Caring for health and the environment

Symphony environmental technologies plc

Annual Report and Accounts 2011

We care passionately about health and the environment. We have identified areas in which we feel Symphony can make a difference, not just in our home country of Great Britain, but all around the world.

d_2w®

Controlled-life plastic

d_2w is a masterbatch which, when included at the manufacturing stage, turns ordinary plastic at the end of its useful life into a material with a different molecular structure. At that stage it is no longer a plastic and has become a material which is inherently biodegradable in the open environment in the same way as a leaf. Symphony is the only public company in this field.

To find out more go to
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http://degradable.net/what-is-d2w/what-is-d2w/

d_2p®

Protecting health

d_2p is a masterbatch that provides antimicrobial performance. The active ingredients in **d_2p** have been successfully tested against over 50 common organisms and dangerous bacteria, such as MRSA, E.coli, Salmonella, Listeria, Pseudomonas and Aspergillus Niger.

To find out more go to
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http://degradable.net/d2p-antimicrobial/d2p-antimicrobial/

d_2Detector®

Quality and authentication

The **d_2Detector** is a XRF (X-ray) device that allows the customer, and the authorities in countries with legislation, to determine whether or not a plastic product contains **d_2w** or **d_2p** additives as specified, and whether it contains lead or any other undesirable substance. This gives peace of mind to our customers and end users. The **d_2Detector** gives you quality assurance and authenticity. The process can take less than 60 seconds.

To find out more go to
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d_2Detector®

http://degradable.net/d2detector/

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About Symphony and our Performance in 2011

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Financial Statements

02

Symphony in Detail

Symphony Environmental Technologies plc specialises in developing and marketing a wide range of technologies and services. The group is dedicated to finding technological solutions to the world's health and environmental problems.

About Symphony

Since 2010 the Company has been broadening its horizons, looking at the wider health and environmental issues that could be solved through innovation. We have launched **d₂p**, an additive that provides plastic with antimicrobial performance. The first **d₂p** additive is already on the market and other variations and applications are in development. **d₂p** complements our already popular, world leading, controlled-life plastic additive **d₂w**.

An additional service enhancement is the **d₂Detector**, providing customers with the reassurance that their products contain the correct additives. The detector also helps detect products that have been counterfeited.

Symphony is an active member of the following organisations:

- The Oxo-biodegradable Plastics Association (OPA)
- The International Organisation for Standardisation (ISO)
- The American Society for Testing and Materials (ASTM)
- The European Standards Organisation (CEN)
- The British Standards Institute (BSI)
- The British Plastics Federation (BPF)
- The Society of the Chemical Industry UK (SCI)
- The Pacific Basin Economic Council (PBEC)
- The Society of Plastics Engineers US (SPE)
- The NH Hoteles Sustainability Programme
- The European Organisation for Packaging and the Environment (EUROPEN)

Listings
Symphony is quoted on the AIM market of the London Stock Exchange. The Company is also traded on the Plus Market in London and US investors can access shares via the Bank of New York American Depository Receipt (ADR) program.

ISO accreditation
Symphony has held ISO standard 9001: 2008 since 1997, operating a quality management system which complies with the standard. Symphony is now also delighted to hold accreditation for ISO Standard 14001: 2004, operating an environmental management system that complies with the standard.

Our global network
Our network of distributors continues to grow. We currently have 67 distributors covering 96 countries worldwide. This network is backed up by a global team of technical support.

What next for Symphony?

Symphony is always looking at new technologies and potential products and we hope to have several new lines coming to market over the next few years. In particular, our research and development work in the field of converting scrap tyres to useful material is making significant progress and we hope to provide further updates during the course of 2012 and beyond.

Fast facts

- **The only** British quoted public company in Controlled-Life Plastic Technology
- Shares traded on **'AIM' market** of the London Stock Exchange 'SYM' also on the **Plus Market** in London and in New York under **Bank of NY ADR program 'SETPY'**
- Active in over **96 countries**
- Launch of **d_2Detector – world-first**
- **Ongoing investment in R&D**
- **High-Tech** test facilities in Symphony's own laboratory and support network
- Symphony's scientific, technical and marketing teams provide **production and sales support**

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Chairman's Statement

The results for the year to 31 December 2011 show increased revenues and further significant investment by the Group in key areas such as sales, marketing and product development.

d₂w additives, our main product line, grew by 10% in volume, but exchange rates and higher raw material costs saw gross margins reduce during the year.

Legislative change is gaining momentum and towards the end of the year the United Arab Emirates ('UAE') brought forward from January 2013 to January 2012 the application of laws which regulate plastic production and imports wholly in favour of oxo-biodegradable technology. As such, plastic bags not conforming to the approved specification are now prohibited from being made in or imported into the UAE. We believe this will increase the potential for other countries to follow suit.

During the year BSi published a British Standard (BS8472) for oxo-biodegradable products which is the first and only Standard in Europe for biodegradability of plastic litter in the environment. This differentiates oxo-biodegradable from other types of biodegradable products, and will allow a stronger position in respect of future marketing and legislative campaigns.

We have continued to make significant investment into Symphony Energy, and the RuPERT tyre recycling project. The project is expected to be completed during 2012.

During the year BSi published a British Standard (BS8472) for oxo-biodegradable products which is the first and only Standard in Europe for biodegradability of plastic litter in the environment.

During 2011 we strengthened the foundations for accelerated growth for both the short and longer term future of Symphony. While this meant an increase in fixed costs, the investment within Symphony and the expansion of the existing distribution network, together with the effects of legislation in late 2011 are starting to make a positive impact within our distribution network, and mean that we can be very confident of further growth in 2012 and beyond.

I would like to thank the Board, staff and distributors for all their efforts in 2011.

N Deva DL FRSA MEP
Chairman
13 March 2012

Highlights

- Revenues increased to £8.54 million (2010: £8.48 million)
- Operating profit decreased to £0.50 million (2010: £1.13 million)
- Profit before tax decreased to £0.42 million (2010: £1.01 million)
- Profit after tax decreased to £0.52 million (2010: £1.19 million)
- Increased investment across key areas in sales, marketing and product development
- Basic earnings per share decreased to 0.42p (2010: 1.02p)
- Legislative changes in UAE and elsewhere in favour of oxo-biodegradable plastic technology
- **d_2w** additive volumes increased by 10%
- Achieved maiden sales and rental for **d_2Detector** in five countries
- Increase in number of distributors from 61 to 67

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Case Studies

PaperTyger

PaperTyger is a new range of high-quality, technologically-advanced, cost competitive, laminated papers that are suitable for a wide variety of applications where the integrity of all the material is paramount. These products are manufactured by a unique patented, solvent-free laminating process. All PaperTyger papers are tear, burst and water resistant.

NH Hoteles

The NH Hoteles Group is the third largest business hotel chain in Europe and currently has 392 hotels in 24 countries across Europe, America and Africa providing over 60,000 rooms, with another 45 hotels under construction. NH Hoteles stands out for its quality, both in service and facilities, providing a tastefully furnished and comfortable environment for its guests.

Inditex Group

Inditex Group is one of the world's largest fashion retailers, present in more than 70 countries worldwide. Inditex Group has developed and manages multiple worldwide known brands such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterique. The Group is made up of more than 100 companies whose operations are focused in textile design, manufacturing and distribution. The Group employs more than 100,000 employees.

PaperTyger is a part of the Chase Corporation that has established a strategic distribution partnership with Eurotrade Business Products. Established in the early 1990s, Eurotrade Business Products has been in the development and distribution of specialty papers and innovative postal-packaging products for more than 20 years. It is now a leading supplier to the graphics and office-products markets striving to offer the best quality product and service excellence. PaperTyger and Eurotrade pride themselves with their environmental credentials, given that they are fully accredited FSC suppliers.

PaperTyger offers a great range of products from envelopes and graphic papers to their recently-introduced oxo-biodegradable materials.

Recently, Symphony and PaperTyger started working on development and production of a range of oxo-biodegradable office materials. Both companies are working together to try to improve the office environment. Many paper items and envelopes are disposed of carelessly, but the two companies have developed a solution for this environmental problem by making the products biodegrade at the end of their useful life.

PaperTyger is promoting **d$_2$w** in its products in practical working applications. The company is using its well-established network of distributors to promote the **d$_2$w** solution. In addition, Symphony is pleased to introduce PaperTyger's products to our network of distributors and we are looking forward to establishing a long and successful collaboration.

Symphony has been working with NH Hoteles for a number of years, developing a line of controlled-life products in order to develop a more environmentally-friendly range of plastic packaging.

The two organisations are working together to show companies in the catering and hotel sectors the environmental benefits of controlled-life plastic. This initiative set a precedent as the first major hotel group to use controlled-life plastics.

As part of the programme, all plastic consumables used throughout the NH Hoteles chain are now being made using Symphony's **d$_2$w** additive. This includes shampoo bottles, laundry bags, bath gel bottles, combs and other related items.

Symphony has partnered with Inditex in Spain and Portugal. Both companies have been successfully working together to build brand awareness in the region. All plastic bags that the group now uses are being manufactured with **d$_2$w**, which helps in the development of more environmentally-friendly business models. Another successful **d$_2$w** story.

Inditex is not only using **d$_2$w** in its plastic bags, but is also working on reducing the amount of plastic used in the bags from 25 microns to 15 microns.

The benefits of these changes are seen in logistics where less storage space is required and handling is easier, and most importantly there is a reduction in the number of vehicles required for transportation of the products.

Symphony is very pleased to be working with environmentally conscientious organisations such as Inditex.

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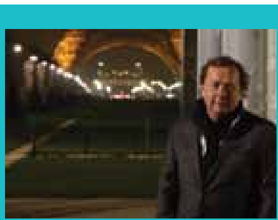
Our Network

Symphony is a truly global company, touching every corner of the globe. We have an ever-growing number of distributors and sub-distributors giving us coverage in 96 countries worldwide.



