30 March 2010

# SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC

## Preliminary Results for the year to 31 December 2009

## Maiden pre-tax profit

Symphony Environmental Technologies plc ("Symphony", the "Company" or the "Group"), the environmental plastics and waste-to-value Group, is pleased to announce its preliminary results for the year ended 31 December 2009.

**Highlights**

- Revenues increased by 31% to £7.04 million (2008: £5.36 million)
- Operating profit increased by £0.98 million to £0.83 million (2008: loss of £0.15 million)
- Profit before tax increased by £1.04 million to £0.64 million (2008: loss of £0.40 million)
- Profit after tax increased by 151% to £0.92 million (2008: £0.37 million)
- Gross profit margins increased to 55% (2008: 44%)
- Cash generated from operations increased by £1.21 million to £0.57 million (2008: cash consumed £0.64 million)
- Basic earnings per share increased by 129% to 0.80p (2008: 0.35p)
- Number of **d$_2$w**® distributors increased from 45 to 50
- ADR's now traded in New York

Michael Laurier, Chief Executive, commented:

"I am very pleased to report a maiden pre-tax profit as well as a second year of positive and increased earnings per share.

This achievement marks yet another major milestone for Symphony as sales and marketing activities continue to grow in established and also new markets.

The market opportunity for our products and technology is significant and we are delighted that these financial results prove that our business is very successful and scaleable. Our business is both legislation and demand driven which is presenting us with many new and exciting opportunities. Our growing distribution network provides us with a truly global reach whereby large international businesses are becoming increasingly aware of the benefits of our **d$_2$w**® technology and products; not only for the environment but for their own brands.

On the back of these results and our current trading, Symphony's management view the future with confidence."

**Contacts:**


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**Symbol London**. SYM.L

**American Depositary Receipts ("ADR")**
Symphony ADRs trade in the US on the OTC (Over The Counter) market under the symbol SETPY. The ADR to 1p ordinary share ratio is 1:100 and the CUSIP is 87156K104. BNY Mellon acts as sponsored depositary for Symphony's ADR facility.

**Further information on the Symphony Environmental Technologies Group of companies:**

SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC considers itself a world leader in Controlled-life plastic technology and products - a system that works by a process called oxo-biodegradation. The technology is branded $d_2w^{®}$ and appears as a droplet logo on many thousands of tonnes of plastic packaging and other plastic products.

Symphony has a diverse and growing customer-base and has established itself successfully as an international business. Products made with $d_2w$ plastic technology can now be found in more than 90 countries around the world and in many different product applications. Symphony is a member of the Oxo-biodegradable Plastics Association (www.biodeg.org), the Society for the Chemical Industry (UK), and the American Standards Organisation (ASTM). Symphony is also a member of The US Save the Plastic Bag Coalition (http://www.savetheplasticbag.com/) and the British Brands Group. Symphony actively participates in the work of the British Standards Institute (BSI) and the European Standards Organisation (CEN).

Symphony also owns $d_2p$ which is an anti-microbial technology that is used in most type of plastic product applications to help protect those products against bacteria and fungi growth. Symphony is also developing innovative and cost-effective waste-to-value technology to convert plastics, tyres and other waste-streams into valuable products.

Further information on the Symphony Group can be found at www.d2w.net.

**Chairman's Statement**

I am delighted to report these results which reflect the achievement of the goals set out in last year's Annual Report. Significant growth was achieved in Group revenue resulting in a maiden profit before tax of £0.64 million. The Group's debt position was reduced by £0.34 million to £1.01 million.

The aim for the next year is to build on the achievements to date whilst continuing to develop new markets. The Group has improved its technical facilities and increased its team to ensure that product development is continually advanced.

The Group is working closely with its distributors and will be investing in various marketing opportunities during the forthcoming year to ensure that revenue growth for **$d_2w^{®}$** controlled-life products is maximised. These products show strong growth globally and are currently being sold into 90 countries.

Developments on Symphony Energy are progressing with the aim of commercialisation as soon as practical.

These impressive results reflect the efforts of all involved within the Group, whom I thank, and we look forward to building on this excellent foundation. I would like to congratulate and thank the many people associated with helping the Group become what it is today; a Group that is profitable, cash-flow positive and one that is in good position to capture a substantial part of the potentially large and developing oxo-biodegradable plastics market. Thank you also to our many loyal shareholders and staff who have worked tirelessly over the years and have supported the management team since inception. It is due to this remarkable and long standing effort, that our technology, the **$d_2w^{®}$** brand, is visible in more than 90 countries worldwide, and this in itself is an achievement with no parallels by any other firm in this industry sector.

