treasury and 995,690 shares were held by the Company's employee share trusts. Details of movements in the issued share capital can be found in note 22 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 27,513 shares in the Company were purchased by the employee benefit trust during the 2020 financial year.

Directors' interests

Interests of the Directors and their connected persons in the issued share capital of the Company as at 30 November 2020 were as follows:

	2020 Number of shares held	2020 Interests in share schemes	2020 Total interests in shares	2019 Total interests in shares
DM Bedford[1]	**10,000**	**186,000**	**196,000**	-
MJ Butler	**50,000**	**-**	**50,000**	40,000
SW Coggins	**13,080**	**-**	**13,080**	13,080
DJ Coghlan	**1,546,303**	**93,243**	**1,639,546**	1,614,546
PM Rae[2]	**-**	**-**	**-**	232,302
PA Webb	**57,115**	**534,670**	**591,785**	300,264
A Vincent[3]	**-**	**-**	**-**	-
	1,676,498	**813,913**	**2,490,411**	2,200,192

1. DM Bedford was appointed to the Board on 6 January 2020.
2. PM Rae retired from the Board on 19 February 2020.
3. A Vincent was appointed to the Board on 23 January 2020.

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 1 March 2021.

Significant shareholdings

As at the close of the market on 1 February 2021, 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	29.9%
Downing LLP	2,187,618	12.29%
Stonehage Fleming Investment Management Limited	1,737,196	9.76%
Quadnetics Employee Benefit Trusts	983,734	5.53%
Sapia Partners	687,500	3.86%
Sorbus Partners	584,150	3.28%

Board of Directors

Michael Butler, Steve Coggins, David Coghlan and Paul Webb were in office throughout the financial year ended 30 November 2020. During the year, David Bedford was appointed Finance Director with effect from 6 January 2020 and Dr Alison Vincent was appointed Non-Executive Director with effect from 23 January 2020. Peter Rae retired from the Board with effect from 19 February 2020. Details and biographies of the current Directors are shown on pages 36 and 37.

The powers of the Company's Directors and rules that apply to changes in the Directors are set out in the Company's Articles of Association (the 'Articles'). Any changes to the Articles would require the consent of the Company's shareholders.

In accordance with the Articles, one-third of the Directors are required to retire by rotation at each Annual General Meeting. The Directors retiring by rotation at the 2021 AGM are Paul Webb and Michael Butler.

Directors' indemnity

As permitted by the Articles, each of the Directors has the benefit of an indemnity which is a qualifying third-party indemnity as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force. No indemnity is provided for the Group's auditor.

Conflicts of interest

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

Related party transactions

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

Essential contracts or arrangements

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

Change of control provisions

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

Employment policies

The Group employed an average of 368 people in 2020 (2019: 402).

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

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

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

Employee engagement

The Group engages with its employees regularly through various media: email alerts, focus groups, monthly bulletins, team briefings, a biannual senior management conference and an annual staff survey. Details of the performance of the Group are shared with all employees at the appropriate time using the methods above. Further information about how we engage with our employees can be found on page 16.

The Group operates an HMRC-approved share incentive plan to encourage employees to take a greater interest in the Group's performance through share ownership. Details are set out in the Remuneration Committee Report on pages 46 to 49.

Policy on payment of suppliers

The Group's policy during the year was to pay suppliers in accordance with agreed terms. At 30 November 2020 the Group had 62 days' purchases outstanding in trade payables (2019: 65 days).

Charitable donations and activity

The Group made donations amounting to £1,105 (2019: £2,673) 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 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. This year, in light of the uncertainty arising from the global pandemic, this review has included additional scenario modelling and stress testing of budgets.

The Group regularly reviews the risks associated with the business and the Directors are satisfied with the position. The Directors consider that the Group benefits from a level of diversification within both sectors and geographies that helps mitigate an element of macro-economic risk. Despite the challenging trading environment experienced in the financial year, this diversification was seen, with some areas of the business performing better than others.

The Directors quickly took action at the start of the pandemic to conserve cash and support the Group's position as a going concern.

These actions included the following:

- curtailing non-urgent spend and investments;
- utilising the UK government Coronavirus Job Retention Scheme;
- reducing the Executive Directors' and senior leadership team's pay by 10% for a period of eight months;
- reducing the salaries of the Non-Executive Directors by 20% for a period of eight months;
- utilising the US government Paycheck Protection Program;
- suspending all non-urgent recruitment;
- freezing pay awards and bonuses for all employees, other than for changed roles;
- utilising the UK government VAT payment deferral scheme;
- utilising the Singapore government support grants; and
- cancelling dividend payments.

In addition to these actions, the Directors have also reviewed the cost base of the business in the year and have taken significant actions which will help preserve cash savings into future years. These actions are described in more detail on pages 4 and 5 of these financial statements.

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 base case scenario was tempered by the Directors to reflect the remaining uncertainty regarding the timing of the return to normal trading circumstances, most importantly for the Group within the gaming sector. Despite the rigour applied, the base case showed a positive cash balance throughout the year. Various plausible but severe downside scenarios were then applied to the base case linked to the trading conditions seen in the 2020 financial year, assuming that revenues would not improve and even that margins would deteriorate on the same level of trade. Again, the results showed sufficient cash headroom 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

As a result of the actions taken by the Directors during the year, positive cash balances were maintained throughout and ended the year at £6.9 million. Undrawn facilities of £5 million were held throughout the period. Despite the central forecast indicating that the Group should not require to draw upon overdraft facilities for the foreseeable future, the Directors have secured, as a matter of prudence, an overdraft facility of £3 million with Lloyds Bank until January 2022.

Conclusion

Based on all of the work performed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future without any material uncertainty. For this reason, the Directors 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 poll results from the 2020 AGM will be made available on the Company's website after the meeting.

Auditor

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

Post-balance sheet events

A "buy-out" of the Group's defined benefit scheme was approved subsequent to the year end. See note 32 to the financial statements.

Section 172 statement

The Directors have always taken a long-term strategic approach to running the business and have forged strong relationships with customers and suppliers over the years, as they believe that these relationships are key to the ongoing success of the business. The Directors also appreciate that the employees are the Group's strength and that ongoing engagement with them, alongside a wider business community, is important in any strategic decision making. The Directors know that having regard to those relationships, as well as the wider impact on the community and environment, enables them to promote the success of the Company for the benefit of its members (whilst taking into account the matters set out in section 172(a)–(f) of the Companies Act 2006).

Strategic Report

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

Disclosure of information to auditor

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

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the Parent Company financial statements, state whether applicable international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Parent Company or cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Forward-looking statements

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

The Directors' Report has been approved by the Board.

By Order of the Board

Claire Stewart
Company Secretary

1 March 2021

Independent auditor's report

Opinion

We have audited the financial statements of Synectics plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2020 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement, company statement of comprehensive income, company statement of changes in equity, company statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 SME 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Summary of our audit approach

Key audit matters	Group • Revenue recognition • Goodwill impairment • Going concern Parent Company • Impairment of investments in subsidiaries
Materiality	Group • Overall materiality: £550,000 (2019: £650,000) • Performance materiality: £412,000 (2019: £487,000) Parent Company • Overall materiality: £525,000 (2019: £600,000) • Performance materiality: £394,000 (2019: £450,000)
Scope	Our audit procedures covered 81% of revenue, 91% of total assets and 78% of loss 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 £44.6m (2019: £68.5m), a substantial element of this revenue and profit is recognised from non-recurring contracts, which may span accounting periods. Contract accounting requires the assessment of the stage of completion of each contract and likely outcome of the contract in order to determine the revenue and profit to be recognised. Refer to Audit Committee Report (pages 43 to 45), accounting policies and critical accounting estimates and judgements (pages 65 and 66) and financial disclosures (note 3 – pages 74 and 75). There is a risk of misstatement resulting from inappropriate recognition bases being used and inaccurate estimates being made.
How the matter was addressed in the audit	Our procedures included but were not restricted to: • A review of the appropriateness of the revenue recognition and contract accounting policies and practices; • Evaluation of the controls in place to assess the accuracy of the stage of completion and likely outcome of the contracts; • Testing a sample of contracts to agree details to supporting documentation and consider and challenge the contract accounting assessments; • A review of any significant old accrued income balances; and • A retrospective review of the outcome of contracts in progress at the prior year end to assess the validity of the estimates applied in the prior period.

Goodwill impairment

Key audit matter description	The group has a carrying value of goodwill of £20.1m (2019: £19.9m) – refer to Audit Committee Report (pages 43 to 45), accounting policies and critical accounting estimates and judgements (page 65) and financial disclosures (note 16 – pages 81 and 82). The risk is that the goodwill is not recoverable and should be impaired. Impairment testing requires management to identify appropriate cash generating units ("CGUs"), identify the carrying amount of each CGU, including its goodwill, and determine whether the higher of the 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 judgement due to the level of estimation involved in forecasting future performance and setting appropriate assumptions regarding discount rates, growth rates and working capital movements.
How the matter was addressed in the audit	Our procedures included: • A critical assessment of the key assumptions made in determining the recoverable amounts of each CGU, with particular focus on the poorer performing components; • Consideration of the appropriateness of the allocation of goodwill to CGUs in the light of our understanding of the group's businesses, including the appropriateness of the transfer of SSS Managed Services from the Security CGU (formerly IMS CGU) to be considered its own CGU; • Considering whether the CGUs reflect the IAS 36 requirement that they represent the smallest identifiable group of assets that generate cash flows that are largely independent and, whether, if an alternative view was taken on this there would be any impact on the impairment assessment; • Agreeing the forecast future performance to the most recently approved business plan; • Considering the forecasts in the context of historical forecasting accuracy and our understanding of the sectors in which the group operates; • Considering the appropriateness of the assumptions used in the calculation of the discount rates used, including comparison with external data sources; • Undertaking our own sensitivity analyses; and • Assessing the appropriateness of the group's disclosures about the sensitivity of their impairment assessment.

Key audit matters continued

Going concern

Key audit matter description	It is the responsibility of the directors to form an opinion on whether the group is a going concern. The risk is that a material uncertainty may exist that casts doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue and such uncertainties have not been adequately disclosed. Refer to the principal accounting policies – going concern (pages 63 and 64).
How the matter was addressed in the audit	We have: • Assessed the cash flow forecasts, which cover a period to March 2022, together with expected headroom over the facilities in place and challenged the assumptions used by management; • Identified the key assumptions supporting the forecasts, comparing them to historical revenues and costs incurred where appropriate; • Considered the performance of the various sectors in which the group operates in the period since the initial impact of Covid-19 and the relative risks to revenues from those sectors, and the sensitivities applied by management; • Considered the actual cash outflows that had occurred since the date the forecasts were prepared to determine whether the actual cashflows were in line with those budgeted; • Considered management's sensitivities, covering a range of plausible and severe downside scenarios and a reverse stress test, based on degree of revenue recovery and the resulting potential impact on cash headroom over the facilities in place; and • Reviewed the disclosures within the financial statements in respect of the impact of Covid-19, processes carried out by the Directors in considering the use of the going concern basis and the financial resources available to the group.

