



Symphony environmental technologies

Unaudited Interim Financial Statements 2009

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Symphony Environmental Technologies plc

Interim Financial Statements 2009

Symphony Environmental Technologies plc (“Symphony” or “Group”), the environmental plastics and waste-to-energy Group, is pleased to announce its interim financial statements for the six months ended 30 June 2009.

Highlights

Financial

- Revenue increased by 60% to £3.69 million (2008 H1: £2.30 million)
- Gross profits increased by 108% to £2.02 million (2008 H1: £0.98 million)
- Gross profit margins increased to 55% (2008 H1: 42%)
- Profit after tax £0.40 million (2008 H1: loss £0.17 million)
- Basic earnings per share 0.35 pence (2008 H1: loss per share 0.16 pence)
- Group debt reduced by £0.52 million since 31 December 2008

Operating

- Launch of **d₂w** in Lebanon
- Launch of first **d₂w** degradable metalised snack food films
- Number of distributors increased to 48 (2008 H1: 38)

Post period end

- New **d₂p** antimicrobial technology launched

Commenting on the results Nirj Deva, Chairman of Symphony said:

“We are pleased to announce a maiden first-half pre-tax profit together with significant cash generation and Group debt reduction.

This is an excellent set of results which confirms that the Group’s commercial strategy is working. The management team has successfully driven the business forward since strategy changes were embarked on more than two years ago and the Board is looking to the future with confidence.

Our success is built on our global distribution network which now spans five continents and covers over 70 countries. The potential for increasing market-penetration year by year in each of these regions is vast, having established the infrastructure, the right commercial relationships, and the dedicated people on the ground.”

Further information on the Symphony Environmental Technologies Group of companies:

SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC is a world leader in Controlled-life plastic technology - a system that works by a process called oxo-biodegradation. The technology is branded **d₂w**[®] and appears as a droplet logo on many thousands of tonnes of plastic packaging and other 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 70 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 continues to participate in the work of the British Standards Institute (BSI), and the European Standards Organisation (CEN).

Symphony has just launched **d₂p** anti-microbial technology which has applications in similar markets to **d₂w**[®].

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.d2w.net.

Chief Executive's review

I am very pleased to present our first period of profit before tax. Substantial growth in revenues and gross margins have led to increased cash generation which has allowed us to invest further into research and development, as well as product-testing and marketing and to reduce Group debt.

Cash generated from operations amounted to £0.69 million compared to a cash-burn of £0.64 million for the same period last year.

Our marketing strategy and global distribution network is creating many valuable opportunities for **d₂w** technology. New and repeat orders are increasing in many of our existing, as well as new, territories. During the period we announced the launch of **d₂w** in Lebanon as well as the first application of **d₂w** for metalised snack food films.

Trading results

Total revenue increased by 60% for the first six months of 2009 to £3.69 million compared to £2.30 million for the first six months of 2008. **d₂w** revenue increased by 73% to £3.64 million (2008 H1: £2.11 million). Gross profit was £2.02 million compared to £0.98 million, an increase of 108%. Gross profit margins increased to 55% from 42% for the same period last year.

Administrative expenses increased by 39% to £1.49 million (2008 H1: £1.07 million). This also represents an increase of 11% when compared to the second half of 2008. The increases are due to significant improvements in our test facility, and staff enhancements for research and development, marketing and training.

The Group achieved a net profit before tax of £0.40 million compared with a loss before tax for the same period last year of £0.17 million.

Earnings per share increased to 0.35 pence (2008 H1: loss per share of 0.16 pence).

Cashflow

The Group's interest bearing debt was reduced by £0.52 million during the period. £0.14 million of this was financed by the issue of shares, and the rest was out of cash generated from operations.

The Headstart convertible loan was reduced from £0.38 million to £0.16 million and it will be fully repaid by early 2010. The Eximbank loan of £0.13 million was repaid in full during the period.

The Group uses Davenham Trade Finance to discount some of its invoicing. The balance on this facility reduced by £0.15 million during the period due to the efficient collection of receivables. Our policy is to keep as short as possible the timing of cash generation from receivables. The Davenham facility helps to smooth out cash flow when the working capital cycle requires it.

Markets and brand

The markets for **d₂w** plastics over the period have continued to develop. We are working with many large multinational corporations and anticipate reaching the point of commerciality with more of them following extensive trial and due-diligence periods. In line with our previously stated policy, any news flow from these projects will only be released in line with AIM rules.

Plastic carrier bag campaigns and changes to legislation are helping to keep interest for **d₂w** at a high level and the media is also elevating the plastic pollution topic. This growing awareness is helping to focus consumers' attention on the many alternative solutions. Symphony's **d₂w** is often written about in the media and Symphony is recognised as an authority on the subject.

