

**SYMPHONY PLASTIC
TECHNOLOGIES PLC**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2002

Company no 3676824

SYMPHONY PLASTIC TECHNOLOGIES PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2002

Company registration number:	3676824
Registered office:	Elstree House Elstree Way Borehamwood Herts WD6 1LE
Directors:	C Littmoden - Non Executive Chairman M N Laurier - Chief Executive I Bristow - Finance Director A Balcher - Chief Operating Officer K L Frener - Operations Director N J Deva - Non Executive M F Stephens - Technical Director
Company Secretary:	I Bristow
Bankers:	Lloyds TSB Bank Plc 105 Station Road Edgware Middlesex HA8 7JL
Solicitors:	Morgan Cole Princess House Princess Way Swansea SA1 3LJ
Auditors:	Grant Thornton Registered auditors Chartered accountants Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW
Registrars	Capita IRG Plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU

SYMPHONY PLASTIC TECHNOLOGIES PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2002

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SYMPHONY PLASTIC TECHNOLOGIES PLC

CHIEF EXECUTIVE'S REVIEW

We had an encouraging year with over £6m of contracts awarded. These include the large grocery chains Co-operative Retail, Somerfield and Kwik Save . As outlined in the trading statement dated 4 February 2003, deliveries on these contracts started in 2003.

Symphony's stated strategy is to ensure that d2w consolidates its position as the UK brand leader for fully degradable plastic packaging products, an aim that has been successfully achieved during a relatively short period.

TRADING RESULTS

Symphony achieved a 13.8% increase in sales of d2w products from £2.10m to £2.39m. Sales of non-degradable products reduced by 5.7% to £1.65m from £1.75m. Total group sales increased by 4.9% to £4.04m from £3.85m. The Group continued to allocate all of its marketing and sales efforts to the further development of d2w product sales, whilst maintaining the higher margin non-degradable business where possible.

The operating loss was £1.62m in 2002, which is up from the 2001 results of £1.46m, due to increased amortisation rates applied on the carrying value of the licence fee. The Board reviewed the economic life of the licence fee and associated development costs and as a result the write off period has been reduced to five years. This change in policy resulted in a further £163,000 amortisation change in the year. Administrative expenses, excluding depreciation and amortisation, were £1.87m in 2002, which is 6.3% up from the 2001 figure of £1.76m, primarily as a result of costs incurred in the further development of our products.

Group gross profits, before fixed warehousing charges in 2002 was £886,000 (2001: £750,000) which represents an increase of 18%.

The loss per share decreased to 5.32 pence from 6.56 pence.

SALES

The Group has selectively targeted viable new sectors for which d2w product is applicable. The sectors which the Group currently targets are as follows:

1 - Retail

Symphony is now selling a diverse range goods for resale and goods not for resale products into several major retailers. We are in constant discussions with a number of food and non-food retailers on not only the above products, but also primary packaging.

2 - Governmental and Health Sectors

Sales of d2w products into the local authority sector grew by 47% in 2002. This primarily consisted of green waste sacks, which is a significant area for growth over the next few years as local councils are forced under an EU Directive to divert bio-degradable waste away from landfill.

Following the commitment from a large healthcare/hospital group for degradable refuse sacks, liners and aprons, further opportunities are being pursued within the health sector for a range of d2w products, together with non-degradable and soluble.

3 - Mailing, Poly Wrap and Packaging Films

Following successful trials, mailing houses, media groups and catalogue companies are taking an interest in our d2w products. Though at an embryonic stage, Symphony anticipates that this market sector will grow many fold in the short term.

SYMPHONY PLASTIC TECHNOLOGIES PLC

CHIEF EXECUTIVE'S REVIEW

4 - Agricultural Films

We made our first delivery of tree bags to Wibdeco, (part of Fyffes Plc). This was our first consignment under our CIBA relationship. This could lead to further significant sales into the banana growing areas in the region

5 - Overseas

Barbados

Sales increased in Barbados by 29% in 2002 and the outlook for 2003 is positive with deliveries so far in 2003 substantially ahead of the same period last year.

