

SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC

Preliminary Results for the year to 31 December 2007

Symphony Environmental Technologies plc ("Symphony" or "Group"), the degradable plastics and waste-to-energy Group, announces its preliminary results for the year ended 31 December 2007.

Highlights

Group result – including non-recurring items

- Revenue £3.8 million (2006 £4.2 million)
- **d₂w**[®] revenues increased by 36.4% to £3.0million (2006 £2.2million)
- Operating loss decreased by 17.3% to £1.9million (2006 £2.3million)
- Loss before tax decreased by 17.3% to £1.9million (2006 loss £2.3million)
- Loss per share decreased to 2.31p (2006 loss per share 3.62p)
- Number of **d₂w**[®] distributors increased from 7 to 15

Before non-recurring items

- Gross profit margins increased to 30.0% (2006 20.0%)
- Operating loss decreased by 13.3% to £1.3million (2006 £1.5million)

H2 comparison to H1 (before non-recurring items)

- H2 revenues increased by 23.5% to £2.1million (H1 £1.7million)
- H2 gross profit margins increased to 33.2% (H1 26.1%)
- H2 operating loss reduced by 70.0% to £0.3million (H1 £1.0million) H2 administrative expenses reduced by 14.7% compared to H1

Post period end

- Number of **d₂w**[®] distributors doubled to 30
- Significant **d₂w**[®] agreement signed in UAE
- Leading food brands in South Africa sign up **d₂w**[®]
- **d₂w**[®] now present in most major UK retailers
- **d₂w**[®] in high proportion of plastic wrapping for magazines in the UK
- UK Government grant offered to Symphony Energy project partners of £1.2million
- Shares to trade in New York under ADR programme

Contacts

Symphony

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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 plastic technology. The technology is recognised by the **d₂w**[®] droplet logo on thousands of tonnes of oxo-biodegradable plastic products. In the last 12 months it is estimated that **more than 5 billion plastic products** have been made with Symphony's **d₂w**[®] pro-degradant additives.

Symphony has a diverse and growing distributor network and has successfully established itself as an international business. Its **d₂w**[®] products can already be found in more than 60 countries. 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 is developing 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 very pleased to report that the positive changes made as from April last year have already had a material impact on all financial and non-financial aspects of the business. The number of **d₂w**[®] distributors more than doubled from 7 to 15 during the year, the majority of which arose in the second half. **d₂w**[®] revenues increased by 36.4% compared to 2006 but, more significantly, gross profit margins, before non-recurring items, increased from 20.0% to 30.0%, with the second half of the year showing gross margins at 33.2%. This is a direct result of our move away from selling finished commodity plastic to selling the **d₂w**[®] products together with a concerted effort to increase the number of global distributors. We still sell some commodity products in the appropriate markets where margins can be maintained.

The strategy of selling **d₂w**[®] maintains end user supply chain systems, enables local distributors to sell efficiently in home markets, and enables an exponential growth outlet for our **d₂w**[®] products. Our own costs can therefore remain under control, and even though costs reduced from 2006 to 2007, we were able to significantly increase **d₂w**[®] development work and improve support for our products and distributors.

I am also pleased to report that the £0.4m invested to date in Symphony Energy Limited ("Symphony Energy") has resulted in the award of a £1.2m grant to a consortium headed by Symphony Energy since the year end. This shows real confidence by the British Government in Symphony Energy and its consortium partners for the Rupert (Rubber Product Enhanced Recovery Technology) project and confirms our strategy to develop a further environmental related product which has the potential to create a further income stream for the benefit of shareholders.

There is an increasing media focus on the global packaging sector and plastic packaging in particular. We believe our **d₂w**[®] products could be one of the main contenders for the total packaging solution moving forward. They do not affect the food supply or increase prices to the end user. They slip into the supply chain effortlessly and they harmlessly make plastic packaging "go away" if littered, with no harmful residues.

I would like to take this opportunity to thank the Directors and staff and all our distributors for all their efforts into getting us into what is a very promising position.

I am extremely confident for the future."

N Deva FRSA DL MEP - Chairman

Chief Executive's Review

The 2007 year under review started to show the positive effects to the Group's business of the strategy change previously announced to the market. Revenue reduced in line with management expectations as a direct result of our shift in the marketing direction from low margin, high volume commodity type products to higher value eco-friendly **d₂w**[®] products. Other key performance indicators improved as more product evaluation agreements were signed with a widening of our customer base.

After the management changes in the first half, we were able to concentrate on growing our distributorship network which enabled tighter control of our costs together with a significant gross profit increase due to higher sales demand for **d₂w**[®] products. The number of distributors more than doubled from 7 to 15 in the year.

