

For Immediate Release:

Environmental Recycling Technologies plc
Interim Results for the six months ended 30 June 2009

Environmental Recycling Technologies plc (“ERT”, “the Company” or the “Group”) (AIM: ENRT), which has developed and is exploiting the patented rights to the Powder Impression Moulding (“PIM”) process capable of converting mixed waste plastics into commercially viable products, announces its unaudited interim results for the six months ended 30 June 2009.

Highlights

- Revenue and other income £427,000 (H1 2008: £179,000);
- Loss on operations £0.54 million (H1 2008: loss £1.80 million);
- Loss attributable to equity shareholders £0.81 million (H1 2008: loss £2.00 million)

For further information:

Environmental Recycling Technologies plc
Ken Brooks (Chairman)
David Shepley-Cuthbert (Finance Director)

01993 779 468

Evolution
Tim Worlledge
Bobbie Hilliam

020 7071 4300

Chairman's Statement

The first six months of this year have seen your Board continue the work of the restructuring begun last year. I am pleased to report that we have made further savings in terms of the overall organisation and our cost base is now very low.

On the commercial front our leading UK licensee, 2K Manufacturing Limited, has acquired its factory site at Luton and has already installed its first machinery there. Your Board believes that the success of 2K will demonstrate the immense potential of our PIM Process technology.

The increasing recycling agenda has led to a considerable number of enquiries and negotiations in respect of the application of the PIM Process in various sectors.

The one major difficulty that remains is the ongoing litigation with the Group's former CEO in Kyrgyzstan. Mr Daley won his original case against the company and unfortunately the Company lost its Appeal, as announced on 23 June 2009. The Company is currently pursuing a separate set of proceedings against Mr Daley and will update shareholders with material developments. Your Board would still prefer an overall settlement through a mediation process and will continue to pursue this route.

I believe your Board is working extremely well with limited resources to achieve the best possible result for shareholders. I am very grateful to my fellow directors for all they do and believe our overall team effort is now producing the results for which shareholders have waited so long.

I am pleased to present to you our unaudited interim results for the six months ended 30 June 2009.

Ken Brooks
Chairman

Managing Director's review

Despite uncertain global economic conditions, there has been significant activity in the waste management and environmental sectors as Governments throughout the world develop strategies to reduce the challenges of the carbon agenda.

We believe this vindicates the Board's decision to rebrand the enterprise and concentrate our efforts in sectors where the unique abilities of the PIM process to utilise high percentages of co-mingled and contaminated plastic waste materials are paramount.

In consequence, the Board is pleased to report that there is significant progress in the commercialisation of the PIM technology and provides the following updates:

- 2K commenced limited production of its "ecosheet" boards in July at its 62,000 sq ft facility in Luton and is, we understand, nearing completion of their proving period.

There has been significant media interest in 2K's progress, not least from a recent edition of The Economist which has greatly enhanced global awareness of the technology and the ecosheet product.

- The Replas project funded by TSB and managed by PERA in cooperation with its industry partners and Brunel University has been extended to enable further development and detailed performance measurement using full scale ecosheet produced by 2K Manufacturing using specific raw material formulations. It is expected that this work will be invaluable in helping to achieve accreditation for ecosheet to meet construction industry standards.
- As we reported in the 2008 Annual Report, the Board considered a collaboration with Persico Srl. to be a significant development in the commercialisation of PIM. Persico are a leading manufacturer of rotational moulding equipment and moulds. Like PIM, rotational moulding relies on the introduction of polymer in powder format and so in many ways PIM is a natural development for Persico who see the technology as a USP to enhance their offering to the market, and particularly to promote the use of mixed plastic waste streams.

We are pleased to confirm that Persico are promoting PIM into projects such as ultra lightweight panels for commercial vehicles, drink dispenser panels, and are working with our licensee Highseas Technologies to develop surf board production using PIM.

