Symphony Environmental Technologies plc Annual Report and Accounts 2017

www.symphonyenvironmental.com

ANNUAL REPORT AND ACCOUNTS 2017

Symphony Environmental Technologies plc

Making Plastic Smarter

Symphony environmental

Symphony develops and produces a wide range of technologies, to make plastic smarter.

- Symphony is a world leader in controlled-life plastic, and supplies masterbatches and finished plastic products. Our d_2w oxo-biodegradable (OBP) controlled-life masterbatch was the first technology of this type to be awarded an Eco-Label, distinguishing it from all similar products on the market.
- Plastic waste is a global problem which is now dominating the media and concentrating the minds of legislators, companies, NGOs and scientists around the world. Plastic is vital for our food chain because foods are safer and stay fresher when protected in plastic, and this reduces food waste. This is really significant, as one third of the food produced each year is wasted.
- Opponents of plastic have yet to find a viable alternative which goes anywhere near performing as well as plastic for most applications, and have themselves raised concerns about food safety and food waste.
- d_2w is fully consistent with the principles of "Reduce", "Re-use" and "Recycle". It is also the best technology available for our customers, for consumers and for the protection of the environment.
- Symphony has also developed a range of plastic technologies under the d_2p (designed to protect) brand, offering extra protection from bacteria, insects, fungi, algae, odour, fouling, and fire. In addition to these, we have recently developed a corrosion inhibitor and a range of products specifically designed for food packaging. These include an oxygen absorber, ethylene adsorber, odour-adsorber and a release-agent to prevent food sticking to the inside of packaging.
- Finally, our d_2t tag and trace technologies give our customers the ability to check the authenticity of products of all kinds, helping to protect brand owners from counterfeits and fraud.
- Our products are marketed through a network of distributors in nearly 100 countries worldwide.

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Highlights 2017

FINANCIAL HIGHLIGHTS:

- Revenues increase by 21.6% to £8.27 million (2016: £6.80 million)
- Gross profit increases by 17.8% to £4.01 million (2016: £3.41 million)
- EBITDA before R&D increased by 57.9% to £1.20 million (2016: £0.76 million)
- Profit before tax increased by 249.6% to £0.43 million (2016: £0.12 million)
- Profit after tax increased by 156.0% to £0.43 million (2016: £0.17 million)
- Basic earnings per share increased to 0.28p (2016: 0.11p)
- Cash generated from operations £1.03 million (2016: cash used £0.34 million)
- Improved working capital position with net cash of £0.63 million (2016: net debt £0.37 million)
- Distributable reserves of £0.07 million (2016: retained deficit £3.97 million)

OPERATIONAL HIGHLIGHTS:

- Saudi Standards, Metrology and Quality Organisation ("SASO") started enforcing legislation requiring the use of oxo-biodegradable plastic
- Symphony was the first organisation to be awarded the SASO Quality Mark for its d_2w oxo-biodegradable additives and to achieve authorised supplier status for the Saudi Arabian market
- Launched d_2p anti-microbial gloves into Wilko in the UK and several retail outlets in Italy
- Launched d_2p anti-microbial masterbatch for use in water pipes in Pakistan
- Continued significant investment in R&D

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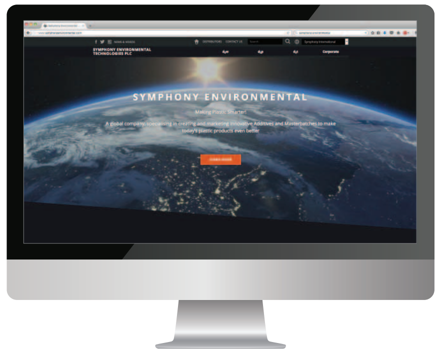


For more information visit:
www.symphonyenvironmental.com

Symphony at a glance

An international company, with presence in nearly 100 countries world wide

Our product information

d_2w – Making Plastic Smarter

The addition of d_2w turns ordinary polymer (at the end of its useful life and in the presence of oxygen) into a material which is biodegradable in the open environment.

d_2w is a masterbatch that is added to polymer during manufacture. It offers seamless integration into the manufacturing process and is added at only 1%, which means little or no extra cost.

d_2w can be made in existing plastic factories, with their existing workforce and machinery.

d_2w meets all the relevant international standards, with proven performance in terms of degradation, biodegradation and eco-toxicity - i.e. British Standard 8472, ASTM D6954, UAE 5009:2009, AFNOR AC T51-808 and SASO Standards.

d_2w has the same characteristics as conventional polymer. It is waterproof, lightweight, strong and flexible.

There is no need to change suppliers – Symphony works with the customer's existing manufacturer to upgrade their production.

d_2w is suitable for food contact according to FDA & EU food contact regulations.

d_2w can be recycled with conventional polymer and it can be made from recyclate.

d_2w has the crucial advantage that if it escapes collection and ends up in the open environment as litter, it will degrade and biodegrade until there is nothing left, in the same way as nature's waste, only quicker and leaving nothing behind. **No Toxic residues and No Microplastics**

Several countries in Africa, Asia and the Middle East have already legislated to require everyday plastic items to be made with oxo-biodegradable (controlled-life) technology, because it works.

www.symphonyenvironmental.com/d2w
www.symphonyenvironmental.com/what-is-d2w-2

d_2w products include:

- Bin liners
- Bottles, tubs and cups
- Bubble wrap
- Carrier bags
- Cling film
- Food packets
- Frozen food packaging
- Garbage sacks
- Gloves and aprons
- Newspaper and magazine wrappers
- Paint ball spheres
- Pallet wrap
- Parachutes
- Shrink wrap

Overview

d_2p is a suite of masterbatches which offer extra protection from bacteria, insects, fungi, algae, odour, fouling and fire. This year the product range has been expanded to include a corrosion inhibitor and a range of products specifically for food packaging, consisting of an ethylene-adsorber, an oxygen-absorber, an odour-adsorber and a release-agent to help prevent food from sticking to the inside of packaging.

am d_2p Anti-Microbial · ca d_2p Odour Adsorber · fr d_2p Flame Retardant · ai d_2p Anti-Insect · ab d_2p Anti-Bacterial · os d_2p Anti-Fouling

Antibacterial
Fights healthcare and food industry infections. Tested against dangerous organisms including MRSA, E-coli, Listeria, Salmonella, Pseudomonas and Aspergillus Niger.

Natural
Antibacterial suitable for use in food and non-food applications. In compliance with FDA Food and Drug Administration, USA and EFSA (European Food Safety Authority) requirements.

Antimicrobial
The primary purpose is to prevent bacterial and fungal contamination whilst preserving the aesthetic and functional properties of the plastic article.

Odour adsorber
Inorganic masterbatches and additives designed to inhibit the development of odours in plastic products and to prevent spoilage of fruit and vegetables.

Insecticide technology
Insecticidal plastic masterbatches used to control pests. Typically used in mosquito nets, agriculture, horticulture, forestry and home applications.

Flame retardant
Flame retardants decrease the ignitability of materials and inhibit the combustion process – limiting the amount of heat released.

Pest control
Rodents can cause dangerous damage to plastic products such as cable insulation, warehouse pallets, non-food packaging and boxes etc. Symphony has developed additive masterbatches with products that repel these pests.

Anti-fouling
Anti-fouling paint is a specialised coating applied to the hull of a ship or boat to reduce the growth of aquatic organisms.

Vapour corrosion inhibitor
d_2p VCI additives are a range of products to be used in protection of surfaces against the corrosion and oxidation of ferrous and non-ferrous metals.

Ethylene, moisture and odour adsorber
Highly active adsorbent masterbatch for the removal of undesirable odours, volatile organic compounds (VOC) and water vapour from plastic packaging to reduce spoilage of fruit and vegetables.

Oxygen absorber
d_2p OA is a powerful inorganic chemical compound, produced from a natural ore and manufactured to a high purity.

Release agent
A modern synthetic product produced from one of the most common of the earth's elements. It plays a key role in the improvement of the flow and processing of resins as well an enhancing the slip and lubricity of plastic products.

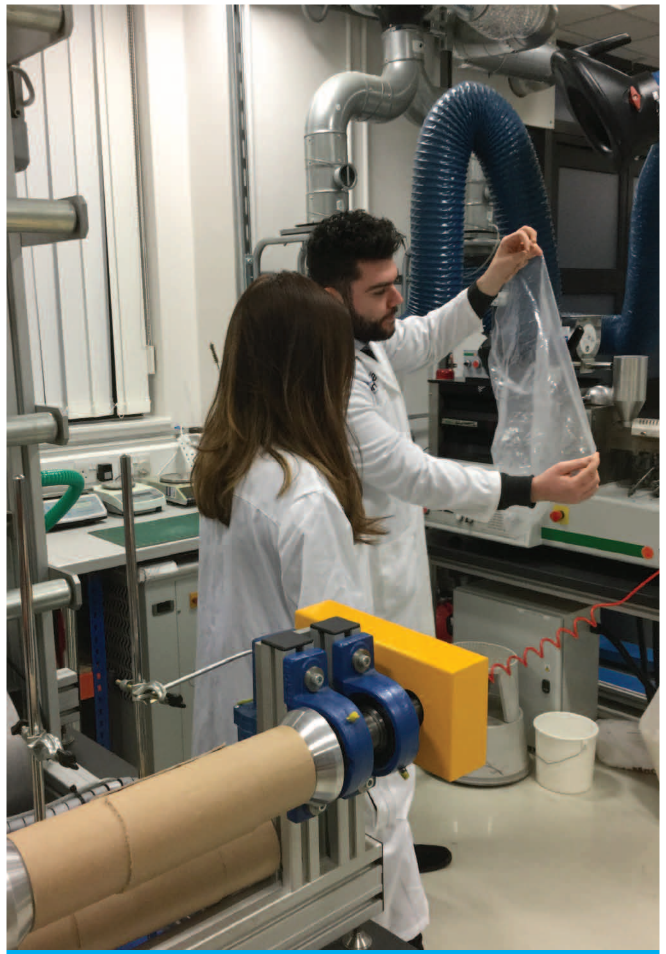
d_2p products include:

- Water pipes and tanks
- Agriculture
- Clothing and accessories
- Gloves
- Credit/debit cards
- Cutting/chopping boards
- Electronic devices
- Flexible food packaging
- Food containers
- Fridges
- Home: roofing, wall cladding and decking, tubing, piping, bed pans
- Kitchen utensils
- Kitchen worktop coating
- Pet food packaging
- Refuse sacks and long-life carrier bags
- Sanitary: toilet seats, shower heads, shower curtains, hand dryers, toothbrush handles
- Sports: ski boots, bowling shoes, insoles
- Transportation: car interiors, tube, train, plane

www.symphonyenvironmental.com/d2p

Chairman's Statement
Nirj Deva, DL, FRSA, MEP

I am very pleased to report a 249.6% increase in profit before tax to £430,000 (2016: £123,000) together with £1.03 million cash generated from operations (2016: cash consumed £0.34 million). With the business now in a net cash position and with its technologies gaining increasing commercial traction, together with elevated political and media coverage, the Group has never been so well positioned in its key markets.



