

**Symphony Environmental Limited**  
Annual report and accounts  
For the year ended 31 December 2019



**Company No. 02967867**

## Company information

<b>Company registration number</b>	02967867
<b>Registered office</b>	6 Elstree Gate Elstree Way Borehamwood Hertfordshire WD6 1JD
<b>Directors</b>	Michael Laurier Keith Frener Ian Bristow Michael Stephen
<b>Secretary</b>	I Bristow
<b>Bankers</b>	HSBC Bank Plc 103 Station Road Edgware Middlesex HA8 7JJ
<b>Auditor</b>	Mazars LLP Chartered Accountants and Statutory Auditor Tower Bridge House St Katharine's Way London E1W 1DD

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# Strategic report

The directors present their strategic report for Symphony Environmental Limited ("the Company") for the year ended 31 December 2019.

## Principal activities, business review and future developments

The Company is principally engaged in the development and supply of environmental plastic additives and products to a global market.

The company made an operating loss of £662,792 (2018: operating profit £17,324).

Revenues decreased by 6.6% to £8.22 million from £8.80 million in 2018. Gross profit margins slightly decreased to 45.9% from 46.9% in 2018. As a result, the contribution from gross profit decreased by 8.5% to £3.78 million from £4.13 million in 2018. The fall in revenue was primarily due to a fall in stocks held at a number of distributor locations.

Administrative costs increased by 7.5% to £4.18 million (2018: £3.89 million) due mainly to increased investment in legal & lobby costs associated with d2w, together and increased marketing costs as a result of trade shows attended. The Group expensed R&D costs of £627,000 in 2019 (2018: £664,000).

The loss on ordinary activities before taxation was £1,021,517 (2018: loss £345,322). This includes inter-company interest payable of £283,339 (2018: £336,432).

COVID 19 is causing general uncertainty which may affect several markets in which the Company operates. These may have a disruptive impact on operations (customer or supplier disruption) or may negatively affect the Company's finances (customer bad debt or ability of customer or suppliers to carry on trading). The Company uses multiple supply sources and continues in the main to credit insure receivables or do business on a letter of credit or proforma basis. So far, the effects to Company's operations and finances have been minimal.

The Company's products and markets are not negatively affected by the pandemic and on the contrary could strengthen as plastics are integral in food and human protection. The Company is part of a group (the "Group"). The Group has modelled several downside scenarios and the Board is comfortable that the Group's consolidated balance sheet and working capital is sufficient to withstand such significant falls in revenue.

## Current trading and outlook

The new trading year has started strongly, with revenues for the first quarter ended 31 March 2020 increasing by 53% to £2.45 million compared with £1.60 million for the first quarter of 2019. The company continues its focus on its primary product, d2w and developing new products.

## Key performance indicators

The main key performance indicators for the company are revenue and gross profit percentage. As stated above revenue decreased by 6.5% in 2019. The gross profit percentage for 2019 decreased to 45.9% from 46.9% in 2018. These are discussed above.

## Financial risk management objectives and policies

The details of the company's financial risk management policies are set out in note 19 to the annual report and accounts.

## Strategic report (continued)

### Principle risks and uncertainties

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

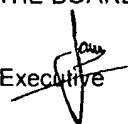
PRINCIPAL ACTIVITY	PRINCIPAL RISK	IMPACT	MITIGATION
Political and Regulatory Risk	Negative government policy	The Company may not be able to market or sell products in areas where there are regulations in place which favour other technologies or are explicitly negative towards the Company's technologies.	The Company mitigates this risk by having a large and well established global footprint and by being active in international standards committees, as well as liaising with appropriate governmental departments.
Publicity Risk	Negative media comments	The Company's products are in a high profile area with a number of organisations competing for mainstream technological acceptance. This may lead to negative comments in the media whom may prefer these other technologies over the Company's.	The Company mitigates this risk with active public relations activities both in house and use of external resources.
Market Risk	Market competition	The Company faces competition from suppliers of similar products which could affect revenues and/or gross margins.	The Company mitigates this risk by having a large number of distributors globally who can concentrate on any competition issues within their market, and also by differentiating the Company and its products by branding and marketing activities.
Operational Risk	Commodity pricing and availability	The Company uses commodity and speciality materials in the make-up of its products. There is a risk of price volatility and material availability.	The Company mitigates this risk by using more than one supplier of its raw materials and continually researching separate supply alternatives for the materials used.
Financial Risk	Foreign exchange rate fluctuation	The Company sells products in many countries and generates revenues in US Dollars and Euros. Foreign exchange rates fluctuate and, as such, assets created in foreign currencies are liable to constant revaluations into their Sterling equivalent. The Company is experiencing higher fluctuations from the recent volatility in the US Dollar versus the Great British Pound due to the	The Company mitigates this risk by purchasing, where practicable, in currencies to match revenues. The Company also has exchange facilities with its bank to use as and when appropriate.