The "Rupert" waste to energy project continues to develop at a satisfactory and expected rate. The ultra-high-pressure water system is nearing completion and the proto-type will soon be used for demonstration purposes. At this point our global network will commence marketing. Further announcements will be made in due course.

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Outlook

Since the end of the period we have launched **d₂p** anti-microbial technology for inclusion into the plastic product manufacturing process. This is similar to how **d₂w** technology is currently applied. We have so far had favourable feedback from our distributors and look forward to **d₂p** adding a positive contribution to revenues going forward. There is a growing demand for technologies like **d₂p** in many of the countries in which the Group operates. The potential markets and customers will be much the same as for **d₂w** and it is also in line with the Group's strategy of product diversity.

The Group is now trading profitably and as a result is able to manage its trading cash-flow within its current facilities. In addition we expect to be able to continue with the research and development investment programme for both the plastic and the waste-to-energy divisions. We are also anticipating further investment into sales and marketing as well as continuing with the overall debt-reduction programme.

We are very pleased with the progress made so far this year and remain optimistic for the future.

Michael Laurier
Chief Executive

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Condensed consolidated interim statement of comprehensive income

| | 6 months to 30 June 2009 Unaudited £'000 | 6 months to 30 June 2008 Unaudited £'000 | 12 months to 31 December 2008 Audited £'000 |
|--|--|--|---|
| Revenue | 3,685 | 2,303 | 5,355 |
| Cost of sales | (1,661) | (1,328) | (2,981) |
| Gross profit | 2,024 | 975 | 2,374 |
| Distribution costs | (58) | (54) | (111) |
| Administrative expenses: | | | |
| - recurring | (1,485) | (1,067) | (2,358) |
| - non – recurring | - | - | (53) |
| Total administrative expenses | (1,485) | (1,067) | (2,411) |
| Operating profit /(loss) | 481 | (146) | (148) |
| Finance income | - | - | 1 |
| Finance costs | (79) | (21) | (251) |
| Profit / (loss) for the period before tax | 402 | (167) | (398) |
| Tax credit | - | - | 766 |
| Profit/(loss) for the period | 402 | (167) | 368 |
| Total comprehensive income for the period | 402 | (167) | 368 |
| Earnings per share: | | | |
| Basic | 0.35p | (0.16)p | 0.35p |
| Diluted | 0.30p | (0.16)p | 0.32p |

All results are attributable to the owners of the parent.
There were no discontinuing operations for any of the above periods.

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Condensed consolidated interim statement of financial position (balance sheet)

| | At 30 June 2009 Unaudited £'000 | At 30 June 2008 Unaudited £'000 | At 31 December 2008 Audited £'000 |
|---|---|---|---|
| Assets | | | |
| Non-current | | | |
| Property, plant and equipment | 250 | 207 | 241 |
| Intangible assets | 320 | 198 | 272 |
| Deferred income tax assets | 719 | - | 719 |
| Available for sale financial assets | 15 | 15 | 15 |
| | 1,304 | 420 | 1,247 |
| Current | | | |
| Inventories | 238 | 207 | 194 |
| Trade and other receivables | 1,080 | 1,056 | 1,236 |
| Cash and cash equivalents | 122 | 7 | 92 |
| | 1,440 | 1,270 | 1,522 |
| Total assets | 2,744 | 1,690 | 2,769 |
| Equity | | | |
| <i>Equity attributable to owners of Symphony Environmental Technologies plc</i> | | | |
| Share capital | 1,162 | 1,052 | 1,087 |
| Share premium account | 13,243 | 13,071 | 13,176 |
| Other reserves | 822 | 822 | 822 |
| Retained earnings | (13,981) | (14,930) | (14,383) |
| Total equity | 1,246 | 15 | 702 |
| Liabilities | | | |
| Non-current | | | |
| Interest bearing loans and borrowings | 28 | 29 | 289 |
| | 28 | 29 | 289 |
| Current | | | |
| Interest bearing loans and borrowings | 737 | 1,036 | 1,055 |
| Trade and other payables | 733 | 610 | 723 |
| | 1,470 | 1,646 | 1,778 |
| Total liabilities | 1,498 | 1,675 | 2,067 |
| Total equity and liabilities | 2,744 | 1,690 | 2,769 |

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Condensed consolidated interim statement of changes in equity

