

## SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC

### Preliminary Results for the year to 31 December 2010

Symphony Environmental Technologies plc ("Symphony", the "Company" or the "Group"), the specialist in advanced plastics technologies including controlled life and anti-microbial products, and waste to value processing technologies, is very pleased to announce its preliminary results for the year ended 31 December 2010.

#### Highlights

- Revenues increased by 21% to £8.48 million (2009: £7.04 million)
- Operating profit increased by 36% to £1.13 million (2009: £0.83 million)
- Profit before tax increased by 58% to £1.01 million (2009: £0.64 million)
- Profit after tax increased by 29% to £1.19 million (2009: £0.92 million)
- Gross profit margin increased to 57% (2009: 55%)
- Cash generated from operations £0.53 million (2009: £0.57 million)
- Basic earnings per share increased by 28% to 1.02p (2009: 0.80p)
- Number of distributors increased from 49 to 61
- Expansion of products and support services

#### Underlying Results

- Operating profit excluding non – recurring items increased by 50% to £1.25 million (2009: £0.83 million)
- Profit before tax excluding non – recurring items increased by 76% to £1.12 million (2009: £0.64 million)

Michael Laurier, Chief Executive, commented:

"We are delighted to be able to report our first £1million net profit. Symphony's business is now both corporately and globally structured to continue to grow further on the strength of these excellent results.

"We have expanded our product portfolio and revenue streams and put the foundations in place to benefit from continued growth in demand. This is an exciting time for the business as the Group further grows its global reach."

#### Contacts:

##### **Symphony Environmental Technologies plc**

Michael Laurier, CEO  
Ian Bristow, FD

**Tel: +44 20 8207 5900**

##### **Seymour Pierce Limited**

Stewart Dickson / Freddy Crossley (Corporate Finance)

**Tel: +44 20 7107 8000**

Katie Ratner / Jacqui Briscoe(Corporate Broking)

##### **Bishopsgate Communications**

Nick Rome

**Tel: +44 20 7562 3350**

## **Chairman's Statement**

I am delighted to report these results which show significant growth was achieved in Group revenue resulting in a profit before tax of £1.01 million.

During the year we restructured the Group by simplifying the operating structure and creating positive profit and loss reserves through a capital reduction. As a profit making and operationally cash generative business, we are now also well positioned corporately.

We have continued to make significant investments in product development and the global brand of **d<sub>2</sub>w**<sup>®</sup>. Significant development work has also continued to be undertaken in respect of Symphony Energy. Additionally, other products, including the **d<sub>2</sub>p** protection system and d2Detector are now coming on stream.

Further favourable legislative changes took place during the year in various parts of the World. The United Arab Emirates, in particular, legislated wholly in favour of technology which is incorporated in our **d<sub>2</sub>w**<sup>®</sup> product range. The state recognised in legislation the need to protect the environment by ensuring in legislation that most of the short-life plastic products are Oxo-biodegradable. These favourable legislative changes will help to drive the business in the future together with increasing corporate social responsibility, where our products are helping to fill the gaps on packaging, waste and the environment.

I would like to thank my colleagues on the Board, our employees and distributors, for all their hard work during the past year. Finally, I would like to thank you our shareholders for your continued support during the year and look forward to reporting on the Company's continued progression throughout 2011.

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

## Chief Executive's Review

I am very pleased to report that the Group has achieved a further important financial milestone; a pre-tax profit of £1 million.

During 2010, investments were made into the main operating areas of the business including an upgrade in our main office facility, computer and test equipment, marketing materials, exhibitions, which included the K Show, and enhancing our ISO accreditation toward gaining certification for ISO 14001.

The main focus for the Group in 2010 was to strengthen the distributor base, together with the **d<sub>2</sub>w**<sup>®</sup> product range, systems and services. We had further launches in South America, and new launches in Africa, the Middle East and parts of Eastern Europe. The Group has continued to invest in the development of new products and technologies that are synergistic with the existing ones.

In addition to the above, we are now starting to see legislative changes which favour our products. An example of this during 2010 can be seen in the Middle East, where the United Arab Emirates has legislated wholly in favour of technology which is incorporated in our **d<sub>2</sub>w**<sup>®</sup> product range.

The number of distributors increased again from 49 to 61 resulting in further market potential for our products. The **d<sub>2</sub>w**<sup>®</sup> market continues to grow in strength which is now being augmented with **d<sub>2</sub>p** products and the d2Detector device.

The Group has been reorganised which has resulted in a simpler financial structure and positive retained profits.