## Strategic report (continued)

		uncertainties currently surrounding Brexit.	
Various Risks	COVID 19	COVID is causing general uncertainty which may affect one or a number of markets which Symphony is in. These may affect operations (customer or supplier disruption) and financial (customer bad debt or ability of customer or suppliers to carry on trade trading)	<p>The Company's products and markets are not negatively affected by the crises and on the contrary could strengthen as plastics are integral in food and human protection.</p> <p>Forecasts had been prepared and the Company is in a strong enough position to withstand a significant fall in revenue expectations.</p> <p>The company uses multiple supply sources and continues in the main to insure receivables or do business on a letter of credit or proforma basis</p>

ON BEHALF OF THE BOARD

M Laurier - Chief Executive  
16 June 2020



## Report of the directors

The directors present their report and the audited annual report and accounts of the Company for the year ended 31 December 2019.

### Research and development

The Company is involved in research and development of degradable and environmental polyolefins.

### Results and dividends

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

The directors are not able to recommend a dividend (2018: £nil).

### Directors

The directors who served the company throughout the year were as follows:

M Laurier  
I Bristow  
M Stephen  
K Frener

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

### Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the annual report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare annual report and accounts for each financial year. Under that law the directors have prepared the annual report and accounts in accordance with United Kingdom accounting standards, including Financial Reporting Standard 101 – "Reduced Disclosure Framework" ("FRS 101"). Under company law the directors must not approve the annual report and accounts unless they are satisfied that they give a true and fair view of the state of affairs and statement of comprehensive income of the company for that period. In preparing these annual report and accounts, the directors are required to:

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

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

## Report of the directors (continued)

### Matters covered in the Strategic Report

As permitted by section 414C(11) of The Companies Act 2006, certain matters which are required to be disclosed in the Director's Report have been omitted as they are included in the Strategic Report instead. The matters relate to; business review, principal risks and uncertainties, future developments and key performance indicators.

### Statement as to disclosure of information to auditor

In so far as each of the directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

### Going concern

The Company is part of a group (the "Group") and is the only trading company within the Group. On the basis of current financial projections and available funds and facilities, the Directors are satisfied that the Group has sufficient cash reserves to continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the Company financial statements. This also included forecasts on a 'reverse stress' test basis. The operating loss for the year of £0.66 million was more than mitigated by the £1.9 million share subscription the Group's holding company received during the year. The net current assets of the Group therefore increased to £2.85 million from £1.71 million in 2018. Forecasts have been underpinned by Q1 2020 revenues of £2.45 million (2019 Q1: £1.60m).

### COVID 19

The COVID 19 crises has so far had little impact on the Group with some minor cashflow and order delays in certain territories with the main markets continuing generally as expected. The Group's products and markets are not negatively affected by the crises and on the contrary could strengthen as plastics are integral in food and human protection. The Company has not needed to utilise any Government COVID 19 support packages.

### Post balance sheet events

Following the year end, the Company has seen uncertainty that has come with the global outbreak of the coronavirus, albeit the pandemic has so far had little negative impact. As this uncertainty emerged only after the year end, the Directors' view is that any significant impacts or changes are considered to be a non-adjusting event in relation to these accounts.

The Directors are, and will continue to monitor the impacts of the current coronavirus results on the Company, but as at the date of signing the accounts, do not believe there have been any significant impacts that require disclosure.

### Auditors

Mazars LLP offer themselves for re-appointment as auditors in accordance with section 485 of the Companies Act 2006.

## Report of the directors (continued)

### Authority to issue

The annual report and accounts of the Company for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the report of the directors.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'M. Laurier', written over a horizontal line.

