30 May 2023

SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC

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

Preliminary results

Symphony Environmental Technologies Plc (AIM:SYM) global specialists in technologies that make plastic and rubber products "smarter, safer and sustainable", is pleased to announce its preliminary results for the year ended 31 December 2022.

Financial highlights:

- Group revenues £6.15 million (2021: £9.16 million)
- Gross profit £2.28 million (2021: £3.59 million)
- Reported loss before tax £3.01 million (2021: £1.53 million)
- Basic loss per share 1.65p (2021: 0.81p)
- Cash used in operations £1.59 million (2021: £0.60 million)
- Cash raised by way of equity subscription £1.0 million

Business highlights:

d2p

- Supply agreement with Grupo Bimbo, the western world's largest bread producer for the Group's FDA-approved d2p antimicrobial ("AM") bread packaging technology
- Rivulis increases orders for d2p AI (insecticide technology)

d2w

- Better Earth LLC exclusive contract for USA Nutritional bottles
- Middle East - manufacturing agreement for d2w masterbatch production
- d2w legal challenge succeeds in Peru ruling that oxo-biodegradable is not the same as oxo-degradable
- New Mexican biodegradability standard suitable for d2w

Post year end

- Secured convertible loan of £1.0 million
- Middle East manufacturing and sales on plan
- Better Earth LLC signs exclusive agreement with TricorBraun
- Successful cost reductions effected, with normalised administrative cost base now 25% lower than 2022 levels, whilst distribution costs significantly reduced due to lower shipping costs and new Middle East factory

Chairman's Statement

FY-22 is a year that leaves me with mixed emotions. Considerable operational milestones and successes were achieved. However, it was also a challenging and frustrating year with Group revenue for FY-22 down to £6.15 million from £9.16 million in 2021. This follows, as previously advised, a soft first half of the year with results affected by short term logistics and resource issues, temporary destocking issues, primarily in the Middle East, and a change to our glove strategy. The second half of the year was slightly stronger but still affected by these events which were slowly resolving together with delayed government certifications for our partner's new factory in the Middle East, which were not received until the end of the year.

Whilst I am pleased that these situations have now been resolved, unfortunately they were too late to have a positive effect on FY-22s operating results.

Pleasingly, strong momentum in d2p sales continues with revenue in FY-22 of £0.79 million, representing 76% year-on-year growth (2021: £0.45 million). The increase in FY-22 d2p sales has mainly been due to continued conversion of higher value d2p anti-insect ("AI") technology.

These financial results do not therefore reflect the commercial progress made during the year, and the outlook for the Group remains as positive as previously described. This includes key developments and growth in respect to (as detailed in the CEO statement):

- d2p AM ("antimicrobial") USA FDA & Canadian Health food approved bread-packaging technology – Agreement with Grupo Bimbo
- Joint venture in India with Indorama Corporation - Symphony Environmental India Pvt Ltd
- d2w bottles initiative in the USA – partnered with Better Earth and TricorBraun
- Developing d2p AI global business with Rivulis Irrigation

In December we disclosed a £14.0 million annualised revenue run-rate target during H1 2023, and whilst the Board are focused on achieving this target, some key trials will extend into H2-2023. It is worth noting that as a result of the Group's improved cost base, higher gross margins and lower distribution and shipping costs, the previously anticipated resultant profit at this revenue level will be significantly higher than we previously anticipated.

Based upon the Group's trading in Q1-23 which saw a 27% increase in revenues (compared with Q1-22), and more recent trading in Q2, coupled with the benefits from the Middle East manufacturing plus further short term opportunities which are expected to come to fruition in the very near term, the Board expect Symphony to show a significantly stronger financial result for H1-2023 and move back into profitability in the very near term.

None of this takes into account the joint venture in India, where we wait for approval that plastic producers using d2w technology will become certified suppliers.

The near-term commercialisation of several of our key projects and resultant sales are significant, and we are confident in delivering positive updates in this regard in the very near term and throughout 2023.

N Clavel
Interim Chairman

Enquiries:

Symphony Environmental Technologies Plc	
Michael Laurier, CEO	**Tel: +44 (0) 20 8207 5900**
Ian Bristow, CFO	
www.symphonyenvironmental.com	
Zeus (Nominated Adviser and Joint Broker)	
David Foreman, Kieran Russell (Investment Banking)	**Tel: +44 (0) 161 831 1512**
Dominic King, Victoria Ayton (Sales)	**Tel: +44 (0) 203 829 5000**
Hybridan LLP (Joint Broker)	
Claire Louise Noyce	**Tel: +44 (0) 203 764 2341**

About Symphony Environmental Technologies Plc
https://www.symphonyenvironmental.com
Symphony has developed a range of additives, concentrates and master-batches marketed under its d2p® ("designed to protect") trademark, which can be incorporated in a wide variety of plastic and non-plastic products so as to provide protection against many different types of bacteria, viruses, fungi, algae, moulds, and insects, and against fire. d2p products also include odour, moisture and ethylene adsorbers as well as other types of food-preserving technologies. For an overview see www.d2p.net Symphony has launched d2p anti-microbial household gloves and toothbrushes and "Symfresh" food-packaging and is developing a range of other d2p finished-products for retail sale.

Symphony has also developed a biodegradable plastic technology which addresses the problem of persistent microplastics, by turning ordinary plastic at the end of its service-life into a waxy substance which is biodegradable. It is then no longer a plastic and can be bioassimilated in the open environment in a similar way to a leaf without leaving microplastics behind. The technology is branded d2w® and appears as a droplet logo on many thousands of tonnes of plastic packaging and other plastic products around the world, much of which has been recycled. In some countries, most recently Saudi Arabia, oxo-biodegradable plastic is mandatory for short-life plastic products.

d2w technology was studied for three years in the Oxomar project, sponsored by the French government, which concluded that plastic made with Symphony's d2w oxo-biodegradable technology will biodegrade in seawater significantly more efficiently than conventional plastic. See https://www.biodeg.org/subjects-of-interest/agriculture-and-horticulture/the-marine-environment/

Following this report, the scientists allowed bacteria commonly found in the open environment access to d_2w oxo-biodegradable plastic containing Carbon 13. They found Carbon 13 in the carbon dioxide exhaled by the bacteria, proving beyond doubt that the plastic had been bioassimilated by the bacteria.

Symphony has complemented its d_2w and d_2p product ranges with d_2c “compostable resins and products” that have been tested to US and EU composting standards and has invested in Eranova – a French company extracting starch for making plastics, out of algae.

Symphony has also developed the d_2Detector®, a portable device which analyses plastics and detects counterfeit products. This is useful for government officials tasked with enforcing legislation, and Symphony's d_2t tagging and tracer technology is available for further security.

Symphony has a diverse and growing customer-base and has established itself as an international business with over 70 distributors around the world. Products made with Symphony's plastic technologies are now available in nearly 100 countries and in many different product applications. Symphony itself is accredited to ISO9001 and ISO14001.

Symphony is a member of The BPA (www.biodeg.org) and actively participates in the Committee work of the British Standards Institute (BSI), the American Standards Organisation (ASTM), the European Standards Organisation (CEN), and the International Standards Organisation (ISO).

