Symphony environmental technologies plc

2012

Caring for health and the environment

Annual Report 2012

Symphony Environmental Technologies plc Annual Report and Accounts 2012

Symphony Environmental Technologies plc, dedicated to finding technical solutions to the world's environmental and public health problems.

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

Since 2012 the Group has been broadening its horizons, looking at the wider health and environmental issues that could be solved through innovation. In the last year alone, we have launched new ranges of our d_2p masterbatch that provide anti-fungal performance in plastic products. Our anti-bacterial d_2p is already on the market, and other variations and applications are in development. d_2p complements our world-leading, controlled-life masterbatch d_2w which converts plastic at the end of its useful life into a biodegradable material.

Our quality-control and anti-counterfeiting d_2Detector device is proving its worth, and our d_2t masterbatch range of d_2t Tag and Trace technologies provide customers with the reassurance that their products can be identified as genuine.

Highlights 2011-12

- Revenues of £4.94 million (2011: £8.54 million)
- Operating loss of £2.18 million (2011: profit £0.50 million)
- Loss before tax of £2.20 million (2011: profit £0.42 million)
- Loss after tax of £2.22 million (2011: profit £0.52 million)
- Basic loss per share of 1.74p (2011: earnings per share 0.42p)
- Cash generated from operations £0.45 million (2011: cash consumed £0.19 million)
- Increase in number of distributors from 67 to 72

Post year-end

- Revenues for January and February 2013 100% higher than same period in 2012
- Legislation in UAE extended to cover 13 more products for oxo-biodegradable technology
- Legislation in Pakistan makes oxo-biodegradable technology mandatory
- Launch of SymTyre-S300
- Directors increased share holding from 14.3% to 19.6%

Business review

Governance

Financial statements

For more information visit:
www.symphonyplastics.com

Symphony at a glance

Symphony is a global company, reaching every corner of the globe. We have a growing number of distributors and sub-distributors giving us a presence in over 90 countries worldwide.

Our brands
Symphony Environmental Technologies

d$_2$w 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.

SEE PAGE 14

http://degradable.net/d2w-controlledlife-plastic/what-is-d2w/

d$_2$p is a masterbatch range that provides anti-microbial performance. The active ingredients in **d$_2$p** have been successfully tested against over 50 common organisms and dangerous bacteria, such as MRSA, E.coli, Salmonella, Listeria, Pseudomonas, and Aspergillus Niger. Symphony currently has two ranges of **d$_2$p** masterbatch: **d$_2$p**(AB) is anti-bacterial and **d$_2$p**(AF) is anti-fungal.

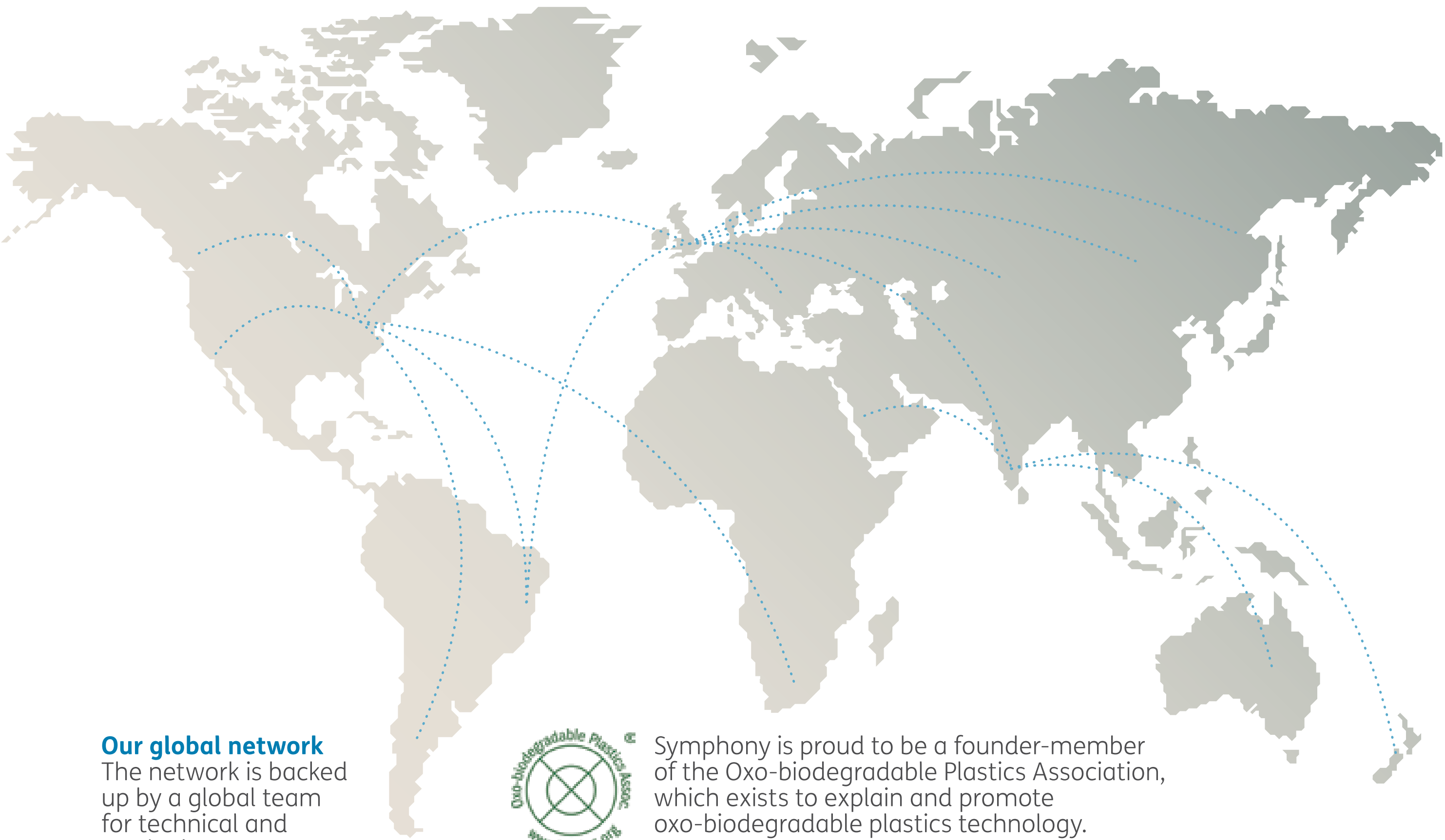
SEE PAGE 15

http://degradable.net/files/uploaded/environmental/d2p%20ab.pdf

http://degradable.net/files/uploaded/environmental/d2p%20af.pdf

d$_2$t is a masterbatch range that provides anti-counterfeiting performance. Tag and trace technologies offer the ability to accurately determine the content of your plastic packaging and other plastic products through a unique tracer or a sophisticated forensic tagging system. **d$_2$t** complements Symphony's portable **d$_2$Detector** device.

SEE PAGE 16



Our global network
The network is backed up by a global team for technical and marketing support.

Symphony is proud to be a founder-member of the Oxo-biodegradable Plastics Association, which exists to explain and promote oxo-biodegradable plastics technology.

The **d_2Detector** is a XRF (X-ray) device that allows customers, and the authorities in countries with relevant legislation, to determine in less than 60 seconds whether or not a plastic product contains **d_2w** or **d_2p** or **d_2t** additives as specified, and whether it contains any undesirable substances.

SEE PAGE 16

http://www.youtube.com/watch?v=jTlQRGZnrgg

Waste-to-value. Symphony has identified the disposal of scrap tyres as a major issue, and we are asked to provide solutions for the millions of scrap tyres dumped around the world. Symphony Recycling Technologies has launched SymTyre-S300 as a first step solution which “flat-packs” the tyres, making them easier and more cost-effective to store and to transport. Symphony is currently working on further solutions for scrap tyres and other waste products.

SEE PAGE 17

http://symphonyrecycling.net/technology/symtyres300/

Chairman's Statement
Nirj Deva

Identifying opportunities

2012 was disappointing in terms of financial performance, but strong in terms of cash generation, and product and market development. There were delays in securing expected orders and the Group changed its trading polices in order to reduce foreign exchange and asset risks by improving the level of letter of credit or proforma based business. This led to a reduction in revenues for the year to £4.94 million (2011: £8.54 million) and a loss before tax of £2.20 million (2011: profit £0.42 million). The policies were, however, successful in contributing to the generation of £0.45 million of cash from operations (2011: cash consumed £0.19 million).

Underlying R & D expenditure increased in line with identified opportunities. Together with d_2w controlled life products and applications, we invested further into our d_2p (anti-microbial and anti-fungal) and d_2t (anti-counterfeiting) products. The Group employs a highly qualified scientific team with a presence in four continents. Full "in-house" development facilities became operational during 2012.

