

SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC

Preliminary Results for the year to 31 December 2008

Symphony Environmental Technologies plc (“Symphony” or “Group”), the degradable plastics and waste-to-energy Group, is pleased to announce its preliminary results for the year ended 31 December 2008.

Highlights

Group result – including non-recurring items

- Revenue increased by 42% to £5.36 million (2007 £3.78 million)
- Gross profits increased by 190% to £2.37 million (2007 £0.82 million)
- Gross profit margins increased to 44% (2007 22%)
- Significantly decreased operating loss to £0.15 million (2007 £1.88 million)
- Loss before tax decreased to £0.40 million (2007 loss £1.95 million)
- Recognition of £0.72 million tax credit (2007 £nil)
- Profit after tax of £0.37 million (2007 loss £1.91 million)
- Basic earnings per share 0.35p (2007 loss per share 2.31p)
- Number of **d₂w**[®] distributors increased from 15 to 45.

H2 comparison to H1 (before non-recurring items)

- H2 revenues increased by 33% to £3.06 million (H1 £2.30 million)
- Operating profit £0.05 million (H1 loss £0.15 million)
- H2 gross profit margins increased to 46% (H1 42%)

Michael Laurier, Chief Executive, commented:

“I am pleased to report a very positive set of results, with a close to break-even operating result and all underlying trends moving materially in the right direction. This year’s results show Symphony’s first positive earnings per share, and the trading performance was the most significant in the Group’s history being marked by a maiden post tax profit.

“With a strong distribution network and brand, low costs and a developing global need to resolve the issues of plastic pollution, we believe that 2009 will show further positive results. Our markets are underpinned by an increasingly strong legislative background which continues to support a need for our products.

“Current trading is ahead of our expectations and as a result we look forward with confidence to a year of further financial improvements.”

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Further information on the Symphony Environmental Technologies Group of companies:

SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC is a world leader in oxo-biodegradable eco-compatible plastic technology. The technology is recognised by the **d₂w**[®] droplet logo on many thousands of tonnes of plastic products.

Symphony has a diverse and growing customer base and has established itself successfully as an international business. Products made with **d₂w**[®] plastic technology can be found in more than 50 countries around the world and in many different product applications. Symphony is proud to be a member of the Oxo-biodegradable Plastics Association (www.biodeg.org).

Symphony is also developing innovative waste-to-energy technology and cost-effective processes to convert plastics, tyres and other waste-streams into valuable products.

Further information on the Symphony Group can be found at www.degradable.net.

Chairman's Statement

I am pleased to report a very positive set of results, with a close to break-even operating result and all underlying trends moving materially in the right direction. This year's results show Symphony's first positive earnings per share, and the trading performance was the most significant in the Group's history being marked by a maiden post tax profit.

Our goals for this year are to continue growing the Group's revenue line, which is achievable with marginal cost increases, and to reduce the level of debt in the balance sheet.

As we mentioned in the interim report last September, there are many applications for our technology and many territories that are ripe for growth. We continue to invest in improving our product range and developing new products.

The Directors and staff of Symphony, together with our distributors, have made great efforts in the last year and the results of these are starting to show. This is particularly pleasing in today's challenging economic climate and I congratulate the Symphony team for the Group's very satisfactory progress.

Going forward, 2009 has started very well and we are confident enough to recognise a deferred tax asset of £0.72 million in the 2008 results.

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Chairman

Chief Executive's Review

During 2008 we had high profile launches of our **d₂w**[®] products into some very significant markets in the Middle East, South Africa, and Central America. In addition, we increased our international distribution network ending the year with 45 distributors.

We have kept our costs static while at the same time strengthening the Board and further enhancing product development and brand awareness.

The Group strategy is supported by a strong legislative environment which is moving in the right direction as more and more organisations throughout the World are keen to enhance their "Green" profile, in particular in relation to packaging. The Symphony team, be it staff, associates or distributors, continue to work tirelessly on this key aspect of promoting our **d₂w**[®] products.

I am very satisfied with these achievements and the resultant financial performance as shown in this statement.

Trading results

I am pleased to report Group revenues increased by 42% during the year from £3.78 million to £5.36 million. Group gross profit margins after non-recurring items increased from 22% to 44%. Our contribution from gross profits increased by 190% to £2.37 million from £0.82 million in 2007.

Our operating loss reduced to £0.15 million compared to £1.88 million in 2007. The second half of the year recorded an operating profit of £0.05 million before non-recurring items..