Further information on the Group can be found at www.symphonyenvironmental.com and twitter @SymphonyEnv See also Symphony on Instagram. A Symphony App is available for downloading to smartphones.

Chief Executive’s Review

In line with the Group’s strategy, substantial investment continued into the pre-commercialisation phases of several d2p formulations and a far-reaching advocacy program that is focussed on specific markets and sectors. Whilst revenues were much lower in 2022, new formulations and products were successfully developed and existing, as well as new, strategic relationships were strengthened with established sector leaders. All of this will help to accelerate sales revenue in the short and longer term. The most important near term revenue generators are as follows:

d2p AM (“antimicrobial”) USA FDA & Canadian Health food approved bread-packaging technology – Agreement with Grupo Bimbo
Following several years of substantial investment and development, an exclusive 3 year supply agreement was signed in June with Grupo Bimbo, the western world’s largest bread manufacturer. We commenced supply of our d2p masterbatch technology in Q1-2023 to certain packaging manufacturers of Grupo Bimbo and whilst volumes at the outset are modest, this is expected to increase in the near term and throughout 2023 and 2024.

d2p AM Global
Symphony is the only company in the world to have been awarded the above important regulatory approvals and global interest continues to be positive in most food market sectors outside of the EU, noting also that we have other formulations for the EU, not yet launched.

Separate from the markets where Grupo Bimbo have exclusivity, our d2p AM technology is currently at different stages of development with a number of customers. Some customers are in commercial trials and others are at early stages in development. Our technology is being evaluated in both bread and other food related products, and in a wide range of geographies including China, India, Middle East, South Africa, South Korea, and Turkey. Our sales team are engaged in extensive discussions, trials, semi-commercial trials and some final commercial trials, and we are optimistic of being able to provide positive updates during 2023.

Joint venture in India with Indorama Corporation - Symphony Environmental India Pvt Ltd (“Symphony India”)
Symphony India is a joint venture (“JV”) company established in India during 2022, between Symphony and Indorama India Private Limited (“Indorama”), a wholly owned subsidiary of Indorama Corporation Pte. Ltd. Symphony India is owned 46.5% by Symphony, 46.5% by Indorama and 7% by Mr. Arjun Aggarwal, an Indian citizen, who was appointed Managing Director of the JV.

As previously reported in September 2022, the Plastic Waste Management Rules 2022 (as amended on 6.7.2022) in India permit government-approved biodegradable plastic products to be exempted from restrictions that would ban most plastic film products unless they are above 50-micron thickness, and 120 microns for carrier bags, (which generally means an increase in cost by more than two to three times). Producers and brand owners using certified biodegradable plastic materials will be free from this obligation.

Symphony's d2w technology has been tested by Intertek India, an Indian government approved laboratory and Symphony India continues to wait for approval that plastic producers using d2w technology will be become certified suppliers. We are hopeful that this will be granted in the very near future as we believe our technology meets the required criteria.

Marketing and trials for a wide range of d2p products are moving forward at a satisfactory pace and we believe that further material sales updates will be provided, particularly in relation to d2p AM and d2p VCI (vapour corrosion inhibitors) during the balance of 2023.

Symphony India reported a commendable break-even result for the period from incorporation to 31 December 2022 being its first start-up period of trading.

Developing d2p AI global business with Rivulis Irrigation

Symphony's collaboration with Rivulis started in December 2017 after Symphony's R&D department created a masterbatch with anti-insect properties which could be put into plastic products at the point of manufacture. Since then, Symphony's technical team has supported Rivulis in the development of a unique range of irrigation pipes for farmers and growers across a number of geographies.

Plastic irrigation pipes and drip-tapes are a very effective way to deliver water to growing plants, but valuable water was being lost because insects were puncturing the pipes. By incorporating d2p AI into these products, Rivulis has significantly reduced the damage caused by insects, and consequently the amount of water being lost - an especially valuable benefit in dry areas of the world.

Having conducted field trials across several countries, with positive results, Rivulis has placed a number of orders with Symphony for d2p AI for use in irrigation systems in France, Turkey, Australia and Mexico. They have incorporated d2p AI technology into their Rivulis and Eurodrip product ranges, sold under the trade name Rivulis Defend. We anticipate further adoption of our technology across other products and other geographies.

New Middle East production facility set up by our partners in the region

As reported on 1 August 2022, an agreement was finalised with Ecobatch in the UAE for production of our biodegradable d2w masterbatch, primarily for supply into the Middle East, but the factory can also supply our other markets if desired. Production was delayed but commenced after the successful completion of ESMA (UAE) and SASO (Saudi Arabia) certification in December. The new Ecobatch masterbatch manufacturing facility also produces white, black and coloured masterbatch products for the plastics industry in the Middle East.

The Middle East is one of our prime markets and is set for further growth resulting from legislation supporting our type of d2w biodegradable technology. The local operation of this facility is improving stock availability and control throughout the supply chain, as well as reduced costs and improved efficiencies. Importantly, this is entirely compatible with our ESG strategy and in particular minimising CO2 emissions through lengthy transport systems. Also, locally-made products are also often preferred by customers.

We expect a substantial increase in sales and demand in the region in the coming months, and production capacity is more than sufficient to meet expected demand.

d2w bottles initiative in the USA – partnered with Better Earth and TricorBraun

Symphony signed a two year exclusive USA-focused, d2w supply contract with Better Earth in February 2022. Better Earth subsequently launched its nutritional supplement bottles, caps, and scoops using Symphony's d2w biodegradable technology under Better Earth's BioBottles™ brand "Plastic IQ™ Technology". In November 2022, Symphony and Better Earth signed a supplementary d2w supply contract extending the product scope to nutraceutical products and expanding authorised geographies to include Canada.

Better Earth LLC has subsequently signed an exclusive supply agreement with TricorBraun for its BioBottles™ brand of polyethylene bottles for the nutraceutical industry. TricorBraun is a global packaging company, and North America's largest distributor of primary packaging. It operates from more than 100 locations across the Americas, Europe, Asia, and Australia. TricorBraun sold over 8 billion containers in 2022 and is working jointly with Better Earth, supporting its exclusive Agreement with a sales and marketing campaign in the US and Canada.

Initial orders have been placed and supplied and we anticipate the roll-out will gather momentum over the coming months.

Trading results

Group revenue was £6.15 million (2021: £9.16 million) and is analysed in the table below. Gross profit margins reduced to 37.0% (2021: 39.2%) due to higher raw material costs in the first half of the year. Gross profit decreased to £2.28 million from £3.59 million in 2021.

As previously advised, we had a soft first half of the year with results affected by short term logistics and resource issues, temporary destocking issues, and a change to our glove strategy. Whilst the second half of the year was stronger, the Middle East destocking issue had still not been resolved by the year end, mainly due to delays in receiving the requisite government certifications for our partner's new factory in the UAE, which finally became fully operational in December.