- In the USA we have a non exclusive license agreement with LBOC. Through their subsidiary GTI, an agreement has been reached with Greentech Inc to build a plant which is to include PIM manufacturing in Georgia . We understand that GTI have started to receive purchase orders and that the supply is to be on a turnkey basis. Of course under our out-licensed business model ERT have no input into the specification, or construction of the PIM plant.
- Although we have previously stated that we will only announce licenses when they have been signed, the Board is pleased to report that it is currently in negotiation with a prospective licensee who has formally made an offer for a license to produce a specific product using PIM in NAFTA and we hope this deal will be concluded in the near future.

The Board believe that the conditions are now ideal to achieve rapid adoption of PIM. The tangible progress at 2K manufacturing and the acclaim which they have quite rightly received in the media, together with the positive developments from the collaboration with Persico and the demand for innovative technologies to satisfy environmental challenges should combine to enable ERT and its loyal shareholders to enjoy the success we believe is deserved.

Roger Baynham
Managing Director

Financial review for the six months ended 30 June 2009

Results

Revenue for the six months ended 30 June 2009 was £321,000 (H1, 2008 £1,000). Other income from grants was £106,000 (H1, 2008 £178,000). The loss on operations was £0.54 million (H1, 2008 loss £1.80 million). Losses attributable to equity shareholders were £0.81 million (H1, 2008 loss £2.00 million).

Dividends and loss per share

No dividend payment is proposed. The basic and diluted loss per share was 0.28 pence compared to 0.78 pence in 2008.

Trading

Turnover included revenue for licences, minimum royalties and pre production units. Other income was made up of grants from the Technology Strategy Board (TSB).

Administrative expenses for the period were £0.97 million (H1, 2008 £1.98 million). No exceptional costs were incurred in the six months (H1, 2008 £0.49 million). The other administrative expenses include third party costs attributable to the TSB project of £0.11 million (H1, 2008 £0.13 million). Excluding the TSB project costs, depreciation and amortisation, the normal overheads incurred in running the company were £0.35 million (H1, 2008 £1.31 million), a significant reduction.

Financing

Total borrowings amounted to £3.11 million compared to £3.13 million at 31 December 2008.

During the period, YA Global Investments Limited (“Yorkville”) converted a further £0.18 million into equity reducing the loans outstanding to £1.47 million. In total Yorkville has converted loans and accrued interest totalling £5.37 million at an average price of 4.78p per share.

The Standby Equity Distribution Agreement (SEDA) with Yorkville to the value of £5 million was extended in 2008 and expires in September 2010. Funding facilities, underwritten by the Yorkville facility, have been organised to cover the company’s normal overheads for the rest of the year. The company has had commercial discussions with lenders to ensure that existing facilities remain available or will be settled in shares rather than cash. There are currently no reasons to believe that arrangements cannot be made on acceptable terms.

As set out in the Chairman’s Statement above, the Company remains in litigation with the Group’s former CEO in Kyrgyzstan. The Company has historically provided for legal and settlement costs associated with this litigation, further details of which can be seen in note 6 below. Shareholders should be aware however that the level of compensation being sought under Mr Daley’s claim exceeds the present immediate cash resources of the Company.

David Shepley-Cuthbert
Finance Director

Independent review report to Environmental Recycling Technologies plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the Group Income Statement, Group Balance Sheet, Group Statement of Changes in Shareholders' Equity, Group Cash Flow Statement and the notes 1 to 6.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Birmingham
11 September 2009

Interim Accounts for the Six Months ended 30 June 2009 (unaudited)

The financial information contained within these accounts has been prepared by the Directors who accept responsibility for the financial information presented below and confirm that it has been properly presented in accordance with applicable law. The interim financial statements were approved by the Board of Directors on 11 September 2009 and have been prepared on the basis of the accounting policies set out in note 1. The financial information covers the six months ended 30 June 2009.

