ANNUAL REPORT AND ACCOUNTS 2008

Symphony
environmental technologies

d2w®

www.degradable.net

Index to the Annual Report and Accounts

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Company Information

Company registration number	3676824
Registered office	Elstree House Elstree Way Borehamwood Herts WD6 1LE
Directors	N J Deva DL, FRSA, MEP – Non Executive Chairman M N Laurier – Chief Executive Officer I Bristow FCCA – Finance Director M Stephen – Commercial Director & Deputy Chairman M F Stephens – Technical Director N Clavel – Non Executive Director H Swire – Non Executive Director
Secretary	I Bristow
Nominated Adviser and Broker	HB Corporate Limited 40 Marsh Wall Docklands London E14 9TP
Bankers	HSBC Bank Plc Edgware
Solicitors	Olswang 90 High Holborn London WC1V 6XX
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Highlights

Group result – including non-recurring items

- Revenue increased by 42% to £5.36 million (2007 £3.78 million)
- Gross profits increased by 190% to £2.37 million (2007 £0.82 million)
- Gross profit margins increased to 44% (2007 22%)
- Significantly decreased operating loss to £0.15 million (2007 £1.88 million)
- Loss before tax decreased to £0.40 million (2007 loss £1.95 million)
- Recognition of £0.72 million tax credit (2007 £nil)
- Profit after tax of £0.37 million (2007 loss £1.91 million)
- Basic earnings per share 0.35p (2007 loss per share 2.31p)
- Number of **d_2w**® distributors increased from 15 to 45

H2 comparison to H1 (before non-recurring items)

- H2 revenues increased by 33% to £3.06 million (H1 £2.30 million)
- Operating profit £0.05 million (H1 loss £0.15 million)
- H2 gross profit margins increased to 46% (H1 42%)

Chairman's Statement

I am pleased to report a very positive set of results, with a close to break-even operating result and all underlying trends moving materially in the right direction. This year's results show Symphony's first positive earnings per share, and the trading performance was the most significant in the Group's history being marked by a maiden post tax profit.

Our goals for this year are to continue growing the Group's revenue line, which is achievable with marginal cost increases, and to reduce the level of debt in the balance sheet.

As we mentioned in the interim report last September, there are many applications for our technology and many territories that are ripe for growth. We continue to invest in improving our product range and developing new products.

The Directors and staff of Symphony, together with our distributors, have made great efforts in the last year and the results of these are starting to show. This is particularly pleasing in today's challenging economic climate and I congratulate the Symphony team for the Group's very satisfactory progress.

Going forward, 2009 has started very well and we are confident enough to recognise a deferred tax asset of £0.72 million in the 2008 results.

N Deva DL FRSA MEP
Chairman

Chief Executive's Review

During 2008 we had high profile launches of our **d₂w**® products into some very significant markets in the Middle East, South Africa, and Central America. In addition, we increased our international distribution network ending the year with 45 distributors.

We have kept our costs static while at the same time strengthening the Board and further enhancing product development and brand awareness.

The Group strategy is supported by a strong legislative environment which is moving in the right direction as more and more organisations throughout the World are keen to enhance their "Green" profile, in particular in relation to packaging. The Symphony team, be it staff, associates or distributors, continue to work tirelessly on this key aspect of promoting our **d$_2$w**® products.

I am very satisfied with these achievements and the resultant financial performance as shown in this statement.

Trading results

I am pleased to report Group revenues increased by 42% during the year from £3.78 million to £5.36 million. Group gross profit margins after non-recurring items increased from 22% to 44%. Our contribution from gross profits increased by 190% to £2.37 million from £0.82 million in 2007.

Our operating loss reduced to £0.15 million compared to £1.88 million in 2007. The second half of the year recorded an operating profit of £0.05 million before non-recurring items.

The loss before tax was reduced by 79% from £1.95 million to £0.40 million. Included in the loss before tax are £0.05 million of non-recurring items relating to ex-employee costs.

Development costs of £0.11 million were capitalised in 2008. A £0.05 million research and development tax credit was received during the year.

The Symphony Environmental Limited **d$_2$w**® division made its maiden profit of £0.18 million before taxation. A £0.72 million deferred tax credit has been recognised as a result of the **d$_2$w**® result and trend going forward.

As a result of this financial performance and the recognition of the tax credit, the Group reports a profit for the year of £0.37 million and basic earnings per share was 0.35 pence (2007 loss per share of 2.31 pence).

Cashflow

Cash and cash equivalents were £18,000 at the end of the year. Cash was required during the year to finance debtors of £332,000 and creditors of £350,000 in line with the increased business. This was financed by (1) a confidential invoice discounting facility with Davenham Trade Finance and (2) the addition of £350,000 of unsecured debt.

Since the year-end we have renegotiated the Headstart loan, after £140,000 of conversions in January 2009, with the balance of £240,000 repayable by equal monthly instalments until February 2010 with no further conversions unless a default occurs.

Operations

Total costs did not increase in 2008.

Having developed a strong Distributor base, the main function for the Group now is product support and development as well as further development of the Distributor-network, and marketing and brand-recognition. Registration of the **d$_2$w**® trademark has been confirmed for three additional countries – China, Brazil, and South Africa.

We aim to remain at the forefront of technology going forward whilst at the same time continuing to strengthen the **d$_2$w**® brand, and central support-services.

Management

I am pleased to report that Symphony's board was strengthened by the addition of two new non-executive directors, Hugo Swire and Nicolas Clavel, in October 2008. At the same time Michael Stephen moved from being Non-Executive Deputy Chairman to Commercial Director and Deputy Chairman.

These management changes have enabled us to enhance our corporate governance procedures as well as bringing in significant new skills and contacts. We are delighted that earlier this year, the entire board showed their confidence by purchasing shares in the Group.

Symphony Energy

Work continues on the RuPERT project with the aim to commercialise any resultant elements of this project at the earliest opportunity. The Group absorbs costs of £0.20 million per annum on this project and the result for 2008, a loss of £0.13 million, includes the receipt of a grant.

Overview of d_2w® developments

Symphony **d_2w**® eco-compatible plastic additives and products continue to expand into new markets and applications. New sales wins are becoming more frequent and these are often for long term repeat orders. The global list of authorised and certified **d_2w**® finished plastic product manufacturers now extend into several hundred which is providing Symphony and its distributors enormous scope and opportunity to work directly with established end customers. This approach is combined with substantial marketing and is helping to create the interest and demand for **d_2w**®.

The end users for **d_2w**® include many well known names of which some have previously been announced but for commercial confidentiality reasons we will no longer be listing these in our corporate announcements unless required to do so due to value.

Legislation is becoming more of an issue going forward as governments seek to impose laws for plastic that sometime will help with our type of technology but other times obstruct. A substantial amount of senior executive time is spent on these issues as it is important that governments are properly advised with the appropriate supporting standards and resulting changes to legislation.

Outlook

With a strong distribution network and brand, low costs and a developing global need to resolve the issues of plastic pollution, we believe that 2009 will show further positive results. Our markets are underpinned by an increasingly strong legislative background which continues to support a need for our products.

Our financial aim in the short term is to reduce the Group's interest burdened debt. Our commercial aim is to have a distributor in every country where sales would be worthwhile.

Current trading is ahead of our expectations. We are also confident of the future trading performance and have therefore recognised a £0.72 million deferred tax asset in the 2008 results.

We look forward with confidence to a year of further financial improvements.

Michael Laurier
Chief Executive

Directors' Report

The directors present their report and the audited financial statements of the group for the year ended 31 December 2008.

Principal activities and business review

The primary business activities of the group are the development and supply of environmental polythene and other polyolefin products to a global market, and the development of waste to energy projects. The group also supplies other flexible polythene and related products.

A review of the business and future developments is given in the Chairman's Statement and Chief Executive's Review.

The profit for the year after taxation amounted to £368,000 (2007 – loss £1,913,000).

Results and dividends

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Key performance indicators

The Directors have monitored the progress of the overall group strategy by reference to certain financial and non-financial key performance indicators.

Key performance indicator	**2008**	2007	Method of calculation
Sales **d$_2$w**® (£'000)	**5,127**	3,008	Sales revenue solely of **d$_2$w**® additives and products
Gross profit margin (%) before non-recurring items	**44.3%**	30.0%	The ratio of gross profit to sales
Number of distributors	**45**	15	The number of distribution agreements signed

These are discussed within the Chairman's Statement and Chief Executive's Review.

Research and development

The group is involved in the research and development of degradable polythene and other polyolefin products, and waste to energy systems.

The Directors and their interests

The directors who served during the year and their interests in the shares of the company are shown in the Remuneration Report on pages 7 and 8.

Policy on the payment of creditors

It is the group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and abide by them. Trade payables at the year end amount to 47 days (2007 – 61) of average supplies for the year for the group and 78 days (2007 – 86) for the company.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The parent company's own financial statements continue to be prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS or United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

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

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

Going concern

The group regularly reviews its future cash generation by way of detailed cashflow forecasts. The main assumption behind the forecasts is the continuing growth in sales of its **d$_2$w**® degradable additives and products. To date, the group has been supported by its shareholders while it continues to develop its strategy. The development of its strategy has resulted in growth in the relevant areas of **d$_2$w**® sales and gross margins. This growth is also in line with non financial key performance indicators and therefore taking the above into account, the directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing these financial statements. The liquidity risks of the group are set out in note 3 to the financial statements. The key sensitivities within the cash flow forecasts are growth of sales and forecasted exchange rates.

Corporate governance

The group is committed to developing and adhering to high standards of corporate governance. As an AiM listed company it is not required to comply with the Combined Code as issued by the UK's Listing Authority. However, it seeks to follow the principles of good governance as far as management believes it is practical for a group of its size, nature and circumstances.

Financial risk management policies

The group's financial risk management policies are detailed in note 3 to the financial statements.

Post balance sheet events

On 28 January 2009 the company renegotiated the terms of the convertible loan. See notes 20 and 24 to the financial statements.

Auditor

A resolution to appoint Grant Thornton UK LLP as auditor for the ensuring year will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

I Bristow
Secretary

7 April 2009

Remuneration Report

Directors' emoluments

	Basic salary or fees £'000	Share based payments £'000	Benefits £'000	Pension £'000	**2008 Total Emoluments £'000**	2007 Total Emoluments £'000
N Deva	30	–	–	3	**33**	33
M Laurier	176	–	10	16	**202**	187
I Bristow	99	–	21	10	**130**	129
M Stephen	111	–	1	–	**112**	28
M F Stephens	112	–	8	11	**131**	129
N Clavel	3	2	–	–	**5**	–
H Swire	3	2	–	–	**5**	–
M Turner	–	–	–	–	**–**	50
	534	4	40	40	**618**	556

N Clavel and H Swire were appointed directors on 16 October 2008.

M Turner resigned as a director on 27 April 2007.

During the year one director (2007 – one) participated in a money purchase pension scheme. The other directors' pensions, where applicable, are administered by those directors. Two of the company directors under the terms of their employment contract elected to take salary in lieu of pension.

The company has taken out insurance for its officers against liabilities in relation to the company under Section 310(3) of the Companies Act 1985.

Directors' interests

The directors in office at the end of the year, together with their beneficial interests in the shares of the company, were as follows:

Ordinary Shares of £0.01 each	**At 31 December 2008**	At 1 January 2008 or appointment
N Deva	**17,500**	17,500
M Laurier	**10,203,142**	10,203,142
I Bristow	**847,972**	847,972
M Stephen	**36,764**	36,764
M F Stephens	**263,448**	263,448
N Clavel	**–**	–
H Swire	**125,000**	125,000

Share options

The following directors and directors of subsidiary companies have share options or agreements for share options.

	Number of share options	Exercise price (pence per share)	Exercisable from	Exercisable to
N Deva	1,500,000	4.50	26 November 2008	26 November 2018
M Laurier	2,500,000	4.50	26 November 2008	26 November 2018
I Bristow	3,000,000	4.50	26 November 2008	26 November 2018
M Stephen	2,000,000	4.50	26 November 2008	26 November 2018
M Stephen	1,200,000	6.25	28 April 2007	28 April 2017
M F Stephens	1,000,000	4.50	26 November 2008	26 November 2018
N Clavel	500,000*	4.50	16 October 2009	16 October 2019
H Swire	500,000*	4.50	16 October 2009	16 October 2019

The above share options are HM Revenue and Customs unapproved. See Note 18 to the financial statements for the terms of the above options.

* these share options were issued during the year, see note 18 to the financial statements for details.

Warrants

The following directors and directors of subsidiary companies have share warrants.

	Number of warrants	Exercise price (pence per warrant)	Exercisable from	Exercisable to
N Deva	200,000	12.00	17 November 2005	17 November 2010
M Laurier	1,100,000	12.00	17 November 2005	17 November 2010
I Bristow	990,000	12.00	17 November 2005	17 November 2010

Report of the Independent Auditor
To the members of Symphony Environmental Technologies plc

We have audited the group and parent company financial statements (the “financial statements”) of Symphony Environmental Technologies plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated statement of changes in equity, the consolidated cash flow statement and Notes 1 to 36. These group financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors’ responsibilities for preparing the Annual Report and the group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and for preparing the parent company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors’ Responsibilities contained in the Directors’ Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements. The information given in the Directors’ Report includes that specific information presented in the Chief Executive’s Review and Chairman’s Statement that is cross referred from the Business review and Key performance indicators sections of the Directors’ Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Highlights, Chairman’s Statement, Company Information, the Chief Executive’s Review, the Directors’ Report, and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group’s and the company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended
- the group financial statements have been properly prepared in accordance with the Companies Act 1985
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Central Milton Keynes
7 April 2009

Consolidated Income Statement
for the year ended 31 December 2008

	Note	**2008 £'000**	**2008 £'000**	2007 £'000	2007 £'000
Revenue	5		**5,355**		3,778
Cost of sales – recurring		**(2,981)**		(2,644)	
Cost of sales – non recurring	6	**–**		(315)	
Cost of sales			**(2,981)**		(2,959)
Gross profit – recurring		**2,374**		1,134	
Gross loss – non-recurring		**–**		(315)	
Gross profit			**2,374**		819
Distribution costs			**(111)**		(68)
Administrative expenses – recurring	6	**(2,358)**		(2,378)	
Administrative expenses – non-recurring	6	**(53)**		(250)	
Administrative expenses	6		**(2,411)**		(2,628)
Operating loss – recurring		**(95)**		(1,312)	
Operating loss – non-recurring		**(53)**		(565)	
Operating loss	6		**(148)**		(1,877)
Finance income	8		**1**		17
Finance costs	8		**(251)**		(88)
Loss for the period before tax			**(398)**		(1,948)
Tax credit	9		**766**		35
Profit / (loss) for the period			**368**		(1,913)
Basic profit/ (loss) per share	10		**0.35p**		(2.31)p
Diluted profit/ (loss) per share	10		**0.32p**		(2.31)p

All results are attributable to the parent company equity holders.

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet
as at 31 December 2008

	Note	**2008 £'000**	2007 £'000
Assets			
Non-current			
Property, plant and equipment	11	**241**	201
Intangible assets	12	**272**	177
Deferred income tax asset		**719**	–
Available for sale financial assets	14	**15**	15
		1,247	393
Current			
Inventories	15	**194**	233
Trade and other receivables	16	**1,236**	761
Cash and cash equivalents	17	**92**	407
		1,522	1,401
Total assets		**2,769**	1,794
Equity			
Equity attributable to shareholders of Symphony Environmental Technologies plc			
Ordinary shares	18	**1,087**	1,018
Share premium	18	**13,176**	13,048
Other reserves		**822**	822
Retained earnings		**(14,383)**	(14,763)
Total equity		**702**	125
Liabilities			
Non-current			
Interest bearing loans and borrowings	20	**289**	31
		289	31
Current			
Interest bearing loans and borrowings	20	**1,055**	781
Trade and other payables	19	**723**	857
		1,778	1,638
Total liabilities		**2,067**	1,669
Total equity and liabilities		**2,769**	1,794

These financial statements were approved by the Board of Directors 7 April 2009 and authorised for issue on 7 April 2009. They were signed on its behalf by:

I Bristow FCCA
Finance Director

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity

Equity attributable to the equity holders of Symphony Environmental Technologies plc:

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
For the year to 31 December 2008					
Balance at 1 January 2008	**1,018**	**13,048**	**822**	**(14,763)**	**125**
Profit for the period	**–**	**–**	**–**	**368**	**368**
Total recognised income and expense for the period	**–**	**–**	**–**	**368**	**368**
Share based payments (Note 18)	**–**	**–**	**–**	**12**	**12**
Shares issued	**69**	**128**	**–**	**–**	**197**
Balance at 31 December 2008	**1,087**	**13,176**	**822**	**(14,383)**	**702**
For the year to 31 December 2007					
Balance at 1 January 2007	697	11,392	822	(12,885)	26
Loss for the period	–	–	–	(1,913)	(1,913)
Total recognised income and expense for the period	–	–	–	(1,913)	(1,913)
Share based payments (Note 18)	–	–	–	35	35
Shares issued	321	1,656	–	–	1,977
Balance at 31 December 2007	1,018	13,048	822	(14,763)	125

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Operating activities			
Cash consumed in operations	21	**(635)**	(1,328)
Tax received		**48**	35
Net cash consumed in operations		**(587)**	(1,293)
Investing activities			
Additions to property, plant and equipment		**(89)**	(30)
Proceeds from disposals of property, plant and equipment		**11**	13
Additions of intangible assets		**(109)**	(119)
Interest received		**1**	1
Net cash used in investing activities		**(186)**	(135)
Financing activities			
Proceeds from loans		**512**	188
Repayment of loans		**(62)**	(14)
New finance leases		**42**	–
Discharge of finance lease liability		**(43)**	(31)
Proceeds from share issue		**140**	1,808
Interest paid		**(205)**	(20)
Net cash generated in financial activities		**384**	1,931
Net change in cash and cash equivalents		**(389)**	503
Cash and cash equivalents, beginning of year		**407**	(96)
Cash and cash equivalents, end of year		**18**	407

The accompanying notes form an integral part of these financial statements.

Notes to the Annual Report and Accounts

1 General information

Symphony Environmental Technologies plc ('the company') and subsidiaries (together 'the group') develop and supply plastic degradable additives and products, and develop waste to energy systems.

The company, a public limited company, is the group's ultimate parent company. It is incorporated and domiciled in England (Company number 3676824). The address of its registered office is Elstree House, Elstree Way, Borehamwood, Hertfordshire, WD6 1LE, England. The company's shares are listed on the AIM market of the London Stock Exchange, the PLUS market in London and as a level 1 ADR in New York.

2 Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU, issued and effective or issued as at 31 December 2008.

Going concern

The group regularly reviews its future cash generation by way of detailed cashflow forecasts. The main assumption behind the forecasts is the continuing growth in sales of its **d_2w**® degradable additives and products. To date the group has been supported by its shareholders while it continues to develop its strategy. The development of its strategy has resulted in growth in the relevant areas of **d_2w**® sales and gross margins. This growth is also in line with non financial key performance indicators and therefore taking the above into account, the directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing these financial statements. The liquidity risks of the group are set out in note 3. The key sensitivities within the cash flow forecasts are growth of sales and forecasted exchange rates.

Business combinations exemption

The group has not restated business combinations which took place prior to the transition date.

Accordingly the classification of the combination remains unchanged from that used under UK GAAP. The assets, liabilities and other reserve are recognised at date of transition, and are measured using their United Kingdom Generally Accepted Accounting Practice (GAAP) carrying amount.

Business combinations completed prior to date of transition to IFRS

The group financial statements consolidate the financial statements of the company and all subsidiary undertakings.

The acquisition of Symphony Plastics Limited on 9 December 1999 was accounted for under merger accounting under UK GAAP and has been treated in this manner under IFRS as the business combination exemption has been adopted in these Annual Report and Accounts. The merger accounting method requires assets and liabilities to not be adjusted to fair value and the results of the subsidiary to be included as if it had always been part of the group. Therefore, the results of the group included both the results pre and post-acquisition. The other reserve was established as a result of this accounting method.

Revenue

Degradable and non-degradable goods and services

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

Revenue from the sale of goods is recognised when all of the following conditions have been satisfied:

a) ownership of the significant risks and rewards has been transferred to the buyer;
b) the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c) the amount of revenue can be measured effectively;
d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all of the following conditions are satisfied:

a) the amount of revenue can be measured reliably;
b) it is probable that the economic benefits associated with the transaction will flow to the entity;
c) the stage of completion of the transaction at the balance sheet date can be measured reliably; and
d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Government grants

Government grants are included within the income statement once the group has fulfilled all obligations necessary to qualify for the grant.

Non-recurring items

Expenditure is classified as non-recurring where the cost is considered to be material, one-off and will not continue in the future.

Intangible assets

– Research and development costs

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the group intends to complete the intangible asset and use or sell it;
- the group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. The nature of the Group’s activities in the field of development work renders some internally generated intangible assets unable to meet the above criteria at present.

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

Development costs **d$_2$w**® – 15 years straight line

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date.

– Trademarks

Trademarks represent the cost of registration and are carried at cost less amortisation.

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

Trademarks	– 10 years straight line

Property, plant and equipment

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

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

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

The residual value is reconsidered annually.

Impairment testing of intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is determined on the basis of purchase value on a first-in first-out basis.

Leased assets

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

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

Pension costs

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the group. The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Taxation

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

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Financial assets

Financial assets are divided into the following categories: loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

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

The group currently has the following financial assets:

– Trade receivables

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

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

– Available for sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, where reliable information exists, with changes in value recognised in equity, through the statement of changes in equity. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired. Where reliable information does not exist to attribute a fair value, historic cost is used until such time that the information becomes available.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment losses recognised previously on debt securities are reversed through the income statement when the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement.

An assessment for impairment is undertaken at least at each balance sheet date.

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

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument.

The group’s financial liabilities include trade payables, other creditors, social securities and other taxes, bank overdraft, lease purchase liabilities, convertible loan and other loans. These are classified as financial liabilities measured at amortised cost.

Financial liabilities also include conversion rights and warrants which are embedded derivatives held at fair value through profit and loss – held for trading.

Financial liabilities measured at amortised cost are recognised at fair values net of direct issue costs. Finance charges are charged to the income statement, where applicable, on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arose.

Where a financial liability contains embedded derivatives they are bifurcated into financial liabilities measured at amortised cost and financial liabilities held at fair value through profit and loss – held for trading by fair valuing the embedded derivative.

Financial liabilities categorised as at fair value through profit and loss are re-measured at each reporting date at fair value, with changes in fair value being recorded in the income statement.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

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

Equity settled share based payments

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2007 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employee services are determined indirectly by reference to the fair value of the instrument granted to the employee using the Black-Scholes method. This fair value is appraised at the grant date and excludes the impact of market vesting conditions. The fair value is charged to the income statement between the date of issue and the date the share options vest with a corresponding credit taken to shareholders’ funds.

Warrants granted to employees which relate to salary sacrifice arrangements are attributed a fair value by reference to the services provided. This fair value is charged to the income statement when the service is provided with a corresponding credit taken to shareholders’ funds.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares;
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue; and
- "Other reserve" is a reserve established following the adoption of merger accounting. The company was entitled to merger relief offered by Section 131 of the Companies Act 1985 in respect of 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.

Standards and Interpretations not yet effective

The following Standards and Interpretations have been issued, but are not yet effective and have not been early adopted by the group:

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)
- Amendment to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments (effective 1 January 2009)
- Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRS 8 Operating Segments (effective 1 January 2009)
- International Financial Reporting Interpretations Committee (IFRIC) 13 Customer Loyalty Programmes (IASB effective date 1 July 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)

IAS 1 Presentation of Financial Statements (Revised 2008) will result in changes to the presentation of the group's financial statements as the format currently adopted for the Statement of Changes in Equity will no longer be permitted. Instead, the group will present a Statement of Comprehensive Income combining the existing Income Statement with other income and expenses currently presented as part of the Statement of Changes in Equity. In addition, the group will present a separate Statement of Changes in Equity showing owner changes in equity.

IAS 23 Borrowing Costs (Revised 2008) requires that borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. The standard must be applied for accounting periods beginning on or after 1 January 2009. The group's current accounting policy is to recognise borrowing costs in the income statement as incurred. Where the group has funded the acquisition or construction of property, plant and equipment or development costs through borrowings, application of the standard is expected to increase the cost of the asset, the depreciation charge and reduce finance costs.

IFRS 3 Business Combinations (Revised 2008) will apply to any future business combinations that the group may undertake once it is in force. The group has no plans to adopt the revised standard in advance of its mandatory implementation date and it is not possible to quantify the effect of the standard on future business combinations until those combinations take place.

IFRS 8 Operating Segments requires entities to adopt the 'management approach' to reporting on their operating segments. Consequently the segmental analysis of the group may change on adoption.

The other Standards and Interpretations are not expected to have any significant impact on the group's financial statements in their periods of initial application.

3 Financial risk management

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

The group's financial assets and liabilities are summarised as follows:

	2008 £'000	2007 £'000
Financial assets:		
Available for sale	**15**	15
Loans and receivables	**1,133**	1,054
	1,148	1,069
Financial liabilities:		
Financial liabilities measured as amortised costs	**1,773**	1,196
Held for trading	**9**	9
	1,782	1,205

Liquidity risk

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

The maturity of financial liabilities as at the 31 December 2008 is summarised as follows:

Gross cash flows:	**Trade payables £'000**	**Lease purchase £'000**	**Convertible loan £'000**	**Other loans £'000**	**Bank £'000**	**Total £'000**
Zero to sixty days	**438**	**5**	**–**	**212**	**74**	**729**
Sixty one days to three months	**–**	**3**	**390**	**16**	**–**	**409**
Four months to six months	**–**	**19**	**–**	**49**	**–**	**68**
Seven months to one year	**–**	**9**	**–**	**315**	**–**	**324**
One year to three years	**–**	**24**	**–**	**295**	**–**	**319**
More than three years	**–**	**19**	**–**	**–**	**–**	**19**
	438	**79**	**390**	**887**	**74**	**1,868**

The maturity of financial liabilities as at the 31 December 2007 is summarised as follows:

Gross cash flows:	**Trade payables £'000**	**Lease purchase £'000**	**Convertible loan £'000**	**Other loans £'000**	**Bank £'000**	**Total £'000**
Zero to sixty days	393	7	–	53	–	453
Sixty one days to three months	–	3	–	26	–	29
Four months to six months	–	20	–	80	–	100
Seven months to one year	–	10	415	158	–	583
One year to three years	–	31	–	–	–	31
More than three years	–	–	–	–	–	–
	393	71	415	317	–	1,196

Interest rate risk

The group's exposure to interest rate risk as at the 31 December 2008 is summarised as follows:

	Fixed £'000	**Variable £'000**	**Zero £'000**	**Total £'000**
Cash and cash equivalents	**–**	**92**	**–**	**92**
Trade receivables	**–**	**–**	**953**	**953**
VAT	**–**	**–**	**75**	**75**
Other debtors	**–**	**–**	**88**	**88**
	–	**92**	**1,116**	**1,208**
Trade payables	**–**	**–**	**(437)**	**(437)**
Social security and other taxes	**–**	**–**	**(65)**	**(65)**
Bank overdraft	**–**	**(74)**	**–**	**(74)**
Convertible loan	**(380)**	**–**	**–**	**(380)**
Other loans	**(510)**	**(310)**	**–**	**(820)**
Lease purchase liabilities	**(70)**	**–**	**–**	**(70)**
	(960)	**(292)**	**614**	**(638)**
Sensitivity: 5% rate increase of current rate	**–**	**(1)**	**–**	**(1)**
Sensitivity: 5% rate decrease of current rate	**–**	**1**	**–**	**1**

The group's exposure to interest rate risk as at the 31 December 2007 is summarised as follows:

	Fixed £'000	Variable £'000	Zero £'000	Total £'000
Cash and cash equivalents	–	407	–	407
Trade receivables	–	–	753	753
VAT	–	–	62	62
Other debtors	–	–	55	55
	–	407	870	1,277
Trade payables	–	–	(393)	(393)
Social security and other taxes	–	–	(157)	(157)
Convertible loan	(415)	–	–	(415)
Other loans	(317)	–	–	(317)
Lease purchase liabilities	(71)	–	–	(71)
	(803)	407	320	(76)
Sensitivity: 10% rate increase of current rate	–	(1)	–	(1)
Sensitivity: 10% rate decrease of current rate	–	1	–	1

Sensitivity shows the effect on equity and the income statement.

Currency risk

The group operates in overseas markets and is subject to currency exposure on transactions undertaken during the year. The group hedges the transactions where possible by buying goods and selling them in the same currency.

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

	Currency	**Sterling 2008 £'000**	**Currency balance 2008 C'000**	Sterling 2007 £'000	Currency balance 2007 C'000
Financial assets	**Euro**	**41**	**€42**	118	€167
Financial liabilities	**Euro**	**(119)**	**€(132)**	(30)	€(43)
Net balance	**Euro**	**(78)**	**€(90)**	88	€124
Effect of 10% sterling increase		**8**		(8)	
Effect of 10% sterling decrease		**(8)**		8	
Financial assets	**USD**	**711**	**$1,028**	192	$392
Financial liabilities	**USD**	**(281)**	**$(410)**	(163)	$(332)
Net balance	**USD**	**430**	**$618**	29	$60
Effect of 10% sterling increase		**(43)**		(3)	
Effect of 10% sterling decrease		**43**		3	

Sensitivity shows the effect on equity and the income statement.

Credit risk

The group's exposure to credit risk is limited to the carrying value of financial assets at the balance sheet date, summarised as follows:

	2008	2007
	£'000	£'000
Loans and receivables:		
Trade receivables	**953**	632
Cash and cash equivalents	**92**	407
	1,045	1,039

The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from trade receivables. The five largest customer balances at the end of the year make up 60% of the above trade receivables.

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

The maturity of overdue debts is set out in Note 16. During the period £851 of debts were written off.

Capital requirements

Interest bearing loans and borrowings are monitored regularly to ensure the group has sufficient liquidity and its exposure to interest rate risk is mitigated. Management consider the capital of the group comprises the share capital and interest bearing loans and borrowings. Management satisfy the Companies Act 2006 requirement to hold £50,000 issued and authorised share capital. The rule that 25% must be paid up is also satisfied, by reference to Note 18.

4 Critical accounting estimates and judgements

Estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those actions.

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

– Recoverability of capitalised development cost

Judgements relating to capitalised development costs are detailed in Note 12.

– Going concern

Judgements relating to going concern are detailed in Note 2.

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

– Bad debts

Provisions for bad debts are shown in Note 16. Where there is no provision then it is due to adequate credit insurance being in place, or cash has been received since the end of the year, or adequate information exists to support the recoverability of the debt.

– Recognition of deferred tax assets

Judgements relating to a deferred tax asset are detailed in Note 9a.

5 Segmental information

Primary reporting format – business segments

The Group operates three main business segments, supply of degradable products, supply of non-degradable products and development of waste to energy systems.

The segment results for the year ended 31 December 2008 are as follows:

Business segments 12 months to 31 December 2008	**Degradable £'000**	**Non-degradable £'000**	**Waste to energy £'000**	**Group £'000**
Revenue	**5,127**	**228**	**–**	**5,355**
Share based payments	**(12)**	**–**	**–**	**(12)**
Apportioned costs	**(4,919)**	**(697)**	**(125)**	**(5,741)**
Profit/(loss) for the period before tax	**196**	**(469)**	**(125)**	**(398)**
Taxation	**766**	**–**	**–**	**766**
Profit /(loss) for the year	**962**	**(469)**	**(125)**	**368**
Non-recurring items in above	**13**	**40**	**–**	**53**
Profit/(loss) for the year before non recurring items	**975**	**(429)**	**(125)**	**421**

The segment results for the year ended 31 December 2007 are as follows:

Business segments 12 months to 31 December 2007	Degradable £'000	Non-degradable £'000	Waste to energy £'000	Group £'000
Revenue	3,008	770	–	3,778
Share based payments	(6)	(29)	–	(35)
Apportioned costs	(3,746)	(1,745)	(200)	(5,691)
Loss for the period before tax	(744)	(1,004)	(200)	(1,948)
Taxation	35	–	–	35
Loss for the year	(709)	(1,004)	(200)	(1,913)
Non-recurring items in above	315	250	–	565
Loss for the year before non recurring items	(394)	(754)	(200)	(1,348)

Segmental assets primarily consist of property, plant and equipment, intangible assets, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets comprise available-for-sale financial assets.

Segmental liabilities comprise operating liabilities except for the convertible loan and liabilities relating to available-for-sale financial assets, which are unallocated.

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

£'000	**Degradable**	**Non-degradable**	**Waste to energy**	**Unallocated**	**Group**
Assets	**2,398**	**244**	**112**	**15**	**2,769**
Liabilities	**(1,225)**	**(462)**	**–**	**(380)**	**(2,067)**
Capital expenditure	**101**	**50**	**47**	**–**	**198**
Depreciation and amortisation	**32**	**15**	**–**	**–**	**47**

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

£'000	Degradable	Non-degradable	Waste to energy	Unallocated	Group
Assets	1,449	330	–	15	1,794
Liabilities	(629)	(625)	–	(415)	(1,669)
Capital expenditure	149	–	–	–	149
Depreciation and amortisation	46	–	–	–	46

Secondary reporting format – geographical segments

The Group's three business segments operate in four main geographical areas, even though they are managed on a worldwide basis.

Revenue	**2008 £'000**	2007 £'000
UK	**1,099**	2,015
Europe	**985**	470
The Americas	**2,143**	788
Other countries	**1,128**	505
	5,355	3,778

Revenue is allocated based on the country in which the customer is located.

All assets are located in the United Kingdom.

6 Operating loss

The operating result is stated after charging/(crediting)

	2008 £'000	2007 £'000
Depreciation	**33**	34
Amortisation	**14**	12
Loss on disposal of fixed assets	**5**	3
Operating lease rentals		
Land and buildings	**55**	75
Plant and equipment	**5**	4
Fees payable to the company's auditor for the audit of the financial statements	**10**	10
Fees payable to the company's auditor for other services:		
Audit of the financial statements of the company's subsidiaries pursuant to legislation	**27**	30
Interim review	**6**	9
Other services relating to taxation	**7**	**7**
Net foreign exchange (gain)/loss	**(37)**	28
Non-recurring items:		
Within cost of sales:		
Stock impairment	**–**	315
Within administrative expenses:		
Ex-employee settlement	**53**	100
Exceptional impairment	**–**	150

7 Employee benefit expense

	2008 £'000	2007 £'000
Wages and salaries	**1,159**	1,158
Social security costs	**142**	128
Other pension costs	**40**	38
	1,341	1,324

Average number of people employed:

	2008	2007
Testing and technical	**5**	3
Selling	**6**	5
Administration	**8**	7
Management	**6**	7
Total average headcount	**25**	22

Remuneration in respect of the directors was as follows:

	2008 £'000	2007 £'000
Emoluments	**578**	511
Pension contributions	**40**	45
	618	556

Key management remuneration:

	2008 £'000	2007 £'000
Short-term employee benefits	**535**	433
Share based payment charges	**–**	35
Post-employment benefits	**40**	42
	575	510

The executive directors are considered to be the key management personnel of the group. Further details on directors' remuneration and share options are set out in the Remuneration Report on pages 7 and 8.

8 Finance income and costs

	2008 £'000	2007 £'000
Interest expense:		
Bank borrowings	**2**	14
Convertible loan	**113**	68
Other interest	**132**	–
Finance charges	**4**	6
Total finance costs	**251**	88
Finance income:		
Interest income on short-term bank deposits	**(1)**	(1)
Unrealised gain on financial liabilities classified as fair value through profit and loss	**–**	(15)
Realised gain on financial liabilities classified as fair value through profit and loss	**–**	(1)
Total finance income	**(1)**	(17)
Net finance costs	**250**	71

9 Tax credit

	2008 £'000	2007 £'000
Deferred tax credit	**719**	-
R&D tax credit	**47**	35
Total income tax credit	**766**	35

No tax arises on the loss for the year.

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 28% (2007: 30%). The tax rate has changed due to a change in the statutory tax rates in the UK. The differences are explained as follows:

	2008 £'000	2007 £'000
Loss for the year before tax	**(398)**	(1,948)
Tax calculated by rate of tax on the result	**(111)**	(584)
Expenses not deductible for tax purposes	**4**	3
Depreciation for the period in excess of capital allowances	**4**	4
Tax losses not utilised	**103**	577
Deferred tax credit	**719**	–
R&D tax credit	**47**	35
Total income tax credit	**766**	35

9a Deferred income tax

There are potential deferred tax assets of £2,700,000 in relation to tax losses totalling £12,900,000 (2007: £12,600,000) that have not been recognised on the basis that their future economic benefit is uncertain. All of these losses may be carried forward indefinitely.

A deferred tax asset of £719,000 has been recognised in this year's accounts (2007: £Nil). The recognition of this asset is based on sensitised forecasts where Symphony Environmental Limited has started to generate profits as recorded in this year's accounts.

10 Loss per share and dividends

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted loss per share is based on the basic loss per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options and warrants.

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

Basic and diluted	**2008**	2007
Profit/ (loss) attributable to equity holders of the company	**£368,000**	£(1,913,000)
Weighted average number of ordinary shares in issue	**105,628,745**	82,648,585
Basic profit/ (loss) per share	**0.35 pence**	(2.31) pence
Dilutive effect of weighted average options and warrants	**7,719,605**	–
Total of weighted average shares together with dilutive effect of weighted options and warrants	**113,348,350**	82,648,565
Diluted profit/ (loss) per share (*)	**0.32 pence**	(2.31) pence

No dividends were paid for the year ended 31 December 2008 (2007: £Nil).

* The effect of the options and warrants in 2007 are anti-dilutive.

11 Property, plant and equipment

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
At 1 January 2007					
Cost	75	83	170	166	494
Accumulated depreciation	(38)	(50)	(47)	(137)	(272)
Net book amount	37	33	123	29	222
Year ended 31 December 2007					
Opening net book amount	37	33	123	29	222
Additions	10	–	19	1	30
Disposals	–	–	(17)	–	(17)
Depreciation charge	(5)	(4)	(21)	(4)	(34)
Closing net book amount	42	29	104	26	201
At 1 January 2008					
Cost	85	83	166	167	501
Accumulated depreciation	(43)	(54)	(62)	(141)	(300)
Net book amount	42	29	104	26	201
Year ended 31 December 2008					
Opening net book amount	42	29	104	26	201
Additions	46	–	30	13	89
Disposals	–	–	(16)	–	(16)
Depreciation charge	(9)	(3)	(16)	(5)	(33)
Closing net book amount	**79**	**26**	**102**	**34**	**241**
At 31 December 2008					
Cost	131	83	163	180	557
Accumulated depreciation	(52)	(57)	(61)	(146)	(316)
Net book amount	79	26	102	34	241

Included within the net book amount of £241,000 is £88,000 (2007: £104,000) relating to assets held under finance leases and hire purchase contracts. The depreciation charged to the financial statements in the year in respect of such assets amounted to £13,000 (2007: £21,000).

12 Intangible assets

	Development costs £'000	Trademarks £'000	Total £'000
At 1 January 2007			
Cost	64	28	92
Accumulated amortisation	(10)	(12)	(22)
Net book amount	54	16	70
Year ended 31 December 2007			
Opening net book amount	54	16	70
Additions	119	–	119
Amortisation charge	(10)	(2)	(12)
Closing net book amount	163	14	177
At 1 January 2008			
Cost	183	28	211
Accumulated amortisation	(20)	(14)	(34)
Net book amount	163	14	177
Year ended 31 December 2008			
Opening net book amount	163	14	177
Additions	107	2	109
Amortisation charge	(12)	(2)	(14)
Closing net book amount	**258**	**14**	**272**
At 31 December 2008			
Cost	290	30	320
Accumulated amortisation	(32)	(16)	(48)
Net book amount	258	14	272

The group relies on the continued development of its products and in so doing is maintaining satisfactory goals in fulfilling its strategy (see Chairman's Statement and Chief Executive's Review). After taking this into account together with the considerations of liquidity risk, see Note 3, the directors do not believe that an impairment provision is required notwithstanding the loss before tax in the current period.

Development costs are capitalised in accordance with Note 2.

The significant judgements within the sensitivity analysis were sales forecasts and foreign exchange rates.

13 Subsidiary undertakings

Principal subsidiaries:

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the group
Symphony Plastics Limited	England and Wales	Supply of polythene products	100%	100%
Symphony Packaging Limited	England and Wales	Dormant	0%	100%
D2W Limited	England and Wales	Dormant	0%	100%
Symphony Environmental Limited	England and Wales	Supply of environmental polythene products	0%	100%
Symphony Energy Limited	England and Wales	Development of waste to energy systems	100%	100%
Symphony Environmental (Jamaica) Limited	Jamaica	Supply of environmental polythene products	0%	100%

All of the above subsidiaries are consolidated in the group financial statements.

14 Available for sale financial assets

All non-current	**2008 £'000**	2007 £'000
Beginning of year	**15**	531
Additions	**–**	–
Impairment provision in year	**–**	(516)
End of year	**15**	15

The group holds 30% of the ordinary share capital in Symphony Bin Hilal LLc, a company incorporated in the United Arab Emirates. The directors consider this an investment as they have no significant influence and have no management rights in the strategic, tactical or operational decisions made by Symphony Bin Hilal LLc. The value of the investment in the company is recognised at cost as there is no reliable information to calculate a fair value without using significant assumptions.

A value of £nil has been assigned to the shares held in Oxobioplast Inc. to which the company owns c.5% of that company's issued common stock.

The directors cannot assign a fair value of Oxobioplast Inc as there is no means of obtaining a reasonable and fair valuation.

There is no collateral on the above amounts.

15 Inventories

	2008 £'000	2007 £'000
Goods in transit	**–**	77
Finished goods and goods for resale	**194**	156
	194	233

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £2,906,000 (2007: £2,335,000). Included within the above assets is a provision for impairment of £5,000 (2007: £2,000).

There is no collateral on the above amounts.

16 Trade and other receivables

	2008 £'000	2007 £'000
Loans and receivables:		
Trade receivables	**953**	632
VAT	**75**	62
Other debtors	**88**	15
Prepayments	**120**	52
	1,236	761

The directors consider that the carrying value of trade and other receivables approximates to their fair values. There is a provision of £150,000 for impairment of receivables (2007: £150,000). The maximum credit risk exposure at the balance sheet date equates to the fair value of trade receivables. Further disclosures are set out in Note 3.

Trade receivables that are less than three months old are not considered impaired. As of 31 December 2008 trade receivables of £64,000 (2007: £51,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2008 £'000	2007 £'000
More than three months but less than six months	**12**	3
More than six months but not more than one year	**4**	48
More than one year	**48**	–
	64	51

Due to the different markets that the group operates in, trade terms vary from cash on shipment of goods to payment 90 days from shipment.

There is no collateral on the above amounts.

17 Cash and cash equivalents

	2008 **£'000**	2007 £'000
Loans and receivables:		
Cash at bank and in hand	**92**	407

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

There is no collateral on the above amounts.

18 Share capital and premium

Group and company	**Ordinary shares Number**	**Ordinary shares £'000**	**Share premium £'000**	**Total £'000**
At 1 January 2007	69,679,547	697	11,392	12,089
Proceeds from shares issued	32,093,452	321	1,656	1,977
At 31 December 2007	101,772,999	1,018	13,048	14,066
At 1 January 2008	101,772,999	1,018	13,048	14,066
Proceeds from shares issued	6,946,037	69	128	197
At 31 December 2008	108,719,036	1,087	13,176	14,263

The total number of authorised 1p ordinary shares is 150,000,000. All issued ordinary shares are fully paid.

The following ordinary shares were issued during the year:

Date	**Ordinary shares number**	**Details**	**Consideration (£)**	**Premium (£)**
22 April 2008	3,446,037	Convertible loan	57,204	22,744
31 July 2008	3,500,000	Placing	140,000	105,000

Share options

As at 31 December 2008 the group maintained a number of approved share-based payment schemes for employee compensation. For the options granted to vest, the group must achieve an earnings per share in excess of 0.001p and employees must serve a specified amount of time.

All share-based employee compensation will be settled in equity. The group has no legal or constructive obligation to repurchase or settle the options. As at 31 December 2008 there were 1,150,000 staff options outstanding. These were all issued in 2008.

The group has also issued unapproved share options. Approved and unapproved share options and weighted average exercise price are as follows for the reporting periods presented:

	2008		2007	
		Weighted average exercise price		Weighted average exercise price
	Number	**£**	Number	£
Outstanding at 1 January	**11,570,000**	**0.05**	4,064,371	0.13
Granted	**2,945,960**	**0.03**	11,270,000	0.05
Forfeited	**(600,000)**	**0.03**	(3,764,371)	0.11
Exercised	**–**	**–**	–	–
Expired	**–**	**–**	–	–
Outstanding at 31 December	**13,915,960**	**0.05**	11,570,000	0.05

The number of share options exercisable at 31 December 2008 was 1,520,000 (2007: 1,550,000).

The weighted average exercise price of those shares exercisable was 11.5p (2007: 11.5p).

1,750,000 staff options were granted on 31 January 2008 and are exercisable from 31 January 2010 for a period of eight years thereafter at an exercise price of 2.75p per share. 600,000 of these options were subsequently forfeited.

1,000,000 options were granted on 16 October 2008 and are exercisable from 16 October 2009 for a period of ten years thereafter at an exercise price of 4.5p per share.

195,960 options were granted on 11 January 2008 and are exercisable from 11 January 2009 for a period of three years thereafter at an exercise price of 5p per share.

Having considered the fair value of the options issued to employees there is a charge of £12,000 (2007 – £35,000) in the income statement.

Warrants

The warrants outstanding at the end of the year are as follows:

Number of warrants	**Exercise price (pence per share)**	**Exercisable from**	**Exercisable to**
89,700	14.000	18 April 2008	18 April 2010
5,180,000*	12.000	17 November 2005	17 November 2010
500,000** +	15.000	13 December 2006	13 December 2011
600,000**	4.125	27 September 2007	27 September 2012

* warrants issued as part of salary reduction scheme in 2005.
** warrants issued under the terms of the convertible loan. See Note 20.
+ the exercise price of these warrants was changed to 4.125p by variation on 28 January 2009.

Directors

Directors' interests in shares and share incentives are contained in the Remuneration Report on pages 7 and 8.

19 Trade and other payables

Current	2008 £'000	2007 £'000
Financial liabilities measured at amortised cost:		
Trade payables	**438**	393
Social security and other taxes	**65**	157
Accruals and deferred income	**220**	307
	723	857

Fair value equates to carrying value.

There is no collateral on the above amounts.

20 Interest bearing loans and borrowings

Non-current	2008 £'000	2007 £'000
Financial liabilities measured at amortised cost:		
Other loan	**250**	–
Lease purchase liabilities	**39**	31
	289	31
Current		
Financial liabilities measured at amortised cost:		
Bank overdraft	**74**	–
Convertible loan	**371**	415
Other loans	**570**	317
Lease purchase liabilities	**31**	40
Financial liabilities held at fair value through profit and loss: – held for trading (embedded derivatives)		
Conversion rights	**2**	2
Warrants	**7**	7
	1,055	781

The non-current other loan is repayable on 1 February 2010. Interest is charged at 15% per annum.

The bank overdraft of £74,000 (2007 £nil) is included within the cashflow statement within cash and cash equivalents.

Convertible loan

As at 31 December 2008 the convertible loan was repayable, if not converted, by 30 March 2009. Interest is charged at 10% per annum. The terms of the convertible loan were amended on 28 January 2009. See note 24. A total of 1,100,000 warrants are outstanding under the terms of the convertible loan. See Note 18.

The table below shows conversions that were made during the year:

Date	Number of shares	Consideration (£)
22 April 2008	3,446,037	57,204

Other loans – which include:

Amounts due to Exim Bank of Trinidad and Tobago. Interest is charged at 13.50% per annum.

An amount due to Michelle Laurier, spouse of Michael Laurier, of £260,000. Interest is charged at 2% per month. See Note 23.

Amounts due to Davenham Trade Finance totalling £177,923. Interest is charged at 2.2% over National Westminster Bank Plc base rate per annum.

Commitments under finance leases and hire purchase agreements mature as follows:

	Gross 2008 £'000	Gross 2007 £'000	**Net 2008 £'000**	Net 2007 £'000
Amounts payable within 1 year	**36**	42	**31**	40
Amounts payable between 1 and 2 years	**18**	26	**15**	25
Amounts payable between 3 and 5 years	**25**	6	**24**	6
	79	74	**70**	71

There is no collateral on the above amounts except for lease purchase liabilities which are secured against the asset that they finance and amounts due to Davenham Trade Finance which are secured against trade receivables.

21 Cash generated from operations

	2008 £'000	2007 £'000
Profit /(loss) after tax	**368**	(1,913)
Adjustments for:		
Depreciation	**33**	34
Amortisation	**14**	12
Loss on disposal	**5**	3
Share based payments	**12**	35
Net non-cash movement in available-for-sale financial asset and connected deferred income	**–**	34
Tax credit	**(766)**	(35)
Interest income	**(1)**	(17)
Interest expense	**251**	88
Changes in working capital:		
Inventories	**39**	312
Trade and other receivables	**(475)**	136
Trade and other payables	**(115)**	(17)
Cash consumed in operations	**(635)**	(1,328)

22 Commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2008 **£'000**	2007 £'000
No later than one year	**–**	10
Later than one year and no later than five years	**60**	55
	60	65

23 Related party transactions

Michelle Laurier, spouse of Michael Laurier, loaned to the group a further £100,000 during July 2008. Interest on the loan is calculated at 2% per month. £260,000 was outstanding at 31 December 2008 (2007: £160,000).

24 Post balance sheet events

The terms of the convertible loan were amended on 28 January 2009. The company now has to repay £240,000 of the loan notes during the period March 2009 to February 2010 by way of monthly payments together with monthly interest of 1.5% on loan notes outstanding immediately prior to each such payment. £100,000 of the original loan notes have been converted to ordinary shares. The loan can not now be converted to shares as long as the above monthly payments and interest are made.

The following pages contain the balance sheet and accompanying notes for the parent company prepared under UK GAAP.

Company balance sheet
at 31 December 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	26	**91**	95
Investments	27	**150**	150
		241	245
Current assets			
Debtors	28	**7,895**	7,105
Cash at bank and in hand		**–**	350
		7,895	7,455
Creditors: amounts falling due within one year	29	**526**	540
Net current assets		**7,369**	6,915
Total assets less current liabilities		**7,610**	7,160
Creditors: amounts falling due after more than one year	30	**262**	31
		7,348	7,129
Capital and reserves			
Share capital	33	**1,087**	1,018
Share premium account	34	**13,176**	13,048
Profit and loss account	34	**(6,915)**	(6,937)
		7,348	7,129

These financial statements were approved by the directors on 7 April 2009 and are signed on their behalf by:

I Bristow FCCA
Finance Director

The accompanying notes form an integral part of these financial statements.

25 Principal accounting policies

Basis of accounting

The company financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice (GAAP).

Fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

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

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

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the consolidated profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the consolidated profit and loss account on a straight line basis over the lease term.

Pension costs

Company pensions are operated within the group pension scheme. The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the group. The annual contributions payable in respect to the company are charged to the profit and loss account.

Deferred taxation

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

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

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Investments

Investments are included at cost or fair value less amounts written off.

Financial instruments

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

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

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

Equity settled share based payments

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2007 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employee services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of market vesting conditions. The fair value is charged to the profit and loss account between the date of issue and the date the share options vest with a corresponding credit taken to shareholders' funds.

Warrants granted to employees which relate to salary sacrifice arrangements are attributed a fair value by reference to the services provided. This fair value is charged to the profit and loss account when the service is provided with a corresponding credit taken to shareholders' funds by reference to Urgent Issues Task Force (UITF) 44.

26 Tangible fixed assets

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2008	24	11	114	149
Additions	12	–	–	12
Disposals	–	–	–	–
At 31 December 2008	36	11	114	161
Depreciation				
At 1 January 2008	11	7	36	54
Charge for the year	3	1	12	16
Disposals	–	–	–	–
At 31 December 2008	14	8	48	70
Net book value				
At 31 December 2008	**22**	**3**	**66**	**91**
At 31 December 2007	13	4	78	95

Included within the net book value of £91,000 is £60,000 (2007: £78,000) relating to assets held under finance leases and hire purchase contracts. The depreciation charged to the financial statements in the year in respect of such assets amounted to £14,000 (2007: £16,000).

27 Investments

Shares in group undertakings	**2008 £'000**	2007 £'000
At beginning and end of year	**150**	150

Subsidiary undertakings are detailed in Note 13.

28 Debtors

	2008 £'000	2007 £'000
Amounts owed by group undertakings	**7,771**	7,059
VAT	**49**	45
Prepayments	**25**	1
Other debtors	**50**	–
	7,895	7,105

29 **Creditors: amounts falling due within one year**

	2008 £'000	2007 £'000
Convertible loan	**380**	424
Trade creditors	**57**	45
Amounts due under finance leases and hire purchase agreements	**28**	23
Other creditors	**–**	–
Accruals	**61**	48
	526	540

30 **Creditors: amounts falling after more than one year**

	2008 £'000	2007 £'000
Other Creditor	**250**	–
Amounts due under finance leases and hire purchase agreements	**12**	31
	262	31

31 **Commitments under finance leases and hire purchase agreements**

	2008 £'000	2007 £'000
Amounts payable within one year	**28**	23
Amounts payable between one and two years	**11**	25
Amounts payable between three and five years	**1**	6
	40	54

32 **Contingent liabilities**

The company has guaranteed all monies due to its bankers by Symphony Plastics Limited and Symphony Environmental Limited. At 31 December 2008 the net indebtedness of these companies amounted to £Nil (2007 – £Nil).

33 **Share capital**

The company's share capital is detailed in Note 18.

34 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2008	**13,048**	(6,937)
Retained profit for the year	**–**	18
Equity settled share-based payment charge	**–**	4
New equity share capital subscribed	**128**	–
At 31 December 2008	**13,176**	(6,915)

35 Parent company own accounts

Symphony Environmental Technologies plc has not presented its own profit and loss account and related notes as permitted by Section 230 of the Companies Act 1985. The profit for the financial year dealt with in the financial statements of the parent company is £18,000 (2007: loss £967,000).

36 Directors and employees

All employees of Symphony Environmental Technologies Plc are directors. See note 7 of the group consolidated accounts.

The average number of staff employed by the company during the financial year amounted to:

	2008 No	2007 No
Management	**2**	1

The aggregate payroll costs of the above were:	2008 £'000	2007 £'000
Wages and salaries	**35**	30
Equity settled share based payments	**4**	–
Social security costs	**3**	3
	42	33

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2009 Annual General Meeting of the Company will be held at Elstree House, Elstree Way, Borehamwood, Hertfordshire WD6 1LE on Wednesday, 20th May 2009 at 9.00 a.m. for the following purposes:

1. To receive and adopt the financial statements of the Company for the year ended 31 December 2008 together with the reports of the directors and auditors ("the Accounts").

2. To re-elect Michael Norman Laurier who retires by rotation in accordance with Articles 96 – 98 of the Company's Articles of Association, as a director of the Company.

3. To elect Nicolas Olivier Clavel, as a director of the Company, pursuant to Article 102 of the Company's Articles of Association.

4. To elect Hugo George William Swire, as a director of the Company, pursuant to Article 102 of the Company's Articles of Association.

5. To re-appoint Grant Thornton UK LLP as Auditor of the Company for the period prescribed by section 489 of the Companies Act 2006 and to authorise the directors to determine the Auditor's remuneration for that period.

To consider and, if thought fit, to pass the following resolutions:

ORDINARY RESOLUTION

6. That the Directors be generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the 1985 Act") to exercise all the powers of the Company to issue and allot, relevant securities (as defined in Section 80(2) of the 1985 Act) of the Company

(a) up to an aggregate nominal value of £338,154 and/or

(b) equity securities (as defined in section 94 of the 1985 Act), up to an aggregate nominal amount of £338,154 in connection with an offer by way of a rights issue to ordinary shareholders in proportion (as nearly as may be) to their existing holdings.

Provided nevertheless that the total authorised share capital is not exceeded. This authority shall expire (unless previously renewed or varied) on the earlier of the day preceding the fifth anniversary of the date on which this resolution was passed and the conclusion of the Annual General Meeting of the Company in 2010, and all previous authorities under Section 80 of the 1985 Act shall be revoked. The Directors may, notwithstanding such expiry, allot, grant options over or otherwise deal with or dispose of any shares under this authority in pursuance of an offer or agreement so to do made by the Company before the expiry of this authority.

SPECIAL RESOLUTIONS

7. That subject to the passing of resolution 6 the Directors be and they are hereby empowered pursuant to section 95 of the 1985 Act to allot equity securities (as defined in Section 94 of the 1985 Act) wholly for cash pursuant to the authority conferred by resolution 6 above as if section 89(1) of the 1985 Act did not apply to any such allotment, provided that this power shall be limited:

   (a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph 6(b) by way of rights issue only) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;

   (b) in the case of the authority granted under paragraph (a) of resolution 6, to the allotment (otherwise than under paragraph (a) of this resolution 7) of equity securities:

      (i) in satisfaction (other than pursuant to employee share-option schemes) of the valid exercise of the outstanding warrants and options over such securities details of which are set out in note 18 to the Accounts; and

(ii) up to an aggregate nominal value of £70,000 to satisfy, if fully drawn, conversion of the remaining £200,000 convertible loan facility with Headstart Global Funds if required by virtue of para. 9 of an agreement with Headstart Global Funds dated 28th January 2009; and

(iii) up to an aggregate nominal value of £58,092.

and shall cease to have effect when the authority given by resolution 6 is revoked or expires and all previous authorities under Section 95 of the 1985 Act be revoked save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

8. THAT, consequent upon the enactment of the Companies Act 2006, the Articles of Association of the Company be amended by making the following changes:

8.1 insert the following new definition in article 1.1:

"the 2006 Act means the Companies Act 2006 and any amendment or re-enactment thereof for the time being in force;"

8.2 delete the existing Article 178 and replace it with the following new Article 178:

"178(a) Notwithstanding any other provision in these Articles, any notice, document or information to be given, sent or supplied by the Company may (in the Company's discretion) be given, sent or supplied by any means allowed for by and in accordance with the 2006 Act including, without limitation, in hard copy form, in electronic form (both terms with the same meaning as they have in s.1168 of the 2006 Act) or by means of a website. This applies whether or not such communication is authorised or required to be sent or supplied by the Statutes or otherwise. In the case of joint holders of a share all notices and other documents sent by the Company shall be given to that one of the joint holders whose name stands first in the Register. Any notice so given shall be sufficient notice to all the joint holders and the contents of any document so sent shall be deemed to be sufficiently communicated to all the joint holders.

(b) The board may at any time issue, endorse or adopt terms and conditions relating to the use of electronic communications or a website for the giving or sending of notices, documents and other information by the Company to members or persons entitled by transmission and by members or persons entitled by transmission to the Company. In addition, the Company may at any time and in its sole discretion choose to give or send notices, documents or other information in hard copy form alone to some or all members."

8.3 insert the following at the end of Article 180:

"A notice, document or information sent or supplied by the Company by means of a website shall be deemed given or delivered to the intended recipient (i) when the material is first made available on the website; or (ii) if later, when the recipient is given (or, in accordance with this Article 180, is deemed to have been given) notification of the fact that the material is available on the website."

8.4 delete the following words from the start of Article 46:

"S.212 of the Act"
and replace them with the following words:
"S.793 of the 2006 Act"

8.5 delete the following words that start on the fourth line of Article 47(a):

"notice under s.212 of the Act"
and replace them with the following words:
"notice under s.793 of the 2006 Act"

8.6 delete all references to a "Section 212 Notice" and replace them with the words "Section 793 Notice"

8.7 delete the following words that are in the third line of Article 53(a):

"s.212 of the Act"
and replace them with the following words:
"s.793 of the 2006 Act"

8.8 delete the following words at the end of Article 53(a):

"s.212(5) of the Act"
and replace them with the following words:
"sections 820 to 825 of the 2006 Act"

8.9 delete the following words that are in the second line of Article 53(b)(ii):

"s.428 of the Act"
And replace the with the following words:
"s.974 of the 2006 Act"

8.10 delete the following words that start in the second line of Article 54:

"s.212 and s.216 of the Act or any order made by the court under s.216 of the Act" and replace them with the following words:
"s.793 and s.794 of the 2006 Act or any order made by the court under s.794 of the 2006 Act"

8.11 delete the following words that are in the final line of Article 55:

"s.213 of the Act"
and replace them with the following words:
"s.808 of the 2006 Act"

8.12 insert the following words at the end of Article 55:

"For the avoidance of doubt, if any dividend or other distribution is withheld under Article 47(b)(i) above, the member shall be entitled to receive it as soon as practicable after the sanction ceases to apply."

8.13 delete existing Articles 138 to 141 and Articles 146 and 147 and substitute the following new Articles 138 to 141 and 146 and 147:

"138(a) A Director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment (including fixing or varying the terms of appointment), or the termination of his own appointment, as the Director of, or the holder of any other office or place of profit with, the Company or any undertaking in which the Company is interested. However, where proposals for such resolutions relate to two or more Directors, those proposals may be divided and a resolution may be put in relation to each Director separately and in such case each of the Directors concerned (if not otherwise debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution, except that concerning him.

(b) Subject to Article 138(a) and except as otherwise provided in these Articles, a Director shall not vote (or be counted in the quorum) in respect of any transaction or arrangement or any other proposal in which he has an interest which (together with any interest of any person connected with him, within the meaning of section 252 of the 2006 Act) may reasonably be regarded as likely to give rise to a conflict of interest and, if he purports to do so, his vote shall not be counted.

139. The prohibitions in Article 138 shall not apply and a Director may (unless otherwise prohibited under these Articles) vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

(a) any transaction, arrangement or proposal in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;

(b) the giving of any guarantee, security or indemnity in respect of:

(i) money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or

(ii) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility (in whole or in part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(c) any arrangement, transaction or proposal concerning the issue or offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in respect of which he is or may be entitled to participate in his capacity as a holder of any such securities or as an underwriter or sub-underwriter;

(d) any transaction, arrangement or proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he (together with persons connected with him, within the meaning of section 252 of the 2006 Act) does not hold an interest (as that term is used in Part 22 of the 2006 Act) representing one per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company;

(e) any transaction or arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the transaction or arrangement relates;

(f) the purchase or maintenance of insurance either for or for the benefit of any director or persons who include directors;

(g) the giving of any indemnity against liability incurred by him in connection with his duties, powers or office in relation to the Company or any of its subsidiary undertakings, where all other directors are also offered indemnities on substantially the same terms; and

(h) any transaction, arrangement or proposal relating to the funding of expenditure incurred by him in defending proceedings in connection with his duties, powers or office in relation to the Company or any of its subsidiary undertakings (or enabling him to avoid incurring such expenditure), where all other directors are also offered a transaction, arrangement or proposal on substantially the same terms.

For the purposes of this Article ”holding company“ shall have the meaning ascribed to it in the 2006 Act.

140 If any question arises at any meeting as to whether an interest of a Director may reasonably be regarded as likely to give rise to a conflict of interest or as to the entitlement of any Director to vote, and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting (or, if the Director concerned is the Chairman, to the other Directors at the meeting) and his ruling in relation to any Director other than himself (or, as the case may be, the ruling of the majority of the other Directors in relation to the Chairman) shall be final and conclusive, except insofar as the nature or extent of the interest of the Director concerned, so far as known to him, has not been declared to the Directors.

141. For the purposes of Articles 138 to 140:

(a) an interest of a person who is connected with a Director (within the meaning of section 252 of the 2006 Act) shall be treated as an interest of the Director and, in relation to an alternate, an interest of his appointor shall be treated as an interest of the alternate in addition to any interest which the alternate otherwise has;

(b) references to a conflict of interest include a conflict of interest and duty and a conflict of duties;

(c) an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his; and

references to a transaction or arrangement include a proposed transaction and a proposed arrangement and references to an arrangement include a contract or any other form of arrangement

146(a) A Director who is in any way, whether directly or indirectly, interested in any proposed transaction or arrangement with the Company or any transaction or arrangement that has been entered into by the Company shall declare the nature and extent of his interest to the other Directors to the extent required by, and in accordance with, the 2006 Act.

(b) A Director who is in any way, whether directly or indirectly, interested in any proposed transaction or arrangement with a subsidiary undertaking of the Company or any transaction or arrangement that has been entered into by a subsidiary undertaking of the Company shall declare the nature and extent of his interest to the other Directors of the Company to the same extent, at the same time and in the same way as Article 146(a) would require if the transaction or arrangement were with the Company.

(c) For the purposes of Articles 146(a) and 146(b), an interest of a person who is connected with a Director (within the meaning of section 252 of the 2006 Act) shall be treated as an interest of the Director and, in relation to an alternate, an interest of his appointor shall be treated as an interest of the alternate in addition to any interest which the alternate otherwise has.

147(a) Any matter (a "Relevant Matter") which would otherwise constitute or give rise to a breach by a Director of his duty under section 175 of the 2006 Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company (including a breach which would arise by virtue of his appointment as Director) may be authorised by the Board to the fullest extent permitted by law in accordance with this Article. In particular (but without limitation), subject to any authorisation required under this Article 147, a Director may be or become a member or Director of, or hold any other office or place of profit under, or otherwise be interested in, any other company in which the Company is interested.

(b) Any Director may propose that a Relevant Matter be authorised by the Board. Such proposal and any authorisation given by the Board shall be effected in the same way as any other matter may be proposed to, and resolved upon by, the Board (or in such other manner as the Board may approve) in accordance with these Articles, except that no authorisation shall be effective unless the requirements of section 175(6) of the 2006 Act have been complied with.

(c) Any authorisation of a matter under this Article 147 shall be subject to such terms, conditions and limitations as the Board may specify, whether at the time of giving the authorisation or subsequently. The Board may terminate or vary any authorisation at any time. The Director concerned must act in accordance with any terms, conditions or limitations specified by the Board in accordance with this Article 147.

(d) Unless otherwise specified by the Board at any time, the terms and conditions on which a Relevant Matter has been authorised shall be deemed to include authority for the Director concerned, without breaching the general duties he owes to the Company by virtue of sections 171 to 177 of the 2006 Act:

(i) to exclude himself from participation in discussion (whether at meetings of the Board or otherwise), or receipt of documents or information, relating to the Relevant Matter and/or to arrange for documents or information relating to the Relevant Matter to be reviewed by a professional adviser to ascertain the extent to which it might be appropriate for him to have access to such documents or information; and/or

(ii) not to disclose to the Company, or use in relation to the Company's affairs, information which he obtains or has obtained otherwise than through his position as a Director of the Company which relates to the Relevant Matter and which is confidential to a third party, where to do so would amount to a breach of confidence or breach of duty to the third party.

This Article 147(d) is without prejudice to any equitable principle or rule of law which may otherwise excuse or release the Director from any requirement to disclose information or use information in relation to the Company's affairs, participate in discussions or receive documents or information as referred to in Articles 147(d)(i) and 147(d)(ii).

(e) The Board may specify, as a term of authorisation of any Relevant Matter, that a Director is entitled to accept benefits from third parties in relation to the Relevant Matter without breaching section 176 of the 2006 Act.

(f) No Director shall, by reason of his office as Director of the Company (or by reason of the fiduciary relationship established by holding that office), be liable to account to the Company for any benefit derived from any Relevant Matter to the extent that the Relevant Matter has been authorised by the Board in accordance with this Article 147. No transaction or arrangement shall be liable to be avoided by reason of any interest of a Director to the extent that it has been so authorised.

(g) For the purposes of this Article 147, references to a conflict of interest include a conflict of interest and duty and a conflict of duties."

8.14 insert the following new Article 188 and consequentially renumber the existing Articles 188 and 189 as 189 and 190 respectively:

"The Board may exercise all the powers of the Company to provide any Director of the Company or of its holding company with funds to meet expenditure incurred or to be incurred by him of the kind referred to in s.205(1)(a) and s.206(a) of the 2006 Act and otherwise take any action to enable any such Director to avoid incurring such expenditure, to the fullest extent permitted by law."

BY ORDER OF THE BOARD

Ian Bristow FCCA
Company Secretary

Elstree House,
Elstree Way,
Borehamwood,
Hertfordshire WD6 ILE

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at least 48 hours before the date and time fixed for the commencement of the meeting (or, if this Meeting is adjourned, at least 48 hours prior to the commencement of the adjourned meeting), shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

Appointment of proxy using hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution.

   To appoint a proxy using the proxy form, the form must be:

   (a) completed and signed;

   (b) sent or delivered to Capita Registrars Ltd, 34 Beckenham Road, Beckenham, Kent BR3 4TU and

   (d) received by Capita Registrars Ltd at least 48 hours before the date and time fixed for the commencement of the meeting

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars Ltd, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars Ltd, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   The revocation notice must be received by Capita Registrars Ltd, at least 48 hours before the date and time fixed for the commencement of the meeting.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

EXPLANATORY NOTES TO PROPOSED RESOLUTIONS

(these do not form part of the resolutions and are not therefore definitive)

At each AGM it is normal to pass resolutions under sections 80 and 95 of the Companies Act 1985 (which are still in force).

Section 80 provides that the Directors of the Company may allot relevant securities only if authorised to do so. The Company's Articles of Association give a general authority to the Directors to allot unissued shares as authorised and directed by the Company from time to time.

Resolution 6 therefore proposes that the Directors' authority, to allot relevant securities be renewed (provided of course that the total authorised share capital of £1,500,000 is not exceeded) up to a nominal value of £338,154, and/or up to a nominal value of £338,154 where the allotment is in connection with an offer by way of rights issue (such amounts being each equal to approximately one-third, of the issued ordinary share capital of the Company as at the date of this notice). As at the date of this notice the Company did not hold any Treasury Shares.

This authority would terminate after five years, or at the conclusion of the 2010 AGM whichever is the earlier.

Authority to disapply pre-emption rights

Section 89(1) of the Companies Act 1985 provides that if the Directors wish to allot unissued shares for cash (other than in connection with an employee share-scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings (a pre-emption offer). There may however be occasions when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emption offer.

Therefore, if resolution 7 is passed, as permitted by Section 95 of the 1985 Act, the Directors will be authorised to allot equity securities (as defined in the 1985 Act) for cash under the authority given by that resolution free of the restriction in section 89(1) of the Companies Act 1985. Such authority would be limited in the case of the authority granted under paragraph (b) of resolution 7 to the allotment of equity securities up to the amounts and for the purposes there specified.

This type of general authority is subject to annual renewal by shareholders. Resolution 7 therefore proposes that the authority be renewed this year, limited (save for rights issues as described above) to the issue of new shares up to a nominal value of £338,154. The authority to issue shares for general purposes under para. 7(b)(iii) is limited to a nominal value of £58,092, representing 4.99% of the issued ordinary share capital as at the date of this Notice.

The Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted pursuant to the authority granted, after the authority ends, and the Board would be authorised to allot equity securities under any such offer or agreement as if the authority had not ended.

Resolutions 7 and 8 are proposed as special resolutions. This means that for the resolutions to be passed, at least three-quarters of the votes cast must be in favour of each resolution.

An explanation follows of the changes that will take effect if Special Resolution 8 is passed:

(a) Updating definitions

An update to the definitions clause to include the Companies Act 2006, which is referred to in the subsequent amendments to the Articles.

(b) Electronic and Website Communications

Provisions of the Companies Act 2006 which came into force in January 2007 have introduced a new regime for company communications aimed at promoting electronic communications between companies and their shareholders and others. To enable the Company to take advantage of the provisions relating to website communications, the Company is proposing the amendment in paragraph 8.2.

Under the Companies Act 2006, before the Company can communicate with a shareholder by means of website communication, the relevant shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the shareholder (either in writing or by other permitted means) when a document or information is placed on the website. A shareholder can always request a hard copy version of the document or information.

The Company regards the move to increased electronic communications as a positive step for shareholders, since it will increase the range of ways in which they can access information about the Company. It will also have benefits for the Company in terms of the saving of paper and production expenses and will help to reduce the impact on the environment.

(c) Information about and investigative powers relating to interests in the Company's shares

Part 22 of the Companies Act 2006 which came into force on 1 January 2007, replaced section 212 of the Companies Act 1985 and the associated provisions.

The changes proposed in paragraphs 8.4 to 8.12 update the Company's articles to reflect and clarify the new provisions in Part 22 of the Companies Act 2006.

(d) Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The amended articles of association will, if adopted by special resolution, give the directors authority to approve such situations and will include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is proposed by Resolution 8.13 that the amended articles of association should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

(e) Loans to Directors

The Companies Act 2006 has widened slightly the scope of powers of the company to indemnify Directors and to fund expenditure incurred with certain actions against Directors. In line with this, a new Article 188 is proposed by Resolution 8.14 to allow the Company to provide a Director with funds to meet expenses incurred for the purposes of funding a Director's defence in proceedings, including regulatory proceedings, in connection with allegations of negligence, default, breach of duty or breach of trust by him in relation to the Company.

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