	2022	**2021**
d2w Masterbatch	**£4.77 million**	£7.19 million
d2p Masterbatch	**£0.79 million**	£0.45 million
Finished Products	**£0.47 million**	£1.40 million
Other	**£0.12 million**	£0.12 million

Administrative expenses increased to £4.80 million (2021: £4.57 million). Staff costs increased £0.20 million during 2022 following further expansion of the sales and technical departments. Equity-settled share-based charges of £0.12 million were included in the year (2021: £0.04 million). Distribution costs (namely shipping) which had been high in relation to revenues started to reduce in the second half of the year.

The Group expensed R&D costs of £0.51 million in 2022 (2021: £0.49 million). In addition, there were intangible asset development cost additions of £0.17 million during the year in respect to the Group's d2p bread technology (2021: £0.17 million). An R&D tax credit of £0.12 million (2021: £0.13 million) was received during 2022 relating to the previous period. A further R&D tax credit will be receivable in 2023 with respect to 2022.

The reported operating loss was £2.93 million (2021: £1.48 million) and loss after tax of £2.89 million (2021: £1.41 million) with basic loss per share of 1.65 pence (2021: loss per share 0.81 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 its foreign exchange exposure by purchasing goods where possible in US Dollars and utilises, when deemed appropriate, bank forward currency contract agreements to minimise exchange risk. As at 31 December 2022, the Group had a net balance of US Dollar assets (US Dollar cash balances and receivables less overdrafts and payables) totalling $1.46 million (2021: $2.91 million).

Statement of financial position and cash flow

The Group had net borrowings (excluding lease liabilities) of £0.84 million as at 31 December 2022 (2021: net cash £0.20 million). The Group used cash of £1.59million from operations (2021: £0.60 million) primarily as a result of the loss incurred but mitigated by favourable movements in receivables.

During the year, the Group raised net proceeds of £1.0 million by way of an equity subscription and post year end entered into a £1.0 million convertible loan agreement.

Eranova

As announced in October 2020, the Group made an investment representing 1.6% of the enlarged capital of Eranova SAS (at £130,000 including costs) as part of a €6.00 million pre-industrial plant project. The pilot plant was completed on schedule during October 2021 and was operational and processing small volume commercial orders during 2022.

In recent months Eranova raised additional capital and have been awarded government grants to further expand the early-stage production facility in Marseille, France. They have finished products with the Eranova technology in the French retail sector and in particular listed in Casino, Carrefour, Intermarche and Franprix.

Eranova has also signed its first €2.10 million pre-production licencing agreement to build a facility in Indonesia which is currently in the early stages of development. Symphony, as a strategic shareholder of Eranova has an agreement to market Eranova's biobased green algae product derived from green algae.

Our d2w and d2p technologies are fully compatible with Eranova's biobased product and we expect this will become a major growth area for Symphony in the longer term.

EU action

As previously announced, Symphony commenced a legal action against the Commission, Parliament and Council of the EU having been advised by three specialists in EU law that Article 5 of the Directive 2019/904 is unconstitutional. A court hearing was held in Luxembourg on 20 March 2023. A written judgment will be delivered in due course, which the Company's legal advisers estimate could be 12 to 15 months after the hearing.

Following the hearing, Symphony's legal team remain confident that the EU acted unlawfully in imposing a ban on a material which they call "oxo-degradable plastic" in Article 5 of the Directive. In any event, Symphony does not accept that the ban applies to oxo-biodegradable plastics, which are made by incorporating Symphony's d2w masterbatch into ordinary plastic, and do not have any of the undesirable characteristics listed in Recital 15 of the Directive.

Current trading and outlook

Symphony's financial performance in Q1-23 has sharply improved from 2022, and the Board expect Symphony to move back into profitability in the coming months which is underpinned by the following:

- Middle East manufacturing and sales on plan
- Global sales increases in most sectors including d2w and d2p
- Administrative cost base now set 25% lower than 2022 levels
- Distribution costs significantly reduced due to generally lower shipping rates and efficiencies from the Middle East factory
- Gross profit margins currently approximately 5% higher

Additionally, the near-term commercialisation of several projects together with improving global business dynamics is expected to have a significant and positive effect on sales with profitability anticipated in the coming months.

After the unexpected and lengthy delays experienced during 2022, we are encouraged by the sharply improved momentum, activity and trading performance across the Group and are confident that we will be able to announce further positive updates in the coming months.

M Laurier
Chief Executive

Consolidated statement of comprehensive income
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	4	**6,154**	9,161
Cost of sales		**(3,874)**	(5,569)
Gross profit		**2,280**	3,592
Distribution costs		**(408)**	(500)

Administrative expenses		**(4,802)**	(4,571)
Operating loss	5	**(2,930)**	(1,479)
Finance costs	7	**(77)**	(54)
Loss for the year before tax		**(3,007)**	(1,533)
Taxation	8	**120**	127
Loss for the year		**(2,887)**	(1,406)
Total comprehensive loss for the year		**(2,887)**	(1,406)
Basic earnings per share	9	**(1.65)p**	(0.81)p
Diluted earnings per share	9	**(1.65)p**	(0.81)p

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

Consolidated statement of financial position
as at 31 December 2022

Company number 03676824

	Note	**2022 £'000**	2021 £'000
ASSETS			
Non-current			
Property, plant and equipment	10	**138**	171
Right-of-use assets	11	**379**	548
Intangible assets	12	**439**	260
Investments	13	**130**	123
Interest in joint venture	14	**101**	-
		1,187	1,102
Current			
Inventories	15	**1,175**	1,316
Trade and other receivables	16	**2,349**	3,146
Cash and cash equivalents	17	**1,152**	881
		4,676	5,343
Total assets		**5,863**	6,445
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of Symphony Environmental Technologies plc			
Ordinary shares	18	**1,848**	1,793
Share premium	18	**4,854**	3,910
Retained earnings	18	**(4,999)**	(2,231)
Total equity		**1,703**	3,472

Liabilities
Non-current

Lease liabilities	19	**181**	338
Current			
Lease liabilities	19	**167**	167
Borrowings	19	**1,991**	677
Trade and other payables	20	**1,821**	1,791
		3,979	2,635
Total liabilities		**4,160**	2,973
Total equity and liabilities		**5,863**	6,445

Consolidated statement of changes in equity
for the year ended 31 December 2022
Equity attributable to the equity holders of Symphony Environmental Technologies plc:

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
For the year to 31 December 2022				
Balance at 1 January 2022	1,793	3,910	(2,231)	3,472
Share based options (note 18)	-	-	119	119
Issue of share capital (note 18)	55	944	-	999
Transactions with owners	55	944	119	1,118
Total comprehensive loss for the year	-	-	(2,887)	(2,887)
Balance at 31 December 2022	**1,848**	**4,854**	**(4,999)**	**1,703**
For the year to 31 December 2021				
Balance at 1 January 2021	1,768	3,185	(865)	4,088
Share based options (note 18)	-	-	40	40
Issue of share capital (note 18)	25	725	-	750
Transactions with owners	25	725	40	790
Total comprehensive loss for the year	-	-	(1,406)	(1,406)
Balance at 31 December 2021	**1,793**	**3,910**	**(2,231)**	**3,472**