Symphony laboratory

DELIVERING TECHNOLOGY & PRODUCTS

Our d_2w oxo-biodegradable plastic technology fits in perfectly with many governments' core principles of the 3 Rs, *"reduce, re-use, recycle"*. However, unlike ordinary plastics, a plastic upgraded with d_2w technology does not cause the accumulation of microplastics in the environment, as it converts much more rapidly into biodegradable materials.

In addition to making conventional plastic more environmentally friendly, d_2w can be used in some bio-based plastics which would not otherwise degrade in the open environment. This flexibility makes d_2w a vital insurance policy for many types of plastics, some of which inevitably end up in the open environment.

Microplastics are the main concern today, and they are caused by ordinary plastics fragmenting on land and in the oceans. They need to be urgently upgraded with d_2w technology, and this is already being done in the Middle East, Africa and Asia – most recently in Saudi Arabia.

Profit before tax increased by 249%

Over the years we have established a strong distribution network with 74 distributors worldwide. In the year ahead one of the Company's objectives will be to increase its lobbying and marketing to make sure that everyone understands the huge benefits that Symphony's d_2w and d_2p technologies can bring to the environment and human health. Our strategy, as previously reported, was to expand the product range with synergistic technologies which can be offered to the same customer base, and I am pleased to report that this is progressing well.

Revenues for the year increased by 21.6% to £8.27 million (2016: £6.80 million), with gross profits increasing by 17.8% to £4.01 million (2016: £3.41 million). The improved revenue was due to increased sales of d_2w oxo-biodegradable plastic additives in several markets. These markets include South America and the Far East, but momentum has been most apparent in the Middle East, and in particular Saudi Arabia, where legislation requires the use of oxo-biodegradable technology for everyday plastic items made in or imported into the country. Enforcement of the legislation commenced during 2017.

The overall results highlight the operational gearing of the Group. Additionally, the Group effectively removed borrowings from the balance sheet as at year-end which was further enhanced by the completion of a capital-reduction during the second half of the year. This, along with the profit generated in the year, resulted in a consolidated retained-earnings position of £67,000 (2016: deficit £3.97 million).

I would like to thank the distributors, staff and Board for all their hard and effective work in 2017, and we look forward with confidence.

N Deva, DL, FRSA, MEP
Chairman
13 March 2018

Chief Executive's Review

Michael Laurier

I am pleased to report that the year under review saw a continued improvement in the Group's financial performance. Our strategy throughout the year was to engage with governments, NGOs and media globally, explaining to them the benefits of using our growing range of technologies, and in particular, d_2w oxo-biodegradable plastic, which can help to resolve the problem of persistent plastic pollution.

EXPANDING OUR PRODUCT OFFERING

Although Europe is not currently an important market for d_2w, we note that the EU Commission have taken an interest in oxo-biodegradable plastic and have asked the European Chemicals Agency ("ECHA") to consider its environmental credentials. The Commission do not as yet understand that the purpose of oxo-biodegradable technology is not to produce microplastics but to ensure that if plastic does fragment in the open environment it will convert much more quickly into biodegradable materials. We therefore welcome the reference to ECHA. Symphony and the Oxo-biodegradable Plastics Association will be assisting ECHA with all necessary technical information, but we do not expect any conclusions for some time.

The EU has been slow to realise the importance of this issue, as countries in the Middle East and other parts of the world have already legislated to require the use of oxo-biodegradable technology. These countries want plastic fragments to be dealt with quickly and automatically, and not to be left as a problem for future generations.

In Saudi Arabia, the Saudi Standards, Metrology and Quality Organisation ("SASO") started enforcing legislation requiring the use of oxo-biodegradable plastic for a range of locally manufactured and imported plastic products including carrier bags, packaging films and agricultural films. Symphony was the first company to be awarded the SASO Quality Mark for its d_2w oxo-biodegradable additives and to achieve authorised-supplier status for the Saudi Arabian market.

This year saw the completion of two R&D projects for d_2p; being anti-microbial household gloves and plastic water pipes. The anti-microbial gloves were launched into Wilko in the UK, and into several Italian retail outlets. An initial order was also received from the Middle East.

As previously reported, we have many customer-led d_2p development projects, with applications including anti-microbials, insecticide, flame retardant, odour and moisture adsorbers, rodent repellents and corrosion inhibitors.

Trading results

Group revenues increased by 21.6% to £8.27 million from £6.80 million in 2016. Gross profit margins slightly decreased to 48.5% from 50.1% in 2016. As a result, the contribution from gross profit increased by 17.8% to £4.01 million from £3.41 million in 2016. The majority of our revenues derive from d_2w and are earned mainly outside of the EU and the United States.

Costs increased by 6.9% to £3.30 million (2016: £3.10 million) due mainly to increased investment in R&D, lobbying and marketing, with associated travel expenditure into our key operating markets. The Group expensed R&D costs of £625,000 in 2017 (2016: £514,000).

EBITDA before R&D is a key metric for the Board, and it increased by 57.9% to £1.20 million (2016: £0.76 million), showing the underlying profitability of the business as it has moved from a net debt position to a net cash position, and its new technologies continue to be commercialised.

Revenue increases by 21.6% to £8.27 million

EBITDA before R&D is calculated as follows:

Key performance indicator	2017 £'000	2016 £'000
Operating profit	478	145
Add: Depreciation	78	86
Amortisation	16	13
R&D expenditure	625	514
Gross profit margin (%)	1,197	758

Due to the operational gearing of the Group, operating profit increased by 229.7% to £0.48 million from £0.15 million in 2016. This resulted in a 249.6% increase in profit before tax of £0.43 million (2016: profit £0.12 million).

The Group therefore reports a profit after tax for 2017 of £0.43 million (2016: profit £0.17 million) with basic earnings per share of 0.28 pence (2016: 0.11 pence).

The Group's primary selling-currency is the US Dollar and therefore a strong dollar against sterling is beneficial for the Group. The Group self-hedges by purchasing goods in US Dollars, and utilises forward rate agreements to minimise exchange risk. As at 31 December 2017, the Group had a net balance of US Dollar assets totalling $1.08 million (2016: $0.91 million).

Balance sheet and cash flow

The Group had net cash in the bank of £0.63 million at the year-end (2016: net debt of £0.37 million) and had generated cash of £1.03 million from operations (2016: cash used £0.34 million). This was achieved by improving profits as detailed above, together with improved payment terms in one of its main markets. There was a minimal £2,000 hire purchase debt as at the year-end compared to £0.81 million of interest-bearing debt at the end of 2016. The Group also has, if required, a £1.5 million trade finance facility and a further £0.50 million working capital facility with HSBC Bank. The Board do not envisage any working capital constraints as sales increase.

During the second half of the year the Company completed a capital reduction, which eliminated £3.61 million of share premium by transferring this to the credit of retained earnings. Together with the results for the year, the Group's retained earnings were £67,000 (2016: deficit £3.97 million) with Company retained earnings of £1.13 million (2016: deficit £2.71 million).

The Board has considered the possible effects of Brexit on the business and due to its global operations, is comfortable that this should not significantly affect the Group's future prospects.

Outlook

We expect to see an improving business environment where more countries legislate in favour of our type of technology, and with better enforcement in countries where legislation has already been passed.

The desire to find a solution to the plastics problem, and in particular microplastics, has reached tipping point. Our technology is proven, viable and does not significantly increase cost or disrupt the supply chain. This should make our entry into new markets and with new customers much easier than for disruptive technologies.

Our strategy for 2018 is to drive sales through an increased level of communications on a global scale, increasing our social media presence, together with media campaigns, lobbying and direct selling. We will announce these to the market at the relevant times.

We will continue with our R&D programme and maintain progress in commercialising our technologies including, at the earliest opportunity, our d_2p projects, some of which require regulatory clearances, and some require the completion of customer-led product trials.

I would also like to thank all the staff at Symphony and our extended family of distributors for their hard and effective work and their continued commitment to the Symphony vision of being world leaders in "making plastic smarter" technologies and products.

Michael Laurier
Chief Executive Officer

2017 Roundup

Saudi government announced changes to legislation, requiring manufacturers and importers to prove that their products are made with oxo-biodegradable plastic.

In January of 2017 Symphony entered the household glove market with the launch of the UK's first d2p antimicrobial household gloves. This innovative product, sold under the Protector Health and Hygiene brand, had been in development for two years prior to the launch in Wilko Stores nationwide.

Public awareness and concern about harmful bacteria and resistance to antibiotics, has generated an increase in antimicrobial household products, with further sales of antimicrobial household gloves made with d_2p technology in Italy, Israel and the Middle East. There are also more products for 2018, including toothbrushes, water bottles, cling film and food bags.