***N Deva FRSA DL MEP***
**Chairman**

**Chief Executive's Review**

During 2009 the Company continued to concentrate its resources on the **$d_2w^®$** products with further launches in South America and new launches in North Africa, the Middle East and parts of Eastern Europe. The Group has continued to invest in research and development for new products together with improvements to existing products as well as testing and compliance protocols.

Costs have been carefully monitored with increases to support the growth in revenues. The Group has reduced its interest bearing debt by £0.34 million leading to a reduction in finance costs. This reduction in debt was limited due to a substantial increase in trade toward the end of the last quarter resulting in higher working capital balances reported at the end of the year, including amounts payable on invoice discounting.

Working with our distributors, we continue to monitor and have an influence on legislation in certain parts of the world and we are making considerable efforts to maximise awareness of **$d_2w^®$** products.

These reported figures reflect the impact of the considerable work and investment being made as well as the achievements to date in expanding sales and markets for **$d_2w^®$** controlled-life plastic technology and products.

**Trading results**

I am pleased to report Group revenues increased by 31% during the year from £5.36 million to £7.04 million. Group gross profit margins increased from 44% to 55%. These factors resulted in a 63% increase in the contribution from gross profit from £2.37 million in 2008 to £3.88 million in 2009.

The Group made an operating profit of £0.83 million compared to an operating loss of £0.15 million in 2008, resulting in the Group's maiden profit before tax of £0.64 million compared to a loss before tax of £0.40 million in 2008.

Development costs of £0.23 million were capitalised in 2009. A £0.01 million research and development tax credit was received during the year.

The Symphony Environmental Limited **$d_2w^®$** division made a profit before taxation of £0.98 million and has recognised further deferred tax credit resulting in a carried forward deferred tax asset of £0.99 million at the end of the year. Losses within the non-degradable division reduced to £0.16 million in 2009 compared to a loss of £0.47 million in 2008.

The Group primary selling currency is the US Dollar. The Group hedges where possible by purchasing in US dollars and has banking facilities in place in order to secure rates going forward. As at 31 December 2009 the Group had a net balance of US Dollar assets totalling $1.29 million.

As a result of this financial performance, the Group reports a profit for the year of £0.92 million with basic earnings per share increasing to 0.80 pence (2008: 0.35 pence)

**Cashflow**

The Group has recorded an improvement in cash-flow of £1.21 million from 2008 by generating £0.57 million from operations (2008: £0.64 million loss). £0.04 million was invested in plant and equipment together with £0.23 million in product development which has been capitalised. Further research and development spend is included within expenses and was not capitalised as it does not meet the appropriate accounting criteria.

Debt was reduced by £0.34 million in 2009. The amount payable on the invoice discounting facility increased from £0.16 million in 2008 to £0.32 million in 2009. This was due to increased revenues in the last quarter of 2009 resulting in high levels of amounts receivable and hence financeable at the end of the year.

The Headstart loan has been repaid in accordance with the terms renegotiated in January 2009. At 31 December 2009 the balance of the loan was £40,000. This has been settled in full since the year end.

Invoice financing and banking facilities remain in place for 2010 which together with the current trade profile show adequate resources are available for the foreseeable future.

**Operations**

Total costs increased in 2009 due to the level of support required to service the growth in revenue and number of distributors.

Having developed a strong distributor base, the main function for the Group continues to be product support and development, marketing and brand-recognition.

On 19 March 2010 the Group moved its head office within Borehamwood UK to premises more suited for the next five to ten years of operations.

**Symphony Energy**

The Group currently absorbs annual running costs of £0.18 million. The RuPERT project is in its second year out of three and the Group is actively pursuing commercial outlets for the elements within the project.

**Outlook**

As stated above, the Group has moved its global headquarters to a modern facility that is more than twice the size of the Group's original premises as a result of the growth in activities. Further investments will be made in technical support services, research and development, and also marketing activities. These investments, which are essential to a growing business of our size, will be undertaken carefully so as not to materially undermine short term expectations.

The Symphony distributor network has a busy year ahead with exhibitions, product development and other related projects on a global basis. So far in 2010, **$d_2w$®** representatives have participated in six major events. In the coming months, we will be at The Master Investor Show, London; Chinaplas 2010 Plast, China; exhibitions in Central America and Latin America, and towards the end of the year at one of the world's largest plastic events in Germany; the K Trade Fair. Product launches and other events are planned for the UK and other markets in the coming months. Details of these events will be communicated through our normal commercial channels.

The current year has started well and in line with management's expectations. The Board is confident that further expansion will be achieved during this year and that long term debt will continue to reduce.

