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SYMPHONY PLASTIC TECHNOLOGIES PLC

PRELIMINARY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Symphony Plastic Technologies plc, the degradable plastics company, today announces its preliminary results for the year ended 31 December 2005.

HIGHLIGHTS

- Turnover up 3% to £9.11m (2004: £8.86m)
- Operating loss after exceptional costs of £1.25m (2004: £0.60m)
- Gross profits decreased 4% to £1.77m (2004: £1.84m)
- Loss per share increased to 2.28 pence from 1.31 pence
- Legal case won and no further challenges to Symphony's **d2w®** technology
- Strategic review completed and implemented.
- The Co-op confirms it will be using Symphony's **d2w®** additives in all its degradable plastic bags
- New orders in the Caribbean in excess of US$3m

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

"This has been a year of several material changes and events. The legal challenge on our core technology and business was successfully defended with a substantial cost award in our favour. Raw material prices continued to outpace our efforts to pass the cost on to our customers and our largest carrier bag contract came to an end. However, the new brand has been launched and the global coverage for **d2w®** continues to expand in terms of customers and volumes. With substantial reductions in operational costs and a new focus in selling **d2w®** and higher value technology and products we are confident that the business is well placed to move forward into profitability."

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Further information on Symphony Plastic Technologies plc

Symphony develops and supplies environmentally responsible plastic packaging products and additives, which are distributed primarily to the retail, local authority and health related sectors. The Group's main technology, **d2w®,** allows plastic to degrade, leaving only water, a minimal amount of carbon dioxide and trace amounts of non-toxic biomass over a short time period. The **d2w®** product range now includes additives, carrier bags, refuse sacks, mailing wrap, stretch film, and packaging films.

Symphony has a diverse customer base in the UK and has successfully established itself as an international business after signing distribution agreements with companies in Brazil, Canada & USA, New Zealand, South Africa, the Caribbean, Saudi Arabia, Colombia and Qatar. Symphony's products can now be found in more than 37 countries. Further information on Symphony can be found at www.symphonyplastics.com and www.degradable.net.

CHIEF EXECUTIVE'S REVIEW

The year under review was probably the most significant in the Company's history, being marked, amongst other events, by three noteworthy developments: a review of the Company's activities and strategic direction; the successful conclusion of the long-running and disruptive legal case; and a significant move in sentiment towards greater environmental responsibility.

Review of activities

During the year the Board undertook a fundamental and thorough review of all the Group's activities and has adopted what we are confident will prove to be an effective new corporate strategy to take advantage of the changed circumstances of the business and opportunities within our market place.

Successful conclusion of legal case

During the period the Group also successfully concluded the long period of legal challenge against our core technology, brand and business by Environmental Products Inc (EPI). Symphony was awarded its full Appeal costs and, in addition, an interim award of £600,000 was ordered for immediate settlement from funds previously lodged by EPI with the Court as security for Symphony's costs. Although the legal process was disruptive and costly, the end result is extremely positive as it successfully moves Symphony from being a company reliant on a limited and restricted licence to one which owns and can develop its own intellectual property and brand.

Environmental responsibility

There were also clear signs of a step change in activity surrounding environmentally responsible plastics: from a significant increase in Government action in many countries to the emergence of more technologies and companies competing in this field, and a far greater awareness and interest from retailers, manufacturers and other businesses around the world.

New strategy

Consequently, since the start of 2006 the Board has pursued a new strategic direction for the Group with a focus on developing sales of the Group's technology through the sale of higher margin additives rather than trying to compete for the sale of high volume, low price, commodity finished products. Having redefined the Group's focus we have reorganised and restructured our operations, which has involved cost reductions and staff reorganisation as well as a review of our logistics and warehousing needs. The changes implemented will lead to significant improvement in operating margins as we start to achieve a fundamental change towards being driven by margin instead of sales.