Staying with d_2p – Dadex Eternit Ltd in Pakistan, who are one of the world leading producers of plastic pipes, signed an exclusive five-year agreement with Business Dynamics, Symphony's distributor in Pakistan, to produce a range of plastic pipes made with d_2p antimicrobial technology - ensuring that the pipes will be free from the accumulation of harmful bacteria and fungi.

The d_2p suite of additives increased this year, and now includes a corrosion inhibitor and a range of products specifically designed for food packaging which includes an oxygen absorber, ethylene adsorber and a release agent to prevent food sticking to the inside of the plastic.

In April 2017, the Saudi government announced changes to legislation, which require manufacturers and importers to prove that their plastic products are oxo-biodegradable. They must use masterbatches which have been approved by SASO (Saudi Standards, Metrology and Quality Organisation).

Riyadh

Symphony Environmental Ltd were the first to be granted a licence by SASO under the new regulations and we are now working with many companies in Saudi Arabia and abroad to make sure that their products comply with the new rules, which cover an extensive list of short-life plastic products.

Around the world, the number of products benefitting from d_2w oxo-biodegradable technology has also recently expanded to include plastic coffee capsules. These capsules were beginning to get a bad reputation by accumulating in the open environment, so much so that the German city of Hamburg banned their use completely in 2016. However – a company in Brazil has developed coffee capsules made with d_2w oxo-biodegradable plastic technology, giving their customers great coffee without the environmental problem.

Finally, the d_2w logo pops up in all sorts of places as more and more companies and organisations are realising the benefit of making their plastic smarter. An eagle eyed visitor on a tour of the Barcelona Football stadium was pleasantly surprised to find d_2w on the red tape, used by the famous football club to seal off areas around the football ground. It's great to know that d_2w is useful even for red-tape.

Corporate Social Responsibility

As an organisation we are dedicated to creating a sustainable future by finding low cost solutions to the world's environmental and public health problems.

Ghana beach cleanup

Symphony is accredited to the environmental standards ISO 14001 and ISO9001 for quality management and environmental responsibility.

Our d_2w oxo-biodegradable additive is the only product of this type to be awarded an internationally accredited Eco-Label, distinguishing it from all similar products on the market.

We carefully monitor the energy we consume as a company and the waste we generate, and we are committed to reducing our energy requirements and waste year on year.

We believe in the principles of the circular economy and are working towards reducing waste and avoiding pollution either by design or intention and embedding these principles into our business models and activities. Our d_2w oxo-biodegradable technology has been specifically designed to be consistent with these principles.

Our offices and laboratories use low-energy lighting and all products and equipment are responsibly sourced. We are committed to recycling and have a dedicated member of staff to monitor our recycling activities, as well as following the principles of reduce, reuse and recycle whenever practicable.

We work (wherever possible) with paperless administration and use the best-practice document-management systems, utilising electronic communications and video conferencing to reduce postal costs and the need for business travel.

Finally, we have production facilities in several locations around the world to minimise the need to transport supplies and to help reduce our carbon-footprint.

As an organisation we are committed to the wider community and regularly support charities and fundraisers. This year we held events to support the MacMillan cancer charity, and Noah's Ark Children's Hospice, as well as taking part in sponsored events and a beach clean-up in Ghana. We also support local schools with their work experience programmes and often welcome students into our laboratory and our administration, sales and accounts departments.

Like most modern businesses, we appreciate that our staff are our greatest asset, and that their success contributes to the success of the company. We are happy to encourage staff in their career development with training courses, seminars and conferences where appropriate and flexible working i.e. job sharing and working from home where possible.

We currently have two staff members completing NVQ qualifications in Accountancy and Office Administration and two students gaining valuable experience in our laboratory as they complete their one-year placement which is an essential part of their science degree courses. We also support overseas students with imilar placements whenever we can, and this year we welcomed students from Germany and Spain.

In addition to all this, we are keen to encourage our distributors around the world to develop and update their skills, regularly hosting conferences and webinars and the sharing of best practice via networking events and the distributor forum on the Symphony website.

Board of Directors

Nirj Deva, DL, FRSA, MEP
Chairman of the Board

BACKGROUND AND EXPERIENCE

Nirj Deva has been a Member of the European Parliament since 1999 and is Vice-chairman of the Parliament's International Development Committee. He is also Chairman of the EU-China Friendship Group. From 1992 to 1997 he was a member of the UK Parliament. He has held a number of senior political appointments and has advised the boards of a number of public companies including International Leisure Group, Air Europe Plc, Tricentrol Oil Co Plc, EDS, Television South West, Thomas Howell Group, John Laing Plc, Aitken Spence, and Rothmans International Plc.

Michael Laurier
Chief Executive Officer

BACKGROUND AND EXPERIENCE

Michael Laurier is the Chief Executive of the Company. Michael's career began with his long established family packaging business, Brentwood Sack and Bag Co Limited. He took over responsibility for sales and production in the mid-seventies and changed the emphasis of the company's business from jute products to polythene packaging, introducing the then innovative high density and medium density polythene bags into the UK market in 1975. He co-founded Symphony Plastics in 1995.

Ian Bristow, FCCA
Chief Financial Officer and Company Secretary

BACKGROUND AND EXPERIENCE

Ian Bristow was in private practice for seven years, qualifying as a Chartered Certified Accountant in 1992. In 1994, he joined Brentapac UK Plc until it was sold in 1994. He went on to co-found Symphony Plastics in 1995.

Michael Stephen, LL.M
Commercial Director and Deputy Chairman

BACKGROUND AND EXPERIENCE

Michael Stephen was a member of the UK Parliament from 1992 to 1997 and was a member of the Trade and Industry Select Committee and the Environment Select Committee of the House of Commons. He is Commercial Director and Deputy Chairman of the plc, and Chairman of its subsidiary companies since 2007. He qualified as a Solicitor with Distinction in Company Law. He was called to the Bar, and practised from chambers in London for many years, dealing with civil cases in the High Court and Court of Appeal.

Nicolas Clavel
Non-Executive Director

BACKGROUND AND EXPERIENCE

Nicolas Clavel started his career in international banking in the mid-seventies and his area of expertise has been structured trade finance and equity investments with a particular focus on Emerging Markets. He is Chief Investment Officer of Scipion Capital Ltd., (the Investment Manager of Scipion African Opportunities Fund SPC). Nicolas is Swiss, and is based in London and Geneva.

Shaun Robinson
Non-Executive Director

BACKGROUND AND EXPERIENCE

Shaun Robinson has nearly 20 years' corporate finance, restructuring and active asset management experience, focusing on operational real estate with key specialities in hotels and healthcare. A Chartered Certified Accountant, Shaun Robinson joined the Somerston Group in 2004 and is responsible for business development, M&A and tax/corporate structuring. Shaun is Executive Director of Somerston Capital, Richmount Management Ltd, Somerston Health and St James' Hotels; and a director of Deutsche Real Estate Fund Advisors, advising to a leading German student housing business.

Strategic Report

Principal activities and business review
The primary business activities of the Group are the development and supply of environmental plastic products to a global market. The Group also supplies other flexible polythene and related conventional products.

A review of the business is given in the Chairman's Statement on page 4 and 5 together with the Chief Executive's Review on pages 6 and 7. Future developments are summarised in the Outlook section of the Chief Executive's Review on page 7.

Key performance indicators
The Directors have monitored the progress of the overall Group strategy by reference to certain financial and non-financial key performance indicators.

Key performance indicator	2017	2016	Method of calculation
Revenue (£'000)	**8,267**	6,801	Revenues for the Group
Gross profit margin (%)	**49%**	50%	The ratio of gross profit to sales
Number of distributors	**74**	73	Number of distribution agreements signed

These are discussed within the Chairman's Statement and the Trading Results section of the Chief Executive's Review

Principal risks and uncertainties
The Directors have identified and continually monitor the principal risks and uncertainties of the Group. These may change over time as new risks emerge and others cease to be of concern. The principal risks of the Group are detailed below.

Foreign exchange risk
The Group sells products in many countries and generates revenues in US Dollars and Euros. Foreign exchange rates fluctuate and, as such, assets created in foreign currencies are liable to constant revaluations into their Sterling equivalent. The Group mitigates this risk by purchasing, where practicable, in currencies to match revenues. The Group also has exchange facilities with its bank to use as and when appropriate.

Competition risk
The Group faces competition from suppliers of similar products which could affect revenues and/or gross margins. The Group mitigates this risk by having a large number of distributors globally who can concentrate on any competition issues within their market, and also by differentiating the Group's products by branding and marketing activities.

Raw material pricing and availability
The Group uses commodity and speciality materials in the make-up of its products. There is a risk of price volatility and material availability. The Group mitigates this risk by using more than one supplier of its products and continually researching separate supply alternatives for the materials used.

BY ORDER OF THE BOARD

I Bristow
Company Secretary
13 March 2018

Directors' Report

The Directors present their report and the audited annual report and accounts of the Group for the year ended 31 December 2017.

The Directors as referred to in these annual report and accounts are the directors of Symphony Environmental Technologies plc only.

Results and dividends
The trading results for the year and the Group's financial position at the end of the year are shown in the attached annual report and accounts.

The profit for the year after taxation amounted to £430,000 (2016: £168,000).

The Directors do not recommend a dividend (2016: £nil).

Research and development
The Group is involved in the research and development of environmental plastic products.

The Directors and their interests
The Directors who served during the year were as follows:

N Deva, DL, FRSA, MEP – Non-Executive Chairman

M Laurier - Chief Executive Officer

I Bristow, FCCA - Chief Financial Officer

M Stephen, LL.M – Commercial Director & Deputy Chairman

N Clavel – Non-Executive Director

S Robinson – Non-Executive Director

The Directors' interests in the shares of the Company are shown in the Remuneration Report.

