ANNUAL REPORT AND ACCOUNTS 2007

Symphony

environmental technologies

Index to the Annual Report and Accounts

Company Information

Company registration number	3676824
Registered office	Elstree House Elstree Way Borehamwood Herts WD6 1LE
Directors	N J Deva DL, FRSA, MEP – Non Executive Chairman M N Laurier – Chief Executive Officer I Bristow FCCA – Finance Director M F Stephens – Technical Director M Stephen – Non Executive Deputy Chairman
Secretary	I Bristow
Nominated Adviser and Broker	HB Corporate 40 Marsh Wall Docklands London E14 9TP
Bankers	HSBC Bank Plc 103 Station Road Edgware HA8 7JJ
Solicitors	Lane & Partners 15 Bloomsbury Square London WC1A 2LS
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditor Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW
Registrars	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Highlights

Group result – including non-recurring items

- Revenue £3.8 million (2006 £4.2 million)
- **d_2w®** revenues increased by 36.4% to £3.0 million (2006 £2.2 million)
- Operating loss decreased by 17.3% to £1.9 million (2006 £2.3 million)
- Loss before tax decreased by 17.3% to £1.9 million (2006 loss £2.3 million)
- Loss per share decreased to 2.31p (2006 loss per share 3.62p)
- Number of **d_2w®** distributors increased from 7 to 15

Before non-recurring items

- Gross profit margins increased to 30.0% (2006 20.0%)
- Operating loss decreased by 13.3% to £1.3 million (2006 £1.5 million)

H2 comparison to H1 (before non-recurring items)

- H2 revenues increased by 23.5% to £2.1 million (H1 £1.7 million)
- H2 gross profit margins increased to 33.2% (H1 26.1%)
- H2 operating loss reduced by 70.0% to £0.3 million (H1 £1.0 million)
- H2 administrative expenses reduced by 14.7% compared to H1

Post period end

- Number of **d_2w®** distributors doubled to 30
- Significant **d_2w®** agreement signed in UAE
- Leading food brands in South Africa sign up **d_2w®**
- Media focus on packaging issues
- **d_2w®** now present in most major UK retailers
- **d_2w®** in high proportion of plastic wrapping for magazines in the UK
- UK Government grant offered to Symphony Energy project partners of £1.2 million
- Shares to trade in New York under ADR programme

Chairman's Statement

"I am very pleased to report that the positive changes made as from April last year have already had a material impact on all financial and non-financial aspects of the business. The number of **d_2w®** distributors more than doubled from 7 to 15 during the year, the majority of which arose in the second half. **d_2w®** revenues increased by 36.4% compared to 2006 but, more significantly, gross profit margins, before non-recurring items, increased from 20.0% to 30.0%, with the second half of the year showing gross margins at 33.2%. This is a direct result of our move away from selling finished commodity plastic to selling the **d_2w®** products together with a concerted effort to increase the number of global distributors. We still sell some commodity products in the appropriate markets where margins can be maintained.

The strategy of selling **d_2w®** maintains end user supply chain systems, enables local distributors to sell efficiently in home markets, and enables an exponential growth outlet for our **d_2w®** products. Our own costs can therefore remain under control, and even though costs reduced from 2006 to 2007, we were able to significantly increase **d_2w®** development work and improve support for our products and distributors.

I am also pleased to report that the £0.4 million invested to date in Symphony Energy Limited ("Symphony Energy") has resulted in the award of a £1.2 million grant to a consortium headed by Symphony Energy since the year end. This shows real confidence by the British Government in Symphony Energy and its consortium partners for the Rupert (Rubber Product Enhanced Recovery Technology) project and confirms our strategy to develop a further environmental related product which has the potential to create a further income stream for the benefit of shareholders.

There is an increasing media focus on the global packaging sector and plastic packaging in particular. We believe our **d_2w®** products could be one of the main contenders for the total packaging solution moving forward. They do not affect the food supply or increase prices to the end user. They slip into the supply chain effortlessly and they harmlessly make plastic packaging "go away" if littered, with no harmful residues.

I would like to take this opportunity to thank the Directors and staff and all our distributors for all their efforts into getting us into what is a very promising position.

I am extremely confident for the future."

N Deva FRSA, DL, MEP
Chairman

Chief Executive's Review

The 2007 year under review started to show the positive effects to the Group's business of the strategy change previously announced to the market. Revenue reduced in line with management expectations as a direct result of our shift in the marketing direction from low margin, high volume commodity type products to higher value eco-friendly **d_2w**® products. Other key performance indicators improved as more product evaluation agreements were signed with a widening of our customer base.

After the management changes in the first half, we were able to concentrate on growing our distributorship network which enabled tighter control of our costs together with a significant gross profit increase due to higher sales demand for **d_2w**® products. The number of distributors more than doubled from 7 to 15 in the year.

Trading results

I am pleased to report **d_2w**® revenues increased by 36.4% during the year from £2.2 million to £3.0 million. Gross profit margins increased from 20.0% to 21.7% which include a significant non-recurring item. An adjustment of £315,000 has been included in cost of sales in relation to the re-organisation in the Caribbean. Gross profit margins before this non-recurring item therefore increased to 30.0% in 2007, with second half margins at 33.2%.

The loss before tax was reduced by 17.4% from £2.3 million to £1.9 million. Included in loss before tax is a further £250,000 of non-recurring items. A £100,000 provision has been made in respect to a settlement made with a former employee and a further £150,000 provision has been made against a foreign debt.

The second half of the year saw costs reduce by 14.7% with an operating loss of £0.3 million compared to £1.0 million for the first half of 2007.

Development costs of £119,000 were capitalised in 2007 relating to third party costs incurred in developing our range of **d_2w**® products. A £35,000 research and development tax credit was received during the year.

This is our first year of reporting under International Financial Reporting Standards (IFRS). Details of the effects of this are shown in Note 2 to the Accounts.

Balance sheet

A total of 32 million shares were issued during the year raising £1.8 million gross by way of placings in addition to converting £96,000 of a supplier's debt into shares.

The convertible loan agreement was re-negotiated in September 2007. A total of 2,608,452 shares within the 32 million shares issued were converted under the terms of this agreement during 2007.

In December 2007 the shares of Degradable Polymer Products Inc were transferred to a company called Oxobioplast Inc. This resulted in an insignificant shareholding in the new company but left the Group free to restructure its North America development plans. As a result the investment of £516,000 was written off and this was offset in the main by connected deferred income of £460,000 that was brought forward.