Symphony Environmental Caribbean Inc (SECI) has started to market its degradable products to the wider Caribbean. Initial responses are encouraging.

Symphony Bin Hilal Plastics Llc - Abu Dhabi

Production from Abu Dhabi represents less than 10% of our product volume. As all of our products are multi sourced the current uncertainty in the Middle East will not disrupt supplies.

Sales in the Middle East region continue to show good signs of growth.

BOARD CHANGES

The Board was strengthened this year with the appointment of Allan Blacher as Chief Operating Officer. His background with BAA, Rothmans and Zetters has enabled him to have an instant and beneficial impact on the business. This has also allowed Michael Stephens to focus fully on technical developments, the benefits of which will be seen later this year.

OUTLOOK

Symphony's ability to produce, market and distribute fully degradable products comparable in price and quality to non-degradable products has meant that interest levels from prospective customers is at an all time high. The growth in our range of products places the Group in a very strong position to gain significant sales in traditional and new areas.

Although constrained by both its size and financial resources, the Group has won significant contracts against competition from larger and longer established companies. d2w is now the UK's market leader in fully degradable plastic products. As a result of the higher profile brought about by environmental concerns and legislative issues, the Board believes that 2003 will be a significant year for the Group.

Michael Laurier
Chief Executive
12 March 2003

SYMPHONY PLASTIC TECHNOLOGIES PLC

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 2002.

Principal activities

The primary business activity of the group is the supply of environmental polythene products, both in the United Kingdom and overseas. The group also supplies other flexible polythene and related products.

Business review

A review of the business and future developments is given in the Chief Executive's review on pages 1 to 2.

There was a loss for the year after taxation amounting to £1,679,112 (2001: loss £1,543,100). The directors do not recommend payment of a dividend and the loss has therefore been deducted from reserves.

Directors

Membership of the Board is set out below. All directors served throughout the year except as noted.

The interests of the directors and their families in the shares of the company as at 1 January 2002 (or the date of their appointment to the Board if later) and 31 December 2002, were as follows:

	31 December 2002 Number	1 January 2002 or date of appointment Number
C Littmoden - Non Executive Chairman	130,416	63,750
M N Laurier - Chief Executive	8,578,142	8,528,142
I Bristow - Finance Director	757,972	724,639
A Balcher - Chief Operating Officer (appointed 21 June 2002)	83,333	-
K L Frener - Operations Director	1,071,185	1,071,185
N J Deva - Non Executive	17,500	17,500
M F Stephens - Technical Director	792,198	792,198

The interest of the directors' in share options is given in note 16 to the financial statements

Directors' responsibilities for the financial statements

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Research and development

The group is involved in the research and development of degradable polythene.

Payment policy and practice

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and abide by them. Trade creditors at the year end amount to 53 days of average supplies for the year.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

I Bristow
Secretary
12 March 2003

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SYMPHONY PLASTIC TECHNOLOGIES PLC

We have audited the financial statements of Symphony Plastic Technologies plc for the year ended 31 December 2002 which comprise the principal accounting policies, consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 25.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 the directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report and Chief Executive's review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
CENTRAL MILTON KEYNES
12 March 2003

SYMPHONY PLASTIC TECHNOLOGIES PLC

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The principal accounting policies of the group are set out below and have remained unchanged from the previous year other than the adoption of FRS 19: Deferred Taxation which has had no material effect on the financial statements.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 9) drawn up to 31 December 2002. Profits or losses on intra-group transactions are eliminated in full.

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

TURNOVER

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

INTANGIBLE FIXED ASSETS

Patents and trademarks represent the cost of a manufacturing and know how licence which is amortised on a straight line basis. The economic life of the licence has been shortened from 15 years to 6 years. This has increased the amortisation charge in the year by £160,000.

TANGIBLE FIXED ASSETS AND DEPRECIATION

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

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

DEVELOPMENT COSTS

Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with the amortisation of the licence fee. All other development costs are written off in the year of expenditure.

INVESTMENTS

Investments are included at cost less amounts written off.

SYMPHONY PLASTIC TECHNOLOGIES PLC

PRINCIPAL ACCOUNTING POLICIES

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

FINANCIAL INSTRUMENTS

The Group uses financial instruments to manage exposures to fluctuations in interest rates.