Consolidated cash flow statement
for the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Loss after tax	**(2,887)**	(1,406)
Adjustments for:		
Depreciation	**229**	223
Amortisation	**14**	12

Loss on disposal of foxed assets	**14**	-
Share-based charges	**119**	40
Foreign exchange	**-**	25
Interest expense	**77**	46
Tax credit	**(120)**	(127)
Changes in working capital:		
Movement in inventories	**141**	(256)
Movement in trade and other receivables	**797**	453
Movement in trade and other payables	**30**	389
Net cash used in operations	**(1,586)**	(601)
R&D tax credit	**120**	127
Net cash used in operating activities	**(1,466)**	(474)
Cash flows from investing activities		
Additions to property, plant and equipment	**(18)**	(54)
Additions to right of use asset	**(22)**	(17)
Additions to intangible assets	**(194)**	(227)
Additions to joint venture	**(101)**	-
Additions to investments	**(7)**	-
Net cash used in investing activities	**(342)**	(298)
Cash flows from financing activities		
Increase in invoice finance facility	**857**	-
Repayment of lease capital	**(179)**	(198)
New lease	**22**	-
Proceeds from share issue	**999**	750
Lease interest paid	**(22)**	(29)
Bank and invoice finance interest paid	**(55)**	(17)
Net cash generated in financing activities	**1,622**	506
Net change in cash and cash equivalents	**(186)**	(266)
Cash and cash equivalents, beginning of year	**204**	470
Cash and cash equivalents, end of year	**18**	204
Represented by:		
Cash and cash equivalents (note 17)	**1,152**	881
Bank overdraft (note 19)	**(1,134)**	(677)
	18	204

Notes to the Annual Report and Accounts

1 General information

Symphony Environmental Technologies plc ('the Company') and subsidiaries (together 'the Group') develops and supplies environmental plastic additives and masterbatches, together with plastic and rubber finished 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 annual report and accounts for the years ended 31 December 2022 or 2021 but is derived from the 2022 annual report and accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered to the Registrar of Companies following Notice of the Annual General Meeting. The auditor has reported on the financial statements for the year ended 31 December 2022; 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.

This consolidated annual report and accounts has been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

These consolidated annual report and accounts have been prepared under the historical cost convention except for investments and derivative financial instruments that are measured at fair value. 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' further in this note.

Consolidation

This consolidated annual report and accounts are made up to 31 December 2022.

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

The Group has made an operating loss of £2.93 million for the year (2021: loss £1.48 million). The Group has continued to invest heavily on marginal costs to drive its operations on a technical and marketing standpoint. This has resulted in multiple sales opportunities which are expected to come to fruition in the short-term.

On the basis of current financial projections, which have been drawn out to the end of 2024, including a sensitised cash flow analysis, together with available funds and facilities, the Directors are satisfied that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements, and accordingly, continue to adopt the going concern basis in preparing the Group and Company financial statements.

This is primarily underpinned by the Group being on track to achieve at least break even during H1-2023 which is driven by the following:

- Middle East volumes in Q1-2023 matching FY-2022
- Repeat and growing d2p AI business
- Steadier main markets in Far East and Latin America
- New/growing business for d2w in North America
- Administrative costs significantly lower than in 2022
- Distribution costs significantly lower than in 2022 with general freight rates down and new the Middle East factory cutting out expensive shipping from Taiwan
- Lower raw material costs – mainly in polymer which makes up 90% plus of product volume

In addition, the Group has since the year end received a £1 million convertible loan (see Events since statement of financial position date) and is also supported by an invoice finance facility from the Group's bankers.

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 in conformity to IFRS 15 following the 5 step approach. This has been detailed below:

- *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 - 10 years straight line.

Judgements and estimates made by the Directors when deciding whether the recognition requirements for development costs have been met are included in note 3. All amounts disclosed within note 12 in development costs relate to plastic masterbatches and other additives.

- Trademarks

Trademarks represent the cost of registration and are carried at cost less amortisation. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, to administrative expenses 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, to administrative expenses 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. Any impairment is recognised within expenses in the statement of comprehensive income.

Leased assets

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition three key evaluations are assessed:

- whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- whether the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- whether the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

A right-of-use asset and a lease liability is recognised on the statement of financial position at the lease commencement date. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment is assessed when such indicators exist.

The lease liability is measured on commencement of the lease at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments included in the lease agreement and together with any in-substance fixed payments.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in a joint venture is recognised initially in the consolidated statement of financial position at cost as at the date of acquisition and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Investments

Minority investments in shares are held at cost less any provision for impairment.

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.

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 presented in the income tax line within the 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 statement of financial postion 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 statement of financial position 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 measured at amortised cost, apart from investments and derivatives which are measured at fair value through profit and loss. 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. The Group considers a financial asset in default when it is unlikely to receive the outstanding contractual amounts in full. 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 goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees and third parties 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. For employees, the fair value is charged to the statement of comprehensive income between the date of issue and the date the share options vest with a corresponding credit taken to equity. For third parties the fair value is charged over the length of services received.

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 but distributable reserves.

Standards and interpretations adopted during the year

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.

Other new effective Standards and interpretations with no material impact to the Group

The following new and amended standards became effective during the current year and have not had a material impact on the Group’s/Company’s financial statements:

- IAS 16 Property, Plant and Equipment: Amendments in relation to proceeds before intended use.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Amendments in relation to the cost of fulfilling a contract when assessing onerous contracts.
- IFRS 3 Business Combinations: Amendments to update references to the Conceptual Framework.
- Annual Improvements to IFRSs (2018-2021 cycle).

New and revised UK-adopted international accounting 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 UK-adopted international accounting standards that have been issued but are not yet effective. The Group does not expect any of the standards which have been issued, but are not yet effective, to have a material impact on the Group.

- IAS 1 Presentation of Financial Statements: Amendments in relation to the classification of liabilities as current or non-current. Effective 1 January 2023
- IAS 1 Presentation of Financial Statements: Disclosure of accounting policies. Effective 1 January 2023
- IAS 8 Accounting policies, changes in accounting estimates and errors (Amendment): Definition of accounting estimates. Effective 1 January 2023
- IAS 12 Income taxes: Deferred tax relating to assets and liabilities arising from a single transaction. Effective 1 January 2023

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.

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.

Estimates:

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

- Recognition of deferred tax assets

Judgements and estimates relating to a deferred tax asset are detailed in notes 2 and 8. 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. The unrecognised deferred tax asset as at 31 December 2022 was approximately £4,735,000.

- Share-based payments

Estimates and related judgements in respect to share-based payment charges are detailed in note 18. Estimates are made on the fair value of the option using the Black-Scholes model. Changes to these estimates would not have a material impact on the Group's statement of comprehensive income. The carrying amount of share options as at 31 December 2022 was £168,000.