## Trading results

I am pleased to report Group revenues increased by 21% during the year from £7.04 million to £8.48 million. Group gross profit margins increased from 55% to 57%. These factors resulted in a 24% increase in the contribution from gross profit rising from £3.88 million in 2009 to £4.83 million in 2010.

The Group has made an operating profit of £1.13 million compared to an operating profit of £0.83 million in 2009, resulting in the Group's profit before tax of £1.01 million compared to a profit before tax of £0.64 million in 2009.

Non-recurring costs of £0.19 million were incurred during the year in restructuring the Group.

The operating profit before non-recurring items increased by 50% from £0.83 million in 2009 to £1.25 million in 2010 with profit before tax before non-recurring items increasing by 76% to £1.12 million.

Development costs of £0.33 million were capitalised in 2010. The net book value of capitalised development costs at the end of the year amounted to £0.78 million.

As a result of the continued strong performance and in consideration of future performance, a further deferred tax credit of £0.19 million has been recognised in 2010 resulting in a carried forward recognised tax asset at the end of the year of £1.18 million.

As a result of this financial performance, the Group reports a profit for the year of £1.19 million with basic earnings per share increasing to 1.02 pence (2009: 0.80 pence).

The Group's 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 2010 the Group had a net balance of US Dollar assets totalling \$3.21 million.

## Cashflow

The Group generated £0.53 million from operations (2009: £0.57 million). Trade was weighted to the fourth quarter of 2010 which resulted in a high accounts receivable balance as at 31 December 2010.

£0.39 million was invested in plant and equipment together with £0.33 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 fall within the appropriate accounting criteria. The increase in plant and equipment was as a result of a move to more suitable premises for the Group's Head Office. A bank loan of £0.17 million part financed this expenditure.

The Headstart loan was repaid in full during the year. In 2011 the working capital of the Group is supported by HSBC by way of Invoice Finance facilities. As at 31 December 2010, and prior to the new facility with HSBC Invoice Finance, HSBC Bank supported the Group by providing overdraft facilities.

## **Group Reorganisation**

On 1 July 2010 the Company, upon consent from the Court, reduced its share premium account by £13.26 million. This amount was credited to retained earnings. This was the culmination of a reorganisation which saw on 31 May 2010, the hive-up of the business of Symphony Plastics (2010) Limited (formerly Symphony Environmental Limited, name changed on 7 June 2010) into Symphony Environmental Limited (formerly Symphony Plastics Limited, name changed on 7 June 2010). The following transactions also occurred as part of the reorganisation:

On 28 May 2010, Symphony Environmental Limited issued 20,000,000 new ordinary shares at a price of 10 pence each by way of debt capitalisation of amounts due to the Company.

On 28 May 2010, various intra Group debts were waived. The Company waived £13.46 million of debt due from Symphony Environmental Limited and £1.12 million of debt due from Symphony Plastics (2010) Limited.

On 4 June 2010, Symphony Environmental Limited completed its own capital reduction scheme.

## **Operations**

Total costs increased in 2010 due to the level of support required to service the growth in revenue and number of distributors.

Having developed an extensive and far reaching distribution network, which now covers more than 90 countries worldwide the main function for the Group continues to be the expansion of products and support services as well as to enhance the **d<sub>2</sub>w<sup>®</sup>** and **d<sub>2</sub>p** brands.

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. This move resulted in the addition of £0.21 million of fixtures and fittings and leasehold improvements.

## **Symphony Energy**

The Group currently absorbs annual running costs of £0.22 million. The RuPERT project is in its final year and the Group is actively pursuing commercial outlets for elements within the project.

## **Outlook**

We will continue to concentrate on improving the distributor base, product development and increasing market presence and brand awareness.

Our efforts will be focused on markets either by size, or where legislative developments have started to favour our technology. That being said, our existing distributor network has the ability to create significant revenue opportunities globally.

In 2011 we will be devoting attention to the huge market in the USA, where we have recently appointed a distributor, and have embarked on a major communications programme with one of America's largest PR agencies.

We look forward to the future with confidence.

Michael Laurier  
Chief Executive

**Consolidated statement of comprehensive income  
for the year ended 31 December 2010**

	Note	2010		2009	
		£'000	£'000	£'000	£'000
<b>Revenue</b>			<b>8,482</b>		7,038
Cost of sales			<b>(3,650)</b>		(3,163)
<b>Gross profit</b>			<b>4,832</b>		<b>3,875</b>
Distribution costs			<b>(174)</b>		(129)
Administrative expenses – recurring		<b>(3,411)</b>		(2,914)	
Administrative expenses – non- recurring		<b>(119)</b>		-	
Administrative expenses			<b>(3,530)</b>		(2,914)
<b>Operating profit – recurring</b>		<b>1,247</b>		832	
<b>Operating loss – non- recurring</b>		<b>(119)</b>		-	
<b>Operating profit</b>			<b>1,128</b>		832
Finance costs			<b>(123)</b>		(194)
<b>Profit for the year before tax</b>			<b>1,005</b>		638
Tax credit			<b>187</b>		285
<b>Profit for the year</b>			<b>1,192</b>		923
<b>Total comprehensive income for the year</b>			<b>1,192</b>		923
Basic earnings per share	3		<b>1.02p</b>		0.80p
Diluted earnings per share	3		<b>0.90p</b>		0.78p

