ANNUAL REPORT AND ACCOUNTS 2018

Symphony Environmental Technologies plc

Making Plastic Smarter
Symphony environmental

SYMPHONY DEVELOPS AND PRODUCES A WIDE RANGE OF TECHNOLOGIES, TO MAKE PLASTIC SMARTER

Plastic litter is a worldwide problem in terrestrial and marine environments in particular, where a staggering 8 million tonnes of plastic litter ends up each year with devastating consequences for wildlife and environmental quality.

Symphony are committed to helping reduce unnecessary plastic and re-using and recycling wherever possible, but, some plastic will always escape collection and end up in the natural environment, where it could persist for 100 years. Symphony's d_2w technology was invented - to make sure that if plastic does escape into the open environment it will biodegrade much more quickly than ordinary plastic.

Products made with d_2w have all the benefits of conventional plastic that we have grown accustomed to, but with the added advantage that if they escape collection and end up in the natural environment as litter they will degrade and biodegrade (i.e. be bio-assimilated by bacteria and fungi) on land or sea in the same way as nature's wastes.

In addition to d_2w we have a range of protective technologies marketed under the d_2p (designed to protect) logo.

This year has seen several new commercial applications for d_2p technologies. These include a range of products for the health and hygiene market, a complete antimicrobial toothbrush, and insoles for trainers and running shoes incorporating antimicrobial and odour-adsorbing technologies.

Our products are sold through a network of distributors in nearly 100 countries worldwide.

BUSINESS REVIEW

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

HIGHLIGHTS 2018

Financial Highlights:

Group revenues increased by
6.5% to £8.80 million
(2017: £8.27 million)

d_2p revenues increased by
191% to £0.93 million
2017: £0.32 million)

d_2w revenues were broadly stable at
£7.67 million
(2017: £7.78 million)

Gross profit increased by
2.8% to £4.13 million
(2017: £4.01 million)

Adjusted EBITDA, before R&D, and planned increased marketing, communications and brand costs of
£1.18 million
(2017: £1.20 million)

Reported profit before tax fell to
£0.04 million
(2017: £0.43 million)

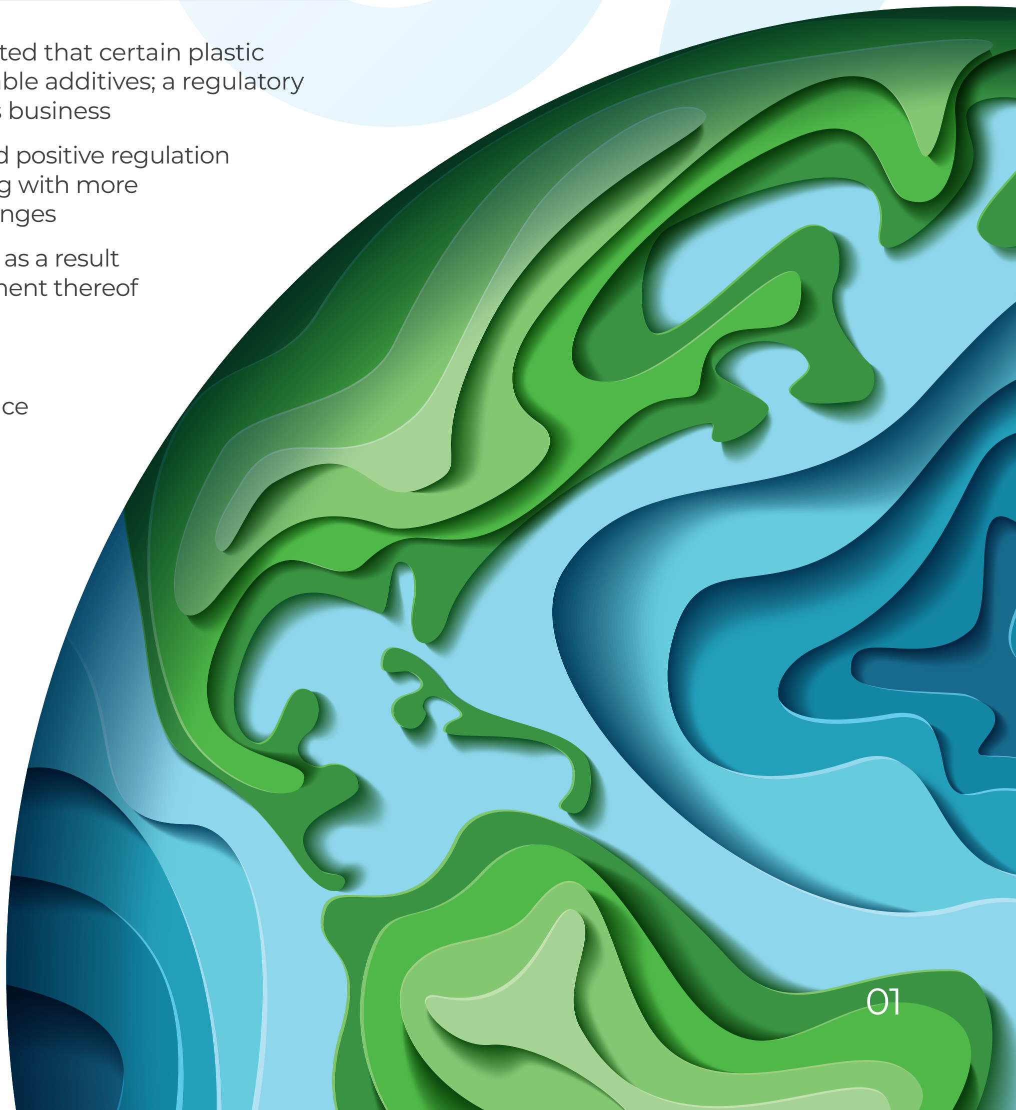
Basic earnings per share fell to
0.03p
(2017: 0.28p)

Cash used in operations
£1.01 million
(2017: cash generated £1.03 million)

Net current assets increased to
£1.71 million
(2017: £1.25 million)

Business Highlights:

- Ten governments globally have mandated that certain plastic products must contain oxo-biodegradable additives; a regulatory move which is beneficial to the Group's business
- A further nine countries have introduced positive regulation for all types of bio-degradable packaging with more countries intending to make similar changes
- Increasing interest in d_2w type products as a result of Middle East regulations and enforcement thereof
- First d_2p anti-insect technology commercial order
- Eranova (plastic from algae) due-diligence and commercial discussions ongoing



SYMPHONY AT A GLANCE

AN INTERNATIONAL GROUP, WITH PRESENCE IN NEARLY 100 COUNTRIES WORLD WIDE

A scientifically proven biodegradable technology

The addition of d_2w converts 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.

- Added at only 1% means little or no extra cost
- d_2w has the same characteristics as conventional polymer. It is just as waterproof, lightweight, strong and flexible
- Products can be made in existing plastic factories with existing workforce and machinery
- Meets all relevant standards i.e. ASTM D6954, UAE 5009:2009 Saudi 2879 and AFNOR Accord T51-808
- Will remain stable in storage conditions for the agreed shelf life
- Is safe for direct food contact according to US and EU food contact regulations
- Can be recycled with conventional plastic
- If products made with d_2w end up in the open environment as litter, they will harmlessly degrade and biodegrade

Straws made with oxo-biodegradable plastic

www.d2w.net

d$_2$p is the brand name for a suite of masterbatches offering extra protection to plastic products from bacteria, insects, fungi, algae, odour, fouling and fire.

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.

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.

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

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.

Oxygen Scavenger
d$_2$p OS is a powerful inorganic chemical compound, produced from a natural ore and manufactured to a high purity.

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

Vapour corrosion inhibitor
d$_2$p VCI additives are a range of products to be used in protection of surfaces against the corrosion ands oxidation of ferrous and non-ferrous metals.

Ethylene 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.

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

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.

Protector toothbrush made with d$_2$p antimicrobial technology. Business Dynamics (Pakistan)

Comfosole Insoles - made with antimicrobial and odour-adsorbing technologies. CPST (Korea)

www.d2p.net

CHAIRMAN’S STATEMENT

Nirj Deva, DL, FRSA, MEP

I am pleased to report on the continued progress of the Group. Our strategy remains unchanged, with the objective of expanding our product range with synergistic technologies which can be offered to the same or a similar customer base.

This continues to progress well with Group revenues for the year increasing by 6.5% to £8.80 million (2017: £8.27 million) due to a 191% growth in d_2p “designed to project” business from £0.32 million to £0.93 million.

"THE WORLD IS RETHINKING THE WAY PLASTIC IS PRODUCED, USED AND DISPOSED OF"

We have developed a strong distribution network with 72 distributors worldwide, covering nearly 100 countries; this represents an important asset for the Group to leverage. In addition, Symphony’s products are manufactured in four different locations worldwide, enabling us to meet almost unlimited demand without significant further investment.

During the year, our R&D spend increased modestly from £0.63 million to £0.66 million. This included specialist advice in relation to regulatory compliance in the United States for two of our d_2p technologies, together with continued development in-house and utilisation of specialist third-party facilities of our other d_2p technologies globally. We have developed a strong and growing range of d_2p products which provide protection against bacteria, fungi, insects, corrosion, odours, and fire. Further to the growth already established, we believe that d_2p will deliver strong growth in the short to medium term.

Cash used in operations of £1.01 million (2017: cash generated £1.03 million) was a result of a £1.22 million increase in receivables during the period due to final quarter trade weighted in December. Net current assets increased to £1.71 million at the end of 2018 from £1.25 million at the end of 2017.

Symphony distributors Amir Younus and Jihad Ghanem at the launch of the ‘Protector’ Antimicrobial toothbrush range in November 2018

European Business Summit – May 2018

As previously advised, we increased our marketing, communication and brand activities which resulted in a planned higher spend of £0.36 million in the year.

The world is rethinking the way plastic is produced, used and disposed of, and is in many cases adopting technologies such as d_2w that are low cost and non-disruptive to manufacture, and can be reused and recycled at the end of their useful life, without increasing CO_2 emissions. The trend for change from ordinary plastics to materials less harmful to the environment is clearly evolving and we have seen a sharp increase in interest from our global network of distributors, customers and potential customers, for many of our "making plastic smarter" technologies, including from companies worldwide who have to adopt technology such as d_2w for their exports to the Middle East.

Symphony's business outside the EU accounts for 85.4% of revenues and therefore we believe that the EU Draft Directive on "the reduction of the impact of certain plastics on the environment" and in particular, a restriction on oxo-degradables, if implemented, would have a limited effect on Symphony's business going forward.

The draft directive aims to ban plastic products that do not properly bio-degrade and are not recyclable, which is not the case for our d_2w products, as recently confirmed by a QC and former UK judge after reviewing the scientific evidence.

The Board continue to believe that increased marketing and communications costs will prove to be a valuable investment in the business over the medium to longer term. Adjusting for R&D and the short-term budgeted increased marketing, communication and brand protection costs, EBITDA (as adjusted) for the year was £1.18 million (2017: £1.20 million).

I would like to thank our distributors, staff and the Board for all their hard and effective work in 2018, and we look forward with confidence.

N Deva, DL, FRSA, MEP
Chairman
14 March 2019

CHIEF EXECUTIVE'S REVIEW

Michael Laurier

The year under review saw growth in revenues and continued profitability that included a significant increase in investment in marketing and communications, together with R&D.

Throughout the period we continued to communicate globally at exhibitions, conferences, in the media, and to governments, NGOs and corporates by presenting the considerable volume of evidence that is available to support the credentials behind our growing range of technologies, and in particular, d_2w oxo-biodegradable plastic, which can help to resolve the problem of persistent plastic pollution in the environment.

"REACHING A PIVOTAL PERIOD"

In our opinion, the Group is reaching a pivotal period in its development. Whilst the d_2w technology has taken time to gain traction, principally due to having to educate and create a market as well as wait for the enactment of relevant regulation, current revenues and moreover, expected growth, validate the time and resource we have allocated to those markets.