Cash and cash equivalents were £407,000 at the end of the year. Since the year end the group has entered into a £400,000 trade finance agreement with Davenham Trade Finance.

Operations

2007 saw a change in operations in two key areas:

UK based sales executives were switched from primary front line selling to administrating and promoting our growing distribution network. This led to an immediate improvement in selling efficiencies and maximised the effect within our distributorships. The process of administering our distribution network is a complex one, ranging from understanding the territories involved, providing the necessary link between the distributors and our technical team, and implementing strategies in the various territories.

Our research and development team was strengthened threefold by employing a technical manager to support the Technical Director, together with the appointment of Professor Gerald Scott as Chief Scientific Advisor. Our previous warehouse team became focused fully on developing a dedicated test facility near our old premises in Great Yarmouth. This facility includes state of the art machines to test plastic films in relation to their mechanical and degradability properties. This is augmented by the use of further specialised third party test facilities.

Management

After the board changes announced in last year's annual report, Michael Stephen joined the board as Deputy Chairman.

Symphony Energy

The Group continued to invest in Symphony Energy in 2007, an amount of £200,000 for the year. Grant monies of £50,000, relating to this period, were received in April 2008. More recently a £1.19 million development grant has been offered which could see Symphony Energy working on a three year project with some excellent partners in the development of high value manufacturing relating to rubber product enhanced recovery.

Overview of d_2w® developments

Our strategy change has resulted in some fundamental improvements to the business structure, cost and marketing. Newly established distributors and agents around the world have and are opening new territories and the brand awareness for **d_2w®** continues to grow with substantial media presence.

A significant and growing number of users are taking delivery of their plastic packaging with **d_2w®** oxo-biodegradable technology and these products will range from food, industrial and hygiene applications amongst many. These transactions have not been announced on account of commercial sensitivity or because some of them are not of a size which requires this reporting but collectively they are significant and the results demonstrate this growing and positive level of activity.

Outlook

Symphony's aim and developing strategy is to continue with the expansion of the **d_2w®** distribution network, to increase the product range and applications, to narrow the gap towards profitability over the coming period and to enhance shareholder value in the short-term.

Legislators and consumers around the world want to change from non degradable plastics (whether virgin or recycled) to more eco-friendly and cost effective oxo-biodegradable products. However, there is still a lot of confusion and misinformation in the marketplace, and Symphony will continue to challenge and correct this by campaigning in the press, on the internet, and in other media.

Symphony is also looking to commercialise its Symphony Energy division in the coming months and is presently reviewing a number of options.

Several new projects have started and others are nearing completion which we believe will add substantial value to the Group in due course.

The Board is encouraged by a strong start to the New Year whereby sales and gross profits are beginning to come in line with Management expectations. The main business key indicators are positive which align with our expectations of achieving commercial viability for the year ahead.

Michael Laurier
Chief Executive

Directors' Report

The directors present their report and the audited financial statements of the group for the year ended 31 December 2007.

Principal activities and business review

The primary business activities of the group are the supply of environmental polythene products, both in the United Kingdom and overseas, and development of waste to energy projects. The group also supplies other flexible polythene and related products.

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

The loss for the year after taxation amounted to £1,913,000 (2006 – loss £2,343,000).

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	**2007**	2006	Method of calculation
Sales **d$_2$w**® (£'000)	**3,008**	2,237	Sales revenue solely of **d$_2$w**® additives and products
Gross profit margin (%) before non-recurring items	**30.0%**	20.0%	The ratio of gross profit to sales
Number of distributors	**15**	7	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 waste to energy systems.

The directors and their interests

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

Policy on the payment of creditors

It is the group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and abide by them. Trade creditors at the year end amount to 61 days (2006 – 68) of average supplies for the year.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The parent company's own financial statements continue to be prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

In so far as each of the directors is aware:

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

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

Going concern

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

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 4 to the financial statements.

Auditor

A resolution to appoint Grant Thornton UK LLP as auditor for the ensuring year will be proposed at the annual general meeting in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

I Bristow
Secretary

2 June 2008

Remuneration Report

Directors' emoluments

	Basic salary or fees £'000	Benefits £'000	Pension £'000	**2007 Total Emoluments £'000**	2006 Total Emoluments £'000
N Deva	30	–	3	**33**	33
M Laurier	161	10	16	**187**	141
I Bristow	99	20	10	**129**	127
M Stephens	112	6	11	**129**	24
M Stephen	27	1	–	**28**	–
M Turner	45	–	5	**50**	47
	474	37	45	**556**	372

M Stephen was appointed a director on 3 August 2007.
M Turner resigned as a director on 27 April 2007.

During the year one director (2006 – one) participated in a money purchase pension scheme. The other directors' pensions are administered by those directors.

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

Basic salary or fees for Mr Stephen include £10,000 paid to his own private company from the period he became a director and before he entered onto the payroll.

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 2007**	At 1 January 2007 or appointment
N Deva	**17,500**	17,500
M Laurier	**10,203,142**	9,603,142
I Bristow	**847,972**	797,972
M Stephens	**263,448**	263,448
M Stephen	**36,764**	36,764

Share options

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

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

The above share options are HM Revenue and Customs unapproved. See Note 19 for terms of the above options.

Warrants

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

	Number of warrants	Exercise price (pence per warrant)	Exercisable from	Exercisable to
N Deva	200,000	12	17 November 2005	17 November 2010
M Laurier	1,100,000	12	17 November 2005	17 November 2010
I Bristow	990,000	12	17 November 2005	17 November 2010

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

We have audited the group and parent company financial statements (the "financial statements") of Symphony Environmental Technologies plc for the year ended 31 December 2007 which comprise the principal accounting policies, the consolidated income statement, the consolidated and parent company balance sheets, the group statement of changes in equity, the consolidated cash flow statement and Notes 1 to 37. These group financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended
- the group financial statements have been properly prepared in accordance with the Companies Act 1985
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
Central Milton Keynes
2 June 2008