"The most significant aspect over the last twelve months was the increasing momentum of legislative change in favour of d_2w oxo-biodegradable type products."

Our recycling division, Symphony Recycling Technologies, continued its investment in tyre recycling technologies. The Government-funded RuPERT project successfully concluded at the end of the year and we are investigating commercial opportunities going forward.

Significantly, and separate to RuPERT, we launched in early 2013 the SymTyre-S300 tyre "flat-pack" machine in order to generate initial revenues and to establish an early market presence.

The most significant aspect over the last twelve months was the increasing momentum of legislative change in favour of d_2w oxo-biodegradable type products. The results of this are expected to show in 2013. Pakistan announced in February 2013 that it has legislated against plastic which is not oxo-biodegradable, and the United Arab Emirates extended its product range covered by similar legislation that came into effect in 2012. This extension to the product range adds items such as food packaging and stretch films to the carrier bags and refuse sacks that are currently being enforced. Other countries are following their example.

Exciting opportunities have been developed for our d_2p product range with end-user benefits relating to food and non-food sectors with potential cost savings being identified for the industry and the consumer. This is being marketed through our existing distribution network together with d_2t, which we believe is a unique and valuable offering to users with a highly valued brand or to protect high value goods from unauthorised copying.

I am pleased to report that revenues for January and February 2013 are 100% higher than in the same period last year.

I would like to thank our distributors, staff and the Board for their hard work over the last year and we look forward to the future with confidence.

Nirj Deva, DL FRSA MEP
Chairman
26 March 2013

Plastic film being blown in a factory

d_2w product range continues to grow

Our strategy

Our strategy is to deliver sustained revenue growth and increase visibility and awareness of the Company and its achievements over the forthcoming year.

Markets

- We will continue to encourage legislation in favour of oxo-biodegradable plastic
- We will create value for end users and brands
- We will increase brand values
- We will strengthen our global distribution network

Diversification and investment

- We will continue to invest in research and development
- We will extend our product range by introducing new d_2w, d_2p and d_2t products
- We will commercialise Symphony Recycling Technologies

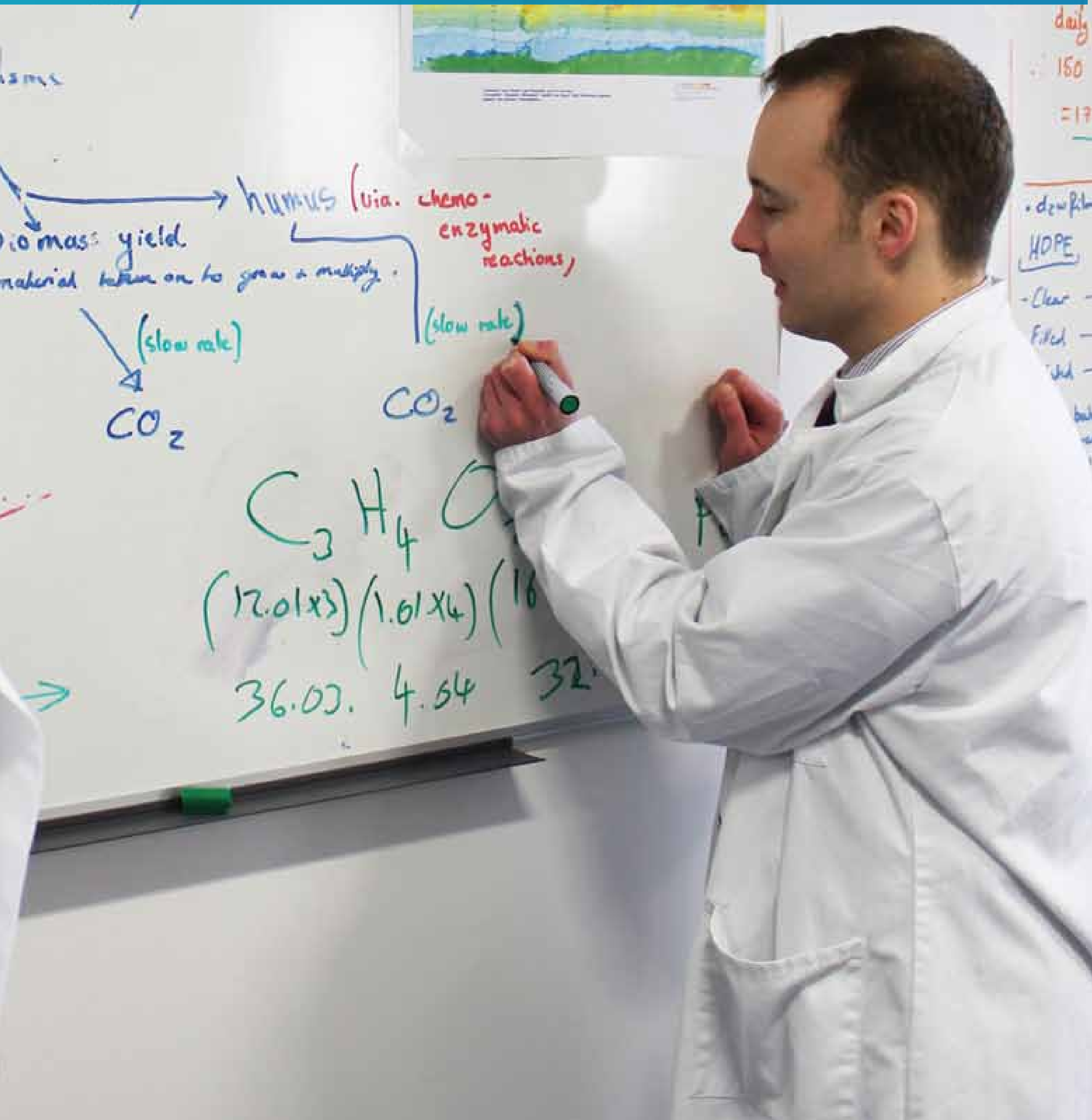
Innovation + technology

Symphony has its own laboratories and test facilities in the UK where our technical teams test, develop, and continuously improve our products. We continue to invest in R&D as we strongly believe that it is essential to answer the world's health and environmental problems.

Over the last year we have invested in new equipment and worked extensively with universities and scientific centres all over the world.

Infrastructure

We have an infrastructure in place for providing support to our global marketing and sales teams. Symphony currently has three locations in the UK: our Head Office is at Borehamwood, where we also have a laboratory for scientific experiments, testing and developments; at Great Yarmouth we have a technical team focusing on quality-control testing; and at Telford, our newest laboratory is equipped with machinery for industrial experiments and product development. Symphony works with a number of universities and specialised test centres around the world.



Our global network

Symphony is a global company with a presence in almost all parts of the globe. We develop and maintain successful partnerships with distributors and sub-distributors worldwide, and we continue to grow our distribution network. We work with our network to build relationships in their countries with suppliers, manufacturers, end users and the governmental and non-governmental sectors.

People + service

We aim to provide value, efficiency, quality and fulfilment to our customers and staff, with a focus on striving for excellence and ensuring that we deliver on our promise. As a professional organisation we value our people, who are our greatest asset. Our strengths come from attracting the right people and from providing support for our customers around the world based on experience and technical excellence.

We know how to make the products, and equally important we know how to use them in their industrial applications. Our marketing and technical teams are available at short notice in most time zones. As the only public company listed in London in the oxo-biodegradable field, we pride ourselves on the service we provide, which is a major factor in purchasing decisions by our customers.

Providing quality products and service

Symphony cares for the environment and the planet that we are leaving for future generations

Plastic products containing Symphony's d_2w are recyclable, reuseable and biodegradable

The year under review can be divided into two parts, the first being the financial, and the second the commercial. As to the first, a reduction in revenues together with a substantial trading loss was recorded. The cause for this exceptional result following a profit trend was a delay in expected sales from markets where we could see a process of legislative change, albeit not implemented, and a change in operating policies. The change in operating policies led to a significant reduction of receivables and also stocks held by the distributor network. This resulted in an improved working-capital cycle and a reduced exposure to credit risk. The cash generated from this strategy was £0.45 million, and this was re-invested into product research and development.

On the second part, the commercial, we achieved considerable success. The foundations were created to increase revenues and a move back into profitability during 2013. In the period, new products, new markets and new territories were identified and established. Laboratory trials for new products in our d_2w, d_2p and d_2t technologies showed encouraging results which led to several lengthy commercial trials with end user corporations which are still ongoing.

The technical and marketing team were active throughout the year by focusing politicians' and consumers' attention to the benefit of plastics with d_2w inside. This activity was supported by the life-cycle-analysis that was commissioned by us and issued by Intertek in May 2012. We believe that the results of these actions will encourage countries to look at the d_2w oxo-biodegradable option rather than ban or restrict the use of plastics altogether. Pakistan and the UAE have changed legislation in favour of our type of oxo-biodegradable technology, and others have also followed this course. The Symphony technical team has been active in many ways, and in particular, are committee members in most of the main standards organisations such as ASTM, BSI, and ISO.