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value.

Interest payable and receivable is accrued, charged or credited to the profit and loss account in the period to which it relates.

The Group does not use financial instruments other than cash, bank overdrafts, trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations.

SYMPHONY PLASTIC TECHNOLOGIES PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	Note	2002 £	2001 £
Turnover	1	4,035,064	3,849,499
Cost of sales		(3,291,816)	(3,246,094)
Gross profit		743,248	603,405
Distribution costs		(178,962)	(146,953)
Administrative expenses		(2,187,622)	(1,915,499)
Operating loss		(1,623,336)	(1,459,047)
Net interest	2	(55,776)	(84,053)
Loss on ordinary activities before taxation	1	(1,679,112)	(1,543,100)
Tax on loss on ordinary activities		-	-
Loss for the financial year transferred from reserves	17	(1,679,112)	(1,543,100)
Basic loss per share in pence		(5.32)	(6.56)

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

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

SYMPHONY PLASTIC TECHNOLOGIES PLC

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 £	2001 £
Fixed assets			
Intangible assets	7	1,401,345	1,681,614
Tangible assets	8	186,880	184,208
Investments	9	15,525	15,525
		1,603,750	1,881,347
Current assets			
Stocks	10	738,092	637,484
Debtors	11	1,240,703	1,142,132
Cash at bank and in hand		107,488	465,943
		2,086,283	2,245,559
Creditors: amounts falling due within one year	12	(1,227,864)	(809,406)
Net current assets		858,419	1,436,153
Total assets less current liabilities		2,462,169	3,317,500
Creditors: amounts falling due after more than one year	13	(13,570)	(44,605)
		2,448,599	3,272,895
Capital and reserves			
Called up share capital	16	341,718	307,343
Share premium account	17	6,896,380	6,075,939
Other reserves	17	822,539	822,539
Profit and loss account	17	(5,612,038)	(3,932,926)
Shareholders' funds	18	2,448,599	3,272,895

The financial statements were approved by the Board of Directors on 12 March 2003.

M N Laurier

Director

I Bristow

Director

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

SYMPHONY PLASTIC TECHNOLOGIES PLC

BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	8	5,921	6,966
Investments	9	149,998	149,998
		<u>155,919</u>	<u>156,964</u>
Current assets			
Debtors: amounts due after more than one year	11	6,999,887	-
Debtors: amounts falling due within one year	11	14,266	5,727,014
Cash at bank and in hand		7	400,002
		<u>7,014,160</u>	<u>6,127,016</u>
Creditors: amounts falling due within one year	12	<u>(122,888)</u>	<u>(82,547)</u>
Net current assets		<u>6,891,272</u>	<u>6,044,469</u>
Total assets less current liabilities		<u>7,047,191</u>	<u>6,201,433</u>
Creditors: amounts falling due after more than one year	13	-	(14,903)
		<u>7,047,191</u>	<u>6,186,530</u>
Capital and reserves			
Called up share capital	16	341,718	307,343
Share premium account	17	6,896,380	6,075,939
Profit and loss account	17	(190,907)	(196,752)
Shareholders' funds		<u>7,047,191</u>	<u>6,186,530</u>

The financial statements were approved by the Board of Directors on 12 March 2003.

M N Laurier

Director

I Bristow

Director

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

SYMPHONY PLASTIC TECHNOLOGIES PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2002

	Note	2002 £	2001 £
Net cash outflow from operating activities	19	(1,343,612)	(1,383,598)
Returns on investments and servicing of finance			
Interest received		2,118	9
Interest paid		(53,334)	(70,202)
Finance lease interest paid		(4,560)	(13,860)
Net cash outflow from returns on investments and servicing of finance		(55,776)	(84,053)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		-	(42,990)
Purchase of tangible fixed assets		(23,196)	(12,417)
Sale of tangible fixed assets		170	-
Net cash outflow from capital expenditure and financial investment		(23,026)	(55,407)
Financing			
Issue of shares		1,022,182	2,623,742
Receipts from borrowings		-	51,856
Capital element of finance lease rentals		(51,148)	(40,845)
Expenses paid in connection with issue of shares		(167,366)	(571,081)
Net cash inflow from financing		803,668	2,063,672
Decrease in cash	20	(618,746)	540,614

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

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The analysis of turnover by geographical market or segmental information has not been disclosed as in the opinion of the directors this would be seriously prejudicial to the group.

