6 June 2024

**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 2023.

**Financial highlights:**

- Group revenues £6.35 million (2022: £6.15 million)
- Gross profit £2.33 million (2022: £2.28 million)
- Contribution after distribution costs £2.13 million (2022: £1.87 million)
- Administrative expenses reduced to £4.12 million (2022: £4.80 million)
- Reported loss before tax £2.25 million (2022: £3.01 million)
- Basic loss per share 1.18p (2022: 1.65p)
- Cash used in operations £0.62 million (2022: £1.59 million)
- Cash raised by way of convertible loans £1.50 million

**Post year end**

- The conversion dates of the convertible loans with Sea Pearl Ventures Limited have been extended to 31 December 2025 with no other changes, including the Group's rights to repay in whole or in part at any time or times until 30 days before the conversion date
- On 22 March 2024 the Group raised £1.4 million of equity (before expenses) by way of a subscription and retail offer

**Chairman's Statement**

As indicated in the highlights section above, I am pleased to report that the year ended 31 December 2023 showed a reversal of the negative financial trend with all reported indicators being positive. Revenue for the year slightly increased to £6.35 million (2022: £6.15 million), with a 25% reduction in the operating loss.

One of the Group's focuses was to reduce cost, without causing any drag on the sales initiative. This was achieved and continues into 2024.

On 22 March 2024 the Group issued a Circular and a Notice of General Meeting, which provided information on a £1.4 million capital raise by way of a subscription and a business update that showed "progress and opportunities" in several areas of the business.

I will not repeat the information contained in the above, other than to reconfirm that the opportunities are significant and that the Board remains confident that these can develop into material commercial sales in the short to medium term.

***N Clavel***
**Chairman**

**Enquiries:**


| | |
|---|---|
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**Chief Executive's Review**

As reported in the Chairman's statement above, a recent business update was issued on 22 March 2024.

***d2w – progress and opportunities***

The update focused on the opportunities in our main markets, the Middle East and Latin America which represent the Group's largest volume for d2w. Our business model targets several global markets, through 76 distributors. Entry into any of these markets can be rapid, as d2w technology does not disrupt the existing supply chain or products. It is an upgrade process that requires virtually no change to the manufacturing process, machinery or distribution. ESG compliance requirements and continual changes to legislation are encouraging customers to consider alternatives to ordinary plastics.

I am pleased to report that sales of d2w products increased from £4.8 million in 2022 to £5.2 million in 2023. However, our distributors report via their market intelligence that the sales volumes should have been considerably higher. While we have regular customers buying our products, volumes will increase with the introduction of local enforcement policies which, at this time, are nearly non-existent and have been delayed in various markets. Specifically, Saudi Arabia had expected to complete a biodegradable technical evaluation process before 31 December 2023, with the view of more widely enforcing Phase 1 of the legislation (which requires a range of products to be oxo-biodegradable and progressing to Phases 2 and 3 which include an even wider range of products. Yemen has also legislated to make oxo-biodegradable plastic compulsory, but implementation has been delayed by logistical issues, mainly caused by the intense political situation that disrupted product movements. The combined effect of these delays has pushed sales into the 2024 trading year.

In Latin America the market opportunity is mainly driven by a growing demand for ESG compliance, with concerns that changes to legislation will force customers to substitute ordinary plastics for paper, compostable plastics or a biodegradable alternative. In some markets, certain plastic products have been banned and paper alternatives for drinking straws are an example of these continual changes. We are drawing attention to the fact that these changes make matters worse for the environment, and that the problem of plastic litter would be solved if d2w were more widely adopted.

Globally we have seen increased activity indicating near-term, genuine interest in parts of Africa, such as Kenya, Ghana and South Africa, as well as in Far East markets which include China, Vietnam, Thailand, Indonesia and South Korea.

***d2p – progress and opportunities***

The Group has continued to invest in strengthening its portfolio with a large range of d2p formulations which are being used and commercially trialled in many different applications.

- *d2p anti insecticide in agricultural products*

A large proportion of current d2p revenues were generated from sales of d2p anti-insect technology ("d2p AI"), the majority of which being to Rivulis. They have incorporated d2p AI technology into their Eurodrip product ranges, sold under the trade name Rivulis Defend. Symphony anticipates further adoption of its d2p AI technology for other applications and in other markets.

- *d2p and FDA approval for bread packaging*

Sales of d2p antimicrobial ("d2p AM") for bread applications have grown slowly to date, with the technology currently being used in small volumes in specialised brands in Mexico and Peru. We expect these markets to expand steadily into more mainstream locations and brands, as well as into other parts of Latin America on completion of their commercial trials.

Apart from the markets where Grupo Bimbo have exclusivity, our d2p AM technology is currently at different stages of development with a number of other customers. Some customers are in pre-commercial trials and others are at early stages of development.

- *d2p flame retardant*

The d2p flame retardant range of technologies has trials being carried out in many different applications globally. Currently, the Middle Eastern construction market is a particularly active area, and recent reports indicate that we are near completion of an important certification process, which if successful should lead to significant sales in a very large market.

- *Other technologies*

The Group has also developed other technologies including corrosion inhibitors for various metals, ethylene and moisture adsorbers for food packaging, as well as antimicrobials for pipes and tanks.

***Joint venture in India with Indorama Corporation - Symphony Environmental India Pvt Ltd ("Symphony India")***

Symphony India is a joint venture company established in 2022 between Symphony and Indorama India Pvt. Limited, a wholly owned subsidiary of Indorama Corporation. Symphony India is owned 46.5% by Symphony Environmental Limited, 46.5% by Indorama, and 7% by Mr. Arjun Aggarwal, an Indian citizen, who is its Managing Director.