This strategy helps to ensure that our type of technologies are recognised and supported. Additionally, we continue to extend our market reach and the global distribution network expanded to 72 (2011: 67) during 2012.

The Symphony Recycling division also made some positive steps forward and continues to develop its recycling technologies. The RuPERT project was successfully completed in December 2012.

Operationally, the following was achieved during 2012:

- Accreditation to ISO14001
- Opening of our development facility in Telford, UK
- Launch of our d_2p anti-fungal technologies at the International Bakery show (IBA2012) in Munich following successful laboratory trials
- Launch of our d_2t anti-counterfeiting technologies

Trading results

Total Group revenues were lower at £4.94 million (2011: £8.54 million). Group gross profit margins reduced from 54% to 44%. These factors resulted in a 53% decrease in the contribution from gross profit from £4.59 million in 2011 to £2.15 million in 2012. Gross margins were reduced due to the sales mix leaning towards the lower value areas while the higher value regions reduced their local stock levels.

Sales to the Americas reduced from £4.62 million in 2011 to £2.11 million in 2012 and represented 43% of 2012 revenues (2011: 54%). This was the main area where stocks and receivables were high at the end of 2011 and so suffered as a result of the change in operating policies. Our primary markets in this sector are Mexico and Brazil.

Sales to UK and Europe reduced from £1.97 million in 2011 to £1.38 million in 2012 and represented 28% of 2012 revenues (2011: 23%). This includes sales to Italy which was strong in 2011 but confused packaging legislation in the country led to reduced volumes in 2012.

Sales to the Rest of the World reduced from £1.95 million in 2011 to £1.45 million in 2012 and represented 29% of 2012 revenues (2011: 23%). Territories include the UAE which also had high stocks at the end of 2011.

Total expenses increased to £4.21 million (2011: £3.90 million) which included provisions against receivables of £0.39 million (2011: £nil). Total staff costs were marginally higher at £2.16 million (2011: £2.02 million) and Directors' emoluments reduced to £0.87 million in 2012 from £0.89 million in 2011.

The Group made an operating loss of £2.18 million compared with an operating profit of £0.50 million in 2011, resulting in the Group's loss before tax of £2.20 million compared with a profit before tax of £0.42 million in 2011.

Development costs of £0.36 million were capitalised in 2012 (2011: £0.24 million). The net book value of capitalised development costs at the end of the year amounted to £1.31 million. Further development expenditure of £0.32 million (2011: £0.34 million) was charged directly to profit and loss. Capitalised development costs represent 9% of expenses as detailed above. Within the total amount of £1.31 million capitalised to date are: £0.48 million relating to Symphony Recycling Technologies; £0.25 million relating to d_2w products which have been developed and are being sold; and the balance of £0.58 million, relating to further environmental plastic applications still in development, and where we believe significant revenues will be generated in the foreseeable future.

Chief Executive's Review
(continued)

The Group reports a loss for the year of £2.22 million with basic loss per share of 1.74 pence (2011: earnings per share 0.42 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 2012 the Group had a net balance of US Dollar assets totalling $0.32 million (2011: $5.14 million).

Segmental analysis
The Group operates two divisions which are classified as segments in the financial report, being the Plastics division and the Recycling Technologies division.

The Plastics division includes revenues associated with d_2w, d_2p and d_2Detector, be they additives or finished products. The Plastics division, which currently makes up all Group revenues, saw d_2w additive volumes decrease by 40% during the year with d_2w revenues reducing to £4.94 million (2011: £8.54 million) due to delays in expected orders and changes in operating polices as stated above. This, together with the fall in gross margins and increased administrative expenses, resulted in an EBITDA loss of £1.75 million in 2012 compared to a profit of £0.86 million in 2011.

The Recycling Technologies division has no revenues to date and saw expenditure of £0.27 million for the year resulting in an EBITDA loss of the same amount (2011 expenditure and EBITDA loss: £0.22 million).

Cashflow
The Group generated £0.45 million from operations (2011: cash consumed £0.19 million). This was due to a change in operating policies which led to stricter stock and receivables controls within the distribution network. The Group has a £1 million trade finance facility with HSBC Bank plc which was drawn down to £0.22 million as at 31 December 2012 (drawn down to £0.38 million at 31 December 2011) which is used to manage Group working capital.

In addition to development costs detailed above, £0.04 million was invested in plant and equipment, representing continued investment in a development centre in Telford, UK, together with other laboratory equipment and facilities. A total of £0.06 million was spent on property, plant and equipment in 2012 (2011: £0.28 million).

Symphony Recycling Technologies
The RuPERT tyre recycling project was successfully completed in December 2012. The Group continues to invest in and is actively pursuing commercial outlets. In early 2013 we launched the SymTyre-S300 tyre reduction machine. We anticipate that this will generate revenues in the short term, and also open the way for commercialisation of future developments as and when they come on stream.

Outlook
2013 has started strongly with sales showing a 100% improvement from the same period last year. Our main established markets are reporting tight stock levels and steady to increasing sales momentum. The new markets for d_2w have provided encouraging sales projections and marketing activity information. They have also started placing orders.

The Pakistan legislation prohibiting plastics which are not oxo-biodegradable comes into effect in April 2013. This follows similar legislation previously passed in the United Arab Emirates and recently extended from 2 products to 15. These changes to legislation are expected to be significant, not only in terms of the local markets, which are

A bag containing d_2w masterbatch

Data displayed on the d_2Detector screen shows a detailed analysis of the plastic

material, but also for imported items which are packed in plastics. Other countries have either legislated in a similar way or are contemplating what action should be taken.

As an example, Italy has draft legislation for a hydro-biodegradable product that conforms with the composting standard EN 13432. However, this draft decree itself says that it is "subject to the information procedure under Directive 98/34/EC and shall enter into force from the date of completion, with a favourable outcome, of the procedure itself, the date of which shall be announced in the Official Gazette." It is our view that it is unlikely that there will be a favourable outcome. The European Commission sent on 24 October 2012 a formal notice to the Italian Republic, in the framework of infringement procedure 2011/4030. The European Commission have confirmed that Italy is in breach of not only Article 16 of Directive 94/62/EC and Article 8 of Directive 98/34/EC, but also Article 18 of Directive 94/62/EC. Italy continues to use a d_2w type oxo-biodegradable products but in low volumes at this point in time.

France is preparing law favourable to oxo-biodegradable products for retail plastic bags which would come into force January 2014. Other European countries are also considering legislation.

As a result of growing global activity, we believe the legislation momentum for d_2w type oxo-biodegradable technologies will increase, and we are finding more and more customers wanting to use the d_2w brand as an answer to meet legislation requirements or just good CSR or marketing practice. We offer a free d_2Detector testing service which is unique and not provided by others in the industry.

The United States Federal Trade Commission recently issued a statement which questioned the validity of hydro-biodegradable plastics (i.e. those made from food crop), such that they were not suitable for composting; this being the primary reason why hydro-biodegradable products are sold.

In May 2012, Intertek published a life cycle assessment which showed that d_2w oxo-biodegradable plastics are 75% better than normal plastic when it comes to litter. In respect to litter, Keep America Beautiful issued a report where it concluded that "litter remains a pervasive problem". Oxo-biodegradables are designed primarily to deal with littering.

All in all, the above shows an increasingly aware global market which is leaning towards d_2w type oxo-biodegradable products.

Complementing d_2w, we believe that our d_2Detector will be an important tool for users of this type of technology as the consumer has no other means of identifying if a product really has d_2w inside or not as it is invisible to the human eye. The d_2p anti-microbial and anti-microbial technologies will also have an impact in 2013 and we are currently in discussions with a number of blue-chip companies regarding the commercial use in their products. There are also similar situations with our d_2t anti-counterfeiting technologies.

With the improved trading position at the start of 2013, the Group is confident of a stronger financial performance going forward, and are encouraged by the growing positive sentiment towards our products and technologies.

Michael Laurier
Chief Executive
26 March 2013

Our products

d_2w controlled-life plastic technology

Plastic is lightweight, flexible, strong, durable, heat sealable, impervious to moisture, recyclable and reusable, but whether by intent or accident, some plastic will always find its way into the land environment and oceans, creating an eyesore and polluting the environment.

