

Symphony Plastics Limited

Financial statements

For the year ended 31 December 2006

Grant Thornton 

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COMPANIES HOUSE

Company No. 2967867

Company information

Company registration number	2967867
Registered office	Elstree House Elstree Way Borehamwood Hertfordshire WD6 1LE
Directors	M N Laurier K L Frener I Bristow K Omprasadham
Secretary	I Bristow
Bankers	HSBC Bank Plc Edgware
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2006

Principal activities and business review

The company is principally engaged in the supply of refuse sacks, carrier bags, building film, tarpaulins, rubber gloves and other packaging products

The results reflect the continued change of direction to degradable products sold by its subsidiary company Symphony Environmental Limited

There was a loss for the year after taxation amounting to £3,989,613 (2005 - loss £713,965) The loss for the year includes a provision for group balances of £3,000,000

Sales for the company have reduced by 21% as more group resource is allocated to its subsidiary company Symphony Environmental Limited

Expenses, excluding the group balances provision, show a growth of 44% from 2005 due to a lower intra-group management charge credit as turnover has fallen within the group and the charge is sales based

Results and dividends

The trading results for the year and the company'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 main key performance indicators for the company are sales growth and gross profit percentage

As stated above, sales have fallen 21% in line with the group strategy

The gross profit percentage for 2006 has fallen slightly to 12.3% from 13.4% in 2005. The consistent low margin is a factor of the competitive environment in the United Kingdom for normal plastic products

Financial risk management objectives and policies

The details of the group's financial risk management policies are detailed in note 17 to the financial statements

Report of the directors (continued)

Directors

The directors who served the company throughout the year were as follows

M N Laurier

K L Frener

I Bristow

K Omprasadham

A Blacher (resigned 25 August 2006)

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company

Mr K Omprasadham has a direct and indirect interest in 1,566,604 ordinary shares in Symphony Environmental Technologies plc

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

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 63 days (2005 - 38) of average supplies for the year

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the directors to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 company will continue in business

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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Report of the directors (continued)

Going concern

The company is part of a group and the group's strategy into 2007 primarily incorporates the sale of high margin additive products which enable a lower cost base and significantly improved working capital cycle. After review of the current performance of the group, the new strategy has shown a marked improvement in gross profit margins. Since April 2007 significant cost reductions have also been made in areas without causing detriment to developing business going forward. The balance sheet of the group was also strengthened in February 2007 with a placing which netted the group £1,100,000 after associated costs.

Having reviewed the detailed forecasts that adopt the new trading strategy and taking into account available banking and other potential facilities available, and making further enquiries as considered appropriate, and looking at the group as a whole, the Directors are satisfied that the company has sufficient resources to enable it to continue in business for the foreseeable future. For this reason, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Auditors

Grant Thornton UK LLP offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

Authority to issue

The financial statements, of the company for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Report.

ON BEHALF OF THE BOARD



I Bristow
Director

27 June 2007

Report of the independent auditors to the members of Symphony Plastics Limited

We have audited the financial statements of Symphony Plastics Limited for the year ended 31 December 2006 which comprise the principal accounting policies, the profit and loss account, the balance sheet, and notes 1 to 24. 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 Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Report of the independent auditors to the members of Symphony Plastics Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

Central Milton Keynes
27 June 2007

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and on the going concern basis based on the continued support of the ultimate parent undertaking

The principal accounting policies of the company are set out below and have remained unchanged from the previous year except for the adoption of FRS 20 "share based payments" The adoption of this standard has increased the loss for the year by £59,800 (2005 - £nil)

Going concern

The company is part of a group and the group's strategy into 2007 primarily incorporates the sale of high margin additive products which enable a lower cost base and significantly improved working capital cycle After review of the current performance of the group, the new strategy has shown a marked improvement in gross profit margins Since April 2007 significant cost reductions have also been made in areas without causing detriment to developing business going forward The balance sheet of the group was also strengthened in February 2007 with a placing which netted the group £1,100,000 after associated costs

Having reviewed the detailed forecasts that adopt the new trading strategy and taking into account available banking and other potential facilities available, and making further enquiries as considered appropriate, and looking at the group as a whole, the Directors are satisfied that the company has sufficient resources to enable it to continue in business for the foreseeable future For this reason, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EC and in accordance with section 228 of the Companies Act 1985 is not required to produce, and has not published, consolidated accounts

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover

Turnover is the revenue arising from the sales of goods supplied and services provided, excluding VAT and trade discounts It is stated at the fair value of the consideration receivable

Revenue is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which maybe based on shipment or delivery depending upon the specific contract terms

Revenue from services provided by the company is recognised when the company has performed its obligations and in exchange obtained the right to consideration

Principal accounting policies (continued)

Intangible fixed assets

Trademarks are included at cost

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

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	- 20% reducing balance
Motor vehicles	- 25% reducing balance
Computer equipment	- 25% straight line

Investments

Investments are included at cost

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 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

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

Principal accounting policies (continued)

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.