Impairment of investments in subsidiaries (parent company only)

Key audit matter description	At 30 November 2020 the parent company balance sheet includes investments of £35.8m (2019: £35.8m). Refer to accounting policies and critical accounting estimates and judgements (page 97) and financial disclosures (note 7 – pages 99 to 101). The risk is that the investments are impaired and need writing down.
How the matter was addressed in the audit	Our procedures included: • A critical assessment of the key assumptions made in determining the recoverable amounts of each investment, with particular focus on the poorer performing subsidiaries; • Considering whether the investments are supported by future cash flows across divisions; • Agreeing the forecast future performance to the most recently approved business plan, and confirming these are consistent with those used for the assessment of goodwill impairment and going concern; • Considering the forecasts in the context of historical forecasting accuracy and our understanding of the sectors in which the group operates; • Considering the appropriateness of the assumptions used in the calculation of the discount rates used, including comparison with external data sources; • Undertaking our own sensitivity analyses; and • Assessing the appropriateness of the company's disclosures about the estimates used.

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	£550,000 (2019: £650,000)	£525,000 (2019: £600,000)
Basis for determining overall materiality	1% of average revenue over prior 3 years	1.3% 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. Given the significant impact of the Covid-19 pandemic on the results which is expected to be a temporary impact an average of the prior 3-year revenue has been used as the benchmark.	Net assets chosen as the parent company is a holding company.
Performance materiality	£412,000 (2019: £487,000)	£394,000 (2019: £450,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £27,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £26,200 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 9 components, located in the following countries; UK, Singapore, USA, Germany, Macau.

The coverage achieved by our audit procedures was:

19%

Revenue

81%

9%

Total assets

91%

22%

Loss before tax

78%

Full scope

Analytical procedures

Full scope audits were performed for 6 components and analytical procedures at group level for the remaining 3 components.

Of the above, full scope audits for 1 component were undertaken by component auditors.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 53, 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.

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.

RSM UK Audit LLP

Graham Bond FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
14th Floor
20 Chapel Street
Liverpool
L3 9AG

1 March 2021

Consolidated income statement
For the year ended 30 November 2020

		2020			2019		
	Note	**Before non-underlying items £000**	**Non-underlying items[1] (note 6) £000**	**Total £000**	Before non-underlying items £000	Non-underlying items[1] (note 6) £000	Total £000
Revenue	2,3	**44,648**	**–**	**44,648**	68,511	–	68,511
Cost of sales excluding other income		**(30,054)**	**–**	**(30,054)**	(45,215)	–	(45,215)
Other income[2]	4	**416**	**–**	**416**	–	–	–
Cost of sales		**(29,638)**	**–**	**(29,638)**	(45,215)	–	(45,215)
Gross profit		**15,010**	**–**	**15,010**	23,296	–	23,296
Operating expenses		**(19,857)**	**(2,181)**	**(22,038)**	(20,714)	(931)	(21,645)
Other income[2]	4	**880**	**–**	**880**	–	–	–
(Loss)/profit from operations		**(3,967)**	**(2,181)**	**(6,148)**	2,582	(931)	1,651
Finance income	10	**124**	**–**	**124**	165	–	165
Finance costs	11	**(263)**	**–**	**(263)**	(263)	–	(263)
(Loss)/profit before tax		**(4,106)**	**(2,181)**	**(6,287)**	2,484	(931)	1,553
Income tax credit/(expense)	12	**1,199**	**417**	**1,616**	(122)	199	77
(Loss)/profit for the year attributable to equity holders of the Parent		**(2,907)**	**(1,764)**	**(4,671)**	2,362	(732)	1,630
Basic (loss)/earnings per share	14	**(17.2)p**	**–**	**(27.7)p**	14.0p	–	9.7p
Diluted (loss)/earnings per share	14	**(17.2)p**	**–**	**(27.7)p**	13.9p	–	9.6p

1. Non-underlying items represent the amortisation of acquired intangible assets and restructuring costs incurred in the year (2019: amortisation of acquired intangible assets and provision for costs of legal settlement). See note 6 for further detail.
2. Other income represents government grant income received in relation to Covid-19. See note 4 for further detail.

Consolidated statement of comprehensive income
For the year ended 30 November 2020

	2020 £000	2019 £000
(Loss)/profit for the year	**(4,671)**	1,630
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement gain on defined benefit pension scheme, net of tax	**492**	414
	492	414
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**39**	(211)
Gains/(losses) on a hedge of a net investment taken to equity	**160**	(134)
	199	(345)
Total comprehensive (loss)/income for the year attributable to equity holders of the Parent	**(3,980)**	1,699

Consolidated statement of financial position
As at 30 November 2020

	Note	2020 £000	2019 £000
Non-current assets			
Property, plant and equipment[1]	15	**5,243**	2,904
Intangible assets	16	**22,155**	21,712
Retirement benefit asset	28	**1,325**	687
Deferred tax assets	12	**1,864**	1,259
		30,587	26,562
Current assets			
Inventories	17	**4,661**	7,076
Trade and other receivables	18	**9,013**	17,536
Contract assets	3	**8,185**	7,933
Tax assets		**505**	35
Cash and cash equivalents	19	**6,864**	3,580
		29,228	36,160
Total assets		**59,815**	62,722
Current liabilities			
Trade and other payables	20	**(12,839)**	(14,821)
Contract liabilities	3	**(4,295)**	(4,062)
Lease liabilities[1]	31	**(870)**	–
Tax liabilities		**(63)**	(384)
Current provisions	21	**(1,621)**	(1,366)
		(19,688)	(20,633)
Non-current liabilities			
Non-current provisions	21	**(575)**	(321)
Lease liabilities[1]	31	**(1,920)**	–
Deferred tax liabilities	12	**(601)**	(807)
		(3,096)	(1,128)
Total liabilities		**(22,784)**	(21,761)
Net assets		**37,031**	40,961
Equity attributable to equity holders of the Parent Company			
Called up share capital	22	**3,559**	3,559
Share premium account		**16,043**	16,043
Merger reserve		**9,971**	9,971
Other reserves		**(1,448)**	(1,499)
Currency translation reserve		**919**	720
Retained earnings		**7,987**	12,167
Total equity		**37,031**	40,961

1. Right of use assets (included in property, plant and equipment) and lease liabilities arose on transition to IFRS 16 on 1 December 2019. See note 31.

The financial statements on pages 59 to 93 were approved and authorised for issue by the Board of Directors on 1 March 2021 and were signed on its behalf by:

Paul Webb	David Bedford
Chief Executive	Finance Director

Company number: 1740011

Consolidated statement of changes in equity
For the year ended 30 November 2020

	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 2018	3,559	16,043	9,971	(1,748)	1,065	11,137	40,027
Profit for the year	–	–	–	–	–	1,630	1,630
Other comprehensive income							
Currency translation adjustment	–	–	–	–	(345)	–	(345)
Remeasurement gain on defined benefit pension scheme, net of tax	–	–	–	–	–	414	414
Total other comprehensive income	–	–	–	–	(345)	414	69
Total comprehensive income for the year	–	–	–	–	(345)	2,044	1,699
Dividends paid (note 13)	–	–	–	–	–	(810)	(810)
Credit in relation to share-based payments (note 24)	–	–	–	–	–	45	45
Share scheme interests realised in the year	–	–	–	249	–	(249)	–
At 30 November 2019	3,559	16,043	9,971	(1,499)	720	12,167	40,961
Loss for the year	–	–	–	–	–	(4,671)	(4,671)
Other comprehensive income							
Currency translation adjustment	–	–	–	–	199	–	199
Remeasurement gain on defined benefit pension scheme, net of tax	–	–	–	–	–	492	492
Total other comprehensive income	–	–	–	–	199	492	691
Total comprehensive income for the year	–	–	–	–	199	(4,179)	(3,980)
Credit in relation to share-based payments (note 24)	–	–	–	–	–	50	50
Share scheme interests realised in the year	–	–	–	51	–	(51)	–
At 30 November 2020	**3,559**	**16,043**	**9,971**	**(1,448)**	**919**	**7,987**	**37,031**

Financial statements
Consolidated cash flow statement
For the year ended 30 November 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
(Loss)/profit for the year		**(4,671)**	1,630
Income tax credit	12	**(1,616)**	(77)
Finance income	10	**(124)**	(165)
Finance costs	11	**263**	263
Depreciation and amortisation charge		**2,348**	941
Loss on disposal of non-current assets		**1**	16
Net foreign exchange differences		**80**	60
Net movement in provisions		**141**	(198)
Non-underlying items		**2,158**	908
Other inventory write down		**448**	37
Cash flow relating to non-underlying items		**(1,652)**	-
Other non-cash movements		**359**	(204)
Share-based payment charge		**50**	45
Operating cash (outflow)/inflow before movement in working capital		**(2,215)**	3,256
Decrease in inventories		**1,969**	886
Decrease/(increase) in receivables		**7,923**	(8,315)
(Decrease)/increase in payables		**(1,778)**	2,529
Cash generated from/(used in) operations		**5,899**	(1,644)
Tax paid		**(148)**	(356)
Net cash generated from/(used in) operating activities		**5,751**	(2,000)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	**(329)**	(706)
Capitalised development costs	*16*	***(828)***	*(762)*
Purchased software	16	**(61)**	(29)
Net cash used in investing activities		**(1,218)**	(1,497)
Cash flows from financing activities			
Lease payments		**(1,117)**	-
Bank interest paid		**(33)**	(103)
Dividends paid	13	**-**	(810)
Net cash used in financing activities		**(1,150)**	(913)
Effect of exchange rate changes on cash and cash equivalents		**(99)**	(124)
Net increase/(decrease) in cash and cash equivalents		**3,284**	(4,534)
Cash and cash equivalents at the beginning of the year		**3,580**	8,114
Cash and cash equivalents at the end of the year	19	**6,864**	3,580

1 Principal accounting policies

Synectics plc is a public limited company incorporated in England and Wales and domiciled in the UK.