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 2010**

**Company number 3676824**

	Note	2010 £'000	2009 £'000
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment		462	216
Intangible assets		784	487
Deferred income tax asset		1,180	993
Available for sale financial assets		15	15
		<b>2,441</b>	<b>1,711</b>
<b>Current</b>			
Inventories		281	212
Trade and other receivables		2,928	1,597
Cash and cash equivalents		85	34
		<b>3,294</b>	<b>1,843</b>
<b>Total assets</b>		<b>5,735</b>	<b>3,554</b>
<b>Equity</b>			
<i>Equity attributable to shareholders of Symphony Environmental Technologies plc</i>			
Ordinary shares		1,173	1,165
Share premium		17	13,253
Other reserves		-	822
Retained earnings		1,863	(13,447)
		<b>3,053</b>	<b>1,793</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Interest bearing loans and borrowings		142	274
		<b>142</b>	<b>274</b>
<b>Current</b>			
Interest bearing loans and borrowings		1,176	731
Trade and other payables		1,364	756
		<b>2,540</b>	<b>1,487</b>
<b>Total liabilities</b>		<b>2,682</b>	<b>1,761</b>
<b>Total equity and liabilities</b>		<b>5,735</b>	<b>3,554</b>

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

	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Other reserves £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>For the year to 31 December 2010</b>					
Balance at 1 January 2010	1,165	13,253	822	(13,447)	1,793
Issue of share capital	8	25	-	-	33
Capital reduction	-	(13,261)	(822)	14,083	-
Share based options	-	-	-	35	35
Transactions with owners	8	(13,236)	(822)	14,118	68
Profit and total comprehensive income for the year	-	-	-	1,192	1,192
<b>Balance at 31 December 2010</b>	<b>1,173</b>	<b>17</b>	<b>-</b>	<b>1,863</b>	<b>3,053</b>
<b>For the year to 31 December 2009</b>					
Balance at 1 January 2009	1,087	13,176	822	(14,383)	702
Issue of share capital	78	77	-	-	155
Share based options	-	-	-	13	13
Transactions with owners	78	77	-	13	168
Profit and total comprehensive income for the year	-	-	-	923	923
<b>Balance at 31 December 2009</b>	<b>1,165</b>	<b>13,253</b>	<b>822</b>	<b>(13,447)</b>	<b>1,793</b>

**Consolidated cash flow statement  
for the year ended 31 December 2010**

	Note	2010 £'000	2009 £'000
<b>Operating activities</b>			
Cash generated in operations	4	527	566
Tax received		-	11
Net cash generated in operations		527	577
<b>Investing activities</b>			
Additions to property, plant and equipment		(389)	(44)
Proceeds from disposals of property, plant and equipment		16	-
Additions to intangible assets		(325)	(230)
<b>Net cash used in investing activities</b>		<b>(698)</b>	<b>(274)</b>
<b>Financing activities</b>			
Proceeds from loans		270	-
Repayment of loans		(329)	(319)
New finance leases		47	-
Discharge of finance lease liability		(20)	(31)
Proceeds from share issue		33	155
Interest paid		(123)	(194)
<b>Net cash used in financial activities</b>		<b>(122)</b>	<b>(389)</b>
Net change in cash and cash equivalents		(293)	(86)
Cash and cash equivalents, beginning of year		(68)	18
<b>Cash and cash equivalents, end of year</b>		<b>(361)</b>	<b>(68)</b>

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

	2010 £'000	2009 £'000
Loans and receivables:		
Cash at bank and in hand	85	34
Financial liabilities measured at amortised cost:		
Bank overdraft	(446)	(102)
<b>Cash and cash equivalents, end of year</b>	<b>(361)</b>	<b>(68)</b>

## 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 2010.

The financial information set out in this report does not constitute the Company's statutory accounts for the years ended 31 December 2010 or 2009 but is derived from the 2010 accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered in due course. The auditor has reported on those accounts; its report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and (iii) did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