The loss before tax was reduced by 79% from £1.95 million to £0.40 million. Included in the loss before tax are £0.05 million of non-recurring items relating to ex-employee costs.

Development costs of £0.11 million were capitalised in 2008. A £0.05 million research and development tax credit was received during the year.

The Symphony Environmental Limited **d₂w**[®] division made its maiden profit of £0.18 million before taxation. A £0.72 million deferred tax credit has been recognised as a result of the **d₂w**[®] result and trend going forward.

As a result of this financial performance and the recognition of the tax credit, the Group reports a profit for the year of £0.37 million and basic earnings per share was 0.35 pence (2007 loss per share of 2.31 pence)

Cashflow

Cash and cash equivalents, after deducting bank overdraft, were £18,000 at the end of the year. Cash was required during the year to finance debtors of £332,000 and creditors of £350,000 in line with the increased business. This was financed by (1) a confidential invoice discounting facility with Davenham Trade Finance and (2) the addition of £350,000 of unsecured debt.

Since the year-end we have renegotiated the Headstart loan, after £140,000 of conversions in January 2009, with the balance of £240,000 repayable by equal monthly instalments until February 2010 with no further conversions unless a default occurs.

Operations

Total costs did not increase in 2008.

Having developed a strong Distributor base, the main function for the Group now is product support and development as well as further development of the Distributor-network, and marketing and brand-recognition. Registration of the **d₂w**[®] trademark has been confirmed for three additional countries - China, Brazil, and South Africa.

We aim to remain at the forefront of technology going forward whilst at the same time continuing to strengthen the **d₂w**[®] brand, and central support-services.

Management

I am pleased to report that Symphony's board was strengthened by the addition of two new non-executive directors, Hugo Swire and Nicolas Clavel, in October 2008. At the same time Michael Stephen moved from being Non-Executive Deputy Chairman to Commercial Director and Deputy Chairman.

These management changes have enabled us to enhance our corporate governance procedures as well as bringing in significant new skills and contacts. We are delighted that earlier this year, the entire board showed their confidence by purchasing shares in the Group.

Symphony Energy

Work continues on the RuPERT project with the aim to commercialise any resultant elements of this project at the earliest opportunity. The Group absorbs costs of £0.20 million per annum on this project and the result for 2008, a loss of £0.13 million, includes the receipt of a grant.

Overview of d₂w[®] developments

Symphony d₂w[®] eco-compatible plastic additives and products continue to expand into new markets and applications. New sales wins are becoming more frequent and these are often for long term repeat orders. The global list of authorised and certified d₂w[®] finished plastic product manufacturers now extend into several hundred which is providing Symphony and its distributors enormous scope and opportunity to work directly with established end customers. This approach is combined with substantial marketing and is helping to create the interest and demand for d₂w[®].

The end users for d₂w[®] include many well known names of which some have previously been announced but for commercial confidentiality reasons we will no longer be listing these in our corporate announcements unless required to do so due to value.

Legislation is becoming more of an issue going forward as governments seek to impose laws for plastic that sometime will help with our type of technology but other times obstruct. A substantial amount of senior executive time is spent on these issues as it is important that governments are properly advised with the appropriate supporting standards and resulting changes to legislation.

Outlook

With a strong distribution network and brand, low costs and a developing global need to resolve the issues of plastic pollution, we believe that 2009 will show further positive results. Our markets are underpinned by an increasingly strong legislative background which continues to support a need for our products.

Our financial aim in the short term is to reduce the Group's interest burdened debt. Our commercial aim is to have a distributor in every country where sales would be worthwhile.

Current trading is ahead of our expectations. We are also confident of the future trading performance and have therefore recognised a £0.72 million deferred tax asset in the 2008 results.

We look forward with confidence to a year of further financial improvements.

Michael Laurier
Chief Executive

**Consolidated income statement
for the year ended 31 December 2008**

		2008		2007	
	Note	£'000	£'000	£'000	£'000
			£'000		£'000
Revenue			5,355		3,778
Cost of sales – recurring		(2,981)		(2,644)	
Cost of sales – non recurring		-		(315)	
Cost of sales			(2,981)		(2,959)
Gross profit – recurring		2,374		1,134	
Gross loss – non-recurring		-		(315)	
Gross profit			2,374		819
Distribution costs			(111)		(68)
Administrative expenses - recurring		(2,358)		(2,378)	
Administrative expenses – non-recurring		(53)		(250)	
Administrative expenses			(2,411)		(2,628)
Operating loss - recurring		(95)		(1,312)	
Operating loss – non-recurring		(53)		(565)	
Operating loss			(148)		(1,877)
Finance income			1		17
Finance costs			(251)		(88)
Loss for the year before tax			(398)		(1,948)
Tax credit			766		35
Profit / (loss) for the year			368		(1,913)
Basic profit/ (loss) per share	2		0.35p		(2.31)p
Diluted profit/ (loss) per share	2		0.32p		(2.31)p

All results are attributable to the parent company equity holders.