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 international accounting standards in conformity with the Companies Act 2006 ('adopted IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS. The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework'; these are presented on pages 94 to 103. The consolidated financial statements of the Company as at and for the year ended 30 November 2020 comprise the Company and its subsidiaries.

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

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

- IFRS 16 'Leases';
- IFRIC 23 'Uncertainty over Income Tax Treatments';
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement; and
- Annual Improvements to IFRS Standards 2015–2017 Cycle.

With the exception of IFRS 16 'Leases', none of these had a material impact on the financial statements. The impact of adoption of IFRS 16 is set out in note 31.

Several other amendments and interpretations apply for the first time in 2020 but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New standards and interpretations not yet adopted

Accounting standards that have recently been issued or amended but are not yet mandatory have not been early adopted by the consolidated entity for the annual reporting period ended 30 November 2020. The consolidated entity's assessment of the impact of these new or amended accounting standards and interpretations, most relevant to the consolidated entity, is set out below.

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

- IFRS 17 'Insurance Contracts';
- Amendments to IFRS 3: Definition of a Business;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform;
- Amendments to IAS 16 'Property, Plant and Equipment';
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets';
- Annual Improvements to IFRS Standards 2018–2020 Cycle; and
- Amendments to IFRS 16 'Leases': Covid-19 Related Rent Concessions.

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. This year, in light of the uncertainty arising from the global pandemic, this review has included additional scenario modelling and stress testing of budgets.

The Group regularly reviews the risks associated with the business and the Directors are satisfied with the position. The Directors consider that the Group benefits from a level of diversification within both sectors and geographies that helps mitigate an element of macro-economic risk. Despite the challenging trading environment experienced in the financial year, this diversification was seen, with some areas of the business performing better than others.

1 Principal accounting policies continued

Going concern continued

The Directors quickly took action at the start of the pandemic to conserve cash and support the Group's position as a going concern. These actions included the following:

- curtailing non-urgent spend and investments;
- utilising the UK government Coronavirus Job Retention Scheme;
- reducing the Executive Directors' and senior leadership team's pay by 10% for a period of eight months;
- reducing the salaries of the Non-Executive Directors by 20% for a period of eight months;
- utilising the US government Paycheck Protection Program;
- suspending all non-urgent recruitment;
- freezing pay awards and bonuses for all employees, other than for changed roles;
- utilising the UK government VAT payment deferral scheme;
- utilising the Singapore government support grants; and
- cancelling dividend payments.

In addition to these actions, the Directors have also reviewed the cost base of the business in the year and have taken significant actions which will help preserve cash savings into future years. These actions are described in more detail on page 4 of these financial statements.

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 base case scenario was tempered by the Directors to reflect the remaining uncertainty regarding the timing of the return to normal trading circumstances, most importantly for the Group within the gaming sector. Despite the rigour applied, the base case showed a positive cash balance throughout the year. Various plausible but severe downside scenarios were then applied to the base case linked to the trading conditions seen in the 2020 financial year, assuming that revenues would not improve and even that margins would deteriorate on the same level of trade. Again, the results showed sufficient cash headroom 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

As a result of the actions taken by the Directors during the year, positive cash balances were maintained throughout and ended the year at £6.9 million. Undrawn facilities of £5 million were held throughout the period. Despite the central forecast indicating that the Group should not require to draw upon overdraft facilities for the foreseeable future, the Directors have secured, as a matter of prudence, an overdraft facility of £3 million with Lloyds Bank until January 2022.

Conclusion

Based on all of the work performed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future without material uncertainty. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

Subsidiaries

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

Change in subsidiary ownership and loss of control

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

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.

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.

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.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

Government grants

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

1 Principal accounting policies continued

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. Foreign currency differences arising on the retranslation of a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is recycled to profit or loss as an adjustment to the profit or loss on disposal.

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

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

Retirement benefit costs

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

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

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

Share-based payments

In accordance with IFRS 2, equity-settled share-based payments are measured at fair value at the date of grant. The fair value is recognised as an employee expense on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. The fair value of the options granted is calculated using an option pricing model which is based on the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

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

Taxation

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

1 Principal accounting policies continued

Taxation continued

Current tax

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

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.

1 Principal accounting policies continued

Property, plant and equipment continued

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 – over the term of the lease
- 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 written off to the Consolidated Income Statement as incurred.

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

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

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

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

Other intangible assets

Other intangible assets, such as purchased computer software, 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 other than goodwill

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

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

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

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

1 Principal accounting policies continued

Impairment of tangible and intangible assets other than goodwill continued

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.

Inventories

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

Provisions

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

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

Restructuring

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

Warranty provisions

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

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 receivables and contract assets

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

Trade 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 2020, adjusted for forward-looking factors such as the economy and particular market issues. All reasonable and supportable information that is relevant and available without undue cost or effort is considered. The provision rates are based on days past due for groupings of various customer segments (i.e. by geography and business activities). Once recognised, trade receivables and contract assets are continuously monitored and updated.

Forward contracts

The Group enters into forward contracts from time to time in order to mitigate the Group's exposure to the risk arising from fluctuation in currency exchange rates. Open forward contracts are measured at fair value through profit and loss.

Financial liabilities

Trade and other payables

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

Loans and borrowings

Loans and borrowings comprise bank overdrafts.

1 Principal accounting policies continued

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.

Equity instruments

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

Leases

Prior to adoption of IFRS 16, leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases. Payments made under operating leases were recognised in the Consolidated Income Statement on a straight-line basis over the term of the lease. Benefits received as an incentive to sign a lease, whatever form they may take, were credited to the Consolidated Income Statement on a straight-line basis over the lease term.

The impact and detail relating to the IFRS 16 transition are included in note 31.

Post adoption of IFRS 16, 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.

Critical accounting estimates and judgements

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

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

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

Revenue recognition

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.

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.

1 Principal accounting policies continued

Critical accounting estimates and judgements continued

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, Synectics Security and SSS Management Services, 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 are disclosed in note 16 to the financial statements.

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.

2 Segmental analysis

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

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

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

Revenue	**2020 £000**	2019 £000
Systems	**23,645**	40,529
Security	**21,802**	28,603
Total segmental revenue	**45,447**	69,132
Reconciliation to consolidated revenue:		
Intra-Group sales	**(799)**	(621)
	44,648	68,511

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

2 Segmental analysis continued

Underlying operating (loss)/profit	2020 £000	2019 £000
Systems	**(1,774)**	4,691
Security	**(388)**	(27)
Total segmental underlying operating (loss)/profit	**(2,162)**	4,664
Reconciliation to consolidated underlying operating (loss)/profit:		
Central costs	**(1,805)**	(2,082)
	(3,967)	2,582

Underlying operating loss 2020	Underlying operating loss[1] £000	Legal provision £000	Pension buy-out costs £000	Restructuring costs £000	Amortisation of acquired intangibles £000	Total operating loss £000
Systems	(1,774)	42	–	(1,249)	–	(2,981)
Security	(388)	–	–	(528)	–	(916)
Total segmental underlying operating loss[2]	(2,162)	42	–	(1,777)	–	(3,897)
Reconciliation to consolidated underlying operating loss:						
Central costs	(1,805)	–	(150)	(273)	(23)	(2,251)
	(3,967)	42	(150)	(2,050)	(23)	(6,148)

Underlying operating profit 2019	Underlying operating loss[1] £000	Legal provision £000	Amortisation of acquired intangibles £000	Total operating profit £000
Systems	4,691	(908)	–	3,783
Security	(27)	–	–	(27)
Total segmental underlying operating profit[2]	4,664	(908)	–	3,756
Reconciliation to consolidated underlying operating profit:				
Central costs	(2,082)	–	(23)	(2,105)
	2,582	(908)	(23)	1,651

1. Underlying operating profit represents operating profit before non-underlying items (2020: release of overprovision for costs on settlement of a legal claim, costs associated with the defined benefit pension scheme buy-out, restructuring costs and amortisation of acquired intangibles; 2019: provision for costs on settlement of a legal claim and amortisation of acquired intangibles).
2. Net finance expenses and income and income tax credit/(charge) are not allocated to segments.

Net assets

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

	Assets £000	Liabilities £000	2020 Net assets £000
Systems	22,004	(9,321)	12,683
Security	9,024	(12,430)	(3,406)
Total segmental net assets	31,028	(21,751)	9,277
Reconciliation to consolidated net assets:			
Goodwill	20,059	–	20,059
Cash and borrowings	6,864	–	6,864
Unallocated	1,864	(1,033)	831
	59,815	(22,784)	37,031

2 Segmental analysis continued

Net assets continued

	Assets £000	Liabilities £000	2019 Net assets £000
Systems	28,024	(12,495)	15,529
Security	9,971	(8,827)	1,144
Total segmental net assets	37,995	(21,322)	16,673
Reconciliation to consolidated net assets:			
Goodwill	19,936	–	19,936
Cash and borrowings	3,580	–	3,580
Unallocated	1,211	(439)	772
	62,722	(21,761)	40,961

By geographical segment Geographical location of contract	2020 Revenue £000	2020 Total assets £000	2020 Capital additions £000	2019 Revenue £000	2019 Total assets £000	2019 Capital additions £000
UK and Europe	**30,548**	**49,548**	**319**	39,135	49,529	372
North America	**3,166**	**2,550**	**13**	7,679	3,011	293
Middle East & Africa	**2,600**	**1,649**	**–**	3,584	789	–
Asia Pacific	**8,334**	**6,068**	**396**	18,113	9,393	41
	44,648	**59,815**	**728**	68,511	62,722	706

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 2020	**Systems £000**	**Security £000**	**2020 £000**
UK and Europe	**8,881**	**21,667**	**30,548**
North America	**3,166**	**–**	**3,166**
Middle East & Africa	**2,600**	**–**	**2,600**
Asia Pacific	**8,208**	**126**	**8,334**
	22,855	**21,793**	**44,648**

Revenue by contract location 2019	Systems £000	Security £000	2019 £000
UK and Europe	10,720	28,415	39,135
North America	7,662	17	7,679
Middle East	3,063	–	3,063
Africa	521	–	521
Asia Pacific	17,955	158	18,113
	39,921	28,590	68,511

3 Revenue from contracts with customers continued

Disaggregated revenue information continued

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

Reconciliation to segment revenue 2020	Systems £000	Security £000	2020 £000
External	22,855	21,793	44,648
Intra-Group	790	9	799
	23,645	21,802	45,447

Reconciliation to segment revenue 2019	Systems £000	Security £000	2019 £000
External	39,921	28,590	68,511
Intra-Group	608	13	621
	40,529	28,603	69,132

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 2020	Systems £000	Security £000	2020 £000
Revenue transferred at a point in time	529	8,820	9,349
Revenue transferred over time	22,326	12,972	35,298
Intra-Group	790	9	799
	23,645	21,801	45,447

Timing of revenue recognition 2019	Systems £000	Security £000	2019 £000
Revenue transferred at a point in time	2,677	8,643	11,320
Revenue transferred over time	37,244	19,947	57,191
Intra-Group	608	13	621
	40,529	28,603	69,132

Contract balances

	2020 £000	2019 £000
Contract assets	8,185	7,933
Contract liabilities	(4,295)	(4,062)

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 experience shows that no credit losses have been incurred.