Directors' responsibilities statement
The Directors are responsible for preparing the Chairman's Statement, the Chief Executive's Review, the Strategic Report, the Directors' Report, the Remuneration Report and the annual report and accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare annual report and accounts for each financial year. Under that law, the Directors have elected to prepare the Group annual report and accounts in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The parent Company's own annual report and accounts continue to be prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland") and applicable laws. Under company law the Directors must not approve the annual report and accounts unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these annual report and accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs or UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual report and accounts; and
- prepare the annual report and accounts on the going concern basis unless it is inappropriate to presume that the Company and Group 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 annual report and accounts 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.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of annual report and accounts may differ from legislation in other jurisdictions.

Directors' Report continued

Going concern
Management have prepared a cash flow forecast for the ensuing twelve months from the approval of the annual report and accounts. Operating results for the start of 2018 have been in line with these forecasts. The Group anticipates sales growth in the forthcoming year after the significant investments made in previous years. Having reviewed the cash flow forecasts and the available headroom within existing facilities the Directors believe that the Group has sufficient cash resources to meet debt obligations as they fall due. For these reasons, the Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing these annual report and accounts.

Corporate governance
The Group is committed to developing and adhering to high standards of corporate governance. As an AIM listed company, Symphony Environmental Technologies plc is not required to and does not apply the UK Corporate Governance Code as issued by the UK's Listing Authority, however, it seeks to follow the principles of good governance as far as management believes it is practical for a Group of its size, nature and circumstances.

Financial risk management policies
The Group's financial risk management policies are detailed in note 3 to the annual report and accounts.

Auditor
A resolution to appoint Mazars LLP as auditor for the ensuing year will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

I Bristow
Company Secretary
13 March 2018

Remuneration Report

Directors' emoluments

	Basic salary £'000	Benefits £'000	2017 Total Emoluments £'000	2016 Total Emoluments £'000
N Deva	16	–	16	16
M Laurier	200	11	211	211
I Bristow	137	5	142	145
M Stephen	137	13	150	161
N Clavel	16	–	16	16
S Robinson	16	–	16	16
	522	29	551	565

The Company has taken out insurance for its officers against liabilities in relation to the Company under Section 233 of the Companies Act 2006.

Directors' interests
The Directors in office at the end of the year, together with their beneficial interests in the shares of the Company, were as follows:

Ordinary Shares of £0.01 each	At 31 December 2017	At 1 January 2017
N Deva	363,925	363,925
M Laurier	23,424,510	23,424,510
I Bristow	1,163,925	1,163,925
M Stephen	1,352,176	933,998
N Clavel	550,000	550,000
S Robinson	11,331,783	10,912,449

Share options and warrants
The Directors have share options and warrants, or interests in share options and warrants as follows:

	Number of share options or warrants	Exercise price (pence per share)	Exercisable from	Exercisable to
N Deva	1,500,000	4.500	26 November 2008	26 November 2018
N Deva	250,000	9.875	18 December 2010	18 December 2019
M Laurier	1,851,500	4.500	26 November 2008	26 November 2018
M Laurier	350,000	9.125	31 March 2010	30 March 2020
I Bristow	3,000,000	4.500	26 November 2008	26 November 2018
I Bristow	280,000	9.125	31 March 2010	30 March 2020
M Stephen	2,000,000	4.500	26 November 2008	26 November 2018
M Stephen	210,000	9.125	31 March 2010	30 March 2020
N Clavel	500,000	4.500	16 October 2009	16 October 2018
N Clavel	250,000	9.875	18 December 2010	18 December 2019
S Robinson	293,260	15.000	09 June 2016	09 June 2018

On 19 April 2017 M Stephen exercised 1,200,000 share options at the exercise price of 6.25 pence per share, the market value of these shares at exercise was 9.75 pence resulting in a gain of 3.5 pence per share.

The above share options and warrants are HM Revenue and Customs unapproved. See note 18 to the annual report and accounts for the terms of the above options and warrants.

Independent Auditor's Report

to the members of Symphony Environmental Technologies plc

Opinion

We have audited the financial statements of Symphony Environmental Technologies plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Balance Sheet, the Company Statement of Changes in Equity and notes to the annual report and account, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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.

Use of the audit 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.

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 group's or the parent 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter – Revenue Recognition

The group's accounting policy in respect of revenue recognition is set out in the accounting policy notes on 'revenue' on page 23.

Under this policy, revenue is recognised when the stated conditions have been satisfied. We have therefore considered revenue recognition in relation to cut off as a significant audit risk.

Our response:

our audit procedures included, but were not limited to:

- assessing the related internal control environment; and
- Substantive test of detail, enquiry of management, and corroboration of explanations provided.

  Substantive sampling procedures included, but were not limited to:

  - selection of sample of transactions pre and post year-end;
  - for each item selected assessing the right to and timing of consideration by reference to shipment or delivery documentation depending on the specific contractual terms.

Our response:

No significant deficiencies in the operation of related controls were detected that required us to revise the nature and/or scope of planned audit procedures. On the basis of our audit procedures, we have not identified any misstatements in the level of revenue and recognised in the financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of identified misstatements on the financial statements, and in forming our audit opinion. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements.

We established materiality based on:

- For the consolidated accounts, group's total revenue is considered appropriate as the group is still at an early stage of generating profits and as such the profit levels are low. We determined the range of financial statement materiality for the consolidated financial statements as a whole to be between £124,000 (representing approximately 1.5% of the group's total revenue) and £86,800 (representing 70% of financial statement materiality).

The range of materiality allocated across components was between £83,360 and £119,090.

- For the parent statutory accounts, total equity is considered appropriate as the company is not meant to be trading and mainly hold investment in subsidiaries. We determined the range of financial statement materiality for the company's financial statement as a whole to be between £71,000 (representing approximatively 4.5% of the total equity) and £50,000 (representing 70% of financial statement materiality).

We agreed with the Audit Committee that we would report to that committee all identified corrected and uncorrected audit differences in excess of £4,000 for the group and in excess of £2,000 for the company (representing 3% of financial statement materiality) together with differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under "Key audit matters" within this report.

Our audit included an assessment of: whether accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify an information that is apparently incorrect, based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Our audit scope included an audit of the group financial statements of Symphony Environmental Technologies plc. The group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, all entities within the group were subject to full scope audit and was performed by the group audit team at the group's main offices in Borehamwood.

Other information

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Independent Auditor's Report

to the members of Symphony Environmental Technologies plc

- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specific 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 13, 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 group's and the parent 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 group or the parent 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Samantha Russell
Senior Statutory Auditor
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Tower Bridge House
St Katharine's Way
London
E1W 1DD

13 March 2018

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Revenue	5		8,267		6,801
Cost of sales			(4,255)		(3,395)
Gross profit			4,012		3,406
Distribution costs			(237)		(176)
Administrative expenses – recurring		(3,297)		(3,031)	
Administrative expenses – non-recurring	6	-		(54)	
Administrative expenses			(3,297)		(3,085)
Operating profit – before non-recurring items		478		199	
Operating loss – non-recurring		-		(54)	
Operating profit	6		478		145
Finance costs	8		(48)		(22)
Profit for the year before tax			430		123
Taxation	9		-		45
Profit for the year			430		168
Total comprehensive income for the year			430		168
Basic earnings per share	10		0.28p		0.11p
Diluted earnings per share	10		0.27p		0.10p

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

The accompanying notes form an integral part of these annual report and accounts.

Consolidated Statement of Financial Position

as at 31 December 2017 - Company number 03676824

	Note	2017 £'000	2016 £'000
Assets			
Non-current			
Property, plant and equipment	11	291	298
Intangible assets	12	47	62
		338	360
Current			
Inventories	15	567	416
Trade and other receivables	16	992	1,576
Cash and cash equivalents	17	631	437
		2,190	2,429
Total assets		2,528	2,789
Equity			
Equity attributable to shareholders of Symphony Environmental Technologies plc			
Ordinary shares	18	1,516	1,499
Share premium	18	-	3,533
Retained earnings/(deficit)	18	67	(3,971)
Total equity		1,583	1,061
Liabilities			
Non-current			
Interest bearing loans and borrowings	19	-	2
Current			
Interest bearing loans and borrowings	19	2	808
Trade and other payables	20	943	918
		945	1,726
Total liabilities		945	1,728
Total equity and liabilities		2,528	2,789

These annual report and accounts were approved by the Board of Directors on 13 March 2018 and authorised for issue on 13 March 2018. They were signed on its behalf by:

I Bristow, FCCA
Chief Financial Officer

The accompanying notes form an integral part of these annual report and accounts.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

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

	Share capital £'000	Share premium £'000	Retained earnings/ (deficit) £'000	Total equity £'000
For the year to 31 December 2017				
Balance at 1 January 2017	1,499	3,533	(3,971)	1,061
Issue of share capital	17	75	-	92
Capital reduction	-	(3,608)	3,608	-
Transactions with owners	17	(3,533)	3,608	92
Total comprehensive income for the year	-	-	430	430
Balance at 31 December 2017	1,516	-	67	1,583
For the year to 31 December 2016				
Balance at 1 January 2016	1,499	3,533	(4,139)	893
Total comprehensive income for the year	-	-	168	168
Balance at 31 December 2016	1,499	3,533	(3,971)	1,061

The accompanying notes form an integral part of these annual report and accounts.

Consolidated Cash Flow Statement

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Operating activities			
Net cash generated/(used) in operations	21	**1,033**	(343)
Tax received – R&D tax credits		**-**	45
Net cash generated/(used) in operating activities		**1,033**	(298)
Investing activities			
Additions to property, plant and equipment		**(84)**	(8)
Additions to intangible assets		**(1)**	(2)
Proceeds from sale of property, plant and equipment		**10**	11
Net cash (used)/generated in investing activities		**(75)**	1
Financing activities			
Movement in working capital facility		**(625)**	464
Movement in finance lease liability		**(4)**	(4)
Proceeds from share issue		**92**	-
Interest paid		**(48)**	(22)
Net cash (used)/generated in financing activities		**(585)**	438
Net change in cash and cash equivalents		**373**	141
Cash and cash equivalents, beginning of year		**258**	117
Cash and cash equivalents, end of year		**631**	258

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

	Note	2017 £'000	2016 £'000
Loans and receivables:			
Cash at bank and in hand	17	**631**	437
Financial liabilities measured at amortised cost:			
Bank overdraft	19	**-**	(179)
Cash and cash equivalents, end of year		**631**	258

The accompanying notes form an integral part of these annual report and accounts.