Consolidated Income Statement
for the year ended 31 December 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Revenue	6		**3,778**		4,200
Cost of sales – recurring		**(2,644)**		(3,362)	
Cost of sales – non recurring	7	**(315)**		–	
Cost of sales			**(2,959)**		(3,362)
Gross profit – recurring		**1,134**		838	
Gross profit – non-recurring		**(315)**		–	
Gross profit			**819**		838
Distribution costs			**(68)**		(143)
Administrative expenses – recurring	7	**(2,378)**		(2,208)	
Administrative expenses – non-recurring	7	**(250)**		(830)	
Administrative expenses	7		**(2,628)**		(3,038)
Operating loss – recurring	7	**(1,312)**		(1,513)	
Operating loss – non-recurring		**(565)**		(830)	
Operating loss	7		**(1,877)**		(2,343)
Finance income	9		**17**		–
Finance costs	9		**(88)**		(37)
Loss for the period before tax			**(1,948)**		(2,380)
Tax credit	10		**35**		37
Loss for the period			**(1,913)**		(2,343)
Basic loss per share	11		**(2.31)p**		(3.62)p
Diluted loss per share	11		**(2.31)p**		(3.62)p

All results are attributable to the parent company equity holders

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

Consolidated Balance Sheet
as at 31 December 2007

	Note	**2007 £'000**	2006 £'000
Assets			
Non-current			
Property, plant and equipment	12	**201**	222
Intangible assets	13	**177**	70
Available for sale financial assets	15	**15**	531
		393	823
Current			
Inventories	16	**233**	545
Trade and other receivables	17	**761**	897
Cash and cash equivalents	18	**407**	215
		1,401	1,657
Total assets		**1,794**	2,480
Equity			
Equity attributable to shareholders of Symphony Environmental Technologies plc			
Ordinary shares	19	**1,018**	697
Share premium	19	**13,048**	11,392
Other reserves		**822**	822
Retained earnings		**(14,763)**	(12,885)
Total equity		**125**	26
Liabilities			
Non-current			
Other payables	20	**–**	447
Interest bearing loans and borrowings	21	**31**	62
		31	509
Current			
Interest bearing loans and borrowings	21	**781**	605
Trade and other payables	20	**857**	1,340
		1,638	1,945
Total liabilities		**1,669**	2,454
Total equity and liabilities		**1,794**	2,480

These financial statements were approved by the Board of Directors on 2 June 2008 and authorised for issue on 2 June 2008. They were signed on its behalf by:

I Bristow
Finance Director

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

Consolidated Statement of Changes in Equity

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

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
For the year to 31 December 2007					
Balance at 1 January 2007	**697**	**11,392**	**822**	**(12,885)**	**26**
Loss for the period	**–**	**–**	**–**	**(1,913)**	**(1,913)**
Total recognised income and expense for the period	**–**	**–**	**–**	**(1,913)**	**(1,913)**
Share based payments (Note 19)	**–**	**–**	**–**	**35**	**35**
Shares issued	**321**	**1,656**	**–**	**–**	**1,977**
Balance at 31 December 2007	**1,018**	**13,048**	**822**	**(14,763)**	**125**
For the year to 31 December 2006					
Balance at 1 January 2006	634	10,824	822	(10,617)	1,663
Loss for the period	–	–	–	(2,343)	(2,343)
Total recognised income and expense for the period	–	–	–	(2,343)	(2,343)
Share based payments (Note 19)	–	–	–	75	75
Shares issued	63	568	–	–	631
Balance at 31 December 2006	697	11,392	822	(12,885)	26

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

Consolidated Cash Flow Statement
for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Operating activities			
Cash generated from operations	22	**(1,328)**	(355)
Tax received		**35**	37
Net cash generated from operations		**(1,293)**	(318)
Investing activities			
Additions to property, plant and equipment		**(30)**	(12)
Proceeds from disposals of property, plant and equipment		**13**	7
Additions of intangible assets		**(119)**	(64)
Interest received		**1**	–
Net cash used in investing activities		**(135)**	(69)
Financing activities			
Proceeds from loans		**188**	254
Repayment of loans		**(14)**	–
Discharge of finance lease liability		**(31)**	(34)
Proceeds from share issue		**1,808**	630
Interest paid		**(20)**	(37)
Net cash generated in financial activities		**1,931**	813
Net change in cash and cash equivalents		**503**	426
Cash and cash equivalents, beginning of year		**(96)**	(522)
Cash and cash equivalents, end of year		**407**	(96)

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

2 Transition to International Financial Reporting Standards

These consolidated Annual Report and Accounts are for the first period that the group has applied International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and effective at 31 December 2007, our first annual reporting date at which we are required to use IFRS accounting standards adopted by the EU.

The transition from UK GAAP to IFRS has been made in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards.

The group's consolidated financial statements for 2007 and the comparatives for 2006 comply with all presentation and disclosure requirements of IFRS applicable for accounting periods commencing on or after 1 January 2007.

The following reconciliations and explanatory notes thereto describe the effects of transition on the IFRS opening balance sheet as at 1 January 2006 and for the financial year 2006. All explanations should be read in conjunction with the IFRS accounting policies disclosed in Note 3.

Reconciliation of equity at 1 January 2006

	UK GAAP £'000	Effect of Transition	IFRS £'000
Assets			
Non-current			
Property, plant and equipment	247	–	247
Intangible assets	19	–	19
Investments in other undertakings (1)	15	(15)	–
Available for sale financial assets (1)	–	15	15
Current			
Inventories	304	–	304
Trade and other receivables	2,773	–	2,773
Cash and cash equivalents	1	–	1
Total assets	3,359	–	3,359
Equity			
Equity attributable to shareholders of Symphony Environmental Technologies plc			
Ordinary shares	634	–	634
Share premium	10,825	–	10,825
Other reserves	822	–	822
Retained earnings	(10,617)	–	(10,617)
Total equity	1,664	–	1,664
Liabilities			
Non-current			
Other payables	–	–	–
Interest bearing loans and borrowings	89	–	89
Current			
Interest bearing loans and borrowings	555	–	555
Current tax payable			
Trade and other payables	1,051	–	1,051
Total liabilities	1,695	–	1,695
Total equity and liabilities	3,359	–	3,359

(1) Investments in other undertakings were reclassified as available-for-sale financial assets in accordance with International Accounting Standard (IAS) 39.