The year under review saw further intention in the Middle East to enforce laws which mandate the use of technologies such as d_2w for a wide range of everyday products. This has created increased interest in our d_2w products, as exporters prepare their materials to meet new import restrictions that make oxo-biodegradable technology compulsory. I am pleased to say that we are working with several large US, EU and Asian corporations to help them through the approval process for a wide range of packaging and other products.

Whilst the quantum and timing of orders for d_2w additive is currently unclear, we anticipate significant revenue uplift in 2019.

In addition, adoption of our d_2p technologies is starting to grow with increasing commercial sales of antimicrobial gloves together with masterbatch products for use in antimicrobial, odour adsorbtion and insecticidal applications.

We continue to develop, test and trial new products for each of our d_2w and d_2p technologies. During the period under review, and in part reflecting our confidence in the outlook of our d_2w and d_2p technologies, we entered into a collaboration agreement with Eranova SAS, who have developed a unique technology and process which extracts starch from algae for use with other materials. The resultant starch will be used to produce bio-based, compostable or biodegradable products. Further detail on these developments is provided below.

"WE CONTINUE TO DEVELOP, TEST AND TRIAL NEW PRODUCTS FOR EACH OF OUR d_2w AND d_2p TECHNOLOGIES"

Our marketing and communication activities in 2018 included Symphony being an active panel member at the European Business Summit event in Brussels with an EU Commissioner, Coca Cola, and many other influential organisations on the panel. Throughout the year we increased our engagement with the European Commission, European Council, European Parliament and other officials including a number of MEP's.

In the UK we increased our engagement with The Secretary of State for the Environment and DEFRA officials, the UK Treasury and other UK government departments, and communicated with all MP's explaining the importance of our d_2w oxo-biodegradable technology as part of an overall solution to the problem of plastic pollution.

Trading results

Group revenues increased by 6.5% to £8.80 million from £8.27 million in 2017. Gross profit margins decreased slightly to 46.9% from 48.5% in 2017 due to increased lower-margin finished product sales. As a result, the contribution from gross profit increased by 2.8% (to £4.13 million from £4.01 million in 2017).

Costs increased by 16.8% to £3.85 million (2017: £3.30 million) due to increased R&D spend and increased communication and marketing costs, together with legal advisory costs in support of the d_2w brand and technology. Staff costs also increased during the period in the marketing and technical departments. The Group expensed R&D costs of £0.66 million in 2018 (2017: £0.63 million).

Adjusted EBITDA before R&D and the additional communication and marketing costs is calculated as follows:

	2018 £'000	2017 £'000
Operating profit	64	478
Add: Depreciation	81	78
Amortisation	16	16
R&D expenditure	664	625
Planned increase in marketing, communication and brand protection costs	357	-
Adjusted EBITDA	1,182	1,197

Reported operating profit was £0.06 million (2017: £0.48 million) and profit after tax of £0.05 million (2017: £0.43 million) with basic earnings per share of 0.03 pence (2017: 0.28 pence).

The Group's primary selling-currency is the US Dollar and therefore a strong dollar against sterling, our reporting currency, 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 2018, the Group had a net balance of US Dollar assets totalling $1.10 million (2017: $1.08 million). The Group is experiencing higher exposure due to Sterling/US Dollar exchange rate fluctuations as a result of the uncertainties currently surrounding Brexit.

Balance sheet and cash flow

The Group had net debt of £0.08 million at 31 December 2018 (2017: net cash of £0.63 million). During the year, the Group used cash of £1.01 million from operations (2017: generated cash of £1.03 million). This cash utilisation was mainly due to increased trade receivables at the end of the year due to higher sales in December. The increased receivables resulted in higher borrowings of £0.45 million (2017: £0.00 million) due to invoice discounting on a portion of these receivables.

Net current assets increased to £1.71 million at 31 December 2018 (2017: £1.25 million) principally due to shares issued from the exercise of options and warrants during the period.

d_2w oxo-biodegradable technology

Revenues from d_2w for the year totalled £7.67 million (2017: £7.78 million). As announced on 12 October 2018, the timing of orders placed by distributors in our principal market, the Middle East, has fluctuated quite significantly from month to month during 2018 due to changes in local enforcement actions. Our market intelligence continues to indicate that there will be more rigorous government enforcement in the short-term. Whilst we are only in the third month of the financial year, we are optimistic that sales will increase significantly in the second half of the year. Activities in Symphony's other global markets are encouraging as d_2w revenues from sales in Central America, the Far East, and Africa all grew ahead of budget.

The Board are confident on the outlook of d_2w but are also equally cautious given the volatility of orders placed in the last 12+ months. However, based on the on-the-ground intelligence, the Board are currently budgeting d_2w revenues for 2019 of not less than £8.9 million whilst remaining hopeful that if the on-the-ground intelligence proves correct, that this will translates into significantly better enforcement and resultant d_2w orders, enabling Symphony to issue further positive updates over the course of this year.

Global regulatory framework for oxo-biodegradable

Most of the countries in which we operate do not have sophisticated waste-management systems or composting or recycling facilities, and their governments are therefore determined to deal with plastics that escape collection and end up in the open environment. Oxo-biodegradation is a scientifically proven technology to address this particular problem, and is required by law in the UAE, Saudi Arabia, Pakistan and seven other countries. In addition, a further nine countries have regulations in place requiring the use of biodegradable packaging materials, of which oxo-biodegradable is one.

d_2w oxo-biodegradable plastic, is a non-disruptive drop-in technology which is the lowest cost alternative to ordinary plastics and retains all the benefits of ordinary plastics while eliminating the environmental risk if the plastic escapes collection and pollutes the open environment.

As already noted, Europe is not a key market for d_2w sales, but we have invested significant funds into communication, marketing and legal advisory costs in relation to the d_2w brand and technology to better inform key decision makers in the region.

EU Draft Directive on "the reduction of the impact of certain plastics on the environment" 2018/0172(COD) (the "Directive")

This draft Directive, if passed in April or May 2019, allows up to two years for member states to pass implementing legislation.

However, the European Union's scientific body, ECHA, has provided no scientific basis to support a restriction on oxo-biodegradable plastic – see below.

The purpose of the Directive in relation to plastics, as set out in Recital 16, is to restrict products which do not properly biodegrade and thus contribute to microplastic pollution in the environment, are not compostable, negatively affect the recycling of conventional plastic, and fail to deliver a proven environmental benefit.

We take the view that nobody would wish to restrict products which are proven to properly biodegrade in the open environment, whether they are compostable or not, and are compatible with plastic recycling and deliver a real environmental benefit. We have robust scientific evidence proving that d_2w oxo-biodegradable plastic does all of those things.

The European Chemicals Agency ("ECHA")

As set out in Articles 68-73 of the REACH Regulation (EC) 1907/2006 there is a transparent and well-established process in the EU for legal restrictions on substances.

On 22 December 2017, the Commission, acting under article 69(1) of REACH, requested ECHA to prepare a restriction dossier because they thought that oxo-degradable plastics created microplastics. That process has not been completed, and no restriction dossier has been published. Symphony and others submitted a substantial dossier of scientific evidence, and on 30 October 2018, ECHA advised that they were not convinced that microplastics are formed.

Currently therefore, no restrictions on oxo-degradable or oxo-biodegradable plastics exist, and the European Union's scientific body has provided no scientific basis for a restriction.

If, and only if, ECHA were to conclude that there are grounds for a restriction, the process then provides for consideration of the evidence by the Committees for Risk Assessment (Article 70) and for Socio-economic Analysis (71), and for public consultations, before a decision can be taken under Article 73.

d_2p "designed to protect" technologies

Revenues from Symphony's d_2p "designed-to-protect" technologies were £0.93 million, significantly ahead of the previous year (2017: £0.32 million). Our range of d_2p antimicrobial gloves are listed in several large, as well as some smaller, retail outlets. We continued to generate revenues from our d_2p antimicrobial masterbatch technology for water pipes, and after two years of R&D and successful trials, Symphony shipped an initial commercial order for d_2p anti-insect masterbatch technology to a very large global manufacturer of commercial agricultural equipment. The value of this first part-container order was $120,000, and the finished products made with this d_2p technology are being marketed globally.

We continue to have many customer-led d_2p development projects, with applications including antimicrobials, insecticide, flame retardant, odour and moisture adsorbers, rodent repellents and corrosion inhibitors. The Board are currently budgeting d_2p revenues for 2019 of not less than £1.1 million but are cautious as to the exact timing of further product commercialisation and growth in newly established areas.

"MOST OF OUR REVENUES DERIVE FROM d_2w BUT OUR d_2p BUSINESS GREW BY 191%"

Designed-to-protect range

Eranova

We are still conducting due-diligence in respect of a proposed subscription in the Eranova project to make plastic from algae. As part of this work, we are evaluating potential partners for full-scale manufacturing which would begin after completion of a pilot-plant in the EU.

The key benefits of the Eranova technology are:

- using a natural renewable waste product which pollutes beaches;
- a non-food-based resource (compared to corn or potatoes); and
- higher yields per hectare due to the fast growing-rate of algae compared to food-crops.

This technology would complement Symphony's growing range of environmental packaging solutions.

Brexit

The Board has considered the possible effects of Brexit on the business, and at the current time believe that Brexit will not have a material impact on the operations, financial performance or future prospects of the Group. The principal reasons for this are the Group's global operations, and the fact that 85.4% of the Group's revenues were generated outside the EU mainland in 2018 (2017: 90.5%). However, the Board continues to monitor the Group's operations in the UK and Europe in light of potential challenges arising from Brexit and the current political and economic uncertainties.

Outlook

We believe the Group is reaching a pivotal point in its development. In particular, our Middle East market is increasing the number of products which must be made with our d_2w type of oxo-biodegradable plastic technology, whilst at the same time substantially improving their enforcement process. We are confident that this will translate into materially higher sales of d_2w going forward. We are also experiencing a positive global effect with noticeable increases in enquiries from potential customers around the world, many being blue-chip companies, for products that will comply with oxo-biodegradable legislation in the Middle East and elsewhere.

We are encouraged by the growth of our d_2p "designed-to-protect" technologies in a number of different applications. We expect not only significant growth but expect them to be joined by new product developments which we anticipate commercialising in the short-term.

We have high expectations for a commercially successful 2019 and beyond and look forward to updating on positive progress made during the year.

M Laurier
Chief Executive
14 March 2019

2018 ROUNDUP

It's been a very busy year

This year the media has been dominated by stories of plastic pollution in the marine environment. David Attenborough, presenting Blue Planet II, brought the plight of the oceans to the attention of the world as we witnessed plastic litter killing wildlife and destroying habitats.

80% of the plastic found in the oceans originates on land, which is why we are passionate in spreading the word about d_2w oxo-biodegradable technology. Less plastic accumulating on land would mean less plastic finding its way into the oceans of the world.

2018 was a very busy year, in January a short film was produced by BBC Storyworks explaining the benefits of d_2w oxo-biodegradable plastic. This film is available around the world via the BBC Story works website.

In April, we exhibited at the UK Investor show and hosted a Smart Plastic Event at Saddlers Hall in central London (to coincide with the Commonwealth Business Forum), again to explain the benefits of oxo-biodegradable plastic and to present the results of a YouGov survey. Findings of the survey were overwhelmingly positive for adopting oxo-biodegradable technology as a replacement for regular plastic for all single-use/short-life products. A similar survey in Mexico gave the same results.

A couple of weeks later we were back at Saddlers Hall for the launch of new antimicrobial gloves developed for the health and food industries with d_2p technology. This was the first product to be launched in a range of Health & Hygiene merchandise produced by Symphony distributor, Business Dynamics.

In early June Symphony took part in a forum in Mexico where various research and studies on microplastics were presented. We also celebrated World Oceans Day with partners in the USA and in central London, where our team of keen volunteers gave out samples of d_2w products, including straws and ponchos, and talked to the public about the benefits of oxo-biodegradable plastic and the difference it could make in the environment.