Contract liabilities relate to short-term advances received to deliver ongoing projects.

£4.1 million of the contract liabilities balance at 1 December 2019 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 2020 that are expected to be recognised over more than one year is £18.0 million (2019: £21.7 million). These performance obligations relate predominantly to the provision of service and maintenance contracts.

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 Other income

The Group applied for various government support programmes introduced in response to Covid-19.

Payroll support

Included in profit or loss is £1,062,000 of government grants obtained relating to supporting the payroll of the Group's employees. The Group has elected to present this government grant separately rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses. The Group does not have any unfulfilled obligations relating to these programmes.

Forgivable loans

The Group received a forgivable loan of £312,000 from the federal government of the United States of America. There are a number of criteria relating to how much of this loan might be forgiven. Based on the Directors' assessment of these criteria, and adopting a prudent approach, £234,000 has been included in profit or loss for the year. The remaining amount is included within creditors although full forgiveness has been applied for.

All of the above amounts have been received in cash in the year.

5 Net operating expenses

	2020 £000	2019 £000
Distribution costs	**212**	167
Administrative expenses (before non-underlying items)	**19,645**	20,547
Non-underlying items (note 6)	**2,181**	931
Total administrative expenses	**21,826**	21,478
	22,038	21,645

6 Non-underlying items

	2020 £000	2019 £000
(Release)/accrual of costs associated with settlement of a legal claim	**(42)**	908
Costs associated with the restructuring of the Systems division	**1,249**	-
Costs associated with the restructuring of the Security division	**528**	-
Costs associated with restructuring Central operations	**273**	-
Costs associated with the buy-out of the defined benefit pension scheme	**150**	-
Amortisation of acquired intangible assets	**23**	23
	2,181	931

The Systems restructuring costs incurred during 2020 related to the consolidation of the Munich office into Berlin, along with a review of the cost base across the Systems division.

The Security restructuring costs incurred during 2020 relate to the merger of Synectics Mobile Systems into Quadrant Security Group (i.e. the formation of "Synectics Security"), along with a review of the cost base across the whole Security division.

The Central restructuring costs incurred during 2020 relate to the closure of the Group's Studley office and consolidation of Head Office functions into Sheffield.

The accrual of costs associated with an ongoing buy-out of the defined benefit pension scheme represent the estimated costs to be incurred by the Group in order to wind up the scheme. Full disclosure is included in note 28.

The provision for costs on settlement of a legal claim related to an employment-related dispute in the US which was settled in 2020.

7 Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**51**	55
Fees payable to the Company's auditor for other services to the Group:		
– the audit of the Company's subsidiaries pursuant to legislation	**129**	95
– tax compliance services	**–**	3
– other services	**–**	24
	180	177

8 (Loss)/profit from operations

	2020 £000	2019 £000
(Loss)/profit from operations is stated after charging:		
Amortisation of intangible assets	**570**	435
Depreciation of property, plant and equipment – owned assets	**537**	506
Depreciation of property, plant and equipment – right of use assets	**1,084**	–
Net foreign exchange losses	**136**	110
Write down of inventories recognised as an expense	**783**	37
Cost of inventories recognised as an expense	**20,491**	34,924
Research & development costs	**3,193**	3,033
Rental payments under leases:		
– plant, machinery and vehicles	**–**	545
– other	**–**	881
– short-life/low-value leases	**250**	–

9 Staff costs and Directors' remuneration

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

	2020 Number	2019 Number
Reportable segment (see note 2)		
Systems	**172**	199
Security	**182**	190
Central	**15**	13
	369	402

	2020 £000	2019 £000
Staff costs		
Wages and salaries	**16,277**	16,207
Social security costs	**1,662**	1,707
Pension costs	**982**	1,027
Share-based payment charge (note 24)	**50**	45
	18,971	18,986

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 46 to 49. Details of the remuneration for key management personnel are set out in note 26.

10 Finance income

	2020 £000	2019 £000
Interest income on pension scheme assets (note 29)	**124**	165

11 Finance costs

	2020 £000	2019 £000
Interest payable on bank overdrafts	**33**	103
Interest payable on lease liabilities	**119**	–
Interest on pension scheme liabilities (note 29)	**111**	160
	263	263

12 Taxation

Tax (credit)/charge	2020 £000	2019 £000
Current taxation		
UK tax	**4**	8
Overseas tax	**(473)**	310
Adjustments in respect of prior periods	**(173)**	22
Total current tax (credit)/charge	**(642)**	340
Deferred taxation		
Origination and reversal of temporary differences	**(913)**	(287)
Adjustments in respect of prior periods	**(61)**	(130)
Total deferred tax credit	**(974)**	(417)
Total tax credit for the year	**(1,616)**	(77)

Further analysed as tax relating to:		
Underlying profit	**(1,199)**	122
Non-underlying items	**(417)**	(199)

Reconciliation of tax (credit)/charge for the year

The corporation tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
(Loss)/profit on ordinary activities before tax	**(6,287)**	1,553
Tax on (loss)/profit on ordinary activities before tax at standard rate of 19% (2019: 19%)	**(1,195)**	295
Effects of:		
Net effect of different rates of tax in overseas businesses	**11**	(43)
Tax losses not recognised	**180**	-
Utilisation of previously unrecognised tax losses	**–**	(67)
Net permanent differences	**(377)**	(136)
Effect of changes in tax rates and tax laws	**(80)**	(4)
Other differences and (income)/expenses not deductible for tax purposes	**79**	(14)
Adjustment in respect of prior periods	**(234)**	(108)
Total tax credit for the year	**(1,616)**	(77)

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 2020 has been impacted by R&D tax relief and current year losses, as well as an increase in the recognition of US net operating losses as a result of the CARES Act.

Deferred tax

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

Deferred tax (liability)/asset	Property, plant and equipment £000	Other temporary differences £000	Retirement benefit asset £000	Losses £000	Total £000
At 1 December 2018	(168)	(316)	(31)	643	128
(Charged)/credited to the Income Statement	(62)	(35)	–	514	417
Charged to the Statement of Comprehensive Income	–	–	(86)	–	(86)
Currency translation adjustment	1	(14)	–	6	(7)
At 30 November 2019	(229)	(365)	(117)	1,163	452
(Charged)/credited to the Income Statement	(90)	32	–	1,032	974
Charged to the Statement of Comprehensive Income	–	–	(135)	–	(135)
Currency translation adjustment	–	2	–	(30)	(28)
At 30 November 2020	**(319)**	**(331)**	**(252)**	**2,165**	**1,263**

12 Taxation continued

Factors that may affect future tax charges

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax assets and liabilities at 30 November 2020 have been calculated based on these rates.

Deferred tax assets of £2.3 million (2019: £1.2 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 £6.2 million (2019: £4.8 million). No deferred tax asset (2019: £nil) in respect of these losses has been recognised at the year end as the Group does not currently anticipate being able to offset these against future profits.

In addition to the above, the Group has capital losses of approximately £17.8 million (2019: £17.8 million) available for offset against future taxable gains. No deferred tax asset in respect of these losses has been recognised in these financial statements as there is insufficient certainty that the asset will be recovered against future capital gains.

13 Dividends

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

	2020		2019	
	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	**–**	**–**	3.5	599
Interim dividend paid in respect of current year	**–**	**–**	1.3	223
	–	**–**	4.8	822
Total dividend paid, net of treasury share dividends	**–**	**–**	–	810
Proposed final dividend for the year ended 30 November	**–**	**–**	3.5	601

As a result of the ongoing Covid-19 pandemic, the Board has taken the decision that no final dividend will be proposed for the year ended 30 November 2020. Total dividends for the year are therefore £nil per share (2019: 4.8p per share).

14 Earnings per share

	2020 Pence per share	2019 Pence per share
Basic (loss)/earnings per share	**(27.7)**	9.7
Diluted (loss)/earnings per share	**(27.7)**	9.6
Underlying (loss)/basic earnings per share	**(17.2)**	14.0
Underlying (loss)/diluted earnings per share	**(17.2)**	13.9

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

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

	2020 £000	2019 £000
(Loss)/earnings for basic and diluted earnings per share	**(4,671)**	1,630
Non-underlying items	**2,181**	931
Impact of non-underlying items on tax credit for the year	**(417)**	(199)
(Loss)/earnings for underlying basic and underlying diluted earnings per share	**(2,907)**	2,362

14 Earnings per share continued

	2020 000	2019 000
Weighted average number of ordinary shares – basic calculation	**16,880**	16,814
Dilutive potential ordinary shares arising from share options	**–**	139
Weighted average number of ordinary shares – diluted calculation	**16,880**	16,953

Note: As a result of the Group's loss in 2020, potential ordinary shares arising from share options are considered anti-dilutive and have therefore been excluded from the diluted weighted average number of ordinary shares calculation.

15 Property, plant and equipment

	Freehold land and buildings £000	Short leasehold improvements £000	Plant, machinery and equipment £000	Right of use assets £000	Total £000
Cost					
At 1 December 2018	1,698	1,415	3,718	–	6,831
Additions	134	182	390	–	706
Disposals	–	(51)	(377)	–	(428)
Currency translation adjustment	–	(5)	(31)	–	(36)
At 30 November 2019	1,832	1,541	3,700	–	7,073
Recognition on adoption of IFRS 16 (see note 31)	–	–	–	3,445	3,445
Additions	–	147	183	398	728
Disposals	–	(119)	(355)	–	(474)
Currency translation adjustment	–	(15)	(31)	(9)	(55)
At 30 November 2020	**1,832**	**1,554**	**3,497**	**3,834**	**10,717**
Depreciation and impairment					
At 1 December 2018	157	996	2,950	–	4,103
Charge for the year	35	72	399	–	506
Disposals	–	(51)	(361)	–	(412)
Currency translation adjustment	–	(2)	(26)	–	(28)
At 30 November 2019	192	1,015	2,962	–	4,169
Charge for the year	37	154	346	1,084	1,621
Disposals	–	(109)	(333)	–	(442)
Impairment	–	–	22	136	158
Currency translation adjustment	–	(5)	(26)	(1)	(32)
At 30 November 2020	**229**	**1,055**	**2,971**	**1,219**	**5,474**
Net book value					
At 30 November 2020	**1,603**	**499**	**526**	**2,615**	**5,243**
At 30 November 2019	1,640	526	738	–	2,904

The right of use asset at 30 November 2020 relates to leasehold property (£2,357,000) and vehicles (£258,000).