Reconciliation of equity at 31 December 2006

	UK GAAP £'000	Effect of Transition	IFRS £'000
Assets			
Non-current			
Property, plant and equipment	222	–	222
Intangible assets	70	–	70
Investments in other undertakings (1)	531	(531)	–
Available for sale financial assets (1)	–	531	531
Current			
Inventories	545	–	545
Trade and other receivables	897	–	897
Cash and cash equivalents	215	–	215
Total assets	2,480	–	2,480
Equity			
Equity attributable to shareholders of Symphony Environmental Technologies plc			
Ordinary shares	697	–	697
Share premium	11,392	–	11,392
Other reserves	822	–	822
Retained earnings	(12,885)	–	(12,885)
Total equity	26	–	26
Liabilities			
Non-current			
Other payables	447	–	447
Interest bearing loans and borrowings	62	–	62
Current			
Interest bearing loans and borrowings (2)	605	(10)	595
Financial liabilities classified as fair value through profit and loss (2)	–	10	10
Current tax payable			
Trade and other payables	1,340	–	1,340
Total liabilities	2,454	–	2,454
Total equity and liabilities	2,480	–	2,480

(1) Investments in other undertakings were reclassified as available-for-sale financial assets in accordance with IAS 39.

(2) The conversion rights and warrants attached to the convertible loan have been separated and accounted for in accordance with IAS 39.

The above has no effect on either the consolidated retained earnings or the cash flow statement.

3 Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with the requirements of IFRS as adopted by the EU, issued and effective or issued as at 31 December 2007.

Business combinations exemption

The group has taken advantage of the following exemption from full retrospective application of IFRS:

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

Accordingly the classification of the combination remains unchanged from that used under UK GAAP. The assets, liabilities and other reserve are recognised at date of transition if they would be recognised under IFRS, 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 company was entitled to merger relief offered by Section 131 of the Companies Act 1985 in respect of consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Symphony Plastics Limited on 9 December 1999. This was accounted for under merger accounting under UK GAAP and has been treated in this manner under IFRS as the business combination exemption has been adopted in these Annual Report and Accounts. The merger accounting method requires assets and liabilities to not be adjusted to fair value and the results of the subsidiary to be included as if it had always been part of the group. Therefore the results of the group included both the results pre and post-acquisition. The other reserve was established as a result of this accounting method.

Revenue

Degradable and non-degradable goods and services

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

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

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

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

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

Non-recurring items

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

Intangible assets

– Research and development costs

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

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

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

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

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

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

Development costs **d_2w®**	– 5 years straight line

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

– Trademarks

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

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

Trademarks	– 10 years straight line

Property, plant and equipment

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

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

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

Impairment testing of intangible assets and property, plant and equipment

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

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

Inventories

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

Leased assets

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

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

Pension costs

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

Taxation

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

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

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

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

Foreign currencies

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

Financial assets

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

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

The group currently has the following financial assets:

– Trade receivables

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

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

– Available for sale financial assets

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

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

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

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

Financial liabilities

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

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

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

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

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

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

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

Cash and cash equivalents

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

Equity settled share based payments

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

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

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

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares;
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue; and
- "Other reserve" is a reserve established following the adoption of merger accounting as described in the business combinations completed prior to date of transition to IFRS policy above.

Standards and Interpretations not yet effective

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

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)*
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)*
- IAS 27 Consolidated and Separate Financial Statements (revised 2008) (effective 1 July 2009)*
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)
- Improvements to IFRS (effective 1 January 2009 other than certain amendments effective 1 July 2009)
- IFRS 3 Business Combinations (revised 2008) (effective 1 July 2009)*
- IFRS 8 Operating Segments (effective 1 January 2009)
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective 1 March 2007)
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008)*
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008) *
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)*.

* IAS 1 (Revised 2007), IAS 23 (Revised 2007), IAS 27 (Revised 2008), IFRS 3 (Revised 2008) and IFRICs 12, 13 and 14 had not been endorsed by the European Union at the date on which the financial statements were approved.

IAS 1 Presentation of Financial Statements (Revised 2007) will result in changes to the presentation of the group's financial statements as the format currently adopted for the Statement of Changes in Equity will no longer be permitted. Instead, the group will present a Statement of Comprehensive Income combining the existing Income Statement with other income and expenses currently presented as part of the Statement of Changes in Equity. In addition the group will present a separate Statement of Changes in Equity showing owner changes in equity.

IAS 23 Borrowing Costs (Revised 2007) requires that borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. The standard must be applied for accounting periods beginning on or after 1 January 2009. The group's current accounting policy is to recognise borrowing costs in the income statement as incurred. Where the group has funded the acquisition or construction of property, plant and equipment through borrowings, application of the standard is expected to increase the cost of the asset and the depreciation charge and reduce finance costs.

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

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

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

4 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.

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 profitable. Short term flexibility is achieved through trade finance arrangements.

The maturity of financial liabilities as at the balance sheet date is summarised as follows:

	Trade payables £'000	Social security and other taxes £'000	Lease purchase £'000	Convertible loan £'000	Other £'000	Total £'000
Zero to sixty days	393	157	7	–	53	610
Sixty one days three months	–	–	3	–	26	29
Four months six months	–	–	20	–	80	100
Seven months to one year	–	–	10	415	158	583
One year to three years	–	–	31	–	–	31
More than three years	–	–	–	–	–	–
	393	157	71	415	317	1,353

– going concern

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

Interest rate risk

The group's exposure to interest rate risk as at the balance sheet date is summarised as follows:

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

Sensitivity shows the effect on the equity and income statement.

Trade payables and social security and other taxes do not attract interest and are therefore only subject to fair value interest rate risk which is a benefit to the group. This benefit is partly offset by trade receivables, VAT and other debtors which also do not attract interest.

The group does not operate within a bank overdraft. Since the year end the Group has entered into a trade finance agreement where the interest rate is a mark up of Libor. The other loans and borrowings are set on fixed interest rates reducing the Group's exposure to volatile interest rate movements. See Note 21.

Currency risk

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

A summary of foreign currency financial assets and liabilities at the year-end together with a sensitivity analysis showing the effect of a 10% change in rate with Sterling is shown below:

	Currency	Sterling as stated in the balance sheet £,000	Currency balance C'000
Financial assets	**Euro**	118	€167
Financial liabilities	**Euro**	(30)	€(43)
Net balance	**Euro**	88	€124
Effect of 10% sterling increase		**(8)**	
Effect of 10% sterling decrease		**8**	
Financial assets	**USD**	192	$392
Financial liabilities	**USD**	(163)	$(332)
Net balance	**USD**	29	$60
Effect of 10% sterling increase		**(3)**	
Effect of 10% sterling decrease		**3**	

Sensitivity shows the effect on the equity and income statement.