The Government of India has published guidelines to reduce plastic pollution. The product offered by Symphony India, falls within the standard: IS 17899 T:2022 Assessment of Biodegradability of Plastics in Varied Conditions.

If this standard is satisfied, the opportunities in India could be substantial. Symphony India has identified more than 500 prospective companies for which d2w could provide a material benefit. Active discussions are underway with the majority of these target customers who have already been directly corresponded with, but the Board believe the prospects of Symphony India extend far beyond the initial 500 companies.

A number of d2p trials are also ongoing in India including d2p AM for bread bags, of which one has completed successful small trials and is now conducting semi commercial trials, which could lead to full commercial orders during 2024.

**Trading results**

Group revenue was £6.35 million (2022: £6.15 million) and is analysed in the table below. d2w revenues increased in 2023, primarily due to the new Middle East factory, while d2p revenues fell in 2023. This was due to timing differences, with expected 2023 orders being received in early 2024. Finished product sales were in line with last year thanks to a reliable primary market in the UK.

| | **2023 £'000** | **2022 £'000** |
|---|---|---|
| d2w masterbatch revenues | 5,221 | 4,768 |
| d2p masterbatch revenues | 512 | 793 |
| Finished products and sundry revenues | 618 | 593 |
| **Total revenues** | **6,351** | **6,154** |
| **Gross profit** | **2,333** | **2,280** |
| - *Gross profit margin* | *37%* | *37%* |
| Distribution costs | (203) | (408) |
| - *Percentage of revenues* | *3%* | *7%* |
| **Contribution after distribution costs** | **2,130** | **1,872** |

| | | | |
|---|---|---|---|
| - | *Percentage of revenues* | *34%* | *30%* |

Gross profit margins were stable at 37% (2022: 37%). Gross profit increased slightly to £2.33 million from £2.28 million in 2022. Distribution costs reduced by 50% to £0.20 million (2022: £0.41 million) mainly due to the UAE market being supplied with locally made product and also shipping rates having generally softened since the end of Covid.

The board decided to increase the inventory impairment provision profile. The resultant value was calculated based on net proceeds fairly achievable over the short to medium term and were based on specific items where saleability is in doubt, and the dates of the last movements of each stock item as an indicator to future value except for certain raw material items which are known to be required in the short term. The inventory provision was £235,000 (2022: £252,000 due to glove stock provisions in which the Group no longer trade). Adding back this provision gives an underlying gross profit margin of 41% (2022: 41%) and contribution after distribution costs over revenues of 37% (2022: 35%).

Administrative expenses reduced by £0.68 million to £4.12 million (2022: £4.80 million). Staff costs reduced by £0.22 million to £2.22 million. Further reductions were made in respect to professional fees and consultancy costs. Equity-settled share-based charges of £0.08 million were included in the year (2022: £0.12 million). One-off legal costs in relation to the EU case of £0.18 million were incurred in 2023.

The Group expensed R&D costs of £0.21 million in 2023 (2022: £0.51 million). In addition, there were intangible asset development cost additions of £0.25 million during the year in respect of the Group's d2p bread technology (2022: £0.17 million). An R&D tax credit of £0.10 million (2022: £0.12 million) was received during 2023 relating to the previous period. A further R&D tax credit will be receivable in 2024 with respect to 2023.

The share of loss in respect to the joint venture in India was £73,000 (2022: £nil). This loss was incurred while Symphony India was working on satisfying the standard in relation to biodegradable plastic, as descried above, as well as developing d2p opportunities.

The reported operating loss was £1.99 million (2022: £2.93 million) and loss after tax of £2.18 million (2022: £2.89 million) with basic loss per share of 1.18 pence (2022: loss per share 1.65 pence).

The Group self-hedges its US Dollar 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 2023, the Group had a net balance of US Dollar assets (US Dollar cash balances and receivables less overdrafts and payables) totalling $1.40 million (2022: $1.46 million).

**Convertible Loan**

The Company has entered into two Convertible Loan Agreements ("CLAs") with Sea Pearl, who are also an existing 17.4% shareholder of the Company. Details announced to the market were:

First CLA: 13 March 2023: £1.0 million facility - £1.0 million drawn down
Second CLA: 18 October 2023: £1.0 million facility - £0.5 million drawn down

On 13 March 2024, Sea Pearl and the Company announced extensions to the repayment date of the CLAs by 15 months to 31 December 2025. This substantially improves the working capital requirements and balance sheet profile of the Group.

Other key terms remain unchanged. The full terms are as follows:

- CLAs total drawn principal: £1.5 million (unsecured)
- If not repaid on or before 31 December 2025, conversion on that date
- Conversion price: 80% of the volume-weighted average share price for the 3 months prior to 31 December 2025
- Interest: 7% per annum, payable as accrued on repayment and/or conversion
- Repayment of the CLAs, in full or in part solely at Symphony's discretion

As at the date of this document, the Company has not drawn down the remaining £0.5 million of the second £1.0 million CLA facility. Following Sea Pearl's investment of £0.5 million pursuant to the Subscription in March 2024, the Board has confirmed to Sea Pearl that it will not draw down on this remaining £0.5 million under the CLA.

**Statement of financial position and cash flow**

The Group had net borrowings (excluding convertible loans and lease liabilities) of £0.58 million as at 31 December 2023 (2022: net borrowings (excluding convertible loans and lease liabilities) of £0.84 million). The Group used cash of £0.62 million from operations (2022: £1.59 million) primarily as a result of the loss incurred but mitigated by favourable movements in receivables.

During the year the Group received £1.5 million from the issue of convertible loans, of which conversion has since the year end been extended from 30 September 2024 to 31 December 2025, and post year end raised £1.4 million of equity by subscription and retail offer.

