

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

Your attention is also drawn to the discussion of risks and other factors which should be considered in connection with an investment in the share capital of the Company, set out in "Risk Factors" on page 22.

The share capital of the Company was traded on OFEX. Trading in the share capital of the Company was suspended on OFEX on 23 July 2001 and was terminated on 27 November 2001. Application has been made for the Company's share capital (including the new Ordinary Shares) to be admitted to the Alternative Investment Market of the London Stock Exchange ("AIM"). **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not Officially Listed.**

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

The London Stock Exchange has not itself examined or approved the contents of this document.

A copy of this document, which comprises a prospectus drawn up in accordance with the POS Regulations, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the POS Regulations.

The Directors, whose names appear on page 3, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect the import of such information.

SYMPHONY PLASTIC TECHNOLOGIES PLC

Admission to trading on AIM

Placing of 6,500,000 new Ordinary Shares at 30p per share

by

CANACCORD CAPITAL (EUROPE) LIMITED

and

Open Offer of up to 1,016,874 new Ordinary Shares at 30p per share

by

PEEL HUNT PLC

Nominated Adviser

Proposed adoption of the Share Option Schemes

**Proposed authority and power to allot new Ordinary Shares
and disapply the statutory pre-emption rights**

Overseas Shareholders and any other persons not resident in nor a citizen of, or who are outside, the UK are referred to the paragraph headed "Overseas Shareholders" in Part II.

Canaccord, which is regulated by The Securities and Futures Authority Limited, is acting for the Company in relation to the Placing and its admission to AIM and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Canaccord or for advising them on the contents of this document or any other matter in relation to the Placing or Open Offer or the admission to AIM.

Peel Hunt, which is regulated by The Securities and Futures Authority Limited, is acting for the Company in relation to the Open Offer and its admission to AIM and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Peel Hunt or for advising them on the contents of this document or any other matter in relation to the Placing and Open Offer or the admission to AIM.

The latest time for application and payment in full under the Open Offer is 3.00 p.m. on 18 December 2001 and the procedure for application and payment is set out on pages 12 and 13. Applications under the Open Offer may only be made on the enclosed application form which is personal to the person(s) named thereon and may not be assigned or transferred.

Notice of an extraordinary general meeting of the Company to be held at the offices of Peel Hunt, 6th Floor, 62 Threadneedle Street, London EC2R 8HP, on 20 December 2001 at 10.00 a.m. is set out at the end of this document. Shareholders are requested to complete and return the enclosed form of proxy to the Company's registrars, Moorgate Registrars plc, Dukesmead House, 39 High Street, Chelmsford, Essex, as soon as possible but in any event so as to arrive no later than 10.00 a.m. on 18 December 2001, whether or not they propose to be present at the extraordinary general meeting.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for the Open Offer	22 November 2001
Admission of the existing Ordinary Shares and the new Ordinary Shares to be issued under the Placing becomes effective and dealings commence on AIM	30 November 2001
Latest time for receipt of Forms of Proxy	10.00 a.m., 18 December 2001
Latest time for receipt of completed Application Forms and payment in full	3.00 p.m., 18 December 2001
Admission of the Open Offer Shares effective and dealings on AIM commence in the Open Offer Shares	20 December 2001
Crediting of CREST accounts	20 December 2001
Extraordinary General Meeting	10.00 a.m., 20 December 2001
Share certificates despatched by	24 December 2001

DIRECTORS, SECRETARY AND ADVISERS

Directors	Christopher Littmoden, Chairman (Non-executive) Michael Norman Laurier, Chief Executive Ian Bristow, Finance Director Keith Louis Frener, Operations Director Michael Frederick Stephens, Sales and Technical Director Nirj Joseph Deva, Deputy Chairman (Non-executive)
Registered Office	all of Elstree House, Elstree Way, Borehamwood, Hertfordshire WD6 1LE
Secretary	Ian Bristow
Nominated Adviser	Peel Hunt plc 62 Threadneedle Street London EC2R 8HP
Stockbroker and Financial Adviser	Canaccord Capital (Europe) Limited Brook House 27 Upper Brook Street London W1K 7QF
OFEX Adviser	Ruegg & Co. Limited Georgian House 63 Coleman Street London EC2R 5BB
OFEX Stockbroker	J M Finn Salisbury House London Wall London EC2M 5TA
Reporting Accountants	CLB Corporate Finance LLP Aldwych House 81 Aldwych London WC2B 4HP
Auditors	Grant Thornton Ringwood House Walton Street Aylesbury Buckinghamshire HP21 7QP
Solicitors to the Company	D J Freeman 43 Fetter Lane London EC4A 1JU
Solicitors to the Issue	Theodore Goddard 150 Aldersgate Street London EC1A 4EJ
Registrars and Receiving Agents	Moorgate Registrars plc Dukesmead House 39 High Street Chelmsford Essex CM1 1DE
Bankers	Lloyds TSB Bank plc 105 Station Road Edgware Middlesex HA8 7JL

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 1985 (as amended)
“Agency Agreement”	the agency agreement dated 1 February 1998 between Bin Hilal Enterprises Est. and Symphony Environmental
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange relating to AIM
“Application Form”	the application form in respect of the Open Offer which accompanies this document
“Board”	the board of directors of the Company
“Canaccord”	Canaccord Capital (Europe) Limited
“Company” or “Symphony”	Symphony Plastic Technologies plc
“CREST”	the system for trading shares in uncertificated form
“CRESTCo”	CRESTCo Limited, the operator of CREST
“Directors”	the directors of the Company, whose names are set out on page 3
“EMI Plan”	the Symphony Plastic Technologies plc Enterprise Management Incentives Scheme, details of which are set out in paragraph 6 of Part VI
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company following the Placing and Open Offer, assuming that the Placing and Open Offer are fully subscribed and that none of the warrants and options currently outstanding over the share capital of the Company is exercised
“EPI”	EPI Environmental Technologies Inc., a company incorporated in the state of Delaware, USA
“EPI Licence”	the agreement dated 20 June 2000 made between Symphony Environmental and EPI (and varied by the Variation Agreements) setting out the terms upon which EPI supply TDPA to the Group and granting the right to Symphony Environmental to use the know-how to manufacture products for sale in certain territories
“EPI Subscription Agreement”	the subscription agreement dated 20 June 2000 made between EPI and Symphony for 2,500,000 Ordinary Shares
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 10.00 a.m. on 20 December 2001, notice of which is set out at the end of this document
“Form of Proxy”	the enclosed form of proxy for use in connection with the Extraordinary General Meeting
“Group”	the Company and its subsidiary undertakings
“Joint Venture”	Symphony Bin Hilal Plastics Llc, a company incorporated in Abu Dhabi which is 30 per cent. owned by Symphony Plastics
“Joint Venture Agreement”	a contract of establishment dated 21 June 1999 made between Bin Hilal Enterprises Est. and Symphony Plastics for a term of 15 years
“Know-how”	all knowledge and technical information and manufacturing techniques and specifications of material and engineering data and other information relating to the use of TDPA held or owned by EPI
“London Stock Exchange”	London Stock Exchange plc
“new Ordinary Shares”	the new Ordinary Shares to be issued under the Placing and the Open Offer Shares

“OFEX”	a facility operated by JP Jenkins Limited, a member of the London Stock Exchange, to allow trading in the shares of unquoted companies
“Open Offer”	the conditional invitation to Qualifying Shareholders and Qualifying Warrantheolders to subscribe the Open Offer Shares, as described in Part II and in the Application Form
“Open Offer Shares”	up to 1,016,874 new Ordinary Shares to be issued under the Open Offer
“Optionholders”	holders of existing options to subscribe new Ordinary Shares
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Overseas Shareholders”	holders of Ordinary Shares with registered addresses outside the UK or who are citizens of, incorporated in, registered in or otherwise resident in, countries outside the UK
“Overseas Warrantheolders”	holders of Qualifying Warrants with registered addresses outside the UK or who are citizens of, incorporated in, registered in or otherwise resident in, countries outside the UK
“Peel Hunt”	Peel Hunt plc
“PIRA”	Pira International Limited
“Placing”	the conditional placing by Peel Hunt of the Placing Shares
“Placing and Open Offer”	together, the Placing and the Open Offer
“Placing and Open Offer Agreement”	the conditional agreement dated 26 November 2001, between the Company, the Directors, Canaccord and Peel Hunt, relating to the Placing and Open Offer, further details of which are set out in paragraph 2 of Part I and paragraph 11 of Part VI
“Placing Shares”	6,500,000 new Ordinary Shares to be issued under the Placing
“plastic”, “plastics” or “polythene”	polyethylene
“POS Regulations”	the Public Offers of Securities Regulations 1995
“Private Placing Warrants”	warrants to subscribe Ordinary Shares at an exercise price of 60p per share issued pursuant to a private placing of Ordinary Shares made in March 2000, following which 1,498,000 Ordinary Shares and 998,663 warrants were issued
“Product Purchase Agreement”	the agreement made in June 1999 made between the Joint Venture and Symphony Plastics
“Qualifying Shareholders”	Shareholders on the register of members of the Company on the Record Date to whom (save as otherwise described in Part II in relation to Overseas Shareholders) the Open Offer is being made
“Qualifying Warrantheolders”	holders of Private Placing Warrants and K Omprasadham, to whom (save as otherwise described in Part II in relation to Overseas Warrantheolders) the Open Offer is being made
“Qualifying Warrants”	Ordinary Shares for which Qualifying Warrantheolders are entitled to subscribe pursuant to the exercise of their warrants
“Record Date”	the close of business on 22 November 2001
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting
“Ruegg Warrants”	1,116,695 warrants to subscribe Ordinary Shares at an exercise price of 80p per share issued on 27 June 2000 in connection with an offer by the Company of Ordinary Shares and admission to trading on OFEX
“Shareholders”	holders of Ordinary Shares
“Share Option Schemes”	the Unapproved Share Option Scheme and the EMI Plan

“Symphony Environmental”	Symphony Environmental Limited, a wholly-owned subsidiary undertaking of Symphony Plastics
“Symphony Packaging”	Symphony Packaging Limited, a wholly-owned subsidiary undertaking of Symphony Plastics
“Symphony Plastics”	Symphony Plastics Limited, a wholly-owned subsidiary undertaking of the Company
“TDPA”	a family of degradable additives known as “Totally Degradable Plastic Additive”, the intellectual property rights to which are owned by EPI and which are supplied to the Group pursuant to the EPI Licence
“Unapproved Share Option Scheme”	the Symphony Plastic Technologies plc Unapproved Share Option Scheme 2001, details of which are set out in paragraph 6 of Part VI
“Variation Agreements”	the agreements varying the terms of the EPI Licence dated 18 December 2000, 15 March 2001 and 23 July 2001
“Warrantholders”	holders of Ruegg Warrants and of Private Placing Warrants and K Omprasadham

PART I

LETTER FROM THE CHAIRMAN

SYMPHONY PLASTIC TECHNOLOGIES PLC

(Registered in England and Wales No. 3676824)

Registered Office:
Elstree House
Elstree Way
Borehamwood
Hertfordshire WD6 1LE

27 November 2001

To Shareholders and, for information only, to Warranholders and Optionholders

Dear Shareholder

**ADMISSION TO AIM
PLACING OF 6,500,000 NEW ORDINARY SHARES AT 30P PER SHARE
OPEN OFFER OF UP TO 1,016,874 NEW ORDINARY SHARES AT 30P PER SHARE
PROPOSED ADOPTION OF SHARE OPTION SCHEMES
PROPOSED AUTHORITY AND POWER TO ALLOT NEW ORDINARY SHARES
PROPOSED DISAPPLICATION OF STATUTORY PRE-EMPTION RIGHTS**

1. Introduction

The Company has applied for the whole of its share capital, issued and to be issued, to be admitted to trading on AIM. Concurrently with the AIM admission, the Company intends to raise up to £2.26 million (£1.76 million net of expenses) through a placing and an open offer of up to 7,516,874 new Ordinary Shares at 30p per share. The proceeds of the Placing and Open Offer will be used to develop and market the Group's expanding range of innovative and environmentally responsible degradable *SPI-Tek* products through to commercial and financial viability. Under the Placing, Canaccord has placed 6,500,000 new Ordinary Shares firm with institutional and other investors, to raise £1.95 million for the Company. Under the Open Offer, Peel Hunt is offering, on behalf of the Company, up to 1,016,874 new Ordinary Shares to Qualifying Shareholders and Qualifying Warranholders, to raise up to £305,000 for the Company.

The Placing and Open Offer is not conditional upon the approval of Shareholders.

The Company is also proposing to introduce the Share Option Schemes, the proposed terms of which are set out in summary in paragraph 3 below and in more detail in paragraph 6 of Part VI. The adoption of the Share Option Schemes is conditional on the approval of Shareholders.

The purpose of this document is to provide you with information on the Placing and Open Offer, to explain how you may participate in the Open Offer, to provide you with information on the terms of the Share Option Schemes and to seek your approval for them at the Extraordinary General Meeting, to seek your approval for an increase in the Company's authorised share capital and to seek a new authority and power for the Directors to allot additional Ordinary Shares and to disapply the statutory pre-emption rights.

A notice of the Extraordinary General Meeting is set out at the end of this document, at which resolutions will be proposed to approve the adoption of the Share Option Scheme, the increase in the Company's authorised share capital and the new authority and power to allot additional Ordinary Shares and to disapply the statutory pre-emption rights.

2. The Placing and Open Offer

The Placing and Open Offer is intended to raise up to £2.26 million (£1.76 million net of expenses) for the Company through a firm placing and a separate open offer to Qualifying Shareholders and Qualifying Warrantheolders. The Placing is intended to raise £1.95 million through the conditional placing by Canaccord of 6,500,000 new Ordinary Shares at a price of 30p per share. The Open Offer is intended to raise up to £305,000 through the conditional offer by Peel Hunt, on behalf of the Company, to Qualifying Shareholders and Qualifying Warrantheolders to subscribe up to 1,016,874 new Ordinary Shares under the Open Offer at a price of 30p per share, payable in full on acceptance, up to a maximum entitlement calculated on the following basis:

1 new Ordinary Share for every 24 Ordinary Shares or Qualifying Warrants

and so in proportion for any other number of Ordinary Shares or Qualifying Warrants held on the Record Date. Entitlements to new Ordinary Shares will be rounded down to the nearest whole number of shares. Qualifying Shareholders and Qualifying Warrantheolders may apply for any whole number of new Ordinary Shares. Qualifying Shareholders and Qualifying Warrantheolders wishing to apply for Open Offer Shares in excess of their *pro rata* entitlement, as shown in Box 4 of the Application Form, may do so by completing Boxes 6, 7 and 8 of the Application Form. The total number of Open Offer Shares will not be increased in response to such excess applications. Excess applications will therefore only be satisfied to the extent that other Qualifying Shareholders and Qualifying Warrantheolders do not apply for their *pro rata* entitlements in full. Open Offer Shares will be allocated in response to excess applications in the absolute discretion of the Company.

Undertakings have been given by M N Laurier, I Bristow, K L Frener, M F Stephens and Laurier Investments Limited not to subscribe their entitlements under the Open Offer, which amount in aggregate to 472,548 Open Offer Shares (representing approximately 46.47 per cent. of the Open Offer Shares). Such Open Offer Shares will therefore be available to satisfy excess applications under the Open Offer.

The new Ordinary Shares will be allotted credited as fully paid and will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared or made after the date of their issue.

The Placing is conditional, *inter alia*, on the Placing and Open Offer Agreement becoming unconditional (other than in respect of the admission to AIM of the Open Offer Shares) and on admission to AIM of the Placing Shares becoming effective. The Open Offer is conditional, *inter alia*, on the Placing and Open Offer Agreement becoming unconditional in all respects and on admission to AIM of the Open Offer Shares becoming effective. It is expected that Admission of the Placing Shares will take place and dealings in those shares commence on 30 November 2001. It is expected that Admission of the Open Offer Shares will take place and dealings in those shares commence on 20 December 2001.

It is expected that the proceeds of the Placing will be received on or before 30 November 2001 and the Open Offer on or before 20 December 2001. The Placing and Open Offer is not underwritten.

Following admission to AIM of the Open Offer Shares, and assuming that none of the Directors take up their entitlements under the Open Offer, the Directors will be interested in 11,400,664 Ordinary Shares, equivalent to 37.07 per cent. of the ordinary issued share capital of the Company (assuming that the Placing and Open Offer are fully subscribed and that none of the warrants and options currently outstanding over the share capital of the Company is exercised). The Directors have undertaken not to dispose of their Ordinary Shares held on such admission until after the announcement of the Group's results for the year ending 31 December 2002.

Further information on the Open Offer, including the detailed procedure for application and payment, is set out in the letter from Peel Hunt in Part II. Further details of the Placing and Open Offer Agreement are set out in paragraph 11 of Part VI.

Following correspondence with the Inland Revenue, the Company has received a provisional indication that it is a qualifying company both for the purposes of the Enterprise Investment Scheme and as an investment which may be made by Venture Capital Trusts ("VCTs"). Further details are set out in paragraph 10 of Part VI.

It should be noted that the Company cannot undertake to conduct its activities in such a way as to preserve the tax reliefs described, and will not compromise the future development of its business in order to continue to satisfy the various qualifying conditions pertaining to such tax reliefs.

3. Share Option Schemes

The Directors believe that employees are crucial to the future success of the Company and its business. The Company must seek to recruit, retain and develop the best people in what is a competitive market

place. The Company considers that share incentive schemes play an important role in this and therefore propose to establish such schemes for the benefit of its employees.

The Share Option Schemes provide for the grant of options representing a maximum of 10 per cent. of the Company's issued ordinary share capital at any time. It is initially proposed to grant options over 1,589,363 Ordinary Shares, representing approximately 5.17 per cent. of the Company's issued ordinary share capital following the Placing and Open Offer (assuming that the Placing and Open Offer is fully subscribed and that none of the warrants and options currently outstanding over the share capital of the Company is exercised).

The EMI Plan offers taxation advantages but is subject to statutory limitations. In view of these limitations the Unapproved Scheme is also proposed so as to allow options to be granted in circumstances where the EMI Plan is not available or suitable.

The main features of the Share Option Schemes are summarised in paragraph 6 of Part VI.

4. Extraordinary General Meeting

The notice of the Extraordinary General Meeting to be held at 10.00 a.m. on 20 December 2001 at the offices of Peel Hunt, 6th floor, 62 Threadneedle Street, London EC2, is set out at the end of this document. At the meeting the Resolutions will be proposed to:

- approve the terms of the Share Option Schemes;
- increase the Company's authorised share capital from £500,000 to £600,000 by the creation of an additional 10,000,000 Ordinary Shares;
- authorise the Directors to allot £102,521 in nominal value of new Ordinary Shares (to enable the Directors to allot further shares up to an amount equal to approximately one third of the issued share capital following the Placing and Open Offer); and
- disapply Shareholders' statutory pre-emption rights in relation to certain future issues of Ordinary Shares for cash up to an aggregate nominal amount of £15,378 (being approximately 5 per cent. of the issued share capital following the Placing and Open Offer).

Undertakings to vote in favour of the Resolutions have been received by the Company from those Directors who hold shares in the Company and certain other Shareholders. These interests amount to 12,837,243 Ordinary Shares, representing approximately 43.17 per cent. of the issued ordinary share capital of the Company in respect of which votes may be cast at the Extraordinary General Meeting, which will include the new Ordinary Shares to be issued under the Placing, but not the Open Offer.

5. Action to be taken

Open Offer

Qualifying Shareholders and Qualifying Warranholders who wish to apply for Open Offer Shares under the Open Offer should follow the procedure for application set out in the letter from Peel Hunt contained in Part II and the instructions printed on the Application Form. Qualifying Shareholders and Qualifying Warranholders who do not wish to apply for Open Offer Shares under the Open Offer need take no further action.

Extraordinary General Meeting

Shareholders will find enclosed with this document a form of proxy for use at the Extraordinary General Meeting, at which the Resolutions will be proposed to approve the adoption of the Share Option Scheme, the increase in the Company's authorised share capital and the new authority and power for the Directors to allot new Ordinary Shares and to disapply the statutory pre-emption rights. Whether or not Shareholders intend to be present at the Extraordinary General Meeting, they are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and in any event so as to be received by Moorgate Registrars plc, Dukesmead House, 39 High Street, Chelmsford, Essex CM1 1ZZ, not later than 10.00 a.m. on 18 December 2001. Completion and return of the Form of Proxy will not prevent Shareholders from attending the Extraordinary General Meeting and voting in person should they wish to do so.

6. Further information

Your attention is drawn to the further information set out in Parts II to VI.

7. Recommendation

The Directors consider the adoption of the Share Option Schemes, the increase in the Company's authorised share capital and the granting of new authority and power to allot new Ordinary Shares and to disapply the statutory pre-emption rights to be in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

Yours sincerely

Christopher Littmoden
Chairman

PART II
LETTER FROM PEEL HUNT



62 Threadneedle Street, London EC2R 8HP.

27 November 2001

To Qualifying Shareholders and Qualifying Warranholders

Dear Sir or Madam

OPEN OFFER OF 1,016,874 OPEN OFFER SHARES AT 30P PER SHARE

1. Introduction

As the letter from the Chairman set out in Part I explains, the Company proposes to raise up to £2.26 million (£1.76 million net of expenses) by way of a Placing and Open Offer to develop and market the Group's expanding range of innovative and environmentally responsible degradable *SPI-Tek* products through to commercial and financial viability.

The Placing and Open Offer includes the Open Offer, by which up to 1,016,874 Open Offer Shares are being offered to Qualifying Shareholders and Qualifying Warranholders at 30p per share.