Added value with Symphony's d_2w

- d_2w requires a 1% inclusion rate only
- d_2w works with virgin and recycled plastic
- d_2w is compatible with PE, PP and PS
- d_2w does not require any change to the manufacturing process
- d_2w plastic will not just fragment, it will biodegrade
- d_2w plastic is non-toxic and safe for food contact
- d_2w plastic does not lose any of its original properties during its useful life
- d_2w is tested by test methods prescribed by the following:
  - British Standard 8472
  - US Standard ASTM D6954
  - United Arab Emirates Standard 5009:2009
  - French Accord AFNOR T51-808
  - OECD 207 and 208

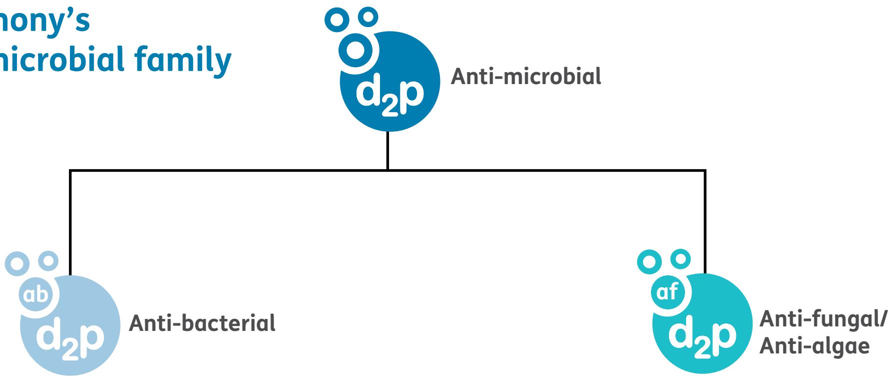
d_2w is Symphony's core product, being successful in global markets for over 15 years. It is a masterbatch which, when included at the manufacturing stage, turns ordinary plastic at the end of its useful life, in the presence of oxygen, into a material with a different molecular structure. At the end of that process it is no longer a plastic and has become a material which will biodegrade in the open environment in the same way as a leaf.

Recent developments

Over the years many governments have realised the potential of oxo-biodegradable materials and its benefits for the environment. Every year we have positive outcomes, and more legislation comes into force to ban regular plastic and allow only oxo-biodegradable plastic to be used for shopping bags and other short-life plastic products. The UAE was the first country to legislate and they have announced that as from 1 January 2014 they will extend the range of plastic products that must be oxo-biodegradable. Pakistan has announced similar legislation as from 1 April 2013. In the Balkans, Slovenia, Serbia, Montenegro and Albania have recognised the benefits of oxo-biodegradable plastic, as have several countries in Africa. In 2012 Intertek published "A Life Cycle Assessment of Oxo-biodegrdable, Compostable and Conventional Bags", which showed that the environmental credentials of d_2w plastics are ahead of bio-based and conventional plastics.

d_2p anti-bacterial and anti-fungal technologies

Symphony's anti-microbial family



d_2p anti-bacterial

The threat of infection has increased as we live in denser urban populations. d_2p is an anti-bacterial formulation that has been successfully tested against over 50 common organisms including dangerous bacteria such as MRSA, E.coli, Salmonella, Listeria, Pseudomonas and Aspergillus Niger. We have developed a d_2p anti-bacterial system that provides an extra layer of protection against transmission of infection through contact with everyday plastic items. 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.

Added value with Symphony's d_2p anti-bacterial

- Tried and tested silver-based technology
- Fights healthcare and food industry infections
- Tested to ISO 22196 and JIS Z 2801 to demonstrate its anti-bacterial efficacy
- Helps prevent staining, discolouration and odour development
- Addition rate of 1-2%
- Compatible with PP, PE, PET, PS, PVC and most other plastics

d_2p anti-fungal

d_2p anti-fungal is a unique formulation for plastic products, designed to prevent fungal contamination whilst preserving the aesthetic and functional properties of plastic products. The anti-fungal ingredient is used globally in a variety of applications. It acts to prevent growth of fungi, bacteria, mildew and algae that can cause discoloration, staining and odours, and which are a danger to human health. Produced as a masterbatch to be added at the manufacturing stage, it provides excellent resistance to fungi, bacteria and algae.

Added value with Symphony's d_2p anti-fungal

- Increase the shelf-life of fresh food
- Reduce requirements for food preservatives
- Inhibit mould growth on food and non-food applications
- Addition rate of 1-2%
- Compatible with most plastics
- Tested by international testing methods such as ISO 16869:2008, ISO 22196:2011, prEN WD_algae, ASTM G21, ISO 846

Our products

d_2t tag & trace and d_2Detector anti-counterfeiting technologies

d_2t - anti-counterfeiting systems

d_2t masterbatches provide a unique trace that is added at the manufacturing stage of products and there is also a sophisticated forensic tagging system for high-value products. Symphony's Tag and Trace technologies give you the ability to accurately determine whether your plastic packaging and products are genuine - which gives you and your customers peace of mind.

$d_2$trace

- $d_2$trace is a masterbatch tracer technology system which provides plastic with a unique identity
- Added at a rate of only 1% at the manufacturing stage, $d_2$trace is compatible with the vast majority of plastics
- No change is required to the manufacturing process
- The tracer can be easily read using Symphony's portable d_2Detector machine

$d_2$tag

- $d_2$tag provides a sophisticated tracer solution using a microtag smaller than a grain of salt with over 1 billion unique codes. This provides detailed data reading, authentication and brand protection
- $d_2$tag is made of clear, high-purity silica and it carries product intelligence such as batch number, manufacturing date or similar information
- Tags are biologically inert and edible and generally recognised as safe by FDA
- $d_2$tag has a low unit cost and offers great security

d_2Detector

In an increasingly competitive market, quality-control is of vital importance. d_2Detector is an invaluable tool for analysing the chemical composition of plastics, for quality control and anti-counterfeiting. The d_2Detector uses XRF technology and is perfectly designed to work with Symphony's d_2w, d_2p and d_2t technologies. The device is portable and can be easily transported as required.

Fast detection

- Designed to detect specified masterbatches
- A portable unit
- Detects in less than 60 seconds

Brand protection

- Quality control and brand protection are essential for any modern business
- d_2Detector is the world's first portable device that can be used to verify that plastic products are authentic and not inferior copies

Symphony Recycling Technologies

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 to provide solutions for the billions of scrap tyres dumped around the world. There are currently over 10 billion scrap tyres around the world. Dumping, and failing to dispose of, scrap tyres can lead to an elevated danger of fire, rodent infestation, and ground-pollution. Mosquitoes breeding in the water inside scrap tyres will spread Malaria, Dengue Western Nile fever, Filariasis, and other diseases. 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 in transit, and are an unsightly and unproductive use of land. They are often disposed of illegally and most of them cannot and should not be put into landfills. A solution has to be found.

SymTyre-S300

Symphony has announced the SymTyre-S300 – a machine that can reduce a scrap-tyre into flat-pack components within 60 seconds. The machine is portable and could be placed in any garage, workshop, tyre dump or depot.

SymTyre-S300 is a first step. Symphony Recycling Technologies has also been developing further value-added processes with Imperial College London, Cobham Microwave, Artis, ABB, and Hughes Pumps. The project was funded by the UK government to investigate ways of creating valuable products from scrap tyres. It was successfully completed at the end of 2012 and commercialisation is now in progress.

Tyre mountains are unsightly and dangerous

SymTyre-S300 – Symphony's tyre-cutting machine

Totally committed to best practice

Participants of the YES course in Koštunići, Serbia

Symphony's marketing executive, Nina Kerkez, giving a talk about d_2w

For Symphony, as an environmental technology company, sustainable development is an important matter. This means that we combine long-term economic objectives with social responsibility and environmental protection. Dealing with chemicals and masterbatches we are often questioned on how we meet this challenge. We have established our potential risks, and the challenge is in a continuous communication with our stakeholders.

At Symphony we believe that our long-term future and profitability depend on our environmental, technical and social performance. Excellence in operational performance generates financial returns, while being a responsible global citizen earns the continued support of our customers, shareholders, communities and staff.

We have established goals that the company and its people are trying to achieve daily. We understand that in today's world it is difficult to be a responsible individual, and even more difficult to implement change towards a better future. It is essential to establish best practices, support individual ambitions, and strengthen the relationships with our communities around the world.

Last year, we completed the long and rigorous process leading to Symphony's accreditation to the environmental standard ISO 14001, which complements our existing accreditation to ISO 9001 for Quality Management. We made a commitment to low-energy lighting, and equipping our offices and laboratories with environmentally-friendly supplies. We promote paperless administration and work on the best practice document-management systems. We are committed to recycling of materials following the "reduce, reuse and recycle" principles. In addition, we have engaged most of our businesses in finding solutions for the world's environmental problems, making us a responsible citizen of the world.

We provide a nurturing business environment which offers our employees and distributors the ability to continuously develop their competences. We believe that education is essential, no matter the age, and we work on educational development of our people and the people of the world.

Partnering for change

Symphony is proud to be a leader in advanced technologies that add to sustainable future. We are open and we always welcome collaboration with our suppliers, customers, communities, governments and civil society. We build relations with academic institutions, governments, NGOs and industry associations.