**Consolidated balance sheet
as at 31 December 2008**

	2008 £'000	2007 £'000
Assets		
Non-current		
Property, plant and equipment	241	201
Intangible assets	272	177
Deferred income tax asset	719	-
Available for sale financial assets	15	15
	1,247	393
Current		
Inventories	194	233
Trade and other receivables	1,236	761
Cash and cash equivalents	92	407
	1,522	1,401
Total assets	2,769	1,794
Equity		
<i>Equity attributable to shareholders of Symphony Environmental Technologies plc</i>		
Ordinary shares	1,087	1,018
Share premium	13,176	13,048
Other reserves	822	822
Retained losses	(14,383)	(14,763)
Total equity	702	125
Liabilities		
Non-current		
Interest bearing loans and borrowings	289	31
	289	31
Current		
Interest bearing loans and borrowings	1,055	781
Trade and other payables	723	857
	1,778	1,638
Total liabilities	2,067	1,669
Total equity and liabilities	2,769	1,794

Consolidated statement of changes in equity*Equity attributable to the equity holders of Symphony Environmental Technologies plc:*

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
For the year to 31 December 2008					
Balance at 1 January 2008	1,018	13,048	822	(14,763)	125
Profit for the period	-	-	-	368	368
Total recognised income and expense for the period	-	-	-	368	368
Share based payments	-	-	-	12	12
Shares issued	69	128	-	-	197
Balance at 31 December 2008	1,087	13,176	822	(14,383)	702
For the year to 31 December 2007					
Balance at 1 January 2007	697	11,392	822	(12,885)	26
Loss for the period	-	-	-	(1,913)	(1,913)
Total recognised income and expense for the period	-	-	-	(1,913)	(1,913)
Share based payments	-	-	-	35	35
Shares issued	321	1,656	-	-	1,977
Balance at 31 December 2007	1,018	13,048	822	(14,763)	125

**Consolidated cash flow statement
for the year ended 31 December 2008**

	2008 £'000	2007 £'000
Operating activities		
Cash consumed in operations	(635)	(1,328)
Tax received	48	35
Net cash generated from operations	(587)	(1,293)
Investing activities		
Additions to property, plant and equipment	(89)	(30)
Proceeds from disposals of property, plant and equipment	11	13
Additions of intangible assets	(109)	(119)
Interest received	1	1
Net cash used in investing activities	(186)	(135)
Financing activities		
Proceeds from loans	512	188
Repayment of loans	(62)	(14)
New finance lease	42	-
Discharge of finance lease liability	(43)	(31)
Proceeds from share issue	140	1,808
Interest paid	(205)	(20)
Net cash generated in financial activities	384	1,931
Net change in cash and cash equivalents	(389)	503
Cash and cash equivalents, beginning of year	407	(96)
Cash and cash equivalents, end of year	18	407

Notes to the Preliminary Statement

1 Basis of preparation

This preliminary statement has been prepared on the basis of accounting policies consistent with the audited financial statements for the year ended 31 December 2008.

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The figures for the year ended 31 December 2008 have been extracted from the Group's financial statements upon which the auditors' opinion is unqualified. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards.

The 2007 financial statements have been filed with the Registrar of Companies, but the 2008 financial statements are not yet filed.

2 Profit per share and dividends

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

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

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

Basic and diluted	2008	2007
Profit/ (loss) attributable to equity holders of the company	£368,000	£(1,913,000)
Weighted average number of ordinary shares in issue	105,628,745	82,648,585
Basic profit/ (loss) per share	0.35 pence	(2.31) pence
Dilutive effect of weighted average options and warrants	7,719,605	-
Total of weighted average shares together with dilutive effect of weighted options and warrants	113,348,350	82,648,565
Diluted profit/ (loss) per share (*)	0.32 pence	(2.31) pence

No dividends were paid for the year ended 31 December 2008.

*** The effect of the options and warrants in 2007 are anti-dilutive**

3 Availability of report and accounts

The Company will advise when copies of the Annual Report and Accounts will be sent to shareholders and be available from the Company website www.symphonyplastics.com