Symphony environmental technologies plc

Annual Report and Accounts 2009

www.d2w.net

"Some things we want to keep forever, but definitely not plastic!"

Company Profile

Symphony Environmental Technologies plc is a British Public Company and head of a Group established in 1995, dedicated to Controlled-life Plastic. It has over 50 Distributors around the world, and is present in more than 90 countries.

Symphony has its own laboratories in England with the latest equipment, where it constantly tests, develops, and improves its products.

Symphony is a member of the Oxo-biodegradable Plastics Association (www.biodeg.org), the Society for the Chemical Industry (UK) and the American Society for Testing and Materials (ASTM). Symphony holds an ISO 9001-2008 certificate for quality management, and is represented on the British Standards Institute.

Symphony's Technical Department includes more than 30 years experience in the manufacture of plastic products. Symphony is therefore able to provide a first-class product, and after-sales service without parallel in the industry.

Symphony has developed a range of oxo-biodegradable products marketed as **d$_2$w®** Controlled-life Plastic with ever increasing markets and applications.

www.d2w.net

d$_2$w® Technology

Plastic is a very useful material which is indispensible for modern life, but the problem is that it can lie or float around for decades if it gets into the environment. Symphony has developed a low-cost insurance. It is a special formulation called **d$_2$w®** which is added to the plastic when it is being made. It breaks the molecular chains within the polymer, and makes plastic self-destruct in the presence of oxygen on land or water at the end of its service-life, but until then it has no effect on the product, which can be re-used many times.

d$_2$w® plastic can be made to biodegrade from as little as two months onwards, leaving no fragments nor "heavy metals", and without emitting methane, even when buried in landfill. It can be recycled with normal plastics (see http://www.biodeg.org/position-papers/recycling/?domain=biodeg.org), or incinerated for energy-recovery. **d$_2$w®** is certified safe for food-contact and has been proved not to be eco-toxic.

When **d$_2$w®** plastics reach the fragmentation stage they are no longer plastic. They have a completely different molecular structure, and can be bioassimilated in the same way as a leaf.

d$_2$w® Controlled-life Plastic products are made from a by-product of oil which used to be wasted, so nobody is importing extra oil to make them. They can be made with the same machinery and workforce and the same polymers, as ordinary plastic so there is no need to disrupt the supply-chain and there is little or no on-cost and no loss of jobs.

Symphony's **d$_2$w®** additive formulation is so effective that it can be included at rates starting as low as 1% – resulting in considerable savings in cost, transport, and storage. It is manufactured under licence from Symphony by carefully selected and audited companies around the world.

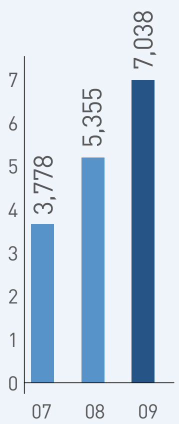
Symphony is also developing processes for the destruction of, and creation of value from, used tyres. It is the lead partner in a UK Government grant funded collaboration project.

Highlights

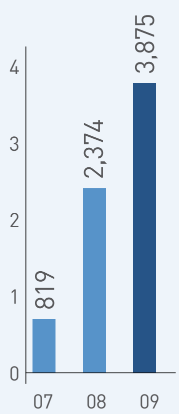
- Revenues increased by 31% to £7.04 million (2008: £5.36 million)
- Operating profit increased by £0.98 million to £0.83 million (2008: loss of £0.15 million)
- Profit before tax increased by £1.04 million to £0.64 million (2008: loss of £0.40 million)
- Profit after tax increased by 151% to £0.92 million (2008: £0.37 million)
- Gross profit margins increased to 55% (2008: 44%)
- Cash generated from operations increased by £1.21 million to £0.57 million (2008: cash consumed £0.64 million)
- Basic earnings per share increased by 129% to 0.80p (2008: 0.35p)
- Number of **d$_2$w**® distributors increased from 45 to 50
- ADR's now traded in New York

Contents

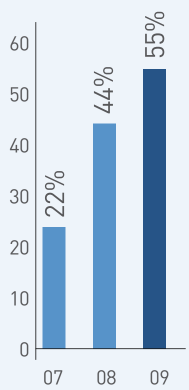
Revenue £'000



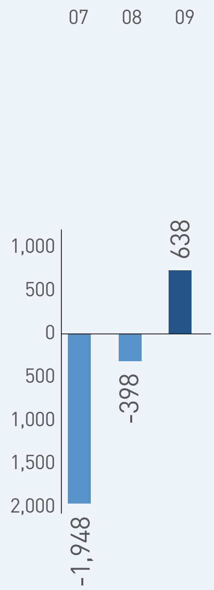
Gross profit £'000



Gross profit margin %



Profit before tax £'000



Chairman's Statement

I am delighted to report these results which reflect the achievement of the goals set out in last year's Annual Report. Significant growth was achieved in Group revenue resulting in a maiden profit before tax of £0.64 million. The Group's debt position was reduced by £0.34 million to £1.01 million.

The aim for the next year is to build on the achievements to date whilst continuing to develop new markets. The Group has improved its technical facilities and increased its team to ensure that product development is continually advanced.

The Group is working closely with its distributors and will be investing in various marketing opportunities during the forthcoming year to ensure that revenue growth for **d_2w®** Controlled-life products is maximised. These products show strong growth globally and are currently being sold into 90 countries.

Developments on Symphony Energy are progressing with the aim of commercialisation as soon as practical.

These impressive results reflect the efforts of all involved within the Group, whom I thank, and we look forward to building on this excellent foundation. I would like to congratulate and thank the many people associated with helping the Group become what it is today; a Group that is profitable, cash-flow positive and one that is in good position to capture a substantial part of the potentially large and developing oxo-biodegradable plastics market. Thank you also to our many loyal shareholders and staff who have worked tirelessly over the years and have supported the management team since inception. It is due to this remarkable and long standing effort, that our technology, the **d_2w®** brand, is visible in more than 90 countries worldwide, and this in itself is an achievement with no parallels by any other firm in this industry sector.

N Deva DL FRSA MEP
Chairman
29 March 2010

The aim for the next year is to build on the achievements to date whilst continuing to develop new markets.

Maiden pre-tax profit of £**0.64**m.

About Symphony Environmental Technologies

Symphony specialises in developing and marketing a range of environmental technologies, and operates through its Distributors, covering more than 90 countries worldwide.

In particular, the Group is a world leader in the development and marketing of Controlled-life plastics and sells both pro-degradent additives and finished plastic products through a growing network of international distributors and agents. The Group has chosen not to manufacture products itself, but to subcontract this work to carefully selected and audited companies around the world. This flexibility provides security of supply, local availability, and significant cost benefits to the Group and its customers.

The Registered office, and headquarters of Symphony's global operations, are located in Borehamwood, Hertfordshire, which is just north of London. Our laboratory is in Great Yarmouth, Norfolk. The Group employs directly around 30 staff.

The Group was founded in 1995, specialising in the procurement and distribution of polythene bags, sheet, film and other related products in the UK in particular.

Towards the end of 1997, the Group realised the need for, and worldwide market potential of, plastic which could be made biodegradable. Symphony started to market biodegradable plastics under licence.

In August 2000, shares in the Company were first publicly traded following admission to the Ofex market. In November 2001, its shares were admitted to the Alternative Investment Market of the London Stock Exchange, with an open offer of shares to the public. In 2008 ADRs in Symphony's shares became available in the US through the Bank of New York.

Distributing in more than **90** countries worldwide.

In June 2003, Symphony developed its own additive which has since then been sold under the "**d_2w®**" trademark.