- Investments

Estimates and judgements are made as to the carrying value of Investments based on the status of the investment against expectations and the forward-looking prospects. The Eranova SAS project is currently on schedule with the pre-industrial plant completed during October 2021. This plant was fully operational during 2022. This plant was fully operational during 2022. Forward prospects are encouraging, and the Board currently consider that the fair value is consistent with cost while the project considers the next phase. The carrying value of investments as at 31 December 2022 was £130,000. See note 13.

- Joint ventures

Estimates and judgements are made as to the carrying value of joint ventures based on the status of the investment against expectations and the forward-looking prospects. Symphony Environmental India (Private) Limited broke even in its first period of trading, to 31 December 2022 and forward prospects are encouraging. The Board currently consider that the fair value is consistent with cost. The carrying value of joint ventures as at 31 December 2022 was £101,000. See note 14.

- Inventory provisions

Estimates are made as to impairment provisions to the carrying value of inventories based whether the items are still saleable, and also the expected net value that can be achieved on sale. The impairment provision for 2022 includes a 50% reduction in certain glove carrying values due to a continued fall in prices during the later part of 2021. The resultant value was calculated based on net proceeds fairly achievable over the short to medium term. There is a provision of £252,000 for the impairment of inventories as at 31 December 2022. See note 15.

- Expected credit losses (ECLs)

Trade receivables are reflected net of an estimated provision for impairment losses. In line with IFRS 9, the Group uses an expected credit loss model to determine the provision for doubtful debts and also specific provisions for balances for which it has specific concerns over recoverability. The expected credit loss model involves segmenting debtors into groups and applying specific percentages to each of the debtor groupings. The Group has considered the profile of its debtor balance and has determined that a grouping based on credit terms and aging is considered the most appropriate. In addition, forward looking information has been used in the assessment and conclusion of ECLs in line with the model.

Higher percentages are applied the longer the term with the customer and the older the debt with the customer, with the view that there is a greater risk of unforeseen circumstances arising the further away the settlement date. See note 16 for further information. At the year end, the Group has provisions of £78,000 (2021: £35,000) on a total trade receivables balance of £1,901,000 (2021: £2,608,000) calculated using this method.

Judgements:

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

- 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.

- Development costs

Judgements by the Directors are applied when deciding whether the recognition requirements for development costs have been met. In capitalising these costs, judgements are made relating to ongoing feasibility and commerciality of products being developed. In making these judgements, cash flow forecasts are used, and these include significant estimates in respect to sales forecasts and future economic feasibility. See note 12.

4 Segmental information and revenue analysis

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 Board assesses the commercial performance of the business based upon the revenues of the main products items within its single business segment as follows:

	2022 £’000	2021 £’000
Revenues:		
d2w masterbatches	**4,768**	7,191
d2p masterbatches	**793**	447
Finished products	**472**	1,401
Other	**121**	122
Total	**6,154**	9,161

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

Geographical area	**2022 £’000**	2021 £’000
UK	**408**	541
Europe	**722**	1,490
North America	**274**	227
Central and South America	**2,582**	3,289
Middle East	**1,183**	2,476
Asia	**985**	1,138
Total	**6,154**	9,161

Revenues attributable to the above geographical areas are made on the basis of final destination of the customer to which the goods are sold. The geographical areas above are what the Company considers to be key markets. All revenue is of the same nature, timing and uncertainty and so the Directors have not provided a further disaggregation of the revenue beyond the geographical and product analysis provided above. Credits are made to revenue on agreement of a dispute. Payments are made by customers either before or after satisfaction of performance obligations depending on the credit risk associated with the customer. Payments made before satisfaction of performance obligations are disclosed as a liability in accounts payable in the financial statements. If the satisfaction of performance obligations is made before payment, then the value is included in accounts receivable until extinguished by the payment.

Products are sold based on quality criteria, and the Group warrants performance of its products after appropriate tests and trials are undertaken. Refunds are given or products are replaced if there is a failure within the product quality assured by Symphony, or its agreed performance.

Non-current assets of £14,100 are held outside of the UK (2021: £14,000).

Major customers

There was one customer that accounted for greater than 10% of total Group revenues for 2022 (2021: two customers). In 2022 the one customer accounted for £654,000 or 11% (2021: £2,477,000 and two customers being 27%) of total group revenues. The Group promotes its products through a global network of distributors and aims to generate revenues from as many sources as practicable.

5 Operating loss

The operating loss is stated after crediting:

	2022 £'000	2021 £'000
Depreciation – property, plant and equipment	**50**	49
Depreciation – right-of-use assets	**179**	174
Amortisation	**14**	12
Research and development expenditure*	**510**	494
Fees payable to the Company's auditor:		
Audit related services:		
Audit of the annual report and accounts	**30**	25
Audit of the annual report and accounts of the Company's subsidiaries	**45**	30
Net foreign exchange (gain)/loss	**(29)**	41

* Further development expenditure of £168,000 (2021: £166,000) is included in Development cost additions – see note 12.

6 Directors and employees

Staff costs (including directors) during the year comprise:

	2022 £'000	2021 £'000
Wages and salaries	**2,115**	1,836
Social security costs	**162**	264
Pension contributions	**156**	130
	2,433	2,230

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

	2022	2021
R&D, testing and technical	**10**	10
Selling	**11**	9
Administration	**12**	13
Management	**7**	6
Marketing	**3**	3
Total average headcount	**43**	41

Remuneration in respect of the Directors, who are also the key management, was as follows:

	2022 £'000	2021 £'000
Emoluments (all short term)	**590**	567

There were no Directors' pension contributions made during the year (2021: £nil).

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.

Remuneration in respect to the highest paid director was as follows:

	2022 £'000	2021 £'000
Highest paid director	**221**	215

7 Finance costs

	2022 £'000	2021 £'000
Interest expense:		
Bank and invoice finance borrowings	**55**	25
Lease interest (right-of-use assets)	**22**	29
Total and net finance costs	**77**	54

8 Taxation

	2022 £'000	2021 £'000
R&D tax credit	**120**	127
Total income tax credit	**120**	127

No tax arises on the loss for the year.

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 19% (2021: 19%).The differences are explained as follows:

	2022 £'000	2021 £'000
Loss for the year before tax	**(3,007)**	(1,533)
Tax calculated by rate of tax on the result		
Effective rate for year at 19% (2021: 19%)	**(571)**	(291)
Fixed asset differences	**(2)**	-
Expenses not deductible for tax purposes	**24**	15
R&D tax relief	**(39)**	(89)
Movement in deferred tax not recognised	**520**	208
Surrender of tax losses for R&D tax credit refund	**16**	37
R&D tax credit not yet recognised	**52**	120
R&D tax credit in respect of previous periods	**(120)**	(127)
Total income tax credit	**(120)**	(127)

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 £120,000 shown above relates to a repayment made by HMRC in relation to the year ended 31 December 2021 (£127,000 relates to the year ended and 31 December 2020).

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 2022 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 £18,939,000 (2021: £16,050,000). These tax losses have no expiry date. The unrecognised deferred tax asset in respect of these losses based on latest profit projections is approximately £4,735,000 (2021: £4,013,000).

These brought forward losses are subject to the 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 UK corporation tax rate applicable for the year is 19% (2021: 19%).