Notes to the Annual Report and Accounts

1. General information

Symphony Environmental Technologies plc ('the Company') and subsidiaries (together 'the Group') develop and supply environmental plastic additives and products, and develop waste to value systems.

The Company, a public limited company, is the Group's ultimate parent company. It is incorporated and domiciled in England (Company number 03676824). The address of its registered office is 6 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD, England. The Company's shares are listed on the AIM market of the London Stock Exchange.

2. Summary of significant accounting policies

These consolidated annual report and accounts have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union and also as issued by the International Accounting Standards Board (IASB).

These consolidated annual report and accounts have been prepared under the historical cost convention except as started in the accounting policies. Financial information is presented in pounds sterling unless otherwise stated, and amounts are express in thousands (£'000) and rounded accordingly.

The accounting policies have remained unchanged from the previous year.

Consolidation

The consolidated annual report and accounts incorporate those of Symphony Environmental Technologies plc and all of its subsidiary undertakings. Subsidiaries acquired during the year are consolidated using the acquisition method. Under the acquisition method, their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as goodwill. All annual report and accounts are made up to 31 December 2017.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the annual report and accounts of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Going concern

Management have prepared a cash flow forecast for the ensuing twelve months from the approval of the annual report and accounts. Operating results for the start of 2018 have been in line with these forecasts. The Group anticipates sales growth in the forthcoming year after the significant investments made in previous years. Having reviewed the cash flow forecasts and the available headroom within existing facilities the Directors believe that the Group has sufficient cash resources to meet debt obligations as they fall due.

For these reasons, the Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing these annual report and accounts.

Revenue

Degradable and non-degradable plastic goods, and associated products

Revenue is stated at the fair value of the consideration receivable and excludes VAT and trade discounts.

The Group's revenue is from sale of goods. Revenue from the sale of goods is recognised when all of the following conditions have been satisfied:

a) ownership of the significant risks and rewards has been transferred to the buyer. The buyer may be one of the Group's distributors or an end customer. This may be based upon shipment or delivery depending upon specific contractual terms, whereby the Group relies on INCOTERMs (a series of pre-defined commercial terms published by the International Chamber of Commerce) to assess this;

b) the amount of revenue can be measured reliably whereby the Group sells goods after receipt of confirmed orders;

c) it is probable that the economic benefits associated with the transaction will flow to the entity;

d) the costs incurred or to be incurred in respect of the transaction can be measured reliably; and

e) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Non-recurring items

Expenditure is classified as non-recurring where the cost is considered to be material, one-off, and will not continue in future.

Intangible assets

Research and development costs

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. The nature of the Group's activities in the field of development work renders some internally generated intangible assets unable to meet the above criteria at present.

Amortisation commences upon completion of the asset and is shown within administrative expenses and is included at the following rate:

Plastic masterbatches and other additives - 15 years straight line.

Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. All amounts disclosed within note 12 in development costs relate to plastic masterbatches and other additives.

Trademarks
Trademarks represent the cost of registration and are carried at cost less amortisation. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Trademarks – 10 years straight line.

Property, plant and equipment
Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment.

The cost comprises of the purchase price of the asset plus directly attributable costs.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant and machinery	20% reducing balance.
Fixtures and fittings	10% straight line.
Motor vehicles	25% reducing balance.
Office equipment	25% straight line.

The residual value and useful economic lives are reconsidered annually.

Impairment testing of intangible assets and property, plant and equipment
All individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Inventories
Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is determined on the basis of purchase value plus all directly attributable costs of bringing the inventory to the current location and condition, on a first-in first-out basis.

Leased assets
In accordance with International Accounting Standard (IAS) 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to statement of comprehensive income loss over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to statement of comprehensive income on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Employee costs
Employee compensation
Employee benefits are recognised as an expense.

Termination benefits
Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Post employment obligations
The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Taxation
Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets, insofar as Group companies are entitled to UK tax credits on qualifying research and development expenditure, such amounts are recognised when received and presented in the income tax line within statement of comprehensive income.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, except where they either relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity, or where they relate to items charged or credited in other comprehensive income the deferred tax change is recognised in other comprehensive income.

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result. The Group uses derivatives such as forward rate agreements to mitigate its current or future positions against foreign exchange rate risks. These derivatives are measured at fair value, determined by reference to observable market prices at the reporting date.

Financial assets
Financial assets held by the Group are divided into the following categories: loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs.

The Group currently has the following financial assets:

Trade and other receivables
Trade receivables are categorised as loans and receivables. Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit or loss.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

The equity investments are measured at cost less any impairment charges, if their fair values cannot currently be estimated reliably. Impairment charges are recognised in the statement of comprehensive income. An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities
Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial liabilities include trade payables, other payables, bank overdraft, bank loans and other loans. These are classified as financial liabilities measured at amortised cost.Financial liabilities measured at amortised cost are initially recognised at fair values net of direct issue costs.

Finance charges are charged to statement of comprehensive income, where applicable, on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arose.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Notes to the Annual Report and Accounts continued

Equity settled share-based payments
All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2007 are recognised in the annual report and accounts.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of the instrument granted are determined using the Black-Scholes model. This fair value is appraised at the grant date. The fair value is charged to statement of comprehensive income between the date of issue and the date the share options vest with a corresponding credit taken to equity.

Equity
Equity comprises the following:

- "Share capital" represents the nominal value of equity shares;
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue and after capital reduction; and
- "Retained earnings" represents non-distributed reserves.

Standards and interpretations adopted during the year
The adoption of the following mentioned amendments in the current year have not had a material impact on the Group's/Company's financial statements:

	EU effective date – periods beginning on or after
Amendment to IAS 7 *Statement of Cash Flows:* Disclosure initiative	1 January 2017
Amendment to IAS 12 *Income Taxes*: Recognition of deferred tax assets for unrealised losses	1 January 2017

Standards and interpretations in issue but not yet effective
At the date of authorisation of these annual report and accounts, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's annual report and accounts is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's annual report and accounts.

IFRS 9 "Financial Instruments"
The IASB have released IFRS 9 following completion of the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018 and has been endorsed by the European Union. The Group's management have performed an impact assessment of the effects of IFRS 9 on the 2017 figures and do not expect there to be any material changes to the Group's annual report and accounts. The main area that will be impacted is the measurement of the fair value of forward exchange contracts, which are immaterial in value and the credit risk is low.

IFRS 15, "Revenue from Contracts with Customers"
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. This standard has been endorsed by the European Union. The Group's management have performed an impact assessment of the effects of IFRS 15 on the 2017 figures and do not expect there to be any change to the statement of comprehensive income as presented. The revenue recognition and related disclosures of the Group will remain unchanged as all performance obligations under IFRS15 are met at the same time as per the current revenue recognition policy as set out above.

IFRS 16 "Leases"
The IASB has published IFRS 16 'Leases', completing its long-running project on lease accounting. The new Standard, which is effective for accounting periods beginning on or after 1 January 2019, requires lessees to account for leases 'on-balance sheet' by recognised a 'right-of-use' asset and a lease liability. It will affect most companies that report under IFRS and are involving in leasing, and will have a substantial impact on the annual report and accounts of lessees of property and high value equipment. This standard has been endorsed by the European Union.

The Group's management will carry out an impact review of the implementation of IFRS 16 and disclose the impact in next year's annual report and accounts. We anticipate this will have a material effect on the Group's balance sheet.

3. Financial risk management
The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, currency risk and credit risk. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

The Group's financial assets and liabilities are summarised as follows:

	2017 £'000	2016 £'000
Financial assets:		
Cash and cash equivalents	**631**	437
Loans and receivables	**792**	1,430
	1,423	1,867
Financial liabilities:		
Financial liabilities measured at amortised cost	**737**	1,534
	737	1,534

Liquidity risk
The Group seeks to manage financial risk to ensure financial liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved through trade finance arrangements and overdrafts.

Having reviewed the maturity of financial liabilities and the forecast cash flows for the forthcoming twelve month period, the Directors believe that sufficient cash will be generated from trading operations to meet debt obligations as they fall due.

The maturity of financial liabilities as at 31 December 2017 is summarised as follows:

Gross cash flows:	Trade payables and accruals £'000	Finance leases £'000	Loans £'000	Bank £'000	Total £'000
Zero to sixty days	**890**	**1**	**–**	**–**	**891**
Sixty one days to three months	**–**	**–**	**–**	**–**	**–**
Four months to six months	**–**	**1**	**–**	**–**	**1**
Seven months to one year	**–**	**–**	**–**	**–**	**–**
One year to three years	**–**	**–**	**–**	**–**	**–**
	890	**2**	**–**	**–**	**892**

The maturity of financial liabilities as at 31 December 2016 is summarised as follows:

Gross cash flows:	Trade payables and accruals £'000	Finance leases £'000	Loans £'000	Bank £'000	Total £'000
Zero to sixty days	855	1	625	179	1,660
Sixty one days to three months	–	–	–	–	–
Four months to six months	–	1	–	–	1
Seven months to one year	–	2	–	–	2
One year to three years	–	2	–	–	2
	855	6	625	179	1,665

Interest rate risk
The Group seeks to reduce its exposure to interest rate risk where possible, but this is offset by the availability of trade finance arrangements which are transaction specific to meet liquidity needs and so have variable interest rate terms.

Sensitivities have been looked at in the range of an absolute rate increase of 5% or a decrease of 1% which enable an objective calculation to be made depending on any interest rate changes in the future. Any rate changes would be outside the control of the Group.

