



PLASTIC TECHNOLOGIES PLC

ANNUAL REPORT & ACCOUNTS

2003

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DIRECTORS, SECRETARY AND ADVISERS

Company registration number:	3676824
Registered office:	Elstree House Elstree Way Borehamwood Hertfordshire WD6 1LE
Directors:	M N Laurier – <i>Chief Executive Officer</i> I Bristow FCCA – <i>Finance Director</i> A Blacher – <i>Chief Operating Officer</i> M F Stephens – <i>Technical Director</i> K L Frener – <i>Operations Director</i> N J Deva DL, FRSA, MEP – <i>Non Executive</i>
Company Secretary:	I Bristow
Bankers:	Barclays Bank Plc St Albans
Nominated Advisors:	Durlacher Ltd Moorgate Hall 155 Moorgate London EC2M 6XB
Solicitors:	Morgan Cole Princess House Princess Way Swansea SA1 3LJ
Auditors:	Grant Thornton Registered auditors Chartered accountants Central Milton Keynes
Registrars:	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

CHIEF EXECUTIVE'S REVIEW

This year has seen a much better financial performance with sales volumes up from those of the previous years and operating margins increasing during the second half. Substantial provisions in relation to the EPI licence and associated cost, together with a policy of amortising R&D as it is incurred, are all taken into account in this years results.

Symphony has successfully launched its own degradable technology and as a result has opened many new markets and opportunities in terms of product sales and technology licensing contracts. The business is currently generating better operating margins as a result of these changes. In addition, strict cost control together with product and market diversification is the main business model for going forward.

TRADING RESULTS

Symphony achieved a 133% increase in sales of d2w™ products from £2.39m to £5.57m. Sales of non-degradable products increased by 25% from £1.65m to £2.06m. Total group sales increased by 89% from £4.04m to £7.63m. The Group continued to allocate most of its marketing and sales efforts to the further development of d2w™ product sales, whilst maintaining and increasing the level of non-degradable business where possible.

The operating loss was £2.92m in 2003, which is up from the 2002 results of £1.62m, due to £1.70m of exceptional costs in respect to the termination of the EPI licence, of which £1.26m included the write off of intangibles. Administrative expenses before exceptional costs were £2.32m in 2003, which is 6% up from the 2002 figure of £2.19m, primarily as a result of increased staff and management costs.

Group gross profit before exceptional costs was £1.38m (2002: £0.74m), which represents an increase of 86%. Gross profit after exceptional costs was £1.19m for 2003.

The loss per share increased to 7.09 pence from 5.32 pence.

Compared to 2002, the second half of the year saw like for like sales up 138% and gross profit up 153%. The operating loss before exceptional costs reduced 56% to £0.47m (2002 H2: £1.06m). The operating loss after exceptional costs reduced by 34% to £0.70m (2002 H2: £1.06m).

Compared to the first half of 2003 the second half year sales increased by 6%, gross profit before exceptional costs was up by 7%, with administrative expenses before exceptional costs down by 19%. The operating loss before exceptional costs reduced 38% from £0.75m to £0.47m. After exceptional costs, gross profit increased by 29% from £0.52m to £0.70m and the operating loss decreased by 69% from £2.22m to £0.70m.

Dispute between Symphony and EPI

As notified on 3 March 2004, EPI issued proceedings against Symphony for breach of contract passing off and misuse of confidential information. As stated at the time, we were confident that the claim is wholly unmeritorious. As a result of more recent advice our position remains unchanged.

Further to the exceptional costs reported at the interim stage an additional £0.23m has been provided due to the legal action undertaken by EPI.

International Markets

Symphony has been rapidly expanding its international sales activities with an ever increasing product range. The d2w™ degradable products and additives are now being distributed in Brazil, the Caribbean, Middle East, New Zealand and South Africa. In addition other new overseas markets have started to buy our products and additives. Negotiations are on going in several new territories and we are optimistic that additional distribution agreements will be signed over the next few months thus expanding the Company's global presence yet further.