In April 2007 there was a major re-organisation of the management structure, and the number of Distributors worldwide was increased from 7 to over 50 today.

In April 2008 a consortium of companies, of which Symphony Energy Ltd is the lead partner, was awarded a UK Government grant for research and development in the area of high value manufacturing relating to a rubber product enhanced recovery technology project, the "RµPERT" project. The project is programmed to last three years, with the aim to commercialise as soon as practicable.

In August 2009, Symphony launched **d_2p** antimicrobial technology. This is applied within the plastics manufacturing process similarly to **d_2w®**. The markets for **d_2p** are also similar to **d_2w®**.

Overview

- Shares traded on AIM market of the London Stock Exchange also on the Plus Market in London and in New York under Bank of NY ADR program
- Ownership and development of environmental plastic technologies
- Strong **d_2w®** brand recognition
- Capital efficient distribution model – global network in more than 90 countries
- Potential value in energy related developments
- Three facilities in the UK including one dedicated test centre
- New **d_2p** antimicrobial technology

d_2p Antimicrobial – Design to protect

Product description

d_2p is an additive system that gives plastic products anti-microbial and fungicidal performance.

d_2p is a masterbatch designed for specific applications. The inorganic nature, small particle-size and high temperature-tolerance of the active ingredient makes it ideal for use in a wide range of polymer processes.

How does it work?...Silver based biocide

Silver is widely accepted as having broad-spectrum anti-microbial activity. In order to understand why this is so, it is necessary to examine the action of silver ions against microbes.

Stage 1: Silver ions enter micro-organism's membrane and cause damage and disruption to the cellular wall before penetrating the cell.

Stage 2: Silver ions are highly reactive with enzymes and can deactivate vital molecules.

Stage 3: Silver ions interact with the DNA cell and prevent replication.

d_2p a successful protection against micro-organisms

d_2p is effective against Gram-positive bacteria, Gram-negative bacteria, mold and yeast.

Adding value to waste

Effective and efficient waste management is currently one of the hardest challenges for modern society. As a consumer society we produce a lot of waste. The best method for dealing with this problem is to transform the waste into goods again.

Scrap "tyre mountains" are unsightly and make unproductive use of vast areas of land – they are also a public-health hazard. Mosquitoes breed in the rainwater that collects in tyre carcasses and go on to spread malaria, dengue and other dangerous diseases. Symphony Energy Ltd. has addressed this problem and is developing the **w_2v®** system for creating value from this until-now rejected material.

The Problem with Plastic

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

However, modern plastic is virtually indestructible and can last for many decades after its useful life.

Over the last decade businesses, consumers and Governments have sought to minimise their impact upon the environment. Be it through reactive or pro-active measures, tighter legislation has changed the business landscape to one seeking alternative technology applications which are environmentally friendly.

The Group's enthusiasm for, and particular emphasis on, degradable plastics derives from the significant and growing increase in interest in the environment in general and, in particular, on the adverse effects of the durability of traditional plastics and the major problems caused by plastic litter.

This enthusiasm is being matched by many companies who are pursuing genuine Corporate Social Responsibility (CSR) objectives, and from consumers who understand their responsibilities towards the environment and who are providing those companies who use degradable plastics with a real marketing benefit.

The pressure towards the use of degradable plastics is simultaneously coming from Governments who in some cases are introducing legislation.

Most recently the Advertising Standards Authority of South Africa has ruled that bread bags made with Symphony's **d_2w®** Controlled-life Plastic can be advertised as biodegradable.

***Fact:** Plastics can take many decades to break down. Almost all the plastics ever made can still be found somewhere.

***Fact:** Global production and consumption of plastics has increased from 5 million tonnes in 1950 to 245 million tonnes in 2006

(Plastics Europe, The Compelling Facts About Plastics – An analysis of plastics production, demand and recovery for 2006 in Europe, January 2008)

***Fact:** Recent surveys show that consumers believe that packaging is the top environmental problem in relation to the products they buy. Less packaging, and more recyclable, recycled or biodegradable packaging came at the top of their wish list

http://www.defra.gov.uk/environment/waste/strategy/factsheets/packaging.htm

***Fact:** UK Government (DEFRA) research shows that 80 per cent of people re-use plastic carrier bags in the home. Evidence from members of the Carrier Bag Consortium (who make and supply bin liners and refuse sacks) shows a plastic bag tax introduced in Ireland resulted in an increase of 300–500 per cent in the sale of plastic refuse bags and bin liners

http://www.brc.org.uk/details04.asp?id=1109&kCat=&kData=263&sCat=Retail+Myths

***Fact:** When oxo-biodegradable plastic has reached the fragmentation stage it is no longer a plastic, and is "biodegradable" in the same way as nature's wastes such as straw and twigs. The process continues until the material has biodegraded to nothing more than CO_2, water, and humus, and it does not leave fragments of petro-polymers in the soil

(http://www.biodeg.org/faq/)

The d$_2$w® Solution

All plastics will eventually become embrittled, and will fragment and be bioassimilated, but the difference made by Symphony's **d$_2$w®** technology is that the process is accelerated.

d$_2$w® plastic is intended to address the environmental problem caused by plastic waste which gets accidentally or deliberately into the open environment, because it is designed to degrade in the presence of oxygen at the end of its useful life. The process will be accelerated by heat and ultra-violet light but they are not essential, and the process is not inhibited by moisture. Until the material has degraded it has the same strength, impermeability, printability, recyclability and other characteristics of normal plastic.

The **d$_2$w®** additives which cause accelerated degradation are added to conventional plastics at the extrusion stage. These additives are not phyto-toxic and do not contain toxic metal substances ie lead, mercury, cadmium and hexavalent chromium. As **d$_2$w®** additives are included at very low rates there is little or no on-cost, and **d$_2$w®** plastics can be made with the same machinery as ordinary plastics.

It is important to note that while all plastics fragment as they degrade, the fragments created by oxidative degradation do not remain in the environment for extended periods. This is because the molecular-weight of the material is reduced by **d$_2$w®** to the point where it no longer has the molecular structure of a plastic, and can be bioassimilated in the same way as twigs and straw.

The applications for which **d$_2$w®** plastics are normally used can vary from very short-life products designed to last only a few weeks after unpacking, to durable shopping bags designed to last five years or more. The conditions under which they are likely to be discarded can also vary from cold and wet conditions to hot and dry desert conditions. It is for the companies producing or using these products to evaluate test results to judge the suitability of the tested material for those applications and conditions, and to describe and market them accordingly.

Timescale in the natural environment depends on the amount of heat, light, and stress to which the material is subjected. Nature's wastes such as twigs and straw may take ten years or more to completely biodegrade, but **d$_2$w®** plastics will do so more quickly – and much more quickly than ordinary or recycled plastic.

See a plastic bag degrading thanks to **d$_2$w®** Controlled-life Plastic Technology at:
http://www.youtube.com/watch?v=i3TGqcpWJTM

Responsible use of plastic – The Three R's

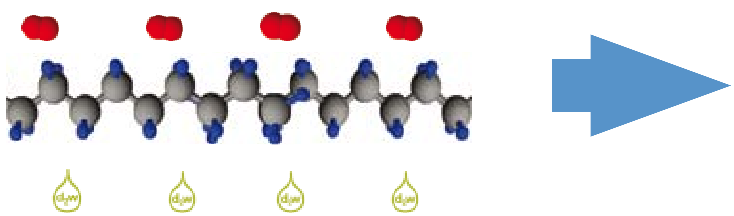
REDUCE: Plastic is a very efficient use of resources. A plastic bag can hold 2,500 times its own weight. **d$_2$w®** can help to reduce the burden of plastic waste in the environment

REUSE: **d$_2$w®** based products can be re-used many times during their service-life

RECYCLE: **d$_2$w®** based products can be recycled and made from recycled plastic polymers

How does d$_2$w® Controlled-life Plastic Technology work?

