

Company Registration No. 02685135 (England and Wales)

SYNECTICS SOLUTIONS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 AUGUST 2020



SYNECTICS SOLUTIONS LIMITED

COMPANY INFORMATION

Directors	KJ Shanahan CA Shanahan RA Moorhouse RM Wood KM Beardmore RL Jones MK Humphreys IR Lewis MP Tideswell
Company number	02685135
Registered office	Synectics House The Brampton Newcastle-under-Lyme Staffordshire ST5 0QY
Auditor	RSM UK Audit LLP Chartered Accountants Festival Way Festival Park Stoke on Trent ST1 5BB
Bankers	NatWest Bank 36 High Street Nantwich Cheshire CW5 5GA
Solicitors	Beswick Solicitors Sigma House Lakeside Festival Way Stoke-on-Trent Staffordshire ST1 5RY

SYNECTICS SOLUTIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2020

The directors present the strategic report for the year ended 31 August 2020.

Fair review of the business

The results of the company show an operating profit of £1,315,737 (2019: £1,388,188) for the year on sales of £20,981,124 (2019: £20,221,227) after a research and development spend of £266,550 (2019: £123,539) and development amortisation of £296,164 (2019: £287,100). No development costs were capitalised in the year due to the commercial uncertainty of the initiatives given the coronavirus pandemic which impacted the second half of our business year. The Directors feel the results demonstrate the strength and resilience of the business despite the macroeconomic uncertainty.

A restructuring of the executive board took place from January 2020 in which Kevin Shanahan became President, Carol Shanahan became Chair, Richard Wood was appointed CEO, Kate Beardmore became Vice-Chair, and Martin Tideswell was later added as a Non-Executive Director. This change has strengthened the leadership team and governance structure of the company and has had a very positive impact, especially when navigating through such challenging times.

In last year's report, "Business Interruption" was flagged as one of the key areas of risk and uncertainty that the board was monitoring through a long-established business continuity committee. The accountability of which was to ensure resilient systems are in place to respond to any disruptive event. This meant that we were well prepared for a disruptive event in the form of a global pandemic and were able to transition the entire company to working from home as seamlessly as can be whilst continuing to deliver our services and support our clients.

Maintaining our high levels of service throughout the pandemic has been a key focus, and we continue to use the Net Promoter Score (NPS) system to provide us with invaluable feedback. Our most recent score of 50 was generated from feedback gathered in September just after the business year end. This is our highest NPS increasing from our previous pre-pandemic score, demonstrating our ability to adapt and continue delighting our clients despite the constraints of engaging primarily via teleconferencing.

In view of the initial uncertainty of invoice timing when the pandemic first hit, we took out a CBILS loan to bolster the cash flow and utilised the deferment of the VAT payment allowed under the government support schemes. Whilst there was an initial slowdown in new projects throughout the duration of the first lockdown in the UK, our growth through acquiring new clients and growing existing partnerships accelerated over the Summer and towards the end of our business year. We signed 5 new clients between May 2020 and August 2020 and have gone on to sign a further 4 new clients in the first quarter following the business year end.

The suspension of all hospitality has impacted the Summit Hospitality brand within our business, halving the revenue generated to £62,871 from £98,727 in 2019. Due to this, we utilised the government furlough scheme for our hospitality employees.

Given the inherent resilience of the business through the long-term partnerships we cultivate, along with the proven adaptability both in terms of the transition to majority home working and our track record of being able to meet our clients' evolving needs, the Directors are confident in the company's continued ability to generate steady growth.

SYNECTICS SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

Principal risks and uncertainties

The Board has continued to monitor three key areas of risk and uncertainty:

Competitor activities within our market: we aim to mitigate this risk through maintaining high levels of customer service and continued product development.

Regulatory changes: we have successfully transitioned to the GDPR regulations plans and are actively monitoring any other regulatory changes that may have an impact on the business.

Business interruption: a thorough Business Impact Analysis programme has been rolled out across the whole company to ensure we have resilient systems in place to respond to any disruptive event

Going concern and the impact of Coronavirus:

On 11 March 2020 the World Health Organization declared the global coronavirus outbreak to be a pandemic and the United Kingdom implemented certain lockdown measures from 23 March 2020. The Company continues to operate and be fully functional as a key part of critical supply chain for its customers base while complying with all relevant health and safety, social distancing and self-isolation conditions at its own offices. The impact on demand is expected to be at levels which the Company can manage effectively without making changes to its operations.

