Global Specialists in Integrated Security Systems

SYNECTICS

Synectics plc

Interim Report for the six months ended 31 May 2021

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.

Headlines

- Substantial continuing impact from Covid-19 on customers' operations, especially in the gaming sector
- Major successes for latest *Synergy* product in Berlin delivery and new City of London and West Midlands contracts
- Revenue £22.0 million (2020: £23.0 million)
- Underlying loss before tax[1] reduced substantially to £(0.8) million (2020: £(2.0) million)
- Loss before tax £(0.8) million (2020: £(2.3) million)
- Order book as at 31 May 2021 up 19% to £30.3 million since year end (30 November 2020: £25.4 million)
- Net cash as at 31 May 2021 £3.5 million (31 May 2020: £4.6 million) with no debt
- Cost reduction actions taken in 2020 delivered expected savings
- Company expects to trade profitably in the second half of the year

1 Underlying profit represents profit before tax and non-underlying items (which comprise amortisation of acquired intangibles and restructuring costs in 2020).

> **Trading in the first half of the year was as expected, with significantly reduced operating losses, and major successes for the latest *Synergy* product. We expect that the Group will trade profitably in the second half of this financial year."**

Paul Webb
Chief Executive

In this report

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"

The momentum of Synectics' strategy is demonstrated by the recent contract wins against global competitors in major projects. The picture for 2022 remains uncertain, but the Board's expectation is for the Company to deliver substantial further progress towards our growth and financial objectives."

David Coghlan
Chairman

Overview

Trading in the first half of this financial year was as expected. Revenue was marginally below the corresponding period last year, principally reflecting on the one hand a further decline in casino and gaming resorts surveillance, where Synectics is the global market leader in a sector that remained largely closed, and, on the other hand, a notable increase in activity in the UK and European security markets that the Group addresses.

Despite the lower revenue, operating results improved significantly, as a result of both the cost reduction and business consolidation actions taken in 2020, which delivered pro rata savings slightly ahead of the annualised £2.4 million target. An improved performance from the Company's Security division was also a contributing factor.

Most pleasingly, Synectics continued to make strong progress during the half year with the new *Synergy* surveillance command and control platform for major urban transportation and infrastructure hubs. The innovative Berlin S-Bahn system for Deutsche Bahn went live successfully as planned on 1 January 2021, and we were delighted to receive public accolades from the customer for that achievement. As set out in the Company's most recent annual report, the importance of this initial implementation of the new version of *Synergy* in Berlin was borne out by the award to Synectics in April 2021 of a major order for a similarly innovative, cloud-based surveillance control system by the City of London Corporation for their Secure City Programme in conjunction with the City of London Police.

A critical strategic focus, addressing a new and growing market, these new *Synergy* systems are almost wholly software based. They underpin the Group's objective of increasing earnings quality through a higher gross margin business mix and an increasing proportion of recurring and repeat revenue.

Results

Synectics' revenue for the first half declined by 4.6% to £22.0 million, compared with £23.0 million in the same period last year. The Group recorded a significantly improved consolidated underlying loss before tax[1] of £(0.8) million (2020: £(2.0) million). There were no material non-underlying items, therefore the loss before tax was also £(0.8) million (2020: £(2.3) million. The underlying diluted loss per share for the half year was materially lower at (2.9)p (2020: (9.4)p).

More details on these results are set out in the divisional reports below.

Net cash at 31 May 2021 was £3.5 million (31 May 2020: £4.6 million, Nov 2020: £6.9 million). The Company has no bank debts and available undrawn facilities of £3.0 million.

After significantly unwinding in 2020, working capital moved back towards more normal levels during the period. As they return to profitability, Synectics' businesses will be able to convert a substantial portion of profits into free cash flow, subject to short-term working capital balances that can fluctuate significantly. The Group expects to generate positive cash flow in the second half of the current financial year.

Dividend

In view of the loss incurred during the half year, and the continuing uncertainty in global markets, the Board has decided not to declare an interim dividend. The position will be reviewed again at the time of the release of the Company's audited final results for the year ending 30 November 2021.