M Laurier  
Chief Executive

16 June 2020

# Independent auditor's report to the members of Symphony Environmental Limited

## Opinion

We have audited the financial statements of Symphony Environmental Limited ('the company') for the year ended 31 December 2019 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of company's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the financial statements, which is not modified, we draw your attention to the directors' view on the impact of COVID-19 as disclosed on page 7, and the consideration in the going concern basis of preparation on page 15 and the post balance sheet event note on page 33.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world.

The full impact following the recent emergence of COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company and group's trade, customers, suppliers and the wider economy

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# Independent auditor's report to the members of Symphony Environmental Limited

## Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report and Accounts 2019, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Independent auditor's report to the members of Symphony Environmental Limited

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## **Use of the audit report**

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

  
Samantha Russell (Jun 16, 2020 13:38 GMT+1)

Samantha Russell (Senior Statutory Auditor)  
for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor  
The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

Date Jun 16, 2020

## Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £	2018 £
<b>Revenue</b>	3	<b>8,224,977</b>	8,801,656
Cost of sales		<b>(4,449,640)</b>	(4,675,955)
<b>Gross profit</b>		<b>3,775,337</b>	4,125,701
Other operating charges	4	<b>(4,438,329)</b>	(4,108,377)
<b>Operating (loss)/profit</b>	5	<b>(662,992)</b>	17,324
Finance costs	7	<b>(358,525)</b>	(362,656)
<b>Loss for the year before tax</b>		<b>(1,021,517)</b>	(345,332)
Taxation	8	<b>37,479</b>	9,769
<b>Loss for the year</b>		<b>(984,038)</b>	(335,563)

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

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

The accompanying notes and accounting policies form part of these annual report and accounts.

# Statement of financial position as at 31 December 2019

Company Number 2967867

	Note	2019 £	2018 £
<b>Non-current assets</b>			
Intangible assets	9	42,427	33,756
Property, plant and equipment	10	218,287	253,284
Right-of-use assets	11	637,478	-
Investments	12	1	1
		<u>898,193</u>	<u>287,041</u>
<b>Current assets</b>			
Inventories	13	882,255	622,800
Trade and other receivables	14	2,319,252	2,206,961
Cash and cash equivalents	15	422,203	368,559
		<u>3,623,710</u>	<u>3,198,320</u>
<b>Amounts falling due within one year</b>			
Trade and other payables	16	(1,339,103)	(1,403,904)
Leases	18	(122,009)	-
		<u>2,162,598</u>	<u>1,794,416</u>
<b>Net current assets</b>		<u>2,162,598</u>	<u>1,794,416</u>
<b>Total assets less current liabilities</b>		<u>3,060,791</u>	<u>2,081,457</u>
<b>Amounts falling due after more than one year</b>			
Trade and other payables:	17	(7,179,402)	(5,725,030)
Leases	18	(509,000)	-
		<u>(4,627,611)</u>	<u>(3,643,573)</u>
<b>Net liabilities</b>		<u>(4,627,611)</u>	<u>(3,643,573)</u>
<b>Equity</b>			
Called-up equity share capital	24	20,000	20,000
Retained deficit		(4,647,611)	(3,663,573)
		<u>(4,627,611)</u>	<u>(3,643,573)</u>

These annual report and accounts were approved by the directors on 16 June 2020 and are signed on their behalf by:

  
I Bristow FCCA  
Chief Financial Officer

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

## Statement of changes in equity for the year ended 31 December 2019

*Equity attributable to the equity holders of the company*

**For the year ended 31 December 2019**

	Share capital £	Retained deficit £	Total equity £
Balance at 1 January 2019	20,000	(3,663,573)	(3,643,573)
Loss and total comprehensive loss for the year	-	(984,038)	(984,038)
<b>Balance at 31 December 2019</b>	<b>20,000</b>	<b>(4,647,611)</b>	<b>(4,627,611)</b>

**For the year ended 31 December 2018**

	Share capital £	Retained deficit £	Total equity £
Balance at 1 January 2018	20,000	(3,328,010)	(3,308,010)
Loss and total comprehensive loss for the year	-	(335,563)	(335,563)
<b>Balance at 31 December 2018</b>	<b>20,000</b>	<b>(3,663,573)</b>	<b>(3,643,573)</b>

# Notes to the annual report and accounts

## 1 General information

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is 6 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD.