I discovered Symphony some years ago by accident on the internet. Today I'm working with Symphony in France, Belgium and French-speaking Africa, where this technology is going to make a real difference to their environment. I am proud to help make that difference.

Philippe Michon – France

It was a Saturday in 2002, I was reading a Brazilian newspaper and I read an article about Symphony. As I already worked with plastics, I contacted Symphony and shortly after I was received in their office in England, where I met the Directors. Since then, I'm proud to be part of the Symphony network of distributors around the world and able to work with such dedicated and efficient people.

Eduardo Van Roost – Brazil

Services

Symphony has its own purpose-built laboratories and test facilities in the UK, where the technical team test, develop, and constantly improve our products, working closely with universities and other specialist scientific centres in the UK and overseas. Symphony continues to make substantial investments in the latest equipment, and its technical team.

We have three locations in the UK:

- Borehamwood – Headquarters, sales and scientific experiments and development
- Great Yarmouth – Quality control testing
- Telford – Industrial experiments and development

Global support
Symphony provides support to customers around the world. We have technical support capabilities available across all time zones and at short notice.

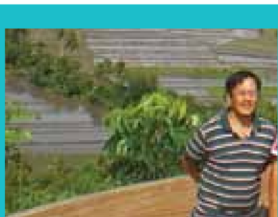
We also have expertise and facilities available around the world to provide technical and research support. These include:

- Belgium
- Brazil
- Italy
- Mexico
- Singapore
- Spain
- Sweden
- UK
- USA

Being a business located on the beautiful Adriatic coast of Slovenia, we are acutely aware of the problems caused by plastic waste on our beaches and in the sea.

When I heard about Symphony and d$_2$w I thought it was too good to be true. I was quite sceptical at the beginning but Symphony proved their product and convinced me. It really is a brilliant solution. It is great to be a part of the Symphony family all over the world! I have learned a lot from all of them and sharing their enthusiasm and positive approach is making us proud to be a Symphony distributor.

Mirjana Gojak – Balkans



I am strongly committed to the Symphony project, and it is a worthwhile challenge to tell our people in the Philippines how we can protect our environment for future generations. It is a fulfilling and enriching experience. It is great to partner with a highly professional company that recognises that we have a responsibility to our environment and is developing innovative solutions.

Raul Perfecto – Philippines

We have played a pivotal role in building awareness in the UAE and working with the Government to develop a standard for oxo-biodegradable plastics. The government has now banned the import or manufacture of plastic products unless they are oxo-biodegradable, and this will make a big difference to the environment in our deserts and in the sea.

The government sent inspectors to audit Symphony's laboratories and manufacturing facilities, and d$_2$w is today the market leader in the UAE and the wider Middle East because of its superior quality, brand recognition and customer service. None of this would be possible without Symphony's ongoing efforts to deliver quality products and support in all areas, which enables us to look to the future with confidence.

Winston Pryce – Middle East (UAE)

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d$_2$w Technology
Controlled-life plastic:

Plastic is a fantastic material, versatile, strong, lightweight and flexible, but it can hang around in our environment for decades after it has reached the end of its useful life. Symphony has the solution.

The challenge

Plastic has many benefits. It is lightweight and flexible, strong and durable, heat sealable, impervious to moisture, recyclable and reusable. Over 200 million tons of plastic is produced worldwide every year, but only 3% is ever recycled. Whether through intent, neglect or accident some of this plastic will always find its way into our environment and it can take decades to degrade. All of us on our journeys to work will have spotted the rogue plastic bag or crisp packet stuck in a tree, floating on a river or trampled on a pavement on our local high street. This situation is mirrored in towns, villages and cities all around the world.

The problem is not confined to land. Perhaps the biggest visual representation of this is the Pacific Garbage Patch, a floating island of mainly plastic waste estimated at 3 million tons, brought together by the ocean currents of the North Pacific Subtropical Gyre. There are now said to be 46,000 pieces of plastic per square kilometre of ocean.

The Symphony solution

Symphony has developed **d$_2$w**, a technology that quickly converts ordinary plastic at the end of its useful life in the presence of oxygen into a material with a different molecular structure. At that stage it is no longer a plastic and has become a material which is inherently biodegradable in the open environment in the same way as a leaf. It cannot then entangle wild creatures nor block drains, and it is no longer a form of visual pollution. It does not leave fragments of plastic and it is not toxic. The process works on land or in a marine environment.

d$_2$w is a masterbatch technology system. It is usually added at a rate of 1% with virgin or recycled polymer at the manufacturing stage.

It is compatible with Polypropylene, Polyethylene and most short-life plastic packaging. No changes are required to the manufacturing process or plant, and **d$_2$w** plastic can be recycled during its useful life. In a landfill it does not produce methane.

Recent developments – the UAE

The UAE Government now requires all plastic products and packaging to be produced using oxo-biodegradable additive. This includes all products and packaging manufactured or imported into the Emirates. Symphony has a long-standing presence in the UAE and across the Middle East and Gulf regions. The law came into effect in January 2012 and is already being enforced by the authorities. This affects manufacturers and retailers all over the world who are bringing plastic packaging into the UAE. As they probably don't know which particular batch will end up in the UAE they would be wise to make all their packaging with **d$_2$w** to avoid fines and confiscation.

www.d2w.net

The Benefits

- **d_2w** creates controlled-life plastic
- It makes plastic biodegrade in the same way as a leaf
- Only requires 1% **d_2w** additive
- No change required to the manufacturing process
- Non-toxic
- Suitable for food contact
- Stops brands from being displayed after their useful life has expired, and stops refilling by counterfeiters
- Using the **d_2w** seal of approval adds value to the client's brand

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d2p Solution
Protecting health:

The threat of transferring bacteria and infection has increased as we live in an ever-denser urban population. Symphony's d2p provides an extra layer of protection against the transfer of bacteria and infections, ideal for multi-user items.

The challenge

We live in ever-denser urban populations, putting pressure on our health and transport systems and increasing the need for improved hygiene levels. The threat of catching infections from others during our everyday lives has vastly increased. Consider your journey to work each day: do you hold on to the same handrail as hundreds of other commuters on a train or bus? Do you pay for your dinner using a credit card machine that has been touched by other users all day? Bacteria can live on almost any surface, so all kinds of healthcare and multi-use applications would benefit from additional protection against the spread of bacteria. Infection rates have become a priority for governments throughout the world and Symphony is there to support them.

The Symphony solution

Symphony has developed **d2p**, an additive system that provides antimicrobial and fungicidal performance to everyday plastic items such as door-handles, WC seats, computer keyboards, telephones and table-tops. Designed as a masterbatch to be added at the manufacturing stage, 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. The active ingredients in **d2p** have been successfully tested against over 50 dangerous bacteria, such as MRSA, E.coli, Salmonella, Listeria, Pseudomonas and Aspergillus Niger. The unique nature of **d2p** gives plastic excellent bacterial protection.

Applications

There really is no limit to the number of applications for **d2p**. Anything that is made of plastic or has (or could have) a plastic coating on it can have **d2p** applied to it. **d2p** is already in use in hand dryers, calculators, sports clothing and a host of other applications.

The Benefits

- Fights healthcare and food industry infections
- Prevents staining
- Prevents discolouration
- Prevents odour development
- Adds value to existing brands
- Addition rate of between 1-2%
- Full technical support

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d_2Detector Quality and authentication:

Symphony has been quick to respond to the demand for quality control and authentication. Having the ability to accurately determine the content of their plastic packaging and products gives our clients peace of mind.

The challenge

The world is waking up to the need for better solutions to the problems of health and the environment. Symphony is leading the market with its controlled-life technology **d_2w** and its antimicrobial **d_2p**. When you have products of this quality and potential, clients want to know that they are getting what they pay for.

