

Synnovia Limited

Annual Report and Financial Statements

For the year ended 31 March 2024

Synnovia Limited

Strategic Report

For the year ended 31 March 2024

The Directors present their Strategic Report of Synnovia Limited ("the Group" or "Synnovia") for the year ended 31 March 2024.

Fair review of the business

Between October 2022 and August 2023, the business suffered from a drop in sales volumes across all companies in the Group. This was caused by a global economic slowdown and the energy crisis in the UK. The business outlook is improving, and sales volumes are increasing, but FY2024 was a year of transition out of the dip.

The drop in customer volumes commenced suddenly during the October-December 2022 period and continued for another eight months. By December 2022 it became clear that this was not a short-term dip and therefore the cost-base of the business needed to be adjusted. The Group undertook a significant restructuring exercise to realign the cost base and correct the pricing structures in each business. This restructuring exercise was completed throughout the course of FY2024, resulting in significant exceptional costs throughout the Group.

Turnover during the current year was £75.6m compared to £89.5m in the prior year – a decrease of £13.9m (15.5%). £6.2m of this reduction was due to commodity price movements impacting the average selling price (ASP) of products in our film division. This pricing mechanism is a direct pass through from supplier to customer, so it does not impact profitability. The remaining £7.7m (8.6%) reduction was volume related.

Volumes have been slowly recovering since October 2023, and although FY2024 trading levels were below that experienced in FY2023, the profitability conversion of the Group is much improved. Synnovia now has an efficient cost-base which will ensure it benefits from profits generated through further growth in volumes.

The results for both 2023 and 2024 were depressed by the sudden shift in market forces causing volume reductions across all companies in the group. The Synnovia Board and shareholders are confident in the Group's ability to improve profitability significantly in future years, following the full restructuring process that has taken place.

Although disappointing, the downturn was a temporary one and volumes are now returning to normal levels post year end. The Group is now in a strong position to benefit from increasing volumes, but with a lower fixed cost base and updated pricing that reflects recent inflationary increases in costs.

Synnovia Limited

Strategic Report (Continued)

For the year ended 31 March 2024

Principal risks and uncertainties

The Group, like all businesses, is exposed to risks and uncertainties that could impact its financial performance or reputation. The responsibility for risk management and internal control lies with the Board. The Group operates a robust risk management framework, and through the application of reasoned judgement the Board uses this to balance risk with business opportunities.

The principal risks that Synnovia faces are:

- Adverse currency movements impacting profitability - Synnovia invoices customers in several different currencies, including US Dollars, Euros and Japanese Yen. Similarly, Synnovia's costs are paid in several different currencies. As a result, Synnovia is subject to foreign currency exchange risk. These risks are mitigated to a certain degree through the matching of different currency revenue receipts with supplier payments. Any remaining exchange rate exposure risk is managed regularly through currency forward hedges.
- Intellectual property protection - Synnovia's success depends in part on protecting its intellectual property. Synnovia relies on its technological know-how, established over many years, to maintain its leading position. This intellectual property is closely guarded through trade secrets and contractual provisions. In addition, Synnovia will initiate claims or litigation against third parties for infringement of its proprietary rights or to establish the validity of its proprietary rights.
- Bad debt risk – there is a risk that Synnovia is exposed to bad debts particularly as it sells to a number of different end markets covering approximately 80 countries. To mitigate the risk, management continually assess customers to determine what level of internal credit should be given based on previous trading history, the current financial information available and external credit reports. The level of bad debts experienced to date has been very low.
- Raw material prices – Synnovia is exposed to raw material price increases. Flexipol has been exposed to significant price fluctuations tied into recognised commodity pricing indices. This allows Flexipol to pass through price movements to customers without long-term impact to gross margin. Other businesses in the group historically had little history of raw material price increases but this has not been the case in the last two years. To mitigate the risk, management implemented appropriate price increases to pass through the raw material cost, and these are regularly reviewed and updated as necessary. The Group's risk to raw material prices has therefore reduced during 2024 as a result of these improved procedures.
- Energy prices – Synnovia operates a variable price energy contract which allows the Group to monitor and purchase energy at flexible points during the financial period, benefitting from low market prices as they occur in real time. Customer prices are adjusted where possible to pass on the impact of high energy costs.
- Supply chain risk – Shipping availability and cost is considered to be a lower risk than in prior years but this can change quickly so this is still monitored regularly. General supply chain issues such as reliance on a single supplier is also monitored and alternate supply options are sought for every critical material or product that the Group uses.
- Critical infrastructure failure / major cyber-attack – like many other businesses, it is critical for Synnovia to have the right business continuity plans in place to continue trading in the event of a critical failure in infrastructure such as a major systems outage, equipment failure or a major cyber security attack. Each subsidiary has a disaster recovery plan in place and Synnovia continues to invest in IT and security software.

Synnovia Limited

Strategic Report (Continued)

For the year ended 31 March 2024

Going concern

The Board regularly reviews and updates forecasts covering the forthcoming 12 months and the next 5 years. The funding requirements of the Group is also considered, including a review of headroom and covenants.