## 2 Summary of significant accounting policies

### Basis of preparation

The annual report and accounts have been prepared in accordance with United Kingdom accounting standards, including Financial Reporting Standard 101 – 'Reduced Disclosure Framework' ('FRS 101'), and with the Companies Act 2006. The annual report and accounts have been prepared on the historical cost basis. The annual report and accounts are presented in pounds sterling (£).

### Going concern

The Company is part of a group (the "Group") and is the only trading company within the Group. On the basis of current financial projections and available funds and facilities, the Directors are satisfied that the Group has sufficient cash reserves to continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the Company financial statements. This also included forecasts on a 'reverse stress' test basis. The operating loss for the year of £0.66 million was more than mitigated by the £1.9 million share subscription the Group's holding company received during the year. The net current assets of the Group therefore increased to £2.85 million from £1.71 million in 2018. Forecasts have been underpinned by Q1 2020 revenues of £2.45 million (2019 Q1: £1.60m).

The COVID 19 crises has so far had little impact on the Company or Group with some minor cashflow and order delays in certain territories with the main markets continuing generally as expected. The Company's products and markets are not negatively affected by the crises and on the contrary could strengthen as plastics are integral in food and human protection. The Company has not needed to utilise any Government COVID 19 support packages.

The principal accounting policies outlined below have been applied:

### Impact of new international reporting standards, amendments and interpretations

#### IFRS 16 'Leases'

Under IFRS 16, for any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. 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 Company
- whether the Company 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 company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

## Notes to the annual report and accounts

A right-of-use asset and a lease liability is recognised on the balance sheet 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 Company's incremental borrowing rate.

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

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

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

The date of initial application by the Company of IFRS 16 was 1 January 2019. The Company used the modified retrospective method and has therefore only recognised leases on the balance sheet as at 1 January 2019. In addition, the measurement of right-of-use assets has been calculated by reference to the lease liability as at 1 January 2019 which ensured that there was no material impact to net assets as at that date.

The value of recognised 'right-of-use asset' as at 1 January 2019 was £763,000. See notes 11 for the right of use asset and 18 for the related lease liability.

The nature of the expenses related to those leases have also now changed from 1 January 2019 as IFRS 16 replaces the straight-line operating expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. During the year ended 31 December 2019, IFRS 16 resulted in a £37,000 increase in overall expenditure.

### **Financial reporting standard 101 - reduced disclosure exemptions**

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

- the requirements of IAS 7 Statement of Cash Flows
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures

## Notes to the annual report and accounts

- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of Symphony Environmental Technologies plc as at 31 December 2019, and these accounts may be obtained from 6 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD.

### Basis of Consolidation

The Company is a wholly-owned subsidiary of another company incorporated in the EC and in accordance with section 400 of the Companies Act 2006 is not required to produce, and has not published, consolidated accounts. The accounts are for the individual undertaking and not the group.

### Revenue

#### *Degradable and non-degradable plastic goods, and associated products*

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

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

- Identification of the contract - Due to the nature of the goods sold, the Company 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 Company must fulfil the following obligations, which are agreed on acceptance of the purchase order:
  - To make the goods available for dispatch on the required date;
  - To organise freight in accordance with agreed INCOTERMS (a series of pre-defined commercial terms published by the International Chamber of Commerce).
- Determine the transaction price of the contract - The transaction price is determined as the fair value of the consideration the Company 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 company's freight agents, as transport is charged at cost. Although the Company is effectively an agent in the provision of transport rather than the principal under IFRS 15, the transport cost is insignificant in the context of the overall sale price and therefore it is not netted out of revenue and cost.
- Recognition of revenue when each performance obligation is satisfied - Provided that the goods have been made available for dispatch on the required date, this performance obligation has been fulfilled and the revenue for this performance obligation is therefore recognised at this date. In respect to the freight element, the agreed INCOTERMS need to be satisfied. At this point, the Company recognises the revenue for this separate performance obligation.

## Notes to the annual report and accounts

### **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 company intends to complete the intangible asset and use or sell it;
- the company 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 company's activities in the field of development work renders some internally generated intangible assets unable to meet the above criteria at present.

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

Plastic masterbatches and other additives - 15 years straight line.

Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. All amounts disclosed within note 9 in development costs relate to plastic masterbatches and other additives.

#### *Trademarks*

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

Trademarks - 10 years straight line.

### **Property, plant and equipment**

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

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

## Notes to the annual report and accounts

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

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

The residual value and useful economic lives are reconsidered annually.