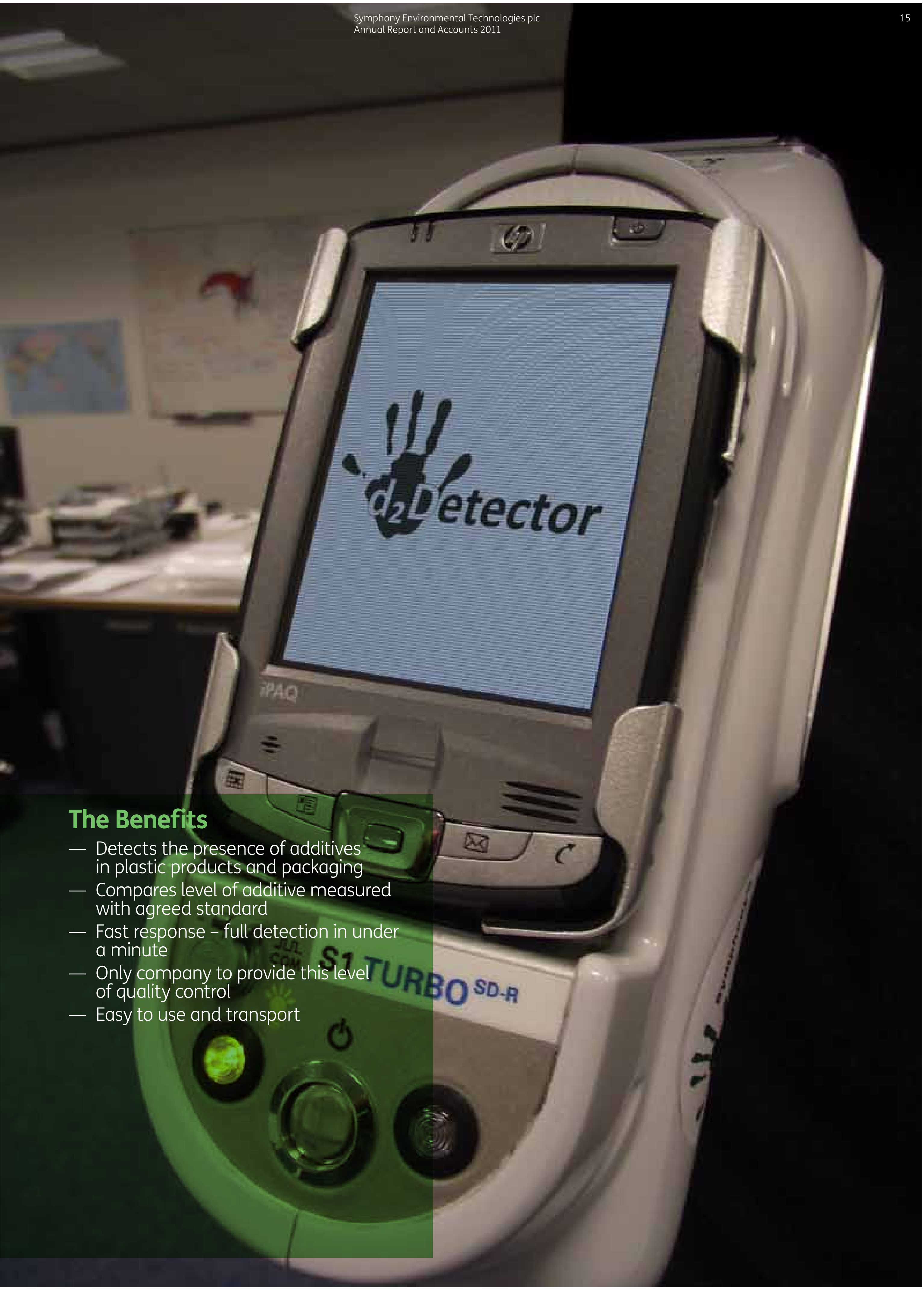
The Symphony solution

The **d_2Detector** uses XRF technology to detect and determine what, if any, additive is contained in a plastic item. It also offers its users other advantages in the form of anti-counterfeiting and quality control. The **d_2Detector** is portable, and can be easily transported as required, offering responses in under a minute.

In an increasingly competitive market, quality control is of vital importance. The **d_2Detector** can verify if products are of consistent quality by checking for the correct additives. In many cases verifying the correct amount of a particular component is vital to the performance of the product.

Changes to legislation in some countries has meant that there is now demand for this instrument as a way for government agencies to check for additives. The UAE is now enforcing its regulations on the compulsory use of oxo-biodegradable additives in all plastic products and packaging. As part of an integrated service to its customers, Symphony also offers training on the **d_2Detector**, with in-depth analysis available at our laboratories.

The **d_2Detector** continues to gather importance in line with the increasing demand for **d_2w** and **d_2p**. It offers reassurance and peace of mind to clients who now know exactly what they are getting in their packaging and products.



The Benefits

- Detects the presence of additives in plastic products and packaging
- Compares level of additive measured with agreed standard
- Fast response – full detection in under a minute
- Only company to provide this level of quality control
- Easy to use and transport

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W2V

Waste to value:

Symphony has identified the disposal of scrap tyres as a major issue both at home in the UK and all over the world. We are asked on a regular basis to provide solutions for the billions of scrap tyres stockpiled around the world.

The challenge

There are currently over 10 billion scrap tyres around the world. Stockpiling and failing to dispose of scrap tyres can lead to an elevated danger of fire, rodent infestation, ground pollution and the prospect of mosquitoes spreading Malaria, Dengue and Western Nile fever. It is estimated that another 1.5 billion tyres become scrap every year.

Scrap tyres also take up a vast amount of space in workshops, garages and land. They are often disposed of illegally and cannot be put in landfills. A solution has to be found.

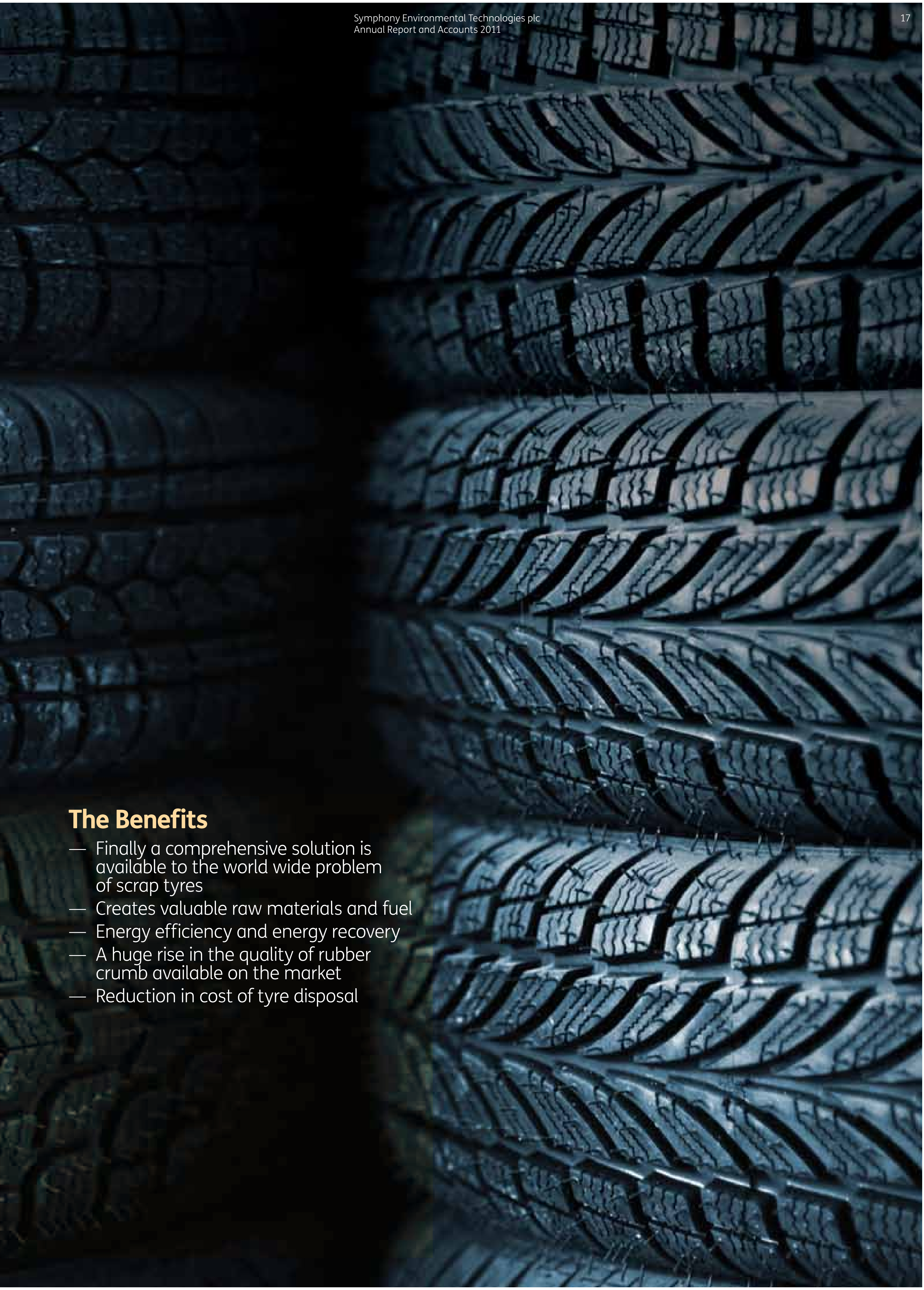
The Symphony solution

The Symphony Energy division researches and develops solutions for creating value through the processing of waste materials.

The waste to value project, currently in development, has two distinct projects. The first is an ultra-high pressure water system to break down tyres to their original components of rubber and steel.

The second project uses microwave pyrolysis to transform crumb into oil, carbon black and non-condensable gas. Both systems involve energy recovery processes that reuse the heat, power and water used.

Both projects can operate within a full process system or as standalone units.



The Benefits

— Finally a comprehensive solution is available to the world wide problem of scrap tyres
— Creates valuable raw materials and fuel
— Energy efficiency and energy recovery
— A huge rise in the quality of rubber crumb available on the market
— Reduction in cost of tyre disposal

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CSR

As an environmental technology Company, we take our responsibility to the environment and wider society very seriously.

We actively engage in activities to have a direct impact on the world around us, while using our knowledge base to educate on the how our technology can benefit the world.

India

Symphony is very proud to sponsor the salary of a teacher at the Gairatpur Baas Panchayat School in the Haryana region of India. The school attracts pupils from the three surrounding villages.

All teaching is in English which enables the children to improve their knowledge of the language which is vital to work and business life in India and around the world. Remedial lessons are offered to those needing to improve their knowledge of English and maths.

The school has adopted the Montessori system together with a 'learning is fun' ethos. Several of the school's teachers have undertaken official Montessori training while others are on their way to completing it. The school is adopting a system called iDiscoveri, recognised for its efficiency in teaching at a national level.

The school puts a strong emphasis on character development and building confidence rather than outright academic achievement. Characteristics including reliability, punctuality, honesty, teamwork and problem-solving are included in the range of subjects taught. The syllabus includes maths, English, music, art and sport.

Surfers Against Sewage

For the past year Symphony has been sponsoring the Surfers Against Sewage (SAS) educational tour and providing refuse bags containing **d$_2$w** for their beach clean up work.

During that time, over 2,000 students learned about marine litter and how best to stop this from becoming an issue in the future. SAS also organised two beach clean tours during the year, clearing 14 beaches. 1,100 volunteers used **d$_2$w** refuse sacks to remove over 2.5 tonnes of litter. SAS also ran educational events at the UK's biggest surf competition 'The Relentless Boardmasters' which attracted over 150,000 attendees.