2. The Open Offer

Peel Hunt, as agent for and on behalf of the Company, hereby invites Qualifying Shareholders and Qualifying Warranholders, subject to the terms and conditions set out below and in the Application Form, to apply for Open Offer Shares at a price of 30p per share payable in full on application, up to a maximum entitlement calculated on the basis of:

1 Open Offer Share for every 24 Ordinary Shares or Qualifying Warrants

held at the Record Date, and so in proportion for any other number of Ordinary Shares or Qualifying Warrants then held. Entitlements of Qualifying Shareholders and Qualifying Warranholders will be rounded down to the nearest whole number of shares. Qualifying Shareholders and Qualifying Warranholders may apply for any whole number of Open Offer Shares. Qualifying Shareholders and Qualifying Warranholders wishing to apply for Open Offer Shares in excess of their *pro rata* entitlement, as shown in Box 4 of the Application Form, may do so by completing Boxes 6, 7 and 8 of the Application Form. The total number of Open Offer Shares will not be increased in response to such excess applications. Excess applications will therefore only be satisfied to the extent that other Qualifying Shareholders and Qualifying Warranholders do not apply for their *pro rata* entitlements in full. Open Offer Shares will be allocated in response to excess applications in the absolute discretion of the Company. Any moneys paid in excess of the amount due in respect of the Open Offer Shares allocated to a Qualifying Shareholder or Qualifying Warranholder will be returned without interest by crossed cheque in favour of such person at his risk.

Undertakings have been given by M N Laurier, I Bristow, K L Frener, M F Stephens and Laurier Investments Limited not to subscribe their entitlements under the Open Offer, which amount in aggregate to 472,548 Open Offer Shares (representing approximately 46.47 per cent. of the Open Offer Shares). Such Open Offer Shares will therefore be available to satisfy excess applications under the Open Offer.

Application may only be made on the enclosed Application Form, which is personal to the Qualifying Shareholder(s) or Qualifying Warranholder(s) named therein and may not be assigned, transferred or split. **The Application Form represents a right to apply for Open Offer Shares. It is not a document of**

Registered in England No: 2320252

Registered office as above

title and cannot be traded. Any rights to subscribe for Open Offer Shares under the Open Offer which are not exercised will lapse.

The Open Offer is subject to the satisfaction of the following conditions on or before 20 December 2001 (or such later date as Peel Hunt and the Company agree):

- (i) Admission to AIM of the Placing Shares and the Open Offer Shares becoming effective; and
- (ii) the Placing and Open Offer Agreement becoming unconditional in all other respects.

Application has been made for the Open Offer Shares to be admitted to AIM. It is expected that such admission will become effective and that dealings will commence in the Open Offer Shares on 20 December 2001. The Open Offer Shares will, when issued fully paid, rank *pari passu* in all respects with the existing Ordinary Shares and the Placing Shares, including the right to receive all dividends and other distributions hereafter declared or made after the date of their issue.

3. Procedure for application

The Application Form shows the number of Ordinary Shares or Qualifying Warrants registered in a Qualifying Shareholder's or Qualifying Warrantholder's name at the Record Date and the *pro rata* number of Open Offer Shares for which he is entitled to apply under the Open Offer. A Qualifying Shareholder or Qualifying Warrantholder may apply for more or less than his *pro rata* entitlement should he so wish.

If a Qualifying Shareholder or Qualifying Warrantholder wishes to apply for Open Offer Shares, he should complete the accompanying Application Form in accordance with the instructions thereon and return it, together with the remittance for the full amount payable for the Open Offer Shares applied for, by post to Moorgate Registrars plc, Dukesmead House, 39 High Street, Chelmsford, Essex CM1 1DE or by hand so as to arrive no later than 3.00 p.m. on 18 December 2001. Application Forms will only be accepted at the above address. Applications once made will be irrevocable. A reply-paid envelope is enclosed. The Company may (in its sole discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions or not accompanied by a power of attorney as required.

All payments must be in pounds sterling and must be made by cheque or banker's draft, made payable to "Moorgate Registrars plc – a/c Symphony Plastic Technologies plc", and crossed "Account Payee Only". Cheques and banker's drafts must be drawn on a bank or a building society in the UK, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of those companies or committees and must bear the appropriate sorting code in the top right hand corner. **Any application which does not comply with these requirements may be rejected.**

The Company reserves the right to have cheques and banker's drafts presented on receipt and to instruct Moorgate Registrars plc to seek special clearance of cheques to obtain value for remittances at the earliest opportunity. If they are presented for payment before the conditions of the Open Offer have been fulfilled, the application moneys will be held in a separate bank account pending the fulfilment of those conditions. Any interest on such moneys will be retained for the Company's benefit. If the conditions of the Open Offer are not fulfilled by 20 December 2001 (or such later date as Peel Hunt and the Company may agree), the application moneys will be returned without interest as soon as possible thereafter by crossed cheque in favour of any Qualifying Shareholder or Qualifying Warrantholder who has lodged an Application Form (an "applicant") or by returning the applicant's cheque or banker's draft, in either case through the post at his risk. Return of the Application Form with the appropriate remittance will constitute a warranty that the applicant's cheque or banker's draft will be honoured on first presentation. Such warranty will constitute a term of the application. If this term is not met, the application may be rejected. The Company may require an applicant to pay interest and any other resulting costs if the cheque accompanying his application is not honoured on first presentation.

If any application is rejected or, in the case of applications in excess of an applicant's *pro rata* entitlement, not met in full, the applicant's cheque or banker's draft or a crossed cheque for the relevant amount (without interest) (as appropriate) will be returned to the applicant as soon as possible thereafter by post at the applicant's risk.

The Company reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 p.m. on 18 December 2001 from an authorised person (as defined in the Financial Services Act 1986) specifying the Open Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

If a Qualifying Shareholder or Qualifying Warrantholder does not wish to apply for any Open Offer Shares he should not complete the enclosed Application Form. All enquiries in relation to the Application Form should be addressed to Moorgate Registrars plc, Dukesmead House, 39 High Street, Chelmsford, Essex CM1 1DE, telephone number 01245 494549.

4. Settlement and dealings in the Open Offer Shares

Qualifying Shareholders

In the case of holders of Ordinary Shares in uncertificated form who wish to receive their new Ordinary Shares in uncertificated form, it is expected that, subject to the provision of the relevant information requested on the Application Form, such shares will be issued in uncertificated form on 20 December 2001. The Company's registrars will instruct CRESTCo to credit the appropriate stock accounts of such persons with their entitlements to new Ordinary Shares with effect from the date of issue.

In the case of holders of Ordinary Shares in certificated form, definitive certificates for their new Ordinary Shares are expected to be despatched by post by 24 December 2001. Pending despatch of the definitive share certificates, transfers of the new Ordinary Shares will be certified against the register. All documents or remittances sent by or to an applicant (or his agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

Qualifying Warrantholders

In the case of Qualifying Warrantholders who also hold Ordinary Shares in uncertificated form and who wish to receive the new Ordinary Shares to which they are entitled by virtue of being Qualifying Warrantholders in uncertificated form, it is expected that, subject to the provision of the relevant information requested on the Application Form, such shares will be issued in uncertificated form on 20 December 2001. The Company's registrars will instruct CRESTCo to credit the appropriate stock accounts of such persons with their entitlements to new Ordinary Shares with effect from the date of issue.

In the case of all other Qualifying Warrantholders, definitive certificates for the new Ordinary Shares to which they are entitled by virtue of being Qualifying Warrantholders are expected to be despatched by post by 24 December 2001. Pending despatch of the definitive share certificates, transfers of the new Ordinary Shares will be certified against the register. All documents or remittances sent by or to an applicant (or his agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

The Company reserves the right to allot or issue new Ordinary Shares in certificated form notwithstanding any other provisions set out in this Part II or elsewhere in this document.

5. Money laundering regulations

It is a term of the Open Offer that in order to ensure compliance with the Money Laundering Regulations 1993, Moorgate Registrars plc may, at its absolute discretion, require verification of identity from any applicant including, without limitation, any applicant who (i) tenders payment by way of cheque or banker's draft drawn on an account in the name of a person or persons other than the applicant or (ii) appears to Moorgate Registrars plc to be acting on behalf of some other person. In the former case, evidence satisfactory to Moorgate Registrars plc of the identity of the applicant may be required. In the latter case, verification of the identity of any person on whose behalf the applicant appears to be acting may be required. Return of an Application Form with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations 1993 will not be breached by the acceptance of the remittance and an undertaking to the Company from the applicant to provide verification of identity reasonably satisfactory to Moorgate Registrars plc, if so requested. Failure to provide satisfactory evidence of identity, if requested, may result in the application being treated as invalid or in a delay in it being accepted. If, within a reasonable period of time following a request for verification of identity, but in any event not later than the latest time for acceptance and payment in full, Moorgate Registrars plc has not received such evidence, the Company and Moorgate Registrars plc reserve the right, at their absolute discretion, to terminate any contract constituted by an Application Form in which event the application moneys will be returned without interest to the account at the drawee bank from which such moneys were originally debited.

6. Overseas Shareholders and Overseas Warrantholders

It is the responsibility of any Overseas Shareholder or Overseas Warrantholder wishing to apply for Open Offer Shares under the Open Offer to satisfy himself as to full observance of the laws of any relevant territory in connection with such application, including obtaining any requisite governmental or other consent or approval, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory. **Shareholders or Warrantholders who are in any doubt as to their position should consult a professional adviser.**

No person receiving this document and/ or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used by him without contravention of any registration or other regulatory or legal requirement. In such circumstances, the document and/or the Application Form are sent for information only, are confidential and should not be copied or distributed.

The Company reserves the right to reject any application for Open Offer Shares under the Open Offer made by or on behalf of a person outside the UK or if the Company is not given the relevant warranty set out in the Application Form or if it appears that the application may constitute a breach of such warranty or relevant securities legislation. Notwithstanding any other statement in this document, the Company reserves the right to permit a Qualifying Shareholder or Qualifying Warrantholder to take up Open Offer Shares under the Open Offer if the Company is satisfied that such action would not result in contravention of any applicable legal or regulatory requirements.

This document has not been submitted to the clearance procedures of any authorities and the Open Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the securities laws of any State of the United States of America and they are not being offered in the United States of America and its territories and possessions, in Canada or in the Commonwealth of Australia, its states, territories or possessions, in Japan or the Republic of Ireland.

7. Taxation

Tax on capital gains

It is understood that the Inland Revenue takes the view that in circumstances such as these the issue of Open Offer Shares under the Open Offer by the Company to Qualifying Shareholders up to each such shareholder's maximum entitlement will amount to a reorganisation of the share capital of the Company for the purposes of UK taxation of capital gains. Accordingly, Open Offer Shares issued to a Qualifying Shareholder by the Company pursuant to the Open Offer will be treated as the same asset as such shareholder's existing holding, and the price paid by such shareholder for such Open Offer Shares will be added to the base cost of his existing holding. In the case of a non-corporate Qualifying Shareholder, taper relief will be applied on both the existing holding and the Open Offer Shares by reference to the date of acquisition of the existing holding, subject to transitional rules for shares acquired prior 6 April 1998. In the case of a corporate Qualifying Shareholder, indexation allowance on the subscription price for the Open Offer Shares will be calculated from the date of subscription for the Open Offer shares. The capital gains tax consequence of any future disposal of any shares in the Company by a Qualifying Shareholder will depend upon that Qualifying Shareholder's circumstances.

Stamp duty and stamp duty reserve tax

The issue of Open Offer Shares by the Company to Qualifying Shareholders pursuant to the Open Offer will not be subject to any stamp duty or stamp duty reserve tax. Any further dealings in these shares will be subject to stamp duty or stamp duty reserve tax in the normal way (unless issued to a person to whom the depositary receipts or clearance services charge to stamp duty reserve tax applies at a rate of 1.5 per cent.).

The above comments are intended as a general guide to the current tax position in the UK. If a Qualifying Shareholder or Qualifying Warrantholder is not resident in the UK or is in any doubt as to his tax position he should consult an appropriate professional adviser without delay. The attention of Qualifying Shareholders and Qualifying Warrantholders is also drawn to paragraph 10 of Part VI, which is concerned with taxation.

8. Further information

The attention of Qualifying Shareholders and Qualifying Warrantholders is drawn to the information set out in Parts I and III to VI.

Yours faithfully
For Peel Hunt plc

Christopher Holdsworth Hunt
Director

PART III

INFORMATION ON THE GROUP

1. Introduction

The Group was founded in 1995, specialising in the procurement and distribution of polythene bags, sheet, film and other related products. Sales to date have concentrated on the local authority and retail sectors and the construction industry.

Towards the end of 1995, the Group was presented with an opportunity to extend its product range with the use of an additive based on patented technology now owned by EPI. By combining the additive with the Group's manufacturing expertise, the Group was able to develop an environmentally responsible, degradable polythene, branded under the trade-name *SPI-Tek*.

The degradable characteristics of the *SPI-Tek* polythene enabled the Group to take advantage of environmental concerns surrounding the disposal of waste plastic materials. Considerable pollution is currently generated by waste plastic which typically could take hundreds of years to degrade. Drains are being blocked, with consequent risks to health; the environment is littered with plastic; oceans, rivers and the countryside are polluted with plastic; and wild life, birds and livestock are dying from plastic consumption.

Accordingly, the Board decided to re-focus the Group's activities on *SPI-Tek* degradable plastic products, developing a range of products which the Directors believe to be innovative, in what has traditionally been a high-volume commodity business. An agreement was entered into with EPI in 1997 relating to the supply of the additive. That agreement was extended in 2000 for a further term of 15 years. The Group's degradable products, which were launched in December 1998, are currently being supplied to many local authorities as well as retail groups such as Tesco, Safeway, Poundstretcher and Wal*Mart.

The development and marketing of the *SPI-Tek* products has required, and continues to require, an increased level of resourcing and funding. Having made a profit in 1995 and 1996 on the sale of non-degradable polythene products, the Group has subsequently incurred losses and absorbed cash in pursuing such development.

Between March and June 2000, the Group raised approximately £900,000 through private fundraisings at prices ranging from 40p per share to 60p per share and in August 2000, it raised approximately £2 million through an offer for subscription at 80p per share. Since then, a further £595,350 has been raised privately by the issue of Ordinary Shares and unsecured zero coupon convertible loan stock at prices between 50p and 60p per share or unit.

The Company is now raising up to £1.76 million (net of expenses) through the Placing and Open Offer to further develop the *SPI-Tek* range of products through to commercial and financial viability.

2. The business

The Group sells a wide range of polythene packaging products and other plastic products predominantly to the local authority and retail sectors. Such products are manufactured to the Group's specification. The Group also supplies a range of other, non-degradable, products into the construction and medical market sectors.

The Group's degradable products, branded *SPI-Tek*, form the principal focus of the current business and future development programme. These award-winning products currently include refuse sacks, bin liners, food and freezer bags, carrier bags, packaging for fruit producers and organic waste collection sacks.

The production of the Group's degradable products involves the blending into the plastic mix of a TDPA additive which eventually causes total degradation of the plastic material. TDPA additives and the Group's manufacturing know-how do not significantly increase the total cost of the manufacturing process. The presence of the additives is not apparent and the normal properties of strength, clarity, sealability and moisture resistance are unaffected. In addition, the degradation characteristics are not solely dependent on exposure to light or the action of enzymes which gives the products a more predictable degradation time.

A number of factors can initiate the degradation, such as sunlight, heat or stress, and, once initiated, the process continues, allowing a breakdown of the film, leaving only harmless solids, water and a minimal amount of carbon dioxide. The degradation process is initiated during manufacturing and the speed of degradation depends on the subsequent storage conditions and eventual use of the product, reflecting the user's requirements. A reasonable shelf life is readily achieved, with correct storage of the product, so that, under normal distribution circumstances, the product is fit for purpose when used by the consumer. The degradation time can be controlled according to the application requirement.

Symphony Environmental has entered into the EPI Licence with EPI which gives it rights until 2015 to manufacture and sell certain degradable plastic products which include TDPA additives produced by EPI. Symphony Environmental has exclusive manufacturing rights in the UK, Republic of Ireland and

certain Middle-Eastern territories. The rights to sell the products are non-exclusive in the UK, Republic of Ireland and Middle-East but are exclusive in Barbados and other Caribbean territories. The agreement also contains a licence in favour of Symphony Environmental of EPI's Know-how relating to the manufacturing process and certain of EPI's trademarks.

EPI is a private company incorporated in the USA. It owns a US patent relating to the manufacture of chemically degradable plastic film and has filed a patent pending at the European Patent Office which cites EPI as the owner of a European patent derived from and mirroring the US base patent.

The EPI Licence contains provisions under which Symphony Environmental must, throughout the term of the agreement, make minimum purchases of the additives. If Symphony Environmental fails to achieve the minimum purchase requirements EPI may either terminate the exclusivity granted to Symphony Environmental and/or terminate the EPI Licence. However, from May 2003 onwards EPI's right to terminate the EPI Licence only arises if the actual purchases by Symphony Environmental fall below 80 per cent. of the minimum purchases required under the EPI Licence. During that time any failure to meet minimum purchase requirements may result in termination of the exclusivity granted under the EPI Licence.

SPI-Tek degradable products have been tested by PIRA, an independent testing laboratory and research institute, which established and confirmed their degradation characteristics and, where relevant, their suitability for food contact. *SPI-Tek* products can be recycled and will not contaminate the recycling stream since the degradation process ceases during recycling. The products can also be compostable when exposed to sustained high temperatures such as those found in commercial composting facilities. The products have also been confirmed to be soil safe by BioQuest International and Organic Waste Systems. BioQuest International was established in 1982 to develop commercially viable methods for toxicological evaluation of environmental samples. Organic Waste Systems specialises in anaerobic composting and biodegradability testing.

The Group's non-degradable products, branded Tuffly[®], include bin liners, refuse sacks, freezer bags, rubber gloves, garden bags, non-branded carrier bags, medical gloves, clinical waste bags and construction products, such as damp-proof membranes, tarpaulins, flame retardant products and sand bags.

3. The market for polythene products

The UK market for polythene products can be summarised as follows:

	1997	1998	1999	2000
	<i>000 tonnes</i>	<i>000 tonnes</i>	<i>000 tonnes</i>	<i>000 tonnes</i>
Markets into which <i>SPI-Tek</i> products are currently supplied:				
Refuse sacks	83	86	90	91
Retail/Retailer bags	62	63	67	68
Carrier bags	137	141	147	144
Bread bags	13	13	13	13
Laminating film	22	23	25	26
Other PE reels for packaging	130	131	133	131
Freezer bags	9	8	8	7
Other bags	149	155	163	164
Other markets				
Heavy duty sacks	38	36	37	37
Collation shrink film	60	59	60	59
Pallet shrink	33	32	31	30
Pallet stretch	92	99	109	115
Frozen foods film	17	18	19	20
Mail film	23	25	26	27
Bubble film	11	12	12	12
Industrial liners	24	24	24	24
Dry cleaning/laundry packaging	13	13	12	12
Cereal co-extruded film	9	8	8	8
Agricultural film	5	4	4	4
Other non-packaging	12	12	12	12
Building film	33	35	36	36
Silage	22	22	21	19
Total	<u>997</u>	<u>1,019</u>	<u>1,057</u>	<u>1,059</u>

Source: Packaging market share by major suppliers (2000), analysis prepared by the Company based on figures produced by Applied Market Information.

Based on an annual volume of approximately one million tonnes per annum, as shown in the above table, and at a value of £1,000 per tonne*, the polythene market in the UK has been valued by the Directors at approximately £1 billion per annum. The global polythene market has been valued by the Directors at £50 billion* per annum, based on annual consumption of approximately 50 million tonnes.

The Directors consider that many of the product market categories shown in the above table into which *SPI-Tek* products are not currently supplied are suitable for the supply of such products.

Environmental concerns surrounding the disposal of waste plastic materials and the pollution caused by such materials are currently high profile. Current waste management policy allows most refuse to be dumped in landfill sites, which are now running out of space. An alternative is to burn the waste, but there are major misgivings regarding the impact of emissions, and especially of dioxins on local communities. Another option is to sort the waste and then to recycle it. In the UK, approximately 9 per cent. of waste is recycled, but recycled plastic loses quality. The Directors believe that the use of *SPI-Tek* totally degradable products, where applicable, will substantially reduce plastic pollution as well as saving significant landfill space.

Overseas, too, governments are keen to encourage the reduction in build up of plastic pollution. In India, for example, the government has been obliged to ban certain grades of plastics in order to deal with waste management. The European Union consumes approximately six and a half million tonnes of polythene per annum. The EC Directive 94/62/EC of 20 December 1994, on packaging and packaging waste, has been adopted throughout the European Union. The Directive prescribes 50 per cent. to 65 per cent. minimum targets for recovery and recycling of packaging materials within a five year period. Bio-degradation and compostability are recognised as means of recovery by the Directive.

4. Manufacture of *SPI-Tek* products

The Group's manufacturing strategy is to avoid significant investment in labour and manufacturing infrastructures by outsourcing production to factories which ideally have the latest machinery capable of producing products at prices, volumes and quality that meet the needs of the Group's customers.

SPI-Tek products are made by a number of specialised manufacturers in countries such as China, Belgium, Spain, Singapore and the United Arab Emirates in accordance with ISO 9002 quality standard, an internationally recognised European quality control and quality assurance standard. These manufacturers have been carefully selected over a number of years and provide the Group with an extensive range of competitively priced products and ensure sufficient diversity of product sources to aid security of supply.