The Group's exposure to interest rate risk as at 31 December 2017 is summarised as follows:

	Fixed £'000	Variable £'000	Zero £'000	Total £'000
Cash and cash equivalents	–	631	–	631
Trade receivables	–	–	739	739
Other debtors	–	–	53	53
	–	631	792	1,423
Trade payables	–	–	(730)	(730)
Other payables	–	–	(5)	(5)
Bank overdraft	–	–	–	–
Lease purchase	(2)	–	–	(2)
	(2)	631	57	686
Sensitivity: increase in interest rates of 5%	–	32	–	32
Sensitivity: decrease in interest rates of 1%	–	(6)	–	(6)

The Group's exposure to interest rate risk as at 31 December 2016 is summarised as follows:

	Fixed £'000	Variable £'000	Zero £'000	Total £'000
Cash and cash equivalents	–	437	–	437
Trade receivables	–	–	1,418	1,418
Other debtors	–	–	12	12
	–	437	1,430	1,867
Trade payables	–	–	(708)	(708)
Other payables	–	–	(16)	(16)
Bank overdraft	–	(179)	–	(179)
Lease purchase	(6)	-	–	(6)
Other loans	–	(625)	–	(625)
	(6)	(367)	706	333
Sensitivity: increase in interest rates of 5%	–	(18)	–	(18)
Sensitivity: decrease in interest rates of 1%	–	4	–	4

Sensitivity shows the effect on equity and statement of comprehensive income.

Currency risk
The Group operates in overseas markets and is subject to currency exposure on transactions undertaken during the year. The Group hedges the transactions where possible by buying goods and selling them in the same currency. The Group also has bank facilities available for hedging purposes.

A summary of foreign currency financial assets and liabilities as stated in the statement of financial position together with a sensitivity analysis showing the effect of a 10% change in rate with Sterling is shown below:

	Currency	Sterling 2017 £'000	Currency balance 2017 '000	Sterling 2016 £'000	Currency balance 2016 '000
Financial assets	Euro	132	€149	113	€133
Financial liabilities	Euro	(145)	€(163)	(179)	€(210)
Net balances	Euro	(13)	€(14)	(66)	€(77)
Effect of 10% Sterling increase		1		6	
Effect of 10% Sterling decrease		(1)		(7)	
Financial assets	USD	1,194	$1,612	1,755	$2,165
Financial liabilities	USD	(397)	$(536)	(1,014)	$(1,251)
Net balances	USD	797	$1,076	741	$914
Effect of 10% Sterling increase		(72)		(67)	
Effect of 10% Sterling decrease		89		82	

Sensitivity shows the effect on equity and statement of comprehensive income. A 10% change is shown to enable an objective calculation to be made on exchange rates which may be assumed for the future.

As at 31 December 2017 the company had entered into forward foreign currency contacts which all matured within 1 month of the year end and committed the Company to selling US Dollars 530,000 and to receive a fixed sterling amount (2016 : US Dollars 1,000,000).

The forward currency contracts are measured at fair value, which is determined using the valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for USD:GBP. The fair value of the forward-foreign currency contracts at 31 December 2017 is a profit of £16,000 (2016: loss £5,000).

Credit risk
The Group's exposure to credit risk is limited to the carrying value of financial assets at the balance sheet date, summarised as follows:

	2017 £'000	2016 £'000
Loans and receivables:		
Trade receivables	739	1,418
Other debtors	53	12
Cash and cash equivalents	631	437
	1,423	1,867

The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from trade receivables. The seven largest customer balances at the end of the year make up 65% (2016: 76%) of the above trade receivables.

In order to manage credit risk the Directors set limits for customers based on a combination of payment history, third party credit references and use of credit insurance. These limits are reviewed regularly.

The maturity of overdue debts and details of impairments and amounts written off are set out in note 16.

Notes to the Annual Report and Accounts continued

Capital requirements
Interest bearing loans and borrowings are monitored regularly to ensure the Group has sufficient liquidity and its exposure to interest rate risk is mitigated. Management consider the capital of the Group comprises the share capital and interest bearing loans and borrowings as detailed in note 25. The Company satisfies the Companies Act 2006 requirement to hold £50,000 issued and authorised share capital. The rule that 25% must be paid up is also satisfied, by reference to note 18.

4. Critical accounting estimates and judgements

Estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those actions. Material changes to the estimates and judgements made in the preparation of the interim statements are detailed in the notes.

In preparing these accounts the following areas were considered to involve significant judgements and estimates:

Capitalisation of development costs
Judgements and estimates relating to the capitalisation of development costs are detailed in note 2. In particular, estimates are made in respect to future economic benefits based on market judgements at the time and over attributable internal staff time allocated to each product.

Recoverability of capitalised development cost
Judgements and estimates relating to capitalised development costs are detailed in note 12. In particular, estimates are continued to be made in respect to future economic benefits and any changes to market conditions.

Share option judgements
Judgements and estimates relating to share-based payment charges are detailed in note 2. Estimates are made on the fair value of the option using the Black-Scholes model.

Going concern
Judgements and estimates relating to going concern are detailed in note 2. In particular, estimates are made as to future revenues expectations which derive cash flow projections.

Bad debts
Provisions for bad debts are shown in note 16. Bad debt provisions are made when there is objective evidence of impairment. Where there is no provision then it is due to cash having been received since the end of the year, or adequate information exists to support the recoverability of the debt.

Recognition of deferred tax assets
Judgements and estimates relating to a deferred tax asset are detailed in note 9. In particular, estimates are made as to future revenues which derive profit and loss projections.

Functional currency
A significant proportion of the revenues generated by entities within the Group are denominated in United States Dollars (USD). The functional currency of the Company and of all individual entities within the Group has been determined to be Sterling. Identification of functional currencies requires a judgement as to the currency of the primary economic environment in which the companies of the Group operate. This is based on analysis of the economic environment and cash flows of the subsidiaries of the Group, which has determined, based upon the currency of funding and operating costs, that the functional currency continues to be Sterling.

5. Revenue information

The Board has reviewed the requirements of IFRS 8 "Operating Segments", including consideration of what results and information the Board 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.

The revenues of the Group are divided in the following geographical areas:

Geographical areas	2017 £'000 Revenue	2016 £'000 Revenue
UK	**288**	268
Europe	**784**	850
Americas	**3,263**	3,242
Middle East and Africa	**3,002**	1,568
Asia	**930**	873
Total	**8,267**	6,801

Major customers
There was one customer that accounted for greater than 10% of total Group revenues for 2017 (2016: one customer). In 2017 one customer accounted for £2,861,000 or 35% (2016: £1,465,000 or 22%) of the total group revenues.

6. Operating profit

The operating profit is stated after charging:

	2017 £'000	2016 £'000
Depreciation	**78**	86
Amortisation	**16**	13
Loss on disposal of property, plant and equipment	**3**	10
Research and development expenditure not capitalised	**625**	514
Operating lease rentals:		
• Land and buildings	**119**	114
• Plant and equipment	**6**	5
Fees payable to the Company's auditor:		
Audit related services:		
• Audit of the annual report and accounts	**11**	10
• Audit of the annual report and accounts of the Company's subsidiaries	**15**	15
Non-audit related services:		
• Other assurance related services	**-**	3
• Tax compliance services	**8**	5
Net foreign exchange loss (gain)	**22**	(37)
Non-recurring item – redundancy cost	**-**	54

The non-recurring item in 2016 related to re-construction costs. All other items above relate to continued operations.

Notes to the Annual Report and Accounts continued

7. Employee benefit expense

	2017 £'000	2016 £'000
Wages and salaries	1,382	1,335
Social security costs	167	162
Other pension costs	53	56
	1,602	1,553

Average number of people employed:

	2017	2016
Testing and technical	7	5
Selling	6	7
Administration	9	9
Management	6	6
Marketing	1	1
Total average headcount	29	28

Remuneration in respect of the Directors was as follows:

	2017 £'000	2016 £'000
Emoluments	551	565
	551	565

Key management remuneration:

	2017 £'000	2016 £'000
Short-term employee benefits	551	565
	551	565

The Directors are considered to be the key management personnel of the Group. Further details on Directors' remuneration and share options are set out in the Remuneration Report.

8. Finance costs

	2017 £'000	2016 £'000
Interest expense:		
• Bank borrowings	48	9
• Other interest	-	13
Total finance costs	48	22
Net finance costs	48	22

9. Taxation

	2017 £'000	2016 £'000
R&D tax credit	-	45
Total income tax credit	-	45

No tax arises on the profit for the year.

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 19% (2016: 20%). The differences are explained as follows:

	2017 £'000	2016 £'000
Profit for the year before tax	430	123
Tax calculated by rate of tax on the result		
Effective rate for year at 19.25% (2016: 20%)	83	25
Expenses not deductible for tax purposes	8	7
Difference between capital allowances and depreciation	(7)	7
R&D tax relief	(70)	(41)
Share scheme deduction	(16)	-
Short term timing differences	2	2
R&D tax credit	-	(45)
Total income tax credit	-	(45)

The group has not recognised a deferred tax asset in respect of losses available for use against future taxable profits. The group has tax losses of approximately £16,000,000 (2016: £16,000,000). These tax losses have no expiry date. The unrecognised deferred tax asset in respect of these losses based on latest profit projections is approximately £2,730,000 (2016: £2,733,000).

These brought forward losses will be subject to the new loss restriction rules introduced on 2 April 2017. Groups with more than £5m taxable profits per annum will only be able to utilise 50% of their brought forward losses against taxable profits exceeding the £5m cap. As Symphony does not expect its taxable profits to exceed £5m in the near to immediate term, it is not possible to quantify the impact of these changes at this moment in time.

The main rate of corporation tax was reduced from 20% to 19% from 1 April 2017. A further reduction in the UK corporation tax rate was substantively enacted on 6 September 2016 reducing the headline corporation tax rate from 18% to 17% applicable from 1 April 2020.