Business Review

Systems Division

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

£000	**Six months ended 31 May 2021**	Six months ended 31 May 2020	Year ended 30 Nov 2020
Revenue	**9,801**	12,568	23,645
Gross margin[2]	**47.8%**	44.9%	40.8%
Operating profit/ (loss)[2]	**(482)**	(731)	(1,775)
Operating margin[2]	**(4.9)%**	(5.8)%	(7.5)%

2 Before non-underlying items and Group central costs.

The continued closure or minimal operation of almost all major casino and gaming resorts globally had a substantial impact on the Systems division's first half revenues in Asia Pacific and North America. Much of the shortfall compared with the same period last year represented expected repeat work from long-term customers which should return once their businesses are able to trade again at more normal levels.

Revenue from other customer sectors served by the Systems division, including transport networks, high security applications and, to a lesser extent, oil & gas, continued to hold up better in the face of the pandemic-related business disruptions. Most of the Systems division revenue from these sectors is government or quasi-government related and, as such, less exposed to current restrictions on commercial activity.

The division made good progress in securing additional recurring revenue through multi-year support contracts, and this is reflected in a strengthened order book for future years in all regions.

Europe, Middle East & Africa (Revenue £6.5 million (2020: £6.9 million))

Revenues in the region continued at a similar level to last year, underpinned by continuing work on the Berlin project, initial work for the City of London order referred to above, and further work for a number of public space customers in the UK. Revenue from the oil & gas sector in the region continued at the low levels experienced in the corresponding period last year.

Asia Pacific (Revenue £1.7 million (2020: £4.0 million))

The half year saw a significant further reduction in revenue from the gaming sector in the region, with oil & gas sector revenues at similar reduced levels to the corresponding period last year. Continued restrictions on travel mean that the Board does not expect any meaningful recovery in this region until 2022.

North America (Revenue £1.6 million (2020: £1.6 million))

Revenues in the region were flat on last year. Synectics' current activities in North America are almost exclusively in casino operations, which remained at a low level, predominately comprising system maintenance and support. An increase in activity in recent months means the Board expects some improvement in trading here in the second half of the current financial year.

Technology Development

Continued investment in our intellectual property and technology base within the Systems division remains an important priority for the Group, and during the half year this investment continued at planned levels.

Expenditure on technology development during the first half was £1.7 million (2020: £2.1 million), of which £0.3 million (2020: £0.4 million) was capitalised and the remainder expensed to the income statement. In addition, £0.4 million (2020: £0.2 million) of previously capitalised development was amortised in the period. These figures are all included within the results of the Systems division set out above.

During the half year, Synectics made significant progress in implementing the next generation of the *Synergy* software platform in initial customer deployments. The newly-released major functionality extensions include a Workforce Management module and new mobile device applications, enabling customers to connect centralised control rooms seamlessly to field operations.

Technology Development continued

Further development of the *Synergy* cloud-based evidence management solution has enabled the Company's 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 and object recognition.

Synergy has been developed as a hybrid cloud platform. As a result, the Company's 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. The flexibility of *Synergy* in being able to combine cloud services with traditional IT infrastructure in a single unified environment played a significant part in the securing of our recent major project award from the City of London Corporation referred to above. These expanded capabilities have increased Synectics' capacity to address a growing and potentially large markets for similarly intelligent command and control systems, especially in safe city and integrated transport applications. *Synergy's* recent high profile contract awards and system deployments are generating considerable interest from potential customers in these markets.

Synectics also released an updated range of its COEX camera stations during the period. Designed for hazardous-area applications and able to withstand operating temperatures up to 70 degrees Celsius, this latest range integrates seamlessly with existing video management systems, including *Synergy*, and provides advanced video streaming options.

Security Division

Synectics' Security division is a leading UK provider of 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.