On 3 March 2021, the UK government announced that it intended to increase the main rate of corporation tax to 25% for the financial years beginning 1 April 2023. This new rate was enacted by Finance Act 2021 on 10 June 2021.

The Group also has gross fixed assets of £258,000 (2021: £197,000) which give rise to a deferred tax liability of £65,000 (2021: £49,000). Other gross temporary timing differences of £85,000 (2021: £177,000) give rise to a deferred tax asset of £21,000 (2021: £44,000). The deferred tax liability of £65,000 (2021: £49,000) is sheltered by the unrecognised deferred tax asset in respect of losses and temporary timing differences.

The unrecognised deferred tax balances disclosed in the above for 2022 have been calculated at 25%.

9 Earnings per share and dividends

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

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

Basic and diluted	**2022**	2021
Loss attributable to equity holders of the Company	**£(2,887,000)**	£(1,406,000)
Weighted average number of ordinary shares in issue	**175,226,254**	172,851,825
Basic earnings per share	**(1.65) pence**	(0.81) pence
Dilutive effect of weighted average options and warrants	**7,498,557**	8,649,516
Total of weighted average shares together with dilutive effect of weighted options- see below	**175,226,254**	172,851,825
Diluted earnings per share	**(1.65) pence**	(0.81) pence

No dividends were paid for the year ended 31 December 2022 (2021: £nil).

The effect of options and warrants for the years ended 31 December 2022 and 31 December 2021 are anti-dilutive.

A total of 21,666,500 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 2022	**Plant & Machinery** £'000	**Fixtures & Fittings** £'000	**Motor Vehicles** £'000	**Office Equipment** £'000	**Total** £'000
Cost					
At 1 January 2022	387	298	-	140	825
Additions	10	-	-	8	18
Disposals	-	(5)	-	(10)	(15)
At 31 December 2022	**397**	**293**	**-**	**138**	**828**
Depreciation					
At 1 January 2022	282	269	-	103	654
Charge for the Year	23	8	-	19	50
Disposals	-	(5)	-	(9)	(14)
At 31 December 2022	**305**	**272**	**-**	**113**	**690**
Net Book Value					
At 31 December 2022	**92**	**21**	**-**	**25**	**138**
At 31 December 2021	105	29	-	37	171

Year ended 31 December 2021	**Plant & Machinery** £'000	**Fixtures & Fittings** £'000	**Motor Vehicles** £'000	**Office Equipment** £'000	**Total** £'000
Cost					
At 1 January 2021	346	304	14	133	797
Additions	41	2	-	11	54
Disposals	-	(8)	(14)	(4)	(26)
At 31 December 2021	**387**	**298**	**-**	**140**	**825**
Depreciation					
At 1 January 2021	264	267	14	86	631
Charge for the Year	18	10	-	21	49
Disposals	-	(8)	(14)	(4)	(26)
At 31 December 2021	**282**	**269**	**-**	**103**	**654**
Net Book Value					
At 31 December 2021	**105**	**29**	**-**	**37**	**171**
At 31 December 2020	82	37	-	47	166

11 Right-of-use assets

Year ended 31 December 2022	**Land & buildings** £'000	**Office Equipment** £'000	**Total** £'000

Cost			
At 1 January 2022	905	70	975
Additions	-	22	22
Disposal	-	(14)	(14)
At 31 December 2022	**905**	**78**	**983**
Depreciation			
At 1 January 2022	385	42	427
Charge for the Year	160	19	179
Disposal	-	(2)	(2)
At 31 December 2022	**545**	**59**	**604**
Net Book Value			
At 31 December 2022	**360**	**19**	**379**
At 31 December 2021	520	28	548

Right-of-use assets are assets used by the business under operating lease agreements and accounted for under IFRS 16. The resultant lease liability is included in borrowings. See note 19.

Year ended 31 December 2021	**Land & buildings** £'000	**Office Equipment** £'000	**Total** £'000
Cost			
At 1 January 2021	707	56	763
Additions	198	14	212
At 31 December 2021	**905**	**70**	**975**
Depreciation			
At 1 January 2021	225	28	253
Charge for the Year	160	14	174
At 31 December 2021	**385**	**42**	**427**
Net Book Value			
At 31 December 2021	**520**	**28**	**548**
At 31 December 2020	482	28	510

12 Intangible assets

Year ended 31 December 2022	**Development costs** £'000	**Trademarks** £'000	**Total** £'000
Cost			
At 1 January 2022	2,139	119	2,258
Additions	168	26	194
Disposals	-	(3)	(3)
At 31 December 2022	**2,307**	**142**	**2,449**
Amortisation			
At 1 January 2022	245	25	270
Charge for the Year	-	14	14
Disposals	-	(2)	(2)
At 31 December 2022	**245**	**37**	**282**
Impairment			
At 1 January 2022	1,728	-	1,728

At 31 December 2022	**1,728**	**-**	**1,728**
Net Book Value			
At 31 December 2022	**334**	**105**	**439**
At 31 December 2021	166	94	260

Development costs are capitalised in accordance with the policy set out in note 2. Judgements and estimates applied in accordance with this policy are set out in note 3. Development costs include a net book value of £334,000 (2021: £166,000). Amortisation will start on completion of the project in accordance with note 2.

Year ended 31 December 2021	**Development costs** £'000	**Trademarks** £'000	**Total** £'000
Cost			
At 1 January 2021	1,973	64	2,037
Additions	166	61	227
Disposals	-	(6)	(6)
At 31 December 2021	**2,139**	**119**	**2,258**
Amortisation			
At 1 January 2021	245	19	264
Charge for the Year	-	12	12
Disposals	-	(6)	(6)
At 31 December 2021	**245**	**25**	**270**
Impairment			
At 1 January 2021	1,728	-	1,728
At 31 December 2021	**1,728**	**-**	**1,728**
Net Book Value			
At 31 December 2021	**166**	**94**	**260**
At 31 December 2020	-	45	45

13 Investments

The Group holds investment interests in the following minority unlisted shares.

	Total £'000
Investments held at cost:	
At 1 January 2022	123
Additions	7
At 31 December 2022	**130**
At 31 December 2021	123

The Group has invested £130,000 (1.6%) into Eranova SAS, a French company developing products from green algae, as part of a total €6,000,000 financing to build a pre-industrial plant. The project is currently on schedule with the pre-industrial plant completed in 2021. During 2022 the pre-industrial plant was fully operational. Forward prospects are encouraging, and the Board currently consider that the fair value is consistent with cost while the project considers the next phase. There is therefore no impairment as at 31 December 2022.

The Company is parent to the following 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.

14 Interest in joint ventures

	Total £'000
At 1 January 2022	-
Additions at cost	101
Share of joint venture total comprehensive income (see below)	-
At 31 December 2022	**101**

The Group has a 46.5% share of Symphony Environmental India (Private) Limited, a company incorporated in India.

The primary activity of Symphony Environmental India (Private) Limited is the marketing and sale of the Groups d2w and d2p product range in India. The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with Symphony Environmental India (Private) Limited. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Summarised financial information in relation to the joint venture is shown below.