The impairment of right of use assets recognised in the year, of £136,000, relates to a full impairment of two properties which will not be used following the formation of Synectics Security. The corresponding items of plant, machinery and equipment (£22,000) have also been fully impaired. The impairments are recognised within non-underlying operating expenses.

16 Intangible assets

	Goodwill £000	Acquired intangibles £000	Capitalised development costs £000	Purchased software £000	Total £000
Cost					
At 1 December 2018	24,724	765	7,811	1,900	35,200
Additions	–	–	762	29	791
Disposals	–	–	–	(314)	(314)
Currency translation adjustment	(334)	(10)	(16)	(3)	(363)
At 30 November 2019	24,390	755	8,557	1,612	35,314
Additions	–	–	828	62	890
Disposals	–	–	(4,622)	(116)	(4,738)
Currency translation adjustment	282	12	19	2	315
At 30 November 2020	**24,672**	**767**	**4,782**	**1,560**	**31,781**
Amortisation and impairment					
At 1 December 2018	4,658	703	6,670	1,681	13,712
Charge for the year	–	23	315	97	435
Disposals	–	–	–	(314)	(314)
Currency translation adjustment	(204)	(7)	(16)	(4)	(231)
At 30 November 2019	4,454	719	6,969	1,460	13,602
Charge for the year	–	23	441	106	570
Disposals	–	–	(4,622)	(116)	(4,738)
Currency translation adjustment	159	10	19	4	192
At 30 November 2020	**4,613**	**752**	**2,807**	**1,454**	**9,626**
Net book value					
At 30 November 2020	**20,059**	**15**	**1,975**	**106**	**22,155**
At 30 November 2019	19,936	36	1,588	152	21,712

Annual test for impairment of goodwill

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

As highlighted in the Performance Review, Synectics Security was formed in the year by merging Synectics Mobile Systems and Quadrant Security Group, both of which previously resided in the Integration & Managed Services ('IMS') CGU. Following this and the restructure of the wider Security division (formerly known as IMS), it is considered that Synectics Security now constitutes its own cash-generating unit on the basis that its asset base, workforce and revenue streams are together sufficiently distinct from SSS Management Services, the other business within the Security division. SSS Management Services now represents its own CGU.

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

	2020 £000	2019 £000
Systems	**10,870**	10,747
Integration & Managed Services	–	9,189
Synectics Security	**8,812**	–
SSS Management Services	**377**	–
	20,059	19,936

The recoverable amount of the CGUs is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and business plans approved by the Directors covering a five-year period. Cash flows beyond that period have been extrapolated into perpetuity using a steady 2.0% per annum growth rate (2019: 2.1%), which the Directors consider to be specific to the business and does not exceed the UK long-term average growth rate, and is therefore considered appropriate to apply to each CGU.

16 Intangible assets continued

Annual test for impairment of goodwill continued

The other key assumption used in the cash flow projections is considered to be the pre-tax discount rates:

	2020 %	2019 %
Systems	**18.2**	13.5
Integration & Managed Services	**-**	11.7
Synectics Security	**14.5**	-
SSS Management Services	**14.5**	-

The discount rates used are based on the Group weighted average cost of capital, which has been risk adjusted to reflect divisional-specific risks such as the nature of the market served, cost profiles and the barriers to entry into each market segment, as well as other macro-economic factors such as forecasting risk in light of the general economic uncertainty created by the ongoing Covid-19 pandemic.

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

Sensitivity analysis has been performed on the pre-tax discount rates, which shows that a pre-tax discount rate of 30.5% (Systems) or 17.0% (Synectics Security) would be required in order to eliminate the headroom which exists in these CGUs. The Directors consider that the discount rates used, which are already risk adjusted to capture the Directors' view of the extent to which each CGU is exposed to macro-economic factors including the ongoing uncertainty caused by Covid-19, represent a balanced view.

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

There is no impairment to goodwill in the period (2019: no impairment).

17 Inventories

	2020 £000	2019 £000
Raw materials and consumables	**2,266**	3,132
Work in progress	**1,267**	426
Finished goods for resale	**1,128**	3,518
	4,661	7,076

The cost of inventories recognised as an expense during the year was £20.5 million (2019: £35.0 million).

The cost of inventories recognised as an expense includes £783,000 (2019: £37,000) in respect of write downs of inventory to net realisable value.

18 Trade and other receivables

	2020 £000	2019 £000
Trade receivables	**8,124**	16,337
Allowance for expected credit losses	**(465)**	(106)
	7,659	16,231
Forward foreign currency contracts	**67**	-
Other receivables	**623**	602
Prepayments	**664**	703
	9,013	17,536

Trade receivables are non-interest bearing and generally have 30 to 90-day terms. At 30 November 2020 the Group had 61 days' sales outstanding in trade receivables (2019: 75 days').

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

18 Trade and other receivables continued

Movement in allowance for expected credit losses

	2020 £000	2019 £000
At 1 December	**106**	312
Provided for in the year	**387**	35
Amounts utilised in the year	**–**	(171)
Amounts released in the year	**(28)**	(70)
At 30 November	**465**	106

As at 30 November 2020, trade receivables of £2,759,000 (2019: £7,447,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2020 £000	2019 £000
Up to three months past due	**1,809**	6,194
Three to six months past due	**604**	451
Over six months past due	**346**	802
	2,759	7,447

19 Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	**6,864**	3,580

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 2020 the Group had undrawn overdraft facilities of up to £5.0 million, on which interest would be payable at the rate of bank base rate plus 2.0%.

20 Trade and other payables

	2020 £000	2019 £000
Trade payables	**3,926**	7,501
Other taxation and social security	**800**	393
Other payables	**144**	205
Accruals	**7,969**	6,722
	12,839	14,821

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

21 Provisions

	Legal £000	Warranty £000	Restructuring £000	Property £000	Total £000
At 1 December 2018	–	849	–	128	977
Utilised in the year	–	(482)	–	–	(482)
Released in the year	–	–	–	(64)	(64)
Charged to the Income Statement	908	346	–	2	1,256
At 30 November 2019	908	713	–	66	1,687
Utilised in the year	(866)	(359)	(775)	–	(2,000)
Released in the year	(42)	–	–	–	(42)
Charged to the Income Statement	–	270	2,050	231	2,551
At 30 November 2020	**–**	**624**	**1,275**	**297**	**2,196**

21 Provisions continued

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

	2020 £000	2019 £000
Current	**1,621**	1,366
Non-current	**575**	321
	2,196	1,687

In 2019, a provision was made for the cost of settlement of a legal claim relating to an employment-related dispute in the US. This was settled during 2020.

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

The Group has certain properties where the Directors believe that dilapidation costs may be incurred; therefore, appropriate cost provisions have been made. It is anticipated that substantially all of the property cost provision carried forward at 30 November 2020 will be utilised within a year.

The restructuring provision relates to the costs recognised in relation to the Group's restructuring activities in the year (see note 6) where the associated cash outflow has not yet occurred.

The impact of discounting the above provisions is immaterial.

22 Called up share capital and reserves

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

	2020		2019	
	Number	£000	Number	£000
Ordinary shares of 20p each				
Allotted, called up and fully paid	**17,794,439**	**3,559**	17,794,439	3,559

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. No shares were held in treasury; however, 905,629 shares (2019: 930,629) were held by the Group Executive Shared Ownership Plan ('ExSOP') at 30 November 2020 and are therefore excluded from the basic earnings per share calculation.

The merger reserve has been created in accordance with sections 612 and 613 of the Companies Act 2006 whereby the premium on ordinary shares in the Company issued to acquire shares has been credited to the merger reserve rather than the share premium account.

The cost of own shares held within the ExSOP of £2,185,000 (2019: £2,222,000) has been deducted from other reserves. The nominal value of these shares is £181,000 (2019: £186,000).

23 Options over shares of Synectics plc

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

Quadnetics Employees' Share Acquisition Plan

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

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

At 30 November 2020, the scheme holds 89,166 (2019: 74,971) ordinary shares with a market value of £95,853 (2019: £114,331).

23 Options over shares of Synectics plc continued

Quadnetics Employees' Share Acquisition Plan continued

Movements during the year were as follows:

	Number of shares
Shares held at 1 December 2019	74,971
Shares acquired during the year	27,513
Withdrawals from the scheme during the year	(13,318)
Shares held at 30 November 2020	**89,166**

Quadnetics Executive Shared Ownership Plan

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

In summary, none of the awarded ExSOP shares will vest unless the total return (dividends plus share price appreciation) on the Company's shares is better than the performance of the FTSE AIM All Share Total Return Index (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 2020 are exercisable as follows:

Date awarded	*Exercise dates*	Relevant share price at date of award	**2020 Number of shares**	2019 Number of shares
7 July 2009	8 July 2012 onwards	147.5p	**197,243**	206,743
7 March 2011	8 March 2014 onwards	178.0p	**108,000**	108,000
Balance of shares in respect of leavers			**600,386**	615,886
			905,629	930,629

Movements during the year were as follows:

	Number of shares
Shares held at 1 December 2019	930,629
Vested shares sold or transferred in the year	(25,000)
Shares held at 30 November 2020	**905,629**

Dividends have been waived in respect of the 600,386 (2019: 615,886) shares not specifically allocated to employees.

Synectics Performance Share Plan

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

2015–2019 awards

Under the PSP, selected employees are entitled to exercise an option to receive a certain number of Synectics plc shares at any time after a three-year vesting period, at no cost to themselves. The number of shares that are awarded at the end of the three-year period is dependent on the achievement of certain performance criteria.

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

It is intended that if the performance criteria are met in full or part, the appropriate number of shares will be transferred to the employees from unallocated Synectics plc shares already held within the employee benefit trust established for the existing ExSOP.

23 Options over shares of Synectics plc continued

Synectics Performance Share Plan continued

2020 awards

In 2020, the Committee made a one-off award to the Executive Directors vesting over a five-year period up to the end of the Company's financial year ending 30 November 2025. The 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.