**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 which continued into 2023.

Eranova is in receipt of pledged government grants and loans to further expand the early-stage production facility in Marseille, France. They anticipate completing this process in 2024. They have finished products made using Eranova's technology in the French retail sector and in particular listed in Casino, Carrefour, Intermarche and Franprix.

In 2023 Eranova signed its first €2.10 million pre-production licencing agreement to build a facility in Indonesia and is currently producing trial materials. 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.

**Current trading and outlook**

Good progress continues to be made on cost reductions and increasing sales. As previously indicated several product trials and regularity applications are still in process. Our expectations based on current information is that we will start to see completion and commercial starts during H2 2024.

We continue to rely on our network of 76 distributors (2022: 79) for managing their markets and hence are sustaining and creating many opportunities for the Group.

The opportunities for Symphony are significant and, whilst taking considerably longer to convert than originally anticipated, a combination of more positive conversations, trials and other factors give the Board confidence that these can and will be converted in the short to medium term.

In the meantime, with the lower cost structure and higher gross margins, the 2024 outlook shows a much more positive commercial position for the Group compared to recent years.

**M Laurier**
**Chief Executive**

**Consolidated statement of comprehensive income**
**for the year ended 31 December 2023**

| | Note | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Revenue** | 4 | **6,351** | 6,154 |
| Cost of sales | | **(4,018)** | (3,874) |
| **Gross profit** | | **2,333** | 2,280 |
| Distribution costs | | **(203)** | (408) |
| Administrative expenses | | **(4,119)** | (4,802) |
| **Operating loss** | 5 | **(1,989)** | (2,930) |
| Finance costs | 7 | **(189)** | (77) |
| Share of results of joint ventures | 14 | **(73)** | - |
| **Loss for the year before tax** | | **(2,251)** | (3,007) |
| Taxation | 8 | **71** | 120 |
| **Loss for the year** | | **(2,180)** | (2,887) |
| **Total comprehensive loss for the year** | | **(2,180)** | (2,887) |
| Basic earnings per share | 9 | **(1.18)p** | (1.65)p |
| Diluted earnings per share | 9 | **(1.18)p** | (1.65)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 2023**

**Company number 03676824**

| | Note | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current** | | | |
| Property, plant and equipment | 10 | **168** | 138 |
| Right-of-use assets | 11 | **270** | 379 |
| Intangible assets | 12 | **653** | 439 |
| Investments | 13 | **130** | 130 |
| Interest in joint venture | 14 | **28** | 101 |
| | | **1,249** | 1,187 |
| **Current** | | | |
| Inventories | 15 | **645** | 1,175 |
| Trade and other receivables | 16 | **1,812** | 2,349 |
| Cash and cash equivalents | 17 | **1,123** | 1,152 |
| | | **3,580** | 4,676 |
| **Total assets** | | **4,829** | 5,863 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| *Equity attributable to shareholders of Symphony Environmental Technologies plc* | | | |
| Ordinary shares | 18 | **1,848** | 1,848 |
| Share premium | 18 | **4,854** | 4,854 |
| Retained earnings | 18 | **(7,102)** | (4,999) |
| **Total equity** | | **(400)** | 1,703 |
| **Liabilities** | | | |
| **Non-current** | | | |
| Lease liabilities | 19 | **47** | 181 |
| **Current** | | | |
| Lease liabilities | 19 | **187** | 167 |
| Borrowings | 19 | **3,270** | 1,991 |
| Trade and other payables | 20 | **1,725** | 1,821 |
| | | **5,182** | 3,979 |
| **Total liabilities** | | **5,229** | 4,160 |
| **Total equity and liabilities** | | **4,829** | 5,863 |

**Consolidated statement of changes in equity**
**for the year ended 31 December 2023**

*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 2023** | | | | |
| Balance at 1 January 2023 | 1,848 | 4,854 | (4,999) | 1,703 |
| Share based options (note 18) | - | - | 77 | 77 |
| Transactions with owners | - | - | 77 | 77 |
| Total comprehensive loss for the year | - | - | (2,180) | (2,180) |
| **Balance at 31 December 2023** | **1,848** | **4,854** | **(7,102)** | **(400)** |
| **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** |

**Consolidated cash flow statement**
**for the year ended 31 December 2023**

| | Note | **2023** **£'000** | 2022 Restated £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss after tax | | **(2,180)** | (2,887) |
| *Adjustments for:* | | | |
| Depreciation | 10-11 | **220** | 229 |
| Amortisation | 12 | **15** | 14 |
| Loss on disposal of fixed assets | 5 | **3** | 14 |
| Loss on disposal intangible | 5 | **28** | - |
| Share-based charges | 18 | **77** | 119 |
| Share of JV loss | 14 | **73** | - |
| Interest expense | 7 | **189** | 77 |
| Net exchange differences | | **(12)** | - |
| Tax credit | 8 | **(71)** | (120) |
| *Changes in working capital:* | | | |
| Movement in inventories | 15 | **530** | 141 |
| Movement in trade and other receivables | 16 | **594** | 797 |
| Movement in trade and other payables | 20 | **(85)** | 30 |
| Net cash used in operations | | **(619)** | (1,586) |
| R&D tax credit | 8 | **97** | 120 |
| **Net cash used in operating activities** | | **(522)** | (1,466) |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | 10 | **(84)** | (18) |
| Additions to intangible assets | 12 | **(257)** | (194) |
| Additions to joint venture | 14 | **-** | (101) |
| Additions to investments | 13 | **-** | (7) |
| **Net cash used in investing activities** | | **(341)** | (320) |
| **Cash flows from financing activities** | | | |
| Drawdown cash received from invoice finance facility | 19 | **5,686** | 5,406 |
| Customer receipts repayment of invoice finance facility | 19 | **(5,927)** | (4,549) |
| Convertible loan | 19 | **1,500** | - |
| Repayment of lease capital | 19 | **(174)** | (179) |
| Proceeds from share issue | 18 | **-** | 999 |
| Lease interest paid | 7 | **(17)** | (22) |
| Bank, invoice finance and other interest paid | 7 | **(172)** | (55) |
| **Net cash generated in financing activities** | | **896** | 1,600 |
| Net change in cash and cash equivalents | | **33** | (186) |
| Cash and cash equivalents, beginning of year | | **18** | 204 |
| Effect of exchange rates on cash | | **(19)** | - |
| **Cash and cash equivalents, end of year** | | **32** | 18 |
| **Represented by:** | | | |
| Cash and cash equivalents | **17** | **1,123** | 1,152 |
| Bank overdraft | **19** | **(1,091)** | (1,134) |
| | | **32** | 18 |