The process for production of *SPI-Tek* products does not require specialised manufacturing machines. TDPA additives are purchased by Symphony Environmental from EPI or its distributors and shipped to the relevant factories. The additive is mixed with the basic product using methods developed by the Group. The manufacturers are required to enter into confidentiality agreements and agreements not to circumvent or reverse-engineer the additives. The manufacturers are also vetted before orders are placed.

In 1996, the Group began to manufacture its own products in addition to outsourcing production. It terminated this activity in June 1999, in favour of outsourcing exclusively and entered into an agreement to sell its production machinery to the Joint Venture it has set up in Abu Dhabi with Bin Hilal Enterprises Est. Under the Joint Venture Agreement, the two parties have subscribed 30 per cent. and 70 per cent. respectively in the capital of Symphony Bin Hilal Plastics Llc. The Joint Venture is in the process of setting up a manufacturing facility designed to the Group's specifications and which is intended to augment the Group's existing network of manufacturers and provide a suitable test bed for further development of the Group's products.

Bin Hilal Enterprises Est. agreed to provide or procure funds by way of loans to the Joint Venture to a maximum of US\$5,000,000 for working capital purposes. The Joint Venture has purchased the Group's manufacturing plant and equipment for approximately £558,000.

The development of the facility is planned to take place in several phases. The initial phase has been successfully completed with a monthly output capacity of approximately 60 to 70 tonnes per month. Several other phases are being planned with further monthly capacity of approximately 130 tonnes expected by early 2002. After completion of a new purpose-built factory facility, scheduled to take place by mid-2002, production output is planned to increase in further stages by the end of 2002 to 1,000 tonnes per month and then progressively increasing to 10,000 tonnes monthly over a five year period.

The Group has entered into the Product Purchase Agreement with the Joint Venture under which the Group has agreed to place orders for 90 per cent. of the Joint Venture's production capacity, such

* £1,000 per tonne — source: Applied Market Information

capacity to be agreed by the Joint Venture and the Group from time to time, and at prices to be determined in accordance with a prescribed formula.

5. Strategy and prospects

Degradable products

A low-cost degradable polythene product has applications in a number of market sectors, some of which are new to Symphony while others are in sectors in which the Group already has presence through its non-degradable products. The Group's strategy for developing its *SPI-Tek* products reflects the need to maintain a balance between pursuing a wide range of selling options and focusing on those sectors in which the Group has an existing presence.

Prior to the launch of its degradable products, the Group was active in the local authority, retail, food production and construction sectors. The Directors believe that the development of a low-cost, degradable product range enables the Group to differentiate itself strongly in the first three of those sectors; degradability is not regarded by the Directors as a benefit to most construction industry users.

Local authority sector

The Group is supplying on a regular basis a number of local authorities, including Epping Forest District Council, Basildon District Council, Hertfordshire County Council, Blaby District Council, London Borough of Richmond Upon Thames, Ashfield District Council, Watford Council, Aberdeenshire Council and Erewash District Council.

Local authorities are introducing stringent new statutory recycling targets to attempt to bring the UK into line with countries such as the Netherlands. The Netherlands recycles 45 per cent. of domestic waste compared with 9 per cent. in the UK. The new targets involve raising the UK percentage in stages, to 17 per cent. by 2003, 25 per cent. by 2005, 30 per cent. by 2010 and 33 per cent. by 2015. These targets will enable the UK to comply with the EC Directive 1999/31/EC of 26 April 1999 on the landfill of waste that will require the reduction of the amount of waste deposited in dumps from 85 per cent. to 35 per cent. within 15 years.

One of the ways in which local authorities are addressing this is by segregating domestic, compostible waste for recycling. The compostable properties of *SPI-Tek* degradable garbage sacks enable those products to comply with local authorities' requirements in this respect.

The Group has an established relationship with The Consortium for Purchasing and Distribution Limited, formerly part of Wiltshire County Council. The Consortium for Purchasing and Distribution distributes *SPI-Tek* products throughout its customer base, which consists mainly of the education and public sectors across the UK and international markets.

Retail groups

Polythene products which the Group supplies to the retail sector fall into two categories: "goods not for resale" and "goods for resale". Products in the "goods not for resale" category comprise shopper carrier bags which are provided to shoppers free of charge and which traditionally have lower margins. "Goods for resale" products comprise retail packed refuse sacks, bin liners and food bags, and traditionally show higher margins.

The Group supplies *SPI-Tek* refuse sacks and bin liners directly to several large outlets, including Safeway and Poundstretcher. It also has an 18 month renewable contract to supply Musgrave, a Republic of Ireland supermarket group, with carrier bags. The initial term of the contract provides for the supply of approximately 140 million carrier bags.

The procurement structure in the retail sector requires the Group to focus its marketing effort on not only the retailers themselves but also on specialist distributors which the retailers use to provide logistics support. For example, through Axxis International Limited, a logistics and supply chain management specialist, significant orders have been placed by Tesco for refuse sacks and by Wal*Mart for a range of refuse sacks and bin liners for its German operations.

The Group is also in discussions with other major supermarket groups for the supply of a range of products including refuse sacks, carrier bags and packaging film for organic product ranges.

Food manufacturers and suppliers

Fyffes and Capespan International have estimated their combined annual consumption of plastic to be in excess of 10,000 tonnes and have introduced a policy that all their plastic packaging, where practicable, should be degradable. The Group is supplying point-of-sale packaging and box liners to Fyffes. Advanced trials are taking place with tree bags in its plantations. In early 2000, Capespan International conducted modified atmosphere packaging trials using *SPI-Tek* degradable bags on a range of fruits and is currently carrying out follow-up testing. Windwards Bananas is also about to begin trials on banana tree bags.

In addition, Fyffes is working with Symphony Environmental to promote degradable plastic materials. The two companies jointly launched a widely distributed educational pack and CD ROM for primary schools describing the history and benefits of plastic and *SPI-Tek* technology.

West of Scotland Packaging, on behalf of its customer, Allied Bakeries, has carried out trials with bread bags. These have been successfully tested by Western Research Laboratories, the research and development division of Allied Bakeries. Allied Bakeries currently uses approximately 800 million bread bags per annum and has an approximate 33 per cent. share of the bread market. W Price Group, the largest supplier of organic bread in the UK, has also performed trials on the Group's *SPI-Tek* products.

Wheatley Packaging is a major manufacturer of frozen food and printed packaging films. The Group has carried out successful trials with these materials and the Group and Wheatley are working together to promote products based on the materials.

The Group has been developing a degradable bubble film with Sansetsu UK Limited. Sansetsu is a major manufacture and supplier of bubble film products which are being distributed in the UK.

Export markets

The Group's export strategy is focused on the Middle East, the Republic of Ireland and the Caribbean.

The Directors consider that the most effective way to maximise the opportunities to market the Group's *SPI-Tek* products globally is to form alliances with strategic partners.

The Group has exclusive rights from EPI to sell *SPI-Tek* products in the Caribbean. Since 1996, the Group has used Loramark Marketing Inc., based in Barbados, as its agent in the Caribbean. Loramark accounted for approximately 24 per cent. of the Group's turnover of *SPI-Tek* products in the year ended 31 December 2000. Loramark is currently experiencing working capital difficulties though it continues to trade with the support of the Group. The Directors consider that the Group's continued support of Loramark is in the Company's best interests. The Group's net exposure to Loramark is approximately £50,000.

As described above, the Group has set up the Joint Venture in Abu Dhabi. Pursuant to the Joint Venture Agreement, the Group has entered into the Agency Agreement with Bin Hilal Enterprises Est. which gives Bin Hilal Enterprises Est. the exclusive rights to sell *SPI-Tek* and *Tuffy*[®] products in the Middle-East, including the United Arab Emirates, Saudi Arabia, Oman, Qatar, Bahrain, Kuwait, Yemen, Egypt, Lebanon and Iran.

Non-degradable products

The Group intends to maintain its position in the market for its non-degradable products, but expects that, as sales of its degradable products grow, the non-degradable products will play a lesser role in the Group's activities.

Use of proceeds

The proceeds of the Placing and Open Offer will be used:

- to finance the increased working capital demands which will be made on the Group as its degradable plastics business expands, organically or through suitable acquisitions or joint ventures;
- to invest in high calibre marketing employees who can not only communicate the technical aspects of the Group's products but who understand the issues associated with global plastic pollution and degradability;
- to invest in further product development; and
- to fund increased marketing expenses, principally in the areas of branding, advertising and public relations to promote consumer awareness of the Group's range of degradable products.

6. Financial results

The Group's results for the three years ended 31 December 2000 and the six months ended 30 June 2001, which have been extracted from the accountants' reports on the Group set out in Part IV, are as follows:

	Year ended 31 December			Six months ended
	1998	1999	2000	30 June 2001 (unaudited)
	£'000	£'000	£'000	£'000
Turnover	4,473	3,867	3,198	2,015
Gross profit	994	1,009	532	295

Operating loss	(232)	(521)	(1,492)	(749)
Loss on ordinary activities before taxation	<u>(340)</u>	<u>(523)</u>	<u>(1,551)</u>	<u>(773)</u>

The decrease in turnover over the three years ended 31 December 2000 reflects the increasingly competitive nature of the non-degradable product markets together with a shift in management focus away from the non-degradable products towards development of the *SPI-Tek* range. Within the above, sales of degradable products, being Symphony Environmental turnover, has risen year on year from £675,000 in 1998 to £779,000 in 1999, and £1,183,000 in 2000.

Margins generally reduced throughout the three year period, distorted in 1999 by a one-off sale at an exceptionally high margin. The reduction in margins has been primarily due to substantial price pressure in the construction and council markets for non-degradable products. Setting up supply lines during 2000 also affected margins as the Group was working to find the right balance between cost, supply and quality.

A significant factor contributing to the increase in loss before taxation in the year ended 31 December 1999 was a bad and doubtful debts charge of some £265,000 in that year compared with a negligible charge in the preceding year. The charge includes £101,000 relating to the write-off of product launch contributions.

The increased loss before taxation in the year ended 31 December 2000 predominantly reflected the reduced gross margin, as described above, together with an increase in overheads associated with the Group's refocusing on degradable products. The wages and salaries costs increased considerably with the recruitment of specialist sales staff to market the degradable products, replacing the less qualified staff previously used to sell those products. The focus on degradable products also led to significantly increased costs for exhibitions and promotions. In addition, in that year, the bad and doubtful debts charge increased to some £328,000. The charge includes a provision for £90,000 relating to supply of old machinery and stock in 1997 and 1998 to a Belgian group, which subsequently yielded no value.

The first six months of 2001 showed a significant turnover growth rate compared with 2000. This was wholly attributable to increased *SPI-Tek* sales. Margins stayed low during this period due primarily to absorbing some of the factory start up costs in Abu Dhabi within the transfer price, which has now been rectified.

7. Current trading

Having experienced some initial success with the supply of *SPI-Tek* products to local authorities and retailers, the Group's future success will depend on increased market penetration for these products to a level at which the costs invested in the initial development and continuing maintenance of these products are recovered.

Evidence so far in the current year, ending on 31 December 2001, suggests that the Group is continuing to achieve success in marketing its *SPI-Tek* products. Group sales to September 2001 reached £2,905,000 of which £1,495,000 was *SPI-Tek*. This compares to £3,198,000 for the whole year ended 31 December 2000 of which £1,183,000 was *SPI-Tek*. *SPI-Tek* sales in the first nine months of 2001 were therefore already 26 per cent. ahead of the whole of last year, with non-degradable product sales remaining constant. In view of the solid start to the current year and a considerable pipeline of potential new business, the Board remains confident of the Group's future prospects.

The Group continues to invest in product development and marketing and, following the Placing and Open Offer, expects to use part of the proceeds of the Placing and Open Offer to increase such investment still further.

8. Directors and senior management

Amongst the attributes of the current executive management team is considerable international manufacturing and trading experience in the plastic packaging industry. Details of the Directors, their roles and their backgrounds are as follows:

Christopher Littmoden, CBE, FCA, aged 58, Non-executive Chairman

Christopher was appointed non-executive Chairman on 16 July 2001. He has 25 years' experience of branded retailing, having worked for Marks & Spencer plc from 1974 to 1999, in a variety of commercial and financial roles, including running Marks & Spencer's North American and Canadian division. He was appointed to the main board with responsibility for finance in 1991. Since leaving Marks & Spencer in 1999, he has acted as non-executive Chairman of easier plc and chief operating officer and managing director of Systems Union plc. He is currently an adviser to the Immigration and Nationality Directorate of the Home Office and a non-executive director of Alldays plc.

Michael Laurier, aged 51, Chief Executive

Michael's career began with his long established family packaging business, Brentwood Sack and Bag Co. Limited. He took over responsibility for sales and production in the mid-1970s and changed the emphasis of the company's business from jute products to polythene packaging, introducing the then innovative high density and medium density polythene bags into the UK market in 1975. He was appointed managing director of Brentapac UK Plc, which formerly owned the *Tuffly*[®] trademark, in 1985, with continuing responsibility for national and international sales. He co-founded Symphony Plastics in 1995.

Ian Bristow, FCCA, aged 32, Finance Director

Ian was in private practice for seven years, qualifying as a certified accountant in 1992. In 1994, he joined Brentapac UK Plc until it was sold in 1994, when he co-founded Symphony Plastics.

Michael F Stephens, aged 51, Sales and Technical Director

Michael began his career with Excelsior Plastics Limited, a division of Unigate, progressing over a period of ten years from assistant production manager to sales director. Since leaving Excelsior Plastics in 1981, he worked for Sempol Products, Autobar Group and ACP Plastics (a subsidiary of S.P. Metal Group), all manufacturers of packaging films. In 1988, Michael founded Skymark Packaging International Limited, a plastic packaging manufacturing company serving the snack food, bakery, mail wrap, paper disposable markets, which he left in November 1997 to join the Group. He maintains his connections with European plastic manufacturers and has served on various committees and sector groups for the Packaging Industrial Films Association.

Keith L Frener, aged 40, Operations Director

Keith started his career with Brentwood Sack & Bag Co. Limited in 1979 and was responsible for the development of a range of innovative polythene products, mainly for the "do-it-yourself" market. Over a 16 year period, he progressed to sales manager and then sales director, before leaving to co-found Symphony in 1995.

Nirj Deva, DL, FRSA, MEP, aged 53, Non-executive Director and Deputy Chairman

A member of the European Parliament and a former MP, Nirj has held a number of senior political appointments and has advised the boards of a number of public companies including International Leisure Group Plc, Air Europe Plc, Tricentrol Oil Co. Plc, EDS, Television South West, Thomas Howell Group, John Laing Plc, and Rothmans International Plc.

The Company employs five other senior members of staff, including a warehouse manager, finance and import manager, business development manager, sales manager and a Far and Middle East production controller.

9. Capital structure

Some of the executive Directors have invested significant sums of their own money in the Group's share capital, in some cases incurring short-term bank debt to finance their investments. Accordingly, M N Laurier, I Bristow, K L Frener, M F Stephens and Laurier Investments Limited will not subscribe their entitlements under the Open Offer, which amount in aggregate to 472,548 Open Offer Shares (representing approximately 46.47 per cent. of the Open Offer Shares).

Following admission to AIM of the Open Offer Shares and assuming that none of the Directors take up their entitlements under the Open Offer, the Directors will hold 11,400,664 Ordinary Shares, equivalent to 37.07 per cent. of the ordinary issued share capital of the Company (assuming that the Placing and Open Offer is fully subscribed and that none of the warrants and options currently outstanding over the share capital of the Company is exercised). The Directors have undertaken not to dispose of their Ordinary Shares held on such admission until after the announcement of the Group's results for the year ending 31 December 2002.

The Company has issued options and warrants to subscribe approximately 4.07 million Ordinary Shares, representing approximately 13.22 per cent. of the Enlarged Issued Share Capital. A further 10 per cent. of the Company's ordinary share capital at any time will be reserved for the grant of options under the Share Option Schemes. Details of the options and warrants are set out in paragraph 1 of Part VI. Details of the Share Option Schemes are set out in paragraph 6 of Part VI.

10. Corporate governance

So far as is appropriate for a company of its size, the Directors intend to comply with the Combined Code on the Principles of Good Governance and Code of Best Practice. An audit committee and a remuneration committee each consisting of non-executive Directors have been established to take effect from admission to AIM of the existing Ordinary Shares and the new Ordinary Shares to be issued pursuant to the Placing.

11. Dividend policy

The Company will pursue a progressive dividend policy once financial targets have been met and an appropriate level of dividend cover can be maintained.

12. Risk factors

The Directors consider the following risk factors to be the most significant:

- (a) The Directors consider that the Group's manufacturing know-how used in relation to the *SPI-Tek* products is equal to or ahead of competitive technologies. Other research is, however, taking place into all aspects of degradable plastics throughout the world. Such research may generate products which are cheaper or perform more or better functions than those developed and/or sold by the Group.
- (b) Although the Directors believe that the Group's *SPI-Tek* products and services will continue to be in demand, the Group may face intense competition from various organisations that currently market, or are developing, products which compete with those which are and will be offered by the Group. Some of these competitors may have substantially greater resources than the Group. There can be no assurance that such competition will not limit the Group's ability to achieve its expectations.
- (c) Symphony Environmental has a licence from EPI relating to the supply of the TDPA additive until 19 June 2015. The terms provide that Symphony Environmental is the exclusive manufacturer in the UK, the Republic of Ireland and the United Arab Emirates of the range of products referred to in the licence, although other licensees of EPI can sell products incorporating the additive in the UK. The EPI Licence also includes minimum purchase provisions relating to the additive until 2015.

Any failure to renew the EPI Licence in 2015 or any loss of the licence, either through failure to meet the minimum purchase provisions or otherwise could ultimately have a substantially detrimental impact on the operations and profitability of the Group. Additional grants of licences to third parties could impact negatively on the ability of the Group to sell products in any territory in respect of which such licences are granted.

- (d) The Joint Venture's manufacturing facility is at a very early stage of development, and may not be completed in accordance with the proposed time scale. The Group may also not be able to sell all of the products which it may be obliged to buy from the Joint Venture's operation on commercial terms.
- (e) In the event that any distributor of the Group's products in export markets were to be unable or unwilling to continue to distribute *Spi-Tek* products there can be no guarantee that the Company would be able to replace such distributor on equivalent commercial terms, or at all.

PART IV

ACCOUNTANTS' REPORTS ON THE GROUP

A. Three years ended 31 December 2000

The following is the text of a report received from the Company's reporting accountants:



Aldwych House, 81 Aldwych
London WC2B 4HP

The Directors
Symphony Plastic Technologies plc
Elstree House
Elstree Way
Borehamwood
Hertfordshire WD6 1LE

The Directors
Peel Hunt plc
62 Threadneedle Street
London EC2A 8HP

The Directors
Canaccord Capital (Europe) Limited
Brook House
27 Upper Brook Street
London W1K 7QF

27 November 2001

SYMPHONY PLASTIC TECHNOLOGIES plc

Introduction

We report on the financial information set out below relating to Symphony Plastic Technologies plc (the "Company") and its subsidiaries, Symphony Plastics Limited, Symphony Environmental Limited and Symphony Packaging Limited (the "Group"). This financial information has been prepared in connection with the placing and open offer by the Company contained in the Prospectus dated 27 November 2001 (the "Prospectus").

Basis of preparation

The financial information set out below is based on the audited financial statements of Symphony Plastic Technologies plc and its subsidiaries for the years ended 31 December 2000 and 31 December 1999 and the audited financial statements of Symphony Plastics Limited, Symphony Environmental Limited and Symphony Packaging Limited for periods ended 31 December 1998.

The audited financial statements of the subsidiaries for the periods ending 31 December 1998 have been adjusted to reflect the results for the year then ended. Symphony Plastic Technologies plc was incorporated on 1 December 1998. These results have been consolidated as if Symphony Plastic Technologies plc had been in existence for the entire year ended 31 December 1998.

The financial statements of the Company and its subsidiaries were audited by Grant Thornton, Chartered Accountants and Registered Auditors, Aylesbury for the years ended 31 December 2000 and 31 December 1999.

The financial statements of Symphony Plastics Limited were prepared for the period from 1 November 1997 to 31 December 1998. The financial statements of Symphony Packaging Limited were prepared

for the period from 1 September 1997 to 31 December 1998. The financial statements of Symphony Environmental Limited were prepared for the year to 31 December 1998. The financial statements of the subsidiaries for the periods described above were audited by Clements Hoar Cummings, Chartered Accountants and Registered Auditors, Romford.

Responsibility

Such financial statements are the responsibility of the Directors of the Company and its subsidiaries, who approved their issue.

The Directors of the Company are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included audits of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to Symphony Plastic Technologies plc and its subsidiaries, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud, other irregularity or error.

Opinion

In our opinion, the financial information contained in this report gives, for the purposes of the Prospectus drawn up under the Public Offers of Securities Regulations 1995, a true and fair view of the state of affairs of the Company and its subsidiaries as at 31 December 2000, 31 December 1999 and 31 December 1998 and of its results and cash flows for the years then ended.

Consent

We consent to the inclusion in the Prospectus dated 27 November 2001 of this report and accept responsibility for this report for the purposes of paragraph 45 of Schedule 1 to the Public Offers of Securities Regulations 1995.