The performance criteria for the one-off award will be measured according to the average of the compound annual growth rate ('CAGR') of the total shareholder return and the CAGR of adjusted underlying diluted earnings per share for each of the three relevant periods of roughly three, four and five years respectively. If this average is 25% or more, 100% of that tranche of options will vest. If this average is above 15% and below 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 year. Any options not vesting at the five-year point will lapse. The baseline for calculating the CAGR of total shareholder return is £1.35 per share, and the baseline for calculating the CAGR of adjusted underlying diluted earnings per share is 11.87p per share (being the actual equivalent adjusted earnings per share of the Company in the financial year to 30 November 2019).

PSP shares outstanding at 30 November 2020 are exercisable as follows:

Date awarded	Exercise dates	Relevant share price at date of award	2020 Number of shares	2019 Number of shares
30 March 2015	30 March 2018 onwards	125.0p	**1,300**	7,300
1 March 2016	1 March 2019 onwards	117.5p	**1,000**	20,000
1 March 2017	1 March 2020 onwards	225.0p	**-**	58,477
28 March 2018	28 March 2021 onwards	181.6p	**30,000**	30,000
7 March 2019	7 March 2022 onwards	200.0p	**45,000**	45,000
7 August 2020	24 February 2024 onwards	130.0p	**222,000**	–
7 August 2020	1 March 2025 onwards	130.0p	**162,000**	–
7 August 2020	28 February 2026 onwards	130.0p	**162,000**	–
			623,300	160,777

58,477 (2019: 1,336) shares under the PSP expired during the year.

24 Share-based payment charge

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

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

Synectics PSP	March 2017 awards	March 2018 awards	March 2019 awards	August 2020 3 yr awards	August 2020 4 yr awards	August 2020 5 yr awards
Number of share options awarded	88,500	30,000	65,000	**222,000**	**162,000**	**162,000**
Exercise price	£nil	£nil	£nil	**£nil**	**£nil**	**£nil**
Share price on date of award	£2.25	£1.816	£2.00	**£1.30**	**£1.30**	**£1.30**
Expected volatility	30%	35%	30%	**50%**	**50%**	**50%**
Expected dividend yield	3.0%	3.5%	2.0%	**4.0%**	**4.7%**	**5.3%**
Risk-free interest rate	1.4%	1.6%	1.35%	**0.33%**	**0.33%**	**0.33%**
Vesting period	3 years	3 years	3 years	**3.55 years**	**4.57 years**	**5.56 years**
Expected life of option	5 years	4 years	3 years	**3.55 years**	**4.57 years**	**5.56 years**

The weighted average fair value of options granted during 2020, at the date of grant, is £0.36 (2019: £1.88).

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

24 Share-based payment charge continued

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

	2020 £000	2019 £000
Equity-settled share-based payments	**50**	45

25 Contingent liabilities

Certain subsidiary companies have agreed to guarantee a number of bonds, issued by Lloyds Bank and HSBC, amounting to a total of £nil at 30 November 2020 (2019: £0.5 million).

26 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The subsidiaries in the Group are listed in note 7 of the Company accounts.

During the year an amount was paid to the spouse of a director of Synectic Systems (Asia) Pte Limited of S$264 for provision of accommodation to an external consultant engaged by the company (2019: S$2,160).

During the year rental amounts of S$23,463 were paid to a company in which two of the directors of Synectic Systems (Asia) Pte Limited held a direct interest (2019: S$70,335).

Transactions with key management personnel are as follows:

	2020 £000	2019 £000
Salary and fees	**523**	462
Bonuses	**–**	–
Benefits	**9**	38
Total short-term remuneration	**532**	500
Post-employment benefits	**41**	32
Share-based payments	**22**	13
	595	545

Share options exercised by key management personnel during the year amounted to £nil (2019: £61,000).

27 Capital commitments

At the year end, capital commitments not provided for in these financial statements amounted to £40,000 (2019: £nil).

28 Pension commitments

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

a) Defined benefit scheme

The Group operates the Quadrant Group plc Retirement Benefit Scheme. This scheme includes a defined benefit section and a defined contribution section both in respect of past employees. The accrual of benefits in the defined benefit section ceased in 1996 and the liabilities relate only to members with preserved benefits or pensions in payment. A full actuarial valuation was carried out by a qualified independent actuary, independent of the scheme's sponsoring employer, as at 30 June 2016. These results have been updated to 30 November 2020. The major assumptions used by the actuary are shown below.

The Group has paid contributions of £nil (2019: £1,000) in the year.

The disclosures below relate to the defined benefit section, with the contributions to the defined contribution section being disclosed in section b) on page 89.

Net defined benefit asset

	2020 £000	2019 £000
Fair value of scheme assets	**6,917**	6,701
Present value of scheme liabilities	**(5,592)**	(6,014)
Net defined benefit asset recognised in the Statement of Financial Position	**1,325**	687
Associated deferred tax liability	**(252)**	(117)

28 Pension commitments continued

a) Defined benefit scheme continued

Net defined benefit asset continued

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

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

	2020 £000	2019 £000
Defined benefit obligations at the start of the year	6,014	6,090
Interest cost	111	160
Remeasurements:		
– losses due to scheme experience	(431)	-
– gains due to changes in demographic assumptions	(139)	(59)
– losses due to financial assumptions	352	606
Benefits paid	(315)	(783)
Defined benefit obligations at the end of the year	**5,592**	6,014

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

	2020 £000	2019 £000
Fair value of plan assets at the start of the year	6,701	6,272
Interest income	124	165
Return on plan assets, excluding amounts recognised in interest income	407	1,046
Contributions by the Company	–	1
Benefits paid	(315)	(783)
Fair value of plan assets at the end of the year	**6,917**	6,701

Assets

	2020 Fair value of plan assets £000	2019 Fair value of plan assets £000	2018 Fair value of plan assets £000
UK equities	11	16	20
Government bonds	–	1,123	1,100
Corporate bonds	6,866	5,538	5,121
Cash	40	24	31
Total assets	**6,917**	6,701	6,272

All of the scheme assets have a quoted market price in an active market with the exception of the cash holding, being the Trustee's bank account balance.

As at 30 November 2020, the fair value of the assets shown above includes holdings of £11,000 (2019: £15,669) in Synectics plc shares which constitute employer-related investments. There are no further amounts in assets which represent the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

Actual return on plan assets

The actual return on the plan assets over the year ended 30 November 2020 was £531,000 (2019: profit £1,211,000).

Principal actuarial assumptions

	2020 % per annum	2019 % per annum	2018 % per annum
Inflation	3.30	3.30	3.50
Inflation (CPI)	2.75	2.40	2.60
Rate of discount	1.40	1.90	2.80
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.75	2.40	2.60

28 Pension commitments continued

a) Defined benefit scheme continued

Principal actuarial assumptions continued

The mortality assumptions adopted at 30 November 2019 imply the following life expectancies at age 65:

	2020 Years	2019 Years
Male currently aged 45	**22.4**	22.6
Female currently aged 45	**24.3**	24.7
Male currently aged 65	**21.4**	21.6
Female currently aged 65	**23.1**	23.5

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

The sensitivities shown are approximate and each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at 30 November 2020 is twelve years (2019: twelve years).

	Change in assumption	Change in liability
Discount rate	Decrease of 0.25% p.a.	Increase by 3.1%
Rate of inflation	Increase of 0.25% p.a.	Increase by 0.2%
Rate of mortality	Increase in life expectancy of one year	Increase by 4.7%

The Company estimates that no additional contributions will be paid to the plan during the year ending 30 November 2021.

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. After the year end, an insurance company has bought out the liabilities which existed at the year end. The pension scheme was valued at the year end on the basis of IFRIC 14 (13) as the Group has the right to receive the full actuarial surplus as a refund. On 8 December 2020, when the agreement with the insurance company to buy out the liabilities was signed, the actuarial valuation was altered in line with IFRIC 14 (13) and the economic benefit available as a refund was measured including the costs to the plan of settling the plan liabilities in this way. This resulted in a remeasurement loss of £1,325,000, net of £252,000 deferred tax, which will be recognised in other comprehensive income in the financial statements for the period ending 30 November 2021. The Group agreed prior to the year end to meet the additional costs of the wind-up, and therefore £150,000 was included in accruals at the year end. This amount was charged to non-underlying costs.

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 these other schemes in the year was £982,000 (2019: £1,027,000).

29 Financial instruments

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Group consists of cash held in interest-bearing current accounts (note 19), bank overdrafts (note 19) and equity attributable to equity holders of the Parent, comprising issued share capital (note 22), reserves and retained earnings. The Group is not subject to any externally imposed capital requirements. The Group's dividend policy depends on both the earnings profile and investment opportunities together with wider macro-economic factors.

Foreign currency risk

The Group operates internationally giving rise to exposure from changes in foreign exchange rates. The main foreign currencies in which the Group currently operates are the US dollar and the euro.

29 Financial instruments continued

Foreign currency risk continued

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 2020 the Group had the following commitments in respect of forward exchange contracts:

	2020		2019	
	$000	Average rate $:£	$000	Average rate $:£
Forward US dollar sales	1,600	1.278	–	–
Forward US dollar purchases	–	–	15	1.28

	2020		2019	
	€000	Average rate €:£	€000	Average rate €:£
Forward euro sales	1,800	1.11	–	–
Forward euro purchases	–	–	–	–

The fair value of these forward foreign exchange contracts is presented within trade and other receivables. Hedge accounting has not been applied.

At 30 November 2020, certain subsidiaries within the Group had the following forecast foreign currency transactions during the next two years which have not been hedged:

	2020		2019	
	€000	$000	€000	$000
Receipts	600	11,250	2,000	16,850
Payments	(1,145)	(7,089)	(1,425)	(18,945)

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 6.1% (2019: 10.4%) of the Group's net assets as follows:

Functional currency of entity	2020 %	2019 %
US dollars	(0.8)	4.7
Euros	6.9	5.7
Total	6.1	10.4

Translation exposure in respect of these assets is not hedged.

At 30 November 2020 the Group held foreign currency cash balances of $1,759,000 (2019: $(1,216,000) overdrawn balance), €171,000 (2019: €1,053,000) and S$345,000 (2019: S$214,000).