In November many of our Distributors, attended our 7th distributor conference and (according to all of those who attended) it was the best one yet. Over three days delegates were informed about new research and products in workshops and presentations.

On the last day Symphony distributor, Business Dynamics held a press conference to launch the world's first - complete antimicrobial toothbrush.

Later in the month Symphony's CEO and CFO were at the Prince's Trust 'Waste to Wealth' Summit. Where a small exhibition stand was the starting point for more conversations about the problems caused by plastic litter in the environment.

Finally, at the end of November the new Symphony website went live. We have streamlined and updated the information presented to make navigation easier, and will continue to develop the site further during the coming year.

We are expecting 2019 to be equally busy with more product developments and collaborations as well as our participation in the K Show in Dusseldorf. We are also looking forward to the conclusion of the Oxomar project, a 3 year study which started in 2016, in France. The study, looking into oxo-biodegradable plastic in the marine environment is being carried out with the support of the French government and l'observatoire océanologique de banyuls sur mer.

For more information and updates, check out our new website at www.symphonyenvironmental.com

Promotional Leaf and Seed Packet, designed to demonstrate the difference between Oxo-biodegradable and conventional plastic.

CORPORATE SOCIAL RESPONSIBILITY

World Ocean Day - 8th June 2018

"AS A COMPANY, WE ARE COMMITTED TO REDUCING OUR ENERGY REQUIREMENTS AND WASTE YEAR ON YEAR AND CAREFULLY MONITOR THE ENERGY WE CONSUME AND THE WASTE WE GENERATE"

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, as far as 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.

We also have production facilities in several locations around the world to minimise the transport of supplies and help reduce our carbon footprint. As an organisation we are committed to the wider community and regularly support charities and fundraisers. This year, we were able to help a local school in their project on the environment and helping endangered species. We also gave donations to the local foodbank, and to MacMillan Nurses and Crisis at Christmas. As well as helping to raise money for Magic FM's appeal to buy Christmas Presents for underprivileged children.

We currently have two students gaining valuable experience in our laboratory as they complete their professional training year in industry (an essential part of their science degree courses). We also support overseas students with similar placements, and this year welcomed three students from Germany, one in the laboratory and two in the administration department. All of them were a great help and we enjoyed the time they spent with us.

As ever, we are very keen to encourage our distributors around the world to update and develop their skills. In November we hosted our 7th distributor conference and welcomed colleagues from many countries, including China, Peru, UAE, Saudi Arabia, Lebanon, Pakistan, USA, France, Portugal, Serbia, Costa Rica and Korea who were able to catch up with old friends whilst updating their skills and knowledge.

STRATEGIC REPORT

Principal activities and business review

The primary business activities of the Group are the development and supply of environmental plastic additives and products to a global market.

A review of the business is given in the Chairman's Statement on pages 4-5 together with the Chief Executive's Review on pages 6-9 Future developments are summarised in the Outlook section of the Chief Executive's Review on page 9.

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	2018	2017	Method of calculation
Revenue (£'000)	8,802	8,267	Revenues for the Group
Gross profit margin (%)	46.9%	48.5%	The ratio of gross profit to sales
Adjusted EBITDA	1,182	1,197	EBITDA adjusted to view underlying operating performance
Number of distributors	72	74	Number of distribution agreements

Adjusted EBITDA being EBITDA before R&D and additional communication and marketing costs is calculated as follows:

	2018 £'000	2017 £'000
Operating profit	64	478
Add: Depreciation	81	78
Amortisation	16	16
R&D expenditure	664	625
Increased marketing, communication and brand protection costs	357	-
Adjusted EBITDA	1,182	1,197

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

Approval

The Strategic Report was approved on behalf of the Board on 14 March 2019.

M Laurier
Chief Executive
14 March 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for developing a comprehensive risk framework and a system of internal controls. We have identified the following as the principal risks and uncertainties the Group faces.

PRINCIPAL ACTIVITY	PRINCIPAL RISK	IMPACT	MITIGATION
Political and Regulatory Risk	Negative government policy	The Group may not be able to market or sell products in areas where there are regulations in place which favour other technologies or are explicitly negative towards the Group's technologies.	The Group mitigates this risk by having a large and well established global footprint and by being active in international standards committees, as well as liaising with appropriate governmental departments.
Publicity Risk	Negative media comments	The Group's products are in a high profile area with a number of organisations competing for mainstream technological acceptance. This may lead to negative comments in the media who may prefer these other technologies over the Group's.	The Group mitigates this risk with active public relations activities both in house and use of external resources.
Market Risk	Market Competition	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 and its products by branding and marketing activities.
Operational Risk	Commodity 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 raw materials and continually researching separate supply alternatives for the materials used.
Financial Risk	Foreign exchange rate fluctuation	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 is experiencing higher exposure to US Dollar fluctuations due to the uncertainties currently surrounding Brexit	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.

BOARD OF DIRECTORS

Nirj Deva DL, FRSA, MEP
Non-Executive Chairman
Appointed to the Board: 15 May 2000
Committee Membership: None

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
Appointed to the Board: 4 December 1998
Committee Membership: None

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
Appointed to the Board: 4 December 1998
Committee Membership: None

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 in 1995 and has been Finance Director/Chief Financial Officer and Company Secretary of the Group since inception.

Michael Stephen LL.M
Commercial Director & Deputy Chairman
Appointed to the Board: 3 August 2007
Committee Membership: None

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

Independent Non-Executive Director
Appointed to the Board: 16 October 2008
Committee Membership: Audit (Chairman), Remuneration

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
Appointed to the Board: 19 December 2014
Committee Membership: Audit, Remuneration (Chairman)

BACKGROUND AND EXPERIENCE

Shaun Robinson has over 25 years' corporate finance, restructuring and active asset management experience and is a Chartered Certified Accountant. Shaun specialises in business development, M&A and tax/corporate structuring and management oversight.

Robert (Bob) Wigley BSc, HonDBA, FCA

Independent Non-Executive Director
Appointed to the Board: 6 April 2018
Committee Membership: None

BACKGROUND AND EXPERIENCE

Bob is Chairman of UK Finance, Secure Broadcast Ltd, Vesta Global Holdings Ltd, Bink Ltd and Accloud Ltd. He is Non-Executive Director of the Qatar Finance Centre Authority. From 2004-2009 he was Chairman of Merrill Lynch EMEA. He is a former member of the Court of the Bank of England and a former NED of Royal Mail Group. In 2009 he chaired the Green Investment Bank Commission for the then Chancellor of the Exchequer. He is an Honorary Fellow of Judge Business School, Cambridge University and a Visiting Fellow of Oxford University's Saïd Business School.

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

Dear Shareholder

As Chairman of the Board of Directors of Symphony Environmental Technologies PLC ("Symphony", the "Company", or, together with the subsidiary companies, the "Group"), it is my responsibility to ensure that Symphony has both sound corporate governance and an effective Board. As Chairman, my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner.

It is the Board's job to ensure that Symphony is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that role, reducing risk and adding value to our business. Our role as a Board is to create the conditions in which a resilient and successful business can continue to grow. Annually we review and determine our strategy and business model and then continuously monitor how management is implementing those plans. We review performance to ensure those plans remain on track or else are modified to take account of unforeseen circumstances.

The Directors of Symphony recognise the value of good corporate governance in every part of its business. As Symphony is an AIM listed company, it is required to adopt a recognised corporate governance code and disclose how it complies with that code and, to the extent Symphony departs from the corporate governance provisions outlined by that code, it must explain its reasons for doing so. The Directors have resolved to adopt the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), which we believe is the most appropriate for a company of the size and stage of development of Symphony. The Board considers that compliance with the QCA Code will enable us to serve the interests of all our key stakeholders, including our shareholders, and will promote the maintenance and creation of long-term value in the Company. This report describes our approach to governance, including information on relevant policies, practices and the operation of the Board and its Committees. Additional detail is also provided in the corporate governance statement on our website.

The Board considers that Symphony complies with the QCA Code so far as is practicable, having regard to the Company's current stage of evolution. A statement detailing both how the Company complies with the QCA Code, and areas of non-compliance, is outlined below.

QCA principles:

1. Establish a strategy and business model which promotes long-term value for shareholders

The primary business activity of Symphony is the development and supply of environmental plastic additives and products to a global market. The Board has concluded that the highest medium and long-term value can be delivered to its shareholders through the Group's strategy of driving sales of its d_2w range of products through its network of distributors. In addition, the Board is focused on increasing revenues generated by its d_2p (designed to protect) range of products and technologies.

The Board intends to deliver shareholder returns through capital appreciation. Challenges to delivering strategy and long-term goals are governmental policy (both preventative and adoptive), market competition, foreign exchange risks and raw material price volatility and availability, all of which are outlined in Principle Risks and Uncertainties on page 13, as well as steps the Board takes to protect the Group, mitigate these risks and secure a long-term future for the Group.

2. Seek to understand and meet shareholder needs and expectations

Symphony places a great deal of importance on communication with its stakeholders and is committed to establishing constructive relationships with investors and potential investors in order to assist it in developing an understanding of the views of its shareholders. Beyond the Annual General Meeting, the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and, where appropriate, other members of the senior management team meet regularly with investors and analysts to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group.

The Group's investor relations activities encompass dialogue with both institutional and private investors. In addition, the Company communicates with its shareholders through its website, RNS and RNS Reach announcements, investor relation web interviews, investor shows, and the Company's Annual Report and Accounts.

The Annual General Meeting of the Company, normally attended by all the Directors, provides the Directors the opportunity to report to shareholders on current and proposed operations, and enables the shareholders to express their views of the Group's business activities. Shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended. The CEO is considered the key contact for shareholder liaison.

Information on the Corporate Information section of the Group's Information on the website, www.symphonyenvironmental.com/corporate-information, is kept updated and contains details of relevant financial reports, presentations and other key information.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Symphony recognises that the Group's long-term future depends on environmental and social performance. Excellence in operational performance generates financial returns; however enduring sustainable growth depends on being a responsible global citizen and earning the continued support of our customers, shareholders, communities and staff.

All of Symphony's stakeholders are encouraged to provide feedback to the Company by emailing info@d2w.net. The Company is open to receiving feedback from key stakeholders, and will take action where appropriate.

The Board recognises its responsibility to manage a business whilst acknowledging the Group's responsibility for the environment and helping its customers make the most environmentally-beneficial purchasing decisions. As the whole concept of Symphony is built around sustainability and commitment to the environment, we are constantly searching for ways to continue to protect the natural and human world. The Group's strategy is focused on providing environmentally-friendly plastic solutions, as well as plastic solutions which augment healthcare, food preservation and other human protection requirements, demonstrating the Group's commitment to Corporate Social Responsibility. Furthermore, Symphony Environmental Limited (the Company's trading subsidiary) is BSI certified to ISO 9001 and 14001. The Group also has an Environmental Policy in place and its d_2w products have an Eco-label awarded by ABNT, the Brazilian standards agency.

All employees within the Group are valued members of the team, and the Board seeks to implement provisions to retain and incentivise its employees. The Group offers equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation. The Company's Executive Directors regularly meet managers to discuss staff comments, progress and well-being, and employees are also encouraged to engage directly with Directors. This allows the Board to obtain feedback from employees. Symphony has Anti-Corruption and Health and Safety policies in place.