Group Statement of Comprehensive Income (unaudited)

		Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
		£'000 Unaudited	£'000 Unaudited	£'000 audited
Continuing operations	note			
Revenue		321	1	1,089
Other income		106	178	262
Administrative expenses				
Exceptional	2	-	(491)	(1,724)
Other		(969)	(1,488)	(2,379)
Total administrative expenses		(969)	(1,979)	(4,103)
Loss on operations		(542)	(1,800)	(2,752)
Finance costs	3	(271)	(195)	(424)
Loss before income tax		(813)	(1,995)	(3,176)
Tax on loss on ordinary activities		-	-	-
Loss for the period from continuing operations attributable to equity shareholders of the parent		(813)	(1,995)	(3,176)
Other comprehensive income				
Available-for-sale assets – gains in period		67	-	-
Total other comprehensive income		67	-	-
Total comprehensive loss for the period attributable to equity shareholders of the parent		(746)	(1,995)	(3,176)
Loss per share (pence)				
Basic and diluted loss per share	4	(0.28p)	(0.78p)	(1.18p)

Group Statement of Financial Position (unaudited)

		Six months ended 30 June 2009 £'000 Unaudited	Six months ended 30 June 2008 £'000 Unaudited	Year ended 31 December 2008 £'000 Audited
Assets	note			
Non-Current Assets				
Intangible assets		10,238	11,132	10,685
Plant & equipment		241	142	296
Available-for-sale financial assets		922	-	855
Total non current assets		11,401	11,274	11,836
Current assets				
Trade and other receivables		239	1,236	228
Cash and cash equivalents		1	6	17
Total current assets		240	1,242	245
Total assets		11,641	12,516	12,081
Liabilities				
Non-current liabilities				
Borrowings	5	-	1,841	-
Total non-current liabilities		-	1,841	-
Current liabilities				
Trade and other payables		1,341	666	1,224
Borrowings	5	3,109	1,495	3,128
Provisions		375	545	563
Total current liabilities		4,825	2,706	4,915
Total liabilities		4,825	4,547	4,915
Net assets		6,816	7,969	7,166
Equity attributable to the shareholders of the parent				
Share capital		7,556	6,783	7,160
Share premium reserve		35,500	35,499	35,500
Warrant reserve		945	1,393	1,021
Available-for-sale reserve		67	-	-
Retained earnings		(37,252)	(35,706)	(36,515)
Total equity		6,816	7,969	7,166

Group Statement of Changes in Shareholders' Equity (unaudited)

Six months ended 30 June 2009	Share Capital	Share Premium	Warrant Reserves	Available -for-sale reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive loss for period	-	-	-	67	(813)	(746)
Issue of share capital	396	-	-	-	-	396
Warrants adjustments	-	-	(76)	-	76	-
Movement for the period	396	-	(76)	67	(737)	(350)
Balance at 1 January 2009	7,160	35,500	1,021	-	(36,515)	7,166
Balance at 30 June 2009	7,556	35,500	945	67	(37,252)	6,816
Six months ended 30 June 2008	Share Capital	Share Premium	Warrant Reserves	Available -for-sale reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive loss for period	-	-	-	-	(1,995)	(1,995)
Issue of share capital	473	52	-	-	-	525
Warrants adjustments	-	-	26	-	(26)	-
Movement for the period	473	52	26	-	(2,021)	(1,470)
Balance at 1 January 2008	6,310	35,447	1,367	-	(33,685)	9,439
Balance at 30 June 2008	6,783	35,499	1,393	-	(35,706)	7,969
Year ended 31 December 2008	Share Capital	Share Premium	Warrant Reserves	Available -for-sale reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive loss for year	-	-	-	-	(3,176)	(3,176)
Issue of share capital	850	53	-	-	-	903
Warrants adjustments	-	-	26	-	(26)	-
Options lapsed	-	-	(372)	-	372	-
Movement for the year	850	53	(346)	-	(2,830)	(2,273)
Balance at 1 January 2008	6,310	35,447	1,367	-	(33,685)	9,439
Balance at 31 December 2008	7,160	35,500	1,021	-	(36,515)	7,166