Equity attributable to the owners of Symphony Environmental Technologies plc:

| | Share capital £'000 | Share premium £'000 | Other reserves £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---------------------------|---------------------------|----------------------------|-------------------------------|--------------------------|
| For the six months to 30 June 2009 | | | | | |
| Balance at 1 January 2009 | 1,087 | 13,176 | 822 | (14,383) | 702 |
| Net result for the period | - | - | - | 402 | 402 |
| Total comprehensive income for the period | - | - | - | 402 | 402 |
| Shares issued | 75 | 67 | - | - | 142 |
| Balance at 30 June 2009 | 1,162 | 13,243 | 822 | (13,981) | 1,246 |
| For the six months to 30 June 2008 | | | | | |
| Balance at 1 January 2008 | 1,018 | 13,048 | 822 | (14,763) | 125 |
| Net result for the period | - | - | - | (167) | (167) |
| Total comprehensive income for the period | - | - | - | (167) | (167) |
| Shares issued | 34 | 23 | - | - | 57 |
| Balance at 30 June 2008 | 1,052 | 13,071 | 822 | (14,930) | 15 |
| For the year to 31 December 2008 | | | | | |
| Balance at 1 January 2008 | 1,018 | 13,048 | 822 | (14,763) | 125 |
| Net result for the year | - | - | - | 368 | 368 |
| Total comprehensive income for the year | - | - | - | 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 |

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Condensed consolidated interim statement of cash flows

| | 6 months to 30 June 2009 £'000 | 6 months to 30 June 2008 £'000 | 12 months to 31 December 2008 £'000 |
|--|---|---|--|
| Operating activities: | | | |
| Results for the period after tax | 402 | (167) | 368 |
| Depreciation | 34 | 16 | 33 |
| Amortisation | 7 | 5 | 14 |
| Loss on disposal | - | - | 5 |
| Share-based payments | - | - | 12 |
| Tax credit | - | - | (766) |
| Interest income | - | - | (1) |
| Interest expense | 79 | 21 | 251 |
| Change in inventories | (44) | 26 | 39 |
| Change in trade and other receivables | 156 | (295) | (475) |
| Change in trade and other payables | 56 | (247) | (115) |
| Cash generated/(consumed) in operations | 690 | (641) | (635) |
| Tax received | - | - | 48 |
| Net cash generated/(consumed) in operations | 690 | (641) | (587) |
| Investing activities: | | | |
| Additions to property, plant and equipment | (43) | (22) | (89) |
| Proceeds from disposals of property, plant and equipment | - | - | 11 |
| Additions of intangible assets | (55) | (21) | (109) |
| Interest received | - | - | 1 |
| Cash consumed in investing activities | (98) | (43) | (186) |
| Financing activities: | | | |
| Proceeds from loans | - | - | 512 |
| Repayment of loans | (497) | (88) | (62) |
| New finance leases | - | - | 42 |
| Discharge of finance lease liability | (27) | (8) | (43) |
| Proceeds from share issue | 142 | 57 | 140 |
| Interest paid | (122) | (26) | (205) |
| Cash (consumed)/generated in financing activities | (504) | (65) | 384 |
| Net change in cash and cash equivalents | 88 | (749) | (389) |
| Cash and cash equivalents, beginning of period | 18 | 407 | 407 |
| Cash and cash equivalents, end of period | 106 | (342) | 18 |

Bank overdraft of £16,000 (30 June 2008: £nil) (31 December 2008: £74,000) is included in cash and cash equivalents.

Notes to the interim financial statements

1 Nature of operations and general information

Symphony Environmental Technologies plc and subsidiaries' ('the Group') principal activities include the development and supply of **d₂w**[®] controlled-life plastic additives and products, and the development of waste to energy systems.

Symphony Environmental Technologies plc, a public limited company, is the Group's parent company. It is incorporated and domiciled in England. The address of its registered office is Elstree House, Elstree Way, Borehamwood, Hertfordshire, WD6 1LE, England. Symphony Environmental Technologies plc's shares are listed on the AIM market of the London Stock Exchange, the PLUS market in London and on the "pink sheets" of the United States over-the-counter market.

These interim condensed consolidated financial statements are for the six months ended 30 June 2009. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 December 2008 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. These interim condensed consolidated financial statements have not been audited.

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", and are presented in Sterling (£), which is the functional currency of the parent company. They have been prepared under the historical cost convention. They have also been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards that are adopted by the European Union, and the policies and measurements are consistent with those stated in the financial statements for the year ended 31 December 2008.

There have been no accounting policy changes since 31 December 2008 except for the adoption of IAS 1 "Presentation of Financial Statements (Revised 2007)" and International Financial Reporting Standard ("IFRS") 8 Operating Segments.

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". In addition, the balance sheet has been renamed as statement of financial position.