It is our belief that the international markets will show the fastest growth rate for the Company in the coming months and years as we are effectively duplicating the UK sales structure several times over without having to directly pay the cost for doing this.

UK Sales

We have continued to market and promote our products into a wide variety of sectors, primarily retail, governmental, healthcare and packaging. Degradable refuse sacks, disposable aprons and mailing film sales increased during the second half of 2003. Sales of d2w™ carrier bags and consumer products continue into the Somerfield Group and d2w™ carrier bags into Co-operative Retail.

As announced on 19 November 2003 we were awarded a contract for the supply of non-degradable bags for supply to the Welsh Purchasing Organisation. Deliveries started in January 2004 and the contract is expected to exceed its initial target of 30 million non-degradable bags or £900,000 over the two year contract life.

In recent months we have also been engaged in the development of other environmentally responsible plastic solutions. These new products are expected to provide a substantial contribution to the revenue stream over the coming months.

Financing

In April 2003 we raised £2 million to strengthen the balance sheet as well as for cash-flow purposes in order to support the expected increase in sales. I am pleased to report that for 2004 we are now operating on a cash-flow break even basis. The net cash position as at 31 December 2003 including bank discounted debt was (£94,000).

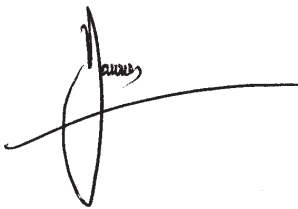
Board Changes

It is with regret that our Chairman, Christopher Littmoden is resigning from the Board effective from today. We are grateful for his past support and wish him well for the future. Further announcements will be made in due course in respect to the appointment of a new chairman as well as a further non executive director in order to strengthen the Board.

Outlook

There is no doubt that the market opportunity for a highly competitive environmentally responsible plastic products is better now than it has ever been. We remain in a unique position of being able to supply a very broad range of solutions from additives to finished products in ever expanding market sectors. Legislation would be a major boost and governments are contemplating solutions to the problems associated with plastic pollution. Recent changes have been made to the EU Packaging Directive that encourages environmentally responsible products and we are hopeful that the legislative environment will continue to change in favour of our technology.

We remain optimistic and confident for the future growth of the business.

A handwritten signature in black ink, appearing to read 'Michael Laurier', with a long horizontal line extending to the right.

Michael Laurier
Chief Executive Officer

25 March 2004

REPORT OF THE DIRECTORS

The directors present their report and the financial statements of the group for the year ended 31 December 2003.

Principal activities and business review

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

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

There was a loss for the year after taxation amounting to £3,009,575 (2002 - loss £1,679,112).

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.

Research and development

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

The directors and their interests

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £0.01 each	
	At	At
	31 December 2003	1 January 2003
C Littmoden – Non Executive Chairman	230,416	130,416
M N Laurier – Chief Executive	8,578,142	8,578,142
I Bristow – Finance Director	757,972	757,972
A Blacher – Chief Operating Officer	83,333	83,333
M F Stephens – Technical Director	792,198	792,198
K L Frener – Operations Director	1,071,185	1,071,185
N J Deva – Non Executive	17,500	17,500

The interest of the directors' in share options is given in note 24 to the financial statements.

Policy on the payment of creditors

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and abide by them. Trade creditors at the year end amount to 45 days of average supplies for the year.

Post balance sheet event

The owner of the licence that was disposed of in the year issued proceedings against the company for breach of contract passing off and misuse of confidential information. The directors are confident that the claim is wholly unmeritorious.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group at the end of the year and of the group's profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for ensuring the directors' report and other information in the annual report is prepared in accordance with company law in the United Kingdom.

Auditors

On 1 July 2004, the Grant Thornton partnership will transfer its business to a limited liability partnership, Grant Thornton UK LLP and the directors have agreed to extend the audit appointment to Grant Thornton UK LLP with effect from 1 July 2004 in accordance with section 26(5) of the Companies Act 1989.