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.

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.

Equity settled share based payments

Warrants granted to employees in the ultimate parent company which relate to salary sacrifices to employees employed by this company are attributed a fair value by reference to the services provided. This fair value is charged to the profit and loss account when the service is provided with a corresponding credit taken to shareholders' funds.

Profit and loss account

	Note	2006 £	2005 £
Turnover	1	1,963,355	2,472,125
Cost of sales		1,720,952	2,139,433
Gross profit		242,403	332,692
Other operating charges	2	4,226,089	1,020,657
Operating loss	3	(3,983,686)	(687,965)
Interest receivable	6	26	297
Interest payable and similar charges	7	(5,953)	(26,297)
Loss on ordinary activities before taxation		(3,989,613)	(713,965)
Tax on loss on ordinary activities	8	—	—
Loss for the financial year	22	<u>(3,989,613)</u>	<u>(713,965)</u>

All of the activities of the company are classed as continuing

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

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

Balance sheet

	Note	2006 £	2005 £
Fixed assets			
Intangible assets	9	—	346
Tangible assets	10	106,246	132,549
Investments	11	15,529	15,529
		<u>121,775</u>	<u>148,424</u>
Current assets			
Stocks	12	54,143	206,540
Debtors due within one year	13	422,992	820,342
Debtors due after one year	13	4,856,840	6,520,656
Cash at bank and in hand		72,618	37,885
		<u>5,406,593</u>	<u>7,585,423</u>
Creditors: amounts falling due within one year	14	<u>1,064,032</u>	<u>955,367</u>
Net current assets		<u>4,342,561</u>	<u>6,630,056</u>
Total assets less current liabilities		<u>4,464,336</u>	<u>6,778,480</u>
Creditors, amounts falling due after more than one year	15	<u>10,740,447</u>	<u>9,124,778</u>
		<u>(6,276,111)</u>	<u>(2,346,298)</u>
Capital and reserves			
Called-up equity share capital	21	216,357	216,357
Share premium account	22	756,180	756,180
Profit and loss account	22	(7,248,648)	(3,318,835)
Deficiency	23	<u>(6,276,111)</u>	<u>(2,346,298)</u>

These financial statements were approved by the directors on 27 June 2007 and are signed on their behalf by



I Bristow
Director

Notes to the financial statements

1 Turnover

An analysis of turnover by geographical market has not been given as in the opinion of the directors this would be seriously prejudicial to the company

2 Other operating charges

	2006	2005
	£	£
Distribution costs	143,434	272,000
Administrative expenses	4,082,655	748,657
	<u>4,226,089</u>	<u>1,020,657</u>

3 Operating loss

Operating loss is stated after charging

	2006	2005
	£	£
Amortisation	346	664
Research and development expenditure written off	-	45,719
Equity-settled share based payments	59,800	-
Depreciation of owned fixed assets	16,219	19,748
Depreciation of assets held under finance leases and hire purchase agreements	7,016	13,668
Loss on disposal of fixed assets	100	4,502
Exceptional items provision against intra-group amounts	3,000,000	-
Operating lease costs		
Plant and equipment	3,844	11,432
Land and buildings	<u>74,800</u>	<u>74,800</u>

The auditors' remuneration has been paid by the ultimate parent company, Symphony Environmental Technologies plc, and is part of the management charge payable to that company

4 Directors and employees

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

	2006 No	2005 No
Warehousing	5	7
Selling and distribution	4	5
Administration	6	9
Management	4	4
	<u>19</u>	<u>25</u>

The aggregate payroll costs of the above were

	2006 £	2005 £
Wages and salaries	839,043	1,030,628
Social security costs	81,876	112,617
Other pension costs	31,100	16,217
	<u>952,019</u>	<u>1,159,462</u>

