

9 March 2017

## **SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC**

(“Symphony”, the “Company” or “the Group”)

The information communicated within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is considered to be in the public domain

### **Preliminary Results for the year ended 31 December 2016**

Symphony Environmental Technologies Plc (AIM: SYM and NASDAQ OTC: SEPTY), a global specialist in products and technologies that “make plastic smarter”, is pleased to announce its preliminary results for the year ended 31 December 2016.

#### **Highlights**

- Revenues increase by 6.8% to £6.80 million (2015: £6.37 million)
- Gross profit increases by 16.3% to £3.41 million (2015: £2.93 million)
- Operating profit before non-recurring costs of £0.20 million (2015: loss £0.97 million)
- Non-recurring costs of £0.05 million (2015: £1.31 million)
- Profit before tax of £0.12 million (2015: loss £2.30 million)
- Profit after tax of £0.17 million (2015: loss £3.33 million)
- Basic earnings per share of 0.11p (2015: loss per share 2.26p)
- Operating performance ahead of market expectations

#### **Post year-end**

- Launch of d2p anti-microbial gloves and UK product listing
- Launch of d2p-treated water pipes

#### **Nirj Deva DL, FRSA, MEP, Chairman of Symphony, said:**

I am very pleased to report a profit before tax of £123,000. This positive performance compares well with the loss of £2.3 million reported in 2015. This result was achieved by an increase in revenues to £6.80 million (2015: £6.37 million) and resultant 16.3% increase in gross profits to £3.41 million, but in particular, a substantial reduction in overheads.

During the year, d2w continued to generate the majority of its revenues in markets mainly outside of Europe. The political momentum has been encouraging in several overseas territories where governments aim to resolve the plastic litter crisis, as regularly highlighted in the media. As communicated by me last year, the opportunities for d2w oxo-biodegradable technology remain good even though Symphony’s investment levels in the technology have reduced. d2w remains the only oxo-biodegradable technology to have an Eco-label, a Life Cycle Assessment, and reports on Recycling Studies, Bio-degradation and Eco-toxicity on land and in the sea. d2w oxo-biodegradable technology fits well with the circular economy as well as overall strategies to improve the environment.

We also advised last year that your Board intended to focus more on delivering products and technologies that will create value for shareholders in the near term. For our d2p “designed to protect” range, we have progressed significantly, and our suite of technologies now includes anti-fungal, anti-bacterial, odour absorber, insecticide and flame-retardants. We have now begun commercialising d2p anti-microbial gloves and d2p anti-microbial water pipes, with launches announced for early 2017. These product developments have been the result of an extensive pipeline of activities over the last three years, and we are planning further technology commercialisations in the short term.

We have a valuable asset in our global distributor network and are working with them and their customers to develop products as well as selling the completed technologies through them.

The Board would like to thank its management, distributors and staff for all their hard work over the last year and we look forward to further progress in 2017.

***N Deva DL FRSA MEP***  
**Chairman**

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## **Chief Executive's review**

In the year under review we achieved an increase in sales, gross and net profit - and all from a lower cost base. Sales of d2w products continued to account for the greater part of turnover, with the majority exported outside Europe in US and Euro currencies.

### **d2w Controlled-life Plastic Technology**

The Group has continued to invest in enhancing its credentials for oxo-biodegradable plastic technology. Within the period, two new international recycling studies were completed that further evidenced that plastic products made with d2w could be safely recycled with normal plastic, and are not harmful to the recycling process nor to products made with the recycled raw material. An additional two biodegradation studies were also completed that showed that plastics made with d2w technology would safely and harmlessly degrade and biodegrade in both the terrestrial and marine environments. These further studies and reports are being used when presenting d2w as a viable and credible option for resolving the many issues caused by plastic leakage on land and into the oceans. Plastic products made with d2w technology have been proven not to leave micro-particles of plastics in the environment - which is a major topic of concern.

The global momentum forcing change in current waste management practices, together with a need to resolve plastic leakage into the environment, has created more interest and opportunities for products made with d2w controlled-life plastic technology. In both corporate and political situations, Symphony has seen, and is continuing to see, a substantial increase in activity.

### **d2p "Designed to Protect"**

As reported in earlier announcements, Symphony has expanded its product-offering to new and existing customers for its d2p technologies.

We have more than 100 live projects in development with a wide range of customers and potential customers from the majority of our global distribution network. These projects include anti-fungal, anti-bacterial, odour absorber, insecticide and flame retardant masterbatches and finished products.