£000	**Six months ended 31 May 2021**	Six months ended 31 May 2020	Year ended 30 Nov 2020
Revenue	**13,106**	11,186	21,802
Gross margin[2]	**23.6%**	24.0%	24.6%
Operating profit/ (loss)[2]	**497**	(209)	(387)
Operating margin[2]	**3.8%**	(1.9)%	(1.8)%

2 Before non-underlying items and Group central costs.

The Synectics Security division was consolidated in the second half of last financial year, bringing together the on-vehicle security activities with those related to fixed facilities. The performance figures set out above are on a like-for-like comparative basis. The improved results reflect revenue growth from partial recovery in both the on-vehicle and UK security infrastructure markets, as well as the cost and efficiency benefits of the internal consolidation of operations.

Particularly notable successes during the period included the City of London Corporation/City of London Police Secure City Programme, referred to above, where the Security division acts as prime contractor and integrator supplying the core *Synergy* solution and technology from Synectics' Systems division.

Synectics has also been awarded a contract worth in excess of £1.0 million from West Midlands Police to equip its new Event Control Suite with a comprehensive video management solution which will be the command centre for the coordination and control of major incidents and events in the West Midlands. The solution, based on Synectics' *Synergy* command and control software platform, will eventually integrate video feeds from thousands of cameras into a single management platform through disparate systems at over 30 sites, including local authorities, sporting venues, transport hubs and retail centres.

Orders from the UK bus market evidenced some recovery after a sustained period of decline in new bus registrations in the UK. Important and sizeable orders were also received from the Republic of Ireland, both for Irish Rail and major Irish bus operators. The Irish Rail programme 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.

The turnaround in operating results of the division in the first half has been well managed in line with the Company's plan for the year. The division's order book and pipeline of new business underpin an expectation of continuing recovery in revenue and operating margins to more acceptable levels.

Strategy

Synectics' strategy remains to develop and capitalise on its market-leading positions within relevant sectors of the global surveillance and security market where customers value high-performance, sector-specific capability. Its core market sectors continue to be transport & infrastructure (including "safe city" projects), casinos and gaming resorts, high security facilities and oil & gas. It achieves product differentiation, 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. The solution can now be delivered in traditional, cloud or hybrid cloud versions, providing full flexibility for a customer's desired technical deployment.

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 and security operations function. 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.

Once installed, these software-based systems tend to engender long-term customer relationships, with contracts for ongoing licensing, support and upgrades.

The momentum of Synectics' strategy is demonstrated by the recent contract wins against global competitors in major projects for Berlin, London and the West Midlands, referred to above, and in the Group's growing pipeline of similar opportunities.

Outlook

In the Company's last Annual Report in March 2021, I wrote that the timing, profile, and end point of the global pandemic recovery in the markets where Synectics operates were still highly uncertain. That manifestly remains the case. Nevertheless, we have seen tangible evidence of improvement in certain sectors and markets in more recent months.

The Group's consolidated firm order book as at 31 May 2021 was 19% higher than at the financial year end six months earlier. This growth has been achieved across both divisions and in all regions, though, in the case of Asia and North America, from an exceptionally low base.

During 2020, the Board took the required actions to reduce the Group's cost base, accelerate planned changes to simplify and sharpen the focus of our operations, and to preserve investment in the Company's proprietary technology. These actions have left Synectics both financially sound and well placed to capitalise on its recent strategic contract successes. The current environment requires continuing caution and sharp vigilance on costs, but the Company's strategy is clear and is demonstrating tangible results in its core target market.

Although there are still new orders to be closed to achieve current plans for the remainder of the financial year, the Board is increasingly confident that Synectics will record revenue growth and modest positive operating profitability in the second half of this financial year. The picture for 2022 remains subject to significant macroeconomic uncertainty, but the Board's base case expectation is for the Company to deliver in the next financial year substantial further progress towards our growth and financial objectives.