On behalf of the board



KJ Shanahan

Director

Date: *16 March 2021*

SYNECTICS SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2020

The directors present their annual report and financial statements for the year ended 31 August 2020.

Principal activities

The principal activities of the company during the year were the design, supply and support of specialist computerised systems and software, and database bureau services.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

KJ Shanahan
CA Shanahan
RA Moorhouse
RM Wood
KM Beardmore
RL Jones
MK Humphreys
IR Lewis
MP Tideswell

(Appointed 4 August 2020)

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £450,000 (2019: £500,000). The directors do not recommend payment of a further dividend.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year.

Financial instruments

The main risks arising from the company's financial instruments are credit risk and liquidity risk. The company is not significantly affected by price or foreign currency risk as the company primarily invoices in sterling.

Liquidity risk

The company's objective is to ensure sufficient cash reserves are available to fund ongoing activities and future product development plans as and when these are carried out. The company operates a system of advance payments from its customers to manage cash resources to achieve these objectives and agreed bank facilities.

Credit risk

Whilst the company has no significant concentration of credit risk, appropriate credit control procedures have been implemented to manage the exposure to this risk. The company trades with "blue chip" companies and government organisations which in turn further reduces any exposure.

SYNECTICS SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

Research and development

The company has historically invested heavily in its development of new software that is complementary to the existing product suite and developing new areas to meet customer needs due to changing legislation. During 2020 the company was impacted by Covid 19 which reduced its ability to effectively focus on this area as such no development was capitalised in 2020.

The total cost of amortisation charged to the profit and loss account in respect of research and development amounted to £296,164 (2019: £287,100).

The company has also invested in areas of pure research, this is expensed in the year, being £266,550 (2019: £123,539).

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Staff engagement

It is clearly understood that the benefit of employee engagement is essential to deliver the business plans. We must maintain our communication flow and several tools are in place to ensure an effective information flow, whether through formalised meetings, internal notification or information displayed on screens within business.

Regular meetings are held with management teams on day-to-day activities along with the aims and objectives of the business and engagement to all staff via the technologies in place in the business are key. A training plan is in place to help develop our staff.

The company is committed to continuing to provide support to our staff who are home working along with ensuring we have a safe working environment in our head office. Our focus has been on the physical health and safety of our colleagues and health and wellbeing of our staff.

Future developments

The business continues in line with the directors' expectations. The company continues to achieve long term commitments, being 3-5 years, on renewal of contracts and win new business at or above the rate in previous years.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of business review, financial instruments and risks and uncertainties.

SYNECTICS SOLUTIONS LIMITED

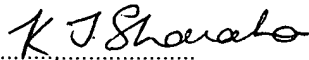
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



KJ Shanahan
Director

Date: 16 March 2021

SYNECTICS SOLUTIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2020

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNECTICS SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Synectics Solutions Limited (the 'company') for the year ended 31 August 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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, 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 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.

Other information

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNECTICS SOLUTIONS LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 6, 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 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 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

Anne Lakin BAACA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Festival Way
Festival Park
Stoke on Trent
ST1 5BB

..... 22 March 2021

SYNECTICS SOLUTIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	2020 £	2019 £
Turnover	3	20,981,124	20,221,227
Cost of sales		(11,526,228)	(10,916,010)
Gross profit		9,454,896	9,305,217
Administrative expenses		(8,498,482)	(7,945,103)
Other operating income		359,323	28,074
Operating profit	6	1,315,737	1,388,188
Interest receivable and similar income	7	213,548	30,031
Interest payable and similar expenses	8	(436,998)	(322,781)
Profit before taxation		1,092,287	1,095,438
Tax on profit	9	(235,373)	(51,525)
Profit for the financial year		856,914	1,043,913

SYNECTICS SOLUTIONS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 AUGUST 2020**