Group Statement of Cash Flows (unaudited)

Six months ended 30 June 2009

	Six months ended 30 June 2009 £'000 Unaudited	Six months ended 30 June 2008 £'000 Unaudited	Year ended 31 December 2008 £'000 Audited
Continuing Activities			
Loss before tax	(813)	(1,995)	(3,176)
Adjusted for:			
Depreciation on plant and equipment	56	137	312
Amortisation of intangible assets	447	447	894
Finance expense	226	194	-
Fees settled in shares	45	-	-
Adjusted loss from operations	(39)	(1,217)	(1,970)
(Increase)/decrease in trade and other receivables	(11)	(53)	48
Increase/(decrease) in trade and other payables	91	(459)	(169)
(Decrease)/increase in provisions	(188)	-	18
Cash used by operations	(147)	(1,729)	(2,073)
Cash element of finance costs	-	(54)	-
Net cash outflow from operations	(147)	(1,783)	(2,073)
Cash flows from investing activities			
Purchase of plant and machinery	-	(2)	(2)
Net cash used in investing activities	-	(2)	(2)
Cash flows from financing activities			
Inception of loans	131	1,745	2,272
Repayment of loans	-	(100)	(325)
Interest paid	-	-	(1)
Net increase in cash from financing activities	131	1,645	1,946
Net decrease in cash	(16)	(140)	(129)
Cash and cash equivalents at beginning of period	17	146	146
Cash and cash equivalents at end of period	1	6	17

Notes to the comprehensive financial statements

1. Accounting policies

Basis of accounting

The principal accounting policies adopted in the preparation of the interim financial statements are set out below.

In the preparation of this Interim Report there have been no changes to the accounting policies applied and disclosed in the annual financial statements for the year ended 31 December 2008. Furthermore the Group does not expect there to be any changes to the accounting policies applicable at 31 December 2009.

The interim report has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union using accounting policies that are expected to be applied for the financial year ended 31 December 2009.

The financial information in this interim report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The financial information for the year ended 31 December 2008 does not constitute the full statutory accounts for that period.

The Annual Report and Financial Statements for 2008 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2008 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 237(2) or 237(3) of the Companies Act 1985.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Reviews. The financial position of the group, its borrowings and borrowing facilities are described in the Financial Review.

The progress towards profitability is challenging and the group has reported another operating loss for the half year. Whilst there are a number of uncertainties, the directors consider that the outlook is now more promising. The directors have implemented measures to manage cash resources and secure appropriate levels of finance. At the date of approving this Interim Report the company's debt to Yorkville is £1.8 million including interest and debts to other lenders amount to £1.6 million.

The Yorkville convertible loan is due to be repaid or converted before 31 December 2009. Of the other loans written assurance has been received from the lender of £1.2 million that there is no intention to request immediate repayment and that subject to agreement the lender would accept repayment by the issue of shares in the company. The remaining loans are due for repayment by 1 June 2010 at which date the lenders gain conversion rights.

The directors do not expect there to be a requirement to repay the loans in cash during the next 12 months. Although no formal commitment has been received discussions with Yorkville indicate that it will be possible to extend the loan or to request the conversion of loan into equity. The directors believe that arrangements to renew the loan facilities or convert debt into equity will be achievable. Furthermore there is a £5 million Standby Equity Distribution Agreement ("SEDA") that could be used to facilitate settlement of claims and repayment of loans over time.

The arrangements to issue shares for debt need the renewal of the annual resolutions to empower directors to allot shares. Appropriate resolutions will be put to the 2009 AGM together with a resolution to increase the authorised share capital. The directors are confident that shareholder consent will be obtained.