Stage 1



d$_2$w® is an additive technology that is included in the basic polymer resin during the manufacturing process. It breaks the molecular chains after a pre-determined lifespan.

By contrast, vegetable-based or "compostable" plastics do not readily degrade in the open environment, as they are designed for industrial composting. Industrial composting is not the same as biodegradation in the environment. The fact that compostable plastics are designed to convert to CO_2 gas within 180 days is not useful even for composting, because it contributes to climate change instead of contributing to the fertility of the soil. Nature's lignocellulosic wastes and **d_2w®** plastics do not behave in this way.

It as a positive factor that ordinary plastics and **d_2w®** plastics are made from by-products of oil, natural gas, or coal. For so long as the world needs these materials as fuels it makes good environmental sense to use the by-product, and nobody is extracted these resources to make plastics.

It is not desirable to send otherwise recoverable plastic to landfill, but if oxo-biodegradable plastics do end up in landfill, they are designed to disintegrate and biodegrade in contact with oxygen. Any particles in anaerobic conditions deep in landfill are likely to be minimal, and will not be converted to methane in significant amounts – unlike compostable plastics, and unlike paper, and wood, which are major components of landfill.

So far as recycling is concerned, oxo-biodegradable plastic can be recycled in the same way as ordinary plastic (see http://www.biodeg.org/position-papers/recycling/?domain=biodeg.org). "Compostable" plastic cannot be recycled with ordinary plastic, and will ruin the recycling process if it gets into the waste stream.

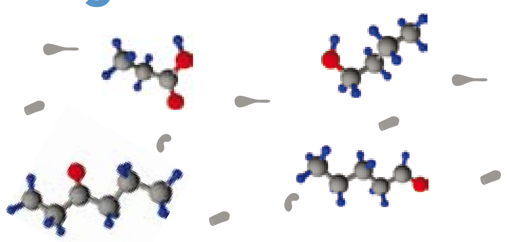
Why choose d_2w® Controlled-life Plastic?

Normal plastic	d_2w® Controlled-life Plastic
Used throughout industry and has been tested and proven safe for food, medical, farming and many other applications.	**d_2w®** improves the excellent properties of normal plastic by controlling and reducing its lifespan and therefore making it more environmentally acceptable.
Can be reused.	Can be reused.
It takes seconds to make normal plastic but too long to disappear. It will eventually degrade to CO_2 and H_2O but can take many decades	No change in performance and optical properties of the normal plastic product.
Will not meet any biodegradable or degradable standards	Low cost, because products made with **d_2w®** technology comprise more than 99.5% normal polymer and are made with the same machines.
Can be recycled, though stabilisers will normally be required to replace properties lost during the reheating process.	Can be recycled before it degrades

Products Available PE and PP

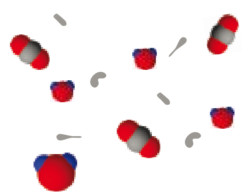
- Bread wrappers and snack-food packets
- Bags to contain dog faeces collected in parks, gardens, etc
- "Bubble-wrap"
- Carrier bags or "Shopper-bags"
- Frozen food packaging Garbage sacks and Bin Liners
- Gloves and aprons
- Newspaper and magazine wrappers
- Rigid products such as bottles, tubs, and cups
- Shrink-wrap and pallet-wrap

Stage 2



Then the plastic starts degrading at the end of its service-life by a process of oxidation in the presence of air, which is accelerated by light, heat and stress. When the molecular weight has been reduced the material is no longer a plastic, and can be bio-assimilated in the same way as straw and twigs.

Stage 3



Finally, bio-degradation is completed by micro-organisms.

● Carbon ● Hydrogen ● Oxygen Microorganism (Stenotrophomonas sp., Pseudomonas sp., Rhodococcus sp., Acinetobacter sp. etc)

Chief Executive's Review

During 2009 the Company continued to concentrate its resources on the **d$_2$w®** products with further launches in South America and new launches in North Africa, the Middle East and parts of Eastern Europe.

The Group has continued to invest in research and development for new products together with improvements to existing products as well as testing and compliance protocols.

Costs have been carefully monitored with increases to support the growth in revenues. The Group has reduced its interest bearing debt by £0.34 million leading to a reduction in finance costs. This reduction in debt was limited due to a substantial increase in trade toward the end of the last quarter resulting in higher working capital balances reported at the end of the year, including amounts payable on invoice discounting.

Working with our distributors, we continue to monitor and have an influence on legislation in certain parts of the world and we are making considerable efforts to maximise awareness of **d$_2$w®** products.

These reported figures reflect the impact of the considerable work and investment being made as well as the achievements to date in expanding sales and markets for **d$_2$w®** controlled-life plastic technology and products.

Trading results

I am pleased to report Group revenues increased by 31% during the year from £5.36 million to £7.04 million. Group gross profit margins increased from 44% to 55%. These factors resulted in a 63% increase in the contribution from gross profit from £2.37 million in 2008 to £3.88 million in 2009.

The Group made an operating profit of £0.83 million compared to an operating loss of £0.15 million in 2008, resulting in the Group's maiden profit before tax of £0.64 million compared to a loss before tax of £0.40 million in 2008.

Development costs of £0.23 million were capitalised in 2009. A £0.01 million research and development tax credit was received during the year.

The Symphony Environmental Limited **d$_2$w®** division made a profit before taxation of £0.98 million and has recognised further deferred tax credit resulting in a carried forward deferred tax asset of £0.99 million at the end of the year. Losses within the non-degradable division reduced to £0.16 million in 2009 compared to a loss of £0.47 million in 2008.

The Group primary selling currency is the US Dollar. The Group hedges where possible by purchasing in US dollars and has banking facilities in place in order to secure rates going forward. As at 31 December 2009 the Group had a net balance of US Dollar assets totalling $1.29 million.

As a result of this financial performance, the Group reports a profit for the year of £0.92 million with basic earnings per share increasing to 0.80 pence (2008: 0.35 pence)

Cashflow

The Group has recorded an improvement in cash-flow of £1.21 million from 2008 by generating £0.57 million from operations (2008: £0.64 million loss). £0.04 million was invested in plant and equipment together with £0.23 million in product development which has been capitalised. Further research and development spend is included within expenses and was not capitalised as it does not meet the appropriate accounting criteria.

Debt was reduced by £0.34 million in 2009. The amount payable on the invoice discounting facility increased from £0.16 million in 2008 to £0.32 million in 2009. This was due to increased revenues in the last quarter of 2009 resulting in high levels of amounts receivable and hence financeable at the end of the year.

The Headstart loan has been repaid in accordance with the terms renegotiated in January 2009. At 31 December 2009 the balance of the loan was £40,000. This has been settled in full since the year end.

Invoice financing and banking facilities remain in place for 2010 which together with the current trade profile show adequate resources are available for the foreseeable future.

Operations

Total costs increased in 2009 due to the level of support required to service the growth in revenue and number of distributors.

Having developed a strong distributor base, the main function for the Group continues to be product support and development, marketing and brand-recognition.

On 19 March 2010 the Group moved its head office within Borehamwood UK to premises more suited for the next five to ten years of operations.

Symphony Energy

The Group currently absorbs annual running costs of £0.18 million. The RμPERT project is in its second year out of three and the Group is actively pursuing commercial outlets for the elements within the project.