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	11	1,736,752		1,604,638	
Tangible assets	12	4,871,525		5,065,640	
		<u>6,608,277</u>		<u>6,670,278</u>	
Current assets					
Debtors falling due after more than one year	13	2,624,834		1,197,286	
Debtors falling due within one year	13	4,677,772		4,084,693	
Cash at bank and in hand		4,280,545		2,075,840	
		<u>11,583,151</u>		<u>7,357,819</u>	
Creditors: amounts falling due within one year	14	(4,028,165)		(2,174,329)	
Net current assets		<u>7,554,986</u>		<u>5,183,490</u>	
Total assets less current liabilities		<u>14,163,263</u>		<u>11,853,768</u>	
Creditors: amounts falling due after more than one year	15	(3,019,427)		(1,890,087)	
Provisions for liabilities	18	(406,026)		(293,779)	
Deferred income		<u>(7,025,609)</u>		<u>(6,364,615)</u>	
Net assets		<u><u>3,712,201</u></u>		<u><u>3,305,287</u></u>	
Capital and reserves					
Called up share capital	20	100		100	
Share premium account		477,873		477,873	
Other reserves		649,682		654,700	
Capital redemption reserve		48		48	
Profit and loss reserves		<u>2,584,498</u>		<u>2,172,566</u>	
Total equity		<u><u>3,712,201</u></u>		<u><u>3,305,287</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 16 March 2021 and are signed on its behalf by:



KJ Shanahan
Director

SYNECTICS SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	Share capital £	Share premium account £	Other reserves £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 September 2018		100	477,873	660,786	48	1,622,567	2,761,374
Year ended 31 August 2019:							
Profit and total comprehensive income for the year		-	-	-	-	1,043,913	1,043,913
Fair value losses reclassified to profit and loss		-	-	(6,086)	-	6,086	-
Dividends	10	-	-	-	-	(500,000)	(500,000)
Balance at 31 August 2019		100	477,873	654,700	48	2,172,566	3,305,287
Year ended 31 August 2020:							
Profit and total comprehensive income for the year		-	-	-	-	856,914	856,914
Fair value losses reclassified to profit and loss		-	-	(5,018)	-	5,018	-
Dividends	10	-	-	-	-	(450,000)	(450,000)
Balance at 31 August 2020		100	477,873	649,682	48	2,584,498	3,712,201

SYNECTICS SOLUTIONS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	21	4,189,552		3,100,304	
Interest paid		(192,378)		(154,520)	
Income taxes refunded		28,619		33,026	
Net cash inflow from operating activities		4,025,793		2,978,810	
Investing activities					
Purchase of intangible assets		(4,359)		(400,041)	
Purchase of tangible fixed assets		(226,589)		(83,591)	
Proceeds on disposal of tangible fixed assets		5,750		26,964	
Other investments and loans made		(1,500,000)		(1,934,276)	
Proceeds from other investments and loans		-		570,000	
Interest received		54,447		9,746	
Net cash used in investing activities		(1,670,751)		(1,811,198)	
Financing activities					
Proceeds from borrowings		600,744		91,598	
Proceeds of new bank and other loans		600,000		116,347	
Repayment of bank and other loans		(139,492)		(237,237)	
Payment of finance leases obligations		(761,589)		(720,492)	
Dividends paid		(450,000)		(500,000)	
Net cash used in financing activities		(150,337)		(1,249,784)	
Net increase/(decrease) in cash and cash equivalents		2,204,705		(82,172)	
Cash and cash equivalents at beginning of year		2,075,840		2,158,012	
Cash and cash equivalents at end of year		4,280,545		2,075,840	

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies

Company information

Synectics Solutions Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Synectics House, The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QY.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

Going concern

The Financial Reporting Council has issued guidance relating to going concern and liquidity risk in respect of disclosures in the financial statements.

On 11 March 2020, the World Health Organization declared the global coronavirus outbreak to be a pandemic. This has seen significant limitations placed on the movement of goods and people worldwide, with the United Kingdom implementing certain lockdown measures from 23 March 2020. The directors have prepared forecasts for the period for 12 months from the date of signing these financial statements and consider the Company to remain a going concern with no impact on the carrying value of the Company's assets. Resources held, specifically cash balances available, are more than adequate to service the forecasts, the forecasts take account of the ongoing and potential impact of the Covid-19 pandemic upon demand, the Company's operations and commitments.

The directors have therefore concluded that the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt over the ability of the Company to continue as a going concern.

Turnover

Turnover is recognised on the fair value of the consideration received or receivable for services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Supply of service contract revenue is recognised on a straight line basis over the term of the contract. The supply of hospitality service is recognised on the date of supply.

Rental income on assets leased under operating leases is recognised on a straight line basis over the lease term.

Hospitality sales are recognised once the service has been delivered in full.