With our strong commitment to the quality of life of future generations, we have engaged, for example, with Environmental Engineering Group, an NGO based in Serbia. For the second year we continue our successful cooperation, with a focus on raising awareness about environmental issues of today.

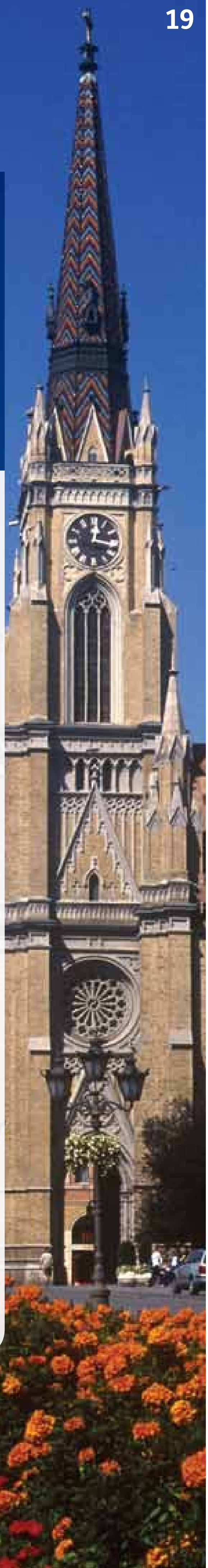
Case study

Youth Encounter on Sustainability – Symphony and EEG

In July Symphony participated in an educational workshop at the Youth Encounter on Sustainability (YES) course in Koštunići, Serbia.

The YES course is an international programme which has been organised yearly in different countries for 12 consecutive years. The course is held thanks to the cooperation of MIT University from the USA, ETH University from Zurich, Chalmers University from Sweden and the University of Tokyo. This is the second time that the YES course has been held in Serbia – with the cooperation of Environmental Engineering Group from Serbia and ACTIS from Switzerland.

Young professionals from all over the world whose work is focused on development and sustainability attended classes and workshops and met with government officials. There were 27 participants from 16 countries – Australia, Bangladesh, India, Pakistan, Serbia, France, Finland, USA, Colombia, Brazil, Switzerland, Germany, Iran, Moldavia, Vietnam and Jordan. Symphony led a seminar discussing environmental issues, focusing on oxo-biodegradable plastic as a way to reduce the problem of plastic litter which can accumulate in the environment for decades. The participants were very pleased to learn about this exciting technology and will contribute to developing environmental solutions for their own countries.



Board of Directors

Interlocking strengths

1

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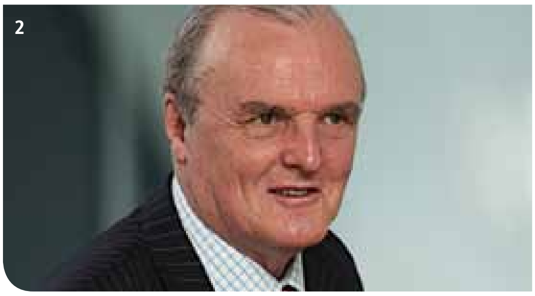

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1. Nirj Deva, DL, FRSA, MEP
Non-Executive Chairman
Mr. Deva has been a Member of the European Parliament since 1999 and is Vice-chairman of the Parliament's International Development Committee. He is also Chairman of the EU-China Friendship Group. 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 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.

3. Michael Laurier
Chief Executive Officer
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.

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 CF 30 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.

Directors' Report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2012.

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 loss for the year after taxation amounted to £2,224,000 (2011: profit £520,000).

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	2012	2011	Method of calculation
Sales **d_2w** (£'000)	**4,938**	8,414	Sales revenue solely of **d_2w** additives and products.
Gross profit margin (%)	**44%**	54%	The ratio of gross profit to sales.
Number of distributors	**72**	67	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 112 days (2011: 86) of average supplies for the year for the Group and 17 days (2011: 57) 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.

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 (United Kingdom Accounting Standards and applicable laws). 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.

The Directors confirm that:

- so far as each Director 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 as Directors in order 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 incurred losses during the year and its cash reserves have fallen since the end of the previous year. During the year, the Group changed its operating procedures so as to accelerate cashflows generated from revenues by way of improving letter of credit or proforma based business. During the year £0.45 million was generated from operations. In addition, revenues were reduced in 2012 due to over-stocking within the distribution network in the previous year. With stocks within the distribution network now much lower, revenues for 2013 have started at a higher rate than they did in 2012. Taking into account the above, the cashflow forecast that management has prepared for the ensuing twelve months where a forecast increase in sales will lead to increased cash through the invoice discount facility, 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
26 March 2013

Remuneration Report

Directors' emoluments

	Basic salary or fees £'000	Benefits £'000	Pension £'000	2012 Total Emoluments £'000	2011 Total Emoluments £'000
N Deva	51	–	–	**51**	51
M Laurier	226	4	24	**254**	253
I Bristow	155	4	15	**174**	173
M Stephen	171	10	–	**181**	179
M F Stephens	182	9	(11)	**180**	203
N Clavel	34	–	–	**34**	34
	819	27	28	**874**	893

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 2012	At 1 January 2012
N Deva	**313,925**	290,425
M Laurier	**15,360,600**	15,175,600
I Bristow	**1,063,925**	1,063,925
M Stephen	**615,998**	490,998
M F Stephens	**311,294**	311,294
N Clavel	**500,000**	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 2010	18 December 2019
M Laurier	1,851,500	4.500	26 November 2008	26 November 2018
M Laurier	350,000	9.125	31 March 2010	30 March 2020
I Bristow	3,000,000	4.500	26 November 2008	26 November 2018
I Bristow	280,000	9.125	31 March 2010	30 March 2020
M Stephen	1,200,000	6.250	28 April 2007	28 April 2017
M Stephen	2,000,000	4.500	26 November 2008	26 November 2018
M Stephen	210,000	9.125	31 March 2010	30 March 2020
M F Stephens	210,000	9.125	31 March 2010	30 March 2020
N Clavel	500,000	4.500	16 October 2009	16 October 2018
N Clavel	250,000	9.875	18 December 2010	18 December 2019

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

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

We have audited the financial statements of Symphony Environmental Technologies plc for the year ended 31 December 2012 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 23, 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 2012 and of the Group's loss 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
26 March 2013

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Revenue	5	**4,938**	8,542
Cost of sales		**(2,785)**	(3,956)
Gross profit		**2,153**	4,586
Distribution costs		**(125)**	(180)
Administrative expenses	6	**(4,211)**	(3,902)
Operating (loss)/profit	6	**(2,183)**	504
Finance income	8	**6**	2
Finance costs	8	**(20)**	(90)
(Loss)/profit for the year before tax		**(2,197)**	416
Taxation	9	**(27)**	104
(Loss)/profit for the year		**(2,224)**	520
Total comprehensive income for the year		**(2,224)**	520
Basic (loss)/earnings per share	10	**(1.74)p**	0.42p
Diluted (loss)/earnings per share	10	**(1.74)p**	0.37p

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

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

Consolidated Statement of Financial Position
as at 31 December 2012
Company number 3676824

	Note	2012 £'000	2011 £'000
Assets			
Non-current			
Property, plant and equipment	11	**499**	586
Intangible assets	12	**1,334**	1,002
Deferred income tax asset	9a	**1,216**	1,277
Available-for-sale financial assets	14	**–**	15
		3,049	2,880
Current			
Inventories	15	**637**	399
Trade and other receivables	16	**806**	3,782
Cash at bank and in hand	17	**336**	291
		1,779	4,472
Total assets		**4,828**	7,352
Equity			
Equity attributable to shareholders of Symphony Environmental Technologies plc			
Ordinary shares	18	**1,280**	1,278
Share premium	18	**1,648**	1,646
Retained earnings	18	**205**	2,412
Total equity		**3,133**	5,336
Liabilities			
Non-current			
Interest bearing loans and borrowings	20	**20**	31
		20	31
Current			
Interest bearing loans and borrowings	20	**509**	518
Trade and other payables	19	**1,166**	1,467
		1,675	1,985
Total liabilities		**1,695**	2,016
Total equity and liabilities		**4,828**	7,352

These financial statements were approved by the Board of Directors on 26 March 2013 and authorised for issue on 26 March 2013. They were signed on its behalf by:

I Bristow FCCA
Finance Director
The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2012

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

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
For the year to 31 December 2012				
Balance at 1 January 2012	1,278	1,646	2,412	5,336
Issue of share capital	2	2	–	4
Share-based options	–	–	17	17
Transactions with owners	2	2	17	21
Loss and total comprehensive income for the year	–	–	(2,224)	(2,224)
Balance at 31 December 2012	**1,280**	**1,648**	**205**	**3,133**
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 options	–	–	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