As previously advised, some of these technologies may require regulatory clearance before commercial use in some countries, and the Group is working hard to obtain these with our distributors.

## **Trading results**

Group revenues were 6.8% higher at £6.80 million (2015: £6.37 million) with an increased gross profit margin at 50.1% from 46.0% in 2015, driven mainly by a more profitable sales mix and favourable currency movements. As a result, the contribution from gross profit increased by 16.3% to £3.41 million from £2.93 million in 2015.

Recurring administrative expenses decreased by 17.6% to £3.03 million (2015: £3.68 million) due to cost reductions as part of a strategic review completed in early 2016. Non-recurring administrative expenses of £0.05 million were incurred as part of the implementation this review, following the non-recurring costs in 2015 which were £1.31 million, and included a £1.28 million impairment charge relating to development cost within intangible fixed assets and £0.03 million relating to staff costs.

The Group's operating profit before non-recurring items was £0.20 million - an improvement of more than £1.17 million compared with 2015. Even when taking into account the non-recurring items, the Group made an operating profit of £0.15 million in 2016 compared to an operating loss of £2.29 million in 2015. This resulted in a profit before tax of £0.12 million in 2016 (2015: loss £2.30 million).

The taxation credit of £0.05 million is in respect of a Research and Development ("R&D") tax credit. The 2015 tax charge of £1.03 million comprises a deferred tax asset impairment of £1.14 million and an R&D tax credit of £0.11 million.

The Group therefore reports a profit for the year of £0.17 million (2015: loss £3.33 million) with basic earnings per share of 0.11 pence (2015: loss per share 2.26 pence).

The Group's primary selling currency is the US Dollar and therefore a strong dollar is beneficial for the Group. The Group self-hedges where possible by purchasing in US Dollars, and has banking facilities in place in order to secure rates going forward. As at 31 December 2016, the Group had a net balance of US Dollar assets totalling \$0.91 million (2015: \$0.82 million).

The Board has reviewed its policy on segmental reporting and now consider there is ultimately just one operating segment as define under IFRS8. This is as a result of no material costs being incurred in Waste to Value projects over the last two accounting periods, and having no plans to incur any material costs in that segment going forward. Management reviews the performance of the Group by reference to the total performance of the whole business.

The Group expensed R&D costs of £514,000 in 2016 (2015: £521,000).

### **Balance sheet and cash flow**

The Group had net cash in the bank of £0.26 million at the year-end (2015: £0.12 million) and consumed cash of £0.30 million from operations (2015: cash generated £0.02 million). The increase in cash consumed was as a result of an increase in trade receivables to £1.42 million as at 31 December 2016 (31 December 2015: £0.72 million). The increase in trade receivables was primarily due to a change in terms for one of the Group's major customers from letter of credit to 90-day open account, covered by credit insurance.

The increase in trade receivables was funded by an increase in the Group's trade finance facility to £0.63 million at 31 December 2016 (31 December 2015: £0.16 million). The Group has a £1.50 million trade finance facility with HSBC Bank plc, and the Board do not envisage any working capital constraints should sales materially increase.

### **Outlook**

Our expectations for the short term are that more countries outside Europe will pass legislation in favour of a d2w-type oxo-biodegrading plastic solution, and that other countries who already have legislation will progress their enforcement programs. If these expectations are met, then this should lead to an increase in demand for our d2w products.

As mentioned earlier in this report, we have over 100 customer-led development projects for the wide range of d2p technologies, for both masterbatches and finished products. A good foundation has therefore been created to further increase revenues and profitability going forward.

The Group's focus will continue to be the delivery of products and technologies that create value in the near term for its shareholders.

We expect to build on the positive momentum and are optimistic for a successful year ahead, in an environment that is becoming more receptive to our growing range of technologies and products.

Michael Laurier, Chief Executive

**Consolidated statement of comprehensive income  
for the year ended 31 December 2016**

		2016		2015	
	Note	£'000	£'000	£'000	£'000
<b>Revenue</b>			6,801		6,365
Cost of sales			(3,395)		(3,437)
<b>Gross profit</b>			<u>3,406</u>		<u>2,928</u>
Distribution costs			(176)		(221)
Administrative expenses – recurring		(3,031)		(3,679)	
Administrative expenses – non-recurring		(54)		(1,313)	
Administrative expenses			(3,085)		(4,992)
<b>Operating profit/(loss) – before non-recurring items</b>		199		(972)	
<b>Operating loss – non-recurring</b>		(54)		(1,313)	
<b>Operating profit/(loss)</b>			145		(2,285)
Finance costs			(22)		(16)
<b>Profit/(loss) for the year before tax</b>			123		(2,301)
Taxation			45		(1,031)
<b>Profit/(Loss) for the year</b>			168		(3,332)
<b>Total comprehensive income for the year</b>			168		(3,332)
Basic earnings per share	2		0.11p		(2.26)p
Diluted profit/(loss) per share	2		0.10p		(2.26)p

All results are attributable to the parent Company equity holders. There were no discontinued operations for either of the above periods.