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Intangible fixed assets other than goodwill

The Company capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following:

- (a) The technical feasibility of completing the development so the intangible asset will be available for use or sale.
- (b) Its intention to complete the development and to use or sell the intangible asset.
- (c) Its ability to use or sell the intangible asset.
- (d) How the intangible asset will generate probable future economic benefits.
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Capitalised development expenditure is amortised on a straight line basis over its useful life, which is 6 years and commences in the year following capitalisation. The directors consider these useful lives to be appropriate because this is the period over which the development costs are expected to give rise to economic benefits. Capitalised development expenditure is not amortised in the year of addition.

All research expenditure and development expenditure that does not meet the above conditions is expensed as incurred.

Computer software

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Purchased computer software	2 to 5 years
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Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	over 50 years
Plant, machinery and integral features	10-15% straight line basis
IT and office equipment	between two and seven years
Motor vehicles	over 5 years

Freehold land is not depreciated.

Land and buildings are accounted for separately even when acquired together.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Revaluation of properties

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or losses, or a revaluation loss exceeds the accumulated revaluation gains recognised in equity, such gains and profit are recognised in profit or loss.

The Company aims to obtain an externally produced valuation every 5 years to ensure the valuation is regularly assessed by a third party.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade and other creditors

Trade and other creditors (including accruals) payable within one year are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For non-depreciable assets measured using the revaluation model, deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Employee benefits

The holiday year end and the financial year are not coterminous. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Leases

The Company as Lessee – Finance Leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the Company substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are expensed as incurred.

The Company as Lessee – Operating Leases

All other leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised on a straight-line basis over the lease term.

The Company as Lessor – Operating Leases

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

Government grants

Government grants are recognised in other operating income at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss.

Deferred income

Deferred income is shown separately on the face of the statement of financial position due to its significant nature. These include an element of deferred income relating to periods greater than one year.

Deferred income is a disclosure departure from "Accruals and Deferred Income". The directors have applied a true and fair override of the Companies Act 2006 as deferred income is the major composition of the balance.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Reserves

Reserves of the Company represent the following:

Share Premium

Consideration received for shares issued above their nominal value net of transaction costs.

Other reserves

The cumulative revaluation gains and losses in respect of land and buildings net of associated deferred tax.

Capital redemption reserve

The nominal value of shares repurchased and cancelled.

Profit and loss account

Cumulative profit and loss net of distributions to owners.

2 Judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements

The Company makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates, assumptions and judgements will, by definition, seldom equal the related actual results. Management have utilised the following significant estimates, assumptions and judgements that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Company capitalises development costs based on the directors assessment of the projects undertaken in the period against the criteria set under FRS102 section 18, as part of this the directors make judgements on the feasibility of such projects and projected revenues. These judgements are based on their knowledge and experience of the industry and historic performance. The directors assess these capitalised development costs annually for impairment using similar judgements.

The Company applies a long-term contract revenue recognition policy based on development and service days required to fulfil the contract. The assessment of the numbers of days required for each stage of the contract is an estimate made by management based on budgets and their experience on previous contracts.

The Company applies a discounting interest to the related party loans to comply with the recognition of financial assets in the statement of financial position. The interest rate applied is based on managements assessment of an appropriate relevant commercial rate for the company for an equivalent loan to a third party.

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

3 Turnover and other revenue

	2020 £	2019 £
Turnover analysed by class of business		
Sale of professional services	20,818,465	20,036,959
Rental income	99,788	85,541
Hospitality sales	62,871	98,727
	<u>20,981,124</u>	<u>20,221,227</u>
	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	17,812,751	17,533,207
Rest of Europe	196,613	-
Rest of World	2,971,760	2,688,020
	<u>20,981,124</u>	<u>20,221,227</u>

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Administration and support	50	67
Technical, research and development	261	241
Catering	48	30
Sales and business development	29	31
	<u>388</u>	<u>369</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	12,177,410	11,599,512
Social security costs	1,222,494	1,140,950
Pension costs	561,112	515,733
Capitalisation of Research and Development	-	(387,670)
	<u>13,961,016</u>	<u>12,868,525</u>

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

5 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	828,770	815,928
Company pension contributions to defined contribution schemes	36,131	35,443
	<u>864,901</u>	<u>851,371</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 8 (2019 - 8).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	160,084	144,506
Company pension contributions to defined contribution schemes	6,125	5,625
	<u>166,209</u>	<u>150,131</u>