Environment Engineering Group (EEG)

EEG is an NGO based in Novi Sad, SERBIA. It has been actively organising the 'Save Fruska Gora – take away your waste with you' day for many years now. The action is traditionally supported by National Park Fruska Gora and the Rotaract club Novi Sad. In 2011 Symphony Environmental and its distributor Mirjana Gojak from Slovenia joined forces with EEG to help and support the cleanup of the National Park. The Serbian people have a long lasting tradition of celebrating the May Day Holiday by having BBQs and picnics in the park, which has caused the accumulation of a lot of plastic waste. Symphony donated 20,000 rubbish bags containing its oxo-biodegradable **d$_2$w** additive. 14,000 bags were used for the clean-up of the National Park in Fruska Gora before and after the celebration of the May Day holiday and 6.000 were distributed to the park's visitors to allow them to clear away the rubbish they had created.

Top: Four of 2,000 school students helping to keep the beaches clean.

Above: Distributor Mirjana Gojak (pictured right) and team at 'Save Fruska Gora – take away your waste with you' day.

For more visit www.degradable.net

Dear Symphony,

Hello, I am Sheela Bazroy, the head teacher of Gairatpur Baas Panchayat School. I have been here for nearly 3 years now and it's very rewarding. I have come from a state called Jharkhand, that is very close to Kolkatta and I like the work that I am doing here. I am so thankful to have come here to experience a totally new methodology of education conducted by this school.

When I joined this school I saw that the children were so curious, friendly, didn't know proper hygiene, were little misbehaved but after the efforts of the teachers, who counselled the parents during the parents-teachers meetings, regular home visit we now see tremendous change in these children.

Today we have a total strength of 200 students who come to school each morning at 7 (even before the school timing which is from 8:30). We have classes from Montessori age 3 to age 10 with 13 teachers. This April we will be upgrading another class Grade VI who will be age 11.

We have a very good system of education for the primary classes by the name of iDiscoveri and its very different from the old traditional Indian education system. Our children are learning to comprehend whatever they are taught by practically doing them on their own. We even focus on other activities such as sports, music, arts and exploration of outside world like the visits to zoos, museums etc.

Its my privilege to thank you for the donations you made in the fund raiser held in June in the UK this year and because of it we were able to pay one of teachers salary. I was very fortunate to visit UK as an exchange program with our twinning school in Aldbourne. I visited some schools and studied the various teaching techniques followed there. It has now open a way for more teachers to visit each other's schools in the days to come.

Thank you for your support.

With Regards,

sheela

Sheela

Dear Symphony,

I am Muriel, I teach the accelerated class. The concept of this class is activity based and speaking English. At first it was quite tough for the children to understand due to the varied age groups and therefore level of language. Looking back over their progress, the children from grade 4 and 5 have definitely been able to handle the step up in difficulties, but the younger ones (grade 2 and 3) have been struggling slightly. Despite the groups being of different levels, all the children are keen to learn and improve their speaking and writing in English (they often talk to each other in whatever English they can). It is good that we have this class, because it means that they have been able to talk their English and school work far beyond that of others their age.

Thanks.

Muriel

Muriel

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Chief Executive's Review

I am pleased to report the Group made further material profits in 2011, after substantially increasing investment into sales, marketing and product development.

This year's financial performance reflects a consolidation of sales revenue with a lower profit performance. The main **d$_2$w** product range saw an increase in volume which was more than offset by a further planned reduction in the lower-margin finished goods. Maiden sales and rentals for the **d$_2$Detector** occurred in the second half of the year.

Investment into the key growth areas of the business was increased as stronger market indicators presented more interest and opportunities. In particular we have broadened the product range, increased R&D, and expanded the marketing and sales activities.

I am also very pleased we attained ISO14001 accreditation for Environmental Management which complements our ISO9001 status, and adds further strength to the business and its products, and at the same time places us much further ahead of many other companies in our field.

Positive legislative changes in favour of oxo-biodegradable products continued to gain momentum. In particular, in the UAE it is now a legal requirement for most disposable plastics to be made with **d$_2$w** type oxo-biodegradable products. There has also been positive legislation elsewhere and the combination of **d$_2$w** with the **d$_2$Detector** device allows effective enforcement of these new legislative changes.

The number of distributors increased again from 61 to 67 resulting in further market potential for our products. The **d$_2$w** market continues to grow in strength which is now being augmented with **d$_2$p** products and the **d$_2$Detector** device.

The number of distributors increased again from 61 to 67 resulting in further market potential for our products.

Symphony Energy is progressing with its work on tyre recycling developments and we continue with this significant investment program as there are a number of products that could come to commercial fruition.

Trading results
Total Group revenues were higher at £8.54 million (2010: £8.48 million). Group gross profit margins reduced from 57% to 54%. These factors resulted in a 5% decrease in the contribution from gross profit from £4.83 million in 2010 to £4.59 million in 2011. Gross margins decreased due to exchange rates and higher raw material costs.

Expenses before non-recurring items increased by 14% to £3.90 million from £3.41 million in 2010. This was primarily due to increases in R&D and marketing. Amongst the many R&D activities undertaken, the Group set up a new development facility in Telford UK to complement the work being carried out in Great Yarmouth and Borehamwood. This facility started operations in January 2012. Dedicated marketing activities took place in the USA and mainland Europe. Total staff costs were marginally lower at £2.02 million (2010: £2.08 million) and Directors' emoluments reduced to £0.89 million from £0.99 million in 2010.

The Group made an operating profit of £0.50 million compared with £1.13 million in 2010, resulting in the Group's profit before tax of £0.42 million compared with a profit before tax of £1.01 million in 2010.

Development costs of £0.24 million were capitalised in 2011 (2010: £0.32 million). The net book value of capitalised development costs at the end of the year amounted to £0.98 million. Further development expenditure of £0.34 million (2010: £0.21 million) was charged directly to the income statement. Capitalised development costs represent 6% of expenses as detailed above. Within the total amount of £0.98 million capitalised to date are: £0.37 million relating to Symphony Energy; £0.27 million relating to **d_2w** products which have been developed and are being sold; and the balance of £0.34 million, relating to further environmental plastic applications still in development, and where we believe significant revenues will be generated in the foreseeable future.

As a result of the continued strong performance and in consideration of future performance, a further deferred tax credit of £0.10 million has been recognised in 2011 resulting in a carried forward recognised tax asset at the end of the year of £1.28 million.

The Group reports a profit for the year of £0.52 million with basic earnings per share of 0.42 pence (2010: 1.02 pence).

The Group's primary selling currency is the US Dollar. The Group hedges where possible by purchasing in US Dollars and has banking facilities in place in order to secure rates going forward. As at 31 December 2011 the Group had a net balance of US Dollar assets totalling $5.14 million (2010: $3.21 million).

Segmental analysis
The Group operates two divisions which are classified as segments in the financial report, being the Plastics division and the Waste-to-Value division.

The Plastics division includes all revenues associated with **d_2w**, **d_2p**, **d_2Detector**, be they additives or finished products. The Plastics division saw **d_2w** additive volumes increase by 10% during the year with **d_2w** revenues stable at £8.41 million (2010: £8.41 million). Finished product revenues fell as planned to £0.37 million in 2011 from £0.88 million in 2010. Additive revenues increased to £8.05 million in 2011 from £7.58 million in 2010.

The Plastics EBITDA for 2011 was £0.86 million from £1.47 million in 2010.

The Waste-to-Value division saw continued expenditure of £0.22 million for the year resulting in an EBITDA loss of the same amount (2010 expenditure and EBITDA loss: £0.22 million).

Cashflow
The Group consumed £0.19 million from operations (2010: generated £0.53 million). As with the previous year, trade was weighted strongly to the fourth quarter of 2011 which resulted in a high trade receivables balance as at 31 December 2011 leading to high cash utilisation at that point in time. The Group has a £1 million trade finance facility with HSBC Bank plc which is used to manage Group working capital.

In addition to development costs detailed above, £0.24 million was invested in plant and equipment, primarily in setting up a development centre in Telford, UK, together with other laboratory equipment and facilities. A total of £0.28 million was spent on property, plant and equipment in 2011 (2010: £0.39 million).

£1.73 million (net) was raised during the year by way of a placing. Loans totalling £0.75 million were repaid in full during the year.

Symphony Energy (Waste-to-Value)
The RuPERT tyre recycling project was extended during the year and is set for completion during 2012. The Group continues to invest in and is actively pursuing commercial outlets for elements within the project.

Current trading and outlook
In commercial terms, 2011 was our most successful year as more countries legislated in favour of oxo-biodegradable technology, such as **d_2w**. The business has built strong relationships and created synergies around the world, giving Symphony access to new and upgraded technologies as they come online. Since the year end we have been seeing increased activity within the distribution network, especially where legislation is the driving force.

Having developed an extensive and far reaching distribution network, which now covers more than 90 countries worldwide the main function for the Group continues to be the expansion of products and support services as well as to enhance the **d_2w** and **d_2p** brands.

We are pleased with the positive progress made, and are optimistic for a substantial increase in our future growth prospects.

Michael Laurier
Chief Executive
13 March 2012

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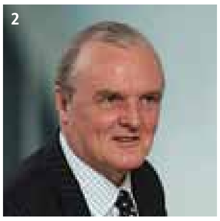
Board of Directors



1. Nirj Deva, DL, FRSA, MEP
(Non-Executive Chairman of the Board)
Mr. Deva has been a Member of the European Parliament since 1999 and is Vice-chairman of the Parliament's International Development Committee. He is also Chairman of the EU-China Friendship Group. From 1992-97 he was a member of the UK Parliament. He has held a number of senior political appointments and has advised the boards of a number of public companies including International Leisure Group, Air Europe Plc, Tricentrol Oil Co Plc, EDS, Television South West, Thomas Howell Group, John Laing Plc, Aitken Spence, and Rothmans International Plc.