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

	USD impact		Euro impact	
	2020 £000	2019 £000	2020 £000	2019 £000
(Loss)/profit	(95)	236	(11)	49
Other equity	(448)	252	574	521
Total	(543)	488	563	570

29 Financial instruments continued

Foreign currency risk continued

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

	2020		2019	
	Sterling £000	**USD £000**	Sterling £000	USD £000
Sterling	**–**	**392**	–	133
US dollars	**(546)**	**–**	(1,934)	–
Euros	**(35)**	**–**	(97)	–
Singapore dollars	**–**	**171**	–	31
Total	**(581)**	**563**	(2,031)	164

Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations, resulting in financial loss to the Group, and arises principally from the Group's receivables from customers and interest-bearing current accounts. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit using information supplied by independent rating agencies where available. The Group also uses other publicly available information and its own trading records to rate major customers. The credit risk on current accounts is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

For some trade receivables the Group may obtain security in the form of guarantees or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

At the Statement of Financial Position date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Consolidated Statement of Financial Position.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient cash to meet its financial obligations as they fall due. The Group ensures that sufficient cash and undrawn facilities are available to fund ongoing operations and to meet its medium-term capital and funding obligations, and to meet any unforeseen obligations and opportunities.

At the year end, the Group had net funds of:

	2020 £000	2019 £000
Current accounts (note 19)	**6,864**	3,580

The level of the Group's bank overdraft facilities is reviewed annually, and at 30 November 2020 the Group had undrawn overdraft facilities of up to £5.0 million, on which interest would be payable at the rate of bank base rate plus 2.0%.

Financial liabilities of the Group principally comprise trade creditors falling due for payment within twelve months of the Statement of Financial Position date (2019: twelve months), an undrawn bank overdraft (2019: undrawn) repayable on demand and lease liabilities. The contractual maturity of lease liabilities is as follows:

	2020 £000	2019 £000
Within one year	**1,070**	–
Within two to five years	**1,340**	–
Greater than five years	**751**	–

Interest risk

Interest-bearing assets comprise cash held in current accounts, earning interest at bank base rate. During the year these bank deposits bore interest at base rate of 0.1%–0.75% in line with the bank base rate (2019: 0.75%). The Group benchmarks the rates being obtained in order to maximise its returns within the credit risk framework referred to above.

Interest rates charged for the bank overdraft are set out in note 19.

The Group's funding position did not carry any significant interest rate risk at 30 November 2020 or 30 November 2019.

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

30 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 7 to the Company's financial statements lists details of all subsidiaries.

The following companies have taken their entitlement to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies for the year ended 30 November 2020:

- Synectics EFX Limited; and
- Protec Limited.

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

31 Changes in accounting policies

IFRS 16 'Leases' – impact of adoption

The Group has adopted IFRS 16 'Leases' from 1 December 2019, replacing IAS 17, using the modified retrospective approach.

IFRS 16 has introduced a single accounting model for lessees, bringing all leases onto the balance sheet. As a result the Group, as a lessee, has recognised right of use assets representing its right to use leased assets, and lease liabilities representing its obligation to make future payments under the terms of lease contracts. The Group is not a lessor.

The carrying amounts of right of use assets and lease liabilities, included within property, plant and equipment, are set out below.

The impact of adoption on the Group's retained earnings at 1 December 2019 is as follows:

Right of use assets	Land and buildings £000	Motor vehicles £000	Total £000
Balance at 1 December 2019	3,042	403	3,445
Balance at 30 November 2020	2,352	263	2,615

Lease liabilities	Land and buildings £000	Motor vehicles £000	Total £000
Balance at 1 December 2019	2,996	398	3,394
Balance at 30 November 2020	2,527	263	2,790

As a result of using the modified retrospective approach on transition to IFRS 16, the Group realised no difference between the carrying value of the right of use assets and lease liabilities in retained earnings. The difference between the opening right of use asset and lease liability relates to prepaid rent which is excluded from the carrying value of the lease liability but included in the value of the right of use asset. The impact on transition is shown below:

	1 December 2019 £000
Right of use assets presented in property, plant and equipment	3,445
Lease liabilities	(3,394)
Prepaid rent reclassified from prepayments to right of use assets on transition	51

31 Changes in accounting policies continued

IFRS 16 'Leases' – impact of adoption continued

On transition, lease liabilities which were classified as operating leases under IAS 17 were measured at the present value of the remaining lease payments, discounted at an incremental borrowing rate which reflects the characteristics of the underlying lease, at the transition date of 1 December 2019. The weighted average rate applied is 3.1% for land and buildings and 3.0% for vehicles. Right of use assets are measured at an amount equal to the lease liability, adjusted for prepaid rent at the date of transition. IFRS 16 has been applied to all leases with an asset or liability value greater than £5,000. For leases of low-value assets and for certain short-life assets, the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The table below reconciles the Group's operating lease commitment at 30 November 2019, under IAS 17, to the lease liability initially recognised under IFRS 16:

	£000
Operating lease commitment at 30 November 2019 as disclosed in the Group's consolidated financial statements	4,659
Impact of discounting using the incremental borrowing rate at 1 December 2019	(780)
Recognition exemption for leases of low-value/short-life assets	(485)
Lease liabilities recognised at 1 December 2019	3,394

In relation to those leases under IFRS 16, the Group now recognises depreciation and interest costs, instead of an operating lease expense. During the year ended 30 November 2020, this amounted to £1,084,000 of depreciation charges and £119,000 of interest costs from these leases.

Had IAS 17 continued to be applied, the overall impact on the Group Statement of Comprehensive Income would not have been materially different. Prior to adoption of IFRS 16, the Group had total outstanding commitments for future minimum lease payments under non-cancellable operating leases (IAS 17), which fell due as follows:

	2019 £000
Within one year	1,251
Within two to five years	2,132
Greater than five years	1,276
	4,659

32 Post-balance sheet events

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 defined benefit pension scheme liabilities by an insurance company and to wind the scheme up. After the year end, an insurance company has bought out the liabilities which existed at the year end. The pension scheme was valued at the year end on the basis of IFRIC 14 (13) as the Group has the right to receive the full actuarial surplus as a refund. On 8 December 2020, when the agreement with the insurance company to buy out the liabilities was signed, the actuarial valuation was altered in line with IFRIC 14 (13) and the economic benefit available as a refund was measured including the costs to the plan of settling the plan liabilities in this way. This resulted in a remeasurement loss of £1,325,000, net of £252,000 deferred tax, which will be recognised in other comprehensive income in the financial statements for the period ending 30 November 2021. The Group agreed prior to the year end to meet the additional costs of the wind-up, and therefore £150,000 was included in accruals at the year end. This amount was charged to non-underlying costs.

Financial statements
Company statement of comprehensive income
For the year ended 30 November 2020

	2020 £000	2019 £000
Profit for the year	**140**	1,436
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement gain on defined benefit pension scheme, net of tax	**492**	414
	492	414
Total comprehensive income for the year	**632**	1,850

Company statement of changes in equity
For the year ended 30 November 2020

	Called up share capital £000	Share premium account £000	Merger reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 1 December 2018	3,559	16,043	9,971	(913)	12,125	40,785
Profit for the year	–	–	–	–	1,436	1,436
Other comprehensive income						
Remeasurement gain on defined benefit pension scheme, net of tax	–	–	–	–	414	414
Total other comprehensive income	–	–	–	–	414	414
Total comprehensive income for the year	–	–	–	–	1,850	1,850
Dividends paid	–	–	–	–	(810)	(810)
Credit in relation to share-based payments	–	–	–	–	45	45
Share scheme interests realised in the year	–	–	–	248	(248)	–
At 30 November 2019	3,559	16,043	9,971	(665)	12,962	41,870
Profit for the year	–	–	–	–	140	140
Other comprehensive income						
Remeasurement gain on defined benefit pension scheme, net of tax	–	–	–	–	492	492
Total other comprehensive income	–	–	–	–	492	492
Total comprehensive income for the year	–	–	–	–	632	632
Dividends paid	–	–	–	–	–	–
Credit in relation to share-based payments	–	–	–	–	50	50
Share scheme interests realised in the year	–	–	–	93	(93)	–
At 30 November 2020	**3,559**	**16,043**	**9,971**	**(572)**	**13,551**	**42,552**

Company statement of financial position
As at 30 November 2020

	Note	2020 £000	2019 £000
Non-current assets			
Plant and equipment	5	**16**	28
Intangible assets	6	**35**	53
Investments in subsidiary undertakings	7	**35,826**	35,809
Retirement benefit asset	16	**1,325**	687
		37,202	36,577
Current assets			
Other receivables	8	**6,367**	4,725
Cash at bank and in hand		**3,686**	1,262
Deferred tax assets		**–**	–
		10,053	5,987
Total assets		**47,255**	42,564
Current liabilities			
Loans and borrowings	9	**–**	–
Trade and other payables	10	**(4,651)**	(629)
Tax liabilities		**–**	–
Provisions	11	**–**	(6)
		(4,651)	(635)
Non-current liabilities			
Deferred tax liabilities	11	**(52)**	(59)
		(52)	(59)
Total liabilities		**(4,703)**	(694)
Net assets		**42,552**	41,870
Equity			
Called up share capital	12	**3,559**	3,559
Share premium account		**16,043**	16,043
Merger reserve		**9,971**	9,971
Other reserves		**(572)**	(665)
Retained earnings		**13,551**	12,962
Total equity		**42,552**	41,870

The amount of profit for the year of the Company is £0.1 million (2019: profit £1.4 million).

The financial statements on pages 94 to 103 were approved and authorised for issue by the Board of Directors on 1 March 2021 and were signed on its behalf by:

Paul Webb
Director

David Bedford
Director

Company number: 1740011

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

1 Company accounting policies

Basis of preparation

These financial statements 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 ('IFRS') as adopted by the EU. Figures in these financial statements have been rounded to the nearest thousand.

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

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

In accordance with section 408(3) of the Companies Act 2006, the Company is exempt from the requirement to present its own Income Statement.

The 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 pages 63 and 64.*

1 Company accounting policies continued

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 24 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 on pages 63 to 72.

Changes in accounting policies

IFRS 16 'Leases' became effective for the Company on 1 December 2019. Details in relation to the adoption of IFRS 16 are set out in note 31 to the Group accounts. The adoption of IFRS 16 did not have a material impact on the Company because the Company does not have a material value of leases.

Significant estimates

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

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

Management has discussed its significant estimates and associated disclosures with the Audit Committee. An area involving a higher degree of judgement or complexity is the recoverability of the Company's investment in subsidiaries. The Company assesses the carrying value of its investments in subsidiaries using the value-in-use model. The value-in-use calculation includes estimates about future financial performance and long-term growth rates and requires management to select a suitable discount rate in order to calculate the present value of those cash flows. Management used pre-tax discount rates between 14.5% and 18.2%. The future cash flows used in the value-in-use calculations are based on the latest five-year financial plans approved by the Board. Cash flows beyond that period have been extrapolated into perpetuity using a 2.0% per annum growth rate (2019: 2.1%).