The group also has gross fixed asset temporary timing differences of £120,000 (2016: £87,000) which gives rise to a deferred tax liability of £20,000 (2016: £15,000). Other gross temporary timing differences of £19,000 (2016: £9,000) give rise to a deferred tax asset of £3,000 (2016: £2,000). The net deferred tax liability of £17,000 (2016: £3,000) is sheltered by the unrecognised deferred tax asset in respect of losses.

The recognition of the deferred tax asset is based on sensitising management forecasts to estimate the future taxable profits against which the losses will be relieved. Judgements have been made in respect to profitability going forward based upon current sales leads and market receptiveness to anticipated product launches.

Notes to the Annual Report and Accounts continued

10. Earnings per share and dividends

The calculation of basic earnings per share is based on the profit 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 profit and weighted average numbers of shares used in the calculations are set out below:

Basic and diluted	2017	2016
Profit attributable to equity holders of the Company	£430,000	£168,000
Weighted average number of ordinary shares in issue	151,089,240	149,939,377
Basic earnings per share	0.28 pence	0.11 pence
Dilutive effect of weighted average options and warrants	9,925,427	15,794,717
Total of weighted average shares together with dilutive effect of weighted options	161,014,667	165,734,094
Diluted earnings per share	0.27 pence	0.10 pence

No dividends were paid for the year ended 31 December 2017 (2016: £nil)

A total of 15,781,500 options and warrants were outstanding at the end of the year which may become dilutive in future years.

11. Property, plant and equipment

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
At 1 January 2016					
Cost	429	292	102	123	946
Accumulated depreciation	(251)	(140)	(78)	(80)	(549)
Net book amount	178	152	24	43	397
Year ended 31 December 2016					
Opening net book amount	178	152	24	43	397
Additions	4	1	-	3	8
Disposals	(48)	-	(40)	(2)	(90)
Depreciation charge	(34)	(29)	(6)	(17)	(86)
Eliminated on disposal	34	-	34	1	69
Closing net book amount	134	124	12	28	298
At 1 January 2017					
Cost	385	293	62	124	864
Accumulated depreciation	(251)	(169)	(50)	(96)	(566)
Net book amount	134	124	12	28	298
Year ended 31 December 2017					
Opening net book amount	134	124	12	28	298
Additions	68	2	-	14	84
Disposals	(15)	(3)	(29)	(37)	(84)
Depreciation charge	(29)	(30)	(3)	(16)	(78)
Eliminated on disposal	6	3	27	35	71
Closing net book amount	164	96	7	24	291
At 31 December 2017					
Cost	438	292	33	101	864
Accumulated depreciation	(274)	(196)	(26)	(77)	(573)
Net book amount	164	96	7	24	291

Included within net book value of motor vehicles is £7,000 (2016: £12,000) relating to assets held under finance leases and hire purchase contracts. The depreciation charged to the annual report and accounts in the year in respect of such assets amounted to £3,000 (2016: £4,000), and is included within administrative expenses in the statement of comprehensive income.

Notes to the Annual Report and Accounts continued

12. Intangible assets

	Development costs £'000	Trademarks £'000	Total £'000
At 1 January 2016			
Cost	1,972	110	2,082
Accumulated amortisation	(188)	(48)	(236)
Accumulated impairment	(1,728)	(45)	(1,773)
Net book amount	56	17	73
Year ended 31 December 2016			
Opening net book amount	56	17	73
Additions	-	2	2
Disposals	-	(28)	(28)
Amortisation charge	(12)	(1)	(13)
Eliminated on disposal	-	28	28
Closing net book amount	44	18	62
At 1 January 2017			
Cost	1,972	84	2,056
Accumulated amortisation	(200)	(21)	(221)
Accumulated impairment	(1,728)	(45)	(1,773)
Net book amount	44	18	62
Year ended 31 December 2017			
Opening net book amount	44	18	62
Additions	-	1	1
Disposals	-	-	-
Amortisation charge	(12)	(4)	(16)
Eliminated on disposal	-	-	-
Closing net book amount	**32**	**15**	**47**
At 31 December 2017			
Cost	1,972	85	2,057
Accumulated amortisation	(212)	(25)	(237)
Accumulated impairment	(1,728)	(45)	(1,773)
Net book amount	**32**	**15**	**47**

The Group relies on the continued development of its product range and in so doing is maintaining satisfactory goals in fulfilling its strategy (see Chairman's Statement and Chief Executive's Review).

Development costs are capitalised in accordance with the policy set out in note 2. In capitalising these costs, judgements are made relating to ongoing feasibility and commerciality of products and systems being developed. In making these judgements, cashflow forecasts are used and these include significant estimates in respect to sales forecasts and future foreign exchange rates.

The amortisation charge is included within administrative expenses in statement of comprehensive income.

13. Subsidiary undertakings

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the Group
Symphony Environmental Limited	England and Wales	Supply of environmental polyolefin products and ancillaries	100%	100%
D2W Limited	England and Wales	Dormant	0%	100%
Symphony Recycling Technologies Limited	England and Wales	Dormant	100%	100%
Symphony Energy Limited	England and Wales	Dormant	100%	100%
Symphony Environmental (Jamaica) Limited	Jamaica	Dormant	0%	100%

All of the above subsidiaries are consolidated in the Group annual report and accounts. The above companies have their registered offices at 6 Elstree Gate, Elstree Way, Borehamwood, WD6 1JD except for Symphony Environmental (Jamaica) Limited which has its registered office at 8 Olivier Road, Saint Andrew, Jamaica.

14. Available for sale financial assets

All non-current	2017 £'000	2016 £'000
Beginning and end of year	–	–

The Company holds 30% of the ordinary share capital of Symphony Bin Hilal Plastics LLC, a company incorporated in the United Arab Emirates. The directors are of the opinion that this is an investment as the directors do not have significant influence because the Group has no representation on the board of directors of the investee, does not participate in policy making processes, and does not receive key financial or management information. A full impairment had been made against this in 2012 due to limited availability of financial information.

The Company holds 10% of the ordinary share capital of American Plastic Technologies plc, a company incorporated in the United States of America. The directors are of the opinion that this is an investment as the directors do not have significant influence because they have no financial or management control. The investment in American Plastics Technologies plc is measured at cost less impairment charges as the fair value cannot be estimated readily. The cost of this investment was £nil.

The Company holds c.5% of the ordinary share capital of Oxobioplast Inc., a company incorporated in the United States of America. The directors are of the opinion that this is an investment as the directors do not have significant influence because they have no financial or management control. The investment in Oxobioplast Inc. is measured at cost less impairment charges as the fair value cannot be estimated readily. The cost of this investment was £nil.

There is no collateral on the above amounts.

15. Inventories

	2017 £'000	2016 £'000
Finished goods and goods for resale	438	289
Raw materials	129	127
	567	416

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £3,819,000 (2016: £2,747,000). There is a provision of £73,000 for the impairment of inventories (2016: £77,000).

There is no collateral on the above amounts.

16. Trade and other receivables

	2017 £'000	2016 £'000
Loans and receivables:		
• Trade receivables	739	1,418
• Other receivables	53	12
VAT	58	38
Prepayments	142	108
	992	1,576

The Directors consider that the carrying value of trade and other receivables approximates to their fair values.

There is a provision of £23,000 for the impairment of receivables (2016: £88,000), made up as follows:

	2017 £'000	2016 £'000
Balance at 1 January	88	203
Impairment loss made during the year	(21)	22
Uncollectible amounts written off	(44)	(137)
Balance at 31 December	23	88

The maximum credit risk exposure at the balance sheet date equates to the carrying value of trade receivables. Further disclosures are set out in note 3.

Included in trade receivables at 31 December 2017 are debtors which are past due but where no provision has been made as there has not been a change in the credit worthiness of these debtors and the amounts are considered recoverable. As of 31 December 2017 trade receivables of £70,000 (2016: £15,000) were past due and not impaired. The ageing analysis of these trade receivables is as follows:

	2017 £'000	2016 £'000
More than three months but less than six months	69	7
More than six months but not more than one year	1	8
	70	15

Due to the different markets that the Group operates in, trade terms vary from proforma payment to payment under letter of credit due 150 days from shipment.

Trade receivables are secured against the facilities provided by the Group's bankers.

17. Cash and cash equivalents

	2017 £'000	2016 £'000
Loans and receivables:		
• Cash at bank and in hand	576	437
• Invoice finance facility surplus	55	-
	631	437

The carrying amount of cash equivalents approximates to their fair values.

18. Equity

	Group and Company			Group	
	Ordinary shares Number	Ordinary shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2016	149,939,377	1,499	3,533	(4,139)	893
Profits for the year	-	-	-	168	168
At 31 December 2016	149,939,377	1,499	3,533	(3,971)	1,061
At 1 January 2017	149,939,377	1,499	3,533	(3,971)	1,061
Issue of share capital	1,675,000	17	75	-	92
Capital reduction	-	-	(3,608)	3,608	-
Profit for the year	-	-	-	430	430
At 31 December 2017	151,614,377	1,516	-	67	1,583

During the year the Company issued 1,675,000 Ordinary Shares (2016: nil ordinary shares) for a consideration of £92,000 (2016: £nil). On 14 December 2017 the Company completed a court approved capital reduction, cancelling £3.61 million of its share premium account and transferring it to the Company's and Groups retained earnings, creating distributable reserves.

Share options and warrants

As at 31 December 2017 the Group maintained an approved share-based payment scheme for employee compensation. For the options granted to vest, the Group must have achieved an earnings per share in excess of 0.001p and employees must serve a specified amount of time.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options. As at 31 December 2017 there were 1,730,000 approved staff options outstanding. No approved staff options were issued in 2017.

The Group has also issued unapproved share options and warrants. The weighted average exercise price of all of the Group's options and warrants are as follows:

	Number	2017 Weighted average exercise price £	Number	2016 Weighted average exercise price £
Outstanding at 1 January				
January	24,456,500	0.09	24,756,500	0.09
Exercised	(1,675,000)	0.05	-	-
Lapsed	(7,000,000)	0.15	(300,000)	0.12
Outstanding at 31 December	15,781,500	0.07	24,456,500	0.09

The weighted average exercise price of options exercised in 2017 was 5p (2016: no options were exercised).