The adoption of IFRS 8 has not changed the segments that are disclosed in the interim condensed consolidated financial statements. In the previous annual and interim financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Under IFRS 8 the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed by the chief operating decision maker. These are the same for the Group.

These interim condensed consolidated financial statements were approved by the board on 9 September 2009.

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2 Segment analysis

The chief operating decision maker of the Group reviews the business in three main segments, supply of degradable products, supply of non-degradable products and development of waste to energy systems.

| Business segments | Degradable d₂w[®] £'000 | Non- degradable £'000 | Waste to energy £'000 | Group £'000 |
|---|--|--------------------------------------|--------------------------------------|------------------------|
| 6 months to 30 June 2009 | | | | |
| Revenue | 3,643 | 42 | - | 3,685 |
| Apportioned costs | (3,091) | (92) | (100) | (3,283) |
| Result for the period before tax | 552 | (50) | (100) | 402 |
| Taxation | - | - | - | - |
| Profit/(loss) for the period | 552 | (50) | (100) | 402 |

| Business segments | Degradable d₂w[®] £'000 | Non- degradable £'000 | Waste to energy £'000 | Group £'000 |
|---|--|--------------------------------------|--------------------------------------|------------------------|
| 6 months to 30 June 2008 | | | | |
| Revenue | 2,105 | 158 | 40 | 2,303 |
| Apportioned costs | (2,044) | (326) | (100) | (2,470) |
| Result for the period before tax | 61 | (168) | (60) | (167) |
| Taxation | - | - | - | - |
| Profit/(loss) for the period | 61 | (168) | (60) | (167) |

| Business segments | Degradable d₂w[®] £'000 | Non- degradable £'000 | Waste to energy £'000 | Group £'000 |
|--|--|--------------------------------------|--------------------------------------|------------------------|
| 12 months to 31 December 2008 | | | | |
| Revenue | 5,127 | 228 | - | 5,355 |
| Share based payments | (12) | - | - | (12) |
| Apportioned costs | (4,919) | (697) | (125) | (5,741) |
| Result for the year before tax | 196 | (469) | (125) | (398) |
| Taxation | 766 | - | - | 766 |
| Profit 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 to the basis of segmentation since the last annual financial statements.

There has been no change in total assets other than in the ordinary course of business.

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3 Shares issued

On 19 January 2009 the Company issued 2,202,384 ordinary 1p shares at 1.9p per share in respect of part conversion of a convertible loan. On 28 January 2009 the Company issued a further 5,263,157 ordinary 1p shares at 1.9p per share in respect of a further part conversion of a convertible loan.

Shares issued for the period under review may be summarised as follows:

| | 6 months to 30 June 2009 | 6 months to 30 June 2008 | Year to 31 December 2008 |
|---|-------------------------------------|-------------------------------------|---|
| Shares issued and fully paid | | | |
| - beginning of period | 108,719,036 | 101,772,999 | 101,772,999 |
| - issued during the period | 7,465,541 | 3,446,037 | 6,946,037 |
| Total equity shares issued and fully paid at end of period | 116,184,577 | 105,219,036 | 108,719,036 |

The shares issued yielded £141,845 and reduced the capital element of the convertible loan by £140,000. The balance of £1,845 repaid accrued interest on the capital element of the convertible loan repaid. In total, equity was increased by £141,845.

4 Earnings per share and dividends

The calculation of earnings per share is based on the result 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 dilutive options and warrants which were exercisable during the period.

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

| Basic and diluted | 6 months to 30 June 2009 | 6 months to 30 June 2008 | Year to 31 December 2008 |
|---|-------------------------------------|-------------------------------------|---|
| Profit/(loss) attributable to owners of the company | £402,000 | (£167,000) | £368,000 |
| Weighted average number of ordinary shares in issue | 115,180,444 | 103,079,464 | 105,628,745 |
| Basic earnings per share | 0.35 pence | (0.16) pence | 0.35 pence |
| Dilutive effect of weighted average options and warrants | 16,895,835 | 6,700,000 | 7,719,605 |
| Total of weighted average shares together with dilutive effect of weighted options and warrants | 132,076,279 | 109,779,464 | 113,348,350 |
| Diluted earnings per share | 0.30 pence | (0.16) pence (*) | 0.32 pence |

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

*** The effect of the options and warrants are anti-dilutive for this period**

5 Availability of Interim Financial Statements

Paper copies of the Interim Financial Statements will be sent to shareholders upon request. Otherwise, shareholders will be able to download a copy of the Interim Financial Statements from the Group's website www.d2w.net. Further copies of the Interim Financial Statements will be available from the Company's Registered Office at Elstree House, Elstree Way, Borehamwood, Herts WD6 1LE.