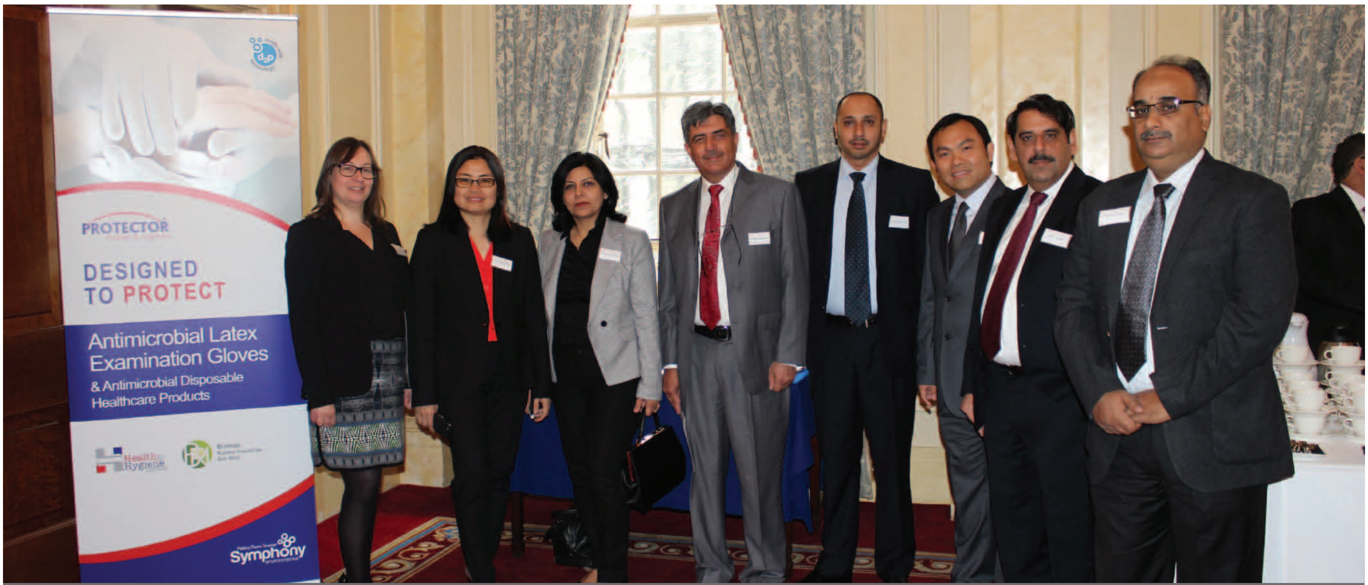
Further information in relation to the Company's corporate social responsibility and copies of the above-stated policies can be found on the Company's website, www.symphonyenvironmental.com/corporate-information.

4. Embed effective risk management, considering both opportunities and threats throughout the organisation

The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the current risk management and internal control mechanisms. The Company's key risks can be found in Principle Risks and Uncertainties on page 13.

The Board has overall responsibility for identifying, monitoring and reviewing the Company's risks, and assessing the systems of external control for effectiveness. They are also responsible for updating and maintaining the Company's risk register, which evaluates the impact of identified risks, as well as their mitigations. The Executive Directors report any new or changed risks, and any changes in risk management/control to the Board. The Board discusses all business matters having regard to the risk for the Group and to the extent that risks inherent in a particular activity are considered significant, appropriate action is taken and steps taken to mitigate the issue.

The Board is satisfied that the procedures in place meet the particular needs of the Group in managing the risks to which it is exposed. The Board is satisfied with the effectiveness of the system of internal controls, but by their very nature, these procedures can provide reasonable, not absolute, assurance against material misstatement or loss.



Protector Glove Launch – May 2018

The Board has delegated responsibility to the Audit Committee for ensuring that the Company's management has designed and implemented an effective system of internal financial controls and for reviewing, monitoring and reporting on the integrity of the consolidated financial statements of the Company and related financial information. The Audit Committee will maintain effective working relationships with the Board of Directors, executive management, and the external auditors and will monitor the independence and effectiveness of the auditors and the audit. The Company has strict segregation of duties and authority controls which are reviewed annually by the auditors whom report their findings to the Audit Committee.

The Board has reviewed the need for an internal audit function and has decided that, given the nature of the Group's business and assets and the overall size of the Group, the systems and procedures currently employed provide sufficient assurance that a sound system of internal controls are in place, which safeguards the shareholders' investment and the Group's assets. An internal audit function is therefore considered unnecessary. However, the Board will continue to monitor the need for this function.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises of three Executive Directors, Michael Laurier, Ian Bristow and Michael Stephen, and four Non-Executive Directors, Nirj Deva, Shaun Robinson, Nicolas Clavel and Robert Wigley. Nirj Deva is the Company's Chairman. Nicolas Clavel and Robert Wigley are each regarded as Independent Directors by the Board notwithstanding that they hold a small number of shares and also hold options over Ordinary Shares. The Board considers that both Nicolas Clavel and Robert Wigley have demonstrated the utmost regard for independence, appropriately challenging the Board and maintaining high standards of corporate governance on the Board. Neither Nicolas nor Robert represent any shareholder on the Board and both have a background in finance within regulated industries. Accordingly, the Board believes that both Nicolas and Robert exercise independent judgement in all matters relating to the Company.

Nirj Deva has been a Director of the Company for 18 years and Shaun Robinson has an interest in Somerston Environmental Technologies Limited, which has a holding in excess of 20% in the Company. For these reasons they are not considered independent as required by the QCA Code. Both Nirj Deva and Shaun Robinson add value with extensive knowledge of corporate, finance and public affairs. The Board is satisfied it has a suitable balance between independence on the one hand, and knowledge of the Company on the other.

Biographies for each of the Directors are outlined on pages 14-15.

Board meetings are open and constructive, with every Director participating fully. Senior management are also invited to meetings when required, providing the Board with a thorough overview of the Group. The Board aims to meet at least four times in the year and, together with the Audit and Remuneration Committees, deals with all important aspects of the Group's affairs. The Committees have the necessary skills and knowledge to discharge their duties effectively. The Group considers that, at this stage of its development and given the current size of its Board, it is not necessary to establish a formal Nominations Committee. Instead, appointments to the Board are made by the Board as a whole. This position, however, is reviewed on a regular basis by the Board.

Attendance at Board and Committee Meetings for 2018 is shown below.

In order to be efficient, the Directors meet formally and informally both in person and by telephone. The Board receives timely information in a form and of a quality appropriate to enable it to discharge its duties. Board papers are circulated by email with sufficient time before meetings, allowing time for full consideration and necessary clarifications before the meetings. Board papers are compiled into a board pack for the meetings themselves.

All Directors of the Board have sufficient time, availability, skills and expertise to perform their roles and this is regularly reviewed by the Board. The Non-Executive Directors devote such time as is necessary for the proper performance of their duties and attend all Board meetings, unless prior good reason is provided in advance.

The Company has two Committees, an Audit Committee and a Remuneration Committee. The Committees have the necessary skills and knowledge to discharge their duties effectively. As with Board papers, Committee papers are drafted and circulated to members of the Committee with sufficient time before the meetings.

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of personal, commercial and professional skills. The Directors' varied backgrounds and experience give Symphony a good mix of the knowledge and expertise necessary to manage the business effectively.

Ian Bristow is Symphony's Company Secretary and is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman maintain excellent standards of corporate governance.

There are processes in place enabling Directors to take independent advice at the Company's expense in the furtherance of their duties, and to have access to the advice and services of the Company Secretary.

In order to keep Director skillsets up to date, the Board uses third parties to advise the Directors of their responsibilities as a Director of an AIM company, which includes receiving advice from the Company's nominated adviser and external lawyers.

The Board proposes to introduce a facility for Directors to receive training on relevant developments on a more regular basis. The Board reviews the appropriateness and opportunity for continuing professional development in order to keep each Director's skillset up-to-date.

Attendance at Board and Committee Meetings for 2018

Director	Position	Board meetings	Audit Committee meetings	Remuneration Committee meetings
Nirj Deva	Non-Executive Chairman	5/5		
Michael Laurier	Chief Executive Officer	5/5		
Ian Bristow	Chief Financial Officer	4/5		
Michael Stephen	Commercial Director & Deputy Chairman	5/5		
Nicholas Clavel	Non-Executive Director	4/5	1/2	1/2
Shaun Robinson	Non-Executive Director	5/5	2/2	2/2
Robert Wigley	Non-Executive Director	4/5		

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT CONTINUED

The Board will seek to take into account any Board imbalances for future nominations. The Company is committed to a culture of equal opportunities for all employees regardless of gender. The Board aims to be diverse in terms of its range of culture, nationality and international experience. All seven Board members are currently male. If it is agreed to expand the Board, the Board will, subject to identifying suitable candidates, look to fill at least one of the vacancies with a female Director.

If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company. In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The structure of the Board is subject to continual review to ensure that it is appropriate for the Company. The Board currently runs a self-evaluation process on Board effectiveness. It is intended that the Board will create a more formal Board evaluation process in the future, which will focus more closely on defined objectives and targets for improving performance.

In Board meetings/calls, the Directors discuss areas where they feel a change would be beneficial for the Group taking appropriate advice when required.

The Company has not yet adopted a policy on succession planning, in particular with regard to the Company's Chief Executive, Michael Laurier. The Chief Executive is however required to give one months' notice under his contract of employment if he wishes to leave the Company. The Board will consider succession planning as part of its regular review of Board effectiveness.

The Chairman will annually assess the individual contributions of each of the members of the team to ensure that:

- their contribution is relevant and effective;
- that they are committed; and
- where relevant, they have maintained their independence.

The Board is committed to undertaking reviews of Board and Committee performance and of individual Board members which will be carried out every year as part of a board performance evaluation. The first review, which will include the identification of any training needs for the Board, will be conducted during the first half of 2019.

8. Promote a corporate culture that is based on ethical values and behaviour

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Group as a whole and that this will impact performance. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Group as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Group delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Group in a manner that encourages open dialogue with the Board.

A large part of the Group's activities are centred upon an open and respectful dialogue with employees, customers and other community and environmental stakeholders. Therefore, the importance of sound ethical values and behaviour is crucial to the ability of the Group to successfully achieve its corporate objectives and successfully promote its eco-friendly products. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Group does.

The Directors consider that at present the Group has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Executive Directors regularly meet managers and discuss staff well-being, development and staff feedback. Employees are encouraged to engage directly with Directors, and the Group seeks to promote Group values and behaviour through a top-down approach. Symphony also has an employee handbook.

Furthermore, Symphony has a number of policies in place aimed to protect its staff, such as Anti-corruption and Health and Safety, as well as an Environmental Policy. The Environmental Policy is focused on supplying the most environmentally-beneficial products to its customers, and to purchase and sell products which can be re-used, recycled and will biodegrade, demonstrating the Company's commitment to its corporate social responsibility. As stated above, Symphony's trading subsidiary is also BSI certified to ISO 9001 and 14001.

The Company has adopted a Share Dealing Policy which is intended to assist the Company and its staff in complying with their obligations under the Market Abuse Regulation ("MAR") which came into effect in 2016. The Policy addresses the securities dealing restrictions set out in MAR and reflects the requirements set out in the AIM Rules.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is committed to, and ultimately responsible for, high standards of corporate governance, and has chosen to adopt the QCA Code. We review our corporate governance arrangements regularly and expect to evolve these over time, in line with the growth of the Group. The Board delegates responsibilities to certain Committees and individuals as it sees fit.

The Chairman's principal responsibilities are to ensure that the Company and its Board are acting in the best interests of shareholders, and leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness, with the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings.

The CEO has, through powers delegated by the Board, the responsibility for leadership of the management team in the execution of the Group's corporate strategies and for the day-to-day management of the business. The CEO can be assisted in his duties by the other Executive Directors. The CEO for Symphony is also the principle contact for liaison with shareholders and, together with the CFO, all other stakeholders.

The Non-Executives Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust. The Executive Directors seek regular counsel from the Non-Executive Directors outside of Board meetings.

Whilst the Board has not formally adopted appropriate delegations of authority setting out matters reserved to the Board, there is effectively no decision of any consequence made other than by the Directors. All Directors participate in the key areas of decision-making, including the following matters:

- oversee the Group's strategic objectives and policies;
- review of performance and controls;
- oversee all aspects of the finances;
- decide on key business transactions;
- manage risk; and
- manage the interests of stakeholder groups.