Outlook

As stated above, the Group has moved its global headquarters to a modern facility that is more than twice the size of the Group's original premises as a result of the growth in activities. Further investments will be made in technical support services, research and development, and also marketing activities. These investments, which are essential to a growing business of our size, will be undertaken carefully so as not to materially undermine short term expectations.

The Symphony distributor network has a busy year ahead with exhibitions, product development and other related projects on a global basis. So far in 2010, **d$_2$w®** representatives have participated in six major events. In the coming months, we will be at The Master Investor Show, London; Chinaplas 2010 Plast, China; exhibitions in Central America and Latin America, and towards the end of the year at one of the world's largest plastic events in Germany; the K Trade Fair. Product launches and other events are planned for the UK and other markets in the coming months. Details of these events will be communicated through our normal commercial channels.

The current year has started well and in line with management's expectations. The Board is confident that further expansion will be achieved during this year and that long term debt will continue to reduce.

Michael Laurier
Chief Executive
29 March 2010

Directors' Report

The directors present their report and the audited financial statements of the group for the year ended 31 December 2009.

Principal activities and business review

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

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

The profit for the year after taxation amounted to £923,000 (2008 £368,000).

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	**2009**	2008	Method of calculation
Sales **d_2w®** (£'000)	**6,947**	5,127	Sales revenue solely of **d_2w®** additives and products
Gross profit margin (%) before non-recurring items	**55.1%**	44.3%	The ratio of gross profit to sales
Number of distributors	**49**	45	The number of distribution agreements signed

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

Research and development

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

The Directors and their interests

The directors who served during the year and their interests in the shares of the company are shown in the Remuneration Report on page 14.

Policy on the payment of creditors

It is the group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and abide by them. Trade payables at the year end amount to 46 days (2008 – 47) of average supplies for the year for the group and 47 days (2008 – 78) for the company.

Statement of Directors' responsibilities

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

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

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

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

The directors are responsible for keeping adequate 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 2006. 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 as a whole is performing profitably and generating positive cash flows. Taking this into account together with cashflow forecast the management has prepared for the ensuing twelve months, the directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

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

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

Post balance sheet events
On 19 March 2010, Symphony Plastics Limited entered into a new lease at 6 Elstree Gate, Elstree House, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD. The registered office and head office for the company and group companies changed to this new address The lease is for ten years, with a five year break provision. The net total rentals payable over the first five years total £452,000.

Since the year end the group has committed to leasehold improvement and equipment costs totalling £200,000.

On 22 January 2010 the company issued 250,000 options to each of the three non executive directors. Details are given in the remuneration report on page 14.

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

BY ORDER OF THE BOARD

I Bristow
Secretary
29 March 2010

Remuneration Report

Directors' emoluments

	Basic salary or fees £'000	Share based payments £'000	Benefits £'000	Pension £'000	**2009 Total Emoluments £'000**	2008 Total Emoluments £'000
N Deva	35	–	–	2	**37**	33
M Laurier	192	–	10	19	**221**	202
I Bristow	126	–	14	13	**153**	130
M Stephen	135	–	5	–	**140**	112
M F Stephens	167	–	9	13	**189**	131
N Clavel	18	–	–	–	**18**	5
H Swire	18	–	–	–	**18**	5
	691	–	38	47	**776**	618

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

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

Since the year end a total of 750,000 options over the Company's ordinary 1p shares have been granted and allocated as to 250,000 each for Nirj Deva, Hugo Swire and Nicolas Clavel. The options granted are exercisable at any time after 18 December 2010 and before 18 December 2019. The exercise price is 9.875p per ordinary 1p share being the mid market price on 18 December 2009

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 2009**	At 1 January 2009
N Deva	**178,425**	17,500
M Laurier	**14,963,600**	10,203,142
I Bristow	**925,818**	847,972
M Stephen	**335,998**	36,764
M F Stephens	**311,294**	263,448
N Clavel	**280,000**	–
H Swire	**394,234**	125,000

Share options

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

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

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

Warrants

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

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

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

We have audited the financial statements of Symphony Environmental Technologies plc for the year ended 31 December 2009 which comprise the consolidated statement of financial position and parent company balance sheet, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Separate opinion in relation to IFRSs

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Simon Jones
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
29 March 2010

Consolidated statement of comprehensive income
for the year ended 31 December 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Revenue	5		**7,038**		5,355
Cost of sales			**(3,163)**		(2,981)
Gross profit			**3,875**		2,374
Distribution costs			**(129)**		(111)
Administrative expenses – recurring	6	**(2,914)**		(2,358)	
Administrative expenses – non-recurring	6	**–**		(53)	
Administrative expenses	6		**(2,914)**		(2,411)
Operating profit/(loss) – recurring		**832**		(95)	
Operating profit/(loss) – non-recurring		**–**		(53)	
Operating profit/(loss)	6		**832**		(148)
Finance income	8		**–**		1
Finance costs	8		**(194)**		(251)
Profit/(loss) for the year before tax			**638**		(398)
Tax credit	9		**285**		766
Profit for the year			**923**		368
Total comprehensive income for the year			**923**		368
Basic earnings per share	10		**0.80p**		0.35p
Diluted earnings per share	10		**0.78p**		0.32p

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

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

Consolidated statement of financial position (balance sheet)
as at 31 December 2009

Company number 3676824

	Note	2009 £'000	2008 £'000
Assets			
Non-current			
Property, plant and equipment	11	**216**	241
Intangible assets	12	**487**	272
Deferred income tax asset	9a	**993**	719
Available for sale financial assets	14	**15**	15
		1,711	1,247
Current			
Inventories	15	**212**	194
Trade and other receivables	16	**1,597**	1,236
Cash and cash equivalents	17	**34**	92
		1,843	1,522
Total assets		**3,554**	2,769
Equity			
Equity attributable to shareholders of Symphony Environmental Technologies plc			
Ordinary shares	18	**1,165**	1,087
Share premium	18	**13,253**	13,176
Other reserves		**822**	822
Retained earnings		**(13,447)**	(14,383)
Total equity		**1,793**	702
Liabilities			
Non-current			
Interest bearing loans and borrowings	20	**274**	289
		274	289
Current			
Interest bearing loans and borrowings	20	**731**	1,055
Trade and other payables	19	**756**	723
		1,487	1,778
Total liabilities		**1,761**	2,067
Total equity and liabilities		**3,554**	2,769

These financial statements were approved by the Board of Directors 29 March 2010 and authorised for issue on 29 March 2010. They were signed on its behalf by:

I Bristow FCCA
Finance Director

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

Consolidated statement of changes in equity

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

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
For the year to 31 December 2009					
Balance at 1 January 2009	1,087	13,176	822	(14,383)	702
Issue of share capital	78	77	–	–	155
Share based options	–	–	–	13	13
Transactions with owners	78	77	–	13	168
Profit and total comprehensive income for the year	–	–	–	923	923
Balance at 31 December 2009	**1,165**	**13,253**	**822**	**(13,447)**	**1,793**
For the year to 31 December 2008					
Balance at 1 January 2008	1,018	13,048	822	(14,763)	125
Issue of share capital	69	128	–	–	197
Share based options	–	–	–	12	12
Transactions with owners	69	128	–	12	209
Profit and total comprehensive income for the year	–	–	–	368	368
Balance at 31 December 2008	1,087	13,176	822	(14,383)	702