The number of share options and warrants exercisable at 31 December 2017 was 15,781,500 (2016: 24,456,500). The weighted average exercise price of those shares exercisable was 7p (2016: 9p).

The weighted average option contractual life is eight years (2016: nine years) and the range of exercise prices is 2.375p to 15p (2016: 2.375p to 15p).

Notes to the Annual Report and Accounts continued

Directors
Directors' interests in shares and share incentives are contained in the Remuneration Report on page 15.

IFRS2 expense
The IFRS share-based charge for the year is £nil (2016: £nil).

19. Interest bearing loans and borrowings

Non-current	2017 £'000	2016 £'000
Financial lease liabilities	-	2
Current		
Financial liabilities measured at amortised cost:		
• Bank overdraft	-	179
• Other loans	-	625
Finance lease liabilities	2	4
	2	808

The bank overdraft of £nil (2016: £179,000) is included within the cash flow statement within cash and cash equivalents.

Other loans include:
An amount due relating to the invoice financing facility totalling £nil (2016: £625,000). Interest is charged at 2.96% over HSBC Bank plc base rate per annum. At 31 December 2017 the invoice finance facility was showing a surplus so is included within cash and cash equivalents.

The bank and invoice finance facility are secured by a fixed and floating charge over the Group's assets. The finance lease liabilities are secured against the asset that they finance.

Commitments under finance leases and hire purchase agreements mature as follows showing both gross and net of finance costs:

	Gross 2017 £'000	Gross 2016 £'000	Net 2017 £'000	Net 2016 £'000
Amounts payable within one year	2	4	2	4
Amounts payable between one and two years	–	2	–	2
	2	6	2	6

The finance leases are for the purchase of motor vehicles (note 11).

20. Trade and other payables

Current	2017 £'000	2016 £'000
Financial liabilities measured at amortised cost:		
• Trade payables	730	708
• Other payables	5	16
Social security and other taxes	48	47
Accruals and deferred income	160	147
	943	918

The Directors consider that the carrying value of trade and other payables approximate to their fair value.

21. Net cash generated/(used) in operations

	2017 £'000	2016 £'000
Profit after tax	430	168
Adjustments for:		
• Depreciation	78	86
• Amortisation	16	13
• Loss on disposal of tangible assets	3	10
• Foreign exchange	(5)	(25)
• Tax credit	-	(45)
• Interest expense	48	22
Changes in working capital:		
• Inventories	(151)	62
• Trade and other receivables	579	(694)
• Trade and other payables	35	60
Cash generated/(used) in operations	1,033	(343)

22. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 £'000	2016 £'000
No later than one year	137	136
Later than one year and no later than five years	544	534
Greater than five years	297	429
	978	1,099

Operating lease commitments include the lease for the Group's head office property which has a ten-year term with a five-year break clause at the option of the Group. The financial obligations are calculated up to the expiry of the lease.

23. Related party transactions

Included in other creditors is an amount of £2,000 (2016: £4,000) owed to The Oxo-Biodegradable Plastics Association, a not for profit company limited by guarantee, in which Symphony Environmental Technologies plc is a person of significant control.

24. Post balance sheet events

There have been no significant post balance sheet events.

Notes to the Annual Report and Accounts continued

25. Capital management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

The Group monitors capital on the basis of the gearing ratio calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated statement of financial position less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

The Group's goal in capital management is to maintain an optimal gearing ratio (the ratio of net debt over debt plus equity).

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 £'000	2016 £'000
Total borrowings	2	810
Cash and cash equivalents	(631)	(437)
Net (cash surplus)/debt	**(629)**	373
Total equity	1,583	1,061
Borrowings	2	810
Overall financing	**1,585**	1,871
Gearing ratio	**0%**	20%

The gearing ratios are in line with the management's working capital financing strategy.

26. Capital commitments

The Group had capital commitments totalling £nil at the end of the year (2016: £nil).

The following pages contain the balance sheet and accompanying notes for the parent Company prepared under FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Company Balance Sheet

at 31 December 2017

Company number 03676824

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	28	1	1
Investments	29	1,150	1,150
		1,151	1,151
Current assets			
Debtors	30	1,516	1,210
Cash at bank and in hand		38	15
		1,554	1,225
Creditors: amounts falling due within one year	31	59	49
Net current assets		1,495	1,176
Total assets less current liabilities		2,646	2,327
Capital and reserves			
Share capital	33	1,516	1,499
Share premium account		-	3,533
Retained earnings/(deficit)		1,130	(2,705)
		2,646	2,327

The Company has applied the exemption under section 408 of the Companies Act 2006 not to present a statement of comprehensive income for the year ended 31 December 2017.

The profit after tax for the financial year 2017 within the annual report and accounts of the Company was £227,000 (2016: £225,000).

These annual report and accounts were approved by the Directors on 13 March 2018 and are signed on their behalf by:

I Bristow, FCCA
Chief Financial Officer

The accompanying notes form an integral part of these annual report and accounts.

Company Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
For the year to 31 December 2017				
Balance at 1 January 2017	1,499	3,533	(2,705)	2,327
Issue of share capital	17	75	-	92
Capital reduction	-	(3,608)	3,608	-
Transactions with owners	17	(3,533)	3,608	92
Total comprehensive income for the year		-	227	227
Balance at 31 December 2017	**1,516**	**-**	**1,130**	**2,646**
For the year to 31 December 2016				
Balance at 1 January 2016	1,499	3,533	(2,930)	2,102
Transactions with owners	-	-	225	225
Balance at 31 December 2016	**1,499**	**3,533**	**(2,705)**	**2,327**

The accompanying notes form an integral part of these annual report and accounts.

Notes to the Company Balance Sheet

27. Principal accounting policies

Basis of accounting

Symphony Environmental Technologies plc ("The Company"), is a public limited company. It is incorporated and domiciled in England (Company number 03676824). The address of its registered office is 6 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD, England. The Company's shares are listed on the AIM market of the London Stock Exchange.

The principal activity of the Company is to hold investments in subsidiaries which develop and supply environmental plastic additives and products, and develop waste to value systems.

The annual report and accounts have been prepared in accordance with United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The annual report and accounts have been prepared on the historical cost basis.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these annual report and accounts.

The Company is considered a qualifying entity and has taken advantage of the FRS102 exemption not to include its own statement of cash flow in these annual report and accounts.

The annual report and accounts are presented in Sterling, the functional and presentational currency of the Company and are expressed in round thousands unless otherwise stated (£'000s).

Fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Motor vehicles 25% reducing balance.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception: deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Investments

Investments in subsidiaries are accounted for at cost less impairment in the individual annual report and accounts.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is charged immediately to statement of comprehensive income.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in statement of comprehensive income.

Financial instruments

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of the financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classified as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Equity-settled share-based payments

Warrants and options granted to employees which relate to salary sacrifices of employees employed by this company are attributed a fair value by reference to the services provided. This fair value is charged to statement of comprehensive income when the service is provided with a corresponding credit taken to shareholders' funds.

Notes to the Company Balance Sheet continued

Significant judgements and estimates
Preparation of the annual report and accounts requires management to make significant judgements and estimates. The items in the annual report and accounts where these judgements and estimates have been made include:

Judgements - impairment
An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. Details of assumptions made and impairments recognised in the period are given in notes 29 and 30.

28. Tangible fixed assets

	Motor vehicles £'000	Total £'000
Cost		
At 1 January 2017	14	14
At 31 December 2017	14	14
Depreciation		
At 1 January 2017	(13)	(13)
At 31 December 2017	(13)	(13)
Net book value		
At 31 December 2017	**1**	**1**
At 31 December 2016	1	1

Included within the net book value of £1,000 is £nil (2016: £nil) relating to assets held under finance leases and hire purchase contracts. The depreciation charged to the annual report and accounts in the year in respect of such assets amounted to £nil (2016: £nil).

29. Investments

	Shares in Group Undertaking £'000	Total £'000
Cost		
At 1 January 2017	2,150	2,150
At 31 December 2017	2,150	2,150
Impairment		
At 1 January 2017	(1,000)	(1,000)
At 31 December 2017	(1,000)	(1,000)
Net book value		
At 31 December 2017	**1,150**	**1,150**
At 31 December 2016	1,150	1,150

Group undertakings are detailed in note 13.

30. Debtors

	2017 £'000	2016 £'000
Amounts owed by Group undertakings	**1,507**	1,205
VAT	**5**	3
Prepayments	**4**	2
	1,516	1,210

The amounts owed by Group undertakings is at cost less impairment. An impairment provision of £nil has been made against intra-group receivables (2016: £9,000).

Notes to the Company Balance Sheet continued

31. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	17	14
Accruals	42	35
	59	49

32. Contingent liabilities

The Company has guaranteed all monies due to its bankers by Symphony Environmental Limited and Symphony Recycling Technologies Limited. At 31 December 2017 the net indebtedness of these companies amounted to £nil (2016: £383,000).

33. Share capital

The Company's share capital is detailed in note 18 of the Group consolidated accounts.

34. Directors and employees

All employees of Symphony Environmental Technologies plc are Directors. See note 7 of the Group consolidated accounts.

The average number of staff employed by the Company during the financial year amounted to:

	2017 No.	2016 No.
Management	3	3

The aggregate payroll costs of the above were:	2017 £'000	2016 £'000
Wages and salaries	48	48
Social security costs	3	3
	51	51

The company has taken advantage of the FRS 102 exemption that allows intra-group transactions with a 100% subsidiary to not be disclosed. There were no other related party transactions throughout the period.

Company Information

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03676824.

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Non-Executive Chairman

M Laurier
Chief Executive Officer

I Bristow, FCCA
Chief Financial Officer

M Stephen
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N Clavel
Non-Executive Director

S Robinson
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I Bristow

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