The Board delegates authority to two Committees to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings. The committees are currently being reviewed in relation to the number of independent members.

Arabplast – January 2018

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT CONTINUED

Audit Committee

The Audit Committee Report is on page 27.

Committee members and attendance

The Audit Committee currently comprises Nicolas Clavel (Chair) and Shaun Robinson.

The Board considers that Nicolas Clavel has sufficient relevant financial experience to chair the Audit Committee given that he has over 30 years' experience in financial services and is Chief Investment Officer of Scipion Capital Limited. Shaun Robinson is a Chartered Certified Accountant.

The Committee is required by its terms of reference to meet at least twice a year. The Committee Chairman may invite other Directors or executives of the Company and any external advisors to attend all or part of any meetings as and when deemed appropriate.

Objectives and responsibilities

The Committee is responsible for monitoring the integrity of the Group's financial statements, including its Annual and Interim Reports, preliminary results announcements and any other formal announcements relating to its financial performance prior to release.

The Committee's main responsibilities can be summarised as follows:

- to review the Group's internal financial controls and risk management systems;
- to monitor the integrity of the financial statements and any formal announcements relating to the Group's financial performance, reviewing significant judgements contained in them;
- to make recommendations to the Board in relation to the appointment of the external auditors and to recommend to the Board the approval of the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' independence and objectivity, taking into consideration relevant UK professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditors; and
- to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and to make recommendations as to steps to be taken.

Remuneration Committee

The Remuneration Committee Report is on pages 28-29.

Committee members and attendance

Symphony's Remuneration Committee is chaired by Shaun Robinson and its other member is Nicolas Clavel. The Board considers that Shaun Robinson has sufficient relevant experience to chair the Remuneration Committee, given that he is a Chartered Certified Accountant, with over 25 years' experience in the financial operation and management oversight of a number of businesses.

The Committee is required by its terms of reference to meet at least once a year. The Committee Chairman may invite other Directors or executives of the Company and any external advisors to attend all or part of any meetings as and when deemed appropriate.

Objectives and responsibilities

The Remuneration Committee's main responsibilities can be summarised as follows:

- To determine the framework or broad policy for the remuneration of the Executive Directors, and such other senior executives as it is requested by the Board to consider. The remuneration of the Non-Executive Directors shall be a matter for the executive members of the Board. No Director shall be involved in any decisions as to their own remuneration;
- To determine such remuneration policy, taking into account all factors which it deems necessary (including relevant legal and regulatory requirements);
- To review the ongoing appropriateness and relevance of the remuneration policy, including policy comparisons with market competitors;
- To design and determine targets for any performance related pay schemes operated by the Company and approving the total annual payments made under such schemes;
- To review the design of, and any changes to, all share incentive plans;
- To advise on any major changes in employee benefits structures throughout the Company or Group; and
- To consider any matter specifically referred to the Committee by the Board.

Terms of reference for the Audit and Remuneration Committees are available at: www.symphonyenvironmental.com/corporate-information/corporate-governance

Nomination Committee

The Group considers that, at this stage of its development and given the current size of its Board, it is not necessary to establish a formal Nominations Committee. Instead, appointments to the Board are made by the Board as a whole. This position however, is reviewed on a regular basis by the Board.

The Chair and the Board continue to monitor and evolve the Company's corporate governance structures and processes, and maintain that these will evolve over time, in line with the Company's growth and development.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to maintaining effective communication and having a constructive dialogue with its shareholders, other relevant stakeholders and prospective investors. The Company intends to have ongoing relationships with both its private and institutional shareholders (through meetings and presentations) as well with shareholder analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Directors.

In addition, all shareholders are encouraged to attend the Company's next Annual General Meeting. All 2018 AGM resolutions were passed comfortably. The Board already discloses the result of general meetings by way of announcement, and discloses the proxy voting numbers to those attending the meetings. The Company has not historically announced the detailed results of shareholder voting to the market but it intends to do so for future General Meetings. The Board intends that, if there is a resolution passed at a General Meeting with 20% or more votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

The Corporate Information section of the Group's website, www.symphonyenvironmental.com/corporate-information is kept updated and contains details of relevant financial reports, corporate videos/ presentations and other key information.

N Deva, DL, FRSA, MEP
Chairman
14 March 2019

DIRECTORS' REPORT

The Directors present their report and the audited annual report and accounts of the Group for the year ended 31 December 2018.

Principal activity

Symphony Environmental Technologies PLC is a public limited company incorporated in England and Wales, registered number 03676824, with registered office at 6 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD. The Company is quoted on the AIM market of the London Stock Exchange.

The principal activity of the Group is the development and supply of environmental plastic additives and products to a global market.

Review of business

The Strategic Report on page 12 provides a review of the business, the Group's trading for the year ended 31 December 2018, key performance indicators, and an indication of future prospects and developments. The principal risks and uncertainties facing the business and on page 13. 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 £48,000 (2017: £430,000).

The Directors do not recommend the payment of a dividend (2017: £nil).

The results for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income on page 33.

Directors

The Directors who served during the year ended 31 December 2018 and up to the date of signing the financial statements were as follows:

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

M Laurier
Chief Executive Officer

I Bristow, FCCA
Chief Financial Officer and Company Secretary

M Stephen, LL.M
Commercial Director & Deputy Chairman

N Clavel
Independent Non-Executive Director

S Robinson
Non-Executive Director

R Wigley, BSc, HonDBA, FCA
Independent Non-Executive Director

In accordance with the Articles of Association, one third of the Directors must retire from office at each AGM after the AGM or general meeting, as the case may be, at which he was appointed or last re-appointed.

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 2018	At 1 January 2018
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	1,352,176
N Clavel	550,000	550,000
S Robinson	11,513,546	11,331,783
R Wigley	200,000	-

Details of the Directors' interests in options granted under the Group's share scheme are set out in the Remuneration Committee Report on pages 28-29.

Financial risk management policies and objectives
The Group's financial risk management policies are detailed in note 22 to the annual report and accounts.

A summary of the Group's key operating risks is set out on page 13. The Group's risk management policies and objectives including exposure to liquidity risk, interest rate risk, currency risk, and credit risk, are contained in note 22 to the annual report and accounts.

Share capital
Full details of changes in the Company's share capital during the year and after the year end are set out in note 16 to the annual report and accounts. Details of employee share options and warrants are also set out in note 16.

Significant shareholdings
The significant shareholders in the Company (holding shares in excess of 3%) as at 31 December 2018 are as follows:

Shareholder	% total shareholding
Somerston Capital	21.84%
M Laurier	15.18%
S Robinson	7.46%

Political donations
During the year ended 31 December 2018 the Group made no political donations (2017: £nil).

Going concern
On the basis of current financial projections and available funds and facilities, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the Group and Company financial statements.

Information received by the Board
The Board receives information on a regular basis enabling it to review operational and financial performance (including sales activity,and working capital management); forecasts (including comparison with market expectations); potentially significant transactions and strategy.

Website
Our corporate website at www.symphonyenvironmental.com/corporate-information/company-reports-and-general-meetings provides access to Company information, public announcements, published financial reports and contact details.

Directors' indemnification and insurance
The company's articles of association provide for the directors and officers of the company to be appropriately indemnified, subject to the provisions of the Companies Act 2006. The company purchases and maintains insurance for the directors and officers of the company in performing their duties, as permitted by section 233 of the Companies Act 2006.

Auditor
Mazars LLP has expressed its willingness to continue in office as auditor to the Company. A resolution to reappoint Mazars LLP will be proposed at the forthcoming AGM.

Provision of information to the auditors
Each of the Directors who held office at the date of approval of this Directors' Report confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's and Group's auditor is unaware; and
- he has taken all the steps he ought to have taken as a Director in order to make himself aware of any information needed by the Company and the Group's auditors in connection with their report and to establish that the auditors are aware of that information.

AGM
The AGM will be held on 3 May 2019. The notice of AGM and the ordinary and special resolutions to be put to the meeting will be notified to shareholders separately from these accounts.

Approval
The Directors' report was approved on behalf of the Board on 14 March 2019.

M Laurier
Chief Executive
14 March 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable UK law and those IFRSs as adopted by the European Union.

Under Company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they present fairly the financial position, financial performance, and cash flows of the Group and Company for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies for the group's financial statements and apply them consistently;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IRFSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- State that the Group and the Company have complied with IFRSs subject to any material departures disclosed and explained in the financial statements; and
- Make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed in the Directors' Report above, confirms that, to the best of his knowledge:

- The Group financial statements which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.
- The Directors consider that the Annual Report and Accounts, taken as a whole is fair, balanced and understandable.

This responsibility statement was approved by the Board on 14 March 2019.

N Deva, DL, FRSA, MEP
Chairman
14 March 2019

AUDIT COMMITTEE REPORT

Dear Shareholder

As the Chairman of Symphony's Audit Committee, I present my first Audit Committee Report for the year ended 31 December 2018, which has been prepared by the Committee and approved by the Board.

The Committee is responsible for reviewing and reporting to the Board on financial reporting, internal control and risk management, and for reviewing the performance, independence and effectiveness of the external auditors in carrying out the statutory audit. The Committee advises the Board on the statement by the Directors that the Annual Report and Accounts when read as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

During the year, the Committee's primary activity involved meeting with the external auditors, considering material issues and areas of judgement, and reviewing and approving the interim and year end results and accounts.

In addition, the Committee reviewed the audit and taxation services provided by Mazars LLP, the Group's external auditors. The Committee concluded that Mazars LLP are delivering the necessary audit scrutiny and that the taxation services provided did not pose a threat to their objectivity and independence.

Accordingly, the Committee recommended to the Board that Mazars LLP be re-appointed for the next financial year.

During 2018, the committee:

- met with the external auditors to review and approve the annual audit plan and receive their findings and report on the annual audit;
- considered significant issues and areas of judgement with the potential to have a material impact on the financial statements;
- considered the integrity of the published financial information and whether the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Group's position and performance, business model and strategy; and
- reviewed and approved the interim and year end results.

In the coming year, in addition to the Committee's ongoing duties, the Committee will:

- consider significant issues and areas of judgement with the potential to have a material impact on the financial statements; and
- keep the need for an internal audit function under review, having regard to the Company's strategy and resources.

Significant issues considered for the year ending 31 December 2018

Revenue recognition and cut-off.

The Committee considered the application of IFRS 15 and in particular the potential impact of timing on revenue recognition over the accounting period end.

Audit committee effectiveness

The Committee is due to perform an assessment of its effectiveness during the first half of 2019.

N Clavel
Chairman of the Audit Committee
14 March 2019

REMUNERATION COMMITTEE REPORT

Dear Shareholder

As the Chairman of Symphony's Remuneration Committee, I present my first Remuneration Committee Report for the year ended 31 December 2018, which has been prepared by the Committee and approved by the Board.

The Committee is responsible for determining the remuneration policy for the Executive Directors, and for overseeing the Company's long-term incentive plans. The Board as a whole is responsible for determining Non-executive Directors' remuneration.

As an AIM company, the Directors' Remuneration Report Regulations do not apply to Symphony and so this report is disclosed voluntarily and has not been subject to audit.

Remuneration policy for 2018 and future years

The Remuneration Committee determines the Company's policy on the structure of Executive Directors' and if required, senior management's remuneration. The objectives of this policy are to:

- Reward Executive Directors and senior management in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of shareholders;
- Provide a level of remuneration required to attract and motivate high-calibre Executive Directors and senior management of appropriate calibre;
- Encourage value creation through consistent and transparent alignment of incentive arrangements with the agreed company strategy over the long term; and
- Ensure the total remuneration packages awarded to Executive Directors, comprising both performance-related and non-performance-related remuneration, is designed to motivate the individual, align interests with shareholders and comply with corporate governance best practice.