5 Directors

Remuneration in respect of directors was as follows

	2006 £	2005 £
Emoluments receivable	416,813	485,416
Pension contributions (including money purchase schemes)	31,100	43,258
	<u>447,913</u>	<u>528,674</u>

Emoluments of highest paid director

	2006 £	2005 £
Total emoluments (excluding pension contributions)	145,600	184,726
Value of company pension contributions to money purchase schemes	12,100	16,217
	<u>157,700</u>	<u>200,943</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2006 No	2005 No
Money purchase schemes	<u>1</u>	<u>1</u>

6 Interest receivable

	2006	2005
	£	£
Bank interest received	<u>26</u>	<u>297</u>

7 Interest payable and similar charges

	2006	2005
	£	£
Interest payable on bank borrowing	3,413	1,501
Interest payable on other loans	84	1,280
Finance charges in respect of hire purchase contracts	2,456	4,529
Other similar charges payable	-	18,987
	<u>5,953</u>	<u>26,297</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

No tax arises on the loss for the year

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

(b) Factors affecting current tax charge

	2006	2005
	£	£
Loss on ordinary activities before taxation	<u>(3,989,613)</u>	<u>(713,965)</u>
Loss on ordinary activities by rate of tax	(1,196,884)	(214,190)
Expenses not deductible for tax purposes	902,241	3,514
Depreciation in excess of capital allowances in period	2,162	4,307
Tax losses not utilised	292,481	206,369
Total current tax (note 8(a))	<u>-</u>	<u>-</u>

The company has tax losses of approximately £3,900,000 carried forward and available for offset against future taxable trading profits. There is a net deferred tax asset of approximately £1,100,000, which has not been recognised as the timing of its recoverability cannot be assessed with any certainty. The tax would become recoverable once the company achieves taxable trading profits.

9 Intangible fixed assets

	Trademarks £
Cost	
At 1 January 2006 and 31 December 2006	<u>6,642</u>
Amortisation	
At 1 January 2006	6,296
Charge for the year	<u>346</u>
At 31 December 2006	<u>6,642</u>
Net book value	
At 31 December 2006	<u>—</u>
At 31 December 2005	<u>346</u>

10 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Cost					
At 1 January 2006	50,798	64,212	65,664	160,468	341,142
Additions	—	—	—	3,680	3,680
Disposals	—	—	(13,280)	—	(13,280)
At 31 December 2006	<u>50,798</u>	<u>64,212</u>	<u>52,384</u>	<u>164,148</u>	<u>331,542</u>
Depreciation					
At 1 January 2006	26,593	36,020	19,813	126,167	208,593
Charge for the year	2,809	3,161	7,016	10,249	23,235
On disposals	—	—	(6,532)	—	(6,532)
At 31 December 2006	<u>29,402</u>	<u>39,181</u>	<u>20,297</u>	<u>136,416</u>	<u>225,296</u>
Net book value					
At 31 December 2006	<u>21,396</u>	<u>25,031</u>	<u>32,087</u>	<u>27,732</u>	<u>106,246</u>
At 31 December 2005	<u>24,205</u>	<u>28,192</u>	<u>45,851</u>	<u>34,301</u>	<u>132,549</u>

Included within the net book value of £106,246 is £32,086 (2005 - £45,851) 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 £7,016 (2005 - £13,668).

11 Investments

	Shares in group undertakings £	Other investments £	Total £
Cost			
At 1 January 2006 and 31 December 2006	<u>4</u>	<u>15,525</u>	<u>15,529</u>
Net book value			
At 31 December 2006	<u>4</u>	<u>15,525</u>	<u>15,529</u>
At 31 December 2005	<u>4</u>	<u>15,525</u>	<u>15,529</u>

At 31 December 2006 the company held 100% of the ordinary share capital of Symphony Packaging Limited and Symphony Environmental Limited. Both these companies are incorporated in England and Wales.

In addition, the company held 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.