Based upon forecasts prepared, after making enquiries and the comments made above, the directors have a reasonable expectation that the group has adequate resources to meet commitments as they fall due and continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Basis of consolidation

The financial statements consolidate the accounts of Environmental Recycling Technologies plc and its non-trading subsidiary undertakings. Intercompany transactions and balances between companies are eliminated in full.

2. Exceptional items

	Six months ended 30 June 2009 £'000 Unaudited	Six months ended 30 June 2008 £'000 Unaudited	Year ended 31 December 2008 £'000 Audited
Legal and settlement costs	-	491	642
Product development work	-	-	1,082
Total exceptional items	-	491	1,724

The legal and settlement costs in 2008 related to a claim from a former employee in Kyrgyzstan and settlement costs of a legal dispute in Asia. The product development work related to fulfilling contractual obligations for product development for Mediwall and pre production work for Contour.

3. Finance costs

	Six months ended 30 June 2009 £'000 Unaudited	Six months ended 30 June 2008 £'000 Unaudited	Year ended 31 December 2008 £'000 Audited
Loan interest	190	76	221
Bank interest	-	1	1
Amortisation of finance costs	31	118	202
Loan conversion costs	50	-	-
Total finance costs	271	195	424

4. Earnings per share

From continuing operations

	Six months ended 30 June 2009 £'000 Unaudited	Six months ended 30 June 2008 £'000 Unaudited	Year ended 31 December 2008 £'000 Audited
Numerator			
Loss used for calculation of basic and diluted EPS	(813)	(1,995)	(3,176)
	Six months ended 30 June 2009 number Unaudited	Six months ended 30 June 2008 number Unaudited	Year ended 31 December 2008 number Audited
Denominator			
Weighted average number of shares used in basic and diluted EPS	302,227,993	254,762,015	270,112,435

At 30 June 2009, there were 16,996,785 (31 December 2008 22,041,785) (H1, 2008 22,441,785) of potentially issuable shares which are anti-dilutive.

5. Borrowings

	30 June 2009 £'000 Unaudited	30 June 2008 £'000 Unaudited	31 December 2008 £'000 Audited
Non current – due after one year			
Long term borrowings	-	1,841	-
Current – due within one year			
Short term borrowings	1,635	1,495	1,479
Current portion of long term borrowings	1,474	-	1,649
	3,109	1,495	3,128
Total borrowings	3,109	3,336	3,128

The carrying value (which is a reasonable approximation to fair value) of borrowings analysed by lender is as follows –

	30 June 2009 £'000 Unaudited	30 June 2008 £'000 Unaudited	31 December 2008 £'000 Audited
YA Global Investment Limited – current	1,474	-	1,649
– non current	-	1,841	-
	1,474	1,841	1,649
Other loans	1,635	1,495	1,479
Total borrowings	3,109	3,336	3,128

The amounts due to YA Global Investments Limited (“Yorkville”), are stated net of unamortised finance costs. This convertible loan is denominated in Sterling. Pursuant to an agreement dated 27 March 2008 Yorkville borrowings are secured by a fixed and floating charge over the assets of the Group. The loan is now due for repayment on or before 31 December 2009 and simple interest is being charged at 12% per annum. Subject to certain conditions Yorkville may convert their loan to ordinary shares of the company. The company has no other facilities except for the SEDA referred to in the Financial Review.

Other loans advanced during the period totalled £131,000. These loans and other existing loans carry interest at rates varying from 7.5% to 15% and conversion rights into ordinary shares.

6. Provisions

	30 June 2009	30 June 2008	31 December 2008
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
At start of period	563	545	545
Increase in provision	-	-	179
Utilised in period	(188)	-	(161)
At end of period	375	545	563

Provisions cover claims for legal and settlement costs associated with a former employee in Kyrgyzstan. The provision was increased during 2008 to cover further legal costs incurred and interest accruing on the court judgement. Amounts paid to the former employee and legal advisors have been offset against the provision.