6 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Research and development costs	266,550	123,539
Government grants	(359,323)	-
Fees payable to the company's auditor for the audit of the company's financial statements	19,800	17,400
Depreciation of owned tangible fixed assets	223,002	219,681
Depreciation of tangible fixed assets held under finance leases	545,762	612,197
Profit on disposal of tangible fixed assets	(5,750)	(10,059)
Amortisation of intangible assets	457,284	404,607
Operating lease charges	241,981	197,566
	<u>1,483,656</u>	<u>1,564,860</u>

7 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Other interest received	5,000	-
Effective interest received on loans and receivables held at FVTPL	159,101	20,285
Foreign exchange gains	36,380	6,526
Interest receivable from companies under common control	13,067	3,220
	<u>213,548</u>	<u>30,031</u>
Total interest revenue	<u>213,548</u>	<u>30,031</u>

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

8 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and loans	36,361	37,062
Impact of fair value measurement on loans to companies under common control	244,620	171,481
	<u>280,981</u>	<u>208,543</u>
Interest on finance leases, other loans and hire purchase contracts	156,017	114,238
	<u>436,998</u>	<u>322,781</u>

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

9 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	138,496	82,307
Adjustments in respect of prior periods	(15,370)	115
Total current tax	123,126	82,422
Deferred tax		
Origination and reversal of timing differences	17,287	(29,504)
Changes in tax rates	40,920	-
Adjustment in respect of prior periods	54,040	(1,393)
Total deferred tax	112,247	(30,897)
Total tax charge	235,373	51,525

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	1,092,287	1,095,438
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	207,535	208,133
Tax effect of expenses that are not deductible in determining taxable profit	14,086	12,398
Tax effect of income not taxable in determining taxable profit	-	(73,657)
Adjustments in respect of prior years	(15,370)	115
Other timing differences	-	28,727
Deferred tax adjustments in respect of prior years	54,040	(1,393)
R&D enhanced relief	(65,838)	(126,269)
Effect of change in deferred tax rate	40,920	3,471
Taxation charge for the year	235,373	51,525

The standard rate of corporation tax in the United Kingdom for the year was 19% (2019: 19%). The Finance Act 2016 enacted a further reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. However, the Budget which took place on 11 March 2020 confirmed the rate of corporation tax will remain at 19% from 1 April 2020, cancelling the enacted rate reduction to 17%. The 19% rate was substantively enacted on 17 March 2020 when the Budget Provisional Collection of Taxes Act resolution was passed. Deferred tax has therefore been provided at a rate of 19% (2019: 17%).

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

10 Dividends

	2020 £	2019 £
Total dividends	450,000	500,000

Dividends have been paid on each share type at the following rates:

	2020 Per share £	2019 Per share £
'A' Ordinary shares		
Final paid	36.46	41.67
'C' Ordinary shares		
Final paid	37.23	42.55
'D' Ordinary shares		
Final paid	200.00	200.00

11 Intangible fixed assets

	Purchased computer software £	Development costs £	Total £
Cost			
At 1 September 2019	1,987,095	3,178,997	5,166,092
Additions	589,398	-	589,398
At 31 August 2020	2,576,493	3,178,997	5,755,490
Amortisation			
At 1 September 2019	1,634,739	1,926,715	3,561,454
Amortisation charged for the year	161,120	296,164	457,284
At 31 August 2020	1,795,859	2,222,879	4,018,738
Carrying amount			
At 31 August 2020	780,634	956,118	1,736,752
At 31 August 2019	352,356	1,252,282	1,604,638

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

11 Intangible fixed assets (Continued)

The amortisation charge for the year is recognised within administrative expenses.

Included in the carrying value of development costs are the capitalised costs in respect of four (2019: four) software projects. Three (2019: three) of these projects were to enhance an existing product and another for a new product whose capitalisation is supported by future anticipated revenues. The carrying amount of £851,296 (2019: £1,223,425) which has a remaining amortisation period of 1-5 years (2019: 2-6 years) is considered by the directors to be individually material to the Company.

The net book value of purchased computer software includes £752,882 (2019: £307,595) in respect of assets held under loans and finance leases.