Credit risk

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

	2007 **£'000**	2006 £'000
Loans and receivables:		
Trade receivables	**632**	747
Cash and cash equivalents	**407**	215
	1,039	962

The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade receivables.

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

The maturity of overdue debts is set out in Note 17. During the period £4,667 of debts were written off.

5 Critical accounting estimates and judgements

Estimates and judgments 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 13.

Available-for-sale financial assets

Judgements relating to available for sale financial assets are detailed in Note 15.

Recognition of deferred tax assets

Judgements relating to a deferred tax asset are detailed in Note 10a.

Going concern

Judgements relating to going concern are detailed in Note 4.

Bad debts

Provisions for bad debts are shown in Note 17. 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 that prove the recoverability of the debt.

Vesting conditions of share options

Share options are detailed in Note 19. The vesting conditions of the staff EMI option scheme require earnings per share in excess of 0.001p. As there is no reliable information to estimate when the earnings per share target will be achieved, there has been no expense put through the income statement relating to those share based payments.

6 Segmental information

Primary reporting format – business segments

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

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

Business segments **12 months to 31 December 2007**	**Degradable** **£'000**	**Non-degradable** **£'000**	**Waste to energy** **£'000**	**Group** **£'000**
Revenue	3,008	770	–	3,778
Share based payments	(6)	(29)	–	(35)
Apportioned costs	(3,737)	(1,754)	(200)	(5,691)
Loss for the period before tax	**(744)**	**(1,004)**	**(200)**	**(1,948)**
Taxation	35	–	–	35
Loss for the year	**(709)**	**(1,004)**	**(200)**	**(1,913)**
Non-recurring items in above	315	250	–	565
Loss for the year before non-recurring items	**(394)**	**(754)**	**(200)**	**(1,348)**

The segment results for the year ended 31 December 2006 are as follows:

Business segments **12 months to 31 December 2006**	**Degradable** **£'000**	**Non-degradable** **£'000**	**Waste to energy** **£'000**	**Group** **£'000**
Revenue	2,237	1,963	–	4,200
Share based payments	(15)	(60)	–	(75)
Apportioned costs	(3,413)	(2,892)	(200)	(6,505)
Loss for the period before tax	**(1,191)**	**(989)**	**(200)**	**(2,380)**
Taxation	37	–	–	37
Loss for the year	**(1,154)**	**(989)**	**(200)**	**(2,343)**
Non-recurring items in above	830	–	–	830
Loss for the year before non-recurring items	**(324)**	**(989)**	**(200)**	**(1,513)**

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

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

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

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

There are no assets or liabilities recorded against waste to energy as its costs all relate to staff and respective operating overheads in the development of the business. There is no trade as yet incurring any trading assets or liabilities.

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

£'000	Degradable	Non-degradable	Waste to energy	Unallocated	Group
Assets	1,556	393	–	531	2,480
Liabilities	(1,085)	(634)	–	(735)	(2,454)
Capital expenditure	89	–	–	–	89
Depreciation and amortisation	57	–	–	–	57

Secondary reporting format – geographical segments

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

Revenue	**2007 £'000**	2006 £'000
UK	**2,015**	3,158
Europe	**470**	343
The Americas	**788**	552
Other countries	**505**	147
	3,778	4,200

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

All assets are located in the United Kingdom.

7 Operating loss

The operating result is stated after charging/(crediting)

	2007 **£'000**	2006 £'000
Depreciation	**34**	44
Amortisation	**12**	12
Loss on disposal of fixed assets	**3**	–
Operating lease rentals		
Land and buildings	**75**	75
Plant and equipment	**4**	4
Fees payable to the company's auditor for the audit of the financial statements	**10**	6
Fees payable to the company's auditor for other services:		
Audit of the financial statements of the company's subsidiaries pursuant to legislation	**30**	27
Other services relating to taxation	**7**	10
Net foreign exchange loss	**28**	2
Non-recurring items:		
Within cost of sales:		
Stock impairment	**315**	–
Within administrative expenses:		
Ex-employee settlement	**100**	–
Exceptional impairment	**150**	830

8 Employee benefit expense

	2007 **£'000**	2006 £'000
Wages and salaries	**1,158**	1,173
Social security costs	**128**	116
Other pension costs	**38**	31
	1,324	1,320

Average number of people employed:	**2007**	2006
Warehousing	**–**	5
Testing	**3**	–
Selling	**5**	5
Administration	**7**	7
Management	**7**	7
Total average headcount	**22**	24

Remuneration in respect of the directors was as follows:

	2007 **£'000**	2006 £'000
Emoluments	**511**	477
Pension contributions	**45**	37
	556	514

Key management remuneration:

	2007 £'000	2006 £'000
Short-term employee benefits	**433**	447
Post-employment benefits	**42**	34
	475	481

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

9 Finance income and costs

	2007 £'000	2006 £'000
Interest expense:		
Bank borrowings	**14**	29
Convertible loan	**68**	–
Finance charges	**6**	8
Total finance costs	**88**	37
Finance income		
Interest income on short-term bank deposits	**(1)**	–
Unrealised gain on financial liabilities classified as fair value through profit and loss	**(15)**	–
Realised gain on financial liabilities classified as fair value through profit and loss	**(1)**	–
Total finance income	**(17)**	–
Net finance costs	**71**	37

10 Tax credit

	2007 £'000	2006 £'000
R&D tax credit	**35**	37
Total income tax credit	**35**	37

No tax arises on the loss for the year.

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are explained as follows:

	2007 £'000	2006 £'000
Loss for the year before tax	**(1,948)**	(2,380)
Tax calculated by rate of tax on the result	**(584)**	(713)
Expenses not deductible for tax purposes	**3**	2
Depreciation for the period in excess of capital allowances	**4**	3
Tax losses not utilised	**577**	708
R&D tax credit	**35**	37
Total income tax credit	**35**	37

10a Deferred income tax

There are potential deferred tax assets of £3,500,000 in relation to tax losses totalling £12,600,000 (2006: £10,800,000) that have not been recognised on the basis that their future economic benefit is uncertain. All of these losses may be carried forward indefinitely.