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

BY ORDER OF THE BOARD



I Bristow
Secretary

25 March 2004

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

We have audited the financial statements of Symphony Plastic Technologies plc for the year ended 31 December 2003 which comprise the principal accounting policies, the group profit and loss account, the balance sheets, the group cash flow statement and notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2003 and of the loss of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
CENTRAL MILTON KEYNES**

25 March 2004

PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

The principal accounting policies of the group are set out below and have remained unchanged from the previous year.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and all group undertakings (see note 13).

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

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

TURNOVER

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

RESEARCH AND DEVELOPMENT COSTS

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

LICENCE AND TRADEMARKS

Licence and trademarks represent the cost of a manufacturing and know how licence.

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:

Licence	6 years straight line
Trademarks	6 or 10 years straight line

DEPRECIATION

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
Computer equipment	25% straight line

STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

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 group 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 group profit and loss account on a straight line basis over the lease term.

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 annual contributions payable 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.

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.

FOREIGN CURRENCIES

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

The main purpose of these financial instruments is to finance the group's operations.

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

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

The group does not use financial instruments other than cash, bank overdrafts, invoice discounting, letters of credit, trade debtors and trade creditors, that arise directly from its operations.

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

		2003 Before exceptional items	2003 Exceptional items	2003 £	2002 £
Group turnover	1	7,628,053	–	7,628,053	4,035,064
Cost of sales		<u>6,243,279</u>	<u>195,525</u>	<u>6,438,804</u>	<u>3,291,816</u>
Gross profit		1,384,774	(195,525)	1,189,249	743,248
Other operating charges	2	<u>2,605,839</u>	<u>1,501,674</u>	<u>4,107,513</u>	<u>2,366,584</u>
Operating loss	3	(1,221,065)	(1,697,199)	(2,918,264)	(1,623,336)
Interest receivable and similar income	6			4,294	2,118
Interest payable	7			<u>(95,605)</u>	<u>(57,894)</u>
Loss on ordinary activities before taxation				(3,009,575)	(1,679,112)
Tax on loss on ordinary activities	8			–	–
Loss for the financial year	9			<u>(3,009,575)</u>	<u>(1,679,112)</u>
Loss per share (pence)	10			<u>(7.09)</u>	<u>(5.32)</u>

All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the year as set out above.

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

GROUP BALANCE SHEET

At 31 December 2003

	Note	2003 £	2002 £
Fixed assets			
Intangible assets	11	1,674	1,401,345
Tangible assets	12	208,976	186,880
Investments	13	15,525	15,525
		<u>226,175</u>	<u>1,603,750</u>
Current assets			
Stocks	14	593,022	738,092
Debtors	15	2,111,664	1,240,703
Cash at bank and in hand		169,546	107,488
		<u>2,874,232</u>	<u>2,086,283</u>
Creditors: amounts falling due within one year	16	<u>1,828,848</u>	<u>1,227,864</u>
Net current assets		<u>1,045,384</u>	<u>858,419</u>
Total assets less current liabilities		<u>1,271,559</u>	<u>2,462,169</u>
Creditors: amounts falling due after more than one year	17	<u>24,614</u>	<u>13,570</u>
		<u>1,246,945</u>	<u>2,448,599</u>
Capital and reserves			
Called up equity share capital	24	452,829	341,718
Share premium account	25	8,593,190	6,896,380
Other reserves	25	822,539	822,539
Profit and loss account	25	(8,621,613)	(5,612,038)
Shareholders' funds	26	<u>1,246,945</u>	<u>2,448,599</u>

The financial statements were approved by the directors on 25 March 2004 and signed on their behalf by:



I Bristow
Finance Director

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

COMPANY BALANCE SHEET

At 31 December 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	12	17,763	5,921
Investments	13	149,998	149,998
		<u>167,761</u>	<u>155,919</u>
Current assets			
Debtors: amounts due after more than one year	15	8,863,953	6,999,887
Debtors: amounts falling due within one year	15	7,015	14,266
Cash at bank and in hand		9	7
		<u>8,870,977</u>	<u>7,014,160</u>
Creditors: amounts falling due within one year	16	<u>88,815</u>	<u>122,888</u>
Net current assets		<u>8,782,162</u>	<u>6,891,272</u>
Total assets less current liabilities		<u>8,949,923</u>	<u>7,047,191</u>
Creditors: amounts falling due after more than one year	17	<u>6,300</u>	<u>–</u>
		<u>8,943,623</u>	<u>7,047,191</u>
Capital and reserves			
Called up equity share capital	24	452,829	341,718
Share premium account	25	8,593,190	6,896,380
Profit and loss account	25	(102,396)	(190,907)
Shareholders' funds		<u>8,943,623</u>	<u>7,047,191</u>

These financial statements were approved by the directors on 25 March 2004 and signed on their behalf by:



I Bristow
Finance Director

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

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2003

	Note	2003 £	2002 £
Net cash outflow from operating activities	27	(1,435,172)	(1,343,612)
Returns on investments and servicing of finance			
Interest received		4,294	2,118
Interest paid		(91,244)	(53,334)
Interest element of finance leases and hire purchase		(4,361)	(4,560)
Net cash outflow from returns on investments and servicing of finance		(91,311)	(55,776)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(56,714)	(32,196)
Receipts from sale of fixed assets		18,102	170
Net cash outflow from capital expenditure and financial investment		(38,612)	(23,026)
Cash outflow before financing		(1,565,095)	(1,422,414)
Financing			
Issue of equity share capital		111,111	34,375
Share premium on issue of equity share capital		1,696,810	820,441
Capital element of finance leases and hire purchase		(57,957)	(51,148)
Net cash inflow from financing		1,749,964	803,668
Increase/(decrease) in cash	27	184,869	(618,746)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

1 TURNOVER

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

2 OTHER OPERATING INCOME AND CHARGES

	2003 £	2003 £	2002 £
Distribution costs		281,145	178,962
Administrative expenses: other	2,324,694		–
Administrative expenses: exceptional	1,501,674	3,826,368	2,187,622
		4,107,513	2,366,584

3 OPERATING LOSS

	2003 £	2002 £
Operating loss is stated after charging/(crediting):		
Amortisation	140,565	280,269
Research and development expenditure written off	36,302	–
Depreciation of owned fixed assets	19,893	31,309
Depreciation of assets held under finance leases and hire purchase agreements	26,504	7,838
Loss/(Profit) on disposal of fixed assets	14,569	(18)
Auditors' remuneration:		
Audit fees	23,800	27,000
Non audit services:		
Tax compliance	5,650	5,500
Tax advisory	1,400	4,750
Other non audit services	900	6,435
Operating lease costs:		
Land and buildings	97,160	105,875
Plant and equipment	21,328	10,930
Exceptional item: termination of licence	1,501,674	–

During the year the company terminated a licence relating to the use of an additive. The exceptional cost relates to amounts incurred on the write off of the intangible assets associated with the license (see note 11), destroying stocks of the additive, associated legal fees and debts.

4 DIRECTORS AND EMPLOYEES

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

	2003	2002
	Number	Number
Warehousing	6	4
Selling and distribution	7	5
Administration	10	14
Management	5	5
	28	28

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	1,087,073	880,692
Social security costs	118,658	92,688
Other pension costs	53,366	2,424
	1,259,097	975,804

5 DIRECTORS

Remuneration in respect of directors was as follows:

	Basic salary or fees £	Benefits £	Pension £	2003 Total Emoluments £	2002 Total Emoluments £
Christopher Littmoden	30,000	–	–	30,000	30,000
Ian Bristow	90,000	9,634	9,250	108,884	67,751
Michael Laurier	110,000	5,149	17,566	132,715	98,554
Nirj Deva	19,500	–	–	19,500	31,342
Michael Stephens	100,000	3,858	10,250	114,108	75,050
Keith Frener	68,000	10,336	7,050	85,386	64,553
Allan Blacher	90,000	3,053	9,250	102,303	31,667
	507,500	32,030	53,366	592,896	398,917

During the year one director (2002: one) participated in money purchase pension schemes.