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

Consolidated cash flow statement
for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Operating activities			
Cash generated/(consumed) in operations	21	**566**	(635)
Tax received		**11**	48
Net cash generated/(consumed) in operations		**577**	(587)
Investing activities			
Additions to property, plant and equipment		**(44)**	(89)
Proceeds from disposals of property, plant and equipment		**–**	11
Additions of intangible assets		**(230)**	(109)
Interest received		**–**	1
Net cash consumed in investing activities		**(274)**	(186)
Financing activities			
Proceeds from loans		**–**	512
Repayment of loans		**(319)**	(62)
New finance leases		**–**	42
Discharge of finance lease liability		**(31)**	(43)
Proceeds from share issue		**155**	140
Interest paid		**(194)**	(205)
Net cash (consumed)/generated in financial activities		**(389)**	384
Net change in cash and cash equivalents		**(86)**	(389)
Cash and cash equivalents, beginning of year		**18**	407
Cash and cash equivalents, end of year		**(68)**	18

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

		2009 £'000	2008 £'000
Loans and receivables:			
Cash at bank and in hand	17	**34**	92
Financial liabilities measured at amortised cost:			
Bank overdraft	20	**(102)**	(74)
Cash and cash equivalents, end of year		**(68)**	18

The accompanying notes form an integral part of these financial statements

Notes to the Annual Report and Accounts

1 General information

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

The company, a public limited company, is the group's ultimate parent company. It is incorporated and domiciled in England (Company number 3676824). The address of its registered office is 6 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD, England. The company's shares are listed on the AIM market of the London Stock Exchange, the PLUS market in London and as a level 1 ADR in New York.

2 Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU, issued and effective or issued as at 31 December 2009, and also comply with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies have remained unchanged from the previous year, except as noted below with regard to IAS 1 and IFRS 8.

The adoption of IAS 1 (Revised 2007) has not affected the financial position or profits of the Group, but gives rise to additional disclosures. IAS 1 (Revised 2007) introduces a "Statement of comprehensive income". The Group has chosen to prepare a single statement of comprehensive income which incorporates the income statement and statement of other comprehensive income. The adoption of IFRS 8 requires the disclosure of significant customers, that is, those that comprise more than 10% of revenue, as disclosed in note 5. Under IFRS 8, the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed at Board level. This has not changed the segments reported as previously.

The third balance sheet for the year ended 31 December 2007 has not been presented, because the information is unchanged from the previously published financial statements.

Going concern

The group as a whole is performing profitably and generating positive cash flows. Taking this into account together with cashflow forecast the management has prepared for the ensuing twelve months, the directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

Business combinations exemption

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

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

Business combinations completed prior to date of transition to IFRS

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

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

Segment reporting

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

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

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

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

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

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

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

Revenue

Degradable and non-degradable goods and services

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

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

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

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

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

Government grants

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

Non-recurring items

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

Intangible assets

– Research and development costs

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

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

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

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

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

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

Development costs **d₂w®** – 15 years straight line

Notes to the Annual Report and Accounts continued

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

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

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

Trademarks	– 10 years straight line

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

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

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

The residual value is reconsidered annually.

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

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

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

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

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

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

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

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

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

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

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

Financial assets
Financial assets are divided into the following categories: loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

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

The group currently has the following financial assets:

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

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

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

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

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

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

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

The group's financial liabilities include trade payables, other creditors, bank overdraft, 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.

2 Summary of significant accounting policies continued

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

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

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

Cash and cash equivalents

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

Equity settled share based payments

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

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

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

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares;
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue; and
- "Other reserve" is a reserve established following the adoption of merger accounting. The company was entitled to merger relief offered by Section 131 of the Companies Act 1985 in respect of consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Symphony Plastics Limited on 9 December 1999.

Standards and Interpretations not yet effective

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

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

IFRS 3 Business Combinations (Revised 2009) (effective from 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of purchase method, and will have a significant effect on business combinations occurring in future reporting periods.

IAS 27 Consolidated and Separate Financial Statements (Revised 2009) (effective from 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the Group's financial statements.

Annual Improvements 2009 (effective from 1 July 2009 and later)
The IASB has issued *Improvements for International Financial Reporting Standards 2009*. Most of these amendments become effective in annual periods beginning on or after 1 July 2009 or 1 January 2010. The Group expects the amendments to IAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment IAS 17 generally required a lease of land to be classified as an operating lease. The amendment now requires that leases of land are classified as finance or operating applying the general principles of IAS 17. The Group will need to reassess the classification of the land elements of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases. Any newly classified finance leases are recognised retrospectively. Preliminary assessments indicate that the effect on the Group's financial statements will not be significant.

IFRS 9 Financial Instruments (effective from 1 January 2013)
The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:
Phase 1: Classification and Measurement
Phase 2: Impairment methodology
Phase 3: Hedge accounting

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

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

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

	2009 £'000	2008 £'000
Financial assets:		
Available for sale	**15**	15
Loans and receivables	**1,492**	1,133
	1,507	1,148
Financial liabilities:		
Financial liabilities measured as amortised costs	**1,412**	1,703
Held for trading	**1**	9
	1,413	1,712

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

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

Gross cash flows:	Trade payables £'000	Convertible loan £'000	Other loans £'000	Bank £'000	Total £'000
Zero to sixty days	**447**	**42**	**314**	**102**	**905**
Sixty one days to three months	**–**	**–**	**–**	**–**	**–**
Four months to six months	**–**	**–**	**–**	**–**	**–**
Seven months to one year	**–**	**–**	**584**	**–**	**584**
One year to three years	**–**	**–**	**–**	**–**	**–**
More than three years	**–**	**–**	**–**	**–**	**–**
	447	**42**	**898**	**102**	**1,489**

3 Financial risk management continued

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

Gross cash flows:	Trade payables £'000	Convertible loan £'000	Other loans £'000	Bank £'000	Total £'000
Zero to sixty days	438	–	212	74	724
Sixty one days to three months	–	390	16	–	406
Four months to six months	–	–	49	–	49
Seven months to one year	–	–	315	–	315
One year to three years	–	–	295	–	295
More than three years	–	–	–	–	–
	438	390	887	74	1,789

Interest rate risk

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

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

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

	Fixed £'000	Variable £'000	Zero £'000	Total £'000
Cash and cash equivalents	–	92	–	92
Trade receivables	–	–	953	953
VAT	–	–	75	75
Other debtors	–	–	88	88
	–	92	1,116	1,208
Trade payables	–	–	(438)	(438)
Bank overdraft	–	(74)	–	(74)
Convertible loan	(380)	–	–	(380)
Other loans	(510)	(310)	–	(820)
	(890)	(292)	678	(504)
Sensitivity: 5% rate increase of current rate	–	(1)	–	(1)
Sensitivity: 5% rate decrease of current rate	–	1	–	1

Sensitivity shows the effect on equity and the income statement.

Currency risk

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

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

	Currency	**Sterling 2009 £'000**	**Currency balance 2009 C'000**	Sterling 2008 £'000	Currency balance 2008 C'000
Financial assets	Euro	**54**	**Đ60**	41	Đ42
Financial liabilities	Euro	**(222)**	**Đ(247)**	(119)	Đ(132)
Net balance	Euro	**(168)**	**Đ(187)**	(78)	Đ(90)
Effect of 10% sterling increase		**15**		8	
Effect of 10% sterling decrease		**(15)**		(8)	
Financial assets	USD	**1,165**	**$1,894**	711	$1,028
Financial liabilities	USD	**(371)**	**$(602)**	(281)	$(410)
Net balance	USD	**794**	**$1,292**	430	$618
Effect of 10% sterling increase		**(72)**		(43)	
Effect of 10% sterling decrease		**72**		43	

Sensitivity shows the effect on equity and the income statement.

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

	2009 £'000	2008 £'000
Loans and receivables:		
Trade receivables	**1,386**	953
Cash and cash equivalents	**34**	92
	1,420	1,045

The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from trade receivables. The seven largest customer balances at the end of the year make up 75% of the above trade receivables.