11 Loss per share and dividends

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

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

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

Basic and diluted	**2007**	2006
Loss attributable to equity holders of the company	**£1,913,000**	£2,343,000
Weighted average number of ordinary shares in issue	**82,648,585**	64,743,108
Basic loss per share	**2.31 pence**	3.62 pence
Dilutive effect of weighted average options and warrants	**5,858,192**	4,750,558
Total of weighted average shares together with dilutive effect of weighted options and warrants	**88,506,777**	69,493,666
Diluted loss per share (*)	**2.31 pence**	3.62 pence

No dividends were paid for the year ended 31 December 2007.

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

12 Property, plant and equipment

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
At 1 January 2006					
Cost	75	83	162	161	481
Accumulated depreciation	(33)	(45)	(29)	(127)	(234)
Net book amount	42	38	133	34	247
Year ended 31 December 2006					
Opening net book amount	42	38	133	34	247
Additions	–	–	21	5	26
Disposals	–	–	(7)	–	(7)
Depreciation charge	(5)	(5)	(24)	(10)	(44)
Closing net book amount	37	33	123	29	222
At 1 January 2007					
Cost	75	83	170	166	494
Accumulated depreciation	(38)	(50)	(47)	(137)	(272)
Net book amount	37	33	123	29	222
Year ended 31 December 2007					
Opening net book amount	37	33	123	29	222
Additions	10	–	19	1	30
Disposals	–	–	(17)	–	(17)
Depreciation charge	(5)	(4)	(21)	(4)	(34)
Closing net book amount	**42**	**29**	**104**	**26**	**201**
At 31 December 2007					
Cost	85	83	166	167	501
Accumulated depreciation	(43)	(54)	(62)	(141)	(300)
Net book amount	42	29	104	26	201

Included within the net book amount of £201,000 is £104,000 (2006: £123,000) 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 £21,000 (2006: £24,000).

13 Intangible assets

	Development costs £'000	Trademarks £'000	Total £'000
At 1 January 2006			
Cost	–	28	28
Accumulated amortisation	–	(10)	(10)
Net book amount	–	18	18
Year ended 31 December 2006			
Opening net book amount	–	18	18
Additions	64	–	64
Amortisation charge	(10)	(2)	(12)
Closing net book amount	54	16	70
At 1 January 2007			
Cost	64	28	92
Accumulated amortisation	(10)	(12)	(22)
Net book amount	54	16	70
Year ended 31 December 2007			
Opening net book amount	54	16	70
Additions	119	–	119
Amortisation charge	(10)	(2)	(12)
Closing net book amount	**163**	**14**	**177**
At 31 December 2007			
Cost	183	28	211
Accumulated amortisation	(20)	(14)	(34)
Net book amount	163	14	177

The group relies on the continued development of its products and in so doing is maintaining satisfactory goals in fulfilling its strategy (see Chairman's Statement and Chief Executive's Review). After taking this into account together with the considerations of liquidity risk, see Note 4, the directors do not believe that an impairment provision is required.

Development costs are capitalised in accordance with Note 3. Only third party incurred development costs are capitalised in order to satisfy a reliable method of attributable cost measurement.

14 Subsidiary undertakings

Principal subsidiaries:

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

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

15 Available for sale financial assets

All non-current	2007 £'000	2006 £'000
Beginning of year	**531**	15
Additions	**–**	516
Impairment provision in year	**(516)**	–
End of year	**15**	531

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.

On 20 December 2007 the shares of Degradable Polymer Polymer Products Inc. ("DPPI") were transferred by way of a share for share exchange to Oxobioplast Inc (a US company incorporated in the State of Delaware).

A value of £nil has been assigned to the shares held in Oxobioplast Inc.

The directors cannot assign a fair value of Oxobioplast Inc as there is no means of obtaining a reasonable and fair valuation. The directors have therefore decided to write off the whole book value of the DPPI shares brought forward.

There is no collateral on the above amounts.

16 Inventories

	2007 **£'000**	2006 £'000
Raw materials	**–**	22
Goods in transit	**77**	302
Finished goods and goods for resale	**156**	221
	233	545

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £2,335,000 (2006: £3,422,000).

17 Trade and other receivables

	2007 **£'000**	2006 £'000
Loans and receivables:		
Trade receivables	**632**	747
VAT	**62**	80
Other debtors	**15**	14
Prepayments	**52**	56
	761	897

The directors consider that the carrying value of trade and other receivables approximates to their fair values. There is a provision of £150,000 for impairment of receivables (2006 – £nil). The maximum credit risk exposure at the balance sheet date equates to the fair value of trade receivables. There is no concentration of credit risk. Further disclosures are set out in Note 4.

Trade receivables that are less than three months old are not considered impaired. As of 31 December 2007 trade receivables of £51,000 (2006: £213,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2007 **£'000**	2006 £'000
More than three months but less than six months	**3**	63
More than six months but not more than one year	**48**	–
More than one year	**–**	150
	51	213

Due to the different markets that the group operates in, trade terms vary from cash on shipment of goods to payment 60 days from shipment.

There is no collateral on the above amounts.

18 Cash and cash equivalents

	2007 **£'000**	2006 £'000
Cash at bank and in hand	**407**	215

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

There is no collateral on the above amounts.

19 Share capital and premium

Group and company	Ordinary 1p shares Number	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2007	69,679,547	697	11,392	12,089
Proceeds from shares issued	32,093,452	321	1,656	1,977
At 31 December 2007	**101,772,999**	**1,018**	**13,048**	**14,066**

The total number of authorised shares is 150,000,000. All issued shares are fully paid.
The following shares were issued during the year:

Date	Number of shares	Details	Consideration (£)	Premium (£)
28 February 2007	10,085,000	Placing	1,008,500	907,650
28 February 2007	3,800,000	Placing	114,000	76,000
09 May 2007	320,000	Convertible loan	20,000	16,800
26 September 2007	1,600,000	Debt conversion	96,000	80,000
04 December 2007	7,000,000	Placing	350,000	280,000
11 December 2007	2,288,452	Convertible loan	54,351	31,466
28 December 2007	7,000,000	Placing	350,000	280,000

Share options

As at 31 December 2007 the group maintained a number of share-based payment schemes for employee compensation. For the options granted to vest, the group must achieve an earnings per share in excess of 0.001p and employees must serve a specified amount of time.