Details of directors' share options are given in note 24.

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2002
	£	£
Bank interest received	1,740	–
Other similar income receivable	2,554	2,118
	4,294	2,118

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £	2002 £
Interest payable on bank borrowing	2,258	920
Finance charges	4,361	4,560
Other interest payable and similar charges	88,986	52,414
	<u>95,605</u>	<u>57,894</u>

8 TAXATION ON ORDINARY ACTIVITIES

The group has tax losses of approximately £8,700,000 (2002: £5,250,000) carried forward and available for offset against future taxable trading profits. There is a net deferred tax asset of £2,600,000 (2002: £1,575,000), which has not been recognised as the timing of its recoverability cannot be assessed with any certainty.

(a) Analysis of charge in the year

No tax arises on the loss for the year.

The tax assessed for the period is different than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained as follows:

(b) Factors affecting current tax charge

	2003 £	2002 £
Loss on ordinary activities before taxation	(3,009,575)	(1,679,112)
Loss on ordinary activities by rate of tax	(902,873)	(503,734)
Expenses not deductible for tax purposes	12,334	20,077
Depreciation for the period in excess of capital allowances	(146,807)	(359)
Tax losses not utilised	1,037,346	484,016
	<u>—</u>	<u>—</u>

9 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £88,511 (2002 – £5,845).

10 LOSS PER SHARE

The calculation of basic loss per ordinary share is based on the year of £3,009,575 (2002 – £1,679,112) and on 42,421,388 (2002 – 31,578,768) being the weighted average number of equity shares outstanding during the year.

11 INTANGIBLE FIXED ASSETS

Group	Trademarks £	Development expenditure £	Total £
Cost			
At 1 January 2003	1,581,145	491,640	2,072,785
Written off	(1,581,145)	(484,998)	(2,066,143)
At 31 December 2003	–	6,642	6,642
Amortisation			
At 1 January 2003	351,637	319,803	671,440
Charge for the year	122,717	17,848	140,565
Written off	(474,354)	(332,683)	(807,037)
At 31 December 2003	–	4,968	4,968
Net book value			
At 31 December 2003	–	1,674	1,674
At 31 December 2002	1,229,508	171,837	1,401,345

The amounts written off relate to the exceptional costs explained in note 3.

12 TANGIBLE FIXED ASSETS

Group	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Cost					
At 1 January 2003	28,238	76,226	107,102	121,446	333,012
Additions	37,188	2,893	33,981	27,102	101,164
Disposals	–	–	(53,645)	–	(53,645)
At 31 December 2003	65,426	79,119	87,438	148,548	380,531
Depreciation					
At 1 January 2003	15,433	25,431	29,634	75,634	146,132
Charge for the year	5,210	7,660	13,202	20,325	46,397
On disposals	–	–	(20,974)	–	(20,974)
At 31 December 2003	20,643	33,091	21,862	95,959	171,555
Net book value					
At 31 December 2003	44,783	46,028	65,576	52,589	208,976
At 31 December 2002	12,805	50,795	77,468	45,812	186,880

Included within the net book value of £208,976 is £80,204 (2002 – £77,468) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £13,202 (2002 – £7,838).

Company	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At 1 January 2003	–	8,707	8,707
Additions	14,628	–	14,628
At 31 December 2003	14,628	8,707	23,335
Depreciation			
At 1 January 2003	–	2,786	2,786
Charge for the year	1,950	836	2,786
At 31 December 2003	1,950	3,622	5,572
Net book value			
At 31 December 2003	12,678	5,085	17,763
At 31 December 2002	–	5,921	5,921

Included within the net book value of £17,763 is £16,628 (2002 – £Nil) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £1,950 (2002 – £Nil).