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

The maturity of overdue debts is set out in Note 16. During the period no debts were written off.

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

4 Critical accounting estimates and judgements

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

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

– Recoverability of capitalised development cost
Judgements relating to capitalised development costs are detailed in Note 12.

– Going concern
Judgements relating to going concern are detailed in Note 2.

4 Critical accounting estimates and judgements continued

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

– Bad debts

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

– Recognition of deferred tax assets

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

5 Segmental information

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

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

Business segments 12 months to 31 December 2009	Degradable d_2w® £'000	Non-degradable £'000	Waste to value £'000	Group £'000
Segment revenues	**6,947**	**91**	**–**	**7,038**
Share based payments	**(9)**	**(4)**	**–**	**(13)**
Apportioned costs	**(5,956)**	**(249)**	**(182)**	**(6,387)**
Profit/(loss) for the year before tax	**982**	**(162)**	**(182)**	**638**
Taxation	**285**	**–**	**–**	**285**
Profit/(loss) for the year	**1,267**	**(162)**	**(182)**	**923**

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

Business segments 12 months to 31 December 2008	Degradable d_2w® £'000	Non-degradable £'000	Waste to value £'000	Group £'000
Segment revenues	5,127	228	–	5,355
Share based payments	(12)	–	–	(12)
Apportioned costs	(4,919)	(697)	(125)	(5,741)
Profit/(loss) for the year before tax	196	(469)	(125)	(398)
Taxation	766	–	–	766
Profit/(loss) for the year	962	(469)	(125)	368
Non-recurring items in above	13	40	–	53
Profit/(loss) for the year before non-recurring items	975	(429)	(125)	421

Revenues stated are from external customers.

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

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

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

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

Segmental liabilities comprise operating liabilities.

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

£'000	Degradable d_2w®	Non-degradable	Waste to value	Unallocated	Group
Assets	**3,133**	**207**	**199**	**15**	**3,554**
Liabilities	**(1,314)**	**(407)**	**–**	**(40)**	**(1,761)**
Capital expenditure	**185**	**2**	**87**	**–**	**274**
Depreciation and amortisation	**50**	**34**	**–**	**–**	**84**

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

£'000	Degradable **d_2w®**	Non-degradable	Waste to value	Unallocated	Group
Assets	2,398	244	112	15	2,769
Liabilities	(1,225)	(462)	–	(380)	(2,067)
Capital expenditure	101	50	47	–	198
Depreciation and amortisation	32	15	–	–	47

Geographical areas

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

Geographical areas	**Revenue 2009 £'000**	***Non current assets 2009 £'000**	Revenue 2008 £'000	*Non current assets 2008 £'000
UK	**886**	**703**	1,099	513
Europe	**1,330**	**–**	985	–
Americas	**3,691**	**–**	2,143	–
Other	**1,131**	**–**	1,128	–
Total	**7,038**	**703**	5,355	513

Material customers

Within degradable **d_2w®**, two customers accounted for greater than 10% of total group revenues for 2009 (2008: one customer). One customer accounted for £1,083,000, or 16%, the other customer £746,000 or 11% (£609,000, or 11%, of total group revenues for 2008).

6 Operating loss

The operating result is stated after charging/(crediting)

	2009 £'000	2008 £'000
Depreciation	**69**	33
Amortisation	**15**	14
Loss on disposal of fixed assets	**–**	5
Operating lease rentals		
Land and buildings	**60**	55
Plant and equipment	**5**	5
Fees payable to the company's auditor for the audit of the financial statements	**10**	10
Fees payable to the company's auditor for other services:		
Audit of the financial statements of the company's subsidiaries pursuant to legislation	**27**	27
Interim review	**2**	6
Other services relating to taxation	**21**	7
Net foreign exchange loss/(gain)	**22**	(37)
Non-recurring items:		
Ex-employee settlement	**–**	53

7 Employee benefit expense

	2009 £'000	2008 £'000
Wages and salaries	**1,526**	1,159
Social security costs	**175**	142
Other pension costs	**47**	40
	1,748	1,341

Notes to the Annual Report and Accounts continued

7 Employee benefit expense continued

Average number of people employed:

	2009	2008
Testing and technical	**6**	5
Selling	**7**	6
Administration	**8**	8
Management	**6**	6
Marketing	**1**	–
Total average headcount	**28**	25

Remuneration in respect of the directors was as follows:

	2009 £'000	2008 £'000
Emoluments	**729**	578
Pension contributions	**47**	40
	776	618

Key management remuneration:

	2009 £'000	2008 £'000
Short-term employee benefits	**658**	535
Share based payment charges	**–**	–
Post-employment benefits	**45**	40
	703	575

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 page 14.

8 Finance income and costs

	2009 £'000	2008 £'000
Interest expense:		
Bank borrowings	**2**	2
Convertible loan	**79**	113
Other interest	**108**	132
Finance charges	**5**	4
Total finance costs	**194**	251
Finance income:		
Interest income on short-term bank deposits	**–**	(1)
Total finance income	**–**	(1)
Net finance costs	**194**	250

9 Tax credit

	2009 £'000	2008 £'000
Net deferred tax credit (see note 9a)	**274**	719
R&D tax credit	**11**	47
Total income tax credit	**285**	766

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

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 28% (2008: 28%). The differences are explained as follows:

	2009 £'000	2008 £'000
Profit/(loss) for the year before tax	**638**	(398)
Tax calculated by rate of tax on the result	**179**	(111)
Expenses not deductible for tax purposes	**8**	4
Depreciation for the period in excess of capital allowances	**–**	4
Tax losses (utilised)/not utilised	**(187)**	103
Net deferred tax credit	**274**	719
R&D tax credit	**11**	47
Total income tax credit	**285**	766

9a Deferred income tax asset

	2009 £'000	2008 £'000
Deferred income tax asset brought forward	**719**	–
Notional tax charge	**(187)**	–
Recognised in the year	**461**	719
Deferred income tax asset carried forward	**993**	719

There are tax losses of approximately £12,300,000 (2008: £12,900,000).

Of these losses a deferred tax asset of only £461,000 has been recognised in this year's accounts (2008: £719,000). The recognition of this asset is based on sensitised forecasts where Symphony Environmental Limited has started to generate profits as recorded in this year's accounts.

10 Earnings per share and dividends

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

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

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

Basic and diluted

	2009	2008
Profit attributable to equity holders of the company	**£923,000**	£368,000
Weighted average number of ordinary shares in issue	**115,767,185**	105,628,745
Basic earnings per share	**0.80 pence**	0.35 pence
Dilutive effect of weighted average options and warrants	**2,424,588**	7,719,605
Total of weighted average shares together with dilutive effect of weighted options and warrants	**118,191,773**	113,348,350
Diluted earnings per share	**0.78 pence**	0.32 pence

No dividends were paid for the year ended 31 December 2009 (2008: £Nil).

11 Property, plant and equipment

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
At 1 January 2008					
Cost	85	83	166	167	501
Accumulated depreciation	(43)	(54)	(62)	(141)	(300)
Net book amount	42	29	104	26	201
Year ended 31 December 2008					
Opening net book amount	42	29	104	26	201
Additions	46	–	30	13	89
Disposals	–	–	(16)	–	(16)
Depreciation charge	(9)	(3)	(16)	(5)	(33)
Closing net book amount	79	26	102	34	241
At 1 January 2009					
Cost	131	83	163	180	557
Accumulated depreciation	(52)	(57)	(61)	(146)	(316)
Net book amount	79	26	102	34	241
Year ended 31 December 2009					
Opening net book amount	79	26	102	34	241
Additions	26	2	–	16	44
Disposals	–	–	–	–	–
Depreciation charge	(21)	(7)	(15)	(26)	(69)
Closing net book amount	**84**	**21**	**87**	**24**	**216**
At 31 December 2009					
Cost	157	85	163	196	601
Accumulated depreciation	(73)	(64)	(76)	(172)	(385)
Net book amount	84	21	87	24	216

Included within the net book amount of £216,000 is £51,000 (2008: £88,000) 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 £10,000 (2008: £13,000).