### ***Impairment testing of intangible assets and property, plant and equipment***

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

An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's 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. If an impairment loss is subsequently reversed, a reversal of an impairment loss is recognised in the statement of comprehensive income.

### **Leased assets**

See "Impact of new international reporting standards, amendments and interpretations" above.

### **Investments**

Investments comprise investments in unquoted equity instruments which are measured at cost less any impairment charge if their fair values cannot be estimated reliably. Impairment charges are recognised in statement of comprehensive income. An assessment for impairment is undertaken at each statement of financial position date. If an impairment loss is subsequently reversed, a reversal of an impairment loss is recognised in the statement of comprehensive income.

### **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.

### **Foreign currencies**

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

### **Financial instruments**

#### ***Financial assets***

Financial assets held by the Company are divided into the following categories: loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by

## Notes to the annual report and accounts

management on initial recognition, depending on the purpose for which they were acquired.

All financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs.

The Company currently has the following financial assets:

### *Trade and other receivables*

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

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

The company applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowances for all trade receivables,

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Company 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 Company does not transfer substantially all the risks and rewards of the receivables, no derecognition of financial assets is required.

### *Available-for-sale financial assets*

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

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

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

### *Cash and cash equivalents*

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

### *Financial liabilities and equity instruments*

## Notes to the annual report and accounts

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

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

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

### **Taxation**

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

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

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

### **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.

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

#### *Capitalisation of development costs*

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

#### *Recoverability of capitalised development cost*

Estimates and related judgements in respect to capitalised development costs are detailed in note 9. In particular, estimates are continued to be made in respect to future economic benefits and any changes to market conditions.

#### *Going concern*

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

## Notes to the annual report and accounts

### *Expected credit losses*

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

### *Functional currency*

A significant proportion of the revenues generated by the company are denominated in United States Dollars (USD). The functional currency of the company 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 company operates. This is based on analysis of the economic environment and cash flows, which has determined, based upon the currency of funding and operating costs, that the functional currency continues to be Sterling.

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

### *Recognition of deferred tax assets*

Judgements and estimates relating to a deferred tax asset are detailed in note 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.

## Notes to the annual report and accounts

### 3 Segmental information

In the opinion of the Board, the Company operates under one single business segment; being the development and supply of environmental plastic products. The Board assesses the commercial performance of the business based upon a single set of revenues, margins, operating costs and assets.

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

	2019 £	2018 £
UK	314,220	417,431
Europe	930,778	1,280,505
Americas	3,254,340	3,414,303
Middle East and Africa	2,479,997	2,471,842
Asia	1,246,043	1,217,575
	<b>8,224,977</b>	<b>8,801,656</b>

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

Non-current assets of £20,000 are held outside of the UK (2018: £20,000).

### 4 Other operating charges

	2019 £	2018 £
Distribution costs	321,072	209,827
Administrative expenses	4,117,357	3,898,550
	<b>4,438,329</b>	<b>4,108,377</b>

### 5 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2019 £	2018 £
Depreciation of owned property, plant and equipment	75,474	79,495
Depreciation of leased right-of-use assets	126,343	-
Depreciation of assets held under finance leases and hire purchase agreements (non-IFRS 16)	-	853
Amortisation of intangible assets	17,449	16,341
(Profit)/loss on disposal of property, plant and equipment	(17,188)	1,465
Research and development expenditure	627,000	664,000
Operating lease costs:		
Plant and equipment	-	5,112
Land and buildings	-	113,600

In both 2019 and 2018, the auditors' remuneration has been paid by the ultimate parent company, Symphony Environmental Technologies plc, and is part of the management charge payable to that company.

## Notes to the annual report and accounts

### 6 Directors and employees

Staff costs (including directors) during the year comprise:

	2019 £	2018 £
Wages and salaries	1,533,657	1,470,448
Social security costs	178,911	199,396
Other pension costs	69,764	64,843
	<u>1,782,332</u>	<u>1,734,687</u>

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

	2019 No.	2018 No.
R&D, testing and technical	9	9
Selling	6	6
Administration	10	9
Management	3	3
Marketing	3	3
Total average headcount	<u>31</u>	<u>30</u>

Remuneration in respect of the Directors was as follows:

	2019 No.	2018 No.
Emoluments	609,294	622,943
Pension contributions	10,020	10,275
	<u>619,318</u>	<u>633,218</u>

Emoluments of the highest paid Director:

	2019 No.	2018 No.
Emoluments	<u>211,056</u>	<u>213,800</u>

The number of Directors who accrued benefits under a company pension scheme was as follows:

	2019 No.	2018 No.
Money purchase scheme	<u>1</u>	<u>1</u>

## Notes to the annual report and accounts

### 7 Finance costs

	2019 £	2018 £
Interest on bank and invoice finance borrowings	28,829	22,423
Lease interest	32,168	-
Other similar charges payable	14,189	3,801
Inter-company interest payable	283,339	336,432
	<u>358,525</u>	<u>362,656</u>

### 8 Taxation

#### (a) Analysis of charge in the year

	2019 £	2018 £
R&D tax credit	37,479	9,769
Tax credit	<u>37,479</u>	<u>9,769</u>

The company has not recognised a deferred tax asset in respect of losses available for use against future taxable profits. The company has tax losses of approximately £14,760,000 (2018: £14,396,000).

These brought forward losses are now subject to the new loss restriction rules introduced on 1 April 2017. Groups with more than £5 million taxable profits per annum are now only able to utilise 50% of their brought forward losses against taxable profits exceeding the £5 million cap. As the company does not expect its taxable profits to exceed £5 million in the near to immediate term, it is not possible to quantify the impact of these changes at this moment in time.

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 Company has not recognised a deferred tax asset in respect of losses available for use against future taxable profits due to the uncertainties on timings.

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

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained as follows:

# Notes to the annual report and accounts

## (b) Factors affecting current tax charge

	2019 £	2019 £
Loss on ordinary activities before taxation	<b>(1,021,517)</b>	<b>(345,332)</b>
Tax calculated by rate of tax on the result		
Effective rate 19% (2018: 19.25%)	<b>(194,050)</b>	<b>(65,613)</b>
Fixed asset differences	<b>24,322</b>	-
Expenses not deductible for tax purposes	<b>3,205</b>	4,693
Expenses not taxable for tax purposes	<b>(24,005)</b>	-
Difference between capital allowances and depreciation	<b>48,239</b>	7,162
R&D tax relief	<b>(46,768)</b>	<b>(58,420)</b>
Other items	<b>5,681</b>	843
Group relief	<b>74,685</b>	73,856
R&D credit not yet recognised	<b>108,691</b>	37,479
R&D tax credit in respect of previous period	<b>(37,479)</b>	<b>(9,769)</b>
Total current tax (note 8(a))	<b>(37,479)</b>	<b>(9,769)</b>

## 9 Intangible assets

	Trademarks £	Development costs £	Total £
Cost			
At 1 January 2019	30,181	1,478,632	1,508,813
Additions	26,120	-	26,120
At 31 December 2019	<b>56,301</b>	<b>1,478,632</b>	<b>1,534,933</b>
Amortisation			
At 1 January 2019	19,398	222,081	241,479
Charge for the year	5,630	11,819	17,449
At 31 December 2019	<b>25,028</b>	<b>233,900</b>	<b>258,928</b>
Impairment			
At 1 January 2019	-	1,233,578	1,233,578
At 31 December 2019	-	1,233,578	1,233,578
Net book value			
At 31 December 2019	<b>31,273</b>	<b>11,154</b>	<b>42,427</b>
At 31 December 2018	<b>10,783</b>	<b>22,973</b>	<b>33,756</b>

In capitalising development costs, judgements are made relating to ongoing feasibility and commerciality of products being developed. Research and development costs expensed in the statement of comprehensive income for the period, excluding amortisation, totalled £627,000 (2018: £664,000).

## Notes to the annual report and accounts

### 10 Property, plant and equipment

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 January 2019	429,955	295,802	17,459	90,662	833,878
Additions	27,371	-	-	22,758	50,129
Disposals	(12,915)	-	-	-	(12,915)
At 31 December 2019	<u>444,411</u>	<u>295,802</u>	<u>17,459</u>	<u>113,420</u>	<u>871,092</u>
Depreciation					
At 1 January 2019	284,743	223,226	11,321	61,304	580,594
Charge for the year	31,000	29,561	1,535	13,378	75,474
Disposals	(3,263)	-	-	-	(3,263)
At 31 December 2019	<u>312,480</u>	<u>252,787</u>	<u>12,856</u>	<u>74,682</u>	<u>652,805</u>
Net book value					
At 31 December 2019	<u>131,931</u>	<u>43,015</u>	<u>4,603</u>	<u>38,738</u>	<u>218,287</u>
At 31 December 2018	<u>145,212</u>	<u>72,576</u>	<u>6,138</u>	<u>29,358</u>	<u>253,284</u>

