

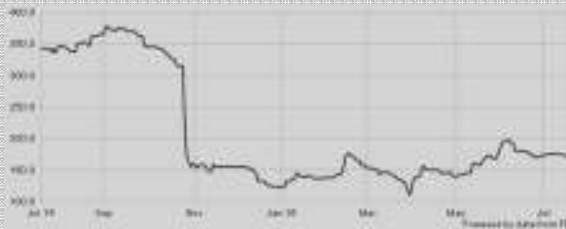
22 July 2015

**Synectics – a tough year behind and now back on track**

**Key Statistics**

**Code** : SNX  
**Listing** : AIM  
**Sector** : Security & Surveillance  
**Market Cap** : £26.58m  
**Share in issue** : 17.79m  
**Current Price** : 155.00p  
**12 month High/Low**: 387.00p/105.00p

**Stock Performance**



Source: InvestEgate

**Financials**

£'m	2014	2013	2012	2011
<b>Revenue</b>	64.59	82.36	77.04	69.08
<b>PBT</b>	-3.75	6.62	7.71	2.46
<b>Profit</b>	-3.36	4.92	3.37	1.59

Source: Synectics plc Interim Results

**Company description**

Synectics plc is a United Kingdom-based company that designs, delivers and manages integrated security and surveillance systems. The Company operates through two divisions: Systems, and Integration and Managed Services (IMS). Systems division provides specialist electronic surveillance systems. IMS division focuses on delivering security and surveillance solutions, mobile systems for transport operators, as well as service-led solutions for the management of facilities and security services.

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**Synectics' recent interim results for 2015 showed a strong recovery is underway demonstrated by a return to profitability in all sectors. 2014 was predominantly hampered by the group's exposure to the oil and gas market whereby they experienced serial delays by some customers which can be characterised within the overall turmoil continuing to affect the sector. Despite the continuing difficult conditions in the oil and gas market, Synectics are soundly profitable in this space with major customer wins most notably from Rumaitha and Touat Gaz. In 2014, the company also experienced issues with the delivery of a large scale project within their Integration and Managed Services (IMS) division. The issues were down to certain factors within and outside previous management control, however the company has successfully completed the contract. No lasting issues were incurred and the company has since been awarded a follow-on maintenance contract suggesting no reputational damage was endured as a result.**

Synectics designs integrated end-to-end surveillance control systems for the world's most demanding security environments. The diversified model encompasses an Integration and Managed Services and Systems division. These areas cover an array of technical capabilities including integrated CCTV and networked security products, centralised command and control platforms and digital recording systems. Synectics' deep understanding of their market and strong proprietary technology offering enables them to service highly advanced and regulated industries such as casinos, oil and gas, marine, banking, transport and critical infrastructure applications.

After a difficult 2014, Synectics 2015 H1 results show they are back on track with a better than expected performance. Despite expectations for full year 2015 being revised downwards due to continuing tough market conditions (especially oil and gas), Synectics remains a strong and highly capable company. The outlook is promising with a current order book currently set at £32.1m. With large scale projects completed and set to start at Jakarta Airport, a major Singapore casino and for Deutsche Bahn in Nuremberg, the company has a solid base for future growth.

**Consolidated Income Statement For the six months ended 31 May 2015**

	<b>Unaudited six months ended 31 May 2015 £000</b>	Unaudited six months ended 31 May 2014 £000	Year ended 30 Nov 2014 £000
<b>Revenue</b>	<b>32,554</b>	31,797	64,594
Cost of sales	-22,669	-23,436	-45,707
<b>Gross profit</b>	<b>9,885</b>	8,361	18,887
Operating expenses	-9,899	-10,920	-22,444
(Loss)/profit from operations			
Excluding non-underlying items	625	-2,426	-2,192
Non-underlying items	-639	-133	-1,365
<b>Total loss from operations</b>	<b>-14</b>	-2,559	-3,557
Finance income	121	121	246
Finance costs	-241	-197	-437
(Loss)/profit before tax			
Excluding non-underlying items	505	-2,502	-2,383
Non-underlying items	-639	-133	-1,365
<b>Total loss before tax</b>	<b>-134</b>	-2,635	-3,748
Income tax credit	36	767	390
<b>Loss for the period attributable to equity holders of the parent</b>	<b>-98</b>	-1,868	-3,358
<b>Basic earnings per ordinary share</b>	<b>-0.6p</b>	-11.5p	-20.6p
<b>Diluted earnings per ordinary share</b>	<b>-0.6p</b>	-11.5p	-20.6p
<b>Underlying basic earnings per ordinary share</b>	<b>2.5p</b>	-10.8p	-14.0p
<b>Underlying diluted earnings per ordinary share</b>	<b>2.5p</b>	-10.8p	-14.0p