12 Tangible fixed assets

	Freehold land and buildings	Plant, machinery and integral features	IT and office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 September 2019	3,164,505	729,109	6,556,633	192,182	10,642,429
Additions	-	195,277	379,372	-	574,649
Disposals	-	-	-	(18,700)	(18,700)
At 31 August 2020	3,164,505	924,386	6,936,005	173,482	11,198,378
Depreciation					
At 1 September 2019	33,900	177,646	5,254,175	111,068	5,576,789
Depreciation charged in the year	33,897	94,905	618,472	21,490	768,764
Eliminated in respect of disposals	-	-	-	(18,700)	(18,700)
At 31 August 2020	67,797	272,551	5,872,647	113,858	6,326,853
Carrying amount					
At 31 August 2020	3,096,708	651,835	1,063,358	59,624	4,871,525
At 31 August 2019	3,130,605	551,463	1,302,458	81,114	5,065,640

Land with a net book value of £1,469,651 (2019: £1,469,651) is not depreciated.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	2020 £	2019 £
Motor vehicles	59,625	79,365
IT and office equipment	1,170,299	1,434,734
	<u>1,229,924</u>	<u>1,514,099</u>

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

12 Tangible fixed assets (Continued)

On 10 August 2018, the Company's freehold land and buildings were re-valued by Mounsey, Chartered Surveyors. The market value method of valuation in accordance with the guidance notes by The Royal Institute of Chartered Surveyors for Asset Valuations was used, which gave rise to a combined valuation of £3,500,000. This valuation was split in the financial statements to freehold land and buildings £3,164,505 and integral fixtures of £335,495.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2020 £	2019 £
Cost	3,192,679	3,192,679
Accumulated depreciation	(549,065)	(468,213)
Carrying value	<u>2,643,614</u>	<u>2,724,466</u>

13 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	2,002,974	1,115,690
Corporation tax recoverable	-	39,528
Other debtors	323,057	279,606
Prepayments and accrued income	2,351,741	2,649,869
	<u>4,677,772</u>	<u>4,084,693</u>
Amounts falling due after more than one year:		
Other debtors	<u>2,624,834</u>	<u>1,197,286</u>
Total debtors	<u>7,302,606</u>	<u>5,281,979</u>

Other debtors included an amount of £2,624,834 which is due on 30 June 2021 but the directors have confirmed that they have no intention in obtaining repayment for at least 12 months after its due date.

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

14 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans	16	145,510	121,675
Obligations under finance leases and hire purchase contracts	17	655,642	577,045
Other loans	16	68,720	67,731
Trade creditors		388,934	474,557
Corporation tax		112,217	-
Other taxation and social security		1,947,723	573,100
Other creditors		278,561	220,697
Accruals and deferred income		430,858	139,524
		<u>4,028,165</u>	<u>2,174,329</u>

15 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Bank loans	16	1,510,807	1,066,258
Obligations under finance leases and hire purchase contracts	17	1,493,619	799,962
Other loans	16	15,001	23,867
		<u>3,019,427</u>	<u>1,890,087</u>

16 Borrowings

	2020 £	2019 £
Bank loans	1,656,317	1,187,933
Other loans	83,721	91,598
	<u>1,740,038</u>	<u>1,279,531</u>
Payable within one year	214,230	189,406
Payable after one year	<u>1,525,808</u>	<u>1,090,125</u>

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

16 Borrowings (Continued)

The bank loan is repayable by monthly instalments until 2022, with a final balancing payment sufficient to repay the loan in full. The loan bears interest at a rate of 2.25% above the base rate. The base rate was 0.1% at 31 August 2020.

The bank loans and overdraft facility are secured by legal charges held over the Company's freehold land and buildings, by a fixed and floating charge over all current and future assets of the Company.

Included above is an amount owing in relation to the Coronavirus Business Interruption Loan scheme. This loan is 80% guaranteed by the UK government. The remaining 20% is secured against legal charges held over the company's freehold land and buildings. The loan bears interest at a rate of 3.62% above the base rate. The base rate was 0.1% at 31 August 2020.

17 Finance lease obligations

	2020	2019
	£	£
Future minimum lease payments due under finance leases:		
Less than one year	655,642	577,045
Between one and five years	1,493,619	799,962
	<u>2,149,261</u>	<u>1,377,007</u>

Finance lease payments represent rentals payable by the company for certain assets. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

18 Provisions for liabilities

	2020	2019
	£	£
Deferred tax liabilities	<u>406,026</u>	<u>293,779</u>

The major deferred tax liabilities and assets recognised by the company are:

	2020	2019
	£	£
Accelerated capital allowances	398,105	255,059
Other timing differences	4,435	4,667
Capital gains	38,060	34,053
	<u>440,600</u>	<u>293,779</u>

The deferred tax liability set out above is expected to reverse within the next ten years.