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

Consolidated Cash Flow Statement
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Operating activities			
Net cash generated/(used) from operations	21	**414**	(194)
Tax received		**34**	7
Net cash generated/(used) from operating activities		**448**	(187)
Investing activities			
Additions to property, plant and equipment		**(59)**	(280)
Proceeds from disposals of property, plant and equipment		**14**	44
Additions to intangible assets		**(361)**	(247)
Net cash used in investing activities		**(406)**	(483)
Financing activities			
Repayment of loans		**–**	(750)
Movement in working capital facility		**(163)**	327
New finance leases		**–**	4
Discharge of finance lease liability		**(25)**	(14)
Proceeds from share issue		**4**	1,734
Interest paid		**(20)**	(90)
Net cash (used)/generated in financial activities		**(204)**	1,211
Net change in cash and cash equivalents		**(162)**	541
Cash and cash equivalents, beginning of year		**180**	(361)
Exchange gain/(loss)		**39**	–
Cash and cash equivalents, end of year		**57**	180

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

	Note	2012 £'000	2011 £'000
Loans and receivables:			
Cash at bank and in hand	17	**336**	291
Financial liabilities measured at amortised cost:			
Bank overdraft	20	**(279)**	(111)
Cash and cash equivalents, end of year		**57**	180

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

Notes to the Annual Report and Accounts

1 General information

Symphony Environmental Technologies plc ("the Company") and subsidiaries (together "the Group") develop and supply 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 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 2012, 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 incurred losses during the year and its cash reserves have fallen since the end of the previous year. During the year, the Group changed its operating procedures so as to accelerate cashflows generated from revenues by way of improving letter of credit or proforma based business. During the year £0.45 million was generated from operations. In addition, revenues were reduced in 2012 due to over-stocking within the distribution network in the previous year. With stocks within the distribution network now much lower, revenues for 2013 have started at a higher rate than they did in 2012. Taking into account the above, the cashflow forecast that management has prepared for the ensuing twelve months where a forecast increase in sales will lead to increased cash through the invoice discount facility, 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 completed prior to date of transition to IFRS

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 and liabilities are recognised at date of transition, and are measured using their United Kingdom Generally Accepted Accounting Practice (GAAP) carrying amount.

Business combinations exemption

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 "Recycling Technologies (Recycling Tech)". 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, non-degradable products and d_2Detectors. The Recycling Technologies segment includes all activities involved in the development of tyre and rubber recycling 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 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.

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 (a series of pre-defined commercial terms published by the International Chamber of Commerce) 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.

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

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 and useful economic lives are 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.

Notes to the Annual Report and Accounts (continued)

2 Summary of significant accounting policies (continued)

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 profit or loss over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to profit or loss 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 profit or loss, except where they either 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, or where they relate to items charged or credited in other comprehensive income the deferred tax change is recognised in other comprehensive income.

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 profit or loss.

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

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

The equity investments in Bin Hilal LLC, American Plastic Technologies 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.

Finance lease receivables
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 profit and loss 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 profit and loss on a straight line basis over the lease term.

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 payables, 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 profit and loss, 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 profit and loss 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.

Notes to the Annual Report and Accounts (continued)

2 Summary of significant accounting policies (continued)

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.

- 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 these new standards.

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:

	2012 £'000	2011 £'000
Financial assets:		
Available-for-sale	–	15
Loans and receivables	**602**	3,908
	602	3,923
Financial liabilities:		
Financial liabilities measured at amortised cost	**1,349**	1,494
	1,349	1,494

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 2012 is summarised as follows:

Gross cash flows:	Trade payables and accruals £'000	Finance leases £'000	Loans £'000	Bank £'000	Total £'000
Zero to sixty days	**1,016**	**3**	**219**	**279**	**1,517**
Sixty-one days to three months	**–**	**–**	**–**	**–**	**–**
Four months to six months	**–**	**4**	**–**	**–**	**4**
Seven months to one year	**–**	**7**	**–**	**–**	**7**
One year to three years	**–**	**21**	**–**	**–**	**21**
More than three years	**–**	**–**	**–**	**–**	**–**
	1,016	**35**	**219**	**279**	**1,549**

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

Gross cash flows:	Trade payables and accruals £'000	Finance leases £'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

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 2012 is summarised as follows:

	Fixed £'000	Variable £'000	Zero £'000	Total £'000
Cash and cash equivalents	**–**	**336**	**–**	**336**
Trade receivables	**–**	**–**	**545**	**545**
VAT	**–**	**–**	**92**	**92**
Other debtors	**42**	**–**	**14**	**56**
	42	**336**	**651**	**1,029**
Trade payables	**–**	**–**	**(851)**	**(851)**
Other payables	**–**	**–**	**(150)**	**(150)**
Bank overdraft	**–**	**(279)**	**–**	**(279)**
Lease purchase	**(31)**	**–**	**–**	**(31)**
Other loans	**–**	**(219)**	**–**	**(219)**
	11	**(162)**	**(350)**	**(501)**
Sensitivity: increase in interest rates of 5%	**–**	**(10)**	**–**	**(10)**
Sensitivity: decrease in interest rates of 1%	**–**	**2**	**–**	**2**

Notes to the Annual Report and Accounts (continued)

3 Financial risk management (continued)

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 payables	–	–	(238)	(238)
Bank overdraft	–	(111)	–	(111)
Lease purchase	(56)	–	–	(56)
Other loans	–	(382)	–	(382)
	(56)	(202)	2,445	2,187
Sensitivity: increase in interest rates of 5%	–	(10)	–	(10)
Sensitivity: decrease in interest rates of 1%	–	2	–	2

Sensitivity shows the effect on equity profit and loss.

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 2012 £'000**	**Currency balance 2012 '000**	Sterling 2011 £'000	Currency balance 2011 '000
Financial assets	Euro	**143**	**€176**	249	€298
Financial liabilities	Euro	**(140)**	**€(172)**	(91)	€(109)
Net balance	Euro	**3**	**€4**	158	€189
Effect of 10% Sterling increase		**–**		14	
Effect of 10% Sterling decrease		**–**		(17)	
Financial assets	USD	**735**	**$1,191**	3,840	$5,961
Financial liabilities	USD	**(538)**	**$(874)**	(526)	$(817)
Net balance	USD	**197**	**$317**	3,314	$5,144
Effect of 10% Sterling increase		**(20)**		(301)	
Effect of 10% Sterling decrease		**20**		368	

Sensitivity shows the effect on equity and profit and loss. 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:

	2012 £'000	2011 £'000
Loans and receivables:		
Trade receivables	**545**	3,524
Finance lease receivables	**42**	38
Cash and cash equivalents	**336**	291
	923	3,853

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 77% (2011: 82%) of the above trade receivables.

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

The maturity of overdue debts is set out in note 16. During the period debts totalling £88,000 (2011: £nil) were written off.

Capital requirements
Interest bearing loans and borrowings are monitored regularly to ensure the Group has sufficient liquidity and its exposure to interest rate risk is mitigated. Management consider the capital of the Group comprises the share capital and interest bearing loans and borrowings. 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. Bad debt provisions are made when there is objective evidence of impairment. 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 2012 are as follows:

Operating segments **Twelve months to 31 December 2012**	**Plastics** **£'000**	**Recycling Tech.** **£'000**	**Group** **£'000**
Segment revenues	**4,938**	**–**	**4,938**
Share-based payments	**(17)**	**–**	**(17)**
Apportioned costs	**(6,671)**	**(272)**	**(6,943)**
EBITDA	**(1,750)**	**(272)**	**(2,022)**
Depreciation and amortisation	**(161)**	**–**	**(161)**
Interest	**(14)**	**–**	**(14)**
Taxation	**(27)**	**–**	**(27)**
Loss for the year	**(1,952)**	**(272)**	**(2,224)**

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

Operating segments Twelve months to 31 December 2011	Plastics £'000	Recycling Tech. £'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

Revenues stated are from external customers.

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

Notes to the Annual Report and Accounts (continued)

5 Segmental information (continued)

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 2012 and capital expenditure for the year then ended are as follows:

£'000	Plastics	Recycling Tech.	Unallocated	Group
Assets	**4,348**	**480**	**–**	**4,828**
Liabilities	**(1,685)**	**(10)**	**–**	**(1,695)**
Capital expenditure	**311**	**109**	**–**	**420**
Depreciation and amortisation	**161**	**–**	**–**	**161**

The segment assets and liabilities at 31 December 2011 and capital expenditure for the year then ended are as follows:

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

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	2012 £'000 Revenue	2012 £'000 Non-current assets	2011 £'000 Revenue	2011 £'000 Non-current assets
UK	**380**	**1,833**	363	1,588
Europe	**996**	**–**	1,610	–
Americas	**2,109**	**–**	4,621	–
Other	**1,453**	**–**	1,948	–
Total	**4,938**	**1,833**	8,542	1,588

Major customers

Within plastics, two customers accounted for greater than 10% of total Group revenues for 2012 (2011: two customers). One customer accounted for £888,000, or 18%, the other customer £623,000 or 13% (one customer accounted for £1,240,000, or 15%, the other customer £881,000 or 10% of total Group revenues for 2011).