	Year to 31 December 2022 £'000	Year to 31 December 2021 £'000
Profit from continuing operations	3	-
Total comprehensive income	3	-
Group's share of total comprehensive income (46.5%)	1	-
Net assets	103	-
Group's share of net assets (46.5%)	**48**	-

The joint venture's first reporting date will be 31 March 2023. The above is based in management information. There are no unrecognised losses, material capital commitments or contingent liabilities as at 31 December 2022.

15 Inventories

	2022 £'000	2021 £'000
Finished goods and goods for resale	**671**	**779**
Raw materials	**504**	**537**
	1,175	**1,316**

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £3,094,000 (2021: £4,798,000). There is a provision of £252,000 for the impairment of inventories (2021: £156,000).

There is no collateral on the above amounts.

16 Trade and other receivables

	2022 **£'000**	2021 £'000
Trade receivables	**1,901**	2,608
Other receivables	**174**	199
VAT	**29**	82
Prepayments	**245**	257
	2,349	3,146

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 such as adherence to payment terms and length of time to settle payment, in addition to forward looking information utilising management knowledge such as the anticipated condition of the market in which its customers operate. Based on the analyses performed, management expect that all balances will be recovered.

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 statement of financial position date equates to the carrying value of trade receivables. Further disclosures are set out in note 23.

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 2022	**1,488**	**236**	**61**	**19**	**175**	**1,979**	**(78)**	**1,901**

31 December 2021	2,534	33	29	-	47	2,643	(35)	2,608

The ECL is included within debts past 120 days overdue at 74% for 2022 and 19% for 2021.

17 Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	**1,152**	881
	1,152	881

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

18 Equity

	Group and Company			Group	
	Ordinary shares Number	Ordinary shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2022	179,251,277	1,793	3,910	(2,231)	3,472
Issue of share capital	5,555,556	55	944	-	999
Loss for the year	-	-	-	(2,887)	(2,887)
Share based payments	-	-	-	119	119
At 31 December 2022	**184,806,833**	**1,848**	**4,854**	**(4,999)**	**1,703**
At 1 January 2021	176,751,277	1,768	3,185	(865)	4,088
Issue of share capital	2,500,000	25	725	-	750
Loss for the year	-	-	-	(1,406)	(1,406)
Share based payments	-	-	-	40	40
At 31 December 2021	**179,251,277**	**1,793**	**3,910**	**(2,231)**	**3,472**

During the year the Company issued 5,555,556 Ordinary Shares (2021: 2,500,000 ordinary shares) for a net consideration of £999,000 (2021: £750,000).

Ordinary shares in the Company carry one vote per share and each share gives equal rights to dividends and to the distribution of the Company's assets in the event of liquidation.

Share options and warrants

As at 31 December 2022 the Group maintained an approved share-based payment scheme for employee compensation. All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options. On 3 May 2022 4,000,000 staff options were issued which were all outstanding as at 31 December 2022. As at 31 December 2021 there were nil approved staff options outstanding and no approved staff options were issued in 2021.

The Company has an unapproved share option scheme which is open to directors and consultants. Options granted under the scheme are for £nil consideration and are exercisable at a price equal to the quoted market price of the Company's shares on the date of the grant. The vesting period is 0 to 12 months. If the options remain unexercised after a period of 2-12 years from the date of grant, the option expires. The Options are forfeited subject to Board discretion on leaving or termination of services. On 3 May 2022, 750,000 unapproved options were issued to Alexander Brennan (250,000 at a price of 25p and 500,000 at a price of 30p) exercisable for 3 years, as detailed in the Remuneration Committee Report on page 27.

On 29 July 2022 4,000,000 warrants were issued as part of a placing at a price of 25p and exercisable for 1 year.

The weighted average exercise price of all of the Group's options and warrants are as follows:

	2022 Number	2022 Weighted average exercise price £	2021 Number	2021 Weighted average exercise price £
Outstanding 1 January	**16,441,500**	**0.14**	18,891,500	0.13
Granted	**7,725,000**	**0.25**	2,750,000	0.39
Exercised	**-**	**-**	-	-
Lapsed	**(2,500,000)**	**0.40**	(5,200,000)	0.25
Outstanding 31 December	**21,666,500**	**0.15**	16,441,500	0.14

The weighted average exercise price of options exercised in 2022 was £: nil as no options were exercised during the period (2021: nil). The number of share options and warrants exercisable at 31 December 2022 was 21,666,500 (2021: 16,441,000). The weighted average exercise price of those options and warrants exercisable was 0.15p (2021: 14p). The weighted average option and warrant contractual life is ten years (2021: nine years) and the range of exercise prices is 4.5p to 30p (2021: 4.5p to 40p).

Directors

Directors' interests in shares and share incentives are contained in the Remuneration Committee Report on page 27.

IFRS2 expense

The IFRS 2 share-based payment charge for the year is £119,000 (2021: £40,000).

£40,000 of the charge was calculated using the Black Scholes model with a three-year term, risk free rate of 0.48%, volatility of 68.36% and dividend yield of 0%.
£79,000 of the charge was calculated using the Black Scholes model with a two-year term, risk free rate of 1.60% to 1.72%, volatility of 54.9% and dividend yield of 0%.

19 Borrowings

	2022 £'000	2021 £'000
Non-current		
Leases	**181**	**338**
Current		
Bank overdraft	**1,134**	**677**
Invoice finance facility	**857**	-
Leases	**167**	167
	2,158	**844**
Total	**2,339**	**1,182**

The bank overdraft relates to US Dollars and kept for hedging purposes as at the year end. Interest is charged on overdrafts at 2.4% above the host countries currency base rate. The Group also has an invoice finance facility with its bankers.

The bank overdraft and invoice finance facility are secured by a fixed and floating charge over the Group's assets.

The Group's leasing activities are detailed in the table below:

Right-of-use asset	Number of assets leased	Remaining term
Head office	1	2 years
Office equipment	1	Within 1 year

Office equipment	1	5 years

The weighted average discount rate on initial application was 4.2%.

None of the above leases has a remaining option extension, option to purchase or termination option. An office equipment lease was terminated during the period and a new office equipment lease for £22,000 was entered into.

The maturity of lease liabilities are as follows:

Gross payments	**2022 £'000**	2021 £'000
No later than one year	**182**	188
Later than one year and no later than five years	**190**	359
	372	547

During the year the Group had no other leases other than those included above.

The following lease payments were made during the year:

Gross payments	**2022 £'000**	2021 £'000
Lease capital	**167**	199
Lease interest	**22**	29
Total cash outflows	**189**	228

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2022

	1 January 2022 £'000	**Cash flows £'000**	**Non-cash changes £'000**	**31 December 2022 £'000**
Bank overdraft	677	457	-	1,134
Leases	505	(189)	32	348
Total liabilities from financing activities	**1,182**	**268**	**32**	**1,482**

The non-cash changes for 2022 are in respect to £22,000 new lease addition, replacing a £12,000 lease, and £22,000 interest.