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

19 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	561,112	515,733

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £91,455 (2019: £84,832) were payable to the fund at the year end and are included in other creditors.

20 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
4,800 'A' Ordinary shares of 1p each	48	48
4,700 'C' Ordinary shares of 1p each	47	47
500 'D' Ordinary shares of 1p each	5	5
	100	100

All shares rank pari passu except for the ability to pay different dividend rates.

21 Cash generated from operations

	2020 £	2019 £
Profit for the year after tax	856,914	1,043,913
Adjustments for:		
Taxation charged	235,373	51,525
Finance costs	436,998	322,781
Interest receivable	(213,548)	(30,031)
Gain on disposal of tangible fixed assets	(5,750)	(10,059)
Amortisation and impairment of intangible assets	457,284	404,607
Depreciation and impairment of tangible fixed assets	768,764	831,878
Increase in deferred income	660,994	510,645
Movements in working capital:		
(Increase)/decrease in debtors	(645,674)	186,386
Increase/(decrease) in creditors	1,638,197	(211,341)
Cash generated from operations	4,189,552	3,100,304

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

22 Analysis of changes in net funds/(debt)

	1 September 2019 £	Cash flows £	31 August 2020 £
Cash at bank and in hand	2,075,840	2,204,705	4,280,545
Borrowings excluding overdrafts	(1,279,531)	(460,507)	(1,740,038)
Obligations under finance leases	(1,377,007)	(772,254)	(2,149,261)
	<u>(580,698)</u>	<u>971,944</u>	<u>391,246</u>

23 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	222,849	141,868
Between one and five years	370,661	114,884
	<u>593,510</u>	<u>256,752</u>

Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2020 £	2019 £
Within one year	38,983	74,249
Between one and five years	-	15,064
	<u>38,983</u>	<u>89,313</u>

24 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2020 £	2019 £
Aggregate compensation	<u>2,102,549</u>	<u>1,713,032</u>

Included in the above figures is employer's national insurance of £208,345 (2019: £160,516).

SYNECTICS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

24 Related party transactions (Continued)

Transactions with related parties

During the year the company entered into the following transactions with related parties:

At the year end £nil (2019: £33,909 owed to) is owed from a charitable foundation which CA Shanahan is trustee. A donation of £34,788 was made to this charitable foundation during the year (2019: £6,909). During the year the company paid for £126,454 (2019: £16,529) of expenditure on behalf of the related party and received £125,575 (2019: £nil) for sales on behalf of the related party.

Rental income of £11,200 (2019: £4,800) was received in the period from a related party of one of the directors. At the period end £1,440 (2019: £480) was outstanding from this party.

In the prior period the Company entered into a loan facility with a company under common control allowing the company under common control to draw funding of up to £3,000,000 (2019: £3,000,000) up to 30 June 2021 at an interest rate of 0.75% or 0.25% or 0.1%, and provided an unconditional letter of support to the entity to the period ended 30 June 2020. A balance of £2,726,137 (2019: £1,364,277) is owed by the company under common control at the year end, interest of £13,067 (2019: £3,220) has been charged in the period on this loan. In line with accounting standards the loan has been discounted at a market rate of interest to £2,624,834 (2019: £1,211,337) at the period end. In addition to the loan purchases of £65,325 (2019: £22,729) and sales of £nil (2019: £1,884) have been made to the entity.

25 Directors' transactions

Dividends totalling £450,000 (2019: £500,000) were paid in the year in respect of shares held by the company's directors.

During the year a director purchased a motor vehicle from the company for £nil (2019: £15,000). The motor vehicle had a carrying value of £1,336 at the time of sale.

Amounts owed to directors at the year end totalled £167,696 (2019: £90,677) and amounts due from directors at the year end totalled £8,185 (2019: £155,3300).

There are no set repayment terms or interest charged on directors' loans.

During the year, the company has loans outstanding as follows:

	Maximum outstanding		Loans	
	2020	2019	2020	2019
	£	£	£	£
KJ Shanahan	77,665	308,055	(48,704)	77,665
CA Shanahan	77,665	308,055	(48,704)	77,665
RA Moorhouse	29,526	-	(70,288)	(90,677)
KM Beardmore	9,664	1,068	8,185	-
	<u>194,520</u>	<u>617,178</u>	<u>(159,511)</u>	<u>64,653</u>

26 Ultimate controlling party

The company is controlled by Mr KJ Shanahan and Mrs CA Shanahan.