Cash flows from financing activities has been restated in 2022 to show gross monies drawn down against customer receipts as opposed to a net movement in the facility drawn.

## 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 2023 or 2022 but is derived from the 2023 annual report and accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 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 2023; 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

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 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 2023.

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 £1.99 million for the year (2022: loss £2.93 million). With underlying gross margins (before provisions) remaining above 40%, the Group has also been able to reduce costs after investing heavily and having created significant opportunities 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 2025, including a sensitised cash flow analysis (sensitised by revenue being the main area of forecast risk), 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 following:

- Middle East volumes expected to increase
- Repeat and growing d2p AI and other d2p business
- Steadier main markets in Far East and Latin America with good growth potential
- Administrative costs further reduced from 2023 levels

Although net current liabilities are £1.6 million at the end of the year, this includes £1.5 million in unsecured convertible loan funding received during the year for which repayment since the year end has been extended to 31 December 2025. In addition, the Group has since the year end raised £1.4 million of equity by subscription and retail offer and is also supported by an invoice finance facility from the Group's bankers. Systems are in place which enable monitoring of cashflow requirements of the business which identifies any need for borrowing and usage of borrowed funding. The Group is not materially affected by any political or economic uncertainty.

***Revenue***

***- Plastic additives and finished products, and associated products***

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

The Group's revenue is from the sale of goods. Revenue from the sale of goods is recognised in conformity to IFRS 15 "Revenues from Contracts with Customers" 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; and
  - To organise freight in accordance with agreed INCOTERMs (a series of pre-defined commercial terms published by the International Chamber of Commerce).
- *Determine the transaction price of the contract* – The transaction price is determined as the fair value of the consideration the Group expects to receive on transfer of the goods. The price of the sale includes the goods price and the cost of the transport, if applicable.
- *Allocation of the transaction price to the performance obligations identified* – Sales prices are agreed with each customer and are not generally a fixed price per unit. The transport price will also vary across sales as it is based on quotes received from the Group's freight agents, as transport is charged at cost. Although the Group is an agent in the provision of transport rather than the principal under IFRS 15 "Revenues from Contracts with Customers".
- *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. |
| 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.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

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.

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 joint venture. When the Group's share of losses of 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 joint venture.

***Investments***

Minority investments in shares are initially held at cost. Fair value is assessed on an annual basis and any gain or loss is adjusted through profit and loss.

***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 position 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.

***Financial assets***

The Group classifies all of its financial assets measured at amortised cost, apart from investments. 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. Cash balances which are overdrawn are referenced in financial liabilities below.

***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, convertible loans 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. Redemption of the convertible loan can be in cash or equity in accordance with note 19. Convertible loans are classified as financial liabilities unless and until they are converted into equity. The convertible loans accrue interest and can be repaid by cash at the Group's discretion up until the contracted day of conversion.

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 gains and losses arising from amounts recognised in profit or loss and the fair value of options granted under the Group's share-based payment schemes.

***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 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
- IFRS 17 Insurance contracts: Amendments in relation to initial application and IFRS 9 – comparative information. Effective 1 January 2023

***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 2024
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures: Amendments in relation to supplier finance arrangements. Effective 1 January 2024
- IAS 16 Leases: Amendments in relation to lease liability in a sale and leaseback. Effective 1 January 2024

***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 2023 was approximately £5,078,000.

***- 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. In order to calculate fair value, judgements and estimates have been made as to the financing and operating risk of the invested company, together with the marketability of the investment. The carrying value of investments as at 31 December 2023 was £130,000. See note 13.

***- Inventory provisions***

Estimates are made as to impairment provisions to the carrying value of inventories based whether the items are still sellable and also the expected net value that can be achieved on sale. The resultant value was calculated based on net proceeds fairly achievable over the short to medium term and were based on specific items where saleability is in doubt, and the dates of the last movements of each stock item as an indicator to future value except for certain raw material items which are known to be required in the short term. There is a provision of £235,000 for the impairment of inventories as at 31 December 2023. See note 15. Shortening the period of last movements by six months has an effect of increasing the provision by £15,000 as at 31 December 2023.

***- 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 £75,000 (2022: £78,000) on a total trade receivables balance of £1,586,000 (2022: £1,901,000) calculated using this method. An increase of 10% on the ECL as at 31 December 2023 would increase the provision by £7,000.

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

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| **Revenues:** | | |
| d2w masterbatches | **5,221** | 4,768 |
| d2p masterbatches | **512** | 793 |
| Finished products | **424** | 472 |
| Other | **194** | 121 |
| **Total** | **6,351** | 6,154 |

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

| **Geographical area** | **2023 £'000** | 2022 £'000 |
|---|---|---|
| UK | **428** | 408 |
| Europe | **878** | 722 |
| North America | **161** | 274 |
| Central and South America | **2,066** | 2,582 |
| Middle East | **2,073** | 1,183 |
| Asia | **745** | 985 |
| **Total** | **6,351** | 6,154 |

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.