The loss on ordinary activities is stated after:

	2002	2001
	£	£
Auditors' remuneration:		
Audit services	27,000	25,000
Non-audit services	16,685	21,002
Depreciation and amortisation:		
Intangible fixed assets including amortisation of research and development	280,269	117,489
Tangible fixed assets, owned	31,309	23,791
Tangible fixed assets, held under finance leases and hire purchase contracts	7,838	9,897
Hire of plant and machinery	10,930	-
Other operating lease rentals	105,875	88,810
	<u>105,875</u>	<u>88,810</u>

2 NET INTEREST

	2002	2001
	£	£
Interest payable on bank loans and overdrafts	920	69,220
Finance charges in respect of finance leases	4,560	13,860
Other interest payable and similar charges	52,414	982
	<u>57,894</u>	<u>84,062</u>
Other interest receivable and similar income	(2,118)	(9)
	<u>55,776</u>	<u>84,053</u>

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2002	2001
	£	£
Wages and salaries	880,692	869,893
Social security costs	92,688	95,213
Other pension costs	2,424	2,424
	<u>975,804</u>	<u>967,530</u>

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

The average number of employees of the group during the year were as follows:

	2002	2001
	Number	Number
Warehousing	4	5
Selling and distribution	5	8
Administration	14	12
Management	5	4
	<hr/> 28 <hr/>	<hr/> 29 <hr/>

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

Remuneration in respect of directors was as follows:	2002	2001
	£	£
Emoluments	396,493	334,837
Pension contributions to money purchase pension schemes	2,424	2,424
Compensation for loss of office	-	8,000
	398,917	345,261

During the year 1 director (2001: 1) participated in a money purchase pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2002	2001
	£	£
Emoluments	96,130	95,973
Pension contributions to money purchase pension schemes	2,424	2,424

4 TAX ON LOSS ON ORDINARY ACTIVITIES

No tax arises on the loss for the year.

The tax assessed for the period is different than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained as follows:

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

	2002 £	2001 £
Loss on ordinary activities before tax	(1,679,112)	(1,543,100)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(503,734)	(462,930)
Effect of:		
Expenses not deductible for tax purposes	20,077	33,434
Capital allowances for the period in excess of depreciation	(359)	14
Tax losses	(484,016)	429,482
Current tax charge for the period	-	-

The company has tax losses of approximately £5,250,000 (2001: £3,715,000) carried forward and available for offset against future taxable trading profits. There is a net deferred tax asset of £1,575,000 (2001: £1,114,500), which has not been recognised.

5 PROFIT FOR THE FINANCIAL YEAR

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group loss for the year includes a profit of £5,845 (2001: loss £217,501) which is dealt with in the financial statements of the company.

6 LOSS PER SHARE

The calculation of basic loss per share is based on a loss for the year of £1,679,112 (2001: £1,543,100) divided by the weighted average number of shares in issue during the year of 31,578,768 (2001: 23,530,676) of 5.32p per share (2001: 6.56p).

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

7 INTANGIBLE FIXED ASSETS

Group	Licence and trademarks £	Development expenditure £	Total £
Cost			
At 1 January 2002 and at 31 December 2002	<u>1,581,145</u>	<u>491,640</u>	<u>2,072,785</u>
Amortisation			
At 1 January 2002	105,735	285,436	391,171
Charge for the year	<u>245,902</u>	<u>34,367</u>	<u>280,269</u>
At 31 December 2002	<u>351,637</u>	<u>319,803</u>	<u>671,440</u>
Net book amount at 31 December 2002	<u>1,229,508</u>	<u>171,837</u>	<u>1,401,345</u>
Net book amount at 31 December 2001	<u>1,475,410</u>	<u>206,204</u>	<u>1,681,614</u>

The economic useful life of the intangible fixed assets has been reduced from 15 years to 6 years with effect from 1 January 2002.