The benefits to sales from these changes will not be instantly effective but the initial response from prospective customers to our changed strategy has been very positive indeed; for example Co-operative Retail, the first major supermarket in the UK to use degradable technology, has confirmed that it is switching to using our additive and **d2w**® brand on all their degradable plastic bags from a rival product.

Symphony's **d2w**® brand and trade mark remains by far the best established and most widely recognised world-wide symbol for plastics degradability and this is key in our current and future marketing strategy. Our international distribution network continues to grow; our additives and **d2w**® brand can now be found in more than 37 countries. Our current priority, however, is to build sales rapidly through our existing network of distributors before further expanding our global coverage. Historically, we have disclosed the location or identity of important prospects or opportunities before sales were achieved but believe that now it is more prudent to withhold such commercially sensitive disclosure until actual sales or higher volumes have been established.

Our North American business activities are getting back on track having been delayed throughout the period under review by potential customer and investor concerns over the legal challenge the Group was facing. I am very pleased to report we are now aggressively pursuing the business opportunity in what is one of the world's largest markets. New sales of finished products were established in the year under review.

Many Governments are taking more active steps towards dealing with the problems of waste and litter. Whilst there are too many to warrant inclusion in this review, it is useful to note, as an example, the decision of the French Government to require all plastic carrier bags to be bio-degradable by 2010. It is clearly important for Symphony to continue to take a very proactive part in influencing decision makers in this area, despite the cost in cash and management time and despite the absence of any immediate return for that investment.

Financial review
Total group sales increased by 3% to £9.11m. Group gross profits decreased by 4% from £1.84m to £1.77m. The Group completed the Somerfield contract in November 2005 which brought to an end a satisfactory three year contract. The turnover to Somerfield in 2005 was £4.60m. During 2005 costs were increased, primarily staff related, to augment activities relating to the Somerfield contract and furthering commodity product sales in the UK. The other factors affecting Group profits during this period were oil prices, currency exchange rates and polymer raw material prices.

The operating loss in 2005 increased to £1.25m from £0.60m in 2004.

Included in the operating loss are exceptional legal costs of £191,000 relating to the EPI case. Although the director's are confident that a significant amount of this is recoverable and indeed £270,000 is held in Court, the complicated process of recovery has led to this provision. Since the year end £600,000 has been awarded and received as an interim settlement. The gross legal costs of the case and subsequent appeal were in excess of £1.15m.

Research and development tax credits totalling £40,000 were received during 2005 and these are included in tax on loss on ordinary activities in the profit and loss account.

The loss per share increased to 2.28 pence from 1.31 pence.

We raised approximately £1.8 million in the year under review through share placings which was used to support cost for the EPI legal challenge, working capital, new projects, staff and re-branding.

I am pleased to report that our North American distributor recently paid US$100,000 as a commitment fee, and has confirmed, subject to market conditions, to make a further payment of US$550,000 before the end of this financial year for the exclusive distribution licence in North America.

We have continued to support the development of the Caribbean markets through our exclusive distributor in the region. The investment made to date has been through product supply credit to the value of around £800,000 and is partly secured by assets under debenture in the Group's favour. We anticipate that the operations in the territory will require less financial commitment from the Group going forward as the new orders received are cash positive.

Outlook

The **d2w**® brand appears as a droplet style logo and is developing into a recognised symbol for Symphony's oxo-biodegradable plastic technology in an expanding range of applications. Market awareness is growing as a result of many new interlinked websites and sales and marketing activities. These connecting sites that are managed through our global distribution network can be found at www.degradable. net.

The re-branding program is now complete and a new range of retail products are available for marketing and distribution. Work continues on product development, testing and lobbying for changes to legislation. We are also continuing our efforts to make changes to the European Standards as these are essential before the French legislation comes into effect in 2010.

As the new strategy and business model develops we believe that cash-flow will strengthen as our need to hold stocks and large debtors diminishes. Sales turnover for this year is expected to be lower but operating margins significantly higher. Costs have now reduced as we have a smaller supply chain requirement and our main sales drive is led by independent external distributors.