## Notes to the annual report and accounts

### 11 Right-of-use assets

	Land & buildings £	Office equipment £	Total £
Cost			
At 1 January 2019	-	-	-
Additions	707,499	56,322	763,821
	<u>707,499</u>	<u>56,322</u>	<u>763,821</u>
At 31 December 2019	<u>707,499</u>	<u>56,322</u>	<u>763,821</u>
Depreciation			
At 1 January 2019	-	-	-
Charge for the year	112,261	14,082	126,343
	<u>112,261</u>	<u>14,082</u>	<u>126,343</u>
At 31 December 2019	<u>112,261</u>	<u>14,082</u>	<u>126,343</u>
Net book value			
At 31 December 2019	<u>595,238</u>	<u>42,240</u>	<u>637,478</u>
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>

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 trade and other payables. See note 18.

### 12 Investments

	Shares in group undertakings £
Cost	
At 1 January 2019	1
At 31 December 2019	<u>1</u>
Impairment	
At 1 January 2019	-
At 31 December 2019	<u>-</u>
Net book value	
At 31 December 2019	<u>1</u>
At 31 December 2018	<u>1</u>

As at 31 December 2019 the company held 100% of the ordinary share capital of d2w Ltd, which is incorporated in England and Wales, and has been dormant throughout the current and preceding period.

## Notes to the annual report and accounts

### 13 Inventories

	2019 £	2018 £
Finished goods and goods for resale	539,240	371,546
Stock in transit	42,000	-
Raw materials	301,015	251,254
	<u>882,255</u>	<u>622,800</u>

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £3,869,000 (2018: £3,997,000). There is a provision of £15,000 for the impairment of inventories (2018: £7,500). There is no collateral on the above amounts.

### 14 Trade and other receivables

	2019 £	2018 £
Trade receivables	2,040,650	1,977,618
VAT	30,799	45,695
Other receivables	111,337	38,582
Prepayments	136,466	145,066
	<u>2,319,252</u>	<u>2,206,961</u>

### 15 Cash and cash equivalents

	2019 £	2019 £
Cash at bank and in hand	375,445	368,559
Invoice financing facility surplus	46,758	-
	<u>422,203</u>	<u>368,559</u>

### 16 Trade and other payables: amounts falling due within one year

	2019 £	2018 £
Bank overdraft	283,431	-
Invoice finance facility	-	454,009
Trade payables	855,851	836,610
Other taxation and social security	55,004	57,784
Other payables	14,397	5,199
Accruals	130,420	50,302
	<u>1,339,103</u>	<u>1,403,904</u>

The bank overdrafts and invoice finance creditor are secured by a fixed charge over the company's fixed assets, a fixed charge over the company's receivables and a floating charge over all other assets.

## Notes to the annual report and accounts

### 17 Trade and other payables: amounts falling due after more than one year

	2019 £	2018 £
Amounts owed to group undertakings	7,179,402	5,725,030
	<u>7,179,402</u>	<u>5,725,030</u>

Amounts owed to group undertakings carries an interest charge of 4.50%. There are no set repayment terms.

### 18 Leases

	2019 £	2018 £
Amounts falling due within one year (note 16)	122,009	-
Amounts falling due after more than one year* (note 17)	509,000	-
	<u>631,009</u>	<u>-</u>

\* Lease falling due after more than one year also payable within five years

IFRS 16 requires lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset together with its respective lease liability. The date of initial application by the Company was 1 January 2019. The Company used the modified retrospective method and has therefore only recognised leases on the balance sheet as at 1 January 2019. In addition, the measurement of right-of-use assets has been calculated by reference to the lease liability as at 1 January 2019 which ensured that there was no material impact to net assets as at that date. The value of recognised 'right-of-use asset' as at 1 January 2019 was £763,821 (see below).

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

Right-of-use asset	Number of assets leased	Discount rate used at initial application	Remaining term
Head office	1	4%	5-6 years
Office equipment	2	8%	2-3 years

None of the above leases has a remaining option extension, option to purchase or termination option. Under the terms of the lease, the Head office rent is to be re-negotiated during 2020 with reference to current market rentals.