13 INVESTMENTS

Group	Other £
Cost	
At 1 January 2003 and 31 December 2003	15,525
Net book value	
At 31 December 2003	15,525
At 31 December 2002	15,525

At 31 December 2003 the group held more than 20% of a class of the allotted equity share capital of the following:

Name of undertaking	Country of incorporation	Class of share capital held	Proportion held	Nature of business
Symphony Plastics Limited	England and Wales	Ordinary shares	100%	Supply of polythene products
*Symphony Packaging Limited	England and Wales	Ordinary shares	100%	Dormant
*Symphony Environmental Limited	England and Wales	Ordinary shares	100%	Supply of environmental polythene
**D2W Limited	England and Wales	Ordinary shares	100%	Dormant

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

*Owned by Symphony Plastics Limited

**Owned by Symphony Environmental Limited

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

Company	Shares in group undertakings £
Cost	
At 1 January 2003 and 31 December 2003	<u>149,998</u>
Net book value	
At 31 December 2003	<u>149,998</u>
At 31 December 2002	<u>149,998</u>

14 STOCKS

	The group		The company	
	2003	2002	2003	2002
	£	£	£	£
Raw materials and consumable stores	133,840	235,155	–	–
Finished goods and goods for resale	459,182	502,937	–	–
	<u>593,022</u>	<u>738,092</u>	<u>–</u>	<u>–</u>

15 DEBTORS

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	2,006,333	1,112,684	–	–
Amounts owed by group undertakings	–	–	8,863,953	6,999,887
VAT recoverable	18,437	30,584	613	6,313
Other debtors	15,283	11,362	–	–
Prepayments and accrued income	71,611	86,073	6,402	7,953
	<u>2,111,664</u>	<u>1,240,703</u>	<u>8,870,968</u>	<u>7,014,153</u>

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

	The Company	
	2003	2002
	£	£
Amounts owed by group undertakings	<u>8,863,953</u>	<u>6,999,987</u>

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	263,672	386,483	13,323	22,245
Trade creditors	502,304	607,114	40,438	53,739
Amounts due under finance leases and hire purchase agreements	18,753	43,304	4,254	14,904
Taxation and social security	51,408	56,115	–	–
Other creditors	734,249	94,873	–	–
Accruals and deferred income	258,462	39,975	30,800	32,000
	<u>1,828,848</u>	<u>1,227,864</u>	<u>88,815</u>	<u>122,888</u>

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

The other creditors are secured by a fixed and floating charge over the group's assets.

Amounts due under finance leases and hire purchase agreements are secured over the assets to which they relate.

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts due under finance leases and hire purchase agreements	24,614	13,570	6,300	–

18 COMMITMENTS UNDER FINANCE LEASES AND HIRE PURCHASE AGREEMENTS

Future commitments under finance leases and hire purchase agreements are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts payable within 1 year	18,753	43,304	–	–
Amounts payable between 1 and 2 years	17,602	9,210	–	–
Amounts payable between 3 and 5 years	7,012	4,360	–	–
	<u>43,367</u>	<u>56,874</u>	<u>–</u>	<u>–</u>

19 PENSIONS*Defined Contribution Scheme*

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

20 FINANCIAL INSTRUMENTS

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

The main risks arising from the group financial instruments are interest rate risk, currency exchange risk and liquidity risk.

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

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

At 31 December 2003 the interest rate exposure of the financial liabilities was at floating rate. The floating rate borrowings bear interest at rates based on LIBOR.

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

The group operates in overseas markets and is subject to currency exposures on transactions undertaken during the year. The group does not hedge any transactions.

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

21 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as set out below.

The group	2003		2002	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Operating leases which expire:				
Within 1 year	–	7,664	–	11,267
Within 2 to 5 years	97,160	10,026	78,800	11,092
	<u>97,160</u>	<u>17,690</u>	<u>78,800</u>	<u>22,359</u>

22 CONTINGENT LIABILITIES

There is a contingent liability arising on letters of credit which have been issued but not yet fulfilled. At 31 December 2003 this amounts to £257,079 (2002 – £nil).