**Consolidated statement of financial position  
as at 31 December 2016**

	<b>2016</b>	2015
	<b>£'000</b>	£'000
<b>Assets</b>		
<b>Non-current</b>		
Property, plant and equipment	<b>298</b>	397
Intangible assets	<b>62</b>	73
	<b>360</b>	470
<b>Current</b>		
Inventories	<b>416</b>	477
Trade and other receivables	<b>1,576</b>	852
Cash and cash equivalents	<b>437</b>	122
	<b>2,429</b>	1,451
<b>Total assets</b>	<b>2,789</b>	1,921
<b>Equity</b>		
<i>Equity attributable to shareholders of Symphony Environmental Technologies plc</i>		
Ordinary shares	<b>1,499</b>	1,499
Share premium	<b>3,533</b>	3,533
Retained earnings deficit	<b>(3,971)</b>	(4,139)
<b>Total equity</b>	<b>1,061</b>	893
<b>Liabilities</b>		
<b>Non-current</b>		
Interest bearing loans and borrowings	<b>2</b>	6
	<b>2</b>	6
<b>Current</b>		
Interest bearing loans and borrowings	<b>808</b>	170
Trade and other payables	<b>918</b>	852
	<b>1,726</b>	1,022
<b>Total liabilities</b>	<b>1,728</b>	1,028
<b>Total equity and liabilities</b>	<b>2,789</b>	1,921

These financial statements were approved by the Board of Directors on 8 March 2017 and authorised for issue on 8 March 2017.

**Consolidated statement of changes in equity  
for the year ended 31 December 2016**

*Equity attributable to the equity holders of Symphony Environmental Technologies plc:*

	Share capital	Share premium	Retained earnings deficit	Total equity
	£'000	£'000	£'000	£'000
<b>For the year to 31 December 2016</b>				
Balance at 1 January 2016	1,499	3,533	(4,139)	893
Loss and total comprehensive income for the year	-	-	168	168
<b>Balance at 31 December 2016</b>	<b>1,499</b>	<b>3,533</b>	<b>(3,971)</b>	<b>1,061</b>
<b>For the year to 31 December 2015</b>				
Balance at 1 January 2015	1,446	3,077	(807)	3,716
Issue of share capital	53	456	-	509
Transactions with owners	53	456	-	509
Loss and total comprehensive income for the year	-	-	(3,332)	(3,332)
<b>Balance at 31 December 2015</b>	<b>1,499</b>	<b>3,533</b>	<b>(4,139)</b>	<b>893</b>

**Consolidated cash flow statement  
for the year ended 31 December 2016**

	Note	2016 £'000	2015 £'000
<b>Operating activities</b>			
Net cash used in operations	4	(343)	(80)
Tax received – R&D tax credits		45	111
<b>Net cash (used)/generated in operating activities</b>		<b>(298)</b>	31
<b>Investing activities</b>			
Additions to property, plant and equipment		(8)	(141)
Additions to intangible assets		(2)	(212)
Proceeds from sale of fixed assets		11	-
<b>Net cash generated/(used) in investing activities</b>		<b>1</b>	(353)
<b>Financing activities</b>			
Repayments of borrowings		-	(650)
Movement in working capital facility		464	15
Movement in finance lease liability		(4)	7
Proceeds from share issue		-	509
Interest paid		(22)	(16)
<b>Net cash generated/(used) in financing activities</b>		<b>438</b>	(135)
Net change in cash and cash equivalents		141	(457)
Cash and cash equivalents, beginning of year		117	585
Foreign exchange losses		-	(11)
<b>Cash and cash equivalents, end of year</b>		<b>258</b>	117

The reconciliation to the cash and cash equivalents as reported in the statement of financial position is as follows:

	2016 £'000	2015 £'000
Loans and receivables:		
Cash at bank and in hand	437	122
Financial liabilities measured at amortised cost:		
Bank overdraft	(179)	(5)
<b>Cash and cash equivalents, end of year</b>	<b>258</b>	117



## Notes to the Preliminary Statement

### 1 Basis of preparation

This preliminary statement has been prepared on the basis of accounting policies consistent with the audited financial statements for the year ended 31 December 2016.