# Notes to the annual report and accounts

## Reconciliation of transition to IFRS 16

	£
Operating lease commitments as at 31 December 2018	861,051
Effect of discounting (at incremental borrowing rate as at 1 January 2019)	(111,992)
Lease liabilities as at 1 January 2019	749,059
Other costs on creation of right-of-use assets	14,762
Right-of-use cost addition as at 1 January 2019 (note 11)	763,821

Lease capital payments of £132,000 an interest of £32,000 were made during the year.

## 19 Financial instruments

The Company uses various financial instruments which include cash, overdrafts, intra group borrowings, equity and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the working capital of the Company's operations.

The main risks arising from the Company's financial instruments are interest rate risk, currency risk, liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Company 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.

The bank borrowings are at floating rate based on LIBOR and the Company does not hedge this risk which is partly offset by the floating rate interest on its cash balances.

### Currency risk

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

As at 31 December 2019 the Company had outstanding forward contracts which all matured within five month of the year end and committed the Company to selling US Dollars 1,250,000 and to receive a fixed Sterling amount (2018: no outstanding forward foreign currency contracts).

The forward currency contracts are measured at fair value, which is determined using the valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for USD: GBP. The fair value of the forward-foreign currency contracts at 31 December 2019 is positive £44,512 (2018: £nil).

### Liquidity risk

The Company seeks to manage financial risk, to ensure financial liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved through trade finance arrangements, overdrafts and intra group borrowing facilities.

## Notes to the annual report and accounts

### Credit risk

The Company's principal financial assets are cash and trade receivables. 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 its trade receivables.

In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third-party credit references and these limits are reviewed regularly.

### Fair value of financial assets and liabilities

The directors have given serious consideration and have reached the conclusion that there is no significant difference between book and fair value of assets and liabilities of the Company at the balance sheet date.

### 20 Operating lease commitments

At 31 December 2019 the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2019		2018	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Within 1 year	-	-	131,922	17,090
Within 2 to 5 years	-	-	527,688	52,428
In greater than 5 years	-	-	131,922	-
	<u>-</u>	<u>-</u>	<u>791,532</u>	<u>69,519</u>

### 21 Contingent liabilities

The Company has guaranteed all monies due to HSBC Bank plc by Symphony Environmental Technologies plc. At 31 December 2019, the net indebtedness of this company amounted to £nil (2018: £nil).

### 22 Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amount to £69,764 (2018: £64,843). Contributions totalling £5,462 (£2018: £4,999) were payable to the fund at the reporting date and are included in creditors.

### 23 Related party transactions

As a wholly owned subsidiary of Symphony Environmental Technologies plc, the Company is exempt from the requirements of IAS 24 Related Party Disclosures to disclose transactions with other members of the group headed by Symphony Environmental Technologies plc.

## Notes to the annual report and accounts

### 24 Share capital

Authorised share capital:

	2019 £	2018 £
50,000,000 Ordinary shares of £0.01 each	<u>500,000</u>	<u>500,000</u>

Allotted, called up and fully paid:

	2019 No.	£	2018 No.	£
Ordinary shares of £0.01 each	<u>2,000,000</u>	<u>20,000</u>	<u>2,000,000</u>	<u>20,000</u>

### 25 Ultimate parent company

The directors consider that the ultimate parent undertaking of this Company is its parent company, Symphony Environmental Technologies plc, incorporated in England and Wales.

Symphony Environmental Technologies plc is this company's controlling related party by virtue of its majority shareholding.

The largest group of undertakings for which group accounts have been drawn up is that headed by Symphony Environmental Technologies plc which is registered in England and Wales. Copies of the group accounts can be obtained from 6 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD.

### 26 Post balance sheet events

Following the year end, the Company has seen uncertainty that has come with the global outbreak of the coronavirus, albeit the pandemic has so far had little negative impact. As this uncertainty emerged only after the year end, the Directors' view is that any significant impacts or changes are considered to be a non-adjusting event in relation to these accounts.

The Directors are, and will continue to monitor the impacts of the current coronavirus results on the Company, but as at the date of signing the accounts, do not believe there have been any significant impacts that require disclosure.

### 27 Capital commitments

The Company had capital commitments totalling £nil at the end of the year (2018: £nil).