Trading results

I am pleased to report **d₂w**[®] revenues increased by 36.4% during the year from £2.2million to £3.0million. Gross profit margins increased from 20.0% to 21.7% which include a significant non-recurring item. An adjustment of £315,000 has been included in cost of sales in relation to the re-organisation in the Caribbean. Gross profit margins before this non-recurring item therefore increased to 30.0% in 2007, with second half margins at 33.2%.

The loss before tax was reduced by 17.4% from £2.3million to £1.9million. Included in loss before tax is a further £250,000 of non-recurring items. A £100,000 provision has been made in respect to a settlement made with a former employee and a further £150,000 provision has been made against a foreign debt.

The second half of the year saw costs reduce by 14.7% with an operating loss of £0.3million compared to £1.0million for the first half of 2007.

Development costs of £119,000 were capitalised in 2007 relating to third party costs incurred in developing our range of **d₂w**[®] products. A £35,000 research and development tax credit was received during the year.

This is our first year of reporting under International Financial Reporting Standards (IFRS). Details of the effects of this are shown in Note 2.

Balance sheet

A total of 32million shares were issued during the year raising £1.8million gross by way of placings in addition to converting £96,000 of a supplier's debt into shares.

The convertible loan agreement was re-negotiated in September 2007. A total of 2,608,452 shares within the 32million shares issued were converted under the terms of this agreement during 2007.

In December 2007 the shares of Degradable Polymer Products Inc were transferred to a company called Oxobioplast Inc. This resulted in an insignificant shareholding in the new company but left the Group free to restructure its North America development plans. As a result the investment of £516,000 was written off and this was offset in the main by connected deferred income of £460,000 that was brought forward.

Cash and cash equivalents were £407,000 at the end of the year. Since the year end the group has entered into a £400,000 trade finance agreement with Davenham Trade Finance.

Operations

2007 saw a change in operations in two key areas:

UK based sales executives were switched from primary front line selling to administrating and promoting our growing distribution network. This led to an immediate improvement in selling efficiencies and maximised the effect within our distributorships. The process of administering our distribution network is a complex one, ranging from understanding the territories involved, providing the necessary link between the distributors and our technical team, and implementing strategies in the various territories.

Our research and development team was strengthened threefold by employing a technical manager to support the Technical Director, together with the appointment of Professor Gerald Scott as Chief Scientific Advisor. Our previous warehouse team became focused fully on developing a dedicated test facility near our old premises in Great Yarmouth. This facility includes state of the art machines to test

plastic films in respect to their mechanical and degradability properties. This is augmented by the use of further specialised third party test facilities.

Management

After the board changes announced in last year's annual report, Michael Stephen joined the board as Deputy Chairman.

Symphony Energy

The Group continued to invest in Symphony Energy in 2007, an amount of £200,000 for the year. Grant monies of £50,000, relating to this period, were received in April 2008. More recently a £1.19million development grant has been offered which could see Symphony Energy working on a three year project with some excellent partners in the development of high value manufacturing relating to rubber product enhanced recovery.

Overview of d₂w[®] developments

Our strategy change has resulted in some fundamental improvements to the business structure, cost and marketing. Newly established distributors and agents around the world have and are opening new territories and the brand awareness for **d₂w[®]** continues to grow with substantial media presence.

A significant and growing number of users are taking delivery of their plastic packaging with **d₂w[®]** oxo-biodegradable technology and these products will range from food, industrial and hygiene applications amongst many. These transactions have not been announced on account of commercial sensitivity or because some of them are not of a size which requires this reporting but collectively they are significant and the results demonstrate this growing and positive level of activity.

Outlook

Symphony's aim and developing strategy is to continue with the expansion of the **d₂w[®]** distribution network, to increase the product range and applications, to narrow the gap towards profitability over the coming period and to enhance shareholder value in the short-term.

Legislators and consumers around the world want to change from non degradable plastics (whether virgin or recycled) to more eco-friendly and cost effective oxo-biodegradable products. However, there is still a lot of confusion and misinformation in the marketplace, and Symphony will continue to challenge and correct this by campaigning in the press, on the internet, and in other media.

Symphony is also looking to commercialise its Symphony Energy division in the coming months and is presently reviewing a number of options.

Several new projects have started and others are nearing completion which we believe will add substantial value to the Group in due course.

The Board is encouraged by a strong start to the New Year whereby sales and gross profits are beginning to come in line with Management expectations. The main business key indicators are positive which align with our expectations of achieving commercial viability for the year ahead.