David Coghlan
Chairman

13 July 2021

Consolidated income statement

For the six months ended 31 May 2021

	Notes	**Unaudited six months ended 31 May 2021 £000**	Unaudited six months ended 31 May 2020 £000
Revenue	3	**21,958**	23,022
Cost of sales excluding other income		**(14,173)**	(14,862)
Other income[2]		**–**	189
Cost of sales		**(14,173)**	(14,673)
Gross profit		**7,785**	8,349
Operating expenses		**(8,641)**	(10,514)
Other income[2]		**97**	344
Loss from operations, before non-underlying items		**(759)**	(1,821)
Non-underlying items[1]		**(12)**	(277)
Loss from operations		**(771)**	(2,098)
Finance income		**–**	51
Finance costs		**(39)**	(227)
Loss before tax		**(810)**	(2,274)
Income tax credit	4	**313**	458
Loss for the period attributable to equity holders of the Parent Company		**(497)**	(1,816)
Basic loss per share	7	**(2.9p)**	(10.7p)
Diluted loss per share	7	**(2.9p)**	(10.7p)
Underlying loss earnings per share	7	**(2.9p)**	(9.4p)
Underlying diluted loss per share	7	**(2.9p)**	(9.4p)

1 Non-underlying items represent amortisation of acquired intangible assets (and restructuring costs in comparative period).

2 Other income represents government grant income received in relation to COVID-19. See basis of preparation (note 2) for further detail.

Consolidated statement of comprehensive income

For the six months ended 31 May 2021

	Unaudited six months ended 31 May 2021 £000	Unaudited six months ended 31 May 2020 £000
Loss for the period	**(497)**	(1,816)
Items that will not be reclassified subsequently to profit or loss		
Re-measurement loss on defined benefit pension scheme, net of tax	**(1,073)**	–
	(1,570)	(1,816)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(267)**	537
Gains/(losses) on a hedge of a net investment taken to equity	**128**	(171)
	(139)	366
Total comprehensive loss for the period attributable to equity holders of the Parent Company	**(1,709)**	(1,450)

Consolidated statement of financial position

As at 31 May 2021

	Notes	**Unaudited 31 May 2021 £000**	Unaudited 31 May 2020 £000	30 Nov 2020 £000
Non-current assets				
Property, plant and equipment		**5,432**	6,100	5,243
Intangible assets		**21,912**	22,047	22,155
Retirement benefit asset	6	**–**	687	1,325
Deferred tax assets		**2,452**	1,780	1,864
		29,796	30,614	30,587
Current assets				
Inventories		**4,390**	6,947	4,661
Trade and other receivables		**11,316**	12,619	9,013
Contract assets		**6,738**	7,173	8,185
Tax assets		**39**	25	505
Cash and cash equivalents		**3,488**	4,600	6,864
		25,971	31,364	29,228
Total assets		**55,767**	61,978	59,815
Current liabilities				
Trade and other payables		**(13,376)**	(13,902)	(12,839)
Contract liabilities		**(2,448)**	(3,016)	(4,295)
Lease liabilities		**(915)**	(906)	(870)
Tax liabilities		**–**	(490)	(63)
Current provisions		**(400)**	(542)	(1,621)
		(17,139)	(18,856)	(19,688)
Non-current liabilities				
Non-current provisions		**(552)**	(489)	(575)
Lease liabilities		**(2,168)**	(2,294)	(1,920)
Deferred tax liabilities		**(548)**	(807)	(601)
		(3,268)	(3,590)	(3,096)
Total liabilities		**(20,407)**	(22,446)	(22,784)
Net assets		**35,360**	39,532	37,031
Equity attributable to equity holders of the Parent Company				
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		**(1,448)**	(1,453)	(1,448)
Currency translation reserve		**780**	1,086	919
Retained earnings		**6,455**	10,326	7,987
Total equity		**35,360**	39,532	37,031