6 Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2012 £'000	2011 £'000
Depreciation	**132**	109
Amortisation	**29**	29
Loss on disposal of property, plant and equipment	**–**	2
Research and development expenditure not capitalised	**320**	339
Operating lease rentals:		
Land and buildings	**118**	111
Plant and equipment	**6**	6
Fees payable to the Company's auditor for the audit of the financial statements	**11**	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**	26
Interim review	**1**	1
Other services relating to taxation	**7**	23
Net foreign exchange loss	**72**	49

7 Employee benefit expense

	2012 £'000	2011 £'000
Wages and salaries	**1,867**	1,656
Social security costs	**234**	209
Other pension costs	**55**	157
	2,156	2,022

Average number of people employed:

	2012	2011
Testing and technical	**7**	8
Selling	**8**	8
Administration	**9**	9
Management	**6**	6
Marketing	**2**	3
Total average headcount	**32**	34

Remuneration in respect of the Directors was as follows:

	2012 £'000	2011 £'000
Emoluments	**845**	746
Pension contributions	**29**	147
	874	893

Key management remuneration:

	2012 £'000	2011 £'000
Short-term employee benefits	**845**	746
Post-employment benefits	**29**	147
	874	893

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

	2012 £'000	2011 £'000
Interest income:		
Finance lease interest	**6**	2
Total finance income	**6**	2
Interest expense:		
Bank borrowings	**4**	8
Other interest	**11**	65
Finance charges	**5**	17
Total finance costs	**20**	90
Net finance costs	**14**	88

9 Taxation

	2012 £'000	2011 £'000
Net deferred tax (see note 9a)	**(61)**	97
R&D tax credit	**34**	7
Total income tax (charge)/credit	**(27)**	104

No tax arises on the loss for the year.

Notes to the Annual Report and Accounts (continued)

9 Taxation (continued)

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 24% (2011: 26%). The differences are explained as follows:

	2012 £'000	2011 £'000
(Loss)/profit for the year before tax	**(2,197)**	416
Tax calculated by rate of tax on the result	**(527)**	108
Effective rate for year at 24.5% (3m @ 26% and 9m @ 24%)	**(10)**	2
Expenses not deductible for tax purposes	**11**	23
Capital allowances in excess of depreciation	**–**	(48)
Depreciation in excess of capital allowances	**6**	–
Tax losses utilised	**–**	(85)
Tax losses carried forward	**520**	–
Movement in deferred income tax asset (see note 9a)	**(61)**	97
R&D tax credit	**34**	7
Total income tax credit	**(27)**	104

9a Deferred income tax asset

	2012 £'000	2011 £'000
Deferred income tax asset brought forward	**1,277**	1,180
Change in tax rate	**(102)**	(24)
Notional tax charge	**–**	(108)
Recognised in the year	**41**	229
Deferred income tax asset carried forward	**1,216**	1,277

The deferred tax asset relates to tax losses. There are tax losses of approximately £12,900,000 (2011: £11,381,000).

Of these tax losses, a negative deferred tax adjustment of £61,000 has been recognised in this year's accounts (2011: positive £229,000) resulting in a total asset recognised of £1,216,000 (2011: £1,277,000). There is a total potential tax asset of £2,967,000 using a rate of 23%, being the corporation tax rate Parliament has set from 1 April 2013.

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

10 (Loss)/earnings per share and dividends

The calculation of basic earnings per share is based on the (loss)/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	2012	2011
(Loss)/profit attributable to equity holders of the Company	**£(2,224,000)**	£520,000
Weighted average number of ordinary shares in issue	**127,907,254**	123,853,985
Basic (loss)/earnings per share	**(1.74) pence**	0.42 pence
Dilutive effect of weighted average options	**–**	15,441,979
Total of weighted average shares together with dilutive effect of weighted options	**127,907,954**	139,295,964
Diluted (loss)/earnings per share	**(1.74) pence**	0.37 pence

No dividends were paid for the year ended 31 December 2012 (2011: £nil).

The effect of options in 2012 are anti-dilutive.

18,181,570 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 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 1 January 2012						
Cost	339	67	216	127	155	904
Accumulated depreciation	(91)	(56)	(37)	(68)	(66)	(318)
Net book amount	248	11	179	59	89	586
Year ended 31 December 2012						
Opening net book amount	248	11	179	59	89	586
Additions	34	–	20	–	5	59
Disposals	(15)	–	–	–	–	(15)
Depreciation charge	(52)	(3)	(23)	(14)	(40)	(132)
Eliminated on disposal	1	–	–	–	–	1
Closing net book amount	**216**	**8**	**176**	**45**	**54**	**499**
At 31 December 2012						
Cost	358	67	236	127	160	948
Accumulated depreciation	(142)	(59)	(60)	(82)	(106)	(449)
Net book amount	216	8	176	45	54	499

Included within net book value of motor vehicles, plant and machinery, and office equipment is £23,000 (2011: £47,000) 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 £12,000 (2011: £16,000).

Notes to the Annual Report and Accounts (continued)

12 Intangible assets

	Development costs £'000	Trademarks £'000	Total £'000
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 1 January 2012			
Cost	1,069	53	1,122
Accumulated amortisation	(92)	(28)	(120)
Net book amount	977	25	1,002
Year ended 31 December 2012			
Opening net book amount	977	25	1,002
Additions	355	6	361
Amortisation charge	(24)	(5)	(29)
Closing net book amount	**1,308**	**26**	**1,334**
At 31 December 2012			
Cost	1,424	59	1,483
Accumulated amortisation	(116)	(33)	(149)
Net book amount	1,308	26	1,334

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 the policy set out in 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 and ancillaries	100%	100%
Symphony Packaging Limited	England and Wales	Dormant	0%	100%
D_2W Limited	England and Wales	Dormant	0%	100%
Symphony Plastics (2010) Limited	England and Wales	Dormant	0%	100%
Symphony Recycling Technologies Limited	England and Wales	Development of recycling 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.

14 Available for sale financial assets

All non-current	2012 £'000	2011 £'000
Beginning and end of year	–	15

The company holds 30% of the ordinary share capital of Symphony Bin Hilal Plastics LLC, a company incorporated in the United Arab Emirates. The Directors are of the opinion that this is an investment as the Directors do not have significant influence because they have no financial or management control. A full impairment has been made against this during the year due to limited availability of financial information.

The company holds 10% of the ordinary share capital of American Plastic Technologies plc, a company incorporated in the United States of America. The Directors are of the opinion that this is an investment as the Directors do not have significant influence because they have no financial or management control. The investment in American Plastics Technologies plc is measured at cost less impairment charges as the fair value cannot be estimated readily. The cost of this investment was £nil.

The company holds c.5% of the ordinary share capital of Oxobioplast Inc, a company incorporated in the United States of America. The Directors are of the opinion that this is an investment as the Directors do not have significant influence because they have no financial or management control. The investment in Oxobioplast Inc. is measured at cost less impairment charges as the fair value cannot be estimated readily. The cost of this investment was £nil.

There is no collateral on the above amounts.

15 Inventories

	2012 £'000	2011 £'000
Finished goods and goods for resale	637	399

The cost of inventories recognised as an expense and included in "cost of sales" amounted to £3,001,000 (2011: £4,052,000). There is no provision for the impairment of inventories (2011: £nil).

There is no collateral on the above amounts.

16 Trade and other receivables

	2012 £'000	2011 £'000
Loans and receivables:		
Trade receivables	545	3,524
Receivables under finance leases	42	38
Other debtors	14	55
VAT	92	67
Prepayments	113	98
	806	3,782

The Directors consider that the carrying value of trade and other receivables approximates to their fair values. There is a provision of £349,000 for the impairment of receivables (2011: £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 2012 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 2012 trade receivables of £134,000 (2011: £556,000) were past due and not impaired. The ageing analysis of these trade receivables is as follows:

	2012 £'000	2011 £'000
More than three months but less than six months	76	220
More than six months but not more than one year	58	–
More than one year	–	336
	134	556

Due to the different markets that the Group operates in, trade terms vary from cash on shipment of goods to payment under letter of credit due 150 days from shipment.

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

Lease agreements in which the other party, as lessee, is to be regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of the discounted future lease payments. These receivables amounted to £42,000 as of 31 December 2012 (2011: £38,000).

