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

15 March 2019

SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC

("Symphony", the "Company" or "the Group")

Preliminary Results for the year ended 31 December 2018

Symphony Environmental Technologies Plc (AIM: SYM), a global specialist in products and technologies that "make plastic smarter", is pleased to announce its preliminary results for the year ended 31 December 2018.

Financial highlights:

- Group revenues increased by 6.5% to £8.80 million (2017: £8.27 million)
- d2p revenues increased by 191% to £0.93 million (2017: £0.32 million)
- d2w 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 d2w type products as a result of Middle East regulations and enforcement thereof
- First d2p anti-insect technology commercial order
- Eranova (plastic from algae) due-diligence and commercial discussions ongoing

Chief Executive, Michael Laurier, said:

"This is a pleasing set of results as it demonstrates positive momentum on many different fronts. Our d2w technologies have been designed to help eliminate the harmful effects of plastic pollution in the oceans and on land. Quite differently, and for other markets, our d2p "designed-to-protect" technologies adds special benefits to ordinary plastic and rubber products such as anti-microbial, insecticidal and flame retardant etc., and we are encouraged by the growth of our d2p "designed-to-protect" technologies in a number of different applications.

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 d2w type of oxo-biodegradable plastic technology, whilst at the same time substantially improving their enforcement process."

Enquiries

Symphony Environmental Technologies Plc
Michael Laurier, CEO **Tel: +44 (0) 20 8207 5900**
Ian Bristow, CFO
www.symphonyenvironmental.com

Cantor Fitzgerald Europe
David Foreman, Richard Salmond, Michael Boot (Corporate Finance) **Tel: +44 (0) 20 7894 7000**
Caspar Shand Kydd, Gregor Paterson (Sales)

The person responsible for arranging the release of this information is Michael Laurier, CEO of the Company.

Chairman's Statement

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 d2p "designed to project" business from £0.32 million to £0.93 million. 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 d2p technologies, together with continued development in-house and utilisation of specialist third-party facilities of our other d2p technologies globally. We have developed a strong and growing range of d2p products which provide protection against bacteria, fungi, insects, corrosion, odours, and fire. Further to the growth already established, we believe that d2p 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.

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 d2w that are low cost and non-disruptive to manufacture, and can be reused and recycled at the end of their useful life, without increasing CO2 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 d2w 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 d2w 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

Chief Executive's review

Introduction

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, d2w oxo-biodegradable plastic, which can help to resolve the problem of persistent plastic pollution in the environment.

In our opinion, the Group is reaching a pivotal period in its development. Whilst the d2w 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 d2w for a wide range of everyday products. This has created increased interest in our d2w 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 d2w additive is currently unclear, we anticipate significant revenue uplift in 2019.

In addition, adoption of our d2p 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 d2w and d2p technologies. During the period under review, and in part reflecting our confidence in the outlook of our d2w and d2p 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.

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 d2w 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 d2w 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	2017
	£'000	£'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.

d2w oxo-biodegradable technology

Revenues from d2w 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 d2w revenues from sales in Central America, the Far East, and Africa all grew ahead of budget.

The Board are confident on the outlook of d2w 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 d2w revenues for 2019 of not less than £8.9 million whilst remaining hopeful that if the intelligence proves correct, this will translate into significantly better enforcement and resultant d2w 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.

d2w 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 d2w sales, but we have invested significant funds into communication, marketing and legal advisory costs in relation to the d2w 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 d2w 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.

d2p "designed to protect" technologies

Revenues from Symphony's d2p "designed-to-protect" technologies were £0.93 million, significantly ahead of the previous year (2017: £0.32 million). Our range of d2p anti-microbial gloves are listed in several large, as well as some smaller, retail outlets. We continued to generate revenues from our d2p anti-microbial masterbatch technology for water pipes, and after two years of R&D and successful trials, Symphony shipped an initial commercial order for d2p 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 d2p technology are being marketed globally.

We continue to have many customer-led d2p development projects, with applications including anti-microbials, insecticide, flame retardant, odour and moisture adsorbers, rodent repellents and corrosion inhibitors. The Board are currently budgeting d2p 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.

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 believes 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 d2w 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 d2w 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 d2p “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.

Michael Laurier, Chief Executive

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.

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 financial statements were approved by the Board of Directors on 14 March 2019 and authorised for issue on 15 March 2019.

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**

Consolidated cash flow statement
for the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Profit after tax	**48**	430
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 investing 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

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

The financial information set out in this report does not constitute the Company’s statutory accounts for the years ended 31 December 2018 or 2017 but is derived from the 2018 accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered to the Registrar of Companies following the Annual General Meeting. The auditor has reported on the financial statements for the year ended 31 December 2018; its report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and (iii) did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

These condensed preliminary financial statements for the year ended 31 December 2018 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union.

These condensed preliminary financial statements 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’.

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;
  - 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 asset plus directly attributable costs.

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

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

The residual value and useful economic lives are reconsidered annually.

Impairment testing of intangible assets and property, plant and equipment

All individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Inventories

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

Leased assets

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

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

Employee costs

- Employee compensation

Employee benefits are recognised as an expense.

- 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 costs

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**	2017 £'000
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. These disclosures form part of the audited financial statements of the Group.

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

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 £04,000 (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.

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	Trademarks	Total
	£'000	£'000	£'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
Recognised in the Year	-	-	-
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	Trademarks	Total
	£'000	£'000	£'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
Recognised in the year	-	-	-
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

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	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. These disclosures form part of the audited financial statements of the Group.

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
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 management

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

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 and other payables and accruals £'000**	**Finance leases £'000**	**Other loans £'000**	**Bank £'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 and other payables and accruals £'000**	**Finance leases £'000**	**Loans £'000**	**Bank £'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)
Bank overdraft	-	-	-	-
Lease purchase	-	-	-	-
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)
Bank overdraft	-	-	-	-
Lease purchase	(2)	-	-	(2)
	(2)	**631**	**57**	**686**
Sensitivity: increase in interest rates of 5%	-	32	-	32
Sensitivity: decrease in interest rates of 1%	-	(6)	-	(6)

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

Currency risk

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

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

	Currency	Sterling 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.

24 Availability of report and accounts

The Company will advise when copies of the Annual Report and Accounts will be sent to shareholders and be available from the Company's website www.symphonyenviornmental.com