Consolidated statement of changes in equity

For the six months ended 31 May 2021

	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 2019	3,559	16,043	9,971	(1,499)	720	12,167	40,961
Loss for the period	–	–	–	–	–	(1,816)	(1,816)
Other comprehensive income							
Currency translation adjustment	–	–	–	–	366	–	366
Re-measurement gain on defined benefit pension scheme, net of tax	–	–	–	–	–	–	–
Total other comprehensive income	–	–	–	–	366	–	366
Total comprehensive (loss)/income for the period	–	–	–	–	366	(1,816)	(1,450)
Dividends paid	–	–	–	–	–	–	–
Credit in relation to share-based payments	–	–	–	–	–	21	21
Share scheme interests realised in the period	–	–	–	46	–	(46)	–
At 31 May 2020	3,559	16,043	9,971	(1,453)	1,086	10,326	39,532
Loss for the period	–	–	–	–	–	(2,855)	(2,855)
Other comprehensive income							
Currency translation adjustment	–	–	–	–	(167)	–	(167)
Re-measurement gain on defined benefit pension scheme, net of tax	–	–	–	–	–	492	325
Total other comprehensive income	–	–	–	–	(167)	(2,363)	(2,530)
Total comprehensive loss for the period	–	–	–	–	(167)	(2,363)	(2,530)
Dividends paid	–	–	–	–	–	–	–
Credit in relation to share-based payments	–	–	–	–	–	29	29
Share scheme interests realised in the period	–	–	–	5	–	(5)	–
At 30 November 2020	3,559	16,043	9,971	(1,448)	919	7,987	37,031
Loss for the period	–	–	–	–	–	(497)	(497)
Other comprehensive income							
Currency translation adjustment	–	–	–	–	(139)	–	(139)
Re-measurement gain on defined benefit pension scheme, net of tax (see note 6)	–	–	–	–	–	(1,073)	(1,073)
Total other comprehensive income	–	–	–	–	(139)	(1,073)	(1,212)
Total comprehensive loss for the period	–	–	–	–	(139)	(1,570)	(1,709)
Dividends paid	–	–	–	–	–	–	–
Credit in relation to share-based payments	–	–	–	–	–	38	38
Share scheme interests realised in the period	–	–	–	–	–	–	–
At 31 May 2021	**3,559**	**16,043**	**9,971**	**(1,448)**	**780**	**6,455**	**35,360**

Consolidated cash flow statement

For the six months ended 31 May 2021

	Unaudited six months ended 31 May 2021 £000	Unaudited six months ended 31 May 2020 £000
Cash flows from operating activities		
Loss for the period	**(497)**	(1,816)
Income tax (credit)/expense	**(313)**	(458)
Finance income	**–**	(51)
Finance costs	**39**	227
Depreciation and amortisation charge	**1,090**	1,075
Profit on disposal of non-current assets	**(1)**	–
Net foreign exchange differences	**134**	89
Net movement in provisions	**(1,349)**	(656)
Share-based payment charge	**38**	21
Operating cash flows before movement in working capital	**(859)**	(1,569)
Decrease in inventories	**350**	160
(Increase)/decrease in trade, other and contract receivables	**(1,107)**	6,051
Decrease in trade, other and contract payables	**(1,010)**	(2,194)
Cash (used in)/generated from operations	**(2,626)**	2,448
Tax received/(paid)	**224**	–
Net cash (used in)/from operating activities	**(2,402)**	2,448
Cash flows from investing activities		
Purchase of property, plant and equipment	**(99)**	(207)
Capitalised development costs	**(265)**	(419)
Purchased software	**(89)**	(41)
Net cash used in investing activities	**(453)**	(667)
Cash flows from financing activities		
Lease payments	**(551)**	(599)
Repayment of borrowings	**–**	–
Interest paid	**–**	(117)
Dividends paid	**–**	–
Net cash used in financing activities	**(551)**	(716)
Effect of exchange rate changes on cash and cash equivalents	**30**	(45)
Net (decrease)/increase in cash and cash equivalents	**(3,376)**	1,020
Cash and cash equivalents at the beginning of the period	**6,864**	3,580
Cash and cash equivalents at the end of the period	**3,488**	4,600

1 General information

These consolidated interim financial statements were approved by the Board of Directors on 12 July 2021.

2 Basis of preparation

These consolidated interim financial statements of the Group are for the six months ended 31 May 2021.

The comparative figures for the financial year ended 30 November 2020 are the Group's statutory accounts for that financial year. Those statutory accounts have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and (iii) did not contain a statement under section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements for the six months to 31 May 2021 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 November 2020.