1. Profit and loss account

	Note	For the year ended 31 December		
		2000 £	1999 £	1998 £
Turnover	5.1	3,198,000	3,866,889	4,473,651
Cost of sales		(2,666,151)	(2,857,618)	(3,479,765)
Gross profit		531,849	1,009,271	993,886
Distribution costs		(104,929)	(134,235)	(176,569)
Administrative expenses		(1,918,862)	(1,396,363)	(1,049,270)
Operating loss	5.2	(1,491,942)	(521,327)	(231,953)
Exceptional item:				
Profit on sale of tangible fixed assets	5.3	—	116,355	—
Net interest	5.4	(59,519)	(118,121)	(108,390)
Loss on ordinary activities before taxation		(1,551,461)	(523,093)	(340,343)
Tax on loss on ordinary activities	5.6	—	3,328	18,415
Loss for the financial year	5.20	(1,551,461)	(519,765)	(321,928)
Basic and diluted earnings per share	5.7	(8.14)p	(3.47)p	(2.15)p

All items dealt with in arriving at operating loss relate to continuing operations.

There were no recognised gains or losses other than the loss for the financial year.

2. Balance sheet

	Note	At 31 December		
		2000 £	1999 £	1998 £
Fixed Assets				
Intangible assets	5.8	1,756,113	313,639	391,835
Tangible assets	5.9	186,704	43,723	485,785
Investments	5.10	15,525	—	—
		1,958,342	357,362	877,620
Current assets				
Stocks	5.11	454,994	319,794	492,350
Debtors	5.12	1,358,457	1,858,140	1,480,404
Cash at bank and in hand		31,052	38,231	9,529
		1,844,503	2,216,165	1,982,283
Creditors: amounts falling due within one year	5.13	(999,330)	(2,390,257)	(2,358,250)
Net current assets/(liabilities)		845,173	(174,092)	(375,967)
Total assets less current liabilities		2,803,515	183,270	501,653
Creditors: amounts falling due after more than one year	5.14	(40,181)	(49,096)	(102,227)
Provisions for liabilities and charges	5.16	—	—	(3,328)
		2,763,334	134,174	396,098
Capital and reserves				
Called up share capital	5.17	225,126	150,000	2
Share premium account	5.19	4,105,495	—	—
Merger reserve	5.18	822,539	822,539	714,696
Profit and loss account	5.20	(2,389,826)	(838,365)	(318,600)
Shareholders' funds	5.21	2,763,334	134,174	396,098

3. Cash flow statement

	Note	At 31 December		
		2000	1999	1998
		£	£	£
Net cash inflow/(outflow) from operating activities	5.25	(1,400,395)	40,457	(583,392)
Returns on investments and servicing of finance				
Interest received		7,103	677	236
Interest paid		(56,360)	(115,058)	(100,853)
Finance lease interest paid		(10,262)	(3,740)	(7,773)
Net cash outflow from returns on investments and servicing of finance		(59,519)	(118,121)	(108,390)
Taxation		—	—	—
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(108,178)	(18,625)	(92,957)
Purchase of intangible fixed assets		(31,513)	(10,842)	(317,274)
Purchase of investments		(15,525)	—	—
Sale of tangible fixed assets		—	9,312	7,325
Net cash outflow from capital expenditure and financial investment		(155,216)	(20,155)	(402,906)
Financing				
Issue of shares		2,974,846	259,000	582,500
(Repayment)/receipt of borrowings		(49,096)	(49,289)	34,718
Capital element of finance lease rentals		(123,357)	(88,008)	(44,695)
Expenses paid in connection with share issues		(294,225)	(1,159)	(9,002)
Net cash inflow from financing		2,508,168	120,544	563,521
Increase/(decrease) in cash	5.25	893,038	22,725	(531,167)

4. Accounting policies

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial information in this section A of Part IV does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information has been prepared in accordance with UK GAAP and the Group's accounting policies. The principal accounting policies of the Group are set out below.

(b) Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December. Profits or losses on intra-group transactions are eliminated in full.

The Company is entitled to the merger relief offered by section 131 of the Companies Act 1985 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Symphony Plastics Limited, on 9 December 1999. This has been accounted for under merger accounting.

(c) Turnover

Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts.

(d) Depreciation

Depreciation is calculated to write down the cost or valuation, less estimated residual value, of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Fixtures and fittings	—	20% (reducing balance)
Plant and machinery	—	20% (reducing balance)
Motor vehicles	—	25% (reducing balance)
Office equipment	—	25% (straight line)

- (e) Investments
Investments are included at cost less amounts written off.
- (f) Intangibles
Trademarks are included at cost and amortised over their useful economic life of 10 years. The licence is included at cost and amortised over its useful life of 15 years.
- (g) Stocks
Stocks are stated at the lower of cost and net realisable value.
- (h) Foreign Currencies
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.
- (i) Contributions to pension funds
Defined contribution scheme
The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.
- (j) Deferred taxation
Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.
- (k) Development costs
Development costs incurred are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with the expected sales arising from the projects. All other development costs are written off in the year of expenditure.
- (l) Leased Assets
Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.
All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.
- (m) Financial instruments
The Group uses financial instruments to manage exposures to fluctuations in interest rates.
Financial assets are recognised in the balance sheet at the lower of cost and net realisable value.
Interest payable and receivable is accrued and credited to the profit and loss account in the period to which it relates.
The Group does not use financial instruments other than cash, trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

5. Notes to the financial statements

5.1 Segmental analysis

The segmental analysis provides information on each of the two distinct activities undertaken by the Symphony Group. The major activities of each class of business are as follows:

<i>Class of business</i>	<i>Activity</i>
Degradable polythene	Manufactures and sells degradable polythene film products.
Non-degradable polythene	Manufactures and sells non-degradable polythene film products.

(a) By class of business

	<i>Degradable polythene</i>			<i>Non-degradable polythene</i>		
	<i>Turnover</i>	<i>(Loss)/profit before management charges, interest and tax</i>	<i>(Loss)/profit before interest and tax</i>	<i>Turnover</i>	<i>(Loss)/profit before management charges, interest and tax</i>	<i>(Loss)/profit before interest and tax</i>
	£	£	£	£	£	£
31 December 2000	1,182,719	(424,987)	(919,987)	2,015,281	(1,066,955)	(571,955)
31 December 1999	778,960	(100,506)	(368,978)	3,087,929	(420,821)	(152,349)
31 December 1998	674,651	171,646	(236,687)	3,799,000	(403,599)	4,734

The net assets/(liabilities) employed by class of business:

	2000	1999	1998
	£	£	£
Degradable polythene	(1,583,285)	(661,623)	(291,808)
Non-degradable polythene	4,346,619	795,797	687,906
	<u>2,763,334</u>	<u>134,174</u>	<u>396,098</u>

(b) By geographical area

	2000	1999	1998
	£	£	£
Turnover			
UK	2,402,619	3,475,183	4,237,192
Rest of Europe	429,561	218,468	192,718
Caribbean	284,212	124,218	2,293
Middle East	81,608	49,020	41,448
	<u>3,198,000</u>	<u>3,866,889</u>	<u>4,473,651</u>

5.2 *Operating loss/profit*

The loss/profit on ordinary activities is stated after:

	2000	1999	1998
	£	£	£
Auditors' remuneration:			
Audit services	20,000	11,000	15,516
Non audit services	7,900	7,200	3,334
Depreciation and amortisation:			
Intangible fixed assets	89,039	89,038	80,908
Tangible fixed assets, owned	18,466	11,568	59,209
Tangible fixed assets, held under finance leases and hire purchase contracts	7,738	1,282	55,558
Other operating lease rentals	72,094	47,292	64,950
	<u>207,234</u>	<u>167,380</u>	<u>329,473</u>

5.3 *Exceptional item*

	2000	1999	1998
	£	£	£
Profit on disposal of plant and machinery	—	116,355	—

This gain arises from the disposal of plant & machinery to the joint venture, Symphony Bin Hilal LLC. Due to losses in the year there is no tax charge arising from this gain.

5.4 Net interest

	2000	1999	1998
	£	£	£
Interest payable on bank loans and overdrafts	51,423	82,482	100,853
Finance charges in respect of finance leases	10,262	3,740	7,773
Other interest payable and similar charges	4,937	32,576	—
	<u>66,622</u>	<u>118,798</u>	<u>108,626</u>
Interest receivable and similar income	(7,103)	(677)	(236)
	<u><u>59,519</u></u>	<u><u>118,121</u></u>	<u><u>108,390</u></u>

5.5 Directors and employees

Staff costs were as follows:

	2000	1999	1998
	£	£	£
Wages and salaries	713,900	583,190	757,515
Social security costs	70,342	71,494	70,895
Other pension costs	14,011	11,954	2,687
	<u>798,253</u>	<u>666,638</u>	<u>831,097</u>
Average number of employees	<u>26</u>	<u>27</u>	<u>35</u>

Directors' remuneration

31 December 2000

	Basic Salary	Benefits	Total emoluments excluding pensions	Pensions
	£	£	£	£
Executive				
M N Laurier (appointed 4 December 1998)	94,000	1,973	95,973	2,424
I Bristow (appointed 4 December 1998)	53,616	11,677	65,293	—
M F Stephens (appointed 12 January 2000)	57,292	11,412	68,704	—
K L Frener (appointed 12 January 2000)	50,769	7,246	58,015	—
Non-executive				
Sir Christopher Benson (appointed 21 June 2000)	—	—	—	—
N J Deva (appointed 15 May 2000)	3,750	16,296	20,046	—
I S Salmon (appointed 21 June 2000)	6,000	—	6,000	—
	<u>265,427</u>	<u>48,604</u>	<u>314,031</u>	<u>2,424</u>

Sir Christopher Benson retired on 9 March 2001. I S Salmon retired on 20 July 2001.

31 December 1999

	Basic Salary	Benefits	Total emoluments excluding pensions	Pensions
	£	£	£	£
Executive				
M N Laurier	80,685	3,743	84,428	2,424
I Bristow	30,385	10,575	40,960	—
M F Stephens	46,875	10,749	57,624	—
K L Frener	41,779	6,566	48,345	—
Non-executive				
N J Deva	—	11,629	11,629	—
	<u>199,724</u>	<u>43,262</u>	<u>242,986</u>	<u>2,424</u>

M F Stephens, K L Frener and N J Deva were not directors of Symphony Plastic Technologies plc during the year ended 31 December 1999. Their remuneration as directors of subsidiary companies is disclosed above.

31 December 1998

	<i>Basic Salary</i>	<i>Benefits</i>	<i>Total emoluments excluding pensions</i>	<i>Pensions</i>
	£	£	£	£
Executive				
M N Laurier	104,260	7,862	112,122	2,681
I Bristow	40,000	9,184	49,184	—
M F Stephens	62,500	9,290	71,790	—
K L Frener	48,861	6,467	55,328	—
Non-executive				
N J Deva	—	2,306	2,306	—
	<u>255,621</u>	<u>35,109</u>	<u>290,730</u>	<u>2,681</u>

Share options

The number of shares in respect of which the Company granted, or agreed to grant, options to directors were as follows:

31 December 2000

	<i>31 December 1999</i>	<i>Number of options granted during the year</i>	<i>31 December 2000</i>	<i>Exercise price</i>	<i>Date from which exercisable</i>	<i>Expiry date</i>
Sir Christopher Benson	—	175,000	175,000	80p	26/06/02	26/06/05
N J Deva	—	200,000	200,000	50p	23/06/02	23/06/05
I S Salmon	—	125,000	125,000	80p	21/06/00	21/06/05

No options were held by directors' prior to 31 December 1999.

As at 31 December 2000 the Company had agreed to grant options to I S Salmon as described above.

On 20 July 2001 these 125,000 options were formally granted to I S Salmon at an exercise price of 60p in substitution for 80p. The options are exercisable from 23 June 2002 and expire on 23 June 2005. I S Salmon retired on 20 July 2001.

5.6 Tax on loss on ordinary activities

	<i>2000</i>	<i>1999</i>	<i>1998</i>
	£	£	£
UK corporation tax	—	—	9,123
Deferred taxation	—	3,328	9,292
	<u>—</u>	<u>3,328</u>	<u>18,415</u>

5.7 Loss per share

The calculation of basic loss per share is based on a loss for the years ended 31 December 2000: £1,551,461; 1999: £519,765 and 1998: £321,928 divided by the weighted average number of shares in issue during the years ended 31 December 2000: 19,061,380; 1999: 15,000,000 and 1998: 15,000,000. The weighted average number of shares for the year ended 31 December 1998 has been restated to ensure comparability.

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 14.

5.8 Intangible fixed assets

5.8a Development expenditure

	2000 £	1999 £	1998 £
Cost			
Brought forward	491,640	480,798	165,896
Additions	—	10,842	314,902
Carried forward	<u>491,640</u>	<u>491,640</u>	<u>480,798</u>
Amortisation			
Brought forward	182,332	93,958	13,825
Charge for the year	88,375	88,374	80,133
Carried forward	<u>270,707</u>	<u>182,332</u>	<u>93,958</u>
Net book amount	<u><u>220,933</u></u>	<u><u>309,308</u></u>	<u><u>386,840</u></u>

5.8b Licence and trademarks

	2000 £	1999 £	1998 £
Cost			
Brought forward	6,642	6,642	4,270
Additions	1,531,513	—	2,372
Carried forward	<u>1,538,155</u>	<u>6,642</u>	<u>6,642</u>
Amortisation			
Brought forward	2,311	1,647	872
Charge for the year	664	664	775
Carried forward	<u>2,975</u>	<u>2,311</u>	<u>1,647</u>
Net book amount	<u><u>1,535,180</u></u>	<u><u>4,331</u></u>	<u><u>4,995</u></u>

The additions for the year ended 31 December 2000 include a 15 year licence purchased from EPI Environmental Products Inc. for the supply of TDPA and the right to use the know-how to manufacture products using this additive. The consideration for this licence was £1,500,000, satisfied by the issue of 2,500,000 Ordinary shares in Symphony Plastic Technologies plc at an equivalent price of 60p per share.

5.8c Total

	2000 £	1999 £	1998 £
Cost			
Brought forward	498,282	487,440	170,166
Additions	1,531,513	10,842	317,274
Carried forward	<u>2,029,795</u>	<u>498,282</u>	<u>487,440</u>
Amortisation			
Brought forward	184,643	95,605	14,697
Charge for the year	89,039	89,038	80,908
Carried forward	<u>273,682</u>	<u>184,643</u>	<u>95,605</u>
Net book amount	<u><u>1,756,113</u></u>	<u><u>313,639</u></u>	<u><u>391,835</u></u>

5.9 Tangible fixed assets

5.9a Plant and machinery

	2000 £	1999 £	1998 £
Cost			
Brought forward	23,058	618,669	357,552
Additions	4,587	5,894	261,117
Disposals	—	(601,505)	—
Carried forward	<u>27,645</u>	<u>23,058</u>	<u>618,669</u>
Depreciation			
Brought forward	8,119	164,789	65,250
Charge for the year	3,142	3,740	99,539
On disposal	—	(160,410)	—
Carried forward	<u>11,261</u>	<u>8,119</u>	<u>164,789</u>
Net book value	<u><u>16,384</u></u>	<u><u>14,939</u></u>	<u><u>453,880</u></u>

The disposal of plant and machinery in 1999 relates to the cessation of manufacturing by the Group. Plant and machinery totalling £557,450 was sold to Symphony Bin Hilal LLC and is shown as a debtor. The profit on the sale of this plant and machinery has been disclosed as an exceptional item.

5.9b Motor vehicles

	2000 £	1999 £	1998 £
Cost			
Brought forward	—	17,300	26,800
Additions	73,040	—	—
Disposals	—	(17,300)	(9,500)
Carried forward	<u>73,040</u>	<u>—</u>	<u>17,300</u>
Depreciation			
Brought forward	—	11,058	7,532
Charge for the year	6,715	—	4,476
On disposal	—	(11,058)	(950)
Carried forward	<u>6,715</u>	<u>—</u>	<u>11,058</u>
Net book value	<u><u>66,325</u></u>	<u><u>—</u></u>	<u><u>6,242</u></u>

5.9c Fixtures and fittings

	2000 £	1999 £	1998 £
Cost			
Brought forward	10,042	10,042	9,972
Additions	51,892	—	70
Disposals	(4,151)	—	—
Carried forward	<u>57,783</u>	<u>10,042</u>	<u>10,042</u>
Depreciation			
Brought forward	5,199	3,988	2,668
Charge for the year	4,842	1,211	1,320
On disposal	(2,734)	—	—
Carried forward	<u>7,307</u>	<u>5,199</u>	<u>3,988</u>
Net book value	<u><u>50,476</u></u>	<u><u>4,843</u></u>	<u><u>6,054</u></u>

5.9d Office equipment

	<i>2000</i>	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Cost			
Brought forward	60,468	49,737	45,213
Additions	41,083	12,731	4,524
Disposals	—	(2,000)	—
Carried forward	<u>101,551</u>	<u>60,468</u>	<u>49,737</u>
Depreciation			
Brought forward	36,527	30,128	20,696
Charge for the year	11,505	7,899	9,432
On disposals	—	(1,500)	—
Carried forward	<u>48,032</u>	<u>36,527</u>	<u>30,128</u>
Net book value	<u><u>53,519</u></u>	<u><u>23,941</u></u>	<u><u>19,609</u></u>

5.9e Total

	<i>2000</i>	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Cost			
Brought forward	93,568	695,748	439,537
Additions	170,602	18,625	265,711
Disposals	(4,151)	(620,805)	(9,500)
Carried forward	<u>260,019</u>	<u>93,568</u>	<u>695,748</u>
Depreciation			
Brought forward	49,845	209,963	96,146
Charge for the year	26,204	12,850	114,767
On disposal	(2,734)	(172,968)	(950)
Carried forward	<u>73,315</u>	<u>49,845</u>	<u>209,963</u>
Net book value	<u><u>186,704</u></u>	<u><u>43,723</u></u>	<u><u>485,785</u></u>

The figures stated above include assets held under finance leases and similar hire purchase contracts as follows:

	<i>2000</i>	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Plant and machinery, net book value	4,091	5,114	6,396
Plant and machinery, depreciation charge in year	1,023	1,282	55,558
Motor vehicles, net book value	66,325	—	—
Motor vehicles, depreciation charge in year	<u>6,715</u>	<u>—</u>	<u>—</u>

5.10 Fixed asset investments

	2000 £	1999 £	1998 £
Other investments	15,525	—	—

At 31 December 2000 the Group and Company held more than 10 per cent. of a class of the allotted equity share capital of the following:

	<i>Country of registration and incorporation</i>	<i>Class of share capital held</i>	<i>Proportion held by Group</i>	<i>Nature of business</i>
Symphony Plastics Limited	England & Wales	Ordinary	100%	Supply of polythene products
Symphony Packaging Limited*	England & Wales	Ordinary	100%	Dormant
Symphony Environmental Limited*	England & Wales	Ordinary	100%	Supply of environmental polythene

* 100 per cent. owned by Symphony Plastics Limited

All of the subsidiary undertakings have been consolidated in the Group financial statements.

The Group holds 30 per cent. in Symphony Bin Hilal LLC, a company incorporated in the United Arab Emirates, whose principal activity is the manufacture of polythene film products.

The latest audited accounts for Symphony Bin Hilal LLC are for the period to 31 December 2000. Additional disclosure is given as follows, in U.A.E. Dirhams, for the group's share of:

Fixed Assets	525,641
Current Assets	344,693
Share of Gross Assets	<u>870,334</u>
Liabilities due within one year	836,413
Liabilities due after one year	644
Share of Gross Liabilities	<u>837,057</u>
Share of Net Assets	<u>33,277</u>
Turnover	<u>213,384</u>
Loss before tax	11,723
Taxation	—
Loss after tax	<u>11,723</u>

5.11 Stocks

	2000 £	1999 £	1998 £
Raw materials and consumable stores	15,000	—	—
Stocks	439,994	319,794	492,350
	<u>454,994</u>	<u>319,794</u>	<u>492,350</u>

5.12 Debtors

	2000 £	1999 £	1998 £
Trade debtors	1,205,406	931,042	1,056,140
Other debtors	93,155	895,128	404,264
Prepayments and accrued income	59,896	31,970	20,000
	<u>1,358,457</u>	<u>1,858,140</u>	<u>1,480,404</u>

5.13 Creditors: amounts falling due within one year

	2000	1999	1998
	£	£	£
Bank loans and overdrafts	231,915	1,132,132	1,126,155
Trade creditors	609,868	939,208	797,109
Other taxation and social security	59,060	153,292	164,711
Other creditors	2,516	27,731	44,362
Accruals and deferred income	76,691	17,500	21,353
Amounts due under finance leases	19,280	120,394	204,560
	<u>999,330</u>	<u>2,390,257</u>	<u>2,358,250</u>

The bank loans and overdrafts are secured by fixed charge over the Group's fixed assets and a floating charge over the Group's debtors.

5.14 Creditors: amounts falling due after more than one year

	2000	1999	1998
	£	£	£
Bank loans	—	49,096	76,385
Other loans	—	—	22,000
Amounts due under finance leases	40,181	—	3,842
	<u>40,181</u>	<u>49,096</u>	<u>102,227</u>

5.15 Borrowings

Borrowings are repayable as follows:

	2000	1999	1998
	£	£	£
Within one year			
Bank and other borrowings	231,915	1,132,132	1,126,155
Finance leases	19,280	120,384	204,560
After one year and within two years			
Bank and other borrowings	—	14,267	27,289
Finance leases	20,689	—	3,842
After two and within five years			
Bank and other borrowings	—	34,829	49,096
Finance leases	19,492	—	—
	<u>291,376</u>	<u>1,301,612</u>	<u>1,410,942</u>

5.16 Provisions for liabilities and charges

	2000	1999	1998
	£	£	£
Deferred taxation			
Brought forward	—	3,328	12,620
Released in year	—	(3,328)	(9,292)
Carried forward	<u>—</u>	<u>—</u>	<u>3,328</u>

The deferred taxation is the result of accelerated capital allowances.

5.17 Share capital

	2000		1999		1998	
	Authorised Number	Issued £	Authorised Number	Issued £	Authorised Number	Issued £
Ordinary 1p (1998 : £1) shares						
Authorised	<u>50,000,000</u>		<u>50,000,000</u>		<u>1,000</u>	
Allotted, called up and fully paid		<u>225,126</u>		<u>150,000</u>		<u>2</u>

Allotments during the period:

Year ended 31 December 2000

The Company made an allotment of 1,498,000 Ordinary shares of 1p each fully paid at 40p per share by way of an Investment Advertisement. The Company allotted a further 250,000 Ordinary shares of 1p each fully paid at 40p per share, 250,000 Ordinary shares of 1p each fully paid at 50p per share, 2,712,500 Ordinary shares of 1p each fully paid at 60p per share and 276,669 Ordinary shares of 1p each fully paid at par under the terms of a warrant deed dated 14 October 1999. Of the 2,712,500 Ordinary shares of 1p each fully paid at 60p each, 2,500,000 were issued in consideration for a licence fee of £1,500,000. The Company also allotted 2,525,475 Ordinary shares of 1p each fully paid on 29 June 2000 consequent to the offer for subscription by the Company at 80p per share. The difference between the total consideration of £4,474,847 and the total nominal value of £75,126 has been credited to the share premium account net of expenses of £294,226.

Year ended 31 December 1999

The Company allotted 14,999,800 shares of 1p which were issued in exchange for the entire issued share capital of Symphony Plastics Limited.

On 1 December 1999 the Company subdivided its shares into 1p shares and on the same day increased its authorised share capital from £1,000 to £500,000.

Year ended 31 December 1998

The Company issued 2 Ordinary shares of £1 each fully paid upon incorporation.

Contingent rights to the allotment of shares:

- 170,000 share options have been issued at 60p per share, exercisable up to 19 June 2005;
- 200,000 share options have been issued at 50p per share, exercisable between 23 June 2002 and 23 June 2005;
- 121,000 share options have been issued at 60p per share, exercisable between 23 June 2002 and 23 June 2005;
- 175,000 share options have been issued at 80p per share, exercisable between 26 June 2002 and 26 June 2005;
- 100,000 share options have been issued at 160p per share, exercisable up to 12 June 2003;
- 325,000 share options have been issued at 25p per share, exercisable up to 30 October 2003;
- 1,126,695 warrants have been issued at 80p per share, exercisable up to 27 June 2004 (of these warrants, 10,000 were exercised on 14 September 2000);
- 125,000 options to be granted at 60p per share, exercisable between 23 June 2002 and 23 June 2005; and
- 1,165,333 warrants issued at 60p per share, exercisable up to 25 August 2002.

No other warrants or options were exercised during the period other than disclosed above.

K Omprasadham, a director of a subsidiary company, holds 166,666 warrants at 60p per share exercisable up to 25 August 2002.

5.18 Merger reserve

	<i>2000</i>	<i>1999</i>	<i>1998</i>
	£	£	£
Brought forward	822,539	714,696	179,998
Movement in year	—	107,843	534,698
Carried forward	<u>822,539</u>	<u>822,539</u>	<u>714,696</u>

5.19 Share premium account

	<i>2000</i>	<i>1999</i>	<i>1998</i>
	£	£	£
Brought forward	—	—	—
Premium on allotment in year, net of expenses	4,105,495	—	—
Carried forward	<u>4,105,495</u>	<u>—</u>	<u>—</u>

5.20 Profit and loss account

	2000 £	1999 £	1998 £
Brought forward	(838,365)	(318,600)	(35,472)
Loss for the year	(1,551,461)	(519,765)	(283,128)
Carried forward	<u>(2,389,826)</u>	<u>(838,365)</u>	<u>(318,600)</u>

5.21 Reconciliation of movement in shareholders' funds

	2000 £	1999 £	1998 £
Loss for the year	(1,551,461)	(519,765)	(321,928)
Issue of shares	4,180,621	257,841	573,498
Net increase/(decrease) in shareholders' funds	2,629,160	(261,924)	251,570
Shareholders' funds brought forward	134,174	396,098	144,528
Shareholders' funds carried forward	<u>2,763,334</u>	<u>134,174</u>	<u>396,098</u>

5.22 Leasing commitments

At 31 December Symphony Plastic Technologies plc had annual commitments under operating leases as follows:

	2000 £	1999 £	1998 £
Land and buildings			
Expiry Date:			
In one year or less	11,500	—	—
Between one and five years	54,800	—	—
	<u>66,300</u>	<u>—</u>	<u>—</u>
	2000 £	1999 £	1998 £
Other			
Expiry Date:			
In one year or less	17,838	13,603	76,040
Between one and five years	23,235	31,639	87,685
	<u>41,073</u>	<u>45,242</u>	<u>163,725</u>

5.23 Parent undertakings and controlling parties

The Company was under the control of the Laurier family during the period under review.

5.24 Transactions with related parties

Mr H Janssens

Name of connected person	Amount outstanding as at 31 December			Interest due not paid £
	2000 £	1999 £	1998 £	
Due from: Janssens Plastics BV	<u>—</u>	<u>52,725</u>	<u>52,725</u>	<u>—</u>

Janssens Plastics BV is a company in which Mr H Janssens, a previous director of Symphony Plastics Limited who resigned on 30 May 2001, is a director. In addition, Janssens Plastics BV has options over 200,000 shares at 25p per share exercisable up to 30 October 2003.

The amount outstanding from Janssens Plastics BV at 31 December 1999 was provided for in the year. In addition the balance of trade debtors due from Janssens Plastics BV of £19,000 was provided for in the year.

The amount due as a trade debtor from Areb, a company in which Mr Janssens is a shareholder, of £20,900 has also been provided for in the year.

Mr M N Laurier, Mr I Bristow, Mr K L Frener and Mr M F Stephens

Mr M N Laurier, Mr I Bristow, Mr K L Frener and Mr M F Stephens are directors and shareholders of Laurier Investments Limited which made a loan of £37,000 to Symphony Plastics Limited in 1998, all of which was repaid in 1999.

Mr N Deva

During the year ended 31 December 2000 Symphony Environmental Limited purchased services to the value of £9,350 (1999: £20,000, 1998: £55,000) from the Policy Research Centre. Mr N Deva is a director of both entities.

Symphony Bin Hilal LLC

The following net debtor balances were outstanding with Symphony Bin Hilal LLC:

	2000 £	1999 £	1998 £
Trading balances	306,481	554,450	—

During the year ended 31 December the following goods and services were sold to/purchased from Symphony Bin Hilal:

	2000 £	1999 £	1998 £
Sales	48,000	—	—
Purchase	85,000	—	—

5.25a Reconciliation of operating loss to net cash outflow from operating activities

	2000 £	1999 £	1998 £
Operating loss net of exceptional items	(1,491,942)	(404,972)	(231,953)
Depreciation and amortisation	115,243	101,888	195,675
Loss/(profit) on sale of tangible fixed assets	1,417	(2,570)	1,225
(Increase)/decrease in stock	(135,200)	633,651	(132,354)
Decrease/(increase) in debtors	499,683	(397,736)	(475,991)
(Decrease)/increase in creditors	(389,596)	110,196	60,006
Net cash (outflow)/inflow from operating activities	(1,400,395)	40,457	(583,392)

5.25b Reconciliation of net cash flow movement to changes in net debt

	2000 £	1999 £	1998 £
Increase/(decrease) in cash in the year	893,038	22,725	(531,167)
Cash outflow/(inflow) from financing in the year	49,096	49,289	(34,718)
Cash outflow from finance leases in the year	123,357	88,008	44,695
Change in debt resulting from cashflows	1,065,491	160,022	(521,190)
Inception of finance leases	(62,424)	—	(172,754)
Movement in net debt during the year	1,003,067	160,022	(693,944)
Net debt brought forward	(1,263,391)	(1,423,413)	(729,469)
Net debt carried forward	(260,324)	(1,263,391)	(1,423,413)

5.25c Analysis of net debt

	2000 £	1999 £	1998 £
Cash at bank	31,052	38,231	9,529
Bank overdraft	(231,915)	(1,132,132)	(1,126,155)
	(200,863)	(1,093,901)	(1,116,626)
Debt	—	(49,096)	(98,385)
Finance leases	(59,461)	(120,394)	(208,402)
	(260,324)	(1,263,391)	(1,423,413)

5.25d Material non-cash transactions

During the year ended 31 December 2000 the Group acquired a licence from EPI Environmental Products Inc. for the supply of TDPA and the right to use the know-how to manufacture products using this additive. The consideration for this licence was £1,500,000, satisfied by the issue of 2,500,000 Ordinary shares in Symphony Plastic Technologies plc at an equivalent price of 60p per share.

5.26 Financial instruments

The Group uses financial instruments, comprising cash, trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Executive Directors review and manage these on a regular basis.

Short-term debtors and creditors have been excluded from the following disclosures, other than the currency risk disclosures.

The Group finances its operations through a mixture of equity share capital and bank borrowings. The Group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

At 31 December the interest rate exposure of the financial liabilities was all at floating rate. The floating rate borrowings bear interest at rates based on LIBOR.

The Group 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 by overdraft facilities.

The Group has undrawn overdraft facilities at 31 December 2000: £400,000; 1999: nil and 1998: nil which expire within one year in which all conditions precedent had been met. These facilities were subject to review by the provider of the facility on 31 May 2001 and have been successfully renegotiated.

The Group operates in overseas markets and is subject to currency exposures on transactions undertaken during the year. The Group does not hedge any transactions, and foreign exchange differences on retranslation of foreign assets and liabilities are taken to the profit and loss account of the group companies and the Group.

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 Group at the balance sheet date.

5.27 Capital commitments

The Group has no capital commitments during the period under review.

5.28 Directors' interests in shares

The interests of the Directors and their families in the shares of the Company as at 31 December 2000, 31 December 1999, 31 December 1998 or on appointment were as follows:

	2000	1999	1998
N J Deva (appointed 15 May 2000)	17,500	—	—
M N Laurier (appointed 4 December 1998)	8,528,142	8,596,892	—
I Bristow (appointed 4 December 1998)	724,639	693,389	—
M F Stephens (appointed 12 January 2000)	792,198	760,948	—
K L Frener (appointed 12 January 2000)	1,071,185	1,039,935	—
I S Salmon (appointed 21 June 2000)	10,000	—	—
Sir Christopher Benson (appointed 21 June 2000)	100,000	—	—
	<u> </u>	<u> </u>	<u> </u>

Sir Christopher Benson resigned on 9 March 2001. I S Salmon retired on 20 July 2001.

5.29 Contingent liabilities

There is a cross guarantee between Symphony Plastic Technologies plc, Symphony Plastics Limited, Symphony Environmental Limited and Symphony Packaging Limited over part of the Group's overdraft facility. At 31 December 2000 the Group had guaranteed £345,489.

5.30 Post balance sheet events

Since the financial year-end the following share issues have been made:

<i>Date</i>	<i>Issue price</i> <i>p</i>	<i>No of</i> <i>shares</i>	<i>Nominal</i> <i>value</i>	<i>Share</i> <i>premium</i> <i>£</i>
6 June 2001	59	85,000	850	49,300
23 May 2001	50	600,000	6,000	294,000
11 July 2001	60	42,000	420	24,780

Loan stock

On 1 June 2001 the Company issued £241,999.80 zero coupon Unsecured Convertible Loan Stock at an issue price of £220,000 to Mr Vincent HaverBeke, Belgium. The Loan Stock is divided into 403,333 units of 60p each and can be converted into ordinary shares of 1p each at a rate of one ordinary share per unit of loan stock, at the option of the holder, at any time prior to 1 October 2001. The Loan Stock may be redeemed by Symphony Plastic Technologies plc at par at any point prior to 1 October 2001 by giving one month's notice, or at 1 October 2001 if not converted. The Loan Stock is not transferable.

Board changes

On 16 July 2001 Christopher Littmoden was appointed to the board as non-executive Chairman. On 10 July 2001 Tikva Shobrook was appointed to the board as an executive director. I S Salmon retired from the board on 20 July 2001. Tikva Shobrook retired from the board on 2 August 2001.

Yours faithfully

CLB Corporate Finance LLP

Chartered Accountants
Registered Auditors

B. Six months ended 30 June 2001

The following is the text of a report received from the Company's reporting accountants:



Aldwych House, 81 Aldwych
London WC2B 4HP

The Directors
Symphony Plastic Technologies plc
Elstree House
Elstree Way
Borehamwood
Hertfordshire WD6 1LS

The Directors
Peel Hunt plc
62 Threadneedle Street
London EC2R 8HP

The Directors
Canaccord Capital (Europe) Limited
Brook House
27 Upper Brook Street
London W1K 7QF

27 November 2001

SYMPHONY PLASTIC TECHNOLOGIES plc

Introduction

We report on the unaudited financial information set out below relating to Symphony Plastic Technologies plc (the "Company") and its subsidiaries, Symphony Plastics Limited, Symphony Environmental Limited and Symphony Packaging Limited (the "Group"). This financial information has been prepared in connection with the placing and open offer by the Company contained in the Prospectus dated 27 November (the "Prospectus").

Basis of preparation

The consolidated financial information set out below has been extracted from financial records of the Company for the 6 month period ended 30 June 2001 and from the financial records of Symphony Plastics Limited, Symphony Environmental Limited and Symphony Packaging Limited for the 6 month period ended 30 June 2001, no adjustments being considered necessary. No audited financial statements have been prepared for submission to members in respect of any period since 31 December 2000.

Responsibility

The financial statements are the responsibility of the Directors of the Company and its subsidiaries, who approved their issue.

The Directors of the Company are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the

amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to Symphony Plastic Technologies plc and its subsidiaries, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary.

Opinion

In our opinion, the financial information contained in this report, for the purposes of the Prospectus drawn up under the Public Offers of Securities Regulations 1995, has been properly prepared in accordance with the accounting provisions of the Companies Act 1985 that would have applied had the financial statements been statutory accounts, except that consolidated figures only have been presented and no comparative figures have been presented.

Consent

We consent to the inclusion in the Prospectus dated 27 November 2001 of this report and accept responsibility for this report for the purposes of paragraph 45 of Schedule 1 to the Public Offers of Securities Regulations 1995.

1. Profit and Loss Account

	<i>Note</i>	<i>For the period ended 30 June 2001</i> £
Turnover	5.1	2,015,287
Cost of sales		<u>(1,720,194)</u>
Gross profit		295,093
Distribution costs		(58,680)
Administrative expenses		<u>(985,068)</u>
Operating loss	5.2	(748,655)
Net interest	5.4	<u>(24,611)</u>
Loss on ordinary activities before taxation		(773,266)
Tax on loss on ordinary activities	5.6	<u>—</u>
Loss for the financial period	5.20	<u>(773,266)</u>
Basic and diluted earnings per share	5.7	(3.41)p

All items dealt with in arriving at operating loss relate to continuing operations.

There were no recognised gains or losses other than the loss for the financial period.

2. Balance Sheet

	<i>Note</i>	<i>At 30 June 2001</i> £
Fixed Assets		
Intangible assets	5.8	1,660,544
Tangible assets	5.9	192,277
Investments	5.10	<u>15,525</u>
		1,868,346
Current Assets		
Stocks	5.11	406,833
Debtors	5.12	1,424,673
Cash at bank and in hand		<u>14</u>
		1,831,520
Creditors: amounts falling due within one year	5.13	<u>(1,299,420)</u>
Net current assets		532,100
Total assets less current liabilities		2,400,446
Creditors: amounts falling due after more than one year	5.14	(68,983)
Provisions for liabilities and charges	5.16	<u>—</u>
		<u>2,331,463</u>
Capital and reserves		
Called up share capital	5.17	231,976
Share premium account	5.18	4,440,040
Merger reserve	5.19	822,539
Profit and loss account	5.20	<u>(3,163,092)</u>
Shareholders' funds	5.21	<u>2,331,463</u>

3. Cash Flow Statement

	At 30 June 2001
Note	£
Net cash outflow from operating activities	
Returns on investments and servicing of finance	
Interest paid	(19,621)
Finance lease interest paid	(4,995)
Interest received	5
Net cash outflow from returns on investments and servicing of finance	<u>(24,611)</u>
Taxation	—
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(31,193)
Net cash outflow from capital expenditure and financial investment	<u>(31,193)</u>
Financing	
Issue of shares	350,150
Receipt of borrowings	220,000
Capital element of finance lease rentals	(26,803)
Inception of new finance leases	80,363
Expenses paid in connection with share issue	(8,755)
Net cash inflow from financing	<u>614,955</u>
Decrease in cash	5.25 <u><u>(165,341)</u></u>

4. Accounting Policies

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial information in this section B of Part IV does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information has been prepared in accordance with UK GAAP and the Group's accounting policies. The principal accounting policies of the Group are set out below.

(b) Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 30 June. Profits or losses on intra-group transactions are eliminated in full.

The Company is entitled to the merger relief offered by section 131 of the Companies Act 1985 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Symphony Plastics Limited, on 9 December 1999. This has been accounted for under merger accounting.

(c) Turnover

Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts.

(d) Depreciation

Depreciation is calculated to write down the cost or valuation, less estimated residual value, of all tangible fixed assets over their expected useful lives. The rates generally applicable are:-

Fixtures and fittings	—	20% (reducing balance)
Plant and machinery	—	20% (reducing balance)
Motor vehicles	—	25% (reducing balance)
Office equipment	—	25% (straight line)

(e) Investments

Investments are included at cost less amounts written off.

- (f) **Intangibles**
Trademarks are included at cost and amortised over their useful economic life of 10 years. The licence is included at cost and amortised over its useful life of 15 years.
- (g) **Stocks**
Stocks are stated at the lower of cost and net realisable value.
- (h) **Foreign Currencies**
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.
- (i) **Contributions to pension funds**
Defined contribution scheme
The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.
- (j) **Deferred taxation**
Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.
- (k) **Development costs**
Development costs incurred are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with the expected sales arising from the projects. All other development costs are written off in the year of expenditure.
- (l) **Leased Assets**
Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.
- (m) **Financial instruments**
The Group uses financial instruments to manage exposures to fluctuations in interest rates.
Financial assets are recognised in the balance sheet at the lower of cost and net realisable value.
Interest payable and receivable is accrued and credited to the profit and loss account in the period to which it relates.

The Group uses financial instruments such as cash, trade debtors and trade creditors that arise directly from its operations. The Group has also issued convertible loan notes. The main purpose of these financial instruments is to raise finance for the Group's operations.

5. Notes to the Financial Statements

5.1 Segmental analysis

The segmental analysis provides information on each of the two distinct activities undertaken by the Symphony Group. The major activities of each class of business are as follows:

<i>Class of business</i>	<i>Activity</i>
Degradable polythene	Manufactures and sells degradable polythene film products.
Non-degradable polythene	Manufactures and sells non-degradable polythene film products.

(a) By class of business

	<i>Degradable polythene</i>			<i>Non-degradable polythene</i>		
	<i>Turnover</i>	<i>Loss before management charges, interest and tax</i>	<i>Loss before interest and tax</i>	<i>Turnover</i>	<i>Loss before management charges, interest and tax</i>	<i>Loss before interest and tax</i>
	£	£	£	£	£	£
30 June 2001	<u>1,026,023</u>	<u>(133,729)</u>	<u>(383,729)</u>	<u>989,264</u>	<u>(614,926)</u>	<u>(364,926)</u>

The net assets/(liabilities) employed by class of business:

	<i>2001</i>
	£
Degradable polythene	(1,967,013)
Non-degradable polythene	4,298,476
	<u>2,331,463</u>

(b) By geographical area

	<i>2001</i>
	£
Turnover	
UK	1,490,511
Rest of Europe	354,711
Caribbean	125,970
Middle East	44,095
	<u>2,015,287</u>

5.2 *Operating loss/profit*

The loss/profit on ordinary activities is stated after:

	<i>2001</i>
	£
Auditors' remuneration:	
Audit services	12,500
Non audit services	1,986
Depreciation and amortisation:	
Intangible fixed assets	95,569
Tangible fixed assets, owned	9,957
Tangible fixed assets, held under finance leases and hire purchase contracts	15,663
Other operating lease rentals	99,338
	<u>244,913</u>

5.3 *Exceptional item*

There were no exceptional items within the period.

5.4 *Net interest*

	<i>2001</i>
	£
Interest payable on bank loans and overdrafts	18,246
Finance charges in respect of finance leases	4,995
Other interest payable and similar charges	1,375
	<u>24,616</u>
Interest receivable and similar income	(5)
	<u>24,611</u>

5.5 Directors and employees

Staff costs were as follows:

	2001 £
Wages and salaries	444,503
Social security costs	44,905
Other pension costs	1,212
	<u>490,620</u>
Average number of employees	<u>32</u>

Directors' remuneration

30 June 2001

	Basic Salary £	Benefits £	Total emoluments excluding pensions £	Pensions £
Executive				
MN Laurier	50,177	—	50,177	1,212
I Bristow	27,147	5,839	32,986	—
MF Stephens	27,500	5,656	33,156	—
KL Frener	27,147	3,623	30,770	—
Non-executive				
Sir Christopher Benson	—	—	—	—
NJ Deva	3,750	8,148	11,898	—
IS Salmon	6,000	—	6,000	—
	<u>141,721</u>	<u>23,266</u>	<u>164,987</u>	<u>1,212</u>

Sir Christopher Benson resigned on 9 March 2001. I S Salmon retired on 20 July 2001.

Share options

The number of shares in respect of which the Company granted, or agreed to grant, options to directors were as follows:

30 June 2001

	31 December 2000	Number of options granted during the period	30 June 2001	Exercise price	Date from which exercisable	Expiry date
Sir Christopher Benson	175,000	—	175,000	80p	26/06/02	26/06/05
NJ Deva	200,000	—	200,000	50p	23/06/02	23/06/05
IS Salmon	125,000	—	125,000	80p	21/06/00	21/06/05

As at 30 June 2001 the Company had agreed to grant options to I S Salmon as described above.

On 20 July 2001 these 125,000 options were formally granted to I S Salmon at an exercise price of 60p in substitution for 80p. The options are exercisable from 23 June 2002 and expire on 23 June 2005. I S Salmon retired on 20 July 2001.

5.6 Tax on loss on ordinary activities

	2001 £
UK Corporation Tax	—
Deferred Taxation	—
	<u>—</u>

5.7 Loss per share

The calculation of basic loss per share is based on a loss of £773,266 divided by the weighted average number of shares in issue during the period of 22,649,882.

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 14.

5.8 Intangible fixed assets

5.8a Development expenditure

	2001 £
Cost	
Brought forward	491,640
Additions	—
Carried forward	<u>491,640</u>
Amortisation	
Brought forward	270,707
Charge for the period	44,187
Carried forward	<u>314,894</u>
Net book amount	<u><u>176,746</u></u>

5.8b Licence and trademarks

	2001 £
Cost	
Brought forward	1,538,155
Additions	—
Carried forward	<u>1,538,155</u>
Amortisation	
Brought forward	2,975
Charge for the period	51,382
Carried forward	<u>54,357</u>
Net book amount	<u><u>1,483,798</u></u>

5.8c Total

	2001 £
Cost	
Brought forward	2,029,795
Additions	—
Carried forward	<u>2,029,795</u>
Amortisation	
Brought forward	273,682
Charge for the period	95,569
Carried forward	<u>369,251</u>
Net book amount	<u><u>1,660,544</u></u>

5.9 Tangible fixed assets

5.9a Plant & machinery

	2001 £
Cost	
Brought forward	27,645
Additions	593
Carried forward	<u>28,238</u>
Depreciation	
Brought forward	11,261
Charge for the period	1,658
Carried forward	<u>12,919</u>
Net book value	<u><u>15,319</u></u>

5.9b Motor vehicles

	2001 £
Cost	
Brought forward	73,040
Additions	20,782
Carried forward	<u>93,822</u>
Depreciation	
Brought forward	6,715
Charge for the period	9,590
Carried forward	<u>16,305</u>
Net book value	<u><u>77,517</u></u>

5.9c Fixtures & fittings

	2001 £
Cost	
Brought forward	57,783
Additions	8,707
Carried forward	<u>66,490</u>
Depreciation	
Brought forward	7,307
Charge for the period	5,952
Carried forward	<u>13,259</u>
Net book value	<u><u>53,231</u></u>

5.9d Office equipment

	2001 £
Cost	
Brought forward	101,551
Additions	1,111
Carried forward	<u>102,662</u>
Depreciation	
Brought forward	48,032
Charge for the period	8,420
Carried forward	<u>56,452</u>
Net book value	<u><u>46,210</u></u>

5.9e Total

	2001 £
Cost	
Brought forward	260,019
Additions	31,193
Carried forward	<u>291,212</u>
Depreciation	
Brought forward	73,315
Charge for the period	25,620
Carried forward	<u>98,935</u>
Net book value	<u><u>192,277</u></u>

The figures stated above include assets held under finance leases and similar hire purchase contracts as follows:

	2001 £
Plant & machinery, net book value	3,682
Plant & machinery, depreciation charge in period	409
Office equipment, net book value	50,702
Office equipment, depreciation charge in period	5,665
Motor vehicles, net book value	16,304
Motor vehicles, depreciation charge in period	9,589

5.10 Fixed asset investments

	2001 £
Other investments	<u><u>15,525</u></u>

At 30 June 2001 the Group and Company held more than 10% of a class of the allotted equity share capital of the following:

<i>Nature of business</i>	<i>Country of registration and incorporation</i>	<i>Class of share capital held</i>	<i>Proportion held by Group</i>
Symphony Plastics Ltd Supply of polythene products	England & Wales	Ordinary	100%
Symphony Packaging Ltd* Dormant	England & Wales	Ordinary	100%
Symphony Environmental Ltd Supply of environmental polythene	England & Wales	Ordinary	100%

* 100% owned by Symphony Plastics Limited.

All of the subsidiary undertakings have been consolidated in the Group financial statements. In addition the group held 30% in Symphony Bin Hilal LLC, a company incorporated in United Arab Emirates.

The latest audited accounts for Symphony Bin Hilal LLC are for the period to 31 December 2000. Additional disclosure is given as follows, in U.A.E. Dirhams, for the Group's share of:

Fixed Assets	525,641
Current Assets	344,693
Share of Gross Assets	<u>870,334</u>
Liabilities due within one year	836,413
Liabilities due after one year	644
Share of Gross Liabilities	<u>837,057</u>
Share of Net Assets	<u>33,277</u>
Turnover	<u>213,384</u>
Loss before tax	11,723
Taxation	—
Loss after tax	<u>11,723</u>

5.11 Stocks

	2001
	£
Raw materials and consumable stores	96,247
Stocks	<u>310,586</u>
	<u>406,833</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

5.12 Debtors

	2001
	£
Trade debtors	1,317,092
Other debtors	10,309
Prepayments and accrued income	97,272
	<u>1,424,673</u>

5.13 Creditors: amounts falling due within one year

	2001
	£
Loan notes	220,000
Bank loans and overdrafts	366,218
Trade creditors	555,490
Other taxation and social security	80,599
Other creditors	3,160
Accruals and deferred income	29,915
Amounts due under finance leases	44,038
	<u>1,299,420</u>

The bank loans and overdrafts are secured by fixed charge over the Group's fixed assets and a floating charge over the Group's debtors.

On 1 June 2001 the Company issued £241,999.80 zero coupon unsecured convertible loan stock at an issue price of £220,000. The loan stock had the right to convert into ordinary share capital of Symphony Plastic Technologies plc at any time prior to 1 October 2001. After this date the loan stock is redeemable. As permitted by FRS 4 the discount accrued to 30 June 2001 is included within accruals.

5.14 *Creditors: amounts falling due after more than one year*

	2001 £
Amounts due under finance leases	68,983

5.15 *Borrowings*

Borrowings are repayable as follows:

	2001 £
Within one year	
Bank and other borrowings	586,218
Finance leases	44,038
After one year and within two years	
Bank and other borrowings	—
Finance leases	49,235
After two and within five years	
Bank and other borrowings	—
Finance leases	19,748
	<u>699,239</u>

5.16 *Provisions for liabilities and charges*

There are no provisions for liabilities and charges

5.17 *Share Capital*

	2001 Authorised Number	Issued £
Ordinary 1p shares		
Authorised	50,000,000	
Allotted, called up & fully paid	<u>23,197,644</u>	<u>231,976</u>

Allotments during the period:

<i>Issue Date</i>	<i>Issue price</i> p	<i>No of</i> <i>shares</i>	<i>Nominal</i> <i>value</i> £	<i>Share</i> <i>premium</i> £
23 May 2001	50p	600,000	6,000	294,000
6 June 2001	59p	85,000	850	49,300

5.18 *Merger reserve*

	2001 £
Brought forward	822,539
Movement in period	—
Carried forward	<u>822,539</u>

5.19 *Share premium account*

	2001 £
Brought forward	4,105,495
Premium on allotment in period, net of expenses	334,545
Carried forward	<u>4,440,040</u>

5.20 Profit and loss account

	2001 £
Brought forward	(2,389,826)
Loss for the period	(773,266)
Carried forward	<u>(3,163,092)</u>

5.21 Reconciliation of movement in shareholders' funds

	2001 £
Loss for the period	(773,266)
Issue of shares	341,395
Net decrease in shareholders' funds	<u>(431,871)</u>
Shareholders' funds brought forward	2,763,334
Shareholders' funds carried forward	<u>2,331,463</u>

5.22 Leasing commitments

At 30 June 2001 Symphony Plastic Technologies plc had annual commitments under operating leases as follows:

	2001 £
Land & buildings	
Expiry Date:	
In one year or less	—
Between one and five years	77,800
	<u>77,800</u>
	<u>77,800</u>
	2001 £
Other	
Expiry Date:	
In one year or less	7,691
Between one and five years	19,420
	<u>27,111</u>

5.23 Parent undertakings and controlling parties

The Company was under the control of the Laurier family during the period under review.

5.24 Transactions with related parties

Symphony Bin Hilal LLC

The following net debtor balance was outstanding with Symphony Bin Hilal LLC:

	2001 £
Trading balances	<u>359,937</u>

During the period ended 30 June the following goods and services were sold to/purchased from Symphony Bin Hilal:

	2001
Sales	44,095
Purchase	<u>335,191</u>

5.25a Reconciliation of operating loss to net cash outflow from operating activities

	2001
	£
Operating loss	(748,655)
Depreciation and amortisation	121,189
Decrease in stock	48,161
Increase in debtors	(66,216)
Increase in creditors	(78,971)
Net cash outflow from operating activities	<u>(724,492)</u>

5.25b Reconciliation of net cash flow movement to changes in net debt

	2001
	£
Decrease in cash in the period	(165,341)
Cash inflow from financing in the period	(220,000)
Cash outflow from finance leases in the period	26,803
Change in debt resulting from cashflows	(358,538)
Inception of finance leases	(80,363)
Movement in net debt during the period	(438,901)
Net debt brought forward	(260,324)
Net debt carried forward	<u>(699,225)</u>

5.25c Analysis of net debt

	2001
	£
Cash at bank	14
Bank overdraft	(366,218)
	<u>(366,204)</u>
Debt	(220,000)
Finance leases	(113,021)
	<u>(699,225)</u>

5.26 Financial instruments

The Group uses financial instruments, comprising cash, trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Executive Directors review and manage these on a regular basis.

Short term debtors and creditors have been excluded from the following disclosures, apart from the currency risk disclosures.

The Group finances its operations through a mixture of convertible loan notes, equity share capital and bank borrowings. The Group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

At 30 June 2001 the interest rate exposure of the financial liabilities was at floating rate in respect of bank borrowings and fixed interest and discount in respect of convertible loan notes. The floating rate borrowings bear interest at rates based on LIBOR.

The Group 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 by overdraft facilities.

The Group has undrawn overdraft facilities at 30 June 2001: £33,782, which expire within one year in which all conditions precedent had been met. These facilities were subject to review by the provider of the facility and have been successfully renegotiated. The facility is next subject to renegotiation by 31 January 2002.

The Group operates in overseas markets and is subject to currency exposures on transactions undertaken during the year. The Group does not hedge any transactions, and foreign exchange differences on retranslation of foreign assets and liabilities are taken to the profit and loss account of the group companies and the Group.

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 Group at the balance sheet date.

5.27 Capital commitments

The Group has no capital commitments during the period under review.

5.28 Directors' interests in shares

The interests of the Directors and their families in the shares of the Company as at 30 June 2001, or on appointment were as follows:

	2001
NJ Deva	17,500
MN Laurier	8,528,142
I Bristow	724,639
MF Stephens	792,198
KL Frener	1,071,185
IS Salmon	<u>10,000</u>

I S Salmon retired on 20 July 2001.

5.29 Contingent liabilities

There is a cross guarantee between Symphony Plastic Technologies plc, Symphony Plastics Limited, Symphony Environmental Limited and Symphony Packaging Limited over part of the Group's overdraft facility. At 30 June 2001 the Group had guaranteed £326,136.

5.30 Post balance sheet events

Since the financial period-end the following share issues have been made:

<i>Date</i>	<i>Issue price</i> <i>p</i>	<i>No of</i> <i>shares</i>	<i>Nominal</i> <i>value</i>	<i>Share</i> <i>premium</i> <i>£</i>
11 July 2001	60	42,000	420	24,780

Board changes

On 16 July 2001 Christopher Littmoden was appointed to the board as non-executive Chairman. On 10 July 2001 Tikva Shobrook was appointed to the board as an executive director and retired on 2 August 2001. I S Salmon retired on 20 July 2001.

Yours faithfully

CLB Corporate Finance LLP

Chartered Accountants
Registered Auditors

PART V

PRO FORMA STATEMENT OF NET ASSETS

The following unaudited pro forma statement of net assets of the Group has been prepared in order to illustrate how the net assets as at 30 June 2001 might have been affected had the Placing and Open Offer been completed on that date. It has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Group. It is computed in accordance with the notes set out below.

	<i>As at 30 June 2001⁽¹⁾ £000</i>	<i>Placing and Open Offer⁽²⁾ £000</i>	<i>Combined £000</i>
Fixed assets			
Intangible	1,661		1,661
Tangible	192		192
Investments	15		15
	<u>1,868</u>		<u>1,868</u>
Current assets			
Stocks	407	—	407
Debtors	1,425		1,425
Cash at bank and in hand	—	1,765	1,765
	<u>1,832</u>	<u>1,765</u>	<u>3,597</u>
Creditors: amounts falling due within one year	<u>(1,300)</u>		<u>(1,300)</u>
Net current assets	<u>532</u>	<u>1,765</u>	<u>2,297</u>
Total assets less current liabilities	<u>2,400</u>	<u>1,765</u>	<u>4,165</u>
Creditors: amounts falling due after more than one year	<u>(69)</u>		<u>(69)</u>
Net assets	<u><u>2,331</u></u>	<u><u>1,765</u></u>	<u><u>4,096</u></u>

Notes:

1. The net assets of the Group have been extracted from the consolidated balance sheet at 30 June 2001 included in section B of Part IV.
2. This adjustment reflects the net proceeds of the Placing and Open Offer of £1.76 million (assuming that the Placing and Open Offer is fully subscribed).
3. No account has been taken of any trading of the Group subsequent to 30 June 2001.

PART VI

ADDITIONAL INFORMATION

1. The Company and its capital

(a) The Company was incorporated and registered in England and Wales as a private company limited by shares on 1 December 1998 under the Act with the name Formlist Limited and with registered number 3676824. On 11 December 1998, the Company's name was changed to *SPI-Tek* Limited. The Company re-registered as a public limited company on 5 January 2000 and on 25 February 2000 the Company's name was changed to Symphony Plastic Technologies plc. The liability of the members of the Company is limited.

(b) The authorised and issued share capital of the Company at the date of this document is as follows:

	<i>Authorised Number</i>	£	<i>Issued (fully paid) Number</i>	£
Ordinary shares of 1p each	50,000,000	500,000	23,239,644	232,396.44

As referred to in paragraph 8 below, the Company has received a claim for the issue of 31,250 Ordinary Shares and for its register of members to be amended to reflect the issue of such shares. The Company is resisting this claim and all references in this document to the Company's issued ordinary share capital and to its issued Ordinary Shares exclude the 31,250 shares for which this claim has been made.

(c) At the annual general meeting of the Company held on 9 July 2001, the Directors were generally and unconditionally authorised, in accordance with section 80 of the Act, to allot relevant securities (within the meaning of section 80(2) of the Act) up to the extent of the Company's authorised ordinary share capital as at 9 July 2001, such authority expiring on the fifth anniversary of the relevant resolution, unless revoked or renewed before that date.

(d) At the annual general meeting of the Company held on 9 July 2001, the Directors were generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) wholly for cash up to the extent of the Company's authorised ordinary share capital as at 9 July 2001 as if section 89(1) of the Act did not apply to any such allotment, such empowerment expiring at the conclusion of the annual general meeting of the Company to be held in 2002 or (if earlier) at the expiration of 15 months from the passing of the relevant resolution, unless renewed, varied or extended before that date.

The new Ordinary Shares will be issued in reliance on the authority and power described in sub-paragraphs (c) and (d).

(e) At the Extraordinary General Meeting, a resolution will be considered to increase the Company's authorised share capital from £500,000 to £600,000 by the creation of an additional 10,000,000 Ordinary Shares. That resolution will also propose that the Directors be generally and unconditionally authorised for the purposes of section 80 of the Act to allot relevant securities of an aggregate nominal value not exceeding £102,521, such authority to expire at the conclusion of the annual general meeting of the Company to be held in 2002, unless revoked or renewed before that date. Resolution 2 will also propose that the Directors be empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) as if section 89(1) of the Act did not apply to any such allotment. This power will, *inter alia*, permit the allotment for cash (otherwise than *pro rata* to existing holdings) of the authorised but unissued ordinary shares in the capital of the Company up to an aggregate nominal value of £15,378, representing approximately 5 per cent. of the Company's issued ordinary share capital following the Placing and Open Offer. This power will expire at the conclusion of the annual general meeting of the Company to be held in 2002, unless renewed, varied or extended before that date.

(f) The Company's articles of association contain no provisions as to rights of pre-emption on either the transfer, issue or allotment of shares. The provisions of section 89 of the Act (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities (within the meaning of section 94(2) of the Act) which are, or are to be, paid up in cash (other than by way of allotment to employees under an employees' share scheme (within the meaning of section 743 of the Act))) apply to the authorised but unissued share capital of the Company except to the extent that such provisions are disapplied. Such provisions have been disapplied pursuant to the resolution referred to in paragraph 1(d). This disapplication will be substituted by that contained in the resolution referred to in paragraph 1(e), if that resolution is passed at the Extraordinary General Meeting.

The Private Placing Warrants and the warrants issued to K Omprasadham confer upon the holders thereof certain rights to participate in offers or invitations made to the holders of Ordinary Shares, details of which are set out in paragraph (h) below.

- (g) Following the Placing and Open Offer (assuming that the Placing and Open Offer is fully subscribed and that none of the warrants and options currently outstanding over the share capital of the Company is exercised), the authorised and issued share capital of the Company will be as follows:

	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Ordinary shares of 1p each	60,000,000	600,000	30,756,518	307,565.18

- (h) Warrants

The Company has outstanding warrants to subscribe Ordinary Shares as follows:

	<i>No. of</i>		<i>Date warrant</i>
	<i>Ordinary Shares</i>	<i>Exercise price</i>	<i>lapses</i>
	<i>over which</i>		
	<i>warrant</i>		
	<i>exercisable</i>		
Private Placing Warrants	998,667	60p	25.8.02
K Omprasadham	166,666	60p	25.8.02
Ruegg Warrants	1,116,695	80p	27.6.04

The Private Placing Warrants were issued pursuant to a private placing of Ordinary Shares made between March and June 2000 in which 1,498,000 Ordinary Shares were issued. At the same time, warrants were issued to K Omprasadham, a director of Symphony Plastics and the Joint Venture. Under the terms and conditions of the Private Placing Warrants and the warrants granted to K Omprasadham, if the Company (or any other person) makes any offer or invitation to the holders of Ordinary Shares, provided that such warrants have not lapsed or been exercised, the Company must make or (to the extent it is able) procure that a like offer or invitation is made to the holders of such warrants as if their subscription rights had been exercised in full. Accordingly, the Private Placing Warrants and the warrants granted to K Omprasadham constitute Qualifying Warrants under the Open Offer, which is therefore extended to the holders of such warrants.

The Ruegg Warrants were issued to Ruegg & Co. Limited, the Company's financial adviser, at the time of the Company's public offer and admission to trading on OFEX. Holders of the Ruegg Warrants are not entitled to participate in the Open Offer, as the right to exercise subscription rights will only be triggered if an offer is made to acquire the whole or part of the issued share capital of the Company.

However, the terms and conditions applying to the Ruegg Warrants provide that in the event of any issue of shares or securities to Shareholders of the Company (including rights issues and capitalisations of reserves or profits) or any subdivision, consolidation or reduction of the Company's ordinary share capital, the nominal amount and the number of Ordinary Shares and/or exercise price of outstanding warrants shall be adjusted by the Board as the auditors certify is fair and reasonable (but not if it would result in the exercise price being lower than the nominal value of each Ordinary Share). The Auditors have confirmed that no such adjustment needs to be made in respect of the share issues up to the date of this document nor as a result of the Placing and Open Offer.

Pursuant to the terms and conditions governing the above warrants, copies of documents sent to holders of Ordinary Shares should also be sent to the holders of such warrants and the Company must maintain sufficient authorised but unissued share capital to issue Ordinary Shares pursuant to such warrants.

(i) Options

The Company has outstanding options to subscribe Ordinary Shares as follows:

	<i>No. of Ordinary Shares over which option exercisable</i>	<i>Option price</i>	<i>Option period</i>
D De Silva	170,000	60p	19.6.02 to 19.6.05
N Deva	200,000	50p	23.6.02 to 23.6.05
C Burns	121,000	60p	23.6.02 to 23.6.05
C Benson	175,000	80p	26.6.02 to 26.6.05
EPI	100,000	160p	12.6.00 to 12.6.03
Crosshill International Limited	86,661	25p	14.10.98 to 14.10.03 ⁽¹⁾
Janssens Plastics BVBA	138,658	25p	30.11.98 to 30.11.03 ⁽¹⁾
I Salmon	125,000	60p	23.6.02 to 23.6.05

Note:

1. These options are only exercisable on the listing of Ordinary Shares on the London Stock Exchange or another recognised stock exchange or on admission of Ordinary Shares to AIM, OFEX, EASDAQ, NASDAQ or any other trading facility.
2. In the event of C. Benson exercising his options, the Company may incur a liability to account for PAYE and national insurance for which the Company is not indemnified.
3. The options granted to I Salmon and N Deva provide that in the event of any new issues of Ordinary Shares at less than 95 per cent. of market value (a "discount"), the exercise price will be adjusted according to a formula the intended effect of which is to compensate for the discount.

Pursuant to the terms and conditions governing the above options, copies of documents sent to holders of Ordinary Shares should also be sent to the holders of such options and the Company must maintain sufficient authorised but unissued share capital to issue Ordinary Shares pursuant to such options.

Admission of the Company's share capital to AIM will result in Crosshill International Limited and Janssens Plastics BVBA (together the holders of the Flotation Options) being entitled to exercise their options.

- (j) Conditional upon admission, the Company has granted an option to Canaccord to subscribe such number of new Ordinary Shares which at a price of 30p per share is equivalent to £200,000 (being 666,666 new Ordinary Shares), such option to be capable of exercise at any time until the first anniversary of the admission to AIM of the Placing Shares. The exercise price or number of shares to be issued may be adjusted in the event of certain capital issues and reorganisations, including a capitalisation or bonus issue, *pro rata* issue (other than the Open Offer), consolidation or sub-division of capital or purchase by the Company of its own shares.
- (k) The Company also proposes, subject to Shareholder approval, to implement the Share Option Schemes, the proposed rules of which are described in paragraph 6 below. The Share Option Schemes provide for the grant of options subject to an aggregate maximum of 10 per cent. of the Company's issued ordinary share capital at any time. It is initially proposed, subject to the approval of the remuneration committee of the Board, to grant options over 1,589,363 Ordinary Shares, representing approximately 5.17 per cent. of the Company's issued ordinary share capital following the Placing and Open Offer (assuming that the Placing and Open Offer is fully subscribed and that none of the warrants and options currently outstanding over the share capital of the Company is exercised).

2. Directors

(a) Interests in Ordinary Shares

The interests of the Directors in the Ordinary Shares, all of which are beneficial, are, and, following admission to AIM of the Open Offer Shares, are expected to be (assuming that the Placing and Open Offer is fully subscribed and that none of the warrants and options currently outstanding over the share capital of the Company is exercised), as follows:

Ordinary Shares

	Current		Following admission	
	No. of Ordinary Shares	Percentage of issued share capital	No. of Ordinary Shares	Percentage of Enlarged Issued Share Capital
<i>Directors:</i>				
C Littmoden	42,000	0.18	42,000	0.14
M N Laurier	8,721,892	37.53	8,721,892	28.36
I Bristow	693,389	2.98	693,389	2.25
K L Frener	1,039,935	4.47	1,039,935	3.38
M F Stephens	760,948	3.27	760,948	2.47
N J Deva	17,500	0.08	17,500	0.06

Notes:

- In addition to their interests shown above, M N Laurier, I Bristow, K L Frener and M F Stephens are each interested in 25 per cent. of the share capital of Laurier Investments Limited, which holds 125,000 Ordinary Shares (equivalent to 0.54 per cent. of the ordinary share capital of the Company) and which, following the Placing and Open Offer (assuming that the Placing and Open Offer is fully subscribed and that none of the warrants and options currently outstanding over the share capital of the Company is exercised), will hold the same number of Ordinary Shares (equivalent to 0.41 per cent. of the Enlarged Issued Share Capital).
- M N Laurier's interest shown above includes 225,000 Ordinary Shares held for his benefit by a pension fund.

As at the date of this document, M N Laurier is interested in 37.53 per cent. of the issued share capital of the Company. Following the Placing and Open Offer (assuming that the Placing and Open Offer is fully subscribed and that none of the warrants and options currently outstanding over the share capital of the Company is exercised) his interest will be diluted to 28.36 per cent.

Options to subscribe Ordinary Shares

	Type of scheme	Date of grant	Ordinary Shares under option	Exercise Price	Exercise Dates	
					from	to
N J Deva	n/a	12/99	200,000	50p	23/6/02	23/6/05

As described in paragraph 1(k) above, the Company also proposes, subject to Shareholder approval, to implement the Share Option Schemes. Subject to the approval of the remuneration committee of the Board, the initial grants which are proposed include grants to the Directors, as follows:

	Ordinary Shares to be under option
M N Laurier	400,000
I Bristow	200,000
K L Frener	200,000
M F Stephens	200,000

(b) Directorships

The Directors currently hold the following directorships and have held the following directorships within the five years prior to the publication of this document:

C Littmoden:

Current directorships

Symphony Plastic Technologies plc; British American Business Inc. of New York and London; Maveron Equity Partners LP; Alldays plc.

Former directorships held in last five years

easier plc; Systems Union plc; Marks & Spencer plc; Food Marketing Institute of America; Northern Lights Alternatives-New York Inc; Silicon Valley plc.

M N Laurier:

Current directorships

Symphony Plastic Technologies plc; Symphony Plastics Limited; Symphony Packaging Limited; Symphony Environmental Limited; Laurier Investments Limited; Spi-Tek plc; Symphony Bin Hilal Plastics Llc.

Former directorships held in last five years

Brentwood Sack & Bag Co. Limited*; Lowestoft Sack & Bag Co. Limited*; Brentsac Enterprises Limited*; Great Yarmouth Paper & Packing Limited*.

* subsidiary undertaking of Brentapac UK plc

I Bristow:

Current directorships

Symphony Plastic Technologies plc; Symphony Plastics Limited; Symphony Packaging Limited; Symphony Environmental Limited; Laurier Investments Limited; Spi-Tek plc.

K L Frener:

Current directorships

Symphony Plastic Technologies plc; Symphony Plastics Limited; Symphony Environmental Limited; Laurier Investments Limited.

Former directorships held in last five years

E F Services Limited; Packaging Operations Limited.

M F Stephens:

Current directorships

Symphony Plastic Technologies plc; Symphony Environmental Limited; Metropoly Marketing Limited; Laurier Investments Limited.

Former directorships held in last five years

Envitek Limited; Skymark Packaging International Limited; Sky Meistertecnix Limited.

N J Deva:

Current directorships

Symphony Plastic Technologies plc; Symphony Environmental Limited; Policy Research Centre For Business Limited; Project Management (Balaton) Limited; Budget Hotels Limited; Blue Fox Executive Airline Limited; Litewave Corporation; Ceylon and Foreign Trades Limited; Waulugalle Distillers (Sri Lanka) Limited; Orient Garments (Sri Lanka) Limited; CMB Technologies Limited.

Former directorships held in last five years

Global Business Link Limited; Serendip Business Investments Limited; World Corporate Travel Buyers Club Limited.

(c) Receiverships and liquidations

M N Laurier was a director of Brentapac UK plc when an administrative receiver was appointed, in February 1995, and a winding up order was presented, in June 1995. According to the Official Receiver's report dated 16 May 1995 there was an estimated total deficiency to creditors of £1.5 million.

(d) Terms of employment

(i) On 19 June 2000, M N Laurier, I Bristow, K L Frener and M F Stephens entered into service contracts with the Company for a term of one year, automatically renewable on the same terms thereafter for additional periods of one year, terminable on six months' written notice by either party. The contracts currently entitle those Directors to salaries of £79,000, £55,000, £55,000 and £55,000 per annum respectively, medical insurance, the use of a car up to an annual cost of £15,000 and business and private petrol usage. M N Laurier, I Bristow, K L Frener and M F Stephens are entitled to pension contributions from the Company to their personal pension schemes equivalent to 10 per cent. of their salaries. In the case of M N Laurier, the Company pays £202 per month into a money purchase scheme set up by the Company for M N Laurier's benefit.

Pursuant to the terms of their contracts, each of the executive Directors referred to above is entitled to participate in the Company's Share Option Schemes, when implemented. They are also entitled to at least 25 working days' holiday with no more than two or three working weeks (depending on the Director) to be taken at any one time.

Each of the executive Directors referred to above is bound by confidentiality provisions during and after his employment with the Company and, for a period of one year after he ceases to be a Director or employee of the Company, subject to obtaining the prior written consent of the Board, he is bound by anti-competition and anti-solicitation clauses.

(ii) On 9 June 2000 and 16 July 2001 (respectively), N J Deva and C Littmoden entered into letters of appointment as non-executive Directors for an initial term of one year commencing on 12 June 2000 and 16 July 2001 respectively to continue thereafter subject to termination on three months' notice by either party.

N J Deva is entitled to £7,500 per year together with the use of a car. C Littmoden's letter of appointment entitles him to a fee of £30,000 per year.

Each of the non-executive Directors have confidentiality obligations.

N J Deva and C Littmoden have agreed to indemnify the Company in respect of any income tax, national insurance or any other contributions (including any penalties, charges or interest) required by law to be paid by the Company in relation to his directorship. In addition, they have agreed to pay such additional amount as is required to leave the Company in no worse position if any amount due to the Company is required to be paid to the Company net of tax or the Company suffers tax on its receipt.

(iii) Following the Placing and Open Offer, it is proposed, subject to the approval of the remuneration committee of the Board, that the executive Directors' salaries will be increased as follows:

	£
M N Laurier	91,000
I Bristow	68,000
K L Frener	68,000
M F Stephens	68,000

A performance related bonus scheme will also be introduced following the Placing and Open Offer. Awards under the scheme will be made by the Remuneration Committee of the Board.

(iv) Following the Placing and Open Offer it is intended, subject to the approval of the remuneration committee of the Board, that N J Deva's fee will be increased to £20,000.

The non-executive Directors will also each receive an annual fee of £2,000 for each Board committee of which they are a member.

(e) Estimate of remuneration

The aggregate of the remuneration paid and benefits in kind granted to the Directors by the Company during the financial year ended 31 December 2000 was £316,455 and the aggregate of the remuneration payable and benefits in kind to be granted by the Company to the Directors for the period ending 31 December 2001 under the arrangements in force at the date of this document is estimated to be approximately £345,000.

3. Substantial shareholders

Other than the interests of the Directors, as set out in paragraph 2(a) above, the Directors are aware of the following who, as at 26 November 2001 (being the most recent practicable date prior to the publication of this document), were interested, directly or indirectly, in 3 per cent. or more of the Company's capital:

	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
EPI	2,500,000	10.76
Mrs R Laurier	1,436,579	6.18
Crosshill International Limited	1,316,604	5.67

Notes:

1. EPI also holds options to subscribe 100,000 Ordinary Shares exercisable at any time up to 12 June 2003 at 160p per share, as set out in paragraph 1(j) above.
2. Crosshill International Limited also holds options to subscribe 86,661 Ordinary Shares exercisable at any time up to 14 October 2003 at 25p per share, as set out in paragraph 1(j) above.

4. Memorandum of Association

The Memorandum of Association provides that the Company's principal objects are to carry on the business of a general commercial company.

5. Articles of Association

The current Articles of Association contain, *inter alia*, provisions to the following effect:

(a) Voting

Subject to any special rights or restrictions as to voting attached to any shares, on a show of hands, every member who, being an individual, is present in person or, being a corporation, is present by a representative or proxy shall have one vote, and on a poll every member who, being an individual, is present in person or by proxy or, being a corporation, is present by a representative or by proxy shall have one vote for every share of which he is the holder. A member of the Company shall not, unless the Board otherwise determines, be entitled to attend and vote at a general meeting, in respect of any shares held by him, either personally or by proxy, if he or any other person appearing to be interested in such shares has failed to comply with a notice given under section 212 of the Act. The restrictions will continue until seven days after due compliance with the notice or until the shares in question are transferred in the circumstances set out in the Articles of Association or until the Board so determines.

(b) Variation of rights

The rights or privileges attached to any class of shares may be varied either with the consent in writing of the holders of three-fourths in nominal amount of the issued shares of the class, or by way of an extraordinary resolution passed at a separate general meeting of such holders. At every such separate general meeting, all the provisions relating to general meetings shall apply but the quorum for all purposes shall be the holders present in person or by proxy and entitled to vote upon the business being transacted of at least one-third of the nominal amount paid up on the shares of that class then in issue. Any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares issued with preferred or other special rights shall not be deemed to be varied by either the creation or issue of further shares ranking *pari passu* unless expressly provided for by the Articles of Association or by the terms of the issue of such shares. The special rights shall be deemed to be varied by the reduction of capital paid up on the shares and by the creation of other shares ranking in priority for payment of dividend or in respect of capital or which confer on the holders' voting rights more favourable than those conferred by the first mentioned shares.

(c) Transfer

All transfers of shares in certificated form shall be effected by an instrument in writing in any common form as the Board may approve. The form shall be signed by or on behalf of the transferor and (except in the case of a fully paid up share) the transferee. The form shall be left at the registered office of the Company or at such other place as the Board may from time to time determine. Transfers of shares in uncertificated form shall be effected by means of the relevant system concerned and in accordance with the Act and other relevant statutory provisions. Subject to the Act and other relevant statutory provisions, the transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Register of Members of the Company in respect thereof. Subject to the Act and other relevant statutory provisions, the Board may in its absolute discretion refuse to register any transfer of shares which are not fully paid up (provided that the exercise of such discretion does not prevent

dealings in the shares from taking place on an open and proper basis) or on which the Company has a lien. However, in those circumstances, the Board shall not be bound to specify the grounds on which such registration is refused. Subject to the Act and other relevant statutory provisions, the Board may also refuse to register any instrument of transfer of shares where:

- (i) in the case of shares held in uncertificated form, the instrument of transfer is not deposited at the registered office, or such other place as the Board may decide accompanied by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (ii) it is not in respect of one class of share only;
- (iii) in the case of the transfer to joint holders, they exceed four in number;
- (iv) it is in favour of a minor;
- (v) in the case of shares in certificated form, it is in favour of a bankrupt or person of unsound mind; and
- (vi) in the case of shares held in uncertificated form, the refusal is permitted by the Uncertificated Securities Regulations 1995 (SI 1995 No. 95/3272), as amended or modified from time to time, and the rules, regulations, procedures, facilities and requirements that the relevant system concerned.

(d) Winding up

The liquidator on any winding up of the Company may with the authority of an extraordinary resolution divide among the members *in specie* the whole or any part of the assets of the Company and may determine how such division shall be carried out. If any such division shall be otherwise than in accordance with the existing rights of the members, every member shall have the same right of dissent and other ancillary rights as set out in section 111 of the Insolvency Act 1986 as if such resolution were a special resolution passed in accordance with section 110 of that act. The liquidator may vest, with like authority, any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but no member shall be compelled to accept any shares or other securities which are not fully paid.

(e) Redemption

Subject to the Act and other relevant statutory provisions, any shares may be issued on terms that they are, or (at the option of the Company or the Shareholders) are liable to be, redeemed on such terms and in such manner as the Company may by special resolution determine.

(f) Dividends

The profits of the Company available for distribution and resolved to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and priorities. All dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares in respect of which the dividend is paid.

The Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company and the Board may also pay the fixed dividend payable on any shares of the Company with preferential rights half yearly or otherwise on such dates whenever such profits and the opinion of the Board justify that course.

The Board may deduct from any dividend payable to any member on or in respect of a share all sums of money (if any) presently payable to him by the Company on account of calls or otherwise in relation to shares of the Company.

All unclaimed dividends or other moneys payable on or in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. No dividend or other moneys payable in respect of a share shall bear interest against the Company. All dividends unclaimed for a period of twelve years after having been declared shall be forfeited and shall revert to the Company.

With the prior authority of an ordinary resolution of the Company, the Board may offer holders of a particular class of shares the right to elect to receive further shares of that class, credited as fully-paid, instead of cash in respect of all or any part of any dividend specified by the ordinary resolution or to forgo their entitlement to all or any part (to be determined by the Board) of any dividend declared or payable on any ordinary share held by them and to take instead fully paid bonus shares, subject to certain exclusions, restrictions or other arrangements as the Board may in its absolute discretion deem necessary in relation to compliance with legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory.

(g) Borrowing powers

Subject as set out below, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (so far, as regards the subsidiaries, as by such exercise as they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (exclusive of moneys borrowed by one member of the group from another) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to twice the adjusted share capital and consolidated reserves.

6. Terms of the Share Option Schemes

The Symphony Plastic Technologies plc Enterprise Management Incentives Scheme (the “EMI Plan”) and the Symphony Plastic Technologies plc Unapproved Share Option Scheme 2001 (the “Unapproved Share Option Scheme”) (together, the “Share Option Schemes”), will be adopted by the Company if approved by Shareholders at the Extraordinary General Meeting. The EMI Plan is designed to comply with the provisions contained in section 62 and schedule 14 of the Finance Act 2000 (the “Statutory Provisions”). The Unapproved Share Option Scheme is on the same terms as the EMI Plan subject to the differences outlined in paragraph (g) below.

The principal features of the EMI Plan are set out below.

(a) Eligible employees

The Board may offer to grant the right to subscribe for Ordinary Shares (an “Option”) to eligible employees who satisfy the requirements in the Statutory Provisions as to the commitment of working time and not having a material interest in the Company (or any group company).

It is initially proposed that Options be subject to a condition that exercise is not permitted unless the Company’s earnings per share for the year ending 31 December 2002 or any subsequent year are not less than 0.001 pence per share.

(b) Grant of Options

(i) Grants of Options are effected by entering into an option agreement (the “Option Agreement”) in consideration of payment by the option holder of £1. The grant of each Option may be subject to objective conditions and limitations imposed by the Board.

(ii) No Option shall be granted after the earlier of:

- (A) the tenth anniversary of the date that the EMI Plan is adopted by the Company; and
- (B) the Company being listed on the London Stock Exchange or otherwise quoted on or dealt in on a recognised stock exchange.

(iii) No Option shall be granted within two years of the date of which the potential option holder is bound to retire in accordance with his employment contract.

(c) Limitations on grants

(i) No Option shall be granted if immediately following such grant:

- (A) the aggregate number of Ordinary Shares issued, or liable to be issued, pursuant to Options and any other options granted under any other scheme established by the Company would then exceed 10 per cent. of the issued ordinary share capital of the Company;
- (B) the total value of Ordinary Shares in respect of which unexercised Options exists exceeds £3,000,000 or such other limit as may from time to time apply for the purposes of the Statutory Provisions;
- (C) the potential grantee would have been granted Options which would cause the aggregate market value of Ordinary Shares which he would acquire pursuant to the unexercised Options to exceed £100,000 or such other limit as may apply from time to time for the purposes of the Statutory Provisions.

(ii) The grant of an Option is personal to the option holder and shall not be transferred, assigned or charged. Any purported transfer, assignment or charge of an Option by an option holder shall cause such Option to lapse forthwith.

- (d) Limitations on the exercise of Options
- (i) Options may not be exercised later than ten years after the date of grant.
- (ii) An Option may only be exercised after the earliest to occur of the following events:
- (A) the second anniversary of the date of grant;
- (B) the death of the option holder;
- (C) the option holder ceasing to be a director or employee of the Company or any other company of which the Company has control ("Participating Company") by reason of:
- (i) injury, disability, retirement or redundancy; or
- (ii) any company by which he is employed ceasing to be under the control of the Company; or
- (iii) as a result of the transfer of his services pursuant to its contract of employment upon the instruction or request of a Participating Company; or
- (iv) at the absolute discretion of the Board, the option holder ceasing to be a director or employer for any reason other than one included within sub-paragraphs (i) to (iv) above;
- (D) a change in control, a scheme of reconstruction, a person becoming bound or entitled to acquire Ordinary Shares in the Company under section 428-430(F) of the Act, or a voluntary liquidation of the Company;
- (E) the entire or substantially the whole of the business carried on by the Company or its subsidiaries is transferred to a person other than a company under the control of the Company.
- (iii) If an option holder dies, any Option of the deceased option holder shall lapse twelve months after his death.
- (iv) If an option holder ceases to be an employee of a Participating Company by reason of an event not referred to above in sub-paragraph (ii), any Option shall immediately lapse.
- (v) If an option holder ceases to be an employee of a Participating Company (and does not become or remain an employee of any other Participating Company) by reason of such an event as is mentioned in sub-paragraph (ii)(C) above, any Option shall lapse on the expiry of six months following such event.
- (vi) No Option shall be capable of being exercised where such exercise would be contrary to any applicable regulations including the Model Code on dealings as published by the London Stock Exchange.
- (e) Takeovers
- (i) If a person obtains or is to obtain control of the Company by way of making an offer to acquire the whole of the Company's share capital or all the Ordinary Shares then any Option may be exercised within one month after the time such offer is made (or in the case of a conditional offer, upon it becoming unconditional), or in the case of a share sale and purchase within the period commencing on the day such agreement is entered into and ending on the completion of such share sale and purchase. An Option shall lapse if not exercised within the aforementioned appropriate period.
- (ii) If the Court sanctions a compromise or arrangement in connection with a scheme of reconstruction or amalgamation under section 425 of the Act, then any Option may be exercised within six months after the Court sanctions the compromise or arrangement. If not so exercised, then it shall lapse upon the expiry of such period.
- (iii) If any person becomes bound or entitled to acquire shares in the Company under Sections 428 to 430(F) of the Act, then any Option may be exercised at a time when such person remains so bound or entitled. If not so exercised, it shall lapse upon the person ceasing to be so bound or entitled.
- (iv) If the Company passes a resolution for voluntary winding up, any Option which remains wholly or partly available for exercise is deemed to be exercised for the purpose of determining the right of the option holder to participate in any distribution to shareholders. Subject thereto, all Options shall lapse on the passing of a resolution or making an Order for winding up of the Company.

- (f) Administration and alterations
- (i) The EMI Plan is administered by the Board whose decisions in any disputes or questions shall be final and conclusive, subject to the concurrence of the auditors of the Company where required.
- (ii) The Board may at any time terminate the EMI Plan.
- (iii) The rules of the EMI Plan may be altered by resolution of the Board from time to time in any manner subject to the following provisions:
 - (A) if any shares of the same class in the Company are listed on the London Stock Exchange or admitted to trading on AIM or otherwise quoted on or dealt in on a recognised stock exchange, then except with the prior sanction of the Company in general meeting, no alteration shall be made to the rules in respect of: (i) the definitions of Eligible Employee or Subscription Price; (ii) Last Grants; (iii) Limitations; (iv) Ranking of Shares; (v) Limitations on the Exercise of Options; (vi) Takeovers and Liquidations; (vii) Adjustment of Options or (viii) Alterations to the Rules; and
 - (B) no alteration shall be effective to materially alter any of the subsisting rights of option holders in relation to any Option.
- (iv) The restrictions shall not apply in respect of minor amendments to benefit the administration of the EMI Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Schemes.

(g) Unapproved Share Option Scheme

The Unapproved Share Option Scheme is on the same terms as the EMI Plan subject to the following:

- (i) Eligible participants include part time employees and directors (who are not employees). Restrictions on them having material interests in the Group do not apply.
- (ii) There is no obligation upon the Company to agree the market value of Ordinary Shares subject to Options with the Inland Revenue.
- (iii) The limitations referred to above at sub-paragraphs (c)(i), (B) and (C) do not apply.
- (iv) There is no limit on the aggregate market value of Ordinary Shares that may be acquired pursuant to unexercised Options.
- (v) The Statutory Provisions do not apply.

7. Working capital

The Directors are of the opinion that, having made due and careful enquiry and on the basis that the Placing has been completed, the working capital available to the Group is sufficient for its present requirements, that is for at least the twelve months from the date that is the later of the admission to AIM of the Placing Shares and the admission to AIM of the Open Offer Shares.

8. Litigation

Former legal advisers to the Company claim to be entitled to the issue of 31,250 Ordinary Shares in satisfaction of £25,000 of fees payable in relation to the Company's OFEX flotation, for the register of members of the Company to be rectified and for damages for loss of profit from the loss of opportunity to sell such shares. The Company has denied liability and has filed a defence to the claim.

There are no other legal or arbitration proceedings active, threatened or pending against, or being brought by, the Company or any member of the Group which are having, or may have, a significant effect on the Company's financial position.

9. EPI Licence

Introduction

Symphony Environmental entered into the EPI Licence with EPI on 20 June 2000. The EPI Licence was then subsequently amended by the Variation Agreements. The EPI Licence, as amended by the Variation Agreements, sets out the terms upon which EPI has agreed for a period of 15 years from 20 June 2000 to supply TDPA to Symphony Environmental and to provide Symphony Environmental with all knowledge and technical information, manufacturing techniques, specifications of material and engineering data and other information relating to the use of TDPA in the manufacture of certain specified products (the "Products"), namely:

- bread bags and banana sleeves (direct food contact);
- degradable non-food contact, refuse sacks, bin liners, carrier bags and shopping bags; and
- compostable non-food contact refuse sacks, bin liners, carrier bags and shopping bags.

Rights granted

Manufacturing Rights

The EPI Licence entitles Symphony Environmental to manufacture the Products themselves in any part of the world, subject to the approval of EPI.

The EPI Licence entitles Symphony Environmental to exclusively manufacture the Products in specified manufacturing territories (the “Exclusive Manufacturing Territory”), namely: United Kingdom and the Republic of Ireland; United Arab Emirates; Oman; Qatar; Bahrain; Kuwait; Iran and Cairo through the Bin Hilal Joint Venture.

Sales and Marketing Rights

Symphony Environmental is entitled to sell the Products on a non-exclusive basis in any part of the world excluding Australia and New Zealand (the “Sales Territory”), subject to certain restrictions on active marketing areas which are licensed to other licensees.

Symphony Environmental has exclusive sales and marketing rights in relation to Products in certain parts of the world (the “Exclusive Sale Territory”), namely: Barbados; St Lucia; Guyana; Suriname; Antigua; Trinidad; Grenada; Dominica; St Vincent; St Kitts; Nevis; Tortola; St Martin; Curacao; Aruba; Martinique; Guadalupe; Haiti; Santa Dominco; Cuba; Jamaica; Bahamas; Bermuda; Anguilla and Dutch Antilles.

EPI's Activities

Whilst EPI can sell the TDPA to manufacturers outside of the Exclusive Manufacturing Territory for manufacture of Products which may be sold within the Exclusive Manufacturing Territory, EPI is precluded for a period of two years commencing on 23 July 2001 from providing any active assistance to anyone other than Symphony Environmental to sell the Products in the Exclusive Manufacturing Territory and from assisting certain specified potential customers (the “Customers”) to obtain supplies of any of the Products from any manufacturer other than Symphony.

EPI is also restrained during the two-year period from soliciting, encouraging, procuring or assisting any manufacturer outside the Exclusive Manufacturing Territory to sell the Products to the Customers and is obliged during that period to refer any enquiries from the Customers to Symphony Environmental within 30 days of receiving the same.

Sub Licensing

The EPI Licence provides for Symphony Environmental to appoint sub-licensees to manufacture the Products using the TDPA and know-how in the Exclusive Manufacturing Territory and in non-exclusive manufacturing territories and to sell the Products in the Sales Territory, subject to the approval of EPI.

Sub-licensing is subject to a confidentiality provision in respect of information passing between Symphony Environmental and the sub-licensee during negotiations and the terms of the sub-licenses being consistent with the rights granted under the EPI Licence.

Step-in Rights

If EPI is unable or unwilling to supply or procure the supply of TDPA, the EPI Licence provides for the nomination of a third party manufacturer to manufacture TDPA for the Group. In consideration for EPI's supervision and assistance of such third party manufacturing, the Group is to pay to EPI a sum equal to the difference between the invoice price billed by the third party (less certain deductions) and the price for the additives set out in the EPI Licence.

Rights Reserved

EPI reserves the right in the EPI Licence to refuse or delay or accept in part an order for any particular formulation of the TDPA if there are reasonable technical or commercial grounds for doing so, provided that it does not withhold supplies of the TDPA so as to frustrate the intention of the EPI Licence or prevent Symphony Environmental from manufacturing or selling the Products.

EPI may modify the specification of the TDPA (subject to not materially reducing their performance) and may exclude from the TDPA any item or class or type that it no longer wishes to manufacture or make available for sale.

EPI also reserves the right to appoint a distributor for the TDPA in any territory outside of the Exclusive Manufacturing Territory and to appoint licensees to manufacture the products within the Exclusive Manufacturing Territory (excluding the United Arab Emirates) provided that those products are sold outside of the Exclusive Manufacturing Territory.

Further, EPI reserves the right to manufacture products, other than the Products or competing products, in the United Arab Emirates.

Termination

The EPI Licence provides for the Group to make minimum purchases of the additives. The minimum requirements are:

- May 2001 — April 2002 — 47.5 metric tonnes;
- May 2002 — April 2003 — 250 metric tonnes;
- May 2003 — April 2004 — 382.5 metric tonnes;
- May 2004 — April 2005 — 1,600 metric tonnes;
- May 2005 — April 2006 onwards — 2,800 metric tonnes.

Either party may terminate the EPI Licence if the other has committed a remediable breach which is not remedied within 30 days, or if either of them has a receiver, manager or administrator appointed over their assets or a petition for winding up is presented.

EPI reserves the right to terminate the EPI Licence if there is a change of control of Symphony Environmental — control being defined as control over more than half of the capital or business assets or the power to exercise more than half the voting rights of a party.

If the Group enters into competition with EPI in respect of research, development, production, use or distribution of competing products, then EPI reserves the right to summarily terminate the EPI Licence.

The EPI Licence provides for Symphony Environmental to maintain as confidential the Know-how and not to disclose it to any third party. If the know-how comes into the public domain other than as a result of a breach of the EPI Licence by Symphony Environmental, then the EPI Licence terminates automatically. No such automatic termination occurs if the confidential information enters the public domain by an act or omission on the part of Symphony Environmental which is motivated by an intention to terminate the EPI Licence.

Consideration

The consideration paid by the Group for the rights granted by the EPI Licence was satisfied by the issue of 2,500,000 Ordinary Shares (the “Subscription Shares”) estimated at the time of issue to be worth £1,500,000. EPI Environmental Products Inc. and the Company entered into the EPI Subscription Agreement in respect of such subscription simultaneously with the EPI Licence.

EPI has undertaken that until 20 December 2001 it will not pledge, charge or otherwise encumber, sell, transfer, or otherwise deal in (or seek to sell or transfer) more than 50 per cent. of the Subscription Shares without the prior written consent of the Company and its corporate adviser for the time being. It has also undertaken that any sale or other disposal will be effected on an orderly basis through either the Company’s brokers for the time being or brokers nominated by the Company’s corporate adviser.

Limitation of Liability

The EPI Licence contains provisions for the limitation of liability on the part of EPI to a total of £500,000 EPI in relation to any claims arising in respect of any sales contract.

The total financial liability of Symphony Environmental is limited to £5,000,000 in relation to substantive breaches of the EPI Licence and £2,000,000 in relation to all other breaches.

Intellectual Property

EPI has warranted that it is the legal and equitable owner of the patent rights and know-how required for the manufacture of the TDPA and the manufacture of the Products made using the TDPA (the “Intellectual Property Rights”) and has warranted that the patents upon which the production of the additives supplied under the EPI Licence are based are:

- International Patent Application (PCT) No. PCT/US93/07922;
- US Patent No. 5,416,133; and
- US Patent No. 5,565,503.

EPI must not assign, sell or part with the Intellectual Property Rights (or any of them) in a manner, which would restrict Symphony Environmental’s rights under the EPI Licence.

As a condition precedent to any such assignment, sale or transfer, EPI must use commercially reasonable efforts to procure that the recipient of such rights covenants directly with the Group to observe and perform the obligations under the EPI Licence.

The EPI Licence also provides that improvements to the additives which cannot be severed or used independently are subject to an obligation on the part of the Group to grant to EPI an exclusive perpetual free of charge royalty in relation to such improvements where these are created during the term of the EPI Licence.

If improvements are created by the Group during the continuance of the EPI Licence which can be severed or separately deployed, Symphony Environmental agrees to grant a non-exclusive perpetual licence free of charge to EPI in respect thereof.

EPI has filed, and has the benefit of, a published patent pending at the European Patent Office. The patent pending cites EPI as the owner of a European patent derived from and mirroring a US base patent, US Patent No. 5,416,133 dated 16 May 1995, relating to the manufacture of chemically degradable polyolefin film (the "US Patent"). To be published, the European patent application must have been made with the consent of the owner of the US Patent and under the priority rights granted to EPI by the Patent Co-operation Treaty. Accordingly, at the date of this document, EPI is the owner of, and has the right to use, the European patent in relation to the manufacturing process protected by the US Patent.

10. Taxation

The following statements are intended only as a general guide to the UK taxation treatment of holders of ordinary shares in a company, based on the law currently in force in the UK as well as the practice of HM Inland Revenue. The statements are not exhaustive and may not apply to certain shareholders, such as dealers in securities. Unless otherwise stated they relate to persons who are for taxation purposes resident and ordinarily resident in the UK. **Any person who is in any doubt as to his tax position, or who is subject to taxation in any jurisdiction other than the UK, should consult his professional advisers immediately.**

Taxation of chargeable gains

If a shareholder disposes of all or some of his ordinary shares in a company, a liability to tax on chargeable gains may, depending on his circumstances, arise. A shareholder who is neither resident nor ordinarily resident for tax purposes in the UK who sells or otherwise disposes of his ordinary shares will not normally be liable for capital gains tax on the gain which is realised. A liability to tax may arise in respect of a gain if such shareholder (i) carries on a trade in the UK through a branch or agency and such shares are or have been used, held or acquired for the purposes of such trade, branch or agency, or (ii) is an individual who, in certain circumstances, becomes resident for tax purposes in the UK subsequent to the sale or disposal of the shares.

Dividends

A company is not required to withhold tax at source from its dividend payments. Individual shareholders should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the dividend. Liability to income tax is calculated on the aggregate of the dividend and tax credit which will be regarded as the top slice of the individual's income.

Individual shareholders liable to tax at the starting rate (10 per cent.) or basic rate (22 per cent.) will have no liability to income tax. The tax credit satisfies the whole of the starting or basic rate liability. Individuals liable to tax at the higher rate (40 per cent.) are subject to income tax at the rate of 32.5 per cent. on the aggregate of the dividend and tax credit. After taking account of the tax credit, the shareholder will be liable to income tax at the rate of 22.5 per cent. of the aggregate of the dividend and tax credit, equal to 25 per cent. of the dividend. With limited exceptions (relating to shares held in Individual Savings Accounts or Personal Equity Plans) individual shareholders cannot claim repayment of the tax credit.

A corporate shareholder will not normally be liable to corporation tax on any dividend received. With limited exceptions (relating to charities) corporate shareholders cannot claim repayment of the tax credit. Tax exempt pension funds will not normally be liable to corporation tax or income tax on any dividend received and cannot claim repayment of the tax credit.

Individual shareholders who are resident for tax purposes in countries other than the UK but who are Commonwealth citizens, nationals of states which are part of the European Union, residents of the Isle of Man or the Channel Islands as well as certain other persons, are entitled to a tax credit as if they were resident for tax purposes in the UK. Such shareholders will normally not be able to claim repayment of the tax credit.

Enterprise investment scheme relief

Individuals investing in a company which qualifies under the Enterprise Investment Scheme ("EIS") may benefit from certain income tax and capital gains tax reliefs. Provided that various conditions are met, an investor will qualify for :

- income tax relief (at 20 per cent.) on the amount invested (subject to an annual maximum investment of £150,000);
- capital gains tax relief on disposal of the shares, provided they are held for at least three years after issue, or, if later, three years after commencement of the trade for which the money was raised;
- relief in the event that a loss arises on the shares, which loss may be set off against either income or chargeable gains; and
- deferral of capital gains on a chargeable gain from the disposal of any asset where the gain is reinvested in the shares.

In February 2000, the Company received a provisional indication from the Inland Revenue that it would be a qualifying company for the purposes of EIS. The Company has applied for provisional approval from the Inland Revenue that it will continue to be a qualifying company for the purposes of EIS and has received provisional confirmation to this effect.

It should be noted that the Company does not make any representations as to whether an investment in the Company will be one in respect of which tax relief under the EIS will be available or that any such tax relief will not subsequently be withdrawn as a result of the Company's future actions.

Venture capital trusts

The Company has applied for provisional approval from the Inland Revenue that Ordinary Shares may be included in a trust company's qualifying holdings for the purposes of the Venture Capital Trust scheme and has received provisional confirmation to this effect.

It should be noted that the Company does not make any representations as to whether the Ordinary Shares will be so treated or whether such status will not subsequently be withdrawn by virtue of the Company's future actions.

11. Placing and Open Offer Agreement

In the Placing and Open Offer Agreement dated 26 November 2001 made between the Company, the Directors, Canaccord and Peel Hunt:

- (a) Canaccord has agreed, subject to the conditions referred to below, to use reasonable endeavours to procure subscribers for 6,500,000 new Ordinary Shares. The Placing and Open Offer Agreement provides, *inter alia*, for the payment by the Company to Canaccord of a commission of up to 5 per cent. of a sum equal to the issue price multiplied by the number of new Ordinary Shares for which Canaccord procures subscribers. The Company has also granted an option to Canaccord to subscribe such number of new Ordinary Shares which at a price of 30p per share is equivalent to £200,000, such option to be capable of exercise at any time until the first anniversary of the admission to AIM of the Placing Shares; and
- (b) Peel Hunt has agreed, subject to the conditions referred to below,
 - (i) as agent for the Company, to make the Open Offer; and
 - (ii) on behalf of the Company, to submit to the London Stock Exchange an application for admission to AIM and to act as the Company's nominated adviser in respect of such application.

The obligations of the parties under the Placing and Open Offer Agreement are conditional upon certain conditions (other than those conditions which relate to the Open Offer) having been fulfilled (or waived by Canaccord and Peel Hunt) by 9.00 a.m. on 30 November 2001, or such later date as may be agreed by Canaccord, Peel Hunt and the Company. The agreement contains certain representations and warranties by the Company and by the Directors as to the accuracy of the information contained in this document and other matters relating to the Company and its business. The liability of the Directors in respect of the representations and warranties is subject to financial limits. Under the Placing and Open Offer Agreement and conditional upon admission to AIM of the existing Ordinary Shares and the new Ordinary Shares to be issued under the Placing and Open Offer, the Company shall pay fees to Canaccord and to Peel Hunt for their services and shall indemnify them against all costs and expenses in connection with the application. The Company has indemnified Canaccord and Peel Hunt against all losses, costs, charges and expenses which they may suffer or incur as a result of, occasioned by or attributable to the carrying out of their duties under the Placing and Open Offer Agreement.

12. Other information

- (a) The expenses of the Placing and Open Offer, all of which are payable by the Company, are estimated at approximately £490,000, excluding VAT.
- (b) The minimum amount which, in the opinion of the Directors, must be raised under the Placing and Open Offer to provide the sums required in respect of the matters specified in paragraph 21 of Schedule 1 of the POS Regulations is £1.95 million, £0.49 million of which will be used to fund the expenses of the Placing and Open Offer, as referred to in paragraph 12(a) above, and the remainder of which will provide additional working capital for the Group.
- (c) The financial information set out in Part IV relating to Symphony for the three years ended 31 December 2000 does not constitute full accounts within the meaning of section 240 of the Act. Full accounts for Symphony for the two financial periods ended 31 December 2000, for Symphony Plastics Limited for the period from 1 November 1997 to 31 December 1998, for Symphony Packaging Limited for the period from 1 September 1997 to 31 December 1998 and for Symphony Environmental Limited for the year to 31 December 1998, on each of which the auditors of the Company gave an unqualified report within the meaning of section 235 of the Act and none of which contained a statement under sections 237(2) or (3) of the Act, have been delivered to the Registrar of Companies in England and Wales.
- (d) Symphony is the holding company of Symphony Plastics, Symphony Environmental and Symphony Packaging, all of which are wholly-owned.
- (e) Copies of this document will be available to the public free of charge from the registered office of the Company, at Elstree House, Elstree Way, Borehamwood, Hertfordshire WD6 1LE and from the offices of Peel Hunt, at 62 Threadneedle Street, London EC2R 8HP, during normal office hours, Saturdays and Sundays excepted, from the date of this document until the date which is one month following the admission to AIM of the Placing Shares or, if applicable, one month following the admission to AIM of the Open Offer Shares.

SYMPHONY PLASTIC TECHNOLOGIES plc

(Registered in England and Wales — No. 3676824)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of Symphony Plastic Technologies plc (the “Company”) will be held at the offices of Peel Hunt plc, 6th Floor, 62 Threadneedle Street, London EC2R 8HP, on 20 December 2001 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (the “Resolutions”), of which Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution:

ORDINARY RESOLUTION

1. THAT the Symphony Plastic Technologies plc Enterprise Management Incentives Scheme and the Symphony Plastic Technologies plc Unapproved Share Option Scheme 2001 (together, the “Share Option Schemes”), the rules of which are contained in the draft produced to the Extraordinary General Meeting and initialled by the Chairman for the purposes of identification and the main features of which are summarised in the circular comprising a prospectus and an AIM admission document dated 27 November 2001 of which this notice forms part (the “Circular”), be and are hereby approved and adopted and the directors of the Company (the “Directors”) be and are hereby authorised to do all acts and things which they may consider necessary or desirable to put the same into effect and to make such changes to the Share Option Schemes as they may consider appropriate for that purpose.

SPECIAL RESOLUTION

2. THAT, subject to admission of the ordinary shares in the Company (“ordinary shares”) to trading on AIM:
 - (a) the authorised share capital of the Company be and is hereby increased from £500,000 to £600,000 by the creation of 10,000,000 new ordinary shares of 1p each;
 - (b) the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the “Act”) to allot relevant securities (within the meaning of section 80(2) of the Act up to a maximum nominal amount of £102,521 (representing approximately one-third of the issued share capital of the Company following the issue of new ordinary shares pursuant to the Placing and Open Offer (as defined in the Circular)) provided that this authority (unless previously revoked or varied by the Company in general meeting) shall expire at the conclusion of the annual general meeting of the Company to be held in 2002, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement notwithstanding that the authority conferred hereby has expired, and this authority shall supersede any authority previously conferred on the Directors pursuant to section 80(2) of the Act; and
 - (c) the Directors be and they are hereby generally empowered pursuant to section 95 of the Act for a period expiring at the conclusion of the annual general meeting of the Company to be held in 2002 to allot equity securities (as defined in section 94(2) of the Act), wholly for cash, pursuant to the authority conferred by paragraph (b) of this resolution as if section 89(1) of the Act did not apply to such allotment, provided this power shall be limited to:
 - (i) the allotment of equity securities in connection with an offer of such securities (whether by open offer, rights issue or otherwise) to the holders of ordinary shares and such warrant holders as may be entitled to participate therein in proportion (as nearly as may be) to the respective number of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the Directors deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange; and

- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities for cash up to an aggregate nominal amount of £15,378 (representing approximately 5 per cent. of the issued share capital of the Company following the issue of new ordinary shares pursuant to the Placing and Open Offer).

By Order of the Board

I Bristow
Secretary

Registered office:
Elstree House
Elstree Way
Borehamwood
Hertfordshire WD6 1LE

Dated 27 November 2001

Notes:

- (1) A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (2) A pre-paid form of proxy is enclosed. To be valid, the form of proxy (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such authority) must be deposited at the offices of the Company's Registrars, Moorgate Registrars plc, Dukesmead House, 39 High Street, Chelmsford, Essex, not later than 10.00 a.m. on 18 December 2001. Completion of the form of proxy will not preclude a member from attending and voting in person.
- (3) The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered in the register of members of the Company as at 6.00 pm on 19 December 2001 shall be entitled to attend or vote at the above meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00 pm on 19 December 2001 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