The Committee will continue to monitor market trends and developments in order to assess those relevant for the Group's future remuneration policy.

Remuneration policy for non-executive directors

Nirj Deva, Nicolas Clavel, Shaun Robinson and Bob Wigley each receive a fee for their services as a Director, which is approved by the Board, mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments.

Remuneration decisions for 2018

No annual bonuses are payable for the year ended 31 December 2018 (2017: £nil).

As announced by RNS on 16 October 2018, and following advice from an independent remuneration consultant, myself and Bob Wigley recommended to the Board to extend certain directors' options for a period of one year. The options affected are indicated in the share options and warrants table on page 29.

Remuneration committee effectiveness

The Committee is due to perform a self-assessment of its effectiveness during the first half of 2019.

Directors' emoluments

The table below sets out the total emoluments received by each Director who served during the year ended 31 December 2018.

	Basic salary £'000	Share-based payments £'000	Benefits £'000	2018 Total Emoluments £'000	2017 Total Emoluments £'000
N Deva	16	-	-	16	16
M Laurier	200	-	13	213	211
I Bristow	137	-	7	144	142
M Stephen	137	-	15	152	150
N Clavel	16	-	-	16	16
S Robinson	16	-	-	16	16
R Wigley*	12	8	-	20	-
	534	8	35	577	551

The Company has taken out insurance for its officers against liabilities in relation to the Company under Section 233 of the Companies Act 2006. *Mr Wigley was appointed on 6 April 2018.

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 2019
N Deva	250,000	9.875	18 December 2010	18 December 2019
M Laurier	1,851,500	4.500	26 November 2008	*26 November 2019
M Laurier	350,000	9.125	31 March 2010	30 March 2020
I Bristow	3,000,000	4.500	26 November 2008	*26 November 2019
I Bristow	280,000	9.125	31 March 2010	30 March 2020
M Stephen	2,000,000	4.500	26 November 2008	*26 November 2019
M Stephen	210,000	9.125	31 March 2010	30 March 2020
N Clavel	500,000	4.500	16 October 2009	**26 November 2019
N Clavel	250,000	9.875	18 December 2010	18 December 2019
R Wigley	750,000	20.250	15 May 2018	6 April 2021

The above share options and warrants are HM Revenue and Customs unapproved.

* Options were extended for one year to 26 November 2019 and ** Option was extended from 16 October 2018 to 26 November 2019. See Remuneration decisions for 2018 on page 28.

On 29 May 2018 Somerston Environmental Technologies Limited ("Somerston") exercised 2,200,000 warrant options ("Somerston Warrants") at a price of 15.00 pence per share. Mr Robinson had a 15.3% interest in Somerston Warrants representing 337,333 shares. The market value of these shares at exercise was 22.25 pence resulting in a gain of 7.25 pence per share. (On 19 April 2017 Mr 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 again of 3.5 pence per share).

S Robinson
Chairman of the Remuneration Committee
14 March 2019

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 2018 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 Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2018 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 IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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, as applied to SME listed entities 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.

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 9.

The terms on which the United Kingdom may withdraw from the European Union, currently due to occur on 29 March 2019, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Group's and Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Group and Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

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.

Revenue Recognition Description of the Key Audit Matter

The group's accounting policy in respect of revenue recognition is set out in the accounting policy notes on page 37. Under this policy, revenue is recognised when the stated conditions have been satisfied.

For Symphony Environmental Technologies Plc we see the revenue recognition significant risk as being principally in relation to cut off, due to the potential to inappropriately shift the timing and basis of revenue recognition.

How we addressed this matter

We addressed this risk by substantively testing sales recognised either side of the year end to ensure these have been recognised in the correct period.

it procedures included, but were not limited to:

- assessing the related internal control environment, including specific controls that we considered to be key in the determination of timing of revenue recognised; and
- substantive analytical procedures, enquiry of management, and corroboration of explanations provided.

Substantive sampling procedures included, but were not limited to:

- selection of sample of transactions;
- 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.

Based on the procedures performed, we found that the revenue is fairly stated.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	Group - £132,000 Parent company - £91,000
How we determined it	Group – 1.5% revenue Parent company– 2.7% net assets
Rationale for benchmark applied	Turnover has been taken as the benchmark for materiality for the group as it is considered to be the primary focus of the shareholders as the group is still at an early stage of profit generation and was almost break even for the year. 1.5% was selected to reflect the understanding of the risks. Net assets was chosen as the basis for the parent company as it acts as the parent company of the group and does not trade. The 2.7% was used to reflect the risk in the business.
Performance materiality	Group - £92,000 Parent company- £64,000
Reporting threshold	Group - £4,000 Parent company- £2,000

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the group and company, the structure of the group and the parent company and the industry in which it operates. We considered the risk of acts by the company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006.

We tailored the scope of our group audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the parent company and group's, accounting processes and controls and its environment and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to, 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 irregularities including fraud or error, review of minutes of directors' meetings in the year and enquiries of management. As a result of our procedures, we did not identify any Key Audit Matters relating to irregularities, including fraud.

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 group audit scope included an audit of the group and parent financial statements of Symphony Environmental Technologies plc. Based on our risk assessment, all entities within the group were subject to full scope audit and was performed by the group audit team.

At the parent level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2018, 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
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 26, 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.

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.

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.

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

Date: 14 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	4	8,802	8,267
Cost of sales		(4,676)	(4,255)
Gross profit		4,126	4,012
Distribution costs		(210)	(237)
Administrative expenses		(3,852)	(3,297)
Operating profit	5	64	478
Finance costs	7	(26)	(48)
Profit for the year before tax		38	430
Taxation	8	10	-
Profit for the year		48	430
Total comprehensive income for the year		48	430
Basic earnings per share	9	0.03p	0.28p
Diluted earnings per share	9	0.03p	0.27p

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 2018 - Company number 03676824

	Note	2018 £'000	2017 £'000
ASSETS			
Non-current			
Property, plant and equipment	10	254	291
Intangible assets	11	34	47
		288	338
Current			
Inventories	13	623	567
Trade and other receivables	14	2,228	992
Cash and cash equivalents	15	374	631
		3,225	2,190
Total assets		3,513	2,528
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of Symphony Environmental Technologies plc			
Ordinary shares	16	1,543	1,516
Share premium	16	333	-
Retained earnings	16	123	67
Total equity		1,999	1,583
Liabilities			
Current			
Borrowings	17	454	2
Trade and other payables	18	1,060	943
Total liabilities		1,514	945
Total equity and liabilities		3,513	2,528

These annual report and accounts were approved by the Board of Directors on 14 March 2019 and authorised for issue on 14 March 2019. 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 2018

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 2018				
Balance at 1 January 2018	1,516	-	67	1,583
Issue of share capital	27	333	-	360
Share-based payments	-	-	8	8
Transactions with owners	27	333	8	368
Total comprehensive income for the year	-	-	48	48
Balance at 31 December 2018	1,543	333	123	1,999
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

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows from operating activities	48	430
Profit after tax		
Adjustments for:		
Depreciation	81	78
Amortisation	16	16
Loss on disposal of tangible assets	1	3
Share-based payments	8	-
Foreign exchange	(8)	(5)
Interest expense	26	48
Tax credit	(10)	-
Changes in working capital:		
Increase in inventories	(55)	(151)
(Increase)/decrease in trade and other receivables	(1,223)	579
Increase in trade and other payables	111	35
Net cash (used)/generated in operations	(1,005)	1,033
Tax received – R&D tax credits	10	-
Net cash (used)/generated in operating activities	(995)	1,033
Cash flows from investing activities		
Additions to property, plant and equipment	(45)	(84)
Additions to intangible assets	(3)	(1)
Proceeds from sale of property, plant and equipment	-	10
Net cash used in operating activities	(48)	(75)
Cash flows from financing activities		
Movement in working capital facility	454	(625)
Movement in finance lease liability	(2)	(4)
Proceeds from share issue	360	92
Interest paid	(26)	(48)
Net cash generated/(used) in financing activities	786	(585)
Net change in cash and cash equivalents	(257)	373
Cash and cash equivalents, beginning of year	631	258
Cash and cash equivalents, end of year	374	631

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 to a global market.

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. Basis of preparation and significant accounting policies

Basis of preparation

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.

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

Changes to accounting policies during the year are detailed in 'Standards and interpretations adopted during the year' on page 40.

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 2018.

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

On the basis of current financial projections and available funds and facilities, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the Group and Company financial statements.

Revenue

Plastic additives and finished products, 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 the sale of goods. Revenue from the sale of goods is recognised when all of the following conditions have been satisfied:

- **Identification of the contract** – Due to the nature of the goods sold, the Group effectively approves an implied contract with a customer when it accepts a purchase order from the customer.
- **Identification of the separate performance obligations in the contract** – The Group must fulfil the following obligations, which are agreed on acceptance of the purchase order:
  - To make the goods available for dispatch on the required date; and
  - To organise freight in accordance with agreed INCOTERMs (a series of pre-defined commercial terms published by the International Chamber of Commerce).
- **Determine the transaction price of the contract** – The transaction price is determined as the fair value of the consideration the Group expects to receive on transfer of the goods. The price of the sale includes the goods price and the cost of the transport, if applicable.
- **Allocation of the transaction price to the performance obligations identified** – Sales prices are agreed with each customer and are not generally a fixed price per unit. The transport price will also vary across sales as it is based on quotes received from the Group's freight agents, as transport is charged at cost. Although the Group is effectively an agent in the provision of transport rather than the principal under IFRS 15, the transport cost is insignificant in the context of the overall sale price and therefore it is not netted out of revenue and cost.
- **Recognition of revenue when each performance obligation is satisfied** – Provided that the goods have been made available for dispatch on the required date, this performance obligation has been fulfilled and the revenue for this performance obligation is therefore recognised at this date. In respect to the freight element, the agreed INCOTERMs need to be satisfied. At this point, the Group recognises the revenue for this separate performance obligation.

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; and
- 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 11 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 assets 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.

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

The Group classifies all of its financial assets as loans and receivables at amortised cost. Financial assets do not comprise prepayments. Management determines the classification of its financial assets at initial recognition.

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

The Group has an invoice financing facility whereby it transfers the rights to the cash flows from the related receivables to a third party but retains the credit risk by providing a guarantee. As the Group does not transfer substantially all the risks and rewards of the receivables, no derecognition of financial assets is required.

Cash and cash equivalents

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

Financial liabilities

The Group classifies its financial liabilities in the category of financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost include:

- Trade payables and other short-dated monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.
- Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Unless otherwise indicated, the carrying values of the Group's financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

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
IFRS 2 *Share-based Payment*: Amendment in relation to the classification and measurement of share-based payment transactions	1 January 2018

At the date of authorisation of these annual report and accounts, certain new standards, amendments and interpretations to existing standards became effective,as they had not been previously adopted by the Group.

Information on new standards, amendments and interpretations that are 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'

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. 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 2018 figures and there are not any material changes to the Group's annual report and accounts.

IFRS 15, "Revenue from Contracts with Customers"

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. 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 2018 figures and there are not any change to the statement of comprehensive income as presented. The revenue recognition 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.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

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 recognising a 'right-of-use' asset and a lease liability. The date of initial application of IFRS 16 for the Group will be 1 January 2019. It will affect most companies that report under IFRS and are involved 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 has carried out an impact review of the implementation of IFRS 16 and has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on the balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

At 31 December 2018 operating lease commitments amounted to £860,000 (see note 19), which is expected to reduce to £711,000 at 31 December 2019. Assuming the Group's lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately

£745,000 being recognised on 1 January 2019. However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in the actual liability recognised being higher than this.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the year ended 31 December 2018 was approximately £126,000.

IFRIC 23 'Uncertainty over Income Tax Positions'

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments. When there is uncertainty over income tax treatments.