All share-based employee compensation will be settled in equity. The group has no legal or constructive obligation to repurchase or settle the options.

Share options and weighted average exercise price are as follows for the reporting periods presented:

	Number	**2007** Weighted average exercise price £	Number	2006 Weighted average exercise price £
Outstanding at 1 January	**4,064,371**	**0.13**	3,692,416	0.14
Granted	**11,270,000**	**0.05**	1,212,121	0.08
Forfeited	**(3,764,371)**	**0.11**	–	–
Exercised	**–**	**–**	–	–
Expired	**–**	**–**	(840,166)	0.12
Outstanding at 31 December	**11,570,000**	**0.05**	4,064,371	0.13

On 31 January 2008 1,670,000 options under the group's EMI scheme were granted to staff at an exercise price of 2.75p per share.

The number of share options exercisable at 31 December 2007 was 1,550,000.

The options granted in the year are all unapproved for HM Customs and Revenue purposes.

1,200,000 options were granted on 28 April 2007 and are exercisable for ten years at an exercise price of 6.25p per share.

20,000 options were granted on 31 August 2007 and are exercisable for five years at an exercise price of 7p per share.

50,000 options were granted on 18 December 2007 and are exercisable after 1 January 2009 for a period of five years thereafter at an exercise price of 5p per share.

10,000,000 options were granted on 28 December 2007 and are exercisable after 26 November 2008 for ten years thereafter at an exercise price of 4.5p per share and only if the share price of the company is 8.25p or higher.

Having considered the fair value of the options issued to employees there is a charge of £35,000 (2006 – £75,000) in the income statement.

Warrants

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

Number of warrants	**Exercise price (pence per share)**	**Exercisable from**	**Exercisable to**
4,080,000*	12	17 November 2005	17 November 2010
500,000**	15	13 December 2006	13 December 2011
600,000**	4	27 September 2007	27 September 2012

* warrants issued as part of salary reduction scheme in 2005.
** warrants issued under the terms of the convertible loan. See Note 21

Directors

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

20 Trade and other payables

Non-current	**2007 £'000**	2006 £'000
Accruals and deferred income	**–**	447
Current		
Financial liabilities measured at amortised cost:		
Trade payables	**393**	727
Other creditors	**–**	286
Social security and other taxes	**157**	159
Accruals and deferred income	**307**	168
	857	1,340

Fair value equates to carrying value.

There is no collateral on the above amounts.

21 Interest bearing loans and borrowings

Non-current	2007 £'000	2006 £'000
Financial liabilities measured at amortised cost:		
Lease purchase liabilities	**31**	62
Current		
Financial liabilities measured at amortised cost:		
Bank overdraft	**–**	311
Convertible loan	**415**	244
Other loans	**317**	–
Lease purchase liabilities	**40**	40
Financial liabilities held at fair value through profit and loss: – held for trading (embedded derivatives)		
Conversion rights	**2**	4
Warrants	**7**	6
	781	605

Convertible loan

The terms of the convertible loan were amended on 27 September 2007. A further £200,000 was borrowed on the facility. The interest rate was increased from 8.00% per annum to 10.00% per annum. The facility is repayable, if not converted, by 27 September 2008.

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

Date	Number of shares	Consideration (£)
09 May 2007	320,000	20,000
11 December 2007	2,288,452	54,351

A total of 1,100,000 warrants have been issued under the terms of the convertible loan. See Note 19.

Other loans

Other loans are made up of the following:

Amounts due to Exim Bank of Trinidad and Tobago. Interest is charged on this loan at 13.50% per annum. The Exim loan is repayable at $40,000 per month.

An amount due to Michelle Laurier, spouse of Michael Laurier, of £160,000. Interest is charged at 2% per month. See Note 24.

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

	Gross 2007 £'000	Gross 2006 £'000	Net 2007 £'000	Net 2006 £'000
Amounts payable within 1 year	**42**	42	**40**	40
Amounts payable between 1 and 2 years	**26**	45	**25**	43
Amounts payable between 3 and 5 years	**6**	22	**6**	19
	74	109	**71**	102

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

22 Cash generated from operations

	2007 £'000	2006 £'000
Loss after tax	**(1,913)**	(2,343)
Adjustments for:		
Depreciation	**34**	44
Amortisation	**12**	12
Loss on disposal	**3**	–
Share based payments	**35**	75
Net non-cash movement in available-for-sale financial asset and connected deferred income	**34**	–
Tax credit	**(35)**	(37)
Interest income	**(17)**	–
Interest expense	**88**	37
Changes in working capital:		
Inventories	**312**	(240)
Trade and other receivables	**136**	1,876
Trade and other payables	**(17)**	221
Cash generated from operations	**(1,328)**	(355)

23 Commitments

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

	2007 £'000	2006 £'000
No later than one year	**10**	10
Later than one year and no later than five years	**55**	55
	65	65

24 Related party transactions

Michelle Laurier, spouse of Michael Laurier, loaned to the Group £160,000 between June and September 2007. Interest on the loan is calculated at 2% per month. £160,000 was outstanding at 31 December 2007.

25 Post balance sheet events

On 28 April 2008 the Company issued 3,446,037 shares in respect of conversion of part of the convertible loan.

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

Company Balance Sheet
at 31 December 2007

	Note	**2007 £'000**	2006 £'000
Fixed assets			
Tangible assets	27	**95**	112
Investments	28	**150**	150
		245	262
Current assets			
Debtors	29	**7,105**	6,276
Cash at bank and in hand		**350**	2
		7,455	6,278
Creditors: amounts falling due within one year	30	**540**	376
Net current assets		**6,915**	5,902
Total assets less current liabilities		**7,160**	6,164
Creditors: amounts falling due after more than one year	31	**31**	46
		7,129	6,118
Capital and reserves			
Share capital	34	**1,018**	697
Share premium account	36	**13,048**	11,392
Profit and loss account	36	**(6,937)**	(5,971)
		7,129	6,118

These financial statements were approved by the directors on 2 June 2008 and are signed on their behalf by:

I Bristow
Finance Director

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

26 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.