12 Intangible assets

	Development costs £'000	Trademarks £'000	Total £'000
At 1 January 2008			
Cost	183	28	211
Accumulated amortisation	(20)	(14)	(34)
Net book amount	163	14	177
Year ended 31 December 2008			
Opening net book amount	163	14	177
Additions	107	2	109
Amortisation charge	(12)	(2)	(14)
Closing net book amount	258	14	272
At 1 January 2009			
Cost	290	30	320
Accumulated amortisation	(32)	(16)	(48)
Net book amount	258	14	272
Year ended 31 December 2009			
Opening net book amount	258	14	272
Additions	220	10	230
Amortisation charge	(12)	(3)	(15)
Closing net book amount	**466**	**21**	**487**
At 31 December 2009			
Cost	510	40	550
Accumulated amortisation	(44)	(19)	(63)
Net book amount	466	21	487

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

Development costs are capitalised in accordance with Note 2.

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

13 Subsidiary undertakings

Principal subsidiaries:

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the group
Symphony Plastics Limited	England and Wales	Supply of polythene products	100%	100%
Symphony Packaging Limited	England and Wales	Dormant	0%	100%
d$_2$w® 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 value systems	100%	100%
Symphony Environmental (Jamaica) Limited	Jamaica	Supply of environmental polythene products	0%	100%

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

14 Available for sale financial assets

All non-current	**2009 £'000**	2008 £'000
Beginning of year	**15**	15
Additions	**–**	–
Impairment provision in year	**–**	–
End of year	**15**	15

14 Available for sale financial assets continued

The group holds 30% of the ordinary share capital in Symphony Bin Hilal LLc, a company incorporated in the United Arab Emirates. The directors consider this an investment as they have no significant influence and have no management rights in the strategic, tactical or operational decisions made by Symphony Bin Hilal LLc. The value of the investment in the company is recognised at cost as the equity investment is unquoted and the value cannot be measured reliably. The group does not intend to dispose of the investment in the foreseeable future.

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

The directors cannot assign a fair value of Oxobioplast Inc. as the equity investment is unquoted and the value cannot be measured reliably.

There is no collateral on the above amounts.

15 Inventories

	2009 £'000	2008 £'000
Finished goods and goods for resale	**212**	194

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £3,181,000 (2008: £2,906,000). Included within the above assets is a provision for impairment of £nil (2008: £5,000).

There is no collateral on the above amounts.

16 Trade and other receivables

	2009 £'000	2008 £'000
Loans and receivables:		
Trade receivables	**1,386**	953
Other debtors	**72**	88
VAT	**68**	75
Prepayments	**71**	120
	1,597	1,236

The directors consider that the carrying value of trade and other receivables approximates to their book values. There is a provision of £150,000 for impairment of receivables (2008: £150,000). The maximum credit risk exposure at the balance sheet date equates to the fair value of trade receivables. Further disclosures are set out in Note 3.

Trade receivables that are less than three months old are not considered impaired. As of 31 December 2009 trade receivables of £101,000 (2008: £64,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2009 £'000	2008 £'000
More than three months but less than six months	**–**	12
More than six months but not more than one year	**24**	4
More than one year	**77**	48
	101	64

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

There is no collateral on the above amounts.

17 Cash and cash equivalents

	2009 £'000	2008 £'000
Loans and receivables:		
Cash at bank and in hand	**34**	92

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

There is no collateral on the above amounts.

18 Share capital and premium

Group and company	Ordinary shares Number	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2008	101,772,999	1,018	13,048	14,066
Proceeds from shares issued	6,946,037	69	128	197
At 31 December 2008	108,719,036	1,087	13,176	14,263
At 1 January 2009	108,719,036	1,087	13,176	14,263
Proceeds from shares issued	7,765,541	78	77	155
At 31 December 2009	**116,484,577**	**1,165**	**13,253**	**14,418**

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

The following ordinary shares were issued during the year:

Date	Ordinary shares Number	Details	Consideration (£)	Premium (£)
19 January 2009	2,202,384	Convertible loan	41,845	19,821
28 January 2009	5,263,157	Convertible loan	100,000	47,368
25 September 2009	300,000	Warrants conversion	12,375	9,375

Share options

As at 31 December 2009 the group maintained an approved share-based payment scheme for employee compensation. For the options granted to vest, the group must achieve an earnings per share in excess of 0.001p and employees must serve a specified amount of time.

All share-based employee compensation will be settled in equity. The group has no legal or constructive obligation to repurchase or settle the options. As at 31 December 2009 there were 2,675,000 staff options outstanding. 1,525,000 were issued in 2009.

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

	2009		2008	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January	**13,915,960**	**0.05**	11,570,000	0.05
Granted	**2,025,000**	**0.03**	2,945,960	0.03
Forfeited	**(100,000)**	**0.25**	(600,000)	0.03
Exercised	**–**	**–**	–	–
Expired	**–**	**–**	–	–
Outstanding at 31 December	**15,840,960**	**0.05**	13,915,960	0.05

The number of share options exercisable at 31 December 2009 was 12,665,960 (2008: 1,520,000).

The weighted average exercise price of those shares exercisable was 5p (2008: 11.5p)

Notes to the Annual Report and Accounts continued

18 Share capital and premium continued

500,000 options were granted on 1 January 2009 and are exercisable from 1 January 2010 for a period of four years thereafter at an exercise price of 5p per share.

1,525,000 staff options were granted on 20 March 2009 and are exercisable from 20 March 2011 for a period of eight years thereafter at an exercise price of 2.375p per share.

Having considered the fair value of the options issued to employees there is a charge of £13,000 (2008 – £12,000) in the income statement.

Since the year end a total of 750,000 options were granted to the non executive directors and are exercisable from 18 December 2010 for a period of nine years thereafter at an exercise price of 9.875p per share.

Warrants

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

Number of warrants	Exercise price (pence per share)	Exercisable from	Exercisable to
89,700	14.000	18 April 2008	18 April 2010
4,080,000*	12.000	17 November 2005	17 November 2010
500,000**	4.125	13 December 2006	13 December 2011
300,000**	4.125	27 September 2007	27 September 2012

* warrants issued as part of salary reduction scheme in 2005.
** warrants issued under the terms of the convertible loan. See Note 20. 300,000 of the warrants were exercised on 25 September 2009.
No warrants were granted during the year.

Directors

Directors' interests in shares and share incentives are contained in the Remuneration Report on page 14.

Fair value of options granted

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

	2009	2008
Weighted average exercise price	**£0.03**	£0.03
Expected volatility	**11.5%-117%**	26%-113%
Expected life	**4-8 years**	4-10 years
Average risk-free rate	**3.45%**	4.9%
Expected dividends	**0%**	0%

The underlying expected volatility was determined by reference to historical data of the Group's shares over a period of time since its flotation on AIM. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, £13,000 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss for 2009 (2008: £ 12,000) and credited to retained earnings.