Michael Laurier
Chief Executive

**Consolidated income statement
for the year ended 31 December 2007**

| | 2007 | | 2006 | |
|---|----------------|----------------|---------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| | | £'000 | | £'000 |
| Revenue | | 3,778 | | 4,200 |
| Cost of sales – recurring | (2,644) | | (3,362) | |
| Cost of sales – non recurring | (315) | | - | |
| Cost of sales | | (2,959) | | (3,362) |
| Gross profit – recurring | 1,134 | | 838 | |
| Gross profit – non-recurring | (315) | | - | |
| Gross profit | | 819 | | 838 |
| Distribution costs | | (68) | | (143) |
| Administrative expenses - recurring | (2,378) | | (2,208) | |
| Administrative expenses – non-recurring | (250) | | (830) | |
| Administrative expenses | | (2,628) | | (3,038) |
| Operating loss - recurring | (1,312) | | (1,513) | |
| Operating loss – non-recurring | (565) | | (830) | |
| Operating loss | | (1,877) | | (2,343) |
| Finance income | | 17 | | - |
| Finance costs | | (88) | | (37) |
| Loss for the period before tax | | (1,948) | | (2,380) |
| Tax credit | | 35 | | 37 |
| Loss for the period | | (1,913) | | (2,343) |
| Basic loss per share | | (2.31)p | | (3.62)p |
| Diluted loss per share | | (2.31)p | | (3.62)p |

All results are attributable to the parent company equity holders

**Consolidated balance sheet
as at 31 December 2007**

| | 2007 | 2006 |
|---|-----------------|----------|
| | £'000 | £'000 |
| Assets | | |
| Non-current | | |
| Property, plant and equipment | 201 | 222 |
| Intangible assets | 177 | 70 |
| Available for sale financial assets | 15 | 531 |
| | 393 | 823 |
| Current | | |
| Inventories | 233 | 545 |
| Trade and other receivables | 761 | 897 |
| Cash and cash equivalents | 407 | 215 |
| | 1,401 | 1,657 |
| Total assets | 1,794 | 2,480 |
| Equity | | |
| <i>Equity attributable to shareholders of Symphony Environmental Technologies plc</i> | | |
| Ordinary shares | 1,018 | 697 |
| Share premium | 13,048 | 11,392 |
| Other reserves | 822 | 822 |
| Retained earnings | (14,763) | (12,885) |
| Total equity | 125 | 26 |
| Liabilities | | |
| Non-current | | |
| Other payables | - | 447 |
| Interest bearing loans and borrowings | 31 | 62 |
| | 31 | 509 |
| Current | | |
| Interest bearing loans and borrowings | 781 | 605 |
| Trade and other payables | 857 | 1,340 |
| | 1,638 | 1,945 |
| Total liabilities | 1,669 | 2,454 |
| Total equity and liabilities | 1,794 | 2,480 |

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 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 |
| For the year to 31 December 2006 | | | | | |
| Balance at 1 January 2006 | 634 | 10,824 | 822 | (10,617) | 1,663 |
| Loss for the period | - | - | - | (2,343) | (2,343) |
| Total recognised income and expense for the period | - | - | - | (2,343) | (2,343) |
| Share based payments | - | - | - | 75 | 75 |
| Shares issued | 63 | 568 | - | - | 631 |
| Balance at 31 December 2006 | 697 | 11,392 | 822 | (12,885) | 26 |

**Consolidated cash flow statement
for the year ended 31 December 2007**

| | 2007 | 2006 |
|--|----------------|-------|
| | £'000 | £'000 |
| Operating activities | | |
| Cash generated from operations | (1,328) | (355) |
| Tax received | 35 | 37 |
| Net cash generated from operations | (1,293) | (318) |
| Investing activities | | |
| Additions to property, plant and equipment | (30) | (12) |
| Proceeds from disposals of property, plant and equipment | 13 | 7 |
| Additions of intangible assets | (119) | (64) |
| Interest received | 1 | - |
| Net cash used in investing activities | (135) | (69) |
| Financing activities | | |
| Proceeds from loans | 188 | 254 |
| Repayment of loans | (14) | - |
| Discharge of finance lease liability | (31) | (34) |
| Proceeds from share issue | 1,808 | 630 |
| Interest paid | (20) | (37) |
| Net cash generated in financial activities | 1,931 | 813 |
| Net change in cash and cash equivalents | 503 | 426 |
| Cash and cash equivalents, beginning of year | (96) | (522) |
| Cash and cash equivalents, end of year | 407 | (96) |

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 2007.

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 2007 have been extracted from the Group's financial statements upon which the auditors' opinion is unqualified.

The 2006 financial statements have been filed with the Registrar of Companies, but the 2007 financial statements are not yet filed.