2 Auditor's remuneration

Fees payable to the Company's auditor for the audit of the Company's annual accounts are £51,000 (2019: £55,000).

3 Directors and employees

The remuneration of the Directors is set out below:

Directors' emoluments	2020 £000	2019 £000
Salaries, bonuses and benefits	**228**	384
Pension allowance[1]	**41**	32
	269	416

1. Pension allowance includes both contributions to the Group's defined contribution pension scheme and cash payments in lieu of contributions.

Detailed information on the emoluments, pensions, option holdings and shareholdings for each Director is shown in the Remuneration Committee Report on pages 46 to 49. An element of the cost of employing the Executive Directors is recharged to the divisions. The above costs are shown net of these recharges. The average number of persons (including Executive Directors) employed by the Company during the year was 15 (2019: 13).

4 Dividends

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

	2020		2019	
	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	**–**	**–**	3.5	599
Interim dividend paid in respect of current year	**–**	**–**	1.3	223
	–	**–**	4.8	822
Total dividend paid, net of treasury share dividends	**–**	**–**	–	810
Proposed final dividend for the year ended 30 November	**–**	**–**	3.5	601

As a result of the ongoing Covid-19 pandemic, the Board has taken the decision that no final dividend will be proposed for the year ended 30 November 2020. Total dividends for the year are therefore £nil per share (2019: 4.8p per share).

5 Plant and equipment

	£000
Cost	
At 1 December 2019	585
Additions	13
Disposals	(51)
At 30 November 2020	**547**
Depreciation	
At 1 December 2019	557
Charge for the year	25
Removed on disposals	(51)
At 30 November 2020	**531**
Net book value	
At 30 November 2020	**16**
At 30 November 2019	28

6 Intangible assets

	£000
Cost	
At 1 December 2019	308
Additions	37
At 30 November 2020	**345**
Amortisation	
At 1 December 2019	255
Charge for the year	55
At 30 November 2020	**310**
Net book value	
At 30 November 2020	**35**
At 30 November 2019	53

7 Investments in subsidiary undertakings

	£000
Cost	
At 1 December 2019	44,324
Disposal	–
Share-based payments capital contribution	17
At 30 November 2020	**44,341**
Provision for impairment at 1 December 2019	(8,515)
Impairment in the year	–
Provision for impairment at 30 November 2020	**(8,515)**
Net book value	
At 30 November 2020	**35,826**
At 30 November 2019	35,809

7 Investments in subsidiary undertakings continued

Details of the Company's subsidiaries at 30 November 2020 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	100%	Dormant
Flash No.2 Limited	1	UK	Ordinary shares	100%	Dormant
Flash No.3 Limited	1	UK	Ordinary shares	100%	Dormant
Fotovalue Limited	1	UK	Ordinary shares	100%	Dormant
Foxall & Chapman Limited	1	UK	Ordinary shares	100%	Dormant
Look CCTV Limited	1	UK	Ordinary shares	100%	Dormant
Look Closed Circuit TV Limited	1	UK	Ordinary shares	100%	Dormant
Midlands Video Systems Limited	1	UK	Ordinary shares	100%	Dormant
Monument Photographic Laboratories Limited	1	UK	Ordinary shares	100%	Dormant
MVS (Research) Limited	1	UK	Ordinary shares	100%	Dormant
Newco 3006 Limited	1	UK	Ordinary shares	100%	Dormant
Protec Limited	1	UK	Ordinary shares	100%	Non-trading
QSG Limited	1	UK	Ordinary shares	100%	Dormant
Quadnetics Employees' Trustees Limited	1	UK	Ordinary shares	100%	Dormant
Quadnetics Group Limited	1	UK	Ordinary shares	100%	Dormant
Quadnetics Limited	1	UK	Ordinary shares	100%	Dormant
Quadnetics SIP Trustees Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Managed Services Limited	1	UK	Ordinary shares	100%	Dormant
Quadrant Properties Limited	1	UK	Ordinary shares	100%	Dormant
Quadrant Research & Development Limited	1	UK	Ordinary shares	100%	Dormant
SSS Managed Services Limited	1	UK	Ordinary shares	100%	Dormant
Quick Imaging Centre Limited	1	UK	Ordinary shares	100%	Dormant
S&M (Processing) Limited	1	UK	Ordinary shares	100%	Dormant
Sanpho Pension Trustees Limited	1	UK	Ordinary shares	100%	Dormant
SSS Management Services Limited	1	UK	Ordinary shares	100%	Dormant
Stanmore Systems Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Group Limited	1	UK	Ordinary shares	100%	Dormant
Synectics High Security Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Industrial Systems Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Mobile Systems Limited	1	UK	Ordinary shares	100%	Dormant
Quadrant Security Group Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Security Networks Limited	1	UK	Ordinary shares	100%	Dormant
Synectic Systems Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Surveillance Technology Limited	1	UK	Ordinary shares	100%	Dormant
Synectics Technology Centre Limited	1	UK	Ordinary shares	100%	Dormant

7 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	100%	Intermediate holding company
Synectic Systems GmbH	5	Germany	Ordinary shares	100%	Design and supply of security and surveillance solutions
Synectic Systems (Asia) Pte Limited	6	Singapore	Ordinary shares	100%	Design and supply of security and surveillance solutions
Synectic Systems (Macau) Limited	7	Macau	Ordinary shares	100%	Design and supply of security and surveillance solutions
Synectics No. 2 Limited	1	UK	Ordinary shares	100%	Dormant

1. Synectics House, 3–4 Broadfield Close, Sheffield S8 0XN.
2. 3 Attenborough Lane, Chilwell, Nottingham NG9 5JN.
3. 6398 Cindy Lane, Suite 200, Carpinteria, California, USA.
4. Brienner Straße 28, 80333 München, Germany.
5. Machtlfinger Straße 13, 81379 München, Germany.
6. 150 Kampong Ampat, #01-01/01-01 A, Singapore 368324.
7. Avenida do Dr. Rodrigo Rodrigues, No. 600-E, Centro Comercial First Nacional, P14-04, Macau.

8 Other receivables

	2020 £000	2019 £000
Other receivables	**296**	106
Amounts due from subsidiaries	**5,981**	4,556
Prepayments	**90**	63
	6,367	4,725

Amounts due from subsidiaries are net of an expected credit loss provision of £1.3 million (2019: £1.3 million).

9 Loans and borrowings

	2020			2019		
	Current £000	**Non-current £000**	**Total £000**	Current £000	Non-current £000	Total £000
Bank overdraft	–	–	–	–	–	–
Total	–	–	–	–	–	–

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
£5.0 million overdraft	–	On demand	Base +2.0%	Group assets

The bank overdraft facility is undrawn at the year end on a net basis, and is part of a Group offset arrangement.

10 Trade and other payables

	2020 £000	2019 £000
Trade payables	**90**	202
Amounts owed to subsidiaries	**4,299**	203
Other taxation and social security	**–**	–
Other payables	**9**	12
Accruals	**253**	212
	4,651	629

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.

11 Provisions

	Deferred tax £000	Property £000	Total £000
At 1 December 2019	59	6	65
Credited to the Income Statement	(142)	(6)	(148)
Charged to the Statement of Comprehensive Income	135	–	135
At 30 November 2020	**52**	**–**	**52**

The deferred taxation balances relate to the following:

	2020 £000	2019 £000
Retirement benefit asset	**252**	117
Fixed asset timing differences	**(48)**	(54)
Other timing differences	**(2)**	22
Tax losses	**(150)**	(26)
	52	59

12 Called up share capital and reserves

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

	2020		2019	
	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

13 Contingent liabilities

The Company has agreed, in some instances jointly with subsidiary companies, to guarantee performance bonds amounting to £nil at 30 November 2020 (2019: £0.5 million).

14 Capital commitments

At 30 November 2020 capital commitments not provided for in these financial statements amounted to £nil (2019: £nil).

15 Pension commitments

The Company participates in all of the Group's pension schemes. Full disclosures relating to these schemes are given in note 28 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 (2019: £nil).

In addition, the Company's total expense for other defined contribution pension schemes during the year was £42,000 (2019: £49,000).

Defined benefit schemes

The table below shows the gross assets and liabilities of the Group's closed defined benefit pension scheme that have been recognised in the Company's Statement of Financial Position.

	2020 £000	2019 £000
Fair value of scheme assets	**6,917**	6,701
Present value of scheme liabilities	**(5,592)**	(6,014)
Net defined benefit asset recognised in the Statement of Financial Position	**1,325**	687
Associated deferred tax liability	**(252)**	(117)

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

16 Post-balance sheet events

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. This transaction happened after the year end. The pension scheme was valued at the year end on the basis of IFRIC 14 (13) as the Company has the right to receive the full actuarial surplus as a refund. On 8 December 2020, when the agreement with the insurance company to buy out the liabilities was signed, the actuarial valuation was altered in line with IFRIC 14 (13) and the economic benefit available as a refund was measured including the costs to the plan of settling the plan liabilities in this way. This resulted in a remeasurement loss of £1,325,000, net of £252,000 deferred tax, being charged to other comprehensive income. The Company agreed prior to the year end to meet the additional costs of the wind-up, and therefore £150,000 was included in accruals at the year end. This amount was charged to non-underlying costs.

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

Synectic Systems Group Limited

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

synecticsglobal.com

Synectics House
3–4 Broadfield Close
Sheffield S8 0XN
Tel: +44 (0) 114 280 2828

Moat Road
Normanby Enterprise Park
North Lincolnshire DN15 9BL
Tel: +44 (0) 1652 688908

Synectic Systems, Inc.

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

synecticsglobal.com

6398 Cindy Lane, Suite 200
Carpinteria
California, 93013
USA
Tel: +1 888 755 6255

Synectic Systems GmbH

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

synecticsglobal.com

Wilhelmstraße 118
10963 Berlin
Germany
Tel: +49 8974 88620

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

Avenida do Dr. Rodrigo Rodrigues
No. 600-E
Centro Comercial First Nacional
P14-04
Macau
Tel: +853 2855 5178

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Suites 5 & 6 Fleet House
Culpeper Close
Rochester
Kent ME2 4HN
Tel: +44 (0) 1622 798200

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

125 Colmore Row
Birmingham B3 3SF

Stockbrokers

Shore Capital & Corporate Ltd

Cassini House
57 St James's St
London SW1A 1LD

Auditor

RSM UK Audit LLP

14th Floor
20 Chapel Street
Liverpool L3 9AG

Registrars and transfer office

Link Group

34 Beckenham Road
Beckenham BR3 4TU