19 Trade and other payables

	2009 £'000	2008 £'000
Current		
Financial liabilities measured at amortised cost:		
Trade payables	**447**	438
Social security and other taxes	**140**	65
Accruals and deferred income	**169**	220
	756	723

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

20 Interest bearing loans and borrowings

	2009 £'000	2008 £'000
Non-current		
Financial liabilities measured at amortised cost:		
Other loan	**250**	250
Lease purchase liabilities	**24**	39
	274	289
Current		
Financial liabilities measured at amortised cost:		
Bank overdraft	**102**	74
Convertible loan	**39**	371
Other loans	**574**	570
Lease purchase liabilities	**15**	31
Financial liabilities held at fair value through profit and loss: held for trading (embedded derivatives)		
Conversion rights	**–**	2
Warrants	**1**	7
	731	1,055

The non-current other loan is repayable on 1 February 2011. Interest is charged at 15% per annum.

The bank overdraft of £102,000 (2008 £74,000) is included within the cashflow statement within cash and cash equivalents.

Convertible loan

The terms of the convertible loan were amended on 28 January 2009. The loan , of which £40,000 is outstanding at 31 December 2009, is totally repayable by the 20 February 2010.

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

Date	Number of shares	Consideration (£)
19 January 2009	2,202,384	41,845
28 January 2009	5,263,157	100,000
	7,465,541	**141,845**

Other loans – which include:

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

Amounts due to Davenham Trade Finance totalling £314,000. Interest is charged at 2.2% over National Westminster Bank Plc base rate per annum.

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

	Gross 2009 £'000	Gross 2008 £'000	Net 2009 £'000	Net 2008 £'000
Amounts payable within 1 year	**18**	36	**15**	31
Amounts payable between 1 and 2 years	**8**	18	**7**	15
Amounts payable between 3 and 5 years	**17**	25	**17**	24
	43	79	**39**	70

The finance leases are for the purchase of sundry equipment (note 11).

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

Notes to the Annual Report and Accounts continued

21 Cash generated from operations

	2009 £'000	2008 £'000
Profit after tax	**923**	368
Adjustments for:		
Depreciation	**69**	33
Amortisation	**15**	14
Loss on disposal	**–**	5
Share based payments	**13**	12
Tax credit	**(285)**	(766)
Interest income	**–**	(1)
Interest expense	**194**	251
Changes in working capital:		
Inventories	**(18)**	39
Trade and other receivables	**(362)**	(475)
Trade and other payables	**17**	(115)
Cash generated/(consumed) in operations	**566**	(635)

22 Commitments

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

	2009 £'000	2008 £'000
No later than one year	**14**	–
Later than one year and no later than five years	**34**	60
	48	60

23 Related party transactions

In respect of the loan made by Michelle Laurier, spouse of Michael Laurier, interest on the loan is calculated at 2% per month. £260,000 was outstanding at 31 December 2009 (2008: £260,000).

24 Post balance sheet events

On 19 March 2010, Symphony Plastics Limited entered into a new lease at 6 Elstree Gate, Elstree House, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD. The registered office and head office for the company and group companies changed to this new address. The lease is for ten years, with a five year break provision. The net total rentals payable over the first five years total £452,000.

Since the year end the group has committed to leasehold improvement and equipment costs totalling £200,000.

On 22 January 2010 the company issued 250,000 options to each of the three non executive directors. Details are given in the remuneration report on page 14.

25 Capital management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk.

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

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

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

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

	2009 £'000	2008 £'000
Total equity	**1,793**	702
Cash and cash equivalents	**(34)**	(92)
Capital	**1,759**	610
Total equity	**1,793**	702
Borrowings	**1,005**	1,344
Overall financing	**2,798**	2,046
Capital-to-financing ratio	**0.63**	0.30

The ratio-increase during 2009 is primarily a result of improved cash flow position and repayment, and conversions to share capital, of the loans.

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

Company balance sheet
at 31 December 2009

Company number 3676824

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	27	**72**	91
Investments	28	**150**	150
		222	241
Current assets			
Debtors	29	**7,678**	7,895
Cash at bank and in hand		**1**	–
		7,679	7,895
Creditors: amounts falling due within one year	30	**132**	526
Net current assets		**7,547**	7,369
Total assets less current liabilities		**7,769**	7,610
Creditors: amounts falling due after more than one year	31	**255**	262
		7,514	7,348
Capital and reserves			
Share capital	34	**1,165**	1,087
Share premium account	35	**13,253**	13,176
Profit and loss account	35	**(6,904)**	(6,915)
		7,514	7,348

The company has applied the exemption under section 408 of the Companies Act 2006 not to present a profit and loss account for the year ended 31 December 2009.

These financial statements were approved by the directors on 29 March 2010 and are signed on their behalf by:

I Bristow FCCA
Finance Director

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

Notes to the Company balance sheet

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 (GAAP).

Fixed assets

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

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

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

Leasing and hire purchase commitments

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

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

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

Pension costs

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

Deferred taxation

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

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

Foreign currencies

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

Investments

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

Financial instruments

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

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

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

26 Principal accounting policies continued

Equity settled share based payments

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

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

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 2009 and at 31 December 2009	36	11	114	161
Depreciation				
At 1 January 2008	14	8	48	70
Charge for the year	7	3	9	19
At 31 December 2009	**21**	**11**	**57**	**89**
Net book value				
At 31 December 2009	**15**	**–**	**57**	**72**
At 31 December 2008	22	3	66	91

Included within the net book value of £72,000 is £20,000 (2008: £60,000) 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 £4,000 (2008: £14,000).

28 Investments

	2009 £'000	2008 £'000
Shares in group undertakings		
At beginning and end of year	**150**	150

Group undertakings are detailed in Note 13.

29 Debtors

	2009 £'000	2008 £'000
Amounts owed by group undertakings	**7,586**	7,771
VAT	**50**	49
Prepayments	**42**	25
Other debtors	**–**	50
	7,678	7,895

30 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Convertible loan	**40**	380
Trade creditors	**27**	57
Other taxation and social security	**3**	–
Amounts due under finance leases and hire purchase agreements	**11**	28
Other creditors	**–**	–
Accruals	**51**	61
	132	526

31 Creditors: amounts falling after more than one year

	2009 £'000	2008 £'000
Other Creditor	**250**	250
Amounts due under finance leases and hire purchase agreements	**1**	12
Amounts owed to group undertakings	**4**	–
	255	262

32 Commitments under finance leases and hire purchase agreements

	2009 £'000	2008 £'000
Amounts payable within one year	**11**	28
Amounts payable between one and two years	**1**	11
Amounts payable between three and five years	**–**	1
	12	40

33 Contingent liabilities

The company has guaranteed all monies due to its bankers by Symphony Plastics Limited and Symphony Environmental Limited. At 31 December 2009 the net indebtedness of these companies amounted to £68,000 (2008: £Nil).

34 Share capital

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

35 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2009	13,176	(6,915)
Retained profit for the year	–	11
New equity share capital subscribed	77	–
At 31 December 2009	**13,253**	**(6,904)**

36 Parent company own accounts

Symphony Environmental Technologies plc has not presented its own profit and loss account and related notes as permitted by Section 408 of the Companies Act 2006. The profit for the financial year dealt with in the financial statements of the parent company is £11,000 (2008: £18,000).

37 Directors and employees

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

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

	2009 No	2008 No
Management	**3**	2

The aggregate payroll costs of the above were:

	2009 £'000	2008 £'000
Wages and salaries	**71**	35
Other pension costs	**2**	–
Equity settled share based payments	**–**	4
Social security costs	**7**	3
	80	42

Notes

Company information

Company registration number
3676824

Registered office
6 Elstree Gate
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Hertfordshire
WD6 1JD

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

Secretary
I Bristow

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“We do not inherit the
earth from our ancestors,
we borrow it from our children.”

Native-American Proverb

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