Michael Laurier
Chief Executive

**Consolidated statement of comprehensive income**
**for the year ended 31 December 2009**

| | Note | 2009 £'000 | 2009 £'000 | 2008 £'000 | 2008 £'000 |
|---|---|---|---|---|---|
| **Revenue** | | | **7,038** | | 5,355 |
| Cost of sales | | | **(3,163)** | | (2,981) |
| **Gross profit** | | | **3,875** | | 2,374 |
| Distribution costs | | | **(129)** | | (111) |
| Administrative expenses – recurring | | **(2,914)** | | (2,358) | |
| Administrative expenses – non-recurring | | **-** | | (53) | |
| Administrative expenses | | | **(2,914)** | | (2,411) |
| **Operating profit/loss – recurring** | | **832** | | (95) | |
| **Operating profit/loss – non-recurring** | | **-** | | (53) | |
| **Operating profit/(loss)** | | | **832** | | (148) |
| Finance income | | | **-** | | 1 |
| Finance costs | | | **(194)** | | (251) |
| **Profit/(loss) for the year before tax** | | | **638** | | (398) |
| Tax credit | | | **285** | | 766 |
| **Profit for the year** | | | **923** | | 368 |
| **Total comprehensive income for the year** | | | **923** | | 368 |
| Basic earnings per share | 3 | | **0.80p** | | 0.35p |
| Diluted earnings per share | 3 | | **0.78p** | | 0.32p |

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

**Consolidated statement of financial position (balance sheet)**
**as at 31 December 2009**

| | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|
| **Assets** | | |
| **Non-current** | | |
| Property, plant and equipment | **216** | 241 |
| Intangible assets | **487** | 272 |
| Deferred income tax asset | **993** | 719 |
| Available for sale financial assets | **15** | 15 |
| | **1,711** | 1,247 |
| **Current** | | |
| Inventories | **212** | 194 |
| Trade and other receivables | **1,597** | 1,236 |
| Cash and cash equivalents | **34** | 92 |
| | **1,843** | 1,522 |
| **Total assets** | **3,554** | 2,769 |
| **Equity** | | |
| *Equity attributable to shareholders of Symphony Environmental Technologies plc* | | |
| Ordinary shares | **1,165** | 1,087 |
| Share premium | **13,253** | 13,176 |
| Other reserves | **822** | 822 |
| Retained earnings | **(13,447)** | (14,383) |
| **Total equity** | **1,793** | 702 |
| **Liabilities** | | |
| **Non-current** | | |
| Interest bearing loans and borrowings | **274** | 289 |
| | **274** | 289 |
| **Current** | | |
| Interest bearing loans and borrowings | **731** | 1,055 |
| Trade and other payables | **756** | 723 |
| | **1,487** | 1,778 |
| **Total liabilities** | **1,761** | 2,067 |
| **Total equity and liabilities** | **3,554** | 2,769 |

**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 2009** | | | | | |
| Balance at 1 January 2009 | 1,087 | 13,176 | 822 | (14,383) | 702 |
| Issue of share capital | 78 | 77 | - | - | 155 |
| Employee share based options | - | - | - | 13 | 13 |
| Transactions with owners | 78 | 77 | - | 13 | 168 |
| Profit and total comprehensive income for the year | - | - | - | 923 | 923 |
| **Balance at 31 December 2009** | **1,165** | **13,253** | **822** | **(13,447)** | **1,793** |
| **For the year to 31 December 2008** | | | | | |
| Balance at 1 January 2008 | 1,018 | 13,048 | 822 | (14,763) | 125 |
| Issue of share capital | 69 | 128 | - | - | 197 |
| Employee share based options | - | - | - | 12 | 12 |
| Transactions with owners | 69 | 128 | - | 12 | 209 |
| Profit and total comprehensive income for the year | - | - | - | 368 | 368 |
| **Balance at 31 December 2008** | **1,087** | **13,176** | **822** | **(14,383)** | **702** |

**Consolidated cash flow statement**
**for the year ended 31 December 2009**

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated/(consumed) in operations | 4 | **566** | (635) |
| Tax received | | **11** | 48 |
| Net cash generated/(consumed) in operations | | **577** | (587) |
| **Investing activities** | | | |
| Additions to property, plant and equipment | | **(44)** | (89) |
| Proceeds from disposals of property, plant and equipment | | **-** | 11 |
| Additions of intangible assets | | **(230)** | (109) |
| Interest received | | **-** | 1 |
| **Net cash used in investing activities** | | **(274)** | (186) |
| **Financing activities** | | | |
| Proceeds from loans | | **-** | 512 |
| Repayment of loans | | **(319)** | (62) |
| New finance leases | | **-** | 42 |
| Discharge of finance lease liability | | **(31)** | (43) |
| Proceeds from share issue | | **155** | 140 |
| Interest paid | | **(194)** | (205) |
| **Net cash (consumed)/generated in financial activities** | | **(389)** | 384 |
| Net change in cash and cash equivalents | | **(86)** | (389) |
| Cash and cash equivalents, beginning of year | | **18** | 407 |
| **Cash and cash equivalents, end of year** | | **(68)** | 18 |