Within the above, revenues are attributed to the following countries which are represented by over 5% of total revenues:

| Country | 2023 £'000 | 2022 £'000 |
|---|---|---|
| UAE | **1,985** | 803 |
| Mexico | **1,455** | 1,659 |
| UK | **428** | 408 |
| China | **375** | 312 |
| France | **354** | 337 |
| Other countries | **1,754** | 2,635 |
| Total | **6,351** | 6,154 |

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 £9,000 are held outside of the UK (2022: £14,100).

**Major customers**

There was one customer that accounted for greater than 10% of total Group revenues for 2023 (2022: one customer). In 2023 the one customer accounted for £1,863,000 or 29% (2022: £654,000 and one customer being 11%) 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 charging/(crediting):

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Depreciation – property, plant and equipment | **51** | 50 |
| Depreciation – right-of-use assets | **169** | 179 |
| Loss on disposal of property, plant and equipment | **3** | 14 |
| Amortisation | **15** | 14 |
| Loss on disposable of intangible assets | **28** | - |
| Research and development expenditure* | **210** | 510 |
| Fees payable to the Company's auditor: | | |
| Audit related services: | | |
| Audit of the annual report and accounts | **35** | 30 |
| Audit of the annual report and accounts of the Company's subsidiaries | **50** | 45 |
| Net foreign exchange loss/(gain) | **26** | (29) |

* Further development expenditure of £250,000 (2022: £168,000) is included in Development cost additions – see note 12.

## 6 Directors and employees

Staff costs (including directors) during the year comprise:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Wages and salaries | **1,874** | 2,115 |
| Social security costs | **216** | 162 |
| Pension contributions | **127** | 156 |
| | **2,217** | 2,433 |

*Average monthly number of people (including directors) by a**ctivity:***

| | **2023** | 2022 |
|---|---|---|
| R&D, testing and technical | **6** | 10 |
| Selling | **9** | 11 |
| Administration | **11** | 12 |
| Management | **6** | 7 |
| Marketing | **1** | 3 |
| **Total average headcount** | **33** | 43 |

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

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| **Emoluments (all short term)** | **629** | 590 |

There were no Directors' pension contributions made during the year (2022: £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:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| **Highest paid director** | **260** | 221 |

## 7 Finance costs

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Interest expense: | | |
| Bank, invoice finance borrowings, and other | **109** | 55 |
| Convertible loan | **63** | - |
| Lease interest (right-of-use assets) | **17** | 22 |
| Total finance costs | **189** | 77 |

## 8 Taxation

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| R&D tax credit | **71** | 120 |
| **Total income tax credit** | **71** | 120 |

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% up to 31 March 2023 and 25% from 1 April 2023 (2022: 19%). The differences are explained as follows:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| **Loss for the year before tax** | **(2,251)** | (3,007) |
| Tax calculated by rate of tax on the result | | |
| Effective rate for year at 23.5% (2022: 19%) | **(529)** | (571) |
| Fixed asset differences | **1** | (2) |
| Expenses not deductible for tax purposes | **38** | 24 |
| R&D tax relief | **(38)** | (39) |
| Movement in deferred tax not recognised | **451** | 520 |
| Surrender of tax losses for R&D tax credit refund | **40** | 16 |
| R&D tax credit not yet recognised | **37** | 52 |
| R&D tax credit in respect of previous periods | **(71)** | (120) |
| **Total income tax credit** | **(71)** | (120) |

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 £71,000 shown above relates to a repayment made by HMRC in relation to the year ended 31 December 2022 (£120,000 relates to the year ended 31 December 2021).

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 2023 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 £20,600,000 (2022: £18,939,000). These tax losses have no expiry date. The unrecognised deferred tax asset in respect of these losses based on latest profit projections is approximately £5,178,000 (2022: £4,735,000).

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% up to 31 March 2023 and 25% from 1 April 2023 (2022: 19%).

The Group also has gross fixed assets of £254,000 (2022: £258,000) which give rise to a deferred tax liability of £63,500 (2022: £65,000). Other gross temporary differences of £75,000 (2022: £85,000) give rise to a deferred tax asset of £18,750 (2022: £21,000). The deferred tax liability of £63,500 (2022: £65,000) is sheltered by the unrecognised deferred tax asset in respect of losses and temporary differences.

The unrecognised deferred tax balances disclosed in the above for 2023 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** | **2023** | 2022 |
|---|---|---|
| Loss attributable to equity holders of the Company | **£(2,180,000)** | £(2,887,000) |
| Weighted average number of ordinary shares in issue | **184,806,833** | 175,226,254 |
| **Basic earnings per share** | **(1.18) pence** | (1.65) pence |
| Dilutive effect of weighted average options and warrants | **3,686,662** | 7,498,557 |
| Total of weighted average shares together with dilutive effect of weighted options- see below | **184,806,833** | 175,226,254 |
| **Diluted earnings per share** | **(1.18) pence** | (1.65) pence |

No dividends were paid for the year ended 31 December 2023 (2022: £nil).

The effect of options and warrants for the years ended 31 December 2023 and 31 December 2022 are anti-dilutive.