### 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 2010 are as follows:

<b>Business segments</b>	<b>Degradable d2w®</b>	<b>Non- degradable</b>	<b>Waste to value</b>	<b>Group</b>
<b>12 months to 31 December 2010</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Segment revenues	8,456	26	-	8,482
Share based payments	(35)	-	-	(35)
Apportioned costs	(6,951)	(26)	(218)	(7,195)
<b>EBITDA</b>	<b>1,470</b>	<b>-</b>	<b>(218)</b>	<b>1,252</b>
Depreciation and amortisation	(124)	-	-	(124)
Interest	(123)	-	-	(123)
Taxation	187	-	-	187
<b>Profit/(loss) for the year</b>	<b>1,410</b>	<b>-</b>	<b>(218)</b>	<b>1,192</b>

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

<b>Business segments</b>	<b>Degradable d2w®</b>	<b>Non- degradable</b>	<b>Waste to value</b>	<b>Group</b>
<b>12 months to 31 December 2009</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Segment revenues	6,947	91	-	7,038
Share based payments	(9)	(4)	-	(13)
Apportioned costs	(5,678)	(249)	(182)	(6,109)
<b>EBITDA</b>	<b>1,260</b>	<b>(162)</b>	<b>(182)</b>	<b>916</b>
Depreciation and amortisation	(84)	-	-	(84)
Interest	(194)	-	-	(194)
Taxation	285	-	-	285
<b>Profit/(loss) for the year</b>	<b>1,267</b>	<b>(162)</b>	<b>(182)</b>	<b>923</b>

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:

<b>Basic and diluted</b>	<b>2010</b>	<b>2009</b>
Profit attributable to equity holders of the company	<b>£1,192,000</b>	<b>£923,000</b>
Weighted average number of ordinary shares in issue	116,799,645	115,767,185
<b>Basic earnings per share</b>	<b>1.02 pence</b>	<b>0.80 pence</b>
Dilutive effect of weighted average options and warrants	15,036,097	2,424,588
Total of weighted average shares together with dilutive effect of weighted options and warrants	131,835,742	118,191,773
<b>Diluted earnings per share</b>	<b>0.90 pence</b>	<b>0.78 pence</b>

No dividends were paid for the year ended 31 December 2010 (2009: £nil).

#### 4 Cash generated from operations

	2010	2009
	£'000	£'000
Profit after tax	1,192	923
Adjustments for:		
Depreciation	96	69
Amortisation	28	15
Loss on disposal	32	-
Share based payments	35	13
Tax credit	(187)	(285)
Interest expense	123	194
Changes in working capital:		
Inventories	(69)	(18)
Trade and other receivables	(1,331)	(362)
Trade and other payables	608	17
Cash generated in operations	527	566

#### 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.d2w.net](http://www.d2w.net)

##### Notes to Editors -

SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC'S shares are traded on The AIM market of the London Stock Exchange, (Symbol: SYM.LSE) and Plus Markets, (Symbol: SYM.GB).

There is also a Level 1 ADR Programme. Symphony ADR trades in the US on the Over-The-Counter (OTC) market under the symbol SETPY. The ADR to ordinary share ratio is 1:100 and the CUSIP is 87156K104. BNY Mellon acts as sponsored depositary for Symphony's ADR facility.

SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC is a specialist in controlled-life plastic technology and products - 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 plastic products.

Symphony's d2w® technology turns plastic at the end of its service-life into a material with a completely different molecular structure. At that stage it is no longer a plastic and can be bioassimilated in the open environment in the same way as a leaf.

For a video of d2w® plastic degrading see <http://www.youtube.com/watch?v=i3TGqcpWJTM>

Symphony has a diverse and growing customer-base and has established itself successfully as an international business. Products made with d2w® 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](http://www.biodeg.org)), the Society for the Chemical Industry (UK), The British Plastics Federation (BPF), Symphony is also a member of the European Organisation for Packaging & the Environment (Euopen) and the British Brands Group. Symphony actively participates in the work of the British Standards Institute (BSI), the European Standards Organisation (CEN), the American Standards Organisation (ASTM); and the International Standards Organisation (ISO) Symphony holds an ISO 9001-2008 certificate for quality management.

Until 2010 Symphony focused almost entirely on oxo-biodegradable plastic. Now, in search of new challenges and wider horizons, the Company has introduced a new product called d2p. This is a suite of additives which give plastic products anti-bacterial, anti-viral, and anti-fungal properties. The first has already been brought to market, and the others are in development. Symphony has also introduced a hand-held x-ray fluorescence device (the "d2Detector") which can analyse the composition of polymer products without the need to take samples to a laboratory. The Company continues to develop systems for converting scrap tyres into useful products.

Further information on the Symphony Group can be found at [www.d2w.net](http://www.d2w.net).