The latest forecasts demonstrate a recovery of sales volumes in the next two years, together with a well-controlled cost base. This recovery will generate good profit returns and cash. There are no concerns around the Group's funding position; good cash headroom is demonstrated throughout.

The directors confirm that they believe there are no material uncertainties in respect of the going concern position for the foreseeable future.

Key performance indicators

The Group uses a number of key financial measures to assess its performance. These include sales growth, gross margin, adjusted EBITDA, net debt and working capital as a percentage of sales. The Group uses adjusted EBITDA as its key performance measure as management believe that this provides the clearest view of the business' underlying performance. In relation to the KPIs which Synnovia monitors, the comparisons with the previous year are as follows:

- The group adjusted EBITDA (earnings before interest, taxation, depreciation, amortisation, exceptional items and impairment) increased from £2.15m in FY2023 to £2.26m in FY2024, despite the reduction in turnover in the year. EBITDA % turnover for the current year was 3.0% compared to 2.4% for the prior year.
- Gross margin (defined as gross profit divided by sales) was 25.6% in FY2024 (25.3% in FY2023).
- Third party net debt (defined as bank debt, hire purchase, other loans and overdrafts less cash) decreased by £3.6m from £14.6m at 31 March 2023 to £11.0m at 31 March 2024. Net debt was reduced through the replacement of third-party debt with shareholder loans. This was a deliberate decision taken by the shareholders to reduce business risk.
- Working capital as a % of sales (defined as stock, trade debtors, other debtors and prepayment less trade creditors, other taxation & social security, other creditors and accruals divided by sales) decreased by 3.0% from 10.6% in FY2023 to 7.4% in FY2024. This decrease was a result of significant focus on reducing the working capital cycle with all businesses in the Group.

Synnovia Limited

Strategic Report (Continued)

For the year ended 31 March 2024

Environmental matters

We are pleased to report that for the first time, Synnovia holds carbon neutral status for the year ended 31 March 2024.

Synnovia has been proactive in measuring and reducing its carbon footprint. There was an exceptional spike in gas usage during the year due to the commencement of a new production process in Flexipol. This process has been refined and gas usage has now reduced back to previous levels. Scope 1 usage has reduced in travel and LPG which was a conscious effort to be more energy efficient. Compared to the baseline year, the Group shows significant improvement, and we are targeting year on year improvements going forwards. Going forwards, any new production processes will be assessed to ensure maximum energy efficiency is being adopted prior to commencement.

We see waste as the key opportunity for continued improvement. In our effort to support the vision for a circular economy for plastics, we focus our efforts on three areas of waste management.

- "Waste not, want not" - we are committed to increasing internal recycling of our waste. Internal plastic scrap represents about 10% of our plastic usage. Our goal is to increase the recycling of this scrap from 3.0% of plastic used to 7.5% of total plastic used. The remaining 2.5% is likely to go to recycling or synthetic fuel as we cannot currently re-use it, but we constantly review this for new methods of recycling.
- We continually target ways to reduce our overall scrap levels through better working practices, increased efficiencies and lower material usage.
- Customer assistance - where possible, we facilitate improved recycling by our customers and advising them about more sustainable alternatives; thinner/stronger materials being the most obvious opportunity at present.
- Material development - Synnovia is committed to providing the best performing, most sustainable products to address our customers' needs. We continually research and assess alternative materials to ensure our engineered solutions offer the best performance possible using the most suitable materials.

Synnovia is also involved with R&D programmes with other companies and higher education institutions to create more environmentally friendly compounds and materials for the future.

Employee involvement

The Group's policy is to consult and discuss with employees, through staff meetings, matters likely to affect employees' interests and matters of concern to employees.

The Group's policy is to give disabled individuals and members of minority groups, a full and fair consideration for all vacancies. Employees who become disabled during their working lives will be retained in employment wherever possible and will be given help with any necessary rehabilitation or training.

Synnovia Limited

Strategic Report (Continued)

For the year ended 31 March 2024

Statement of how the directors have complied with s172 of the Companies Act 2006

The Directors act in good faith to promote the success of the Group for the benefit of its members as a whole and have developed a range of Core Values to which we adhere. The Strategic Report and Directors Report describe the activities of the Directors in detailed areas.

Our core values are those values we hold which form the foundation on how we perform work and conduct ourselves. In an ever-changing world, our core values are constant. They are not descriptions of the work we do, but rather these values underly our work, how we interact with each other, and which strategies we employ to fulfil our goals. The core values are the basic elements of how we go about our work. They are the practices we use every day in everything we do.

Our core values are:

Creating Value

- We start with the customer and work backwards
- We know that innovation is our life blood
- We strive for win-win with all stakeholders

Building Teams

- We lead by giving our teams the space to operate and the support to deliver
- We strive for win-win with all stakeholders
- We encourage collaboration, good humour and a positive mind- set at all times

Developing individuals

- We feel and act like long term owners
- We understand that failure and improvement go together so long as grit is sandwiched in-between
- We are all Synnovia

On behalf of the board



G Clark
Director

Date: 23/12/2024
Date:

Synnovia Limited

Directors' Report

For the year ended 31 March 2024

The directors present their annual report and financial statements for the year ended 31 March 2024.