2. Michael Stephen, LL.M
(Deputy Chairman)
Michael Stephen is Commercial Director and Deputy Chairman of the Plc, and Chairman of its subsidiary companies. He qualified as a Solicitor with Distinction in Company Law. He was called to the Bar, and practised from chambers in London for many years, dealing with civil cases in the High Court and Court of Appeal. He was a member of the UK Parliament 1992-97 and was a member of the Trade and Industry Select Committee and the Environment Select Committee of the House of Commons. He served in Government as Parliamentary Private Secretary at the Ministry of Agriculture. He held a Harkness Fellowship in law at Stanford and Harvard Universities in the USA, and was Deputy Legal Adviser to the British Ambassador to the United Nations for the 25th General Assembly.

3. Michael Laurier
(Chief Executive Officer of the Company)
Michael is the Chief Executive of the Company. Michael's career began with his long established family packaging business, Brentwood Sack and Bag Co Limited. He took over responsibility for sales and production in the mid-1970s and changed the emphasis of the company's business from jute products to polythene packaging, introducing the then innovative high density and medium density polythene bags into the UK market in 1975. He was appointed Managing Director of Brentapac UK Plc, which formerly owned the Tuffy trademark, in 1985, with continuing responsibility for national and international sales. He co-founded Symphony Plastics in 1995.

4. Ian Bristow, FCCA
(Finance Director and Company Secretary)
Ian was in private practice for seven years, qualifying as a certified accountant in 1992. In 1994, he joined Brentapac UK Plc until it was sold in 1994. He went on to co-found Symphony Plastics in 1995.

5. Michael F Stephens
(Technical Director)
Michael began his career with Excelsior Plastics Limited, a division of Unigate, progressing over a period of ten years to sales director. Leaving in 1981, he worked for Sempol Products, Autobar Group and ACP Plastics (a subsidiary of S P Metal Group), all manufacturers of packaging films. In 1988, Michael founded Skymark Packaging International Limited, serving the snack food, bakery, mail wrap, paper disposable markets, which he left in November 1997 to join Symphony. Michael is a member of the British Standards Institute packaging committee and a member of the European Standards Committees for degradable agricultural and packaging films. He has represented the UK on the ISO committee.

6. Nicolas Clavel
(Non-Executive Director)
Nicolas Clavel started his career in international banking in the mid seventies and his area of expertise has been structured trade finance and equity investments with a particular focus on Emerging Markets. He is Chief Investment Officer of Scipion Capital Ltd., (the Investment Manager of Scipion African Opportunities Fund SPC) and is personally CF 1, 3, 11 and CF30 approved by the UK Financial Services Authority. Nicolas is Swiss, and is based in London and Geneva. He is fluent in English, French, Italian and German.

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Directors' Report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2011.

Principal activities and business review
The primary business activities of the Group are the development and supply of environmental plastic 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 £520,000 (2010: £1,192,000).

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	2011	2010	Method of calculation
Sales **d$_2$w** (£'000)	**8,414**	8,456	Sales revenue solely of **d$_2$w** additives and products.
Gross profit margin (%)	**54%**	57%	The ratio of gross profit to sales.
Number of distributors	**67**	61	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 environmental plastic 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.

Policy on the payment of creditors
It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction and to ensure that suppliers are aware of these terms and abide by them. Trade payables at the year end amount to 86 days (2010: 71) of average supplies for the year for the Group and 57 days (2010: 35) for the Company.

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

Foreign exchange risk
The Group sells products in many countries and so generates revenues in US Dollars and Euros. Foreign exchange rates fluctuate and as such, assets created in foreign currencies are liable to constant revaluations into their Sterling equivalent. The Group mitigates this risk by purchasing, where practicable, in currencies to match revenues. The Group also has exchange facilities with its bank to use as and when appropriate.

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

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

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Directors' Report (continued)

Directors' responsibilities statement
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The parent Company's own financial statements continue to be prepared in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

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

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

In so far as each of the Directors is aware:

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

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

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

Corporate governance
The Group is committed to developing and adhering to high standards of corporate governance. As an AIM listed company it is not required to comply with the UK Corporate Governance 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.

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

BY ORDER OF THE BOARD

I Bristow
Company Secretary
13 March 2012

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Remuneration Report

Directors' emoluments

	Basic salary or fees £'000	Benefits £'000	Pension £'000	**2011 Total Emoluments £'000**	2010 Total Emoluments £'000
N Deva	51	–	–	**51**	55
M Laurier	133	3	117	**253**	287
I Bristow	155	3	15	**173**	205
M Stephen	171	8	–	**179**	208
M F Stephens	180	8	15	**203**	175
N Clavel	34	–	–	**34**	38
H Swire	–	–	–	**–**	17
	724	22	147	**893**	985

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

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

Directors' interests

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

Ordinary Shares of £0.01 each	**At 31 December 2011**	At 1 January 2011
N Deva	**290,425**	178,425
M Laurier	**15,175,600**	15,063,600
I Bristow	**1,063,925**	1,063,925
M Stephen	**490,998**	435,998
M F Stephens	**311,294**	311,294
N Clavel	**350,000**	350,000

Share options

The following Directors have share options or agreements for share options:

	Number of share options	Exercise price (pence per share)	Exercisable from	Exercisable to
N Deva	1,500,000	4.500	26 November 2008	26 November 2018
N Deva	250,000	9.875	18 December 2011	18 December 2019
M Laurier	1,851,500	4.500	26 November 2008	26 November 2018
M Laurier	350,000	9.125	31 March 2011	30 March 2020
I Bristow	3,000,000	4.500	26 November 2008	26 November 2018
I Bristow	280,000	9.125	31 March 2011	30 March 2020
M Stephen	1,200,000	6.250	28 April 2007	28 April 2017
M Stephen	2,000,000	4.500	26 November 2008	26 November 2018
M Stephen	210,000	9.125	31 March 2011	30 March 2020
M F Stephens	210,000	9.125	31 March 2011	30 March 2020
N Clavel	500,000	4.500	16 October 2010	16 October 2018
N Clavel	250,000	9.875	18 December 2011	18 December 2019

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

Gains made by directors on share options

During the year M Laurier exercised 648,700 share options, and M F Stephens exercised 1,000,000 share options.

The table below shows gains made by those directors from the exercise of share options during 2011. The gains are calculated as at the exercise date.

	2011 £'000	2010 £'000
M Laurier	**85**	–
M F Stephens	**131**	–
	216	–

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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 2011 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement, the parent Company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Simon Jones
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes
13 March 2012

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Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Revenue	5		**8,542**		8,482
Cost of sales			**(3,956)**		(3,650)
Gross profit			**4,586**		4,832
Distribution costs			**(180)**		(174)
Administrative expenses – recurring		**(3,902)**		(3,411)	
Administrative expenses – non-recurring		**–**		(119)	
Administrative expenses	6		**(3,902)**		(3,530)
Operating profit – recurring		**504**		1,247	
Operating loss – non-recurring		**–**		(119)	
Operating profit	6		**504**		1,128
Finance income	8		**2**		–
Finance costs	8		**(90)**		(123)
Profit for the year before tax			**416**		1,005
Tax credit	9		**104**		187
Profit for the year			**520**		1,192
Total comprehensive income for the year			**520**		1,192
Basic earnings per share	10		**0.42p**		1.02p
Diluted earnings per share	10		**0.37p**		0.90p

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.

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Consolidated Statement of Financial Position (Balance Sheet)
as at 31 December 2011

Company number 3676824

	Note	2011 £'000	2010 £'000
Assets			
Non-current			
Property, plant and equipment	11	**586**	462
Intangible assets	12	**1,002**	784
Deferred income tax asset	9a	**1,277**	1,180
Available-for-sale financial assets	14	**15**	15
		2,880	2,441
Current			
Inventories	15	**399**	281
Trade and other receivables	16	**3,782**	2,928
Cash and cash equivalents	17	**291**	85
		4,472	3,294
Total assets		**7,352**	5,735
Equity			
Equity attributable to shareholders of Symphony Environmental Technologies plc			
Ordinary shares	18	**1,278**	1,173
Share premium	18	**1,646**	17
Retained earnings	18	**2,412**	1,863
Total equity		**5,336**	3,053
Liabilities			
Non-current			
Interest bearing loans and borrowings	20	**31**	142
		31	142
Current			
Interest bearing loans and borrowings	20	**518**	1,176
Trade and other payables	19	**1,467**	1,364
		1,985	2,540
Total liabilities		**2,016**	2,682
Total equity and liabilities		**7,352**	5,735

These financial statements were approved by the Board of Directors on 13 March 2012 and authorised for issue on 13 March 2012. They were signed on its behalf by:

I Bristow FCCA
Finance Director

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

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Consolidated Statement of Changes in Equity
for the year ended 31 December 2011

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 2011					
Balance at 1 January 2011	1,173	17	–	1,863	3,053
Issue of share capital	105	1,629	–	–	1,734
Share-based payments	–	–	–	29	29
Transactions with owners	105	1,629	–	29	1,763
Profit and total comprehensive income for the year	–	–	–	520	520
Balance at 31 December 2011	**1,278**	**1,646**	**–**	**2,412**	**5,336**
For the year to 31 December 2010					
Balance at 1 January 2010	1,165	13,253	822	(13,447)	1,793
Issue of share capital	8	25	–	–	33
Capital reduction (note 18)	–	(13,261)	(822)	14,083	–
Share-based options	–	–	–	35	35
Transactions with owners	8	(13,236)	(822)	14,118	68
Profit and total comprehensive income for the year	–	–	–	1,192	1,192
Balance at 31 December 2010	1,173	17	–	1,863	3,053

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

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Consolidated Cash Flow Statement
for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Operating activities			
Net cash (used)/from operations	21	**(194)**	527
Tax received		**7**	–
Net cash (used)/from operating activities		**(187)**	527
Investing activities			
Additions to property, plant and equipment		**(280)**	(389)
Proceeds from disposals of property, plant and equipment		**44**	16
Additions to intangible assets		**(247)**	(325)
Net cash used in investing activities		**(483)**	(698)
Financing activities			
Proceeds from loans		**–**	270
Repayment of loans		**(750)**	(70)
Movement in working capital facility		**327**	(259)
New finance leases		**4**	47
Discharge of finance lease liability		**(14)**	(20)
Proceeds from share issue		**1,734**	33
Interest paid		**(90)**	(123)
Net cash used in financial activities		**1,211**	(122)
Net change in cash and cash equivalents		**541**	(293)
Cash and cash equivalents, beginning of year		**(361)**	(68)
Cash and cash equivalents, end of year		**180**	(361)

The reconciliation to the cash and cash equivalents as reported in the statement of financial position is as follows:

	Note	2011 £'000	2010 £'000
Loans and receivables:			
Cash at bank and in hand	17	**291**	85
Financial liabilities measured at amortised cost:			
Bank overdraft	20	**(111)**	(446)
Cash and cash equivalents, end of year		**180**	(361)

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

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Notes to the Annual Report and Accounts

1 General information

Symphony Environmental Technologies plc ('the Company') and subsidiaries (together 'the Group') develop and supply environmental plastic additives and products, and develop waste to value systems.