The North American business has got off to a good start with new orders and commitments for **d2w**® additives and products. Furthermore, a substantial number of product trials are on-going for a range of new applications.

The Caribbean business is increasing with confirmed orders for the territory exceeding US$3 million. We are currently waiting for final approval in the region for bank facilities to fund these orders.

With a larger distribution network, strong brand, lower cost and a developing global need to resolve the issues of plastic pollution we believe that 2006 will mark the year of positive change and substantial improvement in operating performance.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	Year ended 31 December 2005		Year ended 31 December 2004	
	£'000	**£'000**	£'000	£'000
Turnover		**9,109**		8,855
Cost of sales		**(7,342)**		(7,013)
Gross profit		**1,767**		1,842
Distribution costs		**(272)**		(283)
Administrative expenses - other	**(2,552)**		(2,054)	
Administrative expenses - exceptional item	**(191)**		(100)	
Administrative expenses		**(2,743)**		(2,154)
Operating loss		**(1,248)**		(595)
Net interest		**(166)**		(132)
Loss on ordinary activities before taxation		**(1,414)**		(727)
Tax on loss on ordinary activities		**40**		105
Loss for the financial year transferred from reserves		**(1,374)**		(622)
Basic and diluted loss per share in pence		**(2.28)p**		(1.31)p

There were no recognised gains or losses other than the loss for the financial year.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2005

	2005	2004
	£'000	£'000
Fixed assets		
Intangible assets	**18**	15
Tangible assets	**247**	203
Investments	**16**	16
	281	234
Current assets		
Stocks	**304**	380
Debtors	**2,773**	3,397
Cash at bank and in hand	**1**	1
	3,078	3,778
Creditors: amounts falling due within one year	**(1,607)**	(2,763)
Net current assets	**1,471**	1,015
Total assets less current liabilities	**1,752**	1,249
Creditors: amounts falling due after more than one year	**(89)**	(41)
	1,663	1,208
Capital and reserves		
Called up share capital	**634**	513
Share premium account	**10,824**	9,116
Other reserves	**822**	822
Profit and loss account	**(10,617)**	(9,243)
Shareholders' funds	**1,663**	1,208

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

	2005 £'000	2004 £'000
Net cash outflow from operating activities	**(1,546)**	(1,049)
Returns on investments and servicing of finance		
Interest received	**2**	-
Interest paid	**(157)**	(128)
Interest element of finance leases and hire purchase	**(11)**	(5)
Net cash outflow from returns on investments and servicing of finance	**(166)**	(133)
Taxation	**40**	105
Capital expenditure and financial investment		
Payments to acquire intangible fixed assets	**(6)**	(15)
Payments to acquire tangible fixed assets	**(26)**	(8)
Receipts from sale of fixed assets	**44**	4
Net cash outflow from capital expenditure and financial investment	**12**	(19)
Cash outflow before financing	**(1,660)**	(1,096)
Financing		
Issue of equity share capital	**121**	60
Share premium on issue of equity share capital	**1,718**	565
Share issue expenses	**(10)**	(42)
Capital element of finance leases and hire purchase	**(61)**	(22)
Net cash inflow from financing	**1,768**	561
(Decrease)/increase in cash	**(108)**	(535)

NOTES TO THE PRELIMINARY STATEMENT

Preliminary Results for year ended 31 December 2005

1 BASIS OF PREPARATION

The preliminary announcement has been prepared on the basis of accounting policies consistent with the audited financial statements for the year ended 31 December 2005.

2 LOSS PER SHARE

The calculation of basic loss per share is based on a loss for the year of £1,374,000 (2004: £622,000) divided by the weighted average number of shares in issue during the year of 60,327,090 (2004: 47,526,432).

3 PUBLICATION OF NON-STATUTORY ACCOUNTS

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 balance sheet at 31 December 2005 and the profit and loss account for the year then ended have been extracted from the Group's financial statements upon which the auditors opinion is unqualified.

The 2004 financial statements have been filed with the Registrar of Companies, but the 2005 financial statements are not yet filed.