For the year ended 31 December 2021

	1 January 2021 £'000	**Cash flows £'000**	**Non-cash changes £'000**	**31 December 2021 £'000**
Bank overdraft	918	(241)	-	677
Leases	509	(228)	224	505
Total liabilities from financing activities	**1,427**	**(469)**	**224**	**1,182**

The non-cash changes for 2021 are in respect to £195,000 new lease additions and £29,000 interest

20 Trade and other payables

Current	**2022 £'000**	2021 £'000

Financial liabilities measured at amortised cost:		
Trade payables	**1,395**	1,351
Other payables	**23**	61
Social security and other taxes	**214**	130
Accruals	**189**	249
	1,821	1,791

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 82 days (2021: 85 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.

21 Commitments and contingencies

a) Capital commitments

The Group had capital commitments totalling £nil at the end of the year (2021: £nil).

b) Contingent liabilities

Together with its subsidiary, Symphony Environmental Limited, the Group's bankers have provided a Group composite facility of £10,000 and invoice finance facility of £1.5million (2021: £100 and £1.5 million).

22 Related party transactions

Alexander Brennan was appointed to the Board as an executive director on 17 May 2022. The Group was employing and continues to employ the services of a company which he is a shareholder and director, Brennan and Partners Limited. Since Alexander was appointed to the board of the Company, the Group has paid £89,400 to Brennan and Partners Limited (2021: not appliable) for advocacy and other advisory services in relation to the Group's d2w products in the UK, Spain and Latin America.

There were no other related party transactions during the year (2021: none).

23 Financial Instruments

Classification and measurement

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

	2022 £'000	2021 £'000
Financial assets:		
Trade receivables	**1,901**	2,608
Other receivables	**174**	199
Cash and cash equivalents	**1,152**	881
	3,227	3,688
Financial liabilities:		
Trade payables	**1,395**	1,351
Other payables	**23**	61
Accruals	**189**	249
Bank overdraft	**1,134**	677
Leases	**348**	505
	3,089	2,843

The Group's £130,000 carrying investment in Eranova SAS see note 13, is held at cost.

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 2022 is summarised as follows:

Gross cash flows:	**Trade and other payables and accruals £'000**	**Leases £'000**	**Bank overdraft & other loans £'000**	**Total £'000**
Zero to sixty days	1,607	3	1,134	2,744
Sixty one days to three months	-	46	-	46
Four months to six months	-	44	-	44
Seven months to one year	-	89	-	89
One to three years	-	182	-	182
Four to five years	-	8	-	8
	1,607	**372**	**1,134**	**3,113**

The maturity of financial liabilities as at 31 December 2021 is summarised as follows:

Gross cash flows:	**Trade and other payables and accruals £'000**	**Leases £'000**	**Bank overdraft & other loans £'000**	**Total £'000**
Zero to sixty days	1,661	3	677	2,341
Sixty one days to three months	-	44	-	44
Four months to six months	-	46	-	46
Seven months to one year	-	95	-	95
One to three years	-	358	-	358
Four to five years	-	1	-	1
	1,661	**547**	**677**	**2,885**

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 2022 is summarised as follows:

	Fixed	**Variable**	**Zero**	**Total**

	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	1,152	-	1,152
Trade receivables	-	-	1,901	1,901
Other receivables	-		174	174
	-	1,152	2,075	3,227
Trade payables		-	(1,395)	(1,395)
Other payables	-	-	(23)	(23)
Leases	(348)	-	-	(348)
Bank overdraft	-	(1,134)	-	(1,134)
	(348)	**18**	**657**	**327**
Sensitivity: increase in interest rates of 5%	-	1	-	1
Sensitivity: decrease in interest rates of 1%	-	-	-	-

The Group's exposure to interest rate risk as at 31 December 2021 is summarised as follows:

	Fixed £'000	Variable £'000	Zero £'000	Total £'000
Cash and cash equivalents	-	881	-	881
Trade receivables	-	-	2,608	2,608
Other receivables	-	-	199	199
	-	**881**	**2,807**	**3,688**
Trade payables	-	-	(1,351)	(1,351)
Other payables	-	-	(61)	(61)
Leases	(505)	-	-	(505)
Bank overdraft	-	(677)	-	(677)
	(505)	**204**	**1,395**	**1,094**
Sensitivity: increase in interest rates of 5%	-	10	-	10
Sensitivity: decrease in interest rates of 1%	-	(2)	-	(2)

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 2022 £'000**	**Currency balance 2022 C'000**	Sterling balance 2021 £'000	Currency balance 2021 C'000
Financial assets	**Euro**	**235**	**€266**	288	€344
Financial liabilities	**Euro**	**(98)**	**€(111)**	(90)	€(107)
Net balance	**Euro**	**137**	**€155**	198	€237
Effect of 10% Sterling increase			**(12)**		(18)
Effect of 10% Sterling decrease			**(15)**		22
Financial assets	**USD**	**1,943**	**$2,695**	2,933	$3,963
Financial liabilities	**USD**	**(1,018)**	**$(1,232)**	(778)	$(1,051)
Net balance	**USD**	**925**	**$1,463**	2,155	$2,912
Effect of 10% Sterling increase			**(110)**		(196)
Effect of 10% Sterling decrease			**134**		239

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 2022 the Group had no outstanding foreign currency contract (2021: the Group had outstanding forward foreign currency contacts which all matured within three months of the year end and committed the Group to selling 1,500,000 US Dollars 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 2022 is £nil (2021: loss of £2,000).

Credit risk

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

	2022 £'000	2021 £'000
Trade receivables	**1,901**	2,608
Other receivables	**174**	199
Cash and cash equivalents	**1,152**	881
	3,227	3,688

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 82% (2021: 85%) of the above trade receivables.

In order to manage credit risk, the Directors set limits for customers based on a combination of payment history, third party credit references and use of credit insurance. These limits are reviewed regularly. The maturity of overdue debts and details of impairments and amounts written off are set out in note 16.

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 18 and interest bearing loans and borrowings as detailed in note 19. The Company satisfies the Companies Act 2006 requirement to hold £50,000 issued share capital of which at least 25% is paid up. See note 18.

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 2022 and 2021 were as follows:

	2022 £'000	2021 £'000
Total borrowings (note 19)	**1,482**	1,182
Cash and cash equivalents (note 17)	**(1,152)**	(881)
Net debt	**330**	301

Total equity (note 18)	**1,703**	3,472
Borrowings	**1,482**	1,182
Overall financing	**3,185**	4,654
Gearing ratio	**10%**	6%

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

24 Events since statement of financial position date

On 9 March 2023 the Company entered into a £1 million convertible loan agreement with Sea Pearl Ventures LLC with the following main terms

- Loan principal: £1,000,000 (unsecured)
- Conversion at 1 year and 30 days (no earlier)
- Conversion price: 80% of the volume weighted average share price for the 3 months prior to conversion
- Interest: 7% per annum, payable as accrued on repayment and/or conversion
- Symphony able to repay the loan in full or in part before conversion at its discretion

There have been no other material events since the statement of financial position date.

25 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.symphonyenvironmental.com