The condensed consolidated interim financial statements for the six months to 31 May 2021 have not been audited or reviewed by an auditor pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

The condensed consolidated interim financial statements for the six months to 31 May 2021 have been prepared on the basis of the accounting policies expected to be adopted by the Company for the year ending 30 November 2021. These are anticipated to be consistent with those set out in the Group's latest annual financial statements for the year ended 30 November 2020. These accounting policies are drawn up in accordance with adopted International Accounting Standards ('IAS') and International Financial Reporting Standards ('IFRS')), in accordance with the presentation, recognition and measurement criteria of: International Accounting Standards in conformity with the requirements of the Companies Act 2006, and the AIM Rules for Companies.

Significant accounting policies

AIM-listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption.

3 Segmental analysis

Revenue by operating segment

Revenue	**Unaudited six months ended 31 May 2021 £000**	Unaudited six months ended 31 May 2020 £000
Systems	**9,801**	12,568
Security	**13,106**	11,186
Total segmental revenue	**22,907**	23,754
Reconciliation to consolidated revenue:		
Intra-Group sales	**(949)**	(732)
	21,958	23,022

3 Segmental analysis continued

Underlying operating result by operating segment

Underlying operating profit/(loss)	Unaudited six months ended 31 May 2021 £000	Unaudited six months ended 31 May 2020 £000
Systems	**(482)**	(731)
Security	**497**	(209)
Total segmental underlying operating profit/(loss)	**15**	(940)
Reconciliation to consolidated underlying operating profit/(loss):		
Central costs	**(774)**	(881)
	(759)	(1,821)

Underlying operating profit from operations is reconciled to total profit from operations as follows:

	Unaudited six months ended 31 May 2021 £000	Unaudited six months ended 31 May 2020 £000
Underlying operating profit	**(759)**	(1,821)
Non-underlying items	**(12)**	(277)
	(771)	(2,098)

4 Income tax credit

The income tax credit for the period is based on the estimated rate of corporation tax that is likely to be effective for the year to 30 November 2021.

5 Dividends

No interim dividend (2020: £nil) has been announced or will be paid for the financial year 2021.

6 Retirement benefit asset

During the period, the pension scheme was wound up following securement of a buy-out for all remaining defined benefit pension scheme liabilities by an insurance company. On 8 December 2020, the agreement with the insurance company to buy out the liabilities was signed, and the actuarial valuation was altered in line with IFRIC 14 (13). 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 £1,073,000, the net of the actuarial valuation of £1,325,000 and associated deferred tax liability of £252,000, recognised in other comprehensive income in these interim financial statements.

7 Earnings per share

Earnings per share are as follows:

	Unaudited six months ended 31 May 2021 Pence per share	Unaudited six months ended 31 May 2020 Pence per share
Basic earnings per share	**(2.9)**	(10.7)
Diluted earnings per share	**(2.9)**	(10.7)
Underlying basic earnings per share	**(2.9)**	(9.4)
Underlying diluted earnings per share	**(2.9)**	(9.4)

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

	Unaudited six months ended 31 May 2021 £000	Unaudited six months ended 31 May 2020 £000
Earnings for basic and diluted earnings per share	**(497)**	(1,816)
Non-underlying items	**12**	277
Impact of non-underlying items on tax expense for the period	**(4)**	(51)
Earnings for underlying basic and underlying diluted earnings per share	**(489)**	(1,590)

	Unaudited six months ended 31 May 2021 £000	Unaudited six months ended 31 May 2020 £000
Weighted average number of ordinary shares – basic calculation	**16,889**	16,902
Dilutive potential ordinary shares arising from share options	**32**	–
Weighted average number of ordinary shares – diluted calculation	**16,921**	16,902

8 Availability of results

Copies of this statement are available on the Group's website (www.synecticsplc.com) and will be available from Synectics plc, Synectics House, 3-4 Broadfield Close, Sheffield, England S8 0XN.

Produced by

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