The financial information set out in this report does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015 but is derived from the 2016 accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered in due course. The auditor has reported on the financial statements for the year ended 31 December 2016; its report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and (iii) did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

### 2 Earnings per share and dividends

The calculation of basic earnings per share is based on the profit/(loss) attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options and warrants.

Reconciliations of the loss and weighted average numbers of shares used in the calculations are set out below:

<b>Basic and diluted</b>	<b>2016</b>	<b>2015</b>
Profit/(loss) attributable to equity holders of the Company	<b>£168,000</b>	£(3,332,000)
Weighted average number of ordinary shares in issue	<b>149,939,377</b>	147,616,172
<b>Basic earnings/(loss) per share</b>	<b>0.11 pence</b>	(2.26) pence
Dilutive effect of weighted average options and warrants	<b>15,794,717</b>	-
Total of weighted average shares together with dilutive effect of weighted options	<b>165,734,094</b>	147,616,172
<b>Diluted earnings/(loss) per share</b>	<b>0.10 pence</b>	(2.26) pence

No dividends were paid for the year ended 31 December 2016 (2015: £nil). The effect of options and warrants in 2016 and 2015 are anti-dilutive.

A total of 24,456,500 options and warrants were outstanding at the end of the year which may become dilutive in future years.

### 3 Segmental reporting

The Board has reviewed the requirements of IFRS 8 "Operating Segments", including consideration of what results and information the Board (the Chief Operating Decision Maker) reviews regularly to assess performance and allocate resources, and concluded that all revenue falls under a single business segment. The Directors consider the business does not have separate divisional segments as defined under IFRS 8. The Board assesses the commercial performance of the business based upon a single set of revenues, margins, operating costs and assets.

### 4 Net cash used from operations

	2016 £'000	2015 £'000
Profit/(loss) after tax	168	(3,332)
Adjustments for:		
Depreciation	86	101
Amortisation	13	29
Impairment of intangible assets	-	1,279
Loss on disposal of tangible assets	10	14
Tax credit	(45)	(111)
Impairment of deferred tax asset	-	1,142
Interest expense	22	16
Changes in working capital:		
Inventories	62	99
Trade and other receivables	(724)	584
Trade and other payables	65	99
Cash used in operations	(343)	(80)

### 4 Availability of report and accounts

The Company will advise when copies of the Annual Report and Accounts will be sent to shareholders and be available from the Company's website [www.symphonymenvironmental.com](http://www.symphonymenvironmental.com)

NOTES TO EDITORS:

**About Symphony Environmental Technologies plc**

Symphony has developed a range of additives, concentrates and master-batches marketed as d<sub>2</sub>p, which can be incorporated in a wide variety of plastic and non-plastic products and applications, so as to give them protection against many different types of bacteria, fungi, algae, moulds, insects and fire.

In addition, Symphony has already developed and continues to develop, controlled-life plastic technology which turns ordinary plastic at the end of its service-life into biodegradable materials. It is then no longer a plastic and can be bioassimilated in the open environment in the same way as a leaf. The technology is branded d<sub>2</sub>w® and appears as a droplet logo on many thousands of tonnes of plastic packaging and other plastic products around the world. In some countries oxo-biodegradable plastic is mandatory. For a video of d<sub>2</sub>w® plastic degrading see <http://degradable.net/play-videos/4>.

Symphony has also developed the d<sub>2</sub>Detector®, a portable device which analyses plastics and detects counterfeit products. Symphony's d<sub>2</sub>t tagging and tracer technology is also available for further security. See [www.d2t.net](http://www.d2t.net)

Symphony has a diverse and growing customer-base and has established itself as an international business with 74 distributors around the world. Products made with Symphony's plastic technologies are now available in 97 countries and in many different product applications. Symphony is certified to ISO9001 and ISO14001.

Symphony is a member of The Oxo-biodegradable Plastics Association ([www.biodeg.org](http://www.biodeg.org)) (OPA), the Society for the Chemical Industry (UK), and the Pacific Basin Environmental Council. Symphony actively participates in the Committee work of the British Standards Institute (BSI), the American Standards Organisation (ASTM), the European Standards Organisation (CEN), and the International Standards Organisation (ISO).

Further information on the Symphony Group can be found at [www.symphonyenvironmental.com](http://www.symphonyenvironmental.com)