12 Stocks

	2006 £	2005 £
Raw materials and consumable stores	-	5,000
Finished goods and goods for resale	<u>54,143</u>	<u>201,540</u>
	<u>54,143</u>	<u>206,540</u>

13 Debtors

	2006 £	2005 £
Trade debtors	339,043	457,403
Amounts owed by group undertakings	4,843,140	6,506,956
VAT recoverable	41,538	312,348
Other debtors	13,700	13,700
Prepayments and accrued income	42,411	50,591
	<u>5,279,832</u>	<u>7,340,998</u>

The debtors above include the following amounts falling due after more than one year:

	2006 £	2005 £
Amounts owed by group undertakings	4,843,140	6,506,956
Other debtors	13,700	13,700
	<u>4,856,840</u>	<u>6,520,656</u>

14 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank overdrafts	180,177	287,122
Trade creditors	634,296	502,169
Taxation and social security	83,970	100,830
Amounts due under finance leases and hire purchase agreements	9,315	8,135
Other creditors	92,413	6,037
Accruals and deferred income	63,861	51,074
	<u>1,064,032</u>	<u>955,367</u>

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

15 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to group undertakings	10,723,628	9,098,644
Amounts due under finance leases and hire purchase agreements	16,819	26,134
	<u>10,740,447</u>	<u>9,124,778</u>

16 Commitments under finance leases and hire purchase agreements

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

	2006 £	2005 £
Amounts payable within 1 year	9,315	8,135
Amounts payable between 1 and 2 years	16,819	9,315
Amounts payable between 3 and 5 years	-	16,819
	<u>26,134</u>	<u>34,269</u>

17 Financial instruments

The company uses various financial instruments which include cash, overdrafts, intra group borrowings, equity and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are interest rate risk, currency risk, liquidity 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.

Interest rate risk

The intra group borrowings and trade creditors do not attract interest and are therefore only subject to fair value interest rate risk which is a benefit to the company. This benefit is partly offset by trade debtors which also do not attract interest.

17 Financial instruments (continued)

The bank borrowings are at floating rate based on LIBOR and the company does not hedge this risk which is partly offset by the floating rate interest on its cash balances

Currency risk

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

Liquidity risk

The company 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 the bank overdraft and intragroup borrowing facilities

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors

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

Fair value of financial assets and liabilities

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 Company at the balance sheet date

18 Leasing commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	2006		2005	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire				
Within 1 year	-	1,200	10,000	1,200
Within 2 to 5 years	60,200	5,180	54,800	5,180
	<u>60,200</u>	<u>6,380</u>	<u>64,800</u>	<u>6,380</u>

19 Contingent liabilities

The company is a member of a VAT group with Symphony Environmental Limited and Symphony Environmental Technologies plc. At 31 December 2006, the net indebtedness of these companies amounted to £12,827 (2005 - £259,965)

The company has guaranteed all monies due to Davenham Trade Finance Limited by Symphony Environmental Limited and Symphony Environmental Technologies plc. At 31 December 2006 the net indebtedness of these companies amounted to £nil (2005 - £237,034)

There is a contingent liability arising on letters of credit which have been issued but not yet fulfilled. At 31 December 2006 this amounts to £nil (2005 - £20,000)

20 Related party transactions

As a wholly owned subsidiary of Symphony Environmental Technologies plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Symphony Environmental Technologies plc

In the year Michael Laurier, a director of the company, made a 15 per cent per annum interest bearing loan of £39,730. The amount outstanding at the end of the year was £39,730

21 Share capital

Authorised share capital

	2006	2005
	£	£
50,000,000 Ordinary shares of £0.01 each	<u>500,000</u>	<u>500,000</u>

Allotted, called up and fully paid

	2006		2005	
	No	£	No	£
Ordinary shares of £0.01 each	<u>21,635,700</u>	<u>216,357</u>	<u>21,635,700</u>	<u>216,357</u>

22 Reserves

	Share premium account	Profit and loss account
	£	£
At 1 January 2006	756,180	(3,318,835)
Loss for the year	-	(3,989,613)
Equity settled share-based payment charge	-	59,800
At 31 December 2006	<u>756,180</u>	<u>(7,248,648)</u>

23 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Loss for the financial year	(3,989,613)	(713,965)
Equity settled share-based payment charge	59,800	-
Opening shareholders' equity deficit	<u>(2,346,298)</u>	<u>(1,632,333)</u>
Closing shareholders' equity deficit	<u>(6,276,111)</u>	<u>(2,346,298)</u>

24 Ultimate parent company

The directors consider that the ultimate parent undertaking of this company is its parent company Symphony Environmental Technologies plc incorporated in England and Wales

Symphony Environmental Technologies plc is this company's controlling related party by virtue of its majority shareholding

The largest group of undertakings for which group accounts have been drawn up is that headed by Symphony Environmental Technologies plc which is registered in England and Wales. Copies of the group accounts can be obtained from Elstree House, Elstree Way, Borehamwood, Hertfordshire, WD6 1LE