A total of 12,866,500 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 2023 | Plant & Machinery £'000 | Fixtures & Fittings £'000 | Office Equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2023 | 397 | 293 | 138 | 828 |
| Additions | 2 | - | 82 | 84 |
| Disposals | (14) | - | (74) | (88) |
| **At 31 December 2023** | **385** | **293** | **146** | **824** |
| **Depreciation** | | | | |
| At 1 January 2023 | 305 | 272 | 113 | 690 |
| Charge for the Year | 19 | 8 | 24 | 51 |
| Disposals | (13) | - | (72) | (85) |
| **At 31 December 2023** | **311** | **280** | **65** | **656** |
| **Net Book Value** | | | | |
| **At 31 December 2023** | **74** | **13** | **81** | **168** |
| At 31 December 2022 | 92 | 21 | 25 | 138 |

| Year ended 31 December 2022 | Plant & Machinery £'000 | Fixtures & Fittings £'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 |

## 11 Right-of-use assets

| Year ended 31 December 2023 | Land & buildings £'000 | Plant & Machinery | Office Equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2023 | 905 | - | 78 | 983 |
| Additions | - | 60 | - | 60 |
| **At 31 December 2023** | **905** | **60** | **78** | **1,043** |
| **Depreciation** | | | | |
| At 1 January 2023 | 545 | - | 59 | 604 |
| Charge for the Year | 160 | 4 | 5 | 169 |
| **At 31 December 2023** | **705** | **4** | **64** | **773** |
| **Net Book Value** | | | | |
| **At 31 December 2023** | **200** | **56** | **14** | **270** |
| At 31 December 2022 | 360 | - | 19 | 379 |

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 2022 | Land & buildings £'000 | Plant & Machinery | 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 |

## 12 Intangible assets

| Year ended 31 December 2023 | Development costs | Trademarks | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Cost** | | | |
| At 1 January 2023 | 2,307 | 142 | 2,449 |
| Additions | 250 | 7 | 257 |
| Disposals | - | (41) | (41) |
| **At 31 December 2023** | **2,557** | **108** | **2,665** |
| **Amortisation** | | | |
| At 1 January 2023 | 245 | 37 | 282 |
| Charge for the Year | - | 15 | 15 |
| Disposals | - | (13) | (13) |
| **At 31 December 2023** | **245** | **39** | **284** |
| **Impairment** | | | |
| At 1 January 2023 | 1,728 | - | 1,728 |
| **At 31 December 2023** | **1,728** | **-** | **1,728** |
| **Net Book Value** | | | |
| **At 31 December 2023** | **584** | **69** | **653** |
| At 31 December 2022 | 334 | 105 | 439 |

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 £584,000 (2022: £334,000). Amortisation will start on completion of the project in accordance with note 2.

| Year ended 31 December 2022 | Development costs | Trademarks | Total |
|---|---|---|---|
| | £'000 | £'000 | £'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 |

## 13 Investments

The Group holds an investment interest in the following minority unlisted share.

| | Total £'000 |
|---|---|
| Investment held at fair value: | |
| At 1 January 2023 | 130 |
| Net change in fair value (unrealised) | - |
| **At 31 December 2023** | **130** |
| At 31 December 2022 | 130 |

The Group has invested £130,000 (1.6%) into Eranova SAS, a French company developing products from green algae.

The fair value for this investment, as shown above, is categorised as Level 3 because the shares were not listed on the exchange but there are inputs that are directly or indirectly observable.

***Sensitivity analysis***
For the fair value of this equity security as a whole, reasonably possible changes at the reporting date of one of the significant unobservable inputs, holding other inputs constant, would have the following effect.

| | Increase £'000 | Decrease £'000 |
|---|---|---|
| Adjusted total company value (5% movement) | **7** | **(7)** |

The valuation process relied on the following factors:

- Equity valuation based on a recent fund raising creating an arms-length valuation
- Recent fund-raising initiatives by Eranova
- The current non-marketability of the shares
- Inherent risks surrounding a developing company not at a fully commercial stage

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 2023 | 101 |
| Share of joint venture total comprehensive income (see below) | (73) |
| **At 31 December 2023** | **28** |

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 material financial information in relation to the joint venture in accordance with IFRS 12 is shown below.

| | **Year to 31 December 2023 £'000** | Year to 31 December 2022 £'000 |
|---|---|---|
| Revenue | **114** | 198 |
| (Loss)/profit from continuing operations (before and after tax) | **(156)** | 3 |
| Total comprehensive income | **(156)** | 3 |
| **Group's share of total comprehensive income (46.5%)** | **(73)** | 1 |
| Current assets | **117** | 169 |
| Non-current assets | **2** | 1 |
| Current liabilities | **(171)** | (70) |
| Net assets | **(52)** | 100 |
| **Group's share of net assets (46.5%)** | **-** | 48 |

Within current liabilities are cash borrowings of £141,000 (2022: £29,000). There was no material cash and cash equivalents at the end of the year (2022: £nil).

The joint venture's reporting date is 31 March. The above is based on management information. There are no unrecognised losses, material capital commitments or contingent liabilities as at 31 December 2023. There were no dividends received during the year (2022: £nil).

## 15 Inventories

| | **2023 £'000** | **2022 £'000** |
|---|---|---|
| Finished goods and goods for resale | **364** | 671 |
| Raw materials | **281** | 504 |
| | **645** | 1,175 |

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £3,035,000 (2022: £3,094,000). There is a provision of £235,000 for the impairment of inventories (2022: £252,000). There is no collateral on the above amounts.

## 16 Trade and other receivables

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Trade receivables | **1,511** | 1,901 |
| Other receivables | **90** | 174 |
| VAT | **18** | 29 |
| Prepayments | **193** | 245 |
| | **1,812** | 2,349 |

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. As at 31 December 2023, £1,027,000 (2022: £1,530,000) of trade receivables had been sold to the Group's bankers who are a provider of invoice discounting services. The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. Since the trade receivables continue to be recognised, the business model of the Group is not affected. The proceeds from transferring the debts of £616,000 (2022: £857,000) are included in borrowings (note 19 - invoice finance facility) until the debts are collected or the Group makes good any losses incurred 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 2023** | **1,272** | **0** | **100** | **0** | **214** | **1,586** | **(75)** | **1,511** |
| 31 December 2022 | 1,488 | 236 | 61 | 19 | 175 | 1,979 | (78) | 1,901 |

The ECL is included within debts past 120 days overdue at 36% for 2023 and 45% for 2022.