The reconciliation to the cash and cash equivalents as reported in the balance sheet is as follows:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Loans and receivables: | | |
| Cash at bank and in hand | **34** | 92 |
| Financial liabilities measured at amortised cost: | | |
| Bank overdraft | **(102)** | (74) |
| **Cash and cash equivalents, end of year** | **(68)** | 18 |

**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 2009, except with regard to IAS1 and IFRS8.

The financial information set out in this preliminary announcement does not constitute statutory accounts for the years ended 31 December 2009 or 2008. The financial information for the year ended 31 December 2008 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237(2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 31 December 2009 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies.

## 2 Segmental information

Management currently identifies the group's three service lines as operating segments. The activities undertaken by the degradable segment includes the sale of degradable products. The non-degradable segment includes the supply of non-degradable products to external customers. The waste to value segment includes all activities involved in the development of waste to energy systems. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results excluding one-off items such as employee settlement costs.

The segmental results for the year ended 31 December 2009 are as follows:

| **Business segments** | **Degradable d2w®** | **Non-degradable** | **Waste to value** | **Group** |
|---|---|---|---|---|
| **12 months to 31 December 2009** | **£'000** | **£'000** | **£'000** | **£'000** |
| Segment revenues | 6,947 | 91 | - | 7,038 |
| Share based payments | (9) | (4) | - | (13) |
| Apportioned costs | (5,956) | (249) | (182) | (6,387) |
| **Profit/(loss) for the year before tax** | **982** | **(162)** | **(182)** | **638** |
| Taxation | 285 | - | - | 285 |
| **Profit/(loss) for the year** | **1,267** | **(162)** | **(182)** | **923** |

The segmental results for the year ended 31 December 2008 are as follows:

| **Business segments** | **Degradable d2w®** | **Non-degradable** | **Waste to value** | **Group** |
|---|---|---|---|---|
| **12 months to 31 December 2008** | **£'000** | **£'000** | **£'000** | **£'000** |
| Segment revenues | 5,127 | 228 | - | 5,355 |
| Share based payments | (12) | - | - | (12) |
| Apportioned costs | (4,919) | (697) | (125) | (5,741) |
| **Profit/(loss) for the year before tax** | 196 | (469) | (125) | (398) |
| Taxation | 766 | - | - | 766 |
| **Profit/(loss) for the year** | 962 | (469) | (125) | 368 |
| Non-recurring items in above | 13 | 40 | - | 53 |
| **Profit/(loss) for the year before non-recurring items** | 975 | (429) | (125) | 421 |

Revenues stated are from external customers.
There were no inter-segment revenues for the above periods.
There has been no change in the basis of segmentation since the last annual financial statements.

## 3 Earnings per share and dividends

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

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

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

| Basic and diluted | 2009 | 2008 |
|---|---|---|
| Profit attributable to equity holders of the Company | **£923,000** | £368,000 |
| Weighted average number of ordinary shares in issue | 115,767,185 | 105,628,745 |
| **Basic earnings per share** | **0.80 pence** | 0.35 pence |
| Dilutive effect of weighted average options and warrants | 2,424,588 | 7,719,605 |
| Total of weighted average shares together with dilutive effect of weighted options and warrants | 118,191,773 | 113,348,350 |
| **Diluted earnings per share** | **0.78 pence** | 0.32 pence |

No dividends were paid for the year ended 31 December 2009 (2008: £Nil).

## 4 Cash generated from operations

| | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|
| Profit after tax | **923** | 368 |
| Adjustments for: | | |
| Depreciation | **69** | 33 |
| Amortisation | **15** | 14 |
| Loss on disposal | **-** | 5 |
| Share based payments | **13** | 12 |
| Tax credit | **(285)** | (766) |
| Interest income | **-** | (1) |
| Interest expense | **194** | 251 |
| Changes in working capital: | | |
| Inventories | **(18)** | 39 |
| Trade and other receivables | **(362)** | (475) |
| Trade and other payables | **17** | (115) |
| Cash generated/(consumed) in operations | **566** | (635) |

## 5 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's website www.symphonyplastics.com