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

2 Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union, issued and effective or issued as at 31 December 2011, and also comply with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies have remained unchanged from the previous year.

Going concern

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

Business combinations exemption

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

Accordingly the classification of the combination remains unchanged from that used under 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 Environmental Limited (formerly Symphony Plastics Limited) on 9 December 1999 was accounted for under merger accounting under UK GAAP and has been treated in this manner under IFRS as the business combination exemption has been adopted in these Annual Report and Accounts. The merger accounting method requires assets and liabilities to not be adjusted to fair value and the results of the subsidiary to be included as if it had always been part of the Group. Therefore, the results of the Group include both the results pre and post-acquisition.

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.

There are currently two service lines, 'Plastics' and 'Waste-to-Value'. The Plastics service line includes all activities in relation to the sale of plastic products and their associated items. This includes the sale of plastic degradable additives, finished goods and **d_2Detectors**. Non-degradable products were disclosed in previous years as a separate segment. This year, non-degradable is included within the Plastics segment as it is now part of the same operation. It also represents a small fraction of overall revenues. 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 available-for-sale financial assets held by the Group.

Segment information is presented in accordance with IFRS 8 for all periods presented. IFRS 8 only requires disclosure of segment information.

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Notes to the Annual Report and Accounts (continued)

2 Summary of significant accounting policies (continued)

Revenue

Degradable and non-degradable goods, and associated products (plastics segment)

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

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

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

Non-recurring items

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

Intangible assets

Research and development costs

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

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

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

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

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

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

d$_2$w and other additives	– 15 years straight line.
Symphony Energy	– over expected useful economic life of the asset once completed.

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.
Fixtures and fittings Elstree Gate	– 10% straight line.
Motor vehicles	– 20% reducing balance.
Office equipment	– 25% straight line.

The residual value is reconsidered annually.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group currently has the following financial assets:

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

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

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Notes to the Annual Report and Accounts (continued)

2 Summary of significant accounting policies (continued)

Financial assets (continued)

Finance leases receivable

Goods sold under finance leases are recognised as a sale on date of the finance lease agreement or if later, when substantially all the risks and rewards of ownership of the asset have passed to the lessee. The capital element of future lessee obligations is included in assets in the statement of financial position.

The interest elements of the rental obligations are credited to the income statement over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals receivable under operating leases are credited to the income statement on a straight line basis over the lease term.

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.

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.

Financial liabilities

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

The Group's financial liabilities include trade payables, other creditors, bank overdraft, bank loans and other loans. These are classified as financial liabilities measured at amortised cost.

Financial liabilities measured at amortised cost are initially 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.

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

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. 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 equity.

Equity

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares;
- 'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue; and
- 'Retained earnings' represents non-distributed reserves.

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 9 Financial Instruments (effective from 1 January 2015)
The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with the replacement standard to be effective for annual periods beginning 1 January 2015. 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.

Consolidation Standards
A package of consolidation standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements (IFRS 10)
IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

IFRS 11 Joint Arrangements (IFRS 11)
IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)
IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential Amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures (IAS 28)
IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

IFRS 13 Fair Value Measurement (IFRS 13)
IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

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:

	2011 £'000	2010 £'000
Financial assets:		
Available-for-sale	**15**	15
Loans and receivables	**3,908**	2,894
	3,923	2,909
Financial liabilities:		
Financial liabilities measured at amortised cost	**1,494**	2,208
	1,494	2,208

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Notes to the Annual Report and Accounts (continued)

3 Financial risk management (continued)

Liquidity risk

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

The maturity of financial liabilities as at 31 December 2011 is summarised as follows:

Gross cash flows:	Trade payables and accruals £'000	Lease purchase £'000	Loans £'000	Bank £'000	Total £'000
Zero to sixty days	**1,229**	**7**	**382**	**111**	**1,729**
Sixty-one days to three months	**–**	**3**	**–**	**–**	**3**
Four months to six months	**–**	**7**	**–**	**–**	**7**
Seven months to one year	**–**	**21**	**–**	**–**	**21**
One year to three years	**–**	**24**	**–**	**–**	**24**
More than three years	**–**	**4**	**–**	**–**	**4**
	1,229	**66**	**382**	**111**	**1,788**

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

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

Interest rate risk

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

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

The Group's exposure to interest rate risk as at 31 December 2011 is summarised as follows:

	Fixed £'000	Variable £'000	Zero £'000	Total £'000
Cash and cash equivalents	**–**	**291**	**–**	**291**
Trade receivables	**–**	**–**	**3,524**	**3,524**
VAT	**–**	**–**	**67**	**67**
Other debtors	**–**	**–**	**93**	**93**
	–	**291**	**3,684**	**3,975**
Trade payables	**–**	**–**	**(1,001)**	**(1,001)**
Other creditors	**–**	**–**	**(134)**	**(134)**
Bank overdraft	**–**	**(111)**	**–**	**(111)**
Other loans	**–**	**(382)**	**–**	**(382)**
	–	**(202)**	**2,549**	**2,347**
Sensitivity: increase in interest rates of 5%	**–**	**(10)**	**–**	**(10)**
Sensitivity: decrease in interest rates of 1%	**–**	**2**	**–**	**2**

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

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

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 statement of financial position together with a sensitivity analysis showing the effect of a 10% change in rate with Sterling is shown below:

	Currency	**Sterling 2011 £'000**	**Currency balance 2011 '000**	Sterling 2010 £'000	Currency balance 2010 '000
Financial assets	Euro	**249**	**€298**	263	€306
Financial liabilities	Euro	**(91)**	**€(109)**	(476)	€(552)
Net balance	Euro	**158**	**€189**	(213)	€(246)
Effect of 10% sterling increase		**14**		23	
Effect of 10% sterling decrease		**(17)**		(23)	
Financial assets	USD	**3,840**	**$5,961**	2,377	$3,679
Financial liabilities	USD	**(526)**	**$(817)**	(301)	$(467)
Net balance	USD	**3,314**	**$5,144**	2,076	$3,212
Effect of 10% sterling increase		**(301)**		(188)	
Effect of 10% sterling decrease		**368**		188	

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

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

	2011 £'000	2010 £'000
Loans and receivables:		
Trade receivables	**3,524**	2,745
Cash and cash equivalents	**291**	85
	3,815	2,830

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 82% (2010: 83%) of the above trade receivables.

Notes to the Annual Report and Accounts (continued)

3 Financial risk management (continued)

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

The maturity of overdue debts is set out in note 16. During the period debts totalling £nil (2010: £30,000) were written off. Debts totalling £nil (2010: £134,000) were written back during the year.

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

4 Critical accounting estimates and judgements

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

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

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

Share option judgements
Judgements relating to share-based payment charges are detailed in note 18.

Going concern
Judgements relating to going concern are detailed in note 2.

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

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

Recognition of deferred tax assets
Estimates relating to a deferred tax asset are detailed in note 9a.

5 Segmental information

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

The segmental results for the year ended 31 December 2011 are as follows:

Business segments Twelve months to 31 December 2011	Plastics £'000	Waste to value £'000	Group £'000
Segment revenues	8,542	–	8,542
Share-based payments	(29)	–	(29)
Apportioned costs	(7,649)	(222)	(7,871)
EBITDA	864	(222)	642
Depreciation and amortisation	(138)	–	(138)
Interest	(88)	–	(88)
Taxation	104	–	104
Profit/(loss) for the year	742	(222)	520

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

Business segments Twelve months to 31 December 2010	Plastics £'000	Waste to value £'000	Group £'000
Segment revenues	8,482	–	8,482
Share-based payments	(35)	–	(35)
Apportioned costs	(6,977)	(218)	(7,195)
EBITDA	1,470	(218)	1,252
Depreciation and amortisation	(124)	–	(124)
Interest	(123)	–	(123)
Taxation	187	–	187
Profit/(loss) for the year	1,410	(218)	1,192

Revenues stated are from external customers.

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

Two segments have been amalgamated since last year. These are detailed in note 2.

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 2011 and capital expenditure for the year then ended are as follows:

£'000	**Plastics**	**Waste to value**	**Unallocated**	**Group**
Assets	**6,967**	**370**	**15**	**7,352**
Liabilities	**(2,016)**	**–**	**–**	**(2,016)**
Capital expenditure	**436**	**91**	**–**	**527**
Depreciation and amortisation	**138**	**–**	**–**	**138**

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

£'000	Plastics	Waste to value	Unallocated	Group
Assets	5,442	278	15	5,735
Liabilities	(2,682)	–	–	(2,682)
Capital expenditure	634	80	–	714
Depreciation and amortisation	124	–	–	124

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

Geographical areas	**2011 £'000 Revenue**	**2011 £'000 Non-current assets**	2010 £'000 Revenue	2010 £'000 Non-current assets
UK	**363**	**1,588**	676	1,246
Europe	**1,610**	**–**	1,277	–
Americas	**4,621**	**–**	4,362	–
Other	**1,948**	**–**	2,167	–
Total	**8,542**	**1,588**	8,482	1,246

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Notes to the Annual Report and Accounts (continued)

5 Segmental information (continued)

Major customers

Within plastics, two customers accounted for greater than 10% of total Group revenues for 2011 (2010: two customers). One customer accounted for £1,240,000, or 15%, the other customer £881,000 or 10% (One customer accounted for £1,318,000, or 16%, the other customer £1,076,000 or 13% of total Group revenues for 2010).