2 Transition to International Financial Reporting Standards

The 2007 financial statements are for the first period that the group has applied International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and effective at 31 December 2007, our first annual reporting date at which we are required to use IFRS accounting standards adopted by the EU.

The transition from UK GAAP to IFRS has been made in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards.

The Group's consolidated financial statements for 2007 and the comparatives for 2006 comply with all presentation and disclosure requirements of IFRS applicable for accounting periods commencing on or after 1 January 2007.

The following reconciliations and explanatory notes thereto describe the effects of transition on the IFRS opening balance sheet as at 1 January 2006 and for the financial year 2006.

Reconciliation of equity at 1 January 2006

| | UK GAAP £'000 | Effect of Transition | IFRS £'000 |
|---|------------------------------|---------------------------------|-----------------------|
| Assets | | | |
| Non-current | | | |
| Property, plant and equipment | 247 | - | 247 |
| Intangible assets | 19 | - | 19 |
| Investments in other undertakings (1) | 15 | (15) | - |
| Available for sale financial assets (1) | - | 15 | 15 |
| Current | | | |
| Inventories | 304 | - | 304 |
| Trade and other receivables | 2,773 | - | 2,773 |
| Cash and cash equivalents | 1 | - | 1 |
| Total assets | 3,359 | - | 3,359 |
| Equity | | | |
| <i>Equity attributable to shareholders of Symphony Environmental Technologies plc</i> | | | |
| Ordinary shares | 634 | - | 634 |
| Share premium | 10,825 | - | 10,825 |
| Other reserves | 822 | - | 822 |
| Retained earnings | (10,617) | - | (10,617) |
| Total equity | 1,664 | - | 1,664 |
| Liabilities | | | |
| Non-current | | | |
| Other payables | - | - | - |
| Interest bearing loans and borrowings | 89 | - | 89 |
| Current | | | |
| Interest bearing loans and borrowings | 555 | - | 555 |
| Current tax payable | - | - | - |
| Trade and other payables | 1,051 | - | 1,051 |
| Total liabilities | 1,695 | - | 1,695 |
| Total equity and liabilities | 3,359 | - | 3,359 |

(1) Investments in other undertakings were reclassified as available-for-sale financial assets in accordance with International Accounting Standard (IAS) 39.

**Reconciliation of equity at 31 December
2006**

| | UK GAAP £'000 | Effect of Transition | IFRS £'000 |
|---|---------------------|-------------------------|---------------|
| Assets | | | |
| Non-current | | | |
| Property, plant and equipment | 222 | - | 222 |
| Intangible assets | 70 | - | 70 |
| Investments in other undertakings (1) | 531 | (531) | - |
| Available for sale financial assets (1) | - | 531 | 531 |
| Current | | | |
| Inventories | 545 | - | 545 |
| Trade and other receivables | 897 | - | 897 |
| Cash and cash equivalents | 215 | - | 215 |
| Total assets | 2,480 | - | 2,480 |
| Equity | | | |
| <i>Equity attributable to shareholders of Symphony Environmental Technologies plc</i> | | | |
| Ordinary shares | 697 | - | 697 |
| Share premium | 11,392 | - | 11,392 |
| Other reserves | 822 | - | 822 |
| Retained earnings | (12,885) | - | (12,885) |
| Total equity | 26 | - | 26 |
| Liabilities | | | |
| Non-current | | | |
| Other payables | 447 | - | 447 |
| Interest bearing loans and borrowings | 62 | - | 62 |
| Current | | | |
| Interest bearing loans and borrowings (2) | 605 | (10) | 595 |
| Financial liabilities classified as fair value through profit and loss (2) | - | 10 | 10 |
| Current tax payable | | | |
| Trade and other payables | 1,340 | - | 1,340 |
| Total liabilities | 2,454 | - | 2,454 |
| Total equity and liabilities | 2,480 | - | 2,480 |

(1) Investments in other undertakings were reclassified as available-for-sale financial assets in accordance with IAS 39.

(2) The conversion rights and warrants attached to the convertible loan have been separated and accounted for in accordance with IAS 39.

The above has no effect on either the consolidated retained earnings or the cash flow statement.

3 Loss per share

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 | 2007 | 2006 |
|---|-------------------|-------------|
| Loss attributable to equity holders of the company | £1,913,000 | £2,343,000 |
| Weighted average number of ordinary shares in issue | 82,648,585 | 64,743,108 |
| Basic loss per share | 2.31 pence | 3.62 pence |
| Dilutive effect of weighted average options and warrants | 5,858,192 | 4,750,558 |
| Total of weighted average shares together with dilutive effect of weighted options and warrants | 88,506,777 | 69,493,666 |
| Diluted loss per share (*) | 2.31 pence | 3.62 pence |

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