23 RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

24 SHARE CAPITAL

Authorised share capital:

	2003	2002
	£	£
100,000,000 Ordinary shares of £0.01 each	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £0.01p each	<u>45,282,880</u>	<u>452,829</u>	<u>34,171,768</u>	<u>341,718</u>

Allotment of shares

The company made allotments of 11,111,112 ordinary 1p shares each fully paid on 4 April 2003 upon a placing by the company at 18p per share.

The difference of £1,888,889 between the total consideration of £2,000,000 and the total nominal value of £111,111 has been credited to the share premium account net of expenses of £192,079.

Contingent rights to the allotments of shares:

Share options

Number of share options	Exercise price (pence per share)	Exercisable from	Exercisable to
170,000	60	19 June 2002	19 June 2005
200,000	38	23 June 2002	23 June 2005
125,000	46	23 June 2002	23 June 2005
121,000	60	23 June 2002	23 June 2005
175,000	80	26 June 2002	26 June 2005
100,000	25	20 May 2002	20 May 2008
1,200,000	37	7 June 2004	7 June 2012
100,000	32	21 June 2004	21 June 2012
150,000	30	30 September 2002	30 September 2004
152,000	28	1 November 2004	1 November 2012
226,666	30	6 December 2004	6 December 2012

During the year 382,666 options lapsed, no share options were exercised nor were issued.

Share warrants

1,116,695 warrants have been issued at 80p per share, exercisable up to 27 June 2004.

Director interests

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

	Number of share options	Exercise price (pence per share)	Exercisable from	Exercisable to
N Deva	200,000	37	23 June 2002	28 June 2005
C Littmoden	200,000	37	7 June 2004	7 June 2012
M Laurier	129,730	37	7 June 2004	7 June 2012
	270,270*	37	7 June 2004	7 June 2012
I Bristow	200,000*	37	7 June 2004	7 June 2012
K Frener	200,000*	37	7 June 2004	7 June 2012
A Blacher	100,000*	32	21 June 2004	21 June 2012
	226,666*	30	6 December 2004	6 December 2012

* Under the EMI scheme these options cannot be exercised until a positive earning per share is achieved.

25 RESERVES

Group	Share premium account £	Merger reserves £	Profit and loss account £
At 1 January 2003	6,896,380	822,539	(5,612,038)
Loss for the year	–	–	(3,009,575)
New equity share capital subscribed	1,696,810	–	–
At 31 December 2003	8,593,190	822,539	(8,621,613)

Company	Share premium account £	Profit and loss account £
At 1 January 2003	6,896,380	(190,907)
Retained profit for the year	–	88,511
New equity share capital subscribed	1,696,810	–
At 31 December 2003	8,593,190	(102,396)

26 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Loss for the financial year	(3,009,575)	(1,679,112)
New equity share capital subscribed	111,111	34,375
Net premium on new share capital subscribed	1,696,810	820,441
Net reduction to funds	(1,201,654)	(824,296)
Opening shareholders' equity funds	2,448,599	3,272,895
Closing shareholders' equity funds	1,246,945	2,448,599

27 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of operating loss to net cash outflow from operating activities

	2003 £	2002 £
Operating loss	(2,918,264)	(1,623,336)
Amortisation	140,565	280,269
Depreciation	46,397	39,147
Loss/(Profit) on disposal of fixed assets	14,569	(18)
Amounts written off intangible assets	1,259,106	–
Decrease/(increase) in stocks	145,070	(100,608)
Increase in debtors	(870,961)	(98,571)
Increase in creditors	748,346	159,505
Net cash outflow from operating activities	(1,435,172)	(1,343,612)