Notes to the Annual Report and Accounts (continued)

16 Trade and other receivables (continued)

The receivables under finance leases for 2012 are as follows:

£'000	Total future payments	Unearned interest income	Present value
Not later than one year	36	4	32
Between one and five years	10	–	10
Later than five years	–	–	–
As at 31 December 2012	**46**	**4**	**42**

The receivables under finance leases for 2011 were as follows:

£'000	Total future payments	Unearned interest income	Present value
Not later than one year	16	3	13
Between one and five years	27	2	25
Later than five years	–	–	–
As at 31 December 2011	43	5	38

The leases, which relate to d_2Detectors, are typically cancellable after the first six months and run for a period of two years. The contracts include an option to purchase the leased equipment at any time between the initial six-month period and the full term of two years. The purchase price lies between 33% and 75% of the gross investment at the inception of the lease, resulting from the timing the option to purchase is exercised.

17 Cash and cash equivalents

	2012 £'000	2011 £'000
Loans and receivables:		
Cash at bank and in hand	**336**	291

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	Retained earnings £'000	Total £'000
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
At 1 January 2012	127,843,577	1,278	1,646	2,412	5,336
Loss for the year	–	–	–	(2,224)	(2,224)
Share-based payments	–	–	–	17	17
Proceeds from shares issued	150,800	2	2	–	4
At 31 December 2012	**127,994,377**	**1,280**	**1,648**	**205**	**3,133**

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 January 2012	800	Prior year correction	–	–
06 August 2012	150,000	Exercise of options	3,750	2,250

Share options

As at 31 December 2012 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 2012 there were 4,650,000 staff options outstanding. No staff options were issued in 2012.

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:

	Number	2012 Weighted average exercise price £	Number	2011 Weighted average exercise price £
Outstanding at 1 January	**18,796,500**	**0.06**	20,815,960	0.06
Exercised	**(150,000)**	**0.03**	(1,823,500)	0.05
Forfeited/lapsed	**(495,000)**	**0.22**	(195,960)	0.05
Outstanding at 31 December	**18,151,500**	**0.06**	18,796,500	0.06

The weighted average share price at the date options were exercised was 5p (2011: 16p).

The number of share options exercisable at 31 December 2012 was 18,151,500 (2011: 16,196,500). The weighted average exercise price of those shares exercisable was 6p (2011: 6p).

The weighted average option contractual life is ten years (2011: ten years) and the range of exercise prices is 2.75p to 12p (2011: 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 £17,000 (2011: £29,000).

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 during 2011. No options were granted in 2012.

	2011
Weighted average exercise price	£0.11
Calculated volatility	12%
Expected life	2–6 years
Average risk-free rate	3.50%
Expected dividends	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

	2012 £'000	2011 £'000
Current		
Financial liabilities measured at amortised cost:		
Trade payables	**851**	1,001
Other creditors	**11**	134
Social security and other taxes	**139**	104
Accruals and deferred income	**165**	228
	1,166	1,467

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

Notes to the Annual Report and Accounts (continued)

20 Interest bearing loans and borrowings

	2012 £'000	2011 £'000
Non-current		
Finance lease liabilities	**20**	31
	20	31
Current		
Financial liabilities measured at amortised cost:		
Bank overdraft	**279**	111
Other loans	**219**	382
Finance lease liabilities	**11**	25
	509	518

The bank overdraft of £279,000 (2011: £111,000) is included within the cashflow statement within cash and cash equivalents.

Other loans include:
An amount due relating to the invoice financing facility totalling £219,000 (2011: £382,000). 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 2012 £'000	Gross 2011 £'000	Net 2012 £'000	Net 2011 £'000
Amounts payable within one year	**14**	31	**11**	25
Amounts payable between one and two years	**18**	14	**17**	11
Amounts payable between three and five years	**3**	21	**3**	20
	35	66	**31**	56

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 finance lease liabilities which are secured against the asset that they finance.

21 Net cash generated/(used) from operations

	2012 £'000	2011 £'000
(Loss)/profit after tax	**(2,224)**	520
Adjustments for:		
Depreciation	**132**	109
Amortisation	**29**	29
Loss on disposal	**–**	2
Share-based payments	**17**	29
Impairment of financial asset	**16**	–
Tax charge/(credit)	**27**	(104)
Interest expense	**20**	90
Changes in working capital:		
Inventories	**(238)**	(118)
Trade and other receivables	**2,936**	(853)
Trade and other payables	**(301)**	102
Cash generated/(used) from operations	**414**	(194)

22 Commitments

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

	2012 £'000	2011 £'000
No later than one year	**126**	115
Later than one year and no later than five years	**297**	259
	423	374

23 Post balance sheet events
There have been no significant post balance sheet events.

24 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 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:

	2012 £'000	2011 £'000
Total equity	**3,133**	5,336
Cash and cash equivalents	**(336)**	(291)
Capital	**2,797**	5,045
Total equity	**3,133**	5,336
Borrowings	**529**	549
Overall financing	**3,662**	5,885
Capital-to-financing ratio	**0.76**	0.86

The ratio-decrease during 2012 is a result of the loss for the year. The Group will aim to improve the capital-to-finance ratio during 2013 by increasing sales where possible to new emerging markets, coupled with the strengthening of the product portfolio.

25 Capital commitments
The Group had capital commitments totalling £33,000 at the end of the year (2011: £20,000).

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

Company Balance Sheet
at 31 December 2012
Company number 3676824

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	27	**24**	32
Investments	28	**2,150**	2,150
		2,174	2,182
Current assets			
Debtors	29	**1,900**	1,929
Cash at bank and in hand		**–**	19
		1,900	1,948
Creditors: amounts falling due within one year	30	**61**	234
Net current assets		**1,839**	1,714
Total assets less current liabilities		**4,013**	3,896
Creditors: amounts falling due after more than one year	31	**11**	11
		4,002	3,885
Capital and reserves			
Share capital	34	**1,280**	1,278
Share premium account	35	**1,648**	1,646
Profit and loss account	35	**1,074**	961
		4,002	3,885

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 2012. There are no recognised gains or losses other than its profit for the year as detailed in note 36.

These financial statements were approved by the Directors on 26 March 2013 and are signed on their behalf by:

I Bristow FCCA
Finance Director

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

Notes to the Company Balance Sheet

26 Principal accounting policies

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

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

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

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

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

The interest elements of the rental obligations are charged in the 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.

Notes to the Company Balance Sheet (continued)

27 Tangible fixed assets

	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 January 2012 and 31 December 2012	**27**	**58**	**85**
Depreciation			
At 1 January 2012	18	35	53
Charge for the year	2	6	8
At 31 December 2012	**20**	**41**	**61**
Net book value			
At 31 December 2012	**7**	**17**	**24**
At 31 December 2011	9	23	32

Included within the net book value of £24,000 is £10,000 (2011: £13,000) 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 £3,000 (2011: £4,000).

28 Investments

	2012 £'000	2011 £'000
Shares in Group undertakings		
At beginning and end of the year	**2,150**	2,150

Group undertakings are detailed in note 13.

29 Debtors

	2012 £'000	2011 £'000
Amounts owed by Group undertakings	**1,891**	1,913
VAT	**2**	7
Prepayments	**7**	9
	1,900	1,929

30 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	**9**	31
Other taxation and social security	**–**	16
Amounts due under finance leases and hire purchase agreements	**3**	2
Other creditors	**–**	134
Accruals	**49**	51
	61	234

31 Creditors: amounts falling after more than one year

	2012 £'000	2011 £'000
Amounts due under finance leases and hire purchase agreements	**8**	11
Amounts owed to Group undertakings	**3**	–
	11	11

32 Commitments under finance leases and hire purchase agreements

	2012 £'000	2011 £'000
Amounts payable within one year	**3**	2
Amounts payable between one and two years	**8**	3
Amounts payable between three and five years	**–**	8
	11	13

33 Contingent liabilities

The Company has guaranteed all monies due to its bankers by Symphony Environmental Limited, Symphony Recycling Technologies Limited and Symphony Plastics (2010) Limited. At 31 December 2012 the net indebtedness of these companies amounted to £nil (2011: £nil).

34 Share capital

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

35 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2012	1,646	961
Retained profit for the year	–	113
New equity share capital subscribed	2	–
At 31 December 2012	**1,648**	**1,074**

36 Parent Company own accounts

Symphony Environmental Technologies plc has not presented its own profit and loss account and related notes as permitted by section 408 of the Companies Act 2006. The profit for the financial year dealt with in the financial statements of the parent Company is £113,000 (2011: profit £100,000).

37 Directors and employees

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

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

	2012 No.	2011 No.
Management	**3**	3

The aggregate payroll costs of the above were:

	2012 £'000	2011 £'000
Wages and salaries	**85**	85
Social security costs	**10**	10
	95	95

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

There were no other related party transactions throughout the period.

Business review
Governance
Financial statements

Notes

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3676824

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