Other

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

The following is a list of other new and amended standards which, at the time of writing, had been issued by the IASB but which are effective in future periods. The amount of quantitative and qualitative detail to be given about each of the standards will, much like the amount of detail to be given about IFRS 16, depend on each entity's own circumstances.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)
- Annual Improvements to IFRSs 2015-2017 Cycle (IFRS 3 Business Combinations and IFRS joint Arrangements, IAS 12 Income Taxes, and IAS 23 Borrowing Costs) (effective 1 January 2019)
- IFRS 17 Insurance Contracts (effective 1 January 2021)

3. Significant 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 estimates:

Capitalisation of development cost

Estimates and related judgements in respect 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

Estimates and related judgements in respect to capitalised development costs are detailed in note 11. In particular, estimates are continued to be made in respect to future economic benefits and any changes to market conditions.

Share option judgements

Estimates and related judgements in respect 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

Estimates and related judgements in respect to going concern are detailed in note 2. In particular, estimates are made as to future revenues expectations which derive cash flow projections.

Expected credit losses (ECLs)

Expected credit losses are shown in note 14. ECLs are determined based on historical data available to management in addition to forward looking information utilising management knowledge. Adequate information exists to support the recoverability of the net receivables balance.

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.

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

Recognition of deferred tax assets

Judgements and estimates relating to a deferred tax asset are detailed in note 2. In particular, estimates are made as to future revenues which derive profit and loss projections. However, management does not consider it appropriate to recognise a deferred tax asset where there is uncertainty over the amount of future profits.

4. Segmental 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 area	2018 £'000 Revenue	2017 £'000 Revenue
UK	417	288
Europe	1,281	784
Americas	3,414	3,263
Middle East and Africa	2,472	3,002
Asia	1,218	930
Total	8,802	8,267

Revenues attributable to the above geographical areas are made on the basis of final destination of the customer to which the goods are sold.

Non-current assets of £20,000 are held outside of the UK (2017: £25,000).

Major customers

There was one customer that accounted for greater than 10% of total Group revenues for 2018 (2017: one customer). In 2018 one customer accounted for £2,235,000 or 25% (2017: £2,861,000 or 35%) of total group revenues.

5. Operating profit

The operating profit is stated after charging:

	2018 £'000	2017 £'000
Depreciation	81	78
Amortisation	16	16
Loss on disposal of property, plant and equipment	1	3
Research and development expenditure not capitalised	664	625
Operating lease rentals:		
· Land and buildings	114	114
· Plant and equipment	12	6
Fees payable to the Company's auditor:		
Audit related services:		
· Audit of the annual report and accounts	11	11
· Audit of the annual report and accounts of the Company's subsidiaries	15	15
Non-audit related services:		
· Other assurance related services	11	-
· Tax compliance services	9	8
Net foreign exchange loss	30	22

6. Directors and employees

Staff costs (including directors) during the year comprise:

	2018 £'000	2017 £'000
Wages and salaries	1,530	1,382
Social security costs	210	167
Share-based payments	8	-
Other pension costs	65	53
	1,813	1,602

Average monthly number of people (including directors) by activity:

	2018	2017
R&D, testing and technical	9	7
Selling	6	6
Administration	10	9
Management	7	6
Marketing	2	1
Total average headcount	34	29

Remuneration in respect of the Directors was as follows:

	2018 £'000	2017 £'000
Emoluments	577	551
	577	551

Key management remuneration:

	2018 £'000	2017 £'000
Short-term employee benefits	569	551
Share-based payments	8	-
	577	551

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 Committee Report.

7. Finance costs

	2018 £'000	2017 £'000
Interest expense:		
· Bank and invoice finance borrowings	26	48
Total finance costs	26	48
Net finance costs	26	48

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8. Taxation

	2018 £'000	2017 £'000
R&D tax credit	10	-
Total income tax credit	10	-

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% (2017: 19%). The differences are explained as follows:

	2018 £'000	2017 £'000
Profit for the year before tax	38	430
Tax calculated by rate of tax on the result		
Effective rate for year at 19% (2017: 19.25%)	7	83
Expenses not deductible for tax purposes	13	8
Fixed asset related timing differences	3	(7)
R&D tax relief	(58)	(70)
Share scheme deduction	(6)	(16)
Short term timing differences	3	2
Losses carried forward	1	-
R&D tax credit not yet recognised	37	-
R&D tax credit in respect of previous periods	(10)	-
Total income tax credit	(10)	-

Symphony Environmental Limited continues to undertake research and development work which results in a research and development tax credit being made repayable to the company by HMRC in exchange for tax losses surrendered by the company at a tax rate of 14.5%. As in prior years, the group has chosen to recognise such cash tax credits in its financial statements, once the relevant research and development claim has been accepted and repaid by HMRC. Usually this is shortly after the submission of the company's tax return. The cash tax credit of £10,000 shown above relates to repayments made by HMRC in relation to the years ended 31 December 2016 and 31 December 2017.

In calculating the overall tax charge for the Group for the period, Symphony Environmental Limited has provisionally included a portion of the anticipated research and development claim for year ended 31 December 2018 to increase the trading losses made available for surrender to Symphony Environmental Technologies Plc as group relief. In doing so, the overall current year tax charge for the Group for the period has been reduced to £nil. Symphony Environmental Limited intends to surrender any remaining trading losses, not claimed as group relief, in exchange for a cash tax credit. The Group expects to be able to recognise this cash tax credit within next year's financial statements once this is repaid.

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.

The Group has not recognised a deferred tax asset in respect of losses available for use against future taxable profits due to uncertainties on timing. The Group has tax losses of approximately £16,152,000 (2017: £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 £2,745,000 (2017: £2,730,000).

These brought forward losses are subject to the new loss restriction rules introduced on 1 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, and remains unchanged. 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 assets of £104,000 (2017: £120,000) which give rise to a deferred tax liability of £18,000 (2017: £20,000).Other gross temporary timing differences of £37,000 (2017: £19,000) give rise to a deferred tax asset of £6,000 (2017: £3,000). The net deferred tax liability of £11,000 (2017: £17,000) is sheltered by the unrecognised deferred tax asset in respect of losses.

9. 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	2018	2017
Profit attributable to equity holders of the Company	£48,000	£430,000
Weighted average number of ordinary shares in issue	152,877,898	151,089,240
Basic earnings per share	0.03 pence	0.28 pence
Dilutive effect of weighted average options and warrants	9,585,716	9,925,427
Total of weighted average shares together with dilutive effect of weighted options	162,463,614	161,014,667
Diluted earnings per share	0.03 pence	0.27 pence

No dividends were paid for the year ended 31 December 2018 (2017: £nil).

A total of 14,351,500 options and warrants were outstanding at the end of the year which may become dilutive in future years.

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10. Property, plant and equipment

Year ended 31 December 2018	Plant & Machinery £'000	Fixtures & Fittings £'000	Motor Vehicles £'000	Office Equipment £'000	Total £'000
Cost					
At 1 January 2018	417	291	31	104	843
Additions	19	5	-	21	45
Disposals	(6)	-	-	(34)	(40)
At 31 December 2018	430	296	31	91	848
Depreciation					
At 1 January 2018	256	194	22	80	552
Charge for the Year	35	29	2	15	81
Disposals	(6)	-	-	(33)	(39)
At 31 December 2018	285	223	24	62	594
Net Book Value					
At 31 December 2018	145	73	7	29	254
At 31 December 2017	161	97	9	24	291

Included within net book value of motor vehicles is £nil (2017: £7,000) 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 £1,000 (2017: £3,000), and is included within administrative expenses in the statement of comprehensive income.

Year ended 31 December 2017	Plant & Machinery £'000	Fixtures & Fittings £'000	Motor Vehicles £'000	Office Equipment £'000	Total £'000
Cost					
At 1 January 2017	364	292	61	125	842
Additions	68	2	-	15	85
Disposals	(15)	(3)	(30)	(36)	(84)
At 31 December 2017	417	291	31	104	843
Depreciation					
At 1 January 2017	233	167	46	98	544
Charge for the Year	29	30	2	17	78
Disposals	(6)	(3)	(26)	(35)	(70)
At 31 December 2017	256	194	22	80	552
Net Book Value					
At 31 December 2017	161	97	9	24	291
At 31 December 2016	131	125	15	27	298

11. Intangible assets

Year ended 31 December 2018	Development costs £'000	Trademarks £'000	Total £'000
Cost			
At 1 January 2018	1,973	85	2,058
Additions	-	3	3
Disposals	-	(12)	(12)
At 31 December 2018	1,973	76	2,049
Amortisation			
At 1 January 2018	211	27	238
Charge for the Year	11	5	16
Disposals	-	(12)	(12)
At 31 December 2018	222	20	242
Impairment			
At 1 January 2018	1,728	45	1,773
At 31 December 2018	1,728	45	1,773
Net Book Value			
At 31 December 2018	23	11	34
At 31 December 2017	34	13	47

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, cash flow 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 the statement of comprehensive income. Development costs include in the net book value of £23,000 (2017: £34,000) have two years of amortisation remaining as at 31 December 2018 (2017: three years).

Year ended 31 December 2017	Development costs £'000	Trademarks £'000	Total £'000
Cost			
At 1 January 2017	1,973	84	2,057
Additions	-	1	1
At 31 December 2017	1,973	85	2,058
Amortisation			
At 1 January 2017	201	21	222
Charge for the Year	10	6	16
At 31 December 2017	211	27	238
Impairment			
At 1 January 2017	1,728	45	1,773
At 31 December 2017	1,728	45	1,773
Net Book Value			
At 31 December 2017	34	13	47
At 31 December 2016	44	18	62

NOTES TO THE ANNUAL REPORT AND ACCOUNTS CONTINUED

12. 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	Development and supply of environmental plastic additives and products	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%

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.

13. Inventories

	2018 £'000	2017 £'000
Finished goods and goods for resale	372	438
Raw materials	251	129
	623	567

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £3,997,000 (2017: £3,819,000). There is a provision of £7,500 for the impairment of inventories (2017: £73,000).

There is no collateral on the above amounts.

14. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	1,978	739
Other receivables	38	53
VAT	58	58
Prepayments	154	142
	2,228	992

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

Symphony Environmental Technologies plc applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. Based on the analyses performed, management expect that all balances will be recovered, thus there is no material impact on the transition to ECL.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 120 days and therefore are all classified as current. The majority of trade and other receivables are non-interest bearing. Where the effect is material, trade and other receivables are discounted using discount rates which reflect the relevant costs of financing.

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 22.

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

Included in trade receivables 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. The ageing analysis of debt taking into account credit terms is shown below.

Days past due	0 - 30 £'000	31-60 £'000	61-90 £'000	91-120 £'000	>120 £'000	Total Gross £'000	ECL £'000	Total Net £'000
31 December 2018	1,871	66	39	-	27	2,003	(25)	1,978
31 December 2017	625	85	17	2	33	762	(23)	739

15. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	374	576
Invoice finance facility surplus	-	55
	374	631

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

16. Equity

	Group and Company			Group	
	Ordinary shares Number	Ordinary shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2018	151,614,377	1,516	-	67	1,583
Issue of share capital	2,730,000	27	333	-	360
Share-based payment	-	-	-	8	8
Profit for the year	-	-	-	48	48
At 31 December 2018	154,344,377	1,543	333	123	1,999
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 2,730,000 Ordinary Shares (2017: 1,675,000 ordinary shares) for a consideration of £360,000 (2017: £92,000).

Share options and warrants

As at 31 December 2018 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 2018 there were 1,450,000 approved staff options outstanding. No approved staff options were issued in 2018.

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	2018 Weighted average exercise price £	Number	2017 Weighted average exercise price £
Outstanding at 1 January	15,781,500	0.07	24,456,500	0.09
Granted	1,850,000	0.16	-	-
Exercised	(2,730,000)	0.13	(1,675,000)	0.05
Lapsed	(550,000)	0.05	(7,000,000)	0.15
Outstanding at 31 December	14,351,500	0.07	15,781,500	0.07

The weighted average exercise price of options exercised in 2018 was 13p (2017: 5p).