## 17 Cash and cash equivalents

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Cash at bank and in hand | **1,123** | 1,152 |
| | **1,123** | 1,152 |

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 2023** | 184,806,833 | 1,848 | 4,854 | (4,999) | 1,703 |
| Loss for the year | - | - | - | (2,180) | (2,180) |
| Share based payments | - | - | - | 77 | 77 |
| **At 31 December 2023** | **184,806,833** | **1,848** | **4,854** | **(7,102)** | **(400)** |
| | | | | | |
| **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** |

During the year the Company issued nil Ordinary Shares (2022: 5,555,556 ordinary shares) for a net consideration of £nil (2022: £999,000).

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***
As at 31 December 2023 the Group maintained an approved share-based payment scheme for employee compensation. All share-based employee compensation will be settled in equity. There were no new approved staff options issued in the year (2022:4,000,000). As at 31 December 2023 there were 2,675,000 approved staff options outstanding (2022: 2,975,000).

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 2-15 years from the date of grant, the option expires.

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

| | **Number** | **2023 Weighted average exercise price £** | Number | 2022 Weighted average exercise price £ |
|---|---|---|---|---|
| Outstanding 1 January | **21,666,500** | **0.15** | 16,441,500 | 0.14 |
| Granted | **-** | **-** | 7,725,000 | 0.25 |
| Exercised | **-** | **-** | - | - |
| Lapsed | **(8,800,000)** | **0.22** | (2,500,000) | 0.40 |
| **Outstanding 31 December** | **12,866,500** | **0.04** | 21,666,500 | 0.15 |

The weighted average exercise price of options exercised in 2023 was £nil as no options were exercised during the period (2022: £nil). The number of share options and warrants exercisable at 31 December 2023 was 12,866,500 (2022: 21,666,500). The weighted average exercise price of those options and warrants exercisable was 4p (2022: 15p). The weighted average option and warrant contractual life is fifteen years (2022: ten years) and the range of exercise prices is 4.5p to 25p (2022: 4.5p to 30p).

***Directors***

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

***IFRS2 expense***

The IFRS 2 share-based payment charge for the year is £77,000 (2022: £119,000). This relates to two schemes as follows:

£30,000 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% (based on 12 months share price month prior to grant) and dividend yield of 0%.
£47,000 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% (based on 12 months share price movement prior to grant) and dividend yield of 0%.

## 19 Borrowings

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| **Non-current** | | |
| Leases | **47** | 181 |
| **Current** | | |
| Bank overdraft | **1,091** | 1,134 |
| Invoice finance facility | **616** | 857 |
| Convertible Loan | **1,563** | - |
| Borrowings | **3,270** | 1,991 |
| Leases | **187** | 167 |
| | **3,457** | 2,158 |
| **Total** | **3,504** | 2,339 |

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 main terms of the convertible loan agreements with Sea Pearl Ventures Limited (who is a 17.4% shareholder in the Group) are:

- March 2023 loan principal: £1,000,000 (unsecured) of which £1,000,000 drawn down in the year.
- October 2023 loan principal: £1,000,000 (unsecured) of which £500,000 drawn down in the year.
- Conversion if not repaid, on 30 September 2024.
- 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 loans in full or in part before conversion at its discretion.

The repayment dates have since been extended. See note 24, events since statement of financial position.

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

| **Right-of-use asset** | **Number of assets leased** | **Remaining term** |
|---|---|---|
| Head office | 1 | 1 year |
| Plant & Machinery | 1 | 3 years |
| Office equipment | 1 | Ended in year |
| Office equipment | 1 | 4 years |

The weighted average discount rate on initial application was 4.5%. None of the above remaining leases has a remaining option extension, option to purchase or termination option except for the new plant and machinery lease for £60,000 which was entered into which has an option to purchase. The office equipment asset under the lease that ended in the year was purchased at no additional cost.

**The maturity of lease liabilities are as follows:**

| **Gross payments** | **2023 £'000** | 2022 £'000 |
|---|---|---|
| No later than one year | **201** | 182 |
| Later than one year and no later than five years | **55** | 190 |
| | **256** | 372 |

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** | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Lease capital | **174** | 167 |
| Lease interest | **17** | 22 |
| **Total cash outflows** | **191** | 189 |

**Reconciliation of liabilities arising from financing activities**

**For the year ended 31 December 2023**

| | **1 January 2023 £'000** | **Cash flows £'000** | **Non-cash changes £'000** | **31 December 2023 £'000** |
|---|---|---|---|---|
| Bank overdraft | 1,134 | (43) | - | 1,091 |
| Invoice finance facility | 857 | 5,686 | (5,927) | 616 |
| Convertible loan | - | 1,500 | 63 | 1,563 |
| Leases | 348 | (191) | 77 | 234 |
| **Total liabilities from financing activities** | **2,339** | **6,952** | **(5,787)** | **3,504** |

The non-cash changes for the invoice finance facility reflects customer receipts repaid directly to the bank. The non-cash changes for the lease pertain to a new lease addition of £60,000 and interest of £17,000. The non-cash changes for the convertible loan is an interest amount of £63,000.