Source: Synectics plc Interim Results

**Consolidated Statement of Financial Position as at 31 May 2015**

	<b>Unaudited 31 May 2015 £000</b>	Unaudited 31 May 2014 £000	30 Nov 2014 £000
<b>Non-current assets</b>			
Property, plant and equipment	3,393	3,623	3,952
Intangible assets	22,772	22,869	23,357
Retirement benefit asset	540	-	540
	<b>26,705</b>	26,492	27,849
<b>Current assets</b>			
Inventories	11,698	10,798	12,624
Trade and other receivable	21,138	32,042	25,627
Tax assets	488	681	373
Cash and cash equivalents	2,830	1,527	1,349
	<b>36,154</b>	45,048	39,973
Non-current asset held for sale	222	-	-
<b>Total assets</b>	<b>63,081</b>	71,540	67,822
<b>Current liabilities</b>			
Loans and borrowings	-3,550	-3,658	-4,553
Trade and other payable	-20,381	-27,107	-22,569
Tax liabilities	-105	-	-72
Current provisions	-463	-148	-1,147
	<b>-24,499</b>	-30,913	-28,341
<b>Non-current liabilities</b>			
Loans and borrowings	-2,056	-2,983	-2,872
Non-current provisions	-25	-85	-22
Deferred tax liabilities	-145	-463	-142
	<b>-2,226</b>	-3,531	-3,036
<b>Total liabilities</b>	<b>-26,725</b>	-34,444	-31,377
<b>Net assets</b>	<b>36,356</b>	37,096	36,445
<b>Equity attributable to equity holders of the Parent Company</b>			
Called up share capital	3,559	3,559	3,559
Share premium account	16,043	16,043	16,043
Merger reserve	9,971	9,971	9,971
Other reserves	-2,656	-2,656	-2,656
Currency translation reserve	310	-3	351
Retained earnings	9,129	10,182	9,177
<b>Total equity</b>	<b>36,356</b>	37,096	36,445

Source: Synectics plc Interim Results

## Consolidated Cash Flow Statement For the six months ended 31 May 2015

	<b>Unaudited six months ended 31 May 2015 £000</b>	Unaudited six months ended 31 May 2014 £000	Year ended 30 Nov 2014 £000
<b>Cash flows from operating activities</b>			
Loss for the period	-98	-1,868	-3,358
Income tax credit	-36	-767	-390
Finance income	-121	-121	-246
Finance costs	241	197	437
Depreciation and amortisation charge	896	726	1,515
Profit on disposal of non-current assets	-	-	38
Government grant recognised in income	-146	-	-
Share-based payments charge	50	72	127
<b>Operating cash flows before movement in working capital</b>	<b>786</b>	-1,761	-1,877
Decrease/(increase) in inventories	926	-1,063	-2,889
Decrease/(increase) in receivables	4,517	-4,347	2,068
(Decrease)/increase in payables	-2,869	4,527	925
<b>Cash generated from/(used in) operations</b>	<b>3,360</b>	-2,644	-1,773
Interest received	1	5	1
Tax paid	-30	-1,032	-1,426
<b>Net cash from/(used in) operating activities</b>	<b>3,331</b>	-3,671	-3,198
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	-161	-1,353	-2,021
Income from government grant	311	-	-
Capitalised development costs	-288	-602	-1,361
Purchased software	-15	-72	-240
<b>Net cash used in investing activities</b>	<b>-153</b>	-2,027	-3,622
<b>Cash flows from financing activities</b>			
Repayment of borrowings	-652	-732	-804
Share scheme interests realised in the year	-	110	110
Issue of shares	-	298	298
Interest paid	-121	-81	-192
Dividends paid	-	-928	-928
<b>Net cash used in financing activities</b>	<b>-773</b>	-1,333	-1,516
Effect of exchange rate changes on cash and cash equivalents	21	-73	145
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,426</b>	-7,104	-8,191
Cash and cash equivalents at the beginning of the period	-2,417	5,774	5,774
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	-1,330	-2,417

Source: Synectics plc Interim Results

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