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

8 TANGIBLE FIXED ASSETS

Group	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2002	28,238	93,822	66,490	102,661	291,211
Additions	-	13,280	9,736	18,955	41,971
Disposals	-	-	-	(170)	(170)
At 31 December 2002	28,238	107,102	76,226	121,446	333,012
Depreciation					
At 1 January 2002	13,495	16,114	16,675	60,719	107,003
Charge for the year	1,938	13,520	8,756	14,933	39,147
Eliminated on disposals	-	-	-	(18)	(18)
At 31 December 2002	15,433	29,634	25,431	75,634	146,132
Net book amount at 31 December 2002	12,805	77,468	50,795	45,812	186,880
Net book amount at 31 December 2001	14,743	77,708	49,815	41,942	184,208
Company				Fixtures and fittings £	Total £
Cost					
At 1 January 2002 and 31 December 2002				8,707	8,707
Depreciation					
At 1 January 2002				1,741	1,741
Charge for the year				1,045	1,045
At 31 December 2002				2,786	2,786
Net book amount at 31 December 2002				5,921	5,921
Net book amount at 31 December 2001				6,966	6,966

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

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

Group	Plant and machinery £	Motor vehicles £
Net book amount at 31 December 2002	-	<u>77,468</u>
Net book amount at 31 December 2001	<u>3,593</u>	<u>77,708</u>
Depreciation provided in the year	<u>-</u>	<u>7,838</u>

9 FIXED ASSETS INVESTMENTS

Total fixed asset investments comprise:

	2002 £	Group 2001 £	2002 £	Company 2001 £
Other	15,525	15,525	-	-
Shares in group undertakings	-	-	149,998	149,998
	<u>15,525</u>	<u>15,525</u>	<u>149,998</u>	<u>149,998</u>

Group

	Other £
Cost At 1 January 2002 and 31 December 2002	<u>15,525</u>
Net book amount at 31 December 2002	<u>15,525</u>
Net book amount at 31 December 2001	<u>15,525</u>

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

Company	Shares in group under- takings £
Cost	
At 1 January 2002 and 31 December 2002	149,998
Net book amount at 31 December 2002	149,998
Net book amount at 31 December 2001	149,998

At 31 December 2002 the group and company held more than 20% of a class of the allotted equity share capital of the following:

Name of undertaking	Country of registration and incorporation	Class of share capital held	Proportion held by		Nature of business
			Parent company	Group	
Symphony Plastics Limited	England and Wales	Ordinary	100%	100%	Supply of polythene products
Symphony Packaging Limited	England and Wales	Ordinary	-	100%	Dormant
Symphony Environmental Limited	England and Wales	Ordinary	-	100%	Supply of environmental polythene
D2W Limited	England and Wales	Ordinary	-	100%	Dormant

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

In addition the group held 30% in Symphony Bin Hilal LLC, a company incorporated in United Arab Emirates. The directors are of the opinion that this is an investment as the directors do not have significant influence as they have no financial or management control.

10 STOCKS

	2002 £	Group 2001 £
Raw materials and consumable stores	502,937	9,400
Finished goods and goods for resale	235,155	628,084
	738,092	637,484

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

11 DEBTORS

	2002 £	Group 2001 £	2002 £	Company 2001 £
Trade debtors	1,112,684	920,297	-	-
Amounts owed by group undertakings	-	-	6,999,887	5,630,603
Other debtors	41,946	109,232	6,313	78,368
Prepayments and accrued income	86,073	112,603	7,953	18,043
	<u>1,240,703</u>	<u>1,142,132</u>	<u>7,014,153</u>	<u>5,727,014</u>

Included above are the following amounts which are due after more than one year:

	2002 £	Company 2001 £
Amounts owed by group undertakings	<u>6,999,887</u>	<u>-</u>