6 Operating profit

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

	2011 £'000	2010 £'000
Depreciation	**109**	96
Amortisation	**29**	28
Loss on disposal of property, plant and equipment	**2**	31
Research and development expenditure not capitalised	**339**	209
Operating lease rentals:		
Land and buildings	**111**	23
Plant and equipment	**6**	6
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	**26**	27
Interim review	**1**	1
Other services relating to taxation	**23**	35
Net foreign exchange loss/(gain)	**49**	(35)
Non-recurring items:		
Reorganisation costs	**–**	119

7 Employee benefit expense

	2011 £'000	2010 £'000
Wages and salaries	**1,656**	1,727
Social security costs	**209**	210
Other pension costs	**157**	139
	2,022	2,076

Average number of people employed:

	2011	2010
Testing and technical	**8**	8
Selling	**8**	6
Administration	**9**	9
Management	**6**	6
Marketing	**3**	2
Total average headcount	**34**	31

Remuneration in respect of the Directors was as follows:

	2011 £'000	2010 £'000
Emoluments	**746**	881
Pension contributions	**147**	104
	893	985

Key management remuneration:

	2011 £'000	2010 £'000
Short-term employee benefits	**746**	853
Share-based payment charges	**–**	28
Post-employment benefits	**147**	104
	893	985

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

8 Finance income and costs

	2011 £'000	2010 £'000
Interest income:		
Finance lease interest	**2**	–
Total finance income	**2**	–
Interest expense:		
Bank borrowings	**8**	4
Other interest	**65**	109
Finance charges	**17**	10
Total finance costs	**90**	123
Net finance costs	**88**	123

9 Tax credit

	2011 £'000	2010 £'000
Net deferred tax credit (see note 9a)	**97**	187
R&D tax credit	**7**	–
Total income tax credit	**104**	187

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 26% (2010: 28%). The differences are explained as follows:

	2011 £'000	2010 £'000
Profit for the year before tax	**416**	1,005
Tax calculated by rate of tax on the result	**108**	281
Effective rate for year at 26.5% (3m @ 28% and 9m @ 26%)	**2**	–
Expenses not deductible for tax purposes	**23**	22
Capital allowances in excess of depreciation	**(48)**	(58)
Income not subject to tax	**–**	(118)
Tax losses utilised	**(85)**	(190)
Tax losses carried forward	**–**	63
Movement in deferred income tax asset (see note 9a)	**97**	187
R&D tax credit	**7**	–
Total income tax credit	**104**	187

9a Deferred income tax asset

	2011 £'000	2010 £'000
Deferred income tax asset brought forward	**1,180**	993
Change in tax rate	**(24)**	–
Notional tax charge	**(108)**	(190)
Recognised in the year	**229**	377
Deferred income tax asset carried forward	**1,277**	1,180

There are tax losses of approximately £11,381,000 (2010: £11,300,000).

Of these losses, an additional deferred tax asset of £229,000 has been recognised in this year's accounts (2010: £377,000) resulting in a total asset recognised of £1,277,000 (2010: £1,180,000). There is a total potential tax asset of £2,845,000 using a rate of future corporation tax rate of 25%.

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

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Notes to the Annual Report and Accounts (continued)

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	2011	2010
Profit attributable to equity holders of the Company	**£520,000**	£1,192,000
Weighted average number of ordinary shares in issue	**123,853,985**	116,799,645
Basic earnings per share	**0.42 pence**	1.02 pence
Dilutive effect of weighted average options and warrants	**15,441,979**	15,036,097
Total of weighted average shares together with dilutive effect of weighted options and warrants	**139,295,964**	131,835,742
Diluted earnings per share	**0.37 pence**	0.90 pence

No dividends were paid for the year ended 31 December 2011 (2010: £nil).

A further 3,354,521 options were outstanding at the end of the year which may become dilutive in future years.

11 Property, plant and equipment

	Plant & machinery £'000	Fixtures & fittings £'000	Fixtures & fittings Elstree Gate £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
At 1 January 2010						
Cost	157	85	–	163	196	601
Accumulated depreciation	(73)	(64)	–	(76)	(172)	(385)
Net book amount	84	21	–	87	24	216
Year ended 31 December 2010						
Opening net book amount	84	21	–	87	24	216
Additions	23	–	209	23	134	389
Disposals	(13)	(1)	–	(21)	(12)	(47)
Depreciation charge	(19)	(5)	(16)	(29)	(27)	(96)
Closing net book amount	75	15	193	60	119	462
At 1 January 2011						
Cost	138	67	209	124	148	686
Accumulated depreciation	(63)	(52)	(16)	(64)	(29)	(224)
Net book amount	75	15	193	60	119	462
Year ended 31 December 2011						
Opening net book amount	75	15	193	60	119	462
Additions	247	–	7	19	7	280
Disposals	(46)	–	–	(16)	–	(62)
Depreciation charge	(31)	(4)	(21)	(16)	(37)	(109)
Eliminated on disposal	3	–	–	12	–	15
Closing net book amount	**248**	**11**	**179**	**59**	**89**	**586**
At 31 December 2011						
Cost	339	67	216	127	155	904
Accumulated depreciation	(91)	(56)	(37)	(68)	(66)	(318)
Net book amount	248	11	179	59	89	586

Included within net book value of motor vehicles, plant and machinery, and office equipment is £47,000 (2010: £67,000) relating to assets held under finance leases and hire purchase contracts. The depreciation charged to the financial statements in the year in respect of such assets amounted to £16,000 (2010: £13,000).

12 Intangible assets

	Development costs £'000	Trademarks £'000	Total £'000
At 1 January 2010			
Cost	510	40	550
Accumulated amortisation	(44)	(19)	(63)
Net book amount	466	21	487
Year ended 31 December 2010			
Opening net book amount	466	21	487
Additions	317	8	325
Amortisation charge	(24)	(4)	(28)
Closing net book amount	759	25	784
At 1 January 2011			
Cost	827	48	875
Accumulated amortisation	(68)	(23)	(91)
Net book amount	759	25	784
Year ended 31 December 2011			
Opening net book amount	759	25	784
Additions	242	5	247
Amortisation charge	(24)	(5)	(29)
Closing net book amount	**977**	**25**	**1,002**
At 31 December 2011			
Cost	1,069	53	1,122
Accumulated amortisation	(92)	(28)	(120)
Net book amount	977	25	1,002

The Group relies on the continued development of its product range and in so doing is maintaining satisfactory goals in fulfilling its strategy (see Chairman's Statement and Chief Executive's Review). After taking this into account together with the considerations of liquidity risk, see note 3, the Directors do not believe that there are any indicators of impairment.

Development costs are capitalised in accordance with note 2. In capitalising these costs, judgements are made relating to ongoing feasibility and commerciality of products and systems being developed. In making these judgements, cashflow forecasts are used and these include significant estimates in respect to sales forecasts and future foreign exchange rates.

13 Subsidiary undertakings

Principal subsidiaries:

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the Group
Symphony Environmental Limited	England and Wales	Supply of environmental polyolefin products	100%	100%
Symphony Packaging Limited	England and Wales	Dormant	0%	100%
D2W Limited	England and Wales	Dormant	0%	100%
Symphony Plastics (2010) Limited	England and Wales	Dormant	0%	100%
Symphony Energy Limited	England and Wales	Development of waste to value systems	100%	100%
Elstree Gate Services Limited	England and Wales	Dormant	100%	100%
Symphony Environmental (Jamaica) Limited	Jamaica	Dormant	0%	100%

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

Elstree Gate Services Limited was incorporated on 24 November 2011 and is dormant.

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Notes to the Annual Report and Accounts (continued)

14 Available for sale financial assets

All non-current	2011 £'000	2010 £'000
Beginning and end of year	**15**	15

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

A value of £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

	2011 £'000	2010 £'000
Finished goods and goods for resale	**399**	281

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £4,052,000 (2010: £3,518,000). Included within the above assets is a provision for impairment of £nil (2010: £nil).

There is no collateral on the above amounts.

16 Trade and other receivables

	2011 £'000	2010 £'000
Loans and receivables:		
Trade receivables	**3,524**	2,745
Other debtors	**93**	64
VAT	**67**	85
Prepayments	**98**	34
	3,782	2,928

The Directors consider that the carrying value of trade and other receivables approximates to their book values. There is no provision for the impairment of receivables (2010: £nil). The maximum credit risk exposure at the balance sheet date equates to the fair value of trade receivables. Further disclosures are set out in note 3.

Included in trade receivables at 31 December 2011 are debtors which are past due but where no provision has been made as there has not been a change in the credit worthiness of these debtors and the amounts are considered recoverable. As of 31 December 2011 trade receivables of £556,000 (2010: £597,000) were past due and not impaired. The ageing analysis of these trade receivables is as follows:

	2011 £'000	2010 £'000
More than three months but less than six months	**220**	463
More than six months but not more than one year	**–**	–
More than one year	**336**	134
	556	597

Due to the different markets that the Group operates in, trade terms vary from cash on shipment of goods to payment 120 days from shipment.

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

Within other debtors are amounts receivable from finance leases totalling £63,000 (2010: £nil) of which £25,000 (2010: £nil) is due after more than one year.

17 Cash and cash equivalents

	2011 £'000	2010 £'000
Loans and receivables:		
Cash at bank and in hand	**291**	85

The carrying amount of cash equivalents approximates to their fair values. There is no collateral on the above amounts.