Reconciliation of net cash flow to movement in net debt

	2003	2002
	£	£
Increase/(decrease) in cash in the period	184,869	(618,746)
Cash outflow from finance leases and hire purchase	57,957	51,148
Change in net debt resulting from cash flows	242,826	(567,598)
New finance leases	(44,450)	(18,775)
Movement in net debt in the period	198,376	(586,373)
Net debt at 1 January 2003	(335,869)	250,504
Net debt at 31 December 2003	(137,493)	(335,869)

Analysis of changes in net debt

	At 1 January 2003 £	Cashflows £	Other changes £	At 31 December 2003 £
Net cash:				
Cash in hand and at bank	107,488	62,058	–	169,546
Overdrafts	(386,483)	122,811	–	(263,672)
	(278,995)	184,869	–	(94,126)
Debt:				
Finance leases and hire purchase agreements	(56,874)	57,957	(44,450)	(43,367)
Net debt	(335,869)	242,826	(44,450)	(137,493)

28 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £Nil (2002 – £12,958).

29 POST BALANCE SHEET EVENT

The owner of the licence that was disposed of in the year issued proceedings against the company for breach of contract passing off and misuse of confidential information. The directors are confident that the claim is wholly unmeritorious.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2004 Annual General Meeting of the Company will be held at 2nd Floor, Elstree House, Elstree Way, Borehamwood, Hertfordshire WD6 1LE on Friday, 16 July 2004 at 9.00 a.m. for the following purposes:

Ordinary business

1. To receive and adopt the financial statements of the Company for the year ended 31 December 2003 together with the reports of the directors and auditors ("the Accounts").
2. To re-elect Keith Frener, who retires by rotation, as a director of the Company.
3. To re-elect Michael Stephens, who retires by rotation, as a director of the Company.
4. To re-appoint the auditors Grant Thornton UK LLP for the period prescribed by section 385(2) Companies Act 1985 and to authorise the directors to determine their remuneration for that period.

Special business

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

5. That the Directors be generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot, grant options over or otherwise deal with or dispose of the unissued shares in the authorised share capital of the Company PROVIDED THAT the authority hereby given:
 - (a) shall be limited to unissued shares in the authorised share capital of the Company on the date hereof having an aggregate nominal value of £150,943;
 - (b) shall expire on the day preceding the fifth anniversary of the date on which this resolution was passed unless previously renewed or varied save that the Directors may, notwithstanding such expiry, allot, grant options over or otherwise deal with or dispose of any shares under this authority in pursuance of an offer or agreement so to do made by the Company before the expiry of this authority
6. That subject to the passing of resolution 5 the Directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities wholly for cash pursuant to the authority conferred by resolution 5 above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (a) in connection with an offer of such securities by way of rights to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - (b) in satisfaction of the valid exercise of the outstanding options over such securities details of which are set out in note 16 to the Accounts; and
 - (c) otherwise than pursuant to sub-paragraphs (a) and (b) above up to an aggregate nominal value of £67,924;

and shall expire on the date of the next annual general meeting of the company or 15 months from the passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the

Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired, and in this Resolution the expression "equity securities" and references to the allotment of equity securities shall bear the same respective meanings as in section 94 of the Act.

BY ORDER OF THE BOARD

Ian Bristow

Company Secretary

REGISTERED OFFICE: Elstree House, Elstree Way, Borehamwood, Hertfordshire WD6 1LE

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be member of the Company. The form of proxy for use by members is enclosed.
2. To be valid, the form of proxy, duly executed, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority) must be deposited at the offices of the Company's registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 9.00 a.m. on Wednesday, 14 July 2004. Completion of the form of proxy will not preclude a member from attending and voting in person.
3. Pursuant to regulation 34 of the Uncertificated Securities Regulations 1995, the Company has specified that to be entitled to attend and vote at the meeting (and for the purpose of determining the number of votes they may cast) members must be entered on the register of members at 6.00 p.m. on 14 July 2004. Changes to entries on the relevant register of securities after 6.00 p.m. on 14 July 2004 shall be disregarded in determining the rights of any person to attend or vote at the meeting.



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