**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 |
| Invoice finance facility | - | 857 | - | 857 |
| Leases | 505 | (189) | 32 | 348 |
| **Total liabilities from financing activities** | **1,182** | **1,125** | **32** | **2,339** |

The non-cash changes relate to a new lease addition of £22,000, the replacement of a £12,000 lease, and interest of £22,000.

## 20 Trade and other payables

| **Current** | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Financial liabilities measured at amortised cost: | | |
| Trade payables | **1,158** | 1,395 |
| Other payables | **35** | 23 |
| Social security and other taxes | **136** | 214 |
| Accruals | **396** | 189 |
| | **1,725** | 1,821 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 99 days (2022: 82 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 (2022: £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 (2022: £10,000 and £1.5 million).

## 22 Related party transactions

Alexander Brennan was a member of the Board as an executive director until 11 August 2023. The Group was employing the services of a company which he is a shareholder and director, Brennan and Partners Limited. While Alexander Brennan was a member of the Board, the Group has paid £84,600 to Brennan and Partners Limited (2022: £89,400) for advocacy and other advisory services in relation to the Group's d2w products in the UK, Spain and Latin America.

The table below shows the inter company management charge and interest charge made by Symphony Environmental Technologies plc to Symphony Environmental Limited together with the end of year balance due from Symphony Environmental Limited to Symphony Environmental Technologies plc.

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Management charge for the year | **380** | 348 |
| Interest charge for the year | **686** | 469 |
| Inter company balance at the end of the year | **13,806** | 11,513 |

There were no other related party transactions during the year (2022: 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:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| **Financial assets:** | | |
| Trade receivables | **1,511** | 1,901 |
| Other receivables | **90** | 174 |
| Cash and cash equivalents | **1,123** | 1,152 |
| | **2,724** | 3,227 |
| **Financial liabilities:** | | |
| Trade payables | **1,158** | 1,395 |
| Other payables | **35** | 23 |
| Accruals | **396** | 189 |
| Bank overdraft | **1,091** | 1,134 |
| Leases | **234** | 348 |
| | **2,915** | 3,089 |

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

**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 2023 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 | 1,589 | 5 | 1,091 | 2,685 |
| Sixty one days to three months | - | 48 | - | 48 |
| Four months to six months | - | 47 | - | 47 |
| Seven months to one year | - | 101 | - | 101 |
| One to three years | - | 52 | - | 52 |
| Four to five years | - | 3 | - | 3 |
| | **1,589** | **256** | **1,091** | **2,936** |

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** |

**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 2023 is summarised as follows:

| | **Fixed £'000** | **Variable £'000** | **Zero £'000** | **Total £'000** |
|---|---|---|---|---|
| Cash and cash equivalents | - | 1,123 | - | 1,123 |
| Trade receivables | - | - | 1,511 | 1,511 |
| Other receivables | - | | 90 | 90 |
| | **-** | 1,123 | 1,601 | 2,724 |
| Trade payables | | - | (1,158) | (1,158) |
| Other payables | - | - | (35) | (35) |
| Leases | (234) | - | - | (234) |
| Bank overdraft | - | (1,091) | - | (1,091) |
| | **(234)** | **32** | **408** | **206** |
| Sensitivity: increase in interest rates of 5% | - | 2 | - | 2 |
| Sensitivity: decrease in interest rates of 1% | - | - | - | - |

The Group's exposure to interest rate risk as at 31 December 2022 is summarised as follows:

| | **Fixed £'000** | **Variable £'000** | **Zero £'000** | **Total £'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% | - | - | - | - |

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 2023 £'000** | **Currency balance 2023 C'000** | Sterling balance 2022 £'000 | Currency balance 2022 C'000 |
|---|---|---|---|---|---|
| Financial assets | **Euro** | **39** | **€45** | 235 | €266 |
| Financial liabilities | **Euro** | **(21)** | **€(24)** | (98) | €(111) |
| Net balance | **Euro** | **18** | **€21** | 137 | €155 |
| Effect of 10% Sterling increase | | | **(2)** | | (12) |
| Effect of 10% Sterling decrease | | | **2** | | (15) |
| | | | | | |
| Financial assets | **USD** | **1,968** | **$2,506** | 1,943 | $2,695 |
| Financial liabilities | **USD** | **(879)** | **$(1,104)** | (1,018) | $(1,232) |
| Net balance | **USD** | **1.089** | **$1402** | 925 | $1,463 |
| Effect of 10% Sterling increase | | | **(88)** | | (110) |
| Effect of 10% Sterling decrease | | | **134** | | 134 |

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.

**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:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Trade receivables | **1,511** | 1,901 |
| Other receivables | **90** | 174 |
| Cash and cash equivalents | **1,123** | 1,152 |
| | **2,724** | 3,227 |

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 81% (2022: 82%) 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 2023 and 2022 were as follows:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Total borrowings (note 19) | **3,504** | 2,339 |
| Cash and cash equivalents (note 17) | **(1,123)** | (1,152) |
| **Net debt** | **2,381** | 1,187 |
| Total equity (note 18) | **(400)** | 1,703 |
| Net debt | **2,381** | 1,187 |
| **Overall financing** | **1,982** | 2,890 |
| **Gearing ratio** | **120%** | 41% |

The gearing ratio for 2023 is high due to the low balance sheet total. Within net debt is £1,563,000 representing convertible loans which can be repaid in equity in accordance with the terms. See Note 19.

If converted this would reduce the gearing ratio to 40% which is in line with management's working capital financing strategy.

## 24 Events since statement of financial position date

On 13 March 2024 the conversion dates of the convertible loans with Sea Pearl Ventures Limited (see note 19) has been extended by 15 months from 30 September 2024 to 31 December 2025.

On 24 March 2024 the Group raised £1.4 million of equity by subscription and retail offer.

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