The number of share options and warrants exercisable at 31 December 2018 was 14,351,500 (2017: 15,781,500). The weighted average exercise price of those shares exercisable was 7p (2017: 7p).

The weighted average option contractual life is seven years (2017: eight years) and the range of exercise prices is 2.375p to 25p (2017: 2.375p to 15p).

Directors

Directors' interests in shares and share incentives are contained in the Remuneration Committee Report on pages 28-29.

IFRS2 expense

The IFRS 2 share-based payment charge for the year is £8,000 (2017: £nil).

The Black-Scholes model was used for calculating the cost of staff options. The model inputs for each of the options issued were:

Grant date	6 April 2018
Share price at grant date	20.25p
Exercise price	20.25p
Expected volatility	12.49%
Contractual life	3 years

Share prices at grant date were based on the observable market price of the Group's share price, using the closing market price of the Group's share price the day before the options were granted.

17. Borrowings

	2018 £'000	2017 £'000
Current		
Other loans	454	-
Finance lease liabilities	-	2
	454	2

Other loans include:
An amount due relating to the invoice financing facility totalling £454,000 (2017: £nil). Interest is charged at 2.20% 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 2018 £'000	Gross 2017 £'000	Net 2018 £'000	Net 2017 £'000
Amounts payable within one year	-	2	–	2
	-	2	-	2

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2018	1 January 2018 £'000	Cash flows £'000	Non-cash changes £'000	31 December 2018 £'000
Working capital facility	-	454	-	454
Movement in finance lease liability	2	(2)	-	-
Issue of shares	1,516	360	-	1,876
Total liabilities from financing activities	1,518	812	-	2,330

For the year ended 31 December 2017	1 January 2017 £'000	Cash flows £'000	Non-cash changes £'000	31 December 2017 £'000
Working capital facility	625	(625)	-	-
Movement in finance lease liability	6	(4)	-	2
Issue of shares	5,032	92	(3,608)	1,516
Total liabilities from financing activities	5,663	(537)	(3,608)	1,518

18. Trade and other payables

Current	2018 £'000	2017 £'000
Financial liabilities measured at amortised cost:		
Trade payables	906	730
Other payables	5	5
Social security and other taxes	58	48
Accruals	91	160
	1,060	943

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 64 days (2017: 62 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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

19. Commitments and contingencies

a) Capital commitments
The Group had capital commitments totalling £nil at the end of the year (2017: £nil).

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

	2018 £'000	2017 £'000
No later than one year	149	137
Later than one year and no later than five years	579	543
Greater than five years	132	264
	860	944

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.

c) Contingent liabilities
The Group had contingent liabilities totalling of £nil at the end of the year (2017: £nil).

20. Related party transactions

Included in other receivables is an amount of £1,000 (2017: other payables £2,000) owed by 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. The amount of £1,000 (2017: £nil) is unsecured and settlement will be in cash.

21. Financial Instruments – classification and measurement

The Group's financial assets and liabilities, which are all held at amortised cost, are summarised as follows:

	2018 £'000	2017 £'000
Financial assets:		
Trade receivables	1,978	739
Other receivables	38	53
Cash and cash equivalents	374	631
	2,390	1,423

	2018 £'000	2017 £'000
Financial liabilities:		
Trade payables	906	730
Other payables	5	5
Accruals	91	160
Other loans	454	-
Lease obligations	-	2
	1,456	897

22. Financial instruments - risk managements

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.

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 profitability. 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 2018 is summarised as follows:

Gross cash flows:	Trade payables and accruals £'000	Finance leases £'000	Loans £'000	Total £'000
Zero to sixty days	1,002	-	454	1,456
Sixty one days to three months	-	–	–	-
Four months to six months	-	-	–	-
Seven months to one year	-	–	–	-
One year to three years	-	–	–	-
	1,002	–	454	1,456

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	Total £'000
Zero to sixty days	895	1	–	896
Sixty one days to three months	-	-	–	-
Four months to six months	-	1	–	1
Seven months to one year	-	-	–	-
One year to three years	-	-	–	-
	895	2	–	897

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 2018 is summarised as follows:

	Fixed £'000	Variable £'000	Zero £'000	Total £'000
Cash and cash equivalents	-	374	-	374
Trade receivables	-	-	1,978	1,978
Other debtors	-	-	38	38
	-	374	2,016	2,390
Trade payables	-	-	(906)	(906)
Other payables	-	-	(5)	(5)
Other loans	-	(454)	-	(454)
	-	(80)	1,105	1,025
Sensitivity: increase in interest rates of 5%		(4)		(4)
Sensitivity: decrease in interest rates of 1%		1		1

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)
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)

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

NOTES TO THE ANNUAL REPORT AND ACCOUNTS CONTINUED

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 balance 2018 £'000	Currency balance 2018 '000	Sterling balance 2017 £'000	Currency balance 2017 '000
Financial assets	Euro	500	€557	132	€149
Financial liabilities	Euro	(216)	€(241)	(145)	€(163)
Net balance	Euro	284	€316	(13)	€(14)
Effect of 10% Sterling increase		(26)		1	
Effect of 10% Sterling decrease		32		(1)	
Financial assets	USD	1,754	$2,238	1,194	$1,612
Financial liabilities	USD	(888)	$(1,134)	(397)	$(536)
Net balance	USD	866	$1,104	797	$1,076
Effect of 10% Sterling increase		(79)		(72)	
Effect of 10% Sterling decrease		96		89	

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 2018 the Group had no outstanding forward foreign currency contacts (2017: the Group had outstanding forward contracts which all matured within 1 month of the year end and committed the Group to selling US Dollars 530,000 and to receive a fixed Sterling amount).

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 2018 is £nil (2017: profit £16,000).

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:

	2018 £'000	2017 £'000
Loans and receivables:		
Trade receivables	1,978	739
Other debtors	38	53
Cash and cash equivalents	374	631
	2,390	1,423

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 58% (2017: 65%) 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 14.

Capital requirements and management

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 as detailed in note 16 and interest bearing loans and borrowings as detailed in note 17. 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 16

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 2018 and 2017 were as follows:

	2018 £'000	2017 £'000
Total borrowings	454	2
Cash and cash equivalents	(374)	(631)
Net debt/(cash surplus)	80	(629)
Total equity	1,999	1,583
Borrowings	80	-
Overall financing	2,079	1,583
Gearing ratio	4%	0%

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

23. Events after the reporting period

There have been no significant post balance sheet events.

The following pages contain the financial statements for the parent company, prepared in accordance with the Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101')

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

Company number 03676824

	Note	2018 £'000	2017 £'000
Fixed assets			
Property, plant and equipment	25	-	1
Investments	26	1,150	1,150
		1,150	1,151
Current assets			
Trade and other receivables	27	2,352	1,516
Cash and cash equivalents		5	38
		2,357	1,554
Trade and other payables: amounts falling due within one year	28	110	59
Net current assets		2,247	1,495
Net assets		3,397	2,646
Equity			
Share capital	30	1,543	1,516
Share premium account		333	-
Retained earnings		1,521	1,130
		3,397	2,646

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 2018.

The profit after tax for the financial year 2018 within the annual report and accounts of the Company was £383,000 (2017: £227,000).

These annual report and accounts were approved by the Directors on 14 March 2019 and are signed on their behalf by:

I Bristow, FCCA
Chief Financial Officer
14 March 2019

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 2018

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
For the year to 31 December 2018				
Balance at 1 January 2018	1,516	-	1,130	2,646
Issue of share capital	27	333	-	360
Share-based payments	-	-	8	8
Transactions with owners	27	333	8	368
Total comprehensive income for the year		-	383	383
Balance at 31 December 2018	1,543	333	1,521	3,397
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	277
Balance at 31 December 2017	1,516	-	1,130	2,646

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

NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION

24. Basis of preparation and significant accounting policies

Basis of preparation

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 individual annual report and accounts have been prepared in accordance with United Kingdom accounting standards, including Financial Reporting Standard 101 – 'Reduced Disclosure Framework: Disclosure exemptions from EU-adopted IFRS for qualifying entities' ('FRS 101'), and with the Companies Act 2006. This separate annual report and accounts have been prepared on a going concern basis, under the historical cost basis, as modified by the recognition of certain financial assets and liabilities measured at fair value.

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 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).

Transition to FRS101

This is the first financial year that the Company has presented its financial statements in accordance with FRS 101. For financial years up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with FRS 102.

The Company's date of transition to FRS 101 is therefore 1 January 2017.

The Company's policies applied under the entities previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit and loss.

The principal accounting policies outlined below have been applied:

Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 Statement of Cash Flows
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Information on new standards, amendments and interpretations that are relevant to the Company'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 Company's annual report and accounts. This include IFRS 15, which is not relevant to the Company given it has no revenue.

IFRS 9 'Financial Instruments'

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. 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 Company's management have performed an impact assessment of the effects of IFRS 9 on the 2018 figures and there are not any material changes to the Company'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.

Property, plant and equipment

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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 - Company

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 over the vesting period when the service is provided with a corresponding credit taken to shareholders' funds.

Significant judgements and estimates

Preparation of the annual report and accounts requires management to make significant judgements and estimates. The items in the parent company annual report and accounts where these judgements 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. No impairment has been recognised during the period.

There are no items in the parent company annual report and accounts where estimates have been made.

NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION CONTINUED

25. Property, plant and equipment

	Motor vehicles £'000	Total £'000
Cost		
At 1 January 2018	14	14
At 31 December 2018	14	14
Depreciation		
At 1 January 2018	13	13
Charge for the year	1	1
At 31 December 2018	14	14
Net book value		
At 31 December 2018	-	-
At 31 December 2017	1	1

26. Investments

	Shares in Group Undertaking £'000	Total £'000
Cost		
At 1 January 2018	2,150	2,150
At 31 December 2018	2,150	2,150
Impairment		
At 1 January 2018	1,000	1,000
At 31 December 2018	1,000	1,000
Net book value		
At 31 December 2018	1,150	1,150
At 31 December 2017	1,150	1,150

Group undertakings are detailed in note 12.

27. Trade and other receivables

	2018 £'000	2017 £'000
Amounts owed by Group undertakings	2,331	1,507
VAT	12	5
Prepayments	9	4
	2,352	1,516

The Directors consider that the carrying value of amounts owed by Group undertakings approximate to their fair values.

Included in the amounts owed by Group undertakings is an adjustment for expected credit losses of £3,394,000 (2017: £3,394,000).

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance in respect to amounts owed by Group undertakings. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. Based on the analysis performed there has been no material impact on the transition to ECL.

28. Trade and other payables: amounts falling due within one year

	2018 £'000	2017 £'000
Trade payables	69	17
Accruals	41	42
	110	59

29. Contingent liabilities

The Company has guaranteed all monies due to its bankers by Symphony Environmental Limited. At 31 December 2018 the net indebtedness of these companies amounted to £454,000 (2017: £nil). The Company has guaranteed the lease rental payable by Symphony Environmental Limited in respect to the Group's head office in Borehamwood amounting to £132,000 as at 31 December 2018 (2017: £264,000).

30. Share capital

The Company's share capital is detailed in note 16 of the Group consolidated accounts.

31. Directors and employees

All employees of Symphony Environmental Technologies plc are Directors. See note 6 of the Group consolidated accounts.

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

	2018 No.	2017 No.
Management	4	3

The aggregate payroll costs of the above were:	2018 £'000	2017 £'000
Wages and salaries	60	48
Social security costs	10	3
Share-based payment	8	-
	78	51

The company has taken advantage of the FRS 101 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

Michael Laurier
Chief Executive Officer

Ian Bristow, FCCA
Chief Financial Officer and Company Secretary

Michael Stephen, LL.M
Commercial Director & Deputy Chairman

Nicolas Clavel
Independent Non-Executive Director

Shaun Robinson
Non-Executive Director

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