Principal activities

The principal activity of the Group continued to be that of a manufacturer of high volume specialised components and consumables for niche applications or highly specialised designs. The Company operates as a holding company.

Results and dividends

The results for the year are set out on page 15.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

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

| | |
|---------------|------------------------------|
| F Rahmatallah | |
| W Barker | |
| C Andersson | (Resigned 8 August 2023) |
| J Wilkinson | (Resigned 1 October 2023) |
| G Clark | |
| A Green | (Appointed 19 February 2024) |

Post reporting date events

On 17 July 2024, Channel Creasing Matrix, Inc. (a subsidiary of Plastics Capital Trading Ltd) entered into an agreement with Freeman Manufacturing & Supply Company to sell substantially all its assets and liabilities for a consideration of \$3,150,000 plus the book values of inventory, accounts receivable and fixed assets.

Energy usage

Synnovia has appointed Carbon Footprint Ltd, a leading carbon and energy management company, to independently assess its Greenhouse Gas (GHG) emissions in accordance with the UK Government's *'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'*.

During FY2024, in relation to emissions made and energy consumed within the UK, Synnovia emitted the equivalent of 3,675 (2023: 3,244) tonnes of carbon dioxide for which it was directly or indirectly responsible and also consumed energy of 16,811,042 (2023: 13,974,900) kilowatt hours (kWh).

The calculation methods used in determining the amounts of emissions and energy consumption is ISO 14064-1:2018, following the financial control approach.

There are two ratios that express the company's annual emissions associated with the company's activities. These are:

- Tonnes of CO2 equivalent emitted per employee during the year were 9.79 (2023: 7.48); and
- Tonnes of CO2 equivalent emitted per £m turnover during the year were 48.61 (2023: 36.26).

Streamline Energy and Carbon Reporting

Synnovia is committed to reporting in accordance with the Streamlined Energy and Carbon Reporting (SECR) requirements as per the Companies Act 2006.

The group has disclosed some scope 3 emissions but not all (disclosing the mandatory disclosure items under SECR guidance).

Synnovia Limited

Directors' Report (Continued)

For the year ended 31 March 2024

| Energy consumption | 2024 kWh | 2023 kWh |
|--|-----------------------------------|-----------------------------------|
| Aggregate of energy consumption in the year | 16,811,042 | 13,974,900 |
| | <hr/> | <hr/> |
| Emissions of CO2 equivalent | 2024 metric tonnes | 2023 metric tonnes |
| Scope 1 - direct emissions | | |
| - Gas combustion | 494.16 | 234.48 |
| - Fuel consumed for owned transport | 24.42 | 34.99 |
| - Propane | 4.99 | 20.03 |
| - Owned vans | - | 8.80 |
| - Refrigerants | 2.67 | 0.39 |
| | <hr/> | <hr/> |
| | 526.24 | 298.69 |
| Scope 2 - indirect emissions | | |
| - Electricity purchased (location based) | 2,877.91 | 2,680.33 |
| Scope 3 - other indirect emissions | | |
| - Fuel consumed for transport not owned by the company | 21.98 | 19.44 |
| - Electricity transmission and distribution (location based) | 248.99 | 245.19 |
| | <hr/> | <hr/> |
| | 270.97 | 264.63 |
| | <hr/> | <hr/> |
| Total gross emissions | 3,675.12 | 3,243.65 |
| | <hr/> | <hr/> |
| Intensity ratio | | |
| tCO2e (location based) per UK-based employee | 9.79 | 7.48 |
| | <hr/> | <hr/> |

Quantification and reporting methodology

The GHG emissions assessment follows the ISO 14064-3 (2019) standard and has used the 2023 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the dual reporting approach for assessing Scope 2 emissions from electricity usage. The operational control approach has been used.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per employee, the recommended ratio for the sector.

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Directors' Report (Continued)

For the year ended 31 March 2024

Measures taken to improve energy efficiency

All sites have half-hourly meters installed to enable accurate measurement of energy usage and cost.

Production planning focuses on efficiency of both labour and energy usage by ensuring that production takes place in an organised way, that downtime is minimised and that equipment is not left idle and running. Efficient use of compressors and extruders is also promoted as these are energy intensive items of equipment.

The Group have installed LED lighting throughout all sites, and have also commenced a review of using DC versus AC motors where appropriate and voltage optimisation technology which will reduce the kWh usage of our production assets in the future.

In addition to meeting all statutory reporting requirements, Synnovia have again used external certification bodies to document and assess energy and carbon usage, maintaining certification as a CO2e Assessed organisation, with documented ongoing improvement plans.

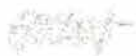
Auditor

The auditor Moore Kingston Smith LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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 auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



G Clark
Director

Date: 23/12/2024
Date: