

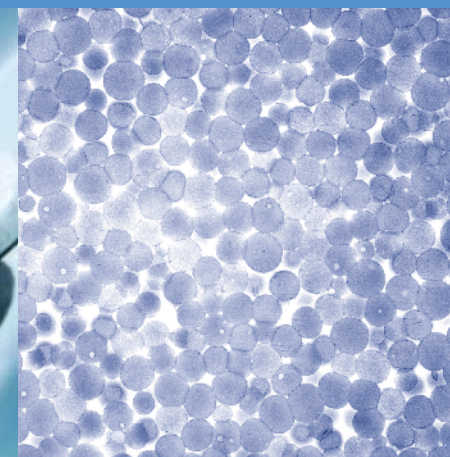
# Symphony environmental technologies plc

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Symphony Environmental Technologies plc Annual Report and Accounts 2010

# Symphony environmental technologies plc

Annual Report and Accounts 2010



Controlled-Life Plastic Technology



Anti-microbial protection







Anti-counterfeiting protection



Waste to value systems

# Welcome to Symphony Environmental Technologies plc

## Our Brands

<div><b>d<sub>2</sub>w<sup>®</sup> Technology</b></div> <div></div> <div><p><b>d<sub>2</sub>w</b> included at manufacture turns ordinary plastic at the end of its useful life into a material with a different molecular structure. At that stage it is no longer a plastic and has become a material which is inherently biodegradable in the open environment in the same way as a leaf.</p></div> <div><b>See Page: 08</b></div>	<div><b>d<sub>2</sub>Detector</b></div> <div></div> <div><p><b>d<sub>2</sub>Detector</b> is a hand-held device for quality control and anti-counterfeiting.</p></div> <div><b>See Page: 11</b></div>	<div><b>d<sub>2</sub>p<sup>®</sup> Technology</b></div> <div></div> <div><p><b>d<sub>2</sub>p</b> gives plastic products anti microbial properties.</p></div> <div><b>See Page: 12</b></div>	<div><b>w<sub>2</sub>v</b></div> <div></div> <div><p>Symphony is developing cost-effective systems for converting scrap tyres into valuable materials.</p></div> <div><b>See Page: 13</b></div>
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21%  
Revenue increase

36%  
Operating profit increase

58%  
Profit before tax increase

## Company information

**Company registration number**  
3676824

**Registered office**  
6 Elstree Gate  
Elstree Way  
Borehamwood  
Hertfordshire  
WD6 1JD

**Directors**  
N J Deva DL, FRSA, MEP – Non Executive Chairman  
M N Laurier – Chief Executive Officer  
I Bristow FCCA – Finance Director  
M Stephen LL.M – Commercial Director & Deputy Chairman  
M F Stephens – Technical Director  
N Clavel – Non Executive Director

**Secretary**  
I Bristow, FCCA

**Nominated Adviser and Broker**  
Seymour Pierce  
20 Old Bailey  
London  
EC4M 7EN

**Bankers**  
HSBC Bank Plc

**Solicitors**  
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**Auditor**  
Grant Thornton UK LLP  
Chartered Accountants  
Registered Auditors  
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Central Milton Keynes  
MK9 1LW

**Registrars**  
Capita Registrars Limited  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

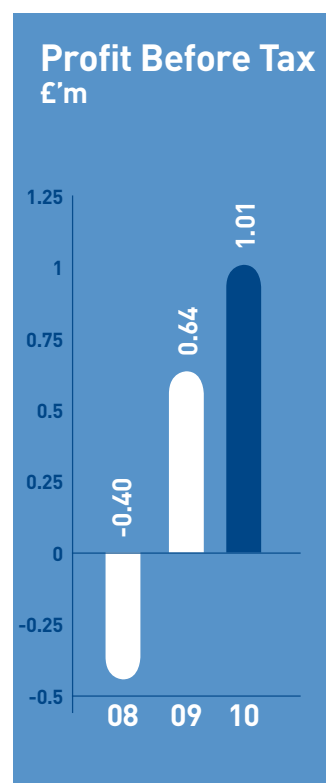
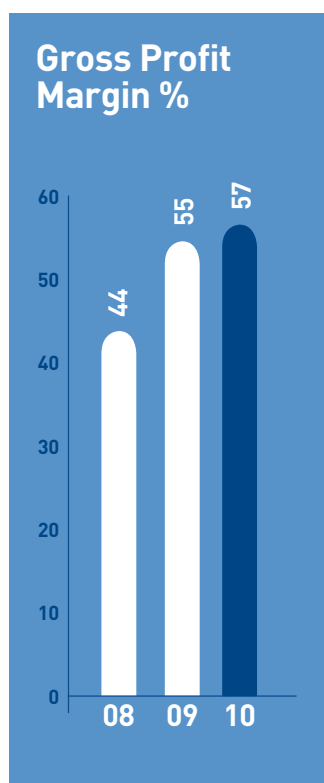
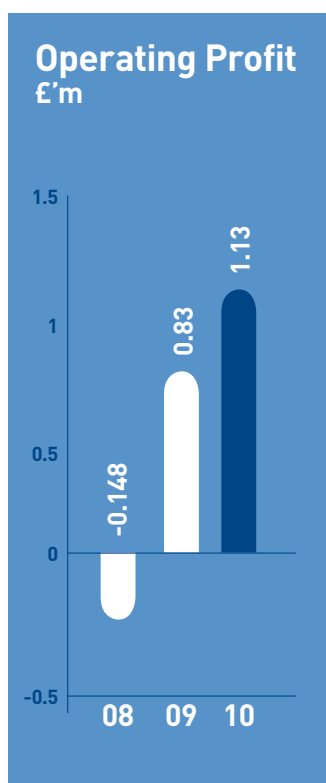
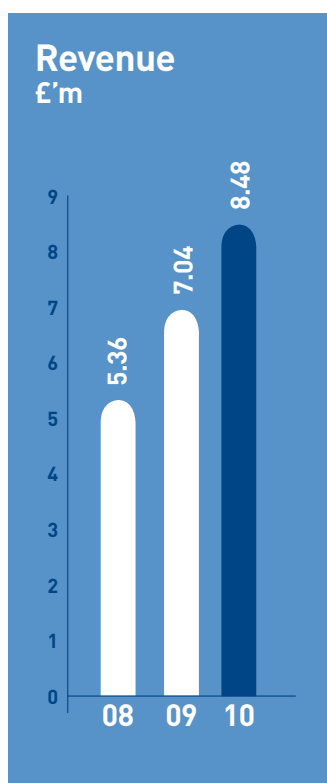


# Highlights

- Revenues increased by 21% to £8.48 million (2009: £7.04 million)
- Operating profit increased by 36% to £1.13 million (2009: £0.83 million)
- Profit before tax increased by 58% to £1.01 million (2009: £0.64 million)
- Profit after tax increased by 29% to £1.19 million (2009: £0.92 million)
- Gross profit margin increased to 57% (2009: 55%)
- Cash generated from operations £0.53 million (2009: £0.57 million)
- Basic earnings per share increased by 28% to 1.02p (2009: 0.80p)
- Number of distributors increased from 49 to 61
- Expansion of products and support services

## Underlying Results

- Operating profit excluding non-recurring items increased by 50% to £1.25 million (2009: £0.83 million)
- Profit before tax excluding non-recurring items increased by 76% to £1.12 million (2009: £0.64 million)



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## Company Profile

# Symphony Environmental Technologies Plc is a British Public Company and head of a group established in 1995 dedicated to finding technical solutions to the world's environmental problems.

Symphony is quoted on the AIM market of the London Stock Exchange and the Chairman is a Member of the European Parliament.

Not so long ago Symphony's business was selling plastic bags mainly in the UK. Now, it is a profitable company with an international reputation in the field of environmental technologies. Symphony has 67\* Distributors around the world, and is working in more than 90 countries. In addition, Symphony sponsors NGOs such as "Surfers Against Sewage," a group working to protect the environment. The Company holds an ISO 9001-2008 certificate for quality management and is in the advanced stages of audit for an ISO 14001 environmental quality certificate.

Until 2010, Symphony focused almost entirely on degradable plastic and is the world leader in Controlled-Life Plastic Technology, which works by a process of oxo-biodegradation. This has been endorsed by the leading television environmentalist Chris Packham<sup>1</sup>. Now, in search of new challenges and wider horizons, the Group has introduced a new product called **d<sub>2</sub>p**, to help protect human health. This is a suite of additives which give plastic products anti-bacterial, anti-viral, and anti-fungal properties. The first has already been brought to market and the others are in development.

Symphony has also introduced what is believed to be the world's first hand-held X-ray device (the "**d<sub>2</sub>Detector**") for the purpose of analysing in less than 60 seconds the components of many different types of plastic products. This is in addition to a free and fast laboratory service for customers who are using or trialling Symphony's **d<sub>2</sub>w** technology inside their products. Not least, the Group continues to develop systems for converting scrap tyres into useful products.

Symphony is a member of the Oxo-biodegradable Plastics Association; the Society for the Chemical Industry (UK); the British Plastics Federation (BPF); The European Organisation for Packaging and the Environment (EUROPEN); and the British Brands Group. Symphony actively participates in the work of the British Standards Institute (BSI); the American Society for Testing and Materials (ASTM); the European Standards Organisation (CEN); and the International Standards Organisation (ISO).

Looking forward, Symphony is taking on the challenge of the huge market of the United States. It has appointed a Distributor and has embarked on a major public relations and communications project with one of America's largest specialists in the field. The Group will be strengthening its position in existing markets and is determined to move forward strongly in China and India.

\* at the time of going to print

<sup>1</sup> [http://www.biodeg.org/files/uploaded/biodeg/OPA\\_press\\_release\\_Chris\\_Packham.pdf](http://www.biodeg.org/files/uploaded/biodeg/OPA_press_release_Chris_Packham.pdf)

In 2010, Symphony expanded into **new** premises.







## UAE

**The United Arab Emirates is rapidly emerging as one of the most developed countries in Western Asia, partly due to its substantial oil reserves, ranked at 6th place in the world.**

In parallel with its reforming political and economic policies, the country has started to show a greater concern for its environment, particularly the effects of littered plastic on animals at land and sea.

The UAE is a large consumer of plastic packaging: in 2008 at least two billion plastic bags were manufactured and according to ministry statistics, around 8,000 tonnes of plastic film is being produced every month.

Of the 2 billion bags made in 2008, only 2,000 tonnes of plastic bags were made using biodegradable technology.

In August 2010, the country's Ministry of Environment and Water (MOEW) made the decision that all plastic bags should be made biodegradable by the year 2013. Dr Mariam Al Shinasi, Executive Director of Technical Affairs at the MOEW said that "the decision is expected to significantly protect the country's environment and public health and existence of animals as normal plastic bags pose serious danger to them."

The responsibility of verifying the technology used to make plastic oxo-biodegradable is attributed to the Emirates Authority for Standardisation and Metrology (ESMA), established in 2001 to provide standardisation and regulation in a variety of areas including the electrical, mechanical and chemical fields. ESME has approved Symphony's **d2w** additive for use, as compliant with the UAE Standard 5009-2009 (Standard and Specification for Oxo-biodegradation of Plastic bags and other disposable Plastic Objects).

Introducing oxo-biodegradable technology to the country and particularly the plastic bag industry has enabled Symphony to strengthen its position in this region and raise awareness of its products.



## Bakeries

**Roberts Bakery, part of the Frank Roberts and Sons group, is one of the UK's most successful independent bakeries. Based in the Cheshire market town of Northwich, the company was established in 1887 and is still very much a family business, with a £69million group turnover.**

The Roberts brand is synonymous with quality, using the finest ingredients to bake over 2 million loaves, bread rolls and bakery treats for the retail and foodservice markets every week. Roberts Bakery products are widely available in all the major supermarkets and convenience stores across Cheshire and the North West, Staffordshire, North Wales and the Midlands.

The Frank Roberts and Sons group, which employs over 800 members of staff, includes The Pastry Case, the market leading producer of decorated gingerbread biscuits, and recent acquisitions Aldred's The Bakers and Davies Bakery. The company is proud to play an important part in the local community and the iconic cooling towers at the front of Roberts Bakery, along with the enticing smell of freshly baked bread have become a renowned Cheshire landmark.

Robert's Bakery originally started using **d2w** on their White and Seeded Farmhouse loaves when they launched the Seeded Farmhouse back in April 2009. They are just in the process of re-launching their packaging and as part of that re-launch they've rolled the **d2w** film out to their entire premium range, which includes 3 Malted Wheatgrain SKUs as well as the 2 Farmhouse loaves as above.

Roberts Bakery take their responsibility to their consumers and local community very seriously and selecting **d2w** packaging is a reflection of this. Bread is a very large category and so millions of bread bags are thrown away every week. By choosing **d2w** they are doing their bit to reduce the accumulation of plastic waste in the environment. Symphony also supplies other bakeries in the Middle East and Latin America.



## Hotels

**NH Hoteles and Symphony launched a joint environmental initiative during May 2010 aimed at promoting eco-friendly, sustainable plastic technology throughout the hotel and catering sectors.**

NH Hoteles, the third largest business hotel chain in Europe, is working with Symphony to show companies in the catering and hotel sectors the environmental benefits of Controlled-Life Plastic. The initiative set a precedent as an environmental agreement between a major hotel group and a leading degradable plastics company.

As part of the programme, all plastic consumables used throughout the NH Hoteles chain are now being made using Symphony's **d2w** additive. This includes shampoo bottles, laundry bags, bath gel bottles, combs and other items.

The NH Hoteles group currently has 392 hotels in 24 countries across Europe, America and Africa providing over 60,000 rooms, with another 45 hotels under construction. NH Hoteles stands out in quality both as regards services and facilities, with tastefully furnished and comfortable environments. NH Hoteles offer the most advanced technologies designed to facilitate the guests' communication as well as their work and leisure.

The restaurants are another priority for hotels in the chain, offering first-rate cuisine. NH Hoteles is a responsible company in the tourism industry. The chain offers hotel services which anticipate present and future needs of both its internal and external stakeholders, offering maximum attention to detail and efficient and sustainable solutions.

# Chairman's Statement



"I am delighted to report these results which show significant growth was achieved in Group revenue resulting in a profit before tax of £1.01 million."

## Profit after tax of **£1.19m**

During the year we restructured the Group by simplifying the operating structure and creating positive profit and loss reserves through a capital reduction. As a profit making and operationally cash generative business, we are now also well positioned corporately.

We have continued to make significant investments in product development and the global brand of **d<sub>2</sub>w**. Significant development work has also continued to be undertaken in respect of Symphony Energy. Additionally, other products, including the **d<sub>2</sub>p** protection system and **d<sub>2</sub>Detector** are now coming on stream.

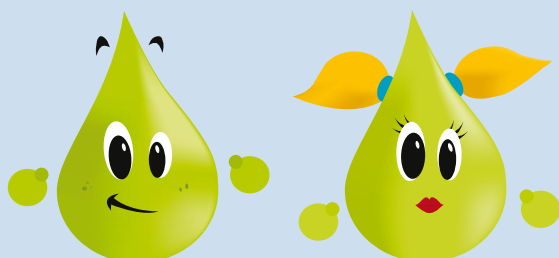
Further favourable legislative changes took place during the year in various parts of the world. The United Arab Emirates, in particular, legislated wholly in favour of technology which is incorporated in our **d<sub>2</sub>w** product range. The state recognised in legislation the need to protect the environment by ensuring in legislation that most of the short-life plastic products are Oxo-biodegradable. These favourable legislative changes will help to drive the business in the future together with increasing corporate social responsibility, where our products are helping to fill the gaps on packaging, waste and the environment.

I would like to thank my colleagues on the Board, our employees and distributors, for all their hard work during the past year. Finally, I would like to thank you our shareholders for your continued support during the year and look forward to reporting on the Company's continued progression throughout 2011.

**N Deva FRSA DL MEP**

Chairman

4 April 2011



Danny

Dotty

Meet Danny and Dotty in the kid's corner of the website.

### New Website

Symphony was proud to launch its new website in the Autumn of 2010.

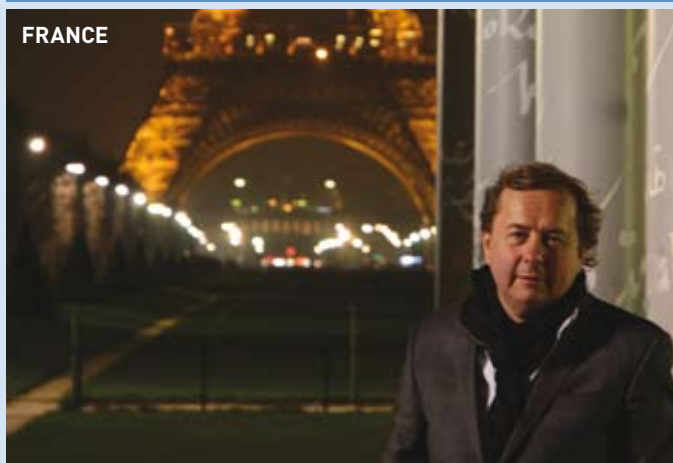


Visit the website at:

[www.d2w.net](http://www.d2w.net)

## Some Quotes from Our Distributors

FRANCE



“I discovered **d<sub>2</sub>w** some years ago by accident on the internet. Today I’m working with it in France and French-speaking Africa where this technology is really going to change the face of the world and I am proud to participate in that change.”

**Philippe Michon**  
Paris

INDONESIA



“We entered a market that was already well covered by other degradable plastic companies in the shopping bag sector. Our aim for 2011 is to become the largest supplier in Indonesia for degradable plastic used in all areas of bag and film use and to build up brand awareness of **d<sub>2</sub>w** with end users.”

**Ms Hanny Widjaja**  
Kuta

USA



“We are proud to have the opportunity to bring **d<sub>2</sub>w** to the United States. The American people are concerned about plastic litter accumulating in the environment and will actively seek retailers who offer proven solutions such as **d<sub>2</sub>w**.”

**Tim Murtaugh**  
Jacksonville

## Chief Executive's Review



"I am very pleased to report that the Group has achieved a further important financial milestone: a pre-tax profit of £1 million."

During 2010, investments were made into the main operating areas of the business including an upgrade in our main office facility, computer and test equipment, marketing materials, exhibitions, which included the K Show, and enhancing our ISO accreditation toward gaining certification for ISO 14001.

The main focus for the Group in 2010 was to strengthen the distributor base, together with the **d<sub>2</sub>w** product range, systems and services. We had further launches in South America, and new launches in Africa, the Middle East and parts of Eastern Europe. The Group has continued to invest in the development of new products and technologies that are synergistic with the existing ones.

In addition to the above, we are now starting to see legislative changes which favour our products. An example of this during 2010 can be seen in the Middle East, where the United Arab Emirates has legislated wholly in favour of technology which is incorporated in our **d<sub>2</sub>w** product range.

The number of distributors increased again from 49 to 61 resulting in further market potential for our products. The **d<sub>2</sub>w** market continues to grow in strength which is now being augmented with **d<sub>2</sub>p** products and the **d<sub>2</sub>Detector** device.

The Group has been reorganised which has resulted in a simpler financial structure and positive retained profits.

### Trading Results

I am pleased to report Group revenues increased by 21% during the year from £7.04 million to £8.48 million. Group gross profit margins increased from 55% to 57%. These factors resulted in a 24% increase in the contribution from gross profit rising from £3.88 million in 2009 to £4.83 million in 2010.

The Group has made an operating profit of £1.13 million compared to an operating profit of £0.83 million in 2009, resulting in the Group's profit before tax of £1.01 million compared to a profit before tax of £0.64 million in 2009.

Non-recurring costs of £0.19 million were incurred during the year in restructuring the Group.

# Group revenues increased by **21%**



The operating profit before non-recurring items increased by 50% from £0.83 million in 2009 to £1.25 million in 2010 with profit before tax before non-recurring items increasing by 76% to £1.12 million.

Development costs of £0.33 million were capitalised in 2010. The net book value of capitalised development costs at the end of the year amounted to £0.78 million.

As a result of the continued strong performance and in consideration of future performance, a further deferred tax credit of £0.19 million has been recognised in 2010 resulting in a carried forward recognised tax asset at the end of the year of £1.18 million.

As a result of this financial performance, the Group reports a profit for the year of £1.19 million with basic earnings per share increasing to 1.02 pence (2009: 0.80 pence).

The Group's primary selling currency is the US Dollar. The Group hedges where possible by purchasing in US dollars and has banking facilities in place in order to secure rates going forward. As at 31 December 2010 the Group had a net balance of US Dollar assets totalling \$3.21 million.

### Cashflow

The Group generated £0.53 million from operations (2009: £0.57 million). Trade was weighted to the fourth quarter of 2010 which resulted in a high accounts receivable balance as at 31 December 2010.

£0.39 million was invested in plant and equipment together with £0.33 million in product development which has been capitalised. Further research and development spend is included within expenses and was not capitalised as it does not fall within the appropriate accounting criteria. The increase in plant and equipment was as a result of a move to more suitable premises for the Group's Head Office. A bank loan of £0.17 million part financed this expenditure.

The Headstart loan was repaid in full during the year. In 2011 the working capital of the Group is supported by HSBC by way of Invoice Finance facilities. As at 31 December 2010, and prior to the new facility with HSBC Invoice Finance, HSBC Bank supported the Group by providing overdraft facilities.

### Group Reorganisation

On 1 July 2010 the Company, upon consent from the Court, reduced its share premium account by £13.26 million. This amount was credited to retained earnings. This was the culmination of a reorganisation which saw on 31 May 2010, the hive-up of the business of Symphony Plastics (2010) Limited (formerly Symphony Environmental Limited, name changed on 7 June 2010) into Symphony Environmental Limited (formerly Symphony Plastics Limited, name changed on 7 June 2010). The following transactions also occurred as part of the reorganisation:

On 28 May 2010, Symphony Environmental Limited issued 20,000,000 new ordinary shares at a price of 10 pence each by way of debt capitalisation of amounts due to the Company.

On 28 May 2010, various intra Group debts were waived. The Company waived £13.46 million of debt due from Symphony Environmental Limited and £1.12 million of debt due from Symphony Plastics (2010) Limited.

On 4 June 2010, Symphony Environmental Limited completed its own capital reduction scheme.

### Operations

Total costs increased in 2010 due to the level of support required to service the growth in revenue and number of distributors.

Having developed an extensive and far reaching distribution network, which now covers more than 90 countries worldwide the main function for the Group continues to be the expansion of products and support services as well as to enhance the **d<sub>2</sub>w** and **d<sub>2</sub>p** brands.

On 19 March 2010 the Group moved its head office within Borehamwood UK to premises more suited for the next five to ten years of operations. This move resulted in the addition of £0.21 million of fixtures and fittings and leasehold improvements.

### Symphony Energy

The Group currently absorbs annual running costs of £0.22 million. The RuPERT project is in its final year and the Group is actively pursuing commercial outlets for elements within the project.

### Outlook

We will continue to concentrate on improving the distributor base, product development and increasing market presence and brand awareness.

Our efforts will be focused on markets either by size, or where legislative developments have started to favour our technology. That being said, our existing distributor network has the ability to create significant revenue opportunities globally.

In 2011 we will be devoting attention to the huge market in the USA, where we have recently appointed a distributor, and have embarked on a major communications programme with one of America's largest PR agencies.

We look forward to the future with confidence.

### Michael Laurier

Chief Executive  
4 April 2011

# The Challenge Posed by Plastic

Plastic is strong, durable, versatile, lightweight, safe, and is the most effective and cost-effective material for most packaging applications.

Without plastic it would be almost impossible in the modern world to protect food and other goods from damage and contamination. A Life-Cycle Assessment published by the UK Environment Agency<sup>1</sup> has shown plastic bags to have good environmental credentials.

However, modern plastic is so durable that it lasts much too long after it has served its purpose. A lot of plastic ends up in the open air or at sea where it can lie or float around for 50 years or more. Concern for the impact of plastic on the environment is growing and so are the attempts to reduce it, but it is inevitable that some plastic will go uncollected. This is a key issue that the Group's **d<sub>2</sub>w** technology is designed to address.

Symphony's **d<sub>2</sub>w** additive included at the manufacturing stage turns ordinary plastic at the end of its useful life into a material with a different molecular structure. This is done by a process of oxidation in the presence of oxygen<sup>2</sup>. This causes the plastic to lose its strength and to fragment. At that stage it is no longer a plastic and has become a material which is inherently biodegradable in the open environment in the same way as a leaf. Approximate timescale for degradation can be set at manufacture as required. For a video of plastic film degrading, go to: <http://degradable.net/play-videos/4>

<sup>1</sup> For Symphony's response see [http://degradable.net/files/uploaded/Sym\\_response\\_to\\_EA\\_LCA\(6\).pdf](http://degradable.net/files/uploaded/Sym_response_to_EA_LCA(6).pdf)

<sup>2</sup> Oxo-degradation is defined by CEN (the European Standards Organisation) in TR15351 as "degradation identified as resulting from oxidative cleavage of macromolecules." And oxo-biodegradation as "degradation identified as resulting from oxidative and cell-mediated phenomena, either simultaneously or successively."

<sup>3</sup> See tables on page 10

See a plastic bag degrading thanks to **d<sub>2</sub>w** Controlled-Life Plastic Technology at:

<http://degradable.net/play-videos/4>



## d<sub>2</sub>w's vital function

**d<sub>2</sub>w** is no more a solution to plastic waste than catalytic converters are a solution to air pollution, but both technologies have an important contribution to make. Education also has a role to play, but it is unrealistic for the foreseeable future to think that there will be no plastic waste in the environment. There is no evidence whatsoever that biodegradable plastic of any kind encourages littering.

Over the last decade businesses, consumers and Governments have sought to minimise the impact of plastic on the environment. Be it through reactive or pro-active measures, tighter legislation has changed the business landscape to one seeking alternative technology applications which are environmentally friendly. Symphony believes that it has brought the right technology<sup>3</sup> to the market at the right time.

Symphony's concern for the environment is being matched by many companies who are pursuing Corporate Social Responsibility (CSR) objectives and from consumers who understand their responsibilities towards the environment for future generations and who are providing those companies who use **d<sub>2</sub>w** degradable plastics with a real marketing benefit.

The pressure towards the use of degradable plastics is at the same time coming from Governments, who in some cases are introducing legislation to reduce the impact of plastics on the environment.

Most countries in the world have a policy for dealing with plastic waste which can be collected, but only one country has a policy for plastic waste which gets into the open environment and cannot be collected. In 2010, the United Arab Emirates introduced a progressive ban on plastic products unless they are oxo-biodegradable and supplied by a certified supplier. Symphony was the first company to obtain certification, after an in-depth audit by the UAE authorities of its technology, laboratories, and manufacturing facilities. Symphony is now supplying significant quantities of its additive to the country's plastic factories.



# The d<sub>2</sub>w<sup>®</sup> Solution

## Controlled-Life Plastic Technology

**d<sub>2</sub>w** turns ordinary plastic after its useful life into a material with a completely different molecular structure. At that stage it is no longer a plastic and has become a material which can be bio-assimilated in the open environment in the same way as a leaf.



### What can d<sub>2</sub>w be used for?

- Carrier bags or “shopper-bags” which consumers use to take away their purchases from the shop
- Refuse sacks, which consumers buy in rolls at the shop and use for disposal of their ordinary household waste
- Aprons, for the protection of garments in the home, hospitals, restaurants, workshops etc
- Bags to contain dog faeces collected in parks, gardens, etc
- Bin liners
- Gloves
- Plastic sheeting for a variety of applications in agriculture and horticulture
- Plastic film for wrapping newspapers and magazines
- Bread bags
- Frozen food bags
- Wrappers for cigarette packets
- Shrink-wrap and pallet-wrap
- “Bubble-wrap”
- Rigid products such as bottles and cups

Products such as these are now being made with **d<sub>2</sub>w** and are used by some of the world’s largest companies, who undertake many months or even years of due-diligence before they adopt oxo-biodegradability. More products will become available in due course.

## STOP PRESS – TWO IMPORTANT NEW REPORTS

**The British Plastics Federation presented on 21 April 2011 to the UK Government a full scientific response to the Loughborough Report on Oxo-biodegradable (OBD) plastics published by DEFRA in March 2010.**

This response provides DEFRA with evidence, both from peer-reviewed academic literature and from studies in independent laboratories (both appended to the report), which demonstrates that:

- Properly formulated OBD plastic films can be made to degrade oxidatively at ambient temperature in short (< 1year) periods to materials whose molecular weights and polarities are such as to make them biodegradable.
- Oxidative degradation in biologically-active environments is faster than in the typical air-oven conditions used for laboratory investigations, so that laboratory testing over-, rather than under-estimates lifetime in the environment.
- Properly formulated OBD plastic films, once oxidatively degraded can be shown to mineralise to CO<sub>2</sub> and H<sub>2</sub>O in soil contact; greater than 90% mineralisation has been demonstrated in independent laboratory testing.
- There is no evidence of any ecotoxicity from OBD plastics at any stage of their degradation, and a great deal of detailed evidence that there are no ecotoxicity implications to their use.
- Claims of accumulation of undegraded or partially degraded plastics in the environment are wholly unjustified.
- OBD plastics will not compromise an oil-based recycling stream.

**On 18 February 2011, the UK Environment Agency published a lifecycle assessment on shopping bags. This showed that Oxo-biodegradable bags have a better life-cycle rating than compostable plastics or paper bags.**

# Comparison of oxo-biodegradable and “compostable” plastics

## Oxo-biodegradable:

Does degrade and does biodegrade in the terrestrial or marine environment in the presence of oxygen, much more quickly than ordinary plastic

Does not contain heavy metals

Is not toxic in the soil nor anywhere else in the environment

Is no more likely to attract toxins in the marine environment than the trillions of naturally-occurring fragments already present in the oceans, and much less likely than fragments of ordinary plastic

Has little, or in some cases no, extra cost compared with ordinary plastic

Can be made with the same machines and workforce as ordinary plastic and does not therefore disrupt supply-chains or cause loss of jobs

Has the same strength and other performance characteristics as ordinary plastic during its useful life

Can be recycled and can be made from recycle. <http://www.biodeg.org/position-papers/recycling/?domain=biodeg.org>

Can be used to make PE bottles, but is not recommended for PET bottles, which can be economically recycled

Complies with Annex II para 3 of the EU Packaging Waste Directive 94/62/EC

Is not required to comply with EN 13432

Does not cause oil-depletion, because it is made from a by-product of oil-refining which used to be wasted

Can be composted in an in-vessel commercial composting unit

Has a better LCA rating than vegetable-based “bioplastics”

## Hydro-biodegradable or “Compostable”

Typically do not readily degrade in the open environment. They are designed for industrial composting

Are up to 400% more expensive than ordinary plastic

Are generally much thicker and heavier for the same strength, resulting in more trucks on the road using more fuel

Are not really renewable because large amounts of hydrocarbon fuels are consumed in the production process [http://www.biodeg.org/files/uploaded/biodeg/Hydro-biodegradable\\_Plastic\\_Production\\_Process.pdf](http://www.biodeg.org/files/uploaded/biodeg/Hydro-biodegradable_Plastic_Production_Process.pdf)

Compostable plastics have a worse Life-Cycle Analysis than oil-based plastics, [http://www.environment-agency.gov.uk/static/documents/Research/Carrier\\_Bags\\_final\\_18-02-11.pdf](http://www.environment-agency.gov.uk/static/documents/Research/Carrier_Bags_final_18-02-11.pdf). Page 60

Emit CO<sub>2</sub> in the open air and methane deep in landfill

Cannot be recycled in an ordinary plastic waste-stream

Compete for land and water resources with food production (see <http://www.biodeg.org/position-papers/comparison/?domain=biodeg.org>)

Paradoxically, “compostable” plastic is not useful for compost. This is because the Standards for compostable plastic require it to convert itself into CO<sub>2</sub> gas within 180 days. This contributes to climate change but does nothing for the quality of the soil

The packaging manager of Tesco (Britain’s largest supermarket) said on 20th October 2009 that the supermarket “does not see the value in packaging that can only be industrially composted” and that “city authorities do not want it, as it can contaminate existing recycling schemes”

It would be deceptive to describe most types of compostable plastics as biodegradable, because they will readily biodegrade only in the special conditions found in composting

## Facts

- **When oxo-biodegradable plastic has reached the fragmentation stage it is no longer a plastic and is “biodegradable” in the same way as nature’s wastes such as straw and twigs. The process continues until the material has biodegraded to nothing more than CO<sub>2</sub>, water, and humus. It is not toxic and it does not leave fragments of plastic in the soil.**
- If all of the plastic used in Europe each year were substituted with a mix of alternative materials then an additional 50 million tonnes of crude oil would be required annually. Using plastics instead of other materials effectively reduces the amount of CO<sub>2</sub> produced in Europe by some 120 million tonnes each year. This amounts to 38% of the EU15 Kyoto target for 2000-2012. *Plastics – the Facts 2010. An analysis by Plastics Europe.*
- Plastic production increased from 1.5 million tonnes in 1950 to 230 million tonnes in 2009. This growth is around 9% a year on average. *Plastics – the Facts 2010. An analysis by Plastics Europe.*
- Starch-polyester blend plastic bags have a higher global warming potential than conventional polymer bags, due to the increased weight of material in a bag, higher material production impacts and a higher end-of-life impact in landfill. [http://www.environment-agency.gov.uk/static/documents/Research/Carrier\\_Bags\\_final\\_18-02-11.pdf](http://www.environment-agency.gov.uk/static/documents/Research/Carrier_Bags_final_18-02-11.pdf). Page 60
- Symphony Environmental Ltd is the world leader in Controlled-Life Plastic Technology and sold in the last year enough **d2w** additive to make more than 8 billion plastic products.



# The d<sub>2</sub>Detector

## Anti-counterfeiting protection

The **d<sub>2</sub>Detector** is a recent addition to Symphony's range of products. Using x-rays, its prime purpose is to detect the amount of additive and other elements contained in plastic, offering an accurate and reliable response in real time. It also offers its users anti-counterfeiting advantages.



### Technical information

The **d<sub>2</sub>Detector** is a hand-held device that can be easily carried around, offering responses in under a minute. As an X-Ray Fluorescence (XRF) analytical instrument, the **d<sub>2</sub>Detector** can satisfy a range of requirements, including giving an immediate response to its user as to whether the plastic product is genuine or an imitation.

In the marketplace, Symphony's **d<sub>2</sub>w** is regarded as a quality product which can be relied upon, and with technical support second to none. Quality control is therefore of vital importance. The **d<sub>2</sub>Detector** can verify if products have been correctly made by checking for the right amount of additive and other components.

Legislation in some countries has meant that there is now demand for this instrument as a way for government agencies to check in real-time that oxo-biodegradable plastics have been correctly made in accordance with local law and standards.

Symphony is pioneering the use of analytical instrumentation to measure the amount of its **d<sub>2</sub>w** additive. As part of an integrated service to its suppliers, Symphony also offers training on the **d<sub>2</sub>Detector** and in-depth analysis where necessary, at its UK based laboratory.

The **d<sub>2</sub>Detector** was officially unveiled in January 2011 at the 10th Arab International Plastics & Rubber Industry Trade Show & Conference in Dubai. Michael Laurier, CEO of Symphony, commented, "The **d<sub>2</sub>Detector** is an important addition to our portfolio and we were delighted to launch it in Dubai in the presence of the Environment Minister. The UAE Government is supportive of oxo-biodegradable plastic technology – recognising in legislation the need to protect the environment by ensuring that all short-life plastic products are oxo-biodegradable."

### How does the d<sub>2</sub>Detector system work?



The **d<sub>2</sub>Detector** is easily used: it is placed on the object, sending an x-ray that returns to the unit. The results are displayed in less than 60 seconds.



The **d<sub>2</sub>Detector** is a flexible tool for analysis, quality control and anti-counterfeiting purposes. Symphony offers **d<sub>2</sub>Detector** users training and support.



# The d<sub>2</sub>p<sup>®</sup> Solution

## Anti-microbial protection

**d<sub>2</sub>p** is an additive system that provides plastic products with anti-microbial benefits.

**d<sub>2</sub>p** comprises a range of masterbatches, each tailored to specific applications and polymer processes.

**d<sub>2</sub>p** contains unique active ingredients that help to inhibit the growth of bacteria. The active ingredients are released over time, thanks to a controlling mechanism.

**d<sub>2</sub>p** is an effective solution against Gram-positive and Gram-negative bacteria.



### d<sub>2</sub>p Benefits

**d<sub>2</sub>p** is a versatile and powerful additive that is inorganic, small in size and tolerant to high temperatures. It is engineered to protect against:

- Cross contamination
- Healthcare and food industry infections
- Staining
- Discoloration
- Odour development

The active ingredients in **d<sub>2</sub>p** have been successfully tested against over 50 common organisms, such as MRSA, E.coli, Salmonella, Listeria, Pseudomonas and Aspergillus Niger, in over 2,000 applications.

### d<sub>2</sub>p Applications

**d<sub>2</sub>p** additives work with PE, PVC, PS, PET AND PP and are used in the following products:

- Plastic bags and film
- Plastic food packaging, containers and utensils.
- Waste bins and refuse packaging
- Plastic products in medical facilities

**d<sub>2</sub>p** additives are generally added at somewhere between 1% and 2%. Products in the range work at conventional processing temperatures without losing their anti-bacterial properties and have been designed to retain maximum stability whilst in storage and during use. They are also virtually insoluble.

### d<sub>2</sub>p testing

**d<sub>2</sub>p** products have been tested successfully at the Kyoto Biseibutsu Kenkyusyo Laboratory.

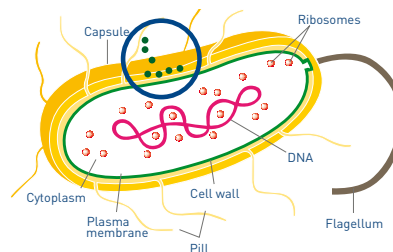
### Future outlook

**d<sub>2</sub>p**'s range of products is being expanded to include an anti-fungal variety.

### How does d<sub>2</sub>p work?

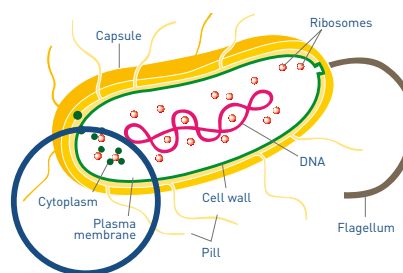
**d<sub>2</sub>p** contains a silver-based salt which slowly releases silver ions that safely inhibit the growth of bacteria over a long period of time. **d<sub>2</sub>p**'s activity follows 3 distinct stages.

## Stage 1



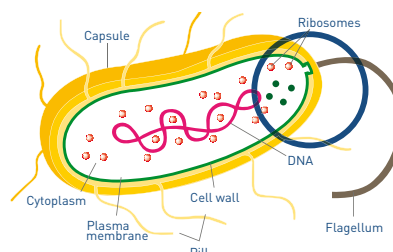
During stage 1, the active ingredient penetrates the offending micro-organism's membrane.

## Stage 2



The active ingredient in **d<sub>2</sub>p** makes its way into the cell, where it interacts with enzymes and deactivates vital molecules.

## Stage 3



In the final stage **d<sub>2</sub>p** interacts with the DNA so that replication is prevented.

## W<sub>2</sub>V

### Waste to value systems

Symphony Energy Ltd is engaged in R&D work for the recovery of valuable components from scrap tyres and post consumer waste plastics.



**W<sub>2</sub>V** responds to a profound need to see some of our waste used to create value. Tyres are a prime example of this: incredibly useful in their first years of life, they are very hard to dispose of without severely impacting the environment. They also constitute a health hazard in helping to harbour some of the world's diseases like dengue and malaria.

The **W<sub>2</sub>V** system's 2 steps involve ultra-high pressure water and microwave pyrolysis. During the first step, together with the pressurised water, a robotic arm separates the different parts of the tyre. The result can be used in a variety of applications and sold or used further in the **W<sub>2</sub>V** process. **W<sub>2</sub>V** is proudly a 100% material recovery process, as there is a little or no waste generated by the operations. Even the water is cleaned and re-injected back in to the system.

In the second step, energy generators and a pyrolysis chamber can transform the tyre crumb back in to oil, carbon black and gas. These are easily placed on the market.

Each one of these 2 steps can be installed and operated separately.



## Our Services

Symphony has its own laboratories and test facilities in England where it constantly tests, develops and improves its products, working closely with universities and other specialist scientific centres in the UK and overseas.

Symphony's technical team has a total of more than 100 years experience in the manufacture of plastic products. The team is able to provide a high-quality product and an after-sales service without parallel in the industry.

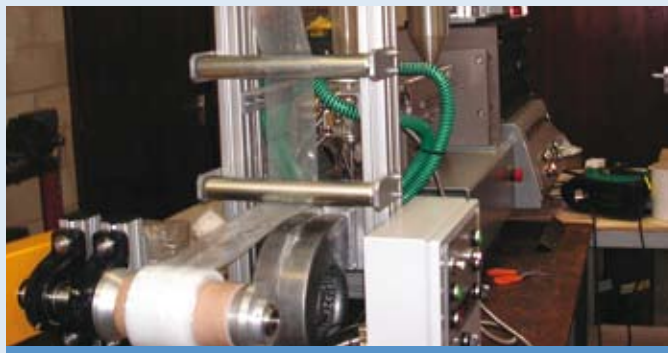
During 2010 Symphony made investments in the latest equipment, and strengthened its technical team with the addition of two members of staff – a PhD in polymer science and a BSc in physics. Symphony has also strengthened its marketing and sales teams, and is now established in larger and more modern operating facilities, with room for expansion.



Borehamwood – Headquarters, sales and research and development



Great Yarmouth – Quality control testing



Telford – Industrial research and development

## Distribution Network

# Symphony Environmental Technologies plc markets its range of products worldwide.

The Group sells both pro-degradant additives and anti-microbial additives through a growing network of international distributors and agents.

The Group has chosen not to manufacture products itself, but to subcontract this work to carefully selected and audited subcontractors around the world. This flexibility provides security of supply, local availability and significant cost benefits to the Group and its customers.

All this ensures that Symphony's products are visible all round the globe and can be obtained almost anywhere.

Symphony works constantly to look for new territories to distribute its range of products.

### K-Show

During October 2010, Symphony exhibited at the 18th K-Show held in Dusseldorf, Germany. Over 5,000 people visited our stand.

Michael Laurier, CEO commented "The K-Show was a great success for Symphony and we are very pleased with the responses... we received an overwhelming number of international enquiries, which, coupled with the fact that our extensive distributor network keeps growing, reinforces our status as the global leader in oxo-biodegradable plastic".



Symphony also introduced its **d<sub>2</sub>p** technology, the additive system that gives plastic products anti-microbial properties.

### Arabplast

In January 2011, Symphony exhibited at the 10th Arab International Plastics & Rubber Industry Trade Show & Conference in Dubai, UAE.

At its 3rd visit, Symphony had its best stand so far. The stand was not only impressive, but it also enjoyed an excellent position, next to some of the world's largest polymer producers. The show was a great success and Symphony was enthralled with the several hundred enquiries it had from all over the Middle East, Europe and Asia. Being a Government-authorised oxo-biodegradable additive-supplier in the UAE, Symphony's stand attracted Ministers from the UAE and several neighbouring countries. The use of oxo-biodegradable plastic technology is now compulsory in the UAE. Michael Laurier, Symphony's CEO said "We were honoured to receive, and demonstrate the '**d<sub>2</sub>Detector**' to, the Minister of Environment and Water for the UAE, Dr. Rashid Ahmed Bin Fahad, who expressed great interest in our product.



Symphony is now  
represented in more  
than **90** countries  
worldwide.



# CSR

We believe that our long-term future depends on our environmental and social performance. Excellence in operational performance generates financial returns; however, enduring sustainable growth depends on being a responsible global citizen and earning the continued support of our customers, shareholders, communities and staff.

## Environmental Policy

Symphony recognises a responsibility to manage its business with responsibility for the environment and to help its customers make the most environmentally-beneficial purchasing decisions within the limits of current knowledge.

## Objectives

- To supply the most environmentally-beneficial products
- To purchase and sell products which can be re-used or recycled and will biodegrade
- To seek out new environmentally-sound products and encourage early introduction to the market
- To publicise our environmental policy to customers
- To pursue certification of products
- To meet all requirements of relevant environmental legislation
- To seek to reduce excess packaging
- To reduce internal waste by recycling and/or efficiency

## Actions

To reduce the impact of Symphony's activities on the environment by:

- Purchasing low-energy-consuming lighting, computers, office equipment, electrical equipment and machinery
- Encouraging officers and staff of the Company to purchase the most energy efficient vehicles
- Making available refills or reuse products as many times as possible
- Promoting paperless administration systems, e.g. EDI, CRM systems, the internet

## Social Policy

To increase the positive impact of Symphony's contribution upon society

## Objectives

- Contributing to the local economic development
- Maintaining goodwill with key clients or contacts by supporting their initiatives
- Improving the quality of life of the firm's employees
- Cementing relationships with the local community

## Actions

- Partnering with NGOs globally to raise awareness of environmental issues and sustainability
- Supporting local businesses through advertising opportunities and investment
- Providing a nurturing business environment which offers our employees the ability to continuously develop their competencies

## Thames21 and Surfers Against Sewage

Symphony makes a substantial contribution to the efforts worldwide to reduce the impact that plastic can have on the environment, particularly on the oceans, through its leading product, **d<sub>2</sub>w**, which turns ordinary plastic at the end of its useful life into a material with a completely different molecular structure. At that stage, it is no longer a plastic and has become a material which can be bio-assimilated in the open environment in the same way as a leaf. Plastic containing **d<sub>2</sub>w** degrades in the timescale assigned and requires only oxygen to do so.

On 14 August Symphony staff joined forces with other volunteers to help with a clean up initiative called The Cleaner Thames Challenge 2010 in Putney.

Thames21 is an environmental charity working with communities to bring London's waterways to life. Thames21 mobilise thousands of volunteers every year to clean up waterside grot-spots, remove graffiti and create new habitats for wildlife. Thames21 aims to transform neglected and littered waterways into areas that everyone can use and enjoy by encouraging all Londoners to treat their waterways with care and respect.



This year, as part of a more co-ordinated programme to partner with organizations involved with improving the state of the oceans, Symphony agreed to sponsor Surfers Against Sewage. Founded in 1990 by a group of surfers, Surfers Against Sewage is a UK-based non-profit-making organisation campaigning for clean, safe waters, free from sewage, chemicals and litter. Symphony will be helping with initiatives in schools and promoting responsible waste management.

Events include beach clean-up initiatives throughout 2011 and talks in community groups. SAS will also work in safeguarding the rights of beach and marine users in coastal areas together with monitoring and reporting on local pollution incidents. In terms of marketing exposure, Symphony's additive **d<sub>2</sub>w** will be featured in material regarding the oceans and how **d<sub>2</sub>w** plastic is bio-degradable even at sea. It will also benefit from the use of its animated kid's characters Danny and Dotty in awareness campaigns in schools. Symphony will be visible on the SAS website on the sponsors page, marine litter page, education page and also the quarterly newsletter sent out to 14,000 subscribers.

Finally, so as to monitor the effectiveness of the collaboration and assess the ROI of the project, SAS will report at the end of the year as to how the sponsorship money has been used, how many children have received a school talk and other relevant information.

We believe that this project will improve the public's awareness of marine waste and litter and offer tangible and measurable results on the beaches and at sea whilst promoting Symphony and its world-wide successful product, **d<sub>2</sub>w** oxo-biodegradable plastic.

# Directors' Report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2010.

## 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 value 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 £1,192,000 (2009: £923,000).

## 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	2010	2009	Method of calculation
Sales <b>d2w</b> (£'000)	<b>8,456</b>	6,947	Sales revenue solely of <b>d2w</b> additives and products.
Gross profit margin (%)	<b>57.0%</b>	55.1%	The ratio of gross profit to sales.
Number of distributors	<b>61</b>	49	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 value 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 page 18.

## 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 and to ensure that suppliers are aware of these terms and abide by them. Trade payables at the year end amount to 71 days (2009: 46) of average supplies for the year for the Group and 35 days (2009: 47) for the Company.

## Principal risks and uncertainties

The Directors have identified and continually monitor the principal risks and uncertainties of the Group. These may change over time as new risks emerge and others cease to be of concern. The principal risks of the Group are detailed below.

### Foreign exchange risk

The Group sells products in many countries and so generates revenues in US dollars and Euros. The Group mitigates this risk by purchasing, where practicable, in currencies to match our revenues. The Group also has exchange facilities with its bank to use as and when appropriate.

### Competition risk

The Group faces competition from suppliers of similar products which could affect revenues and/or gross margins. The Group mitigates this risk by employing a large number of distributors globally who can concentrate on any competition issues within their market, and also by differentiating the Group's products by branding and marketing activities.

### Raw material pricing and availability

The Group uses commodity and speciality materials in the make-up of its products. There is a risk of price volatility and material availability. The Group mitigates this risk by using more than one supplier of its products and continually researching separate supply alternatives for the materials used.

### Directors' responsibilities statement

The Directors are responsible for preparing the Directors' 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 the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The parent Company's own financial statements continue to be prepared in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs or UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

In so far as each of the Directors is aware:

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

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

### Going concern

The Group as a whole is performing profitably and generating cash from its operating activities. Taking this into account together with the cashflow forecast that management has prepared for the ensuing twelve months and the banking facilities in place, the Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

### 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

Post balance sheet events are detailed in note 24 to the financial statements.

### Auditor

A resolution to appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

### I Bristow

Company Secretary  
4 April 2011

# Remuneration Report

## Directors' emoluments

	Basic salary or fees £'000	Share-based payments £'000	Benefits £'000	Pension £'000	2010 Total Emoluments £'000	2009 Total Emoluments £'000
N Deva	51	4	–	–	<b>55</b>	37
M Laurier	201	4	8	74	<b>287</b>	221
I Bristow	184	4	2	15	<b>205</b>	153
M Stephen	199	4	5	–	<b>208</b>	140
M F Stephens	148	4	8	15	<b>175</b>	189
N Clavel	34	4	–	–	<b>38</b>	18
H Swire	13	4	–	–	<b>17</b>	18
	830	28	23	104	<b>985</b>	776

H Swire resigned from the board on 14 May 2010.

The Directors' pensions, where applicable, are administered by those Directors.

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

## 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 2010	At 1 January 2010
N Deva	<b>178,425</b>	178,425
M Laurier	<b>15,063,600</b>	14,963,600
I Bristow	<b>1,063,925</b>	925,818
M Stephen	<b>435,998</b>	335,998
M F Stephens	<b>311,294</b>	311,294
N Clavel	<b>350,000</b>	280,000

## Share options

The following Directors 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	4.500	26 November 2008	26 November 2018
N Deva	250,000	9.875	18 December 2010	18 December 2019
M Laurier	2,500,000	4.500	26 November 2008	26 November 2018
M Laurier	350,000	9.125	31 March 2010	30 March 2020
I Bristow	3,000,000	4.500	26 November 2008	26 November 2018
I Bristow	280,000	9.125	31 March 2010	30 March 2020
M Stephen	1,200,000	6.250	28 April 2007	28 April 2017
M Stephen	2,000,000	4.500	26 November 2008	26 November 2018
M Stephen	210,000	9.125	31 March 2010	30 March 2020
M F Stephens	1,000,000	4.500	26 November 2008	26 November 2018
M F Stephens	210,000	9.125	31 March 2010	30 March 2020
N Clavel	500,000	4.500	16 October 2009	16 October 2018
N Clavel	250,000	9.875	18 December 2010	18 December 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.



# Independent Auditor's Report to the members of Symphony Environmental Technologies plc

We have audited the financial statements of Symphony Environmental Technologies plc for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement, the parent Company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

## Simon Jones

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Central Milton Keynes

4 April 2011

# Consolidated statement of comprehensive income

for the year ended 31 December 2010

	Note	2010		2009	
		£'000	£'000	£'000	£'000
<b>Revenue</b>	5		<b>8,482</b>		7,038
Cost of sales			<b>(3,650)</b>		(3,163)
<b>Gross profit</b>			<b>4,832</b>		3,875
Distribution costs			<b>(174)</b>		(129)
Administrative expenses – recurring	6	<b>(3,411)</b>		(2,914)	
Administrative expenses – non-recurring	6	<b>(119)</b>		–	
Administrative expenses	6		<b>(3,530)</b>		(2,914)
<b>Operating profit – recurring</b>		<b>1,247</b>		832	
<b>Operating loss – non-recurring</b>		<b>(119)</b>		–	
<b>Operating profit</b>	6		<b>1,128</b>		832
Finance costs	8		<b>(123)</b>		(194)
<b>Profit for the year before tax</b>			<b>1,005</b>		638
Tax credit	9		<b>187</b>		285
<b>Profit for the year</b>			<b>1,192</b>		923
<b>Total comprehensive income for the year</b>			<b>1,192</b>		923
Basic earnings per share	10		<b>1.02p</b>		0.80p
Diluted earnings per share	10		<b>0.90p</b>		0.78p

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

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

# Consolidated statement of financial position (balance sheet)

as at 31 December 2010

Company number 3676824

	Note	2010 £'000	2009 £'000
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment	11	462	216
Intangible assets	12	784	487
Deferred income tax asset	9a	1,180	993
Available-for-sale financial assets	14	15	15
		<b>2,441</b>	1,711
<b>Current</b>			
Inventories	15	281	212
Trade and other receivables	16	2,928	1,597
Cash and cash equivalents	17	85	34
		<b>3,294</b>	1,843
<b>Total assets</b>		<b>5,735</b>	3,554
<b>Equity</b>			
Equity attributable to shareholders of Symphony Environmental Technologies plc			
Ordinary shares	18	1,173	1,165
Share premium	18	17	13,253
Other reserves	18	–	822
Retained earnings	18	1,863	(13,447)
<b>Total equity</b>		<b>3,053</b>	1,793
<b>Liabilities</b>			
<b>Non-current</b>			
Interest bearing loans and borrowings	20	142	274
		<b>142</b>	274
<b>Current</b>			
Interest bearing loans and borrowings	20	1,176	731
Trade and other payables	19	1,364	756
		<b>2,540</b>	1,487
<b>Total liabilities</b>		<b>2,682</b>	1,761
<b>Total equity and liabilities</b>		<b>5,735</b>	3,554

These financial statements were approved by the Board of Directors on 4 April 2011 and authorised for issue on 4 April 2011. 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
<b>For the year to 31 December 2010</b>					
Balance at 1 January 2010	1,165	13,253	822	(13,447)	1,793
Issue of share capital	8	25	–	–	33
Capital reduction (note 18)	–	(13,261)	(822)	14,083	–
Share-based options	–	–	–	35	35
Transactions with owners	8	(13,236)	(822)	14,118	68
Profit and total comprehensive income for the year	–	–	–	1,192	1,192
<b>Balance at 31 December 2010</b>	<b>1,173</b>	<b>17</b>	<b>–</b>	<b>1,863</b>	<b>3,053</b>
<b>For the year to 31 December 2009</b>					
Balance at 1 January 2009	1,087	13,176	822	(14,383)	702
Issue of share capital	78	77	–	–	155
Share-based options	–	–	–	13	13
Transactions with owners	78	77	–	13	168
Profit and total comprehensive income for the year	–	–	–	923	923
<b>Balance at 31 December 2009</b>	<b>1,165</b>	<b>13,253</b>	<b>822</b>	<b>(13,447)</b>	<b>1,793</b>

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



# Consolidated cash flow statement

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
<b>Operating activities</b>			
Cash generated in operations	21	527	566
Tax received		–	11
<b>Net cash generated in operations</b>		<b>527</b>	<b>577</b>
<b>Investing activities</b>			
Additions to property, plant and equipment		(389)	(44)
Proceeds from disposals of property, plant and equipment		16	–
Additions to intangible assets		(325)	(230)
<b>Net cash used in investing activities</b>		<b>(698)</b>	<b>(274)</b>
<b>Financing activities</b>			
Proceeds from loans		270	–
Repayment of loans		(329)	(319)
New finance leases		47	–
Discharge of finance lease liability		(20)	(31)
Proceeds from share issue		33	155
Interest paid		(123)	(194)
<b>Net cash used in financial activities</b>		<b>(122)</b>	<b>(389)</b>
Net change in cash and cash equivalents		(293)	(86)
Cash and cash equivalents, beginning of year		(68)	18
<b>Cash and cash equivalents, end of year</b>		<b>(361)</b>	<b>(68)</b>

The reconciliation to the cash and cash equivalents as reported in the balance sheet is as follows:

		2010 £'000	2009 £'000
Loans and receivables:			
Cash at bank and in hand	17	85	34
Financial liabilities measured at amortised cost:			
Bank overdraft	20	(446)	(102)
<b>Cash and cash equivalents, end of year</b>		<b>(361)</b>	<b>(68)</b>

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 6 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD, England. The Company's shares are listed on the AIM market of the London Stock Exchange, 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 European Union, issued and effective or issued as at 31 December 2010, and also comply with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies have remained unchanged from the previous year.

### Going concern

The Group as a whole is performing profitably and generating cash from its operating activities. Taking this into account together with the cashflow forecast that management has prepared for the ensuing twelve months and the banking facilities in place, the Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

### Business combinations exemption

The Group has not restated business combinations which took place prior to the date of transition to IFRS.

Accordingly the classification of the combination remains unchanged from that used under United Kingdom Generally Accepted Accounting Practice (UK GAAP). The assets, liabilities and other reserve are recognised at date of transition, and are measured using their UK 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 Environmental Limited (formerly 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 include both the results pre and post-acquisition. The Group reorganisation which was carried out during the year (see Note 18) resulted in the elimination of the other (merger) reserve.

### Segment reporting

In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group.

The activities undertaken by the degradable segment includes the sale of degradable products. The non-degradable segment includes the supply of non-degradable products to external customers. The waste to value segment includes all activities involved in the development of waste to value systems.

Each of the operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segments transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, except that:

- one-off costs such as post-employment benefit expenses;
- expenses relating to share-based payments;

are not included in arriving at the operating profit of the operating segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial periods under review, this primarily applies to the Group's headquarters in Borehamwood, UK.

Segment information is presented in accordance with IFRS 8 for all periods presented. IFRS 8 only requires disclosure of segment information. No asymmetrical allocations have been applied between segments.

### Revenue

#### Degradable and non-degradable goods

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 whereby the Group relies on INCOTERMs to assess this ;
- b) the amount of revenue can be measured effectively whereby the Group sells goods after receipt of confirmed orders;
- c) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- d) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 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:

<b>d<sub>2</sub>w</b> and other additives	– 15 years straight line .
Symphony Energy	– over expected useful economic life of the asset once completed.

Careful judgment 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.
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### 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.
Fixtures and fittings Elstree Gate	– 10% straight line.
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.

# Notes to the Annual Report and Accounts (continued)

## 2 Summary of significant accounting policies (continued)

### Impairment testing of intangible assets and property, plant and equipment (continued)

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.

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 are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets are the equity investments in Bin Hilal LLC and Oxobioplast Inc.

The equity investments in Bin Hilal LLC and Oxobioplast Inc. are measured at cost less any impairment charges, as their fair values cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

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, bank overdraft, bank loans 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 separating the embedded derivative and measuring at fair value.

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 the instrument granted are determined using the Black-Scholes model. This fair value is appraised at the grant date and excludes the impact of new 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.

#### 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
- "Retained earnings" represents non distributed reserves.



# Notes to the Annual Report and Accounts (continued)

## 2 Summary of significant accounting policies (continued)

### Standards and Interpretations not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

### IAS24 Related Party Disclosures (Revised 2009) (effective for accounting periods commencing 1 January 2011)

This clarifies the definition of a related party which may increase the amount of disclosure in the future.

### IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

Phase 1: Classification and Measurement.

Phase 2: Impairment methodology.

Phase 3: Hedge accounting.

In addition, a separate project is dealing with derecognition. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of the IAS 39 replacement have been published and they can comprehensively assess the impact of all changes.

## 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:

	2010 £'000	2009 £'000
<b>Financial assets:</b>		
Available-for-sale	15	15
Loans and receivables	2,894	1,492
	<b>2,909</b>	1,507
<b>Financial liabilities:</b>		
Financial liabilities measured at amortised cost	2,208	1,412
Held for trading	-	1
	<b>2,208</b>	1,413

### 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 and overdrafts.

The maturity of financial liabilities as at 31 December 2010 is summarised as follows:

	Trade payables and accruals £'000	Convertible loan £'000	Lease purchase £'000	Loans £'000	Bank £'000	Total £'000
<b>Gross cash flows:</b>						
Zero to sixty days	1,216	-	1	76	446	1,739
Sixty one days to three months	-	-	2	152	-	154
Four months to six months	-	-	3	228	-	231
Seven months to one year	-	-	9	456	-	465
One year to three years	-	-	60	-	-	60
	<b>1,216</b>	-	<b>75</b>	<b>912</b>	<b>446</b>	<b>2,649</b>

The maturity of financial liabilities as at 31 December 2009 is summarised as follows:

	Trade payables and accruals £'000	Convertible loan £'000	Lease purchase £'000	Loans £'000	Bank £'000	Total £'000
Gross cash flows:						
Zero to sixty days	616	42	2	314	102	1,076
Sixty one days to three months	–	–	3	–	–	3
Four months to six months	–	–	5	–	–	5
Seven months to one year	–	–	8	584	–	592
One year to three years	–	–	30	–	–	30
	616	42	48	898	102	1,706

### Interest rate risk

The Group seeks to reduce its exposure to interest rate risk where possible, but this is offset by the availability of trade finance arrangements which are transaction specific to meet liquidity needs and so have variable interest rate terms.

Sensitivities have been looked at in the range of an absolute rate increase of 5% or a decrease of 1% which enable an objective calculation to be made depending on any interest rate changes in the future. Any rate changes would be outside the control of the Company.

The Group's exposure to interest rate risk as at 31 December 2010 is summarised as follows:

	Fixed £'000	Variable £'000	Zero £'000	Total £'000
Cash and cash equivalents	–	85	–	85
Trade receivables	–	–	2,745	2,745
VAT	–	–	85	85
Other debtors	–	–	64	64
	–	85	2,894	2,979
Trade payables	–	–	(956)	(956)
Bank overdraft	–	(446)	–	(446)
Convertible loan	–	–	–	–
Other loans	(510)	(196)	(100)	(806)
	(510)	(557)	1,838	771
Sensitivity: increase in interest rates of 5%	–	(28)	–	(28)
Sensitivity: decrease in interest rates of 1%	–	6	–	6

The Group's exposure to interest rate risk as at 31 December 2009 is summarised as follows:

	Fixed £'000	Variable £'000	Zero £'000	Total £'000
Cash and cash equivalents	–	34	–	34
Trade receivables	–	–	1,386	1,386
VAT	–	–	68	68
Other debtors	–	–	72	72
	–	34	1,526	1,560
Trade payables	–	–	(447)	(447)
Bank overdraft	–	(102)	–	(102)
Convertible loan	(40)	–	–	(40)
Other loans	(510)	(314)	–	(824)
	(550)	(382)	1,079	147
Sensitivity: increase in interest rates of 5%	–	(20)	–	(20)
Sensitivity: decrease in interest rates of 1%	–	1	–	1

Sensitivity shows the effect on equity and the income statement.

# Notes to the Annual Report and Accounts (continued)

## 3 Financial risk management (continued)

### Currency risk

The Group operates in overseas markets and is subject to currency exposure on transactions undertaken during the year. The Group hedges the transactions where possible by buying goods and selling them in the same currency. The Group also has bank facilities available for hedging purposes.

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

	Currency	Sterling 2010 £'000	Currency balance 2010 '000	Sterling 2009 £'000	Currency balance 2009 '000
Financial assets	Euro	263	€306	54	€60
Financial liabilities	Euro	(476)	€(552)	(222)	€(247)
Net balance	Euro	(213)	€(246)	(168)	€(187)
Effect of 10% sterling increase		23		15	
Effect of 10% sterling decrease		(23)		(15)	
Financial assets	USD	2,377	\$3,679	1,165	\$1,894
Financial liabilities	USD	(301)	\$(467)	(371)	\$(602)
Net balance	USD	2,076	\$3,212	794	\$1,292
Effect of 10% sterling increase		(188)		(72)	
Effect of 10% sterling decrease		188		72	

Sensitivity shows the effect on equity and the income statement. A 10% change is shown to enable an objective calculation to be made on exchange rates which may be assumed for the future.

### Credit risk

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

	2010 £'000	2009 £'000
Loans and receivables:		
Trade receivables	2,745	1,386
Cash and cash equivalents	85	34
	<b>2,830</b>	<b>1,420</b>

The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from trade receivables. The seven largest customer balances at the end of the year make up 83% (2009: 75%) 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 debts totalling £30,000 (2009: £nil) were written off. Debts totalling £134,000 (2009: £nil) were written back during the year.

### 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. The Company satisfies 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.

### Share option judgements

Judgements relating to share-based payment charges are detailed in Note 18.

### 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

Management currently identifies the Group's three service lines as operating segments as further described in Note 2. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results including one-off items such as employee settlement costs.

The segmental results for the year ended 31 December 2010 are as follows:

Business segments 12 months to 31 December 2010	Degradable d <sub>2</sub> w £'000	Non- degradable £'000	Waste to value £'000	Group £'000
Segment revenues	8,456	26	–	8,482
Share-based payments	(35)	–	–	(35)
Apportioned costs	(6,951)	(26)	(218)	(7,195)
<b>EBITDA</b>	<b>1,470</b>	<b>–</b>	<b>(218)</b>	<b>1,252</b>
Depreciation and amortisation	(124)	–	–	(124)
Interest	(123)	–	–	(123)
Taxation	187	–	–	187
<b>Profit/(loss) for the year</b>	<b>1,410</b>	<b>–</b>	<b>(218)</b>	<b>1,192</b>

The segmental results for the year ended 31 December 2009 are as follows:

Business segments 12 months to 31 December 2009	Degradable d <sub>2</sub> w £'000	Non- degradable £'000	Waste to value £'000	Group £'000
Segment revenues	6,947	91	–	7,038
Share-based payments	(9)	(4)	–	(13)
Apportioned costs	(5,678)	(249)	(182)	(6,109)
<b>EBITDA</b>	<b>1,260</b>	<b>(162)</b>	<b>(182)</b>	<b>916</b>
Depreciation and amortisation	(84)	–	–	(84)
Interest	(194)	–	–	(194)
Taxation	285	–	–	285
<b>Profit/(loss) for the year</b>	<b>1,267</b>	<b>(162)</b>	<b>(182)</b>	<b>923</b>

Revenues stated are from external customers.

There were no inter-segment revenues for the above periods.

There has been no change in the basis of segmentation since the last annual financial statements.

There has been no change in total assets other than in the ordinary course of business.

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.

# Notes to the Annual Report and Accounts (continued)

## 5 Segmental information (continued)

The segment assets and liabilities at 31 December 2010 and capital expenditure for the year then ended are as follows:

£'000	Degradable d <sub>2</sub> w	Non- degradable	Waste to value	Unallocated	Group
Assets	5,442	–	278	15	5,735
Liabilities	(2,682)	–	–	–	(2,682)
Capital expenditure	634	–	80	–	714
Depreciation and amortisation	124	–	–	–	124

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

£'000	Degradable d <sub>2</sub> w	Non- degradable	Waste to value	Unallocated	Group
Assets	3,133	207	199	15	3,554
Liabilities	(1,314)	(407)	–	(40)	(1,761)
Capital expenditure	185	2	87	–	274
Depreciation and amortisation	50	34	–	–	84

## Geographical areas

The Group's revenues from external customers and its non-current assets (assets other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) are divided into the following geographical areas:

Geographical areas	Revenue 2010 £'000	Non- current assets 2010 £'000	Revenue 2009 £'000	Non- current assets 2009 £'000
UK	676	1,246	886	703
Europe	1,277	–	1,330	–
Americas	4,362	–	3,691	–
Other	2,167	–	1,131	–
<b>Total</b>	<b>8,482</b>	<b>1,246</b>	<b>7,038</b>	<b>703</b>

## Major customers

Within degradable d<sub>2</sub>w, two customers accounted for greater than 10% of total Group revenues for 2010 (2009: two customers). One customer accounted for £1,318,000, or 16%, the other customer £1,076,000 or 13% (One customer accounted for £1,083,000, or 16%, the other customer £746,000 or 11% of total Group revenues for 2009).

## 6 Operating profit

The operating result is stated after charging/(crediting):

	2010 £'000	2009 £'000
Depreciation	96	69
Amortisation	28	15
Loss on disposal of fixed assets	31	–
Research and development expenditure not capitalised	209	274
Operating lease rentals		
Land and buildings	23	60
Plant and equipment	6	5
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	27
Interim review	1	2
Other services relating to taxation	35	21
Net foreign exchange (gain)/loss	(35)	22
Non-recurring items:		
Reorganisation costs	119	–



## 7 Employee benefit expense

	2010 £'000	2009 £'000
Wages and salaries	1,727	1,526
Social security costs	210	175
Other pension costs	139	47
	<b>2,076</b>	<b>1,748</b>

### Average number of people employed:

	2010	2009
Testing and technical	8	6
Selling	6	7
Administration	9	8
Management	6	6
Marketing	2	1
<b>Total average headcount</b>	<b>31</b>	<b>28</b>

Remuneration in respect of the Directors was as follows:

	2010 £'000	2009 £'000
Emoluments	881	729
Pension contributions	104	47
	<b>985</b>	<b>776</b>

Key management remuneration:

	2010 £'000	2009 £'000
Short-term employee benefits	853	729
Share-based payment charges	28	–
Post-employment benefits	104	47
	<b>985</b>	<b>776</b>

The Directors are considered to be the key management personnel of the Group. Further details on Directors' remuneration and share options are set out in the Remuneration Report on page 18.

## 8 Finance income and costs

	2010 £'000	2009 £'000
Interest expense:		
Bank borrowings	4	2
Convertible loan	–	79
Other interest	109	108
Finance charges	10	5
Total finance costs	<b>123</b>	<b>194</b>
<b>Net finance costs</b>	<b>123</b>	<b>194</b>

## 9 Tax credit

	2010 £'000	2009 £'000
Net deferred tax credit (see note 9a)	187	274
R&D tax credit	–	11
<b>Total income tax credit</b>	<b>187</b>	<b>285</b>

No tax arises on the profit for the year due to the utilisation of tax losses brought forward.

# Notes to the Annual Report and Accounts (continued)

## 9 Tax credit (continued)

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained as follows:

	2010 £'000	2009 £'000
<b>Profit for the year before tax</b>	<b>1,005</b>	<b>638</b>
Tax calculated by rate of tax on the result	<b>281</b>	179
Expenses not deductible for tax purposes	<b>22</b>	8
Capital allowances in excess of depreciation	<b>(58)</b>	–
Income not subject to tax	<b>(118)</b>	–
Tax losses utilised	<b>(190)</b>	(187)
Tax losses carried forward	<b>63</b>	–
Movement in deferred income tax asset (see 9a)	<b>187</b>	274
R&D tax credit	<b>–</b>	11
<b>Total income tax credit</b>	<b>187</b>	<b>285</b>

## 9a Deferred income tax asset

	2010 £'000	2009 £'000
Deferred income tax asset brought forward	<b>993</b>	719
Notional tax charge	<b>(190)</b>	(187)
Recognised in the year	<b>377</b>	461
<b>Deferred income tax asset carried forward</b>	<b>1,180</b>	<b>993</b>

There are tax losses of approximately £11,300,000 (2009: £12,900,000).

Of these losses, an additional deferred tax asset of £480,000 has been recognised in this year's accounts (2009: £461,000) resulting in a total asset recognised of £1,180,000 (2009: £993,000). There is a total potential tax asset of £2,900,000 using a rate of future corporation tax rate of 26%.

The recognition of the deferred tax asset is based on sensitised forecasts. Judgements have been made in respect to continuation of profitability going forward, and estimates made in relation to the sensitivities of future sales and foreign exchange rates.

## 10 Earnings per share and dividends

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

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

### Basic and diluted

	2010	2009
Profit attributable to equity holders of the Company	<b>£1,192,000</b>	£923,000
Weighted average number of ordinary shares in issue	<b>116,799,645</b>	115,767,185
<b>Basic earnings per share</b>	<b>1.02 pence</b>	0.80 pence
Dilutive effect of weighted average options and warrants	<b>15,036,097</b>	2,424,588
Total of weighted average shares together with dilutive effect of weighted options and warrants	<b>131,835,742</b>	118,191,773
<b>Diluted earnings per share</b>	<b>0.90 pence</b>	0.78 pence

No dividends were paid for the year ended 31 December 2010 (2009: £nil).

A further 5,779,863 options were outstanding at the end of the year which may become dilutive in future years.

## 11 Property, plant and equipment

	Plant & machinery £'000	Fixtures & fittings £'000	Fixtures & fittings Elstree Gate £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
<b>At 1 January 2009</b>						
Cost	131	83	–	163	180	557
Accumulated depreciation	(52)	(57)	–	(61)	(146)	(316)
Net book amount	79	26	–	102	34	241
<b>Year ended 31 December 2009</b>						
Opening net book amount	79	26	–	102	34	241
Additions	26	2	–	–	16	44
Depreciation charge	(21)	(7)	–	(15)	(26)	(69)
Closing net book amount	84	21	–	87	24	216
<b>At 1 January 2010</b>						
Cost	157	85	–	163	196	601
Accumulated depreciation	(73)	(64)	–	(76)	(172)	(385)
Net book amount	84	21	–	87	24	216
<b>Year ended 31 December 2010</b>						
Opening net book amount	84	21	–	87	24	216
Additions	23	–	209	23	134	389
Disposals	(13)	(1)	–	(21)	(12)	(47)
Depreciation charge	(19)	(5)	(16)	(29)	(27)	(96)
<b>Closing net book amount</b>	<b>75</b>	<b>15</b>	<b>193</b>	<b>60</b>	<b>119</b>	<b>462</b>
<b>At 31 December 2010</b>						
Cost	138	67	209	124	148	686
Accumulated depreciation	(63)	(52)	(16)	(64)	(29)	(224)
Net book amount	75	15	193	60	119	462

Included within the net book amount of £462,000 is £67,000 (2009: £51,000) 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 (2009: £10,000).

## 12 Intangible assets

	Development costs £'000	Trademarks £'000	Total £'000
<b>At 1 January 2009</b>			
Cost	290	30	320
Accumulated amortisation	(32)	(16)	(48)
Net book amount	258	14	272
<b>Year ended 31 December 2009</b>			
Opening net book amount	258	14	272
Additions	220	10	230
Amortisation charge	(12)	(3)	(15)
Closing net book amount	466	21	487
<b>At 1 January 2010</b>			
Cost	510	40	550
Accumulated amortisation	(44)	(19)	(63)
Net book amount	466	21	487
<b>Year ended 31 December 2010</b>			
Opening net book amount	466	21	487
Additions	317	8	325
Amortisation charge	(24)	(4)	(28)
<b>Closing net book amount</b>	<b>759</b>	<b>25</b>	<b>784</b>
<b>At 31 December 2010</b>			
Cost	827	48	875
Accumulated amortisation	(68)	(23)	(91)
Net book amount	759	25	784

# Notes to the Annual Report and Accounts (continued)

## 12 Intangible assets (continued)

The Group relies on the continued development of its product range 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 there are any indicators of impairment.

Development costs are capitalised in accordance with Note 2. In capitalising these costs, judgements are made relating to ongoing feasibility and commerciality of products and systems being developed. In making these judgements, cashflow forecasts are used and these include significant estimates in respect to sales forecasts and future 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 Environmental Limited	England and Wales	Supply of environmental polyolefin products	100%	100%
Symphony Packaging Limited	England and Wales	Dormant	0%	100%
D2W Limited	England and Wales	Dormant	0%	100%
Symphony Plastics (2010) Limited	England and Wales	Dormant	0%	100%
Symphony Energy Limited	England and Wales	Development of waste to value systems	100%	100%
Symphony Environmental (Jamaica) Limited	Jamaica	Dormant	0%	100%

Symphony Packaging Limited was not dormant in 2010 for accounting purposes due to transactions relating to the Group restructure.

Symphony Plastics (2010) Limited became dormant after the Group restructure which involved the hive-up of its business and assets into Symphony Environmental Limited on 31 May 2010.

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

## 14 Available-for-sale financial assets

	2010 £'000	2009 £'000
All non-current		
Beginning and 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 the equity investment is unquoted and the value cannot be measured reliably. The Group does not intend to dispose of the investment in the foreseeable future.

A value of Enil 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 the equity investment is unquoted and the value cannot be measured reliably.

There is no collateral on the above amounts.

## 15 Inventories

	2010 £'000	2009 £'000
Finished goods and goods for resale	281	212

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £3,518,000 (2009: £3,181,000). Included within the above assets is a provision for impairment of Enil (2009: Enil).

There is no collateral on the above amounts.

## 16 Trade and other receivables

	2010 £'000	2009 £'000
Loans and receivables:		
Trade receivables	2,745	1,386
Other debtors	64	72
VAT	85	68
Prepayments	34	71
	<b>2,928</b>	<b>1,597</b>

The Directors consider that the carrying value of trade and other receivables approximates to their book values. There is a provision of £nil for impairment of receivables (2009: £150,000). A debt amounting to £134,000 was written back during the year due to a court judgment in the Group's favour for that amount, together with assets seized in order to satisfy payment. 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.

Included in trade receivables at 31 December 2010 are debtors which are past due but where no provision has been made as there has not been a change in the credit worthiness of these debtors and the amounts are considered recoverable. As of 31 December 2010 trade receivables of £597,000 (2009: £101,000) were past due and not impaired. The ageing analysis of these trade receivables is as follows:

	2010 £'000	2009 £'000
More than three months but less than six months	463	–
More than six months but not more than one year	–	24
More than one year	134	77
	<b>597</b>	<b>101</b>

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.

Trade receivables are secured against the facilities provided by the Group's bankers.

## 17 Cash and cash equivalents

	2010 £'000	2009 £'000
Loans and receivables:		
Cash at bank and in hand	85	34

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

There is no collateral on the above amounts.

## 18 Equity

	Group and Company			Group		
	Ordinary shares Number	Ordinary shares £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2009</b>	108,719,036	1,087	13,176	822	(14,383)	702
Profit for the year	–	–	–	–	923	923
Share-based payments	–	–	–	–	13	13
Proceeds from shares issued	7,765,541	78	77	–	–	155
<b>At 31 December 2009</b>	116,484,577	1,165	13,253	822	(13,447)	1,793
<b>At 1 January 2010</b>	116,484,577	1,165	13,253	822	(13,447)	1,793
Profit for the year	–	–	–	–	1,192	1,192
Share-based payments	–	–	–	–	35	35
Proceeds from shares issued	800,000	8	25	–	–	33
Capital reduction	–	–	(13,261)	(822)	14,083	–
<b>At 31 December 2010</b>	<b>117,284,577</b>	<b>1,173</b>	<b>17</b>	<b>–</b>	<b>1,863</b>	<b>3,053</b>

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



# Notes to the Annual Report and Accounts (continued)

## 18 Equity (continued)

### Proceeds from shares issued

The following ordinary shares were issued during the year:

Date	Ordinary shares Number	Details	Consideration £	Premium £
11 May 2010	250,000	Warrants conversion	10,313	7,813
06 September 2010	300,000	Warrants conversion	12,375	9,375
12 October 2010	250,000	Warrants conversion	10,313	7,813

### Capital reduction

On 1 July 2010 the Company, upon consent from the Court, reduced its share premium account by £13,261,000. This amount was credited to retained earnings. In addition, the subsidiary company, Symphony Environmental Limited also reduced its share premium account by way of crediting reserves. The result of this transaction eliminated the other reserve of £822,000 brought forward.

### Share options

As at 31 December 2010 the Group maintained an approved share-based payment scheme 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 2010 there were 5,250,000 staff options outstanding. 2,600,000 staff options were issued in 2010.

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:

	2010		2009	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January	15,840,960	0.05	13,915,960	0.05
Granted	5,000,000	0.11	2,025,000	0.03
Forfeited	(25,000)	0.02	(100,000)	0.25
<b>Outstanding at 31 December</b>	<b>20,815,960</b>	<b>0.06</b>	<b>15,840,960</b>	<b>0.05</b>

The number of share options exercisable at 31 December 2010 was 16,115,960 (2009: 12,665,960). The weighted average exercise price of those shares exercisable was 5p (2009: 5p).

The weighted average option contractual life is 10 years (2009: 10 years) and the range of exercise prices is 2.75p to 37.00p (2009: 2.75p to 37p).

### Options issued in the year

750,000 options were granted on 15 January 2010 and are exercisable from 18 December 2010 for a period of nine years thereafter at an exercise price of 9.875p per share.

600,000 options were granted on 7 September 2010 and are exercisable from 7 September 2011 for a period of four years thereafter at an exercise price of 12.00 per share.

1,050,000 options were granted on 31 March 2010 and are exercisable from 31 March 2010 for a period of ten years thereafter at an exercise price of 9.125p per share.

2,600,000 staff options were granted on 27 September 2010 and are exercisable from 27 September 2012 for a period of eight years thereafter at an exercise price of 12.00p per share.

### IFRS2 expense

Having considered the fair value of the options issued to employees there is a charge of £35,000 (2009: £13,000) in the income statement.

### Warrants

There were no warrants outstanding at the end of the year. During the year 800,000 warrants were exercised as shown in the shares issued table. All other warrants brought forward lapsed during the year.

## Directors

Directors' interests in shares and share incentives are contained in the Remuneration Report on page 18.

## Fair value of options granted

The fair values of options granted were determined using the Black-Scholes pricing model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

	2010	2009
Weighted average exercise price	<b>£0.11</b>	£0.03
Calculated volatility	<b>12%</b>	117%
Expected life	<b>2-6 years</b>	4-8 years
Average risk-free rate	<b>3.50%</b>	3.45%
Expected dividends	<b>0%</b>	0%

The underlying expected volatility was determined by reference to historical data of the Group's shares over a period of time since 2005 being the year the Group changed strategy from being a supplier of finished products to one of development and supply of additives. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, £35,000 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss for 2010 (2009: £13,000) and credited to retained earnings.

## 19 Trade and other payables

	2010 £'000	2009 £'000
<b>Current</b>		
Financial liabilities measured at amortised cost:		
Trade payables	<b>956</b>	447
Social security and other taxes	<b>80</b>	140
Accruals and deferred income	<b>328</b>	169
	<b>1,364</b>	756

Fair value is not materially different to book value. There is no collateral on the above amounts.

## 20 Interest bearing loans and borrowings

	2010 £'000	2009 £'000
<b>Non-current</b>		
Financial liabilities measured at amortised cost:		
Bank loan	<b>89</b>	–
Other loan	<b>–</b>	250
Lease purchase liabilities	<b>53</b>	24
	<b>142</b>	274
<b>Current</b>		
Financial liabilities measured at amortised cost:		
Bank overdraft	<b>446</b>	102
Bank loan	<b>50</b>	–
Convertible loan	<b>–</b>	39
Other loans	<b>667</b>	574
Lease purchase liabilities	<b>13</b>	15
Financial liabilities held at fair value through profit and loss: held for trading (embedded derivatives)		
Warrants	<b>–</b>	1
	<b>1,176</b>	731

The bank overdraft of £446,000 (2009: £102,000) is included within the cashflow statement within cash and cash equivalents.

## Convertible loan

The loan, of which £40,000 was outstanding at 31 December 2009, was paid in full by 20 February 2010.

# Notes to the Annual Report and Accounts (continued)

## 20 Interest bearing loans and borrowings (continued)

### Other loans include:

An amount due to Michelle Laurier, spouse of Michael Laurier, of £260,000 (2009: £260,000). Interest is charged at 2% per month. See Note 23.

An amount due to Davenham Trade Finance totalling £57,000 (2009: £314,000). Interest is charged at 2.2% over National Westminster Bank plc base rate per annum.

An amount due to an unconnected individual of £250,000 (2009: non-current £250,000). Interest is charged at 15% per annum.

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

	<b>Gross 2010 £'000</b>	Gross 2009 £'000	<b>Net 2010 £'000</b>	Net 2009 £'000
Amounts payable within 1 year	<b>15</b>	18	<b>13</b>	15
Amounts payable between 1 and 2 years	<b>28</b>	8	<b>25</b>	7
Amounts payable between 3 and 5 years	<b>32</b>	17	<b>28</b>	17
	<b>75</b>	43	<b>66</b>	39

The finance leases are for the purchase of sundry equipment and motor vehicles (Note 11).

There is no collateral on the above amounts except for lease purchase liabilities which are secured against the asset that they finance.

## 21 Cash generated from operations

	<b>2010 £'000</b>	2009 £'000
Profit after tax	<b>1,192</b>	923
Adjustments for:		
Depreciation	<b>96</b>	69
Amortisation	<b>28</b>	15
Loss on disposal	<b>32</b>	–
Share-based payments	<b>35</b>	13
Tax credit	<b>(187)</b>	(285)
Interest expense	<b>123</b>	194
Changes in working capital:		
Inventories	<b>(69)</b>	(18)
Trade and other receivables	<b>(1,331)</b>	(362)
Trade and other payables	<b>608</b>	17
Cash generated in operations	<b>527</b>	566

## 22 Commitments

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

	<b>2010 £'000</b>	2009 £'000
No later than one year	<b>120</b>	14
Later than one year and no later than five years	<b>370</b>	34
	<b>490</b>	48

## 23 Related party transactions

In respect of the loan made by Michelle Laurier, spouse of Michael Laurier, interest on the loan is calculated at 2% per month. £260,000 was outstanding at 31 December 2010 (2009: £260,000).

During the year Michael Laurier loaned the Group £100,000 at no interest.

The Group advanced expenses and travel costs to Michael Stephens during the year. At the end of the year this amounted to £11,000 which was the maximum balance during the year. Interest is not charged on these amounts.

## 24 Post balance sheet events

The following shares have been issued since the year end:

Date	Number	Consideration	Details
30 January 2011	50,000	£1,375.00	Exercise of staff option
9 February 2011	50,000	£1,375.00	Exercise of staff option

In January 2011 the Group entered into a £1million confidential invoice finance facility with HSBC Invoice Finance Ltd.

## 25 Capital management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented on the face of the statement of financial position.

The Group's goal in capital management is to maintain a capital-to-overall financing ratio of 1:1 to 1:3.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods under review is summarised as follows:

	2010 £'000	2009 £'000
Total equity	3,073	1,793
Cash and cash equivalents	(85)	(34)
<b>Capital</b>	<b>2,988</b>	1,759
Total equity	3,073	1,793
Borrowings	1,318	1,005
<b>Overall financing</b>	<b>4,391</b>	2,798
<b>Capital-to-financing ratio</b>	<b>0.68</b>	0.63

The ratio-increase during 2010 is primarily a result of improved profitability resulting in a stronger equity position compared to financing. The Group aims to continue improvements in the capital-to-finance ratio through ongoing profitability.

## 26 Capital Commitments

The Group had capital commitments totalling £130,000 at the end of the year (2009: £nil) for equipment to be delivered in 2011.

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

# Company balance sheet

at 31 December 2010

Company number 3676824

	Note	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Tangible assets	28	48	72
Investments	29	2,150	150
		<b>2,198</b>	222
<b>Current assets</b>			
Debtors	30	366	7,678
Cash at bank and in hand		–	1
		<b>366</b>	7,679
<b>Creditors: amounts falling due within one year</b>	31	<b>330</b>	132
<b>Net current assets</b>		<b>36</b>	7,547
<b>Total assets less current liabilities</b>		<b>2,234</b>	7,769
<b>Creditors: amounts falling due after more than one year</b>	32	<b>183</b>	255
		<b>2,051</b>	7,514
<b>Capital and reserves</b>			
Share capital	35	1,173	1,165
Share premium account	36	17	13,253
Profit and loss account	36	861	(6,904)
		<b>2,051</b>	7,514

The Company has applied the exemption under section 408 of the Companies Act 2006 not to present a profit and loss account for the year ended 31 December 2010. There are no recognised gains or losses other than its loss for the year as detailed in Note 37.

These financial statements were approved by the Directors on 4 April 2011 and are signed on their behalf by:

**I Bristow FCCA**

Finance Director

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



# Notes to the Company balance sheet

## 27 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 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 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 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.

# Notes to the Company balance sheet (continued)

## 27 Principal accounting policies (continued)

### Equity-settled share-based payments (continued)

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 are determined 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 non-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.

## 28 Tangible fixed assets

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 January 2010	36	11	114	161
Additions	–	–	22	22
Disposals	(9)	(11)	(62)	(82)
<b>At 31 December 2010</b>	<b>27</b>	<b>–</b>	<b>74</b>	<b>101</b>
<b>Depreciation</b>				
At 1 January 2010	21	11	57	89
Charge for the year	3	–	21	24
Eliminated on disposal	(9)	(11)	(40)	(60)
<b>At 31 December 2010</b>	<b>15</b>	<b>–</b>	<b>38</b>	<b>53</b>
<b>Net book value</b>				
<b>At 31 December 2010</b>	<b>12</b>	<b>–</b>	<b>36</b>	<b>48</b>
At 31 December 2009	15	–	57	72

Included within the net book value of £48,000 is £24,000 (2009: £24,000) 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 £8,000 (2009: £4,000).

## 29 Investments

	2010 £'000	2009 £'000
<b>Shares in Group undertakings</b>		
At beginning of the year	150	150
Subsidiary bonus issue	2,000	–
<b>At end of year</b>	<b>2,150</b>	<b>150</b>

Group undertakings are detailed in Note 13.

## 30 Debtors

	2010 £'000	2009 £'000
Amounts owed by Group undertakings	310	7,586
VAT	50	50
Prepayments	6	42
	<b>366</b>	<b>7,678</b>

## 31 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Convertible loan	–	40
Trade creditors	16	27
Bank overdraft	8	–
Other taxation and social security	3	3
Amounts due under finance leases and hire purchase agreements	3	11
Other creditors	251	–
Accruals	49	51
	<b>330</b>	<b>132</b>

### 32 Creditors: amounts falling after more than one year

	2010 £'000	2009 £'000
Other creditors	–	250
Amounts due under finance leases and hire purchase agreements	13	1
Amounts owed to Group undertakings	170	4
	<b>183</b>	<b>255</b>

### 33 Commitments under finance leases and hire purchase agreements

	2010 £'000	2009 £'000
Amounts payable within one year	3	11
Amounts payable between one and two years	2	1
Amounts payable between three and five years	11	–
	<b>16</b>	<b>12</b>

### 34 Contingent liabilities

The Company has guaranteed all monies due to its bankers by Symphony Environmental Limited and Symphony Plastics (2010) Limited. At 31 December 2010 the net indebtedness of these companies amounted to £537,000 (2009: £68,000).

### 35 Share capital

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

### 36 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2010	13,253	(6,904)
Retained loss for the year	–	(5,516)
Capital reduction	(13,261)	13,261
Equity-settled share-based payment charge	–	20
New equity share capital subscribed	25	–
<b>At 31 December 2010</b>	<b>17</b>	<b>861</b>

### 37 Parent Company own accounts

Symphony Environmental Technologies plc has not presented its own profit and loss account and related notes as permitted by Section 408 of the Companies Act 2006. The loss for the financial year dealt with in the financial statements of the parent Company is £5,516,000 (2009: profit £11,000), this loss includes inter-company debt waivers of £5,571,000.

### 38 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:

	2010 No	2009 No
Management	3	3

The aggregate payroll costs of the above were:

	2010 £'000	2009 £'000
Wages and salaries	98	71
Other pension costs	–	2
Equity settled share based payments	12	–
Social security costs	10	7
	<b>120</b>	<b>80</b>

The Company has taken advantage of the IFRS8 exemption that allows certain intra-Group transactions to not be disclosed as a 100% subsidiary.

# Notes



# Notes