18 Equity

	Group and Company			Group		
	Ordinary shares Number	Ordinary shares £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2010	116,484,577	1,165	13,253	822	(13,447)	1,793
Profit for the year	–	–	–	–	1,192	1,192
Share-based payments	–	–	–	–	35	35
Proceeds from shares issued	800,000	8	25	–	–	33
Capital reduction	–	–	(13,261)	(822)	14,083	–
At 31 December 2010	117,284,577	1,173	17	–	1,863	3,053
At 1 January 2011	117,284,577	1,173	17	–	1,863	3,053
Profit for the year	–	–	–	–	520	520
Share-based payments	–	–	–	–	29	29
Proceeds from shares issued	10,559,000	105	1,629	–	–	1,734
At 31 December 2011	**127,843,577**	**1,278**	**1,646**	**–**	**2,412**	**5,336**

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

Proceeds from shares issued
The following ordinary shares were issued during the year:

Date	Ordinary shares Number	Details	Consideration £	Premium £
01 February 2011	50,000	Employee share option	1,375	875
09 February 2011	50,000	Employee share option	1,375	875
08 April 2011	25,000	Employee share option	688	438
19 May 2011	50,000	Employee share option	1,375	875
20 May 2011	10,384,000	Placing	1,729,164	1,625,324

Share options
As at 31 December 2011 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 2011 there were 5,075,000 staff options outstanding. No staff options were issued in 2011.

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:

	2011		2010	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January	**20,815,960**	**0.06**	15,840,960	0.05
Exercised	**(1,823,500)**	**0.05**	–	0.00
Granted	**–**	**0.00**	5,000,000	0.11
Forfeited/lapsed	**(195,960)**	**0.05**	(25,000)	0.02
Outstanding at 31 December	**18,796,500**	**0.06**	20,815,960	0.06

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Notes to the Annual Report and Accounts (continued)

18 Equity (continued)

Share options (continued)
The number of share options exercisable at 31 December 2011 was 16,196,500 (2010: 16,115,960). The weighted average exercise price of those shares exercisable was 5p (2010: 5p).

The weighted average option contractual life is ten years (2010: ten years) and the range of exercise prices is 2.75p to 37p (2010: 2.75p to 37p).

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

IFRS2 expense
There is an IFRS share-based charge for the year of £29,000 in relation to options granted in 2010 which are still vesting (2010: £35,000).

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:

	2011	2010
Weighted average exercise price	**£0.11**	£0.11
Calculated volatility	**12%**	12%
Expected life	**2-6 years**	2-6 years
Average risk-free rate	**3.50%**	3.50%
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 2005 being the year the Group changed strategy from being a supplier of finished products to one of development and supply of additives. No special features inherent to the options granted were incorporated into measurement of fair value.

19 Trade and other payables

	2011 £'000	2010 £'000
Current		
Financial liabilities measured at amortised cost:		
Trade payables	**1,001**	956
Other creditors	**134**	–
Social security and other taxes	**104**	80
Accruals and deferred income	**228**	328
	1,467	1,364

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

20 Interest bearing loans and borrowings

	2011 £'000	2010 £'000
Non-current		
Financial liabilities measured at amortised cost:		
Bank loan	**–**	89
Lease purchase liabilities	**31**	53
	31	142
Current		
Financial liabilities measured at amortised cost:		
Bank overdraft	**111**	446
Bank loan	**–**	50
Other loans	**382**	667
Lease purchase liabilities	**25**	13
	518	1,176

The bank overdraft of £111,000 (2010: £446,000) is included within the cashflow statement within cash and cash equivalents.

Other loans include:
An amount due relating to the invoice financing facility totalling £382,000 (2010: £314,000). Interest is charged at 2.41% over HSBC Bank plc base rate per annum.

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

	Gross 2011 £'000	Gross 2010 £'000	Net 2011 £'000	Net 2010 £'000
Amounts payable within one year	**31**	15	**25**	13
Amounts payable between one and two years	**14**	28	**11**	25
Amounts payable between three and five years	**21**	32	**20**	28
	66	75	**56**	66

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

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

21 Net cash (used)/from operations

	2011 £'000	2010 £'000
Profit after tax	**520**	1,192
Adjustments for:		
Depreciation	**109**	96
Amortisation	**29**	28
Loss on disposal	**2**	32
Share-based payments	**29**	35
Tax credit	**(104)**	(187)
Interest expense	**90**	123
Changes in working capital:		
Inventories	**(118)**	(69)
Trade and other receivables	**(853)**	(1,331)
Trade and other payables	**102**	608
Cash (used)/from operations	**(194)**	527

22 Commitments

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

	2011 £'000	2010 £'000
No later than one year	**3**	120
Later than one year and no later than five years	**369**	370
	372	490

23 Related party transactions

The loan made to the group by Michelle Laurier, spouse of Michael Laurier, was paid in full during the year. Interest on the loan had been calculated at 2% per month. The balance outstanding at 31 December 2011 was £nil (2010: £260,000).

The loan made to the group by Michael Laurier, was paid in full during the year. The loan was for the amount of £100,000 at no interest. The balance outstanding at 31 December 2011 was £nil (2010: £100,000).

24 Post balance sheet events

There have been no significant post balance sheet events.

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Notes to the Annual Report and Accounts (continued)

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:

	2011 £'000	2010 £'000
Total equity	**5,336**	3,053
Cash and cash equivalents	**(291)**	(85)
Capital	**5,045**	2,968
Total equity	**5,336**	3,053
Borrowings	**549**	1,318
Overall financing	**5,885**	4,371
Capital-to-financing ratio	**0.86**	0.68

The ratio-increase during 2011 is a result of continued profitability and strengthening in share capital resulting in a stronger equity position compared to financing. The Group aims to continue improvements in the capital-to-finance ratio through ongoing profitability.

26 Capital Commitments

The Group had capital commitments totalling £20,000 at the end of the year (2010: £130,000).

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

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Company Balance Sheet
at 31 December 2011

Company number 3676824

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	28	**32**	48
Investments	29	**2,150**	2,150
		2,182	2,198
Current assets			
Debtors	30	**1,929**	366
Cash at bank and in hand		**19**	–
		1,948	366
Creditors: amounts falling due within one year	31	**234**	330
Net current assets		**1,714**	36
Total assets less current liabilities		**3,896**	2,234
Creditors: amounts falling due after more than one year	32	**11**	183
		3,885	2,051
Capital and reserves			
Share capital	35	**1,278**	1,173
Share premium account	36	**1,646**	17
Profit and loss account	36	**961**	861
		3,885	2,051

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 2011. There are no recognised gains or losses other than its profit for the year as detailed in note 37.

These financial statements were approved by the Directors on 13 March 2012 and are signed on their behalf by:

I Bristow FCCA
Finance Director

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

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Notes to the Company Balance Sheet

27 Principal accounting policies

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

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

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

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

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

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

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

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

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

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

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

Investments
Investments are included at cost less amounts written off.

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

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

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

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

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

28 Tangible fixed assets

	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 January 2011	27	74	101
Disposals	–	(16)	(16)
At 31 December 2011	**27**	**58**	**85**
Depreciation			
At 1 January 2011	15	38	53
Charge for the year	3	9	12
Eliminated on disposal	–	(12)	(12)
At 31 December 2011	**18**	**35**	**53**
Net book value			
At 31 December 2011	**9**	**23**	**32**
At 31 December 2010	12	36	48

Included within the net book value of £32,000 is £13,000 (2010: £24,000) relating to assets held under finance leases and hire purchase contracts. The depreciation charged to the financial statements in the year in respect of such assets amounted to £4,000 (2010: £8,000).

29 Investments

	2011 £'000	2010 £'000
Shares in Group undertakings		
At beginning of the year	**2,150**	150
Subsidiary bonus issue	**–**	2,000
At end of year	**2,150**	2,150

Group undertakings are detailed in note 13.

30 Debtors

	2011 £'000	2010 £'000
Amounts owed by Group undertakings	**1,913**	310
VAT	**7**	50
Prepayments	**9**	6
	1,929	366

31 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	**31**	16
Bank overdraft	**–**	8
Other taxation and social security	**16**	3
Amounts due under finance leases and hire purchase agreements	**2**	3
Other creditors	**134**	251
Accruals	**51**	49
	234	330

32 Creditors: amounts falling after more than one year

	2011 £'000	2010 £'000
Amounts due under finance leases and hire purchase agreements	**11**	13
Amounts owed to Group undertakings	**–**	170
	11	183

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Notes to the Company Balance Sheet (continued)

33 Commitments under finance leases and hire purchase agreements

	2011 £'000	2010 £'000
Amounts payable within one year	**2**	3
Amounts payable between one and two years	**3**	2
Amounts payable between three and five years	**8**	11
	13	16

34 Contingent liabilities

The Company has guaranteed all monies due to its bankers by Symphony Environmental Limited, Symphony Energy Limited and Symphony Plastics (2010) Limited. At 31 December 2011 the net indebtedness of these companies amounted to £nil (2010: £537,000).

35 Share capital

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

36 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2011	17	861
Retained profit for the year	–	100
New equity share capital subscribed	1,629	–
At 31 December 2011	**1,646**	**961**

37 Parent Company own accounts

Symphony Environmental Technologies plc has not presented its own profit and loss account and related notes as permitted by Section 408 of the Companies Act 2006. The profit for the financial year dealt with in the financial statements of the parent Company is £100,000 (2010: loss £5,516,000). The loss for 2010 includes inter-company debt waivers of £5,571,000.

38 Directors and employees

All employees of Symphony Environmental Technologies Plc are Directors. See note 7 of the Group consolidated accounts.

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

	2011 No.	2010 No.
Management	**3**	3

The aggregate payroll costs of the above were:

	2011 £'000	2010 £'000
Wages and salaries	**85**	98
Equity settled share based payments	**–**	12
Social security costs	**10**	10
	95	120

The company has taken advantage of the FRS8 exemption that allows certain intra-Group transactions to not be disclosed with a 100% subsidiary.

Some of our people





















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