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	Group 2001 £	2002 £	Company 2001 £
Bank overdrafts	386,483	126,192	22,245	25,072
Trade creditors	607,114	474,792	53,739	35,299
Social security and other taxes	56,115	128,087	-	-
Other creditors	94,873	-	-	-
Accruals	39,975	35,693	32,000	3,375
Amounts due under finance leases	43,304	44,642	14,904	18,801
	<u>1,227,864</u>	<u>809,406</u>	<u>122,888</u>	<u>82,547</u>

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

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	Group 2001 £	2002 £	Company 2001 £
Amounts due under finance leases	<u>13,570</u>	<u>44,605</u>	<u>-</u>	<u>14,903</u>

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

14 BORROWINGS

Borrowings are repayable as follows:

	2002 £	Group 2001 £
Within one year		
Bank and other borrowings	386,483	126,192
Finance leases	43,304	44,642
After one and within two years		
Finance leases	9,210	39,426
After two and within five years		
Finance leases	4,360	5,179
	<u>443,357</u>	<u>215,439</u>

15 FINANCIAL INSTRUMENTS

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

The main risks arising from the group financial instruments are interest rate risk and liquidity risk. The executive directors review and manage these on a regular basis.

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

The group finances its operations through a mixture of bank borrowings and invoice discounting. The group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

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

The group seeks to manage financial risk, to ensure financial liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft facilities and factored debts.

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

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

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

16 SHARE CAPITAL

	2002 £	2001 £
Authorised 100,000,000 ordinary shares of 1p each (2001: 60,000,000)	<u>1,000,000</u>	<u>600,000</u>
Allotted, called up and fully paid 34,171,768 ordinary shares of 1p each (2001: 30,734,287)	<u>341,718</u>	<u>307,343</u>

Allotments during the year

The company made allotments of 31,250 ordinary 1p shares at par in settlement of expenses, 22,231 ordinary 1p shares at 30p per share which was the balance of the open offer in the the prior year and 384,000 ordinary 1p shares at 30p per share on exercise of options. The company allotted 3,000,000 ordinary shares of 1p each fully paid on 27 September 2002 upon a placing by the company at 30p per share.

The difference of £820,441 between the total consideration of £1,022,182 and the total nominal value of £34,375 has been credited to the share premium account net of expenses of £167,366.

Authorised share capital

The authorised share capital of the company was increased during the year from £600,000 to £1,000,000 by the creation of 400,000,000 new ordinary shares of 1p each.

Contingent rights to the allotment of shares

170,000 share options have been issued at 60p per share, exercisable between 19 June 2002 and 19 June 2005.
200,000 share options have been issued at 50p per share, exercisable between 23 June 2002 and 23 June 2005.
246,000 share options have been issued at 60p per share, exercisable between 23 June 2002 and 23 June 2005.
175,000 share options have been issued at 80p per share, exercisable between 26 June 2002 and 26 June 2005.
100,000 share options have been issued at 160p per share, exercisable between 12 June 2000 and 12 June 2003.
282,666 share options have been issued at 30p per share, exercisable between 30 November 2001 and 30 November 2003.
100,000 share options have been issued at 25p per share, exercisable between 20 May 2002 and 20 May 2008.
1,200,000 share options have been issued at 37p per share, exercisable between 7 June 2004 and 7 June 2012.
100,000 share options have been issued at 32p per share, exercisable between 21 June 2004 and 21 June 2012.
150,000 share options have been issued at 30p per share, exercisable between 30 September 2002 and 30 September 2004.
152,000 share options have been issued at 28p per share, exercisable between 1 November 2004 and 1 November 2012.
1,116,695 warrants have been issued at 80p per share, exercisable up to 27 June 2004.
226,666 share options have been issued at 30p per share exercisable between 6 December 2004 and 6 December 2012.
During the year 384,000 share options were exercised and 1,928,666 share options were issued.
On 25 August 2002 1,165,333 warrants lapsed.
No options or warrants were exercised in the year other than disclosed above.