Fixed assets

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

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

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

Leasing and hire purchase commitments

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

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

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

Pension costs

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

Deferred taxation

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

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

Foreign currencies

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

Investments

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

Financial instruments

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

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

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

Equity settled share based payments

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

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

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

27 Tangible fixed assets

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2007	24	11	118	153
Additions	–	–	19	19
Disposals	–	–	(23)	(23)
At 31 December 2007	24	11	114	149
Depreciation				
At 1 January 2007	9	6	26	41
Charge for the year	2	1	16	19
Disposals	–	–	(6)	(6)
At 31 December 2007	11	7	36	54
Net book value				
At 31 December 2007	**13**	**4**	**78**	**95**
At 31 December 2006	15	5	92	112

Included within the net book value of £95,000 is £78,000 (2006: £91,000) 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 £16,000 (2006: £17,000).

28 Investments

Shares in group undertakings	**2007 £'000**	2006 £'000
At beginning and end of year	**150**	150

Subsidiary undertakings are detailed in Note 14.

29 Debtors

	2007 £'000	2006 £'000
Amounts owed by group undertakings	**7,059**	6,223
VAT	**45**	51
Prepayments	**1**	2
	7,105	6,276

30 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Convertible loan	**424**	254
Trade creditors	**45**	61
Amounts due under finance leases and hire purchase agreements	**23**	31
Other creditors	**–**	1
Accruals	**48**	29
	540	376

31 Creditors: amounts falling after more than one year

	2007 £'000	2006 £'000
Amounts due under finance leases and hire purchase agreements	**31**	46

32 Commitments under finance leases and hire purchase agreements

	2007 £'000	2006 £'000
Amounts payable within one year	**23**	31
Amounts payable between one and two years	**25**	27
Amounts payable between three and five years	**6**	19
	54	77

33 Contingent liabilities

The company has guaranteed all monies due to its bankers by Symphony Plastics Limited and Symphony Environmental Limited. At 31 December 2007 the net indebtedness of these companies amounted to £nil (2006 – £254,000).

34 Share capital

The company's share capital is detailed in Note 19.

35 Capital requirements

The company satisfies the Companies Act 2006 requirement to hold £50,000 issued and authorised share capital as it is trading. The rule that 25% must be paid up is also satisfied, by reference to Note 19.

36 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2007	11,392	(5,970)
Retained loss for the year	–	(967)
New equity share capital subscribed	1,656	–
At 31 December 2007	**13,048**	**(6,937)**

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 230 of the Companies Act 1985. The loss for the financial year dealt with in the financial statements of the parent company is £967,000 (2006: loss £5,928,000).

Notice of Annual General Meeting

Notice is hereby given that the 2008 Annual General Meeting of the Company will be held at Elstree House, Elstree Way, Borehamwood, Hertfordshire WD6 1LE on Wednesday, 30 July 2008 at 9.00 a.m. for the following purposes:

Ordinary business

1. To receive and adopt the financial statements of the Company for the year ended 31 December 2007 together with the reports of the directors and auditors ("the Accounts").

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

3. To elect Michael Stephen, as a director of the Company, pursuant to Article 102 of the Company's Articles of Association.

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

Special business

To consider and, if thought fit, to pass the following resolutions, resolution 5 being proposed as an ordinary resolution and resolutions 6 and 7 being proposed as special resolutions:

ORDINARY RESOLUTION

5. That the Directors be generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the 1985 Act") to exercise all the powers of the Company to allot, relevant securities (as defined in Section 80 (2) of the 1985 Act) in the Company PROVIDED THAT the authority hereby given:

    (a) shall be limited to relevant securities of the Company having an aggregate nominal value of up to £315,657; and

    (b) shall expire on the day preceding the fifth anniversary of the date on which this resolution was passed unless previously renewed or varied and all previous authorities under Section 80 of the 1985 Act be revoked save that the Directors may, notwithstanding such expiry, allot, grant options over or otherwise deal with or dispose of any shares under that authority in pursuance of an offer or agreement so to do made by the Company before the expiry of that authority.

SPECIAL RESOLUTIONS

6. That subject to the passing of resolution 5 the Directors be and they are hereby empowered pursuant to Section 95 of the 1985 Act to allot equity securities (as defined in Section 94 of the 1985 Act) wholly for cash pursuant to the authority conferred by resolution 5 above as if section 89(1) of the 1985 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

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

    (b) in satisfaction of the valid exercise of the outstanding warrants and options over such securities details of which are set out in Note 19 to the Accounts; and

    (c) up to an aggregate nominal value of £100,000 to discharge the Headstart convertible loan facility dated 13 December 2006 as amended on 8th May 2008. (Conversion of the loan into 1p ordinary shares is at 95% of the lowest bid price during the15 trading days prior to service of a conversion notice); and

(d) otherwise than pursuant to sub-paragraphs (a), (b) and (c) above up to an aggregate nominal value of £105,219

and shall expire on the day preceding the fifth anniversary of the date on which this resolution was passed, and all previous authorities under Section 95 of the Act be revoked save that the Company may before such expiry or revocation make an offer or agreement which would or might require equity securities to be allotted after such expiry or revocation and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

7. To amend the Articles of Association of the Company as follows:

(a) To amend Article 64 in accordance with section 307(2)(a) of the 2006 Act by deleting "20 clear working days" and substituting "21days"

(b) To amend Article 65 in accordance with section 307(2)(b) of the 2006 Act by deleting the first sentence of the Article and substituting "Any General Meeting except an Annual General Meeting must be called by notice of at least 14 days."

(c) To delete the definition of "the Company" in Article 1.1 and substitute "the Company – means the company registered in England and Wales under registration number 3676824 and known by the name of Symphony Environmental Technologies Plc or by such other name as may be adopted pursuant to these Articles".

BY ORDER OF THE BOARD

Ian Bristow
Company Secretary

REGISTERED OFFICE:
Elstree House,
Elstree Way,
Borehamwood,
Hertfordshire WD6 ILE

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members :

- At least 48 hours before the date and time fixed for the commencement of the meeting or,
- if this Meeting is adjourned, at least 48 hours prior to the commencement of the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form [with this notice of meeting]. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

Appointment of proxy using hard copy proxy form

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

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

- completed and signed;
- sent or delivered to Capita Registrars Ltd, 34 Beckenham Road, Beckenham, Kent BR3 4TU and
- received by Capita Registrars Ltd at least 48 hours before the date and time fixed for the commencement of the meeting

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

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

Appointment of proxy by joint members

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

Changing proxy instructions

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

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

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

Termination of proxy appointments

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

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

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

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

Produced by Stephen Duke Ltd 020 7422 0040 (11455)

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