SYMPHONY PLASTIC TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

The following directors and directors of subsidiary companies have share options or warrants or agreements for share options included in the list above:

N Deva:	200,000 options at 50p exercisable between 23 June 2002 and 23 June 2005.
M Stephen:	200,000 options at 37p exercisable between 7 June 2004 and 7 June 2012.
C Littmoden:	200,000 options at 37p exercisable between 7 June 2004 and 7 June 2012.
M Laurier:	400,000 options at 37p exercisable between 7 June 2004 and 7 June 2012.
I Bristow:	200,000 options at 37p exercisable between 7 June 2004 and 7 June 2012.
K Frener:	200,000 options at 37p exercisable between 7 June 2004 and 7 June 2012.
A Blacher:	100,000 options at 32p exercisable between 21 June 2004 and 21 June 2012 and 226,666 options at 30p exercisable between 6 December 2004 and 6 December 2012.

17 SHARE PREMIUM ACCOUNT AND RESERVES

Group	Share premium account £	Other reserves £	Profit and loss account £
At 1 January 2002	6,075,939	822,539	(3,932,926)
Retained loss for the year	-	-	(1,679,112)
Premium on allotment during the year, net of expenses	820,441	-	-
At 31 December 2002	6,896,380	822,539	(5,612,038)

Company	Share premium account £	Profit and loss account £
At 1 January 2002	6,075,939	(196,752)
Retained profit for the year	-	5,845
Premium on allotment during the year, net of expenses	820,441	-
At 31 December 2002	6,896,380	(190,907)

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for the financial year	(1,679,112)	(1,543,100)
Issue of shares	854,816	2,052,661
Net (decrease)/increase in shareholders' funds	(824,296)	509,561
Shareholders' funds at 1 January 2002	3,272,895	2,763,334
Shareholders' funds at 31 December 2002	2,448,599	3,272,895

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19 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating loss	(1,623,336)	(1,459,047)
Depreciation and amortisation	319,416	151,177
Profit on sale of tangible fixed assets	(18)	-
Increase in stocks	(100,608)	(182,490)
(Increase)/decrease in debtors	(98,571)	216,325
Increase/(decrease) in creditors	159,505	(109,563)
Net cash outflow from operating activities	(1,343,612)	(1,383,598)

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £	2001 £
Decrease in cash in the year	(618,746)	540,614
Cash outflow from finance leases in the year	51,148	40,844
Inception of finance leases	(18,775)	(70,630)
Movement in net debt in the year	(586,373)	510,828
Net funds at 1 January 2002	250,504	(260,324)
Net debt at 31 December 2002	(335,869)	250,504

21 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2002 £	Cashflow £	Non-cash items £	At 31 December 2002 £
Cash in hand and at bank	465,943	(358,455)	-	107,488
Overdrafts	(126,192)	(260,291)	-	(386,483)
Finance leases	339,751	(618,746)	-	(278,995)
	(89,247)	51,148	(18,775)	(56,874)
	250,504	(567,598)	(18,775)	(335,869)

SYMPHONY PLASTIC TECHNOLOGIES PLC

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22 CAPITAL COMMITMENTS

	2002 £	Group 2001 £	2002 £	Company 2001 £
Contracted for but not provided in these financial statements	<u>12,958</u>	<u>-</u>	<u>-</u>	<u>-</u>

23 CONTINGENT LIABILITIES

There is a cross guarantee between Symphony Plastic Technologies plc, Symphony Plastics Limited, Symphony Packaging Limited and Symphony Environmental Limited over part of the group's overdraft facility. At 31 December 2002 Symphony Plastic Technologies plc had guaranteed £nil (2001: £nil)

24 PENSIONS

Defined Contribution Scheme

The group operates a defined contribution pension scheme for the benefit of the executive directors. The assets of the scheme are administered by trustees in a fund independent from those of the group.

The pension cost charge for the year was £2,424 (2001: £2,424).

25 LEASING COMMITMENTS

Operating lease payments amounting to £101,159 (2001: £107,373) are due within one year. The leases to which these amounts relate expire as follows:

	2002 Land and buildings £	2002 Other £	2001 Land and buildings £	2001 Other £
In one year or less	-	11,267	11,500	17,838
Between one and five years	<u>78,800</u>	<u>11,092</u>	<u>54,800</u>	<u>23,235</u>
	<u>78,800</u>	<u>22,359</u>	<u>66,300</u>	<u>41,073</u>