

**For Immediate Release:**

**Environmental Recycling Technologies plc**  
**Interim Results for the six months ended 30 June 2011**

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 2011.

**For further information:**

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

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**Evolution**

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## **Chairman and Managing Director's Statement**

We are pleased to report further significant progress in the past six months in the commercialisation of the PIM process.

The Company's major UK licensee, 2K Manufacturing Limited ("2K"), has installed pre-preparation equipment which is capable of delivering recycled plastic powder to the PIM line already installed at 2K's Luton factory. This has significantly increased their production capacity of Ecosheet over the past six months.

Further improvements have been made to the PIM line at Luton which is now running well and now requires only a single operative.

We are delighted with the success that 2K has achieved in the mechanisation of the PIM process to date and greater volumes in production from the Luton factory are anticipated in the coming months.

The Company continues to be very focused on increasing the number of PIM lines and factories.

Additionally, the Company is in the process of attempting to expand the range of applications for PIM beyond flat sheet and is currently in various negotiations to do so.

The Company is pleased to report that the working relationship with Arup is going well and the parties have identified a short list of possible new commercial opportunities for the development of products using the PIM process.

As previously stated, the Company is seeking commercial partners for the products successfully developed but not commercialised in the past. Negotiations with various parties continue to this end.

Our licensee Contour Showers continues to successfully make and sell its Eco-Dec shower trays manufactured using the PIM process and One Delta has widened its research and development program to cover a broader range of products.

During the period, the Company has continued to ensure that its intellectual property is adequately protected. Additional international patent grants and enforcement of any potential patent breaches remain an important focus for ERT.

In the next six months the Company intends to address more closely the international possibilities including a close review of operations in North America and Mexico.

The Company recognises the importance of recruitment and partnerships to provide the necessary resources, particularly technical and commercial, to facilitate a successful and sustainable international rollout and is taking the necessary steps in this respect.

We are pleased to confirm that we have launched our revamped website which is now available to view online.

**Ken Brooks**  
Chairman

**Roger Baynham**  
Managing Director

## **Financial review for the six months ended 30 June 2011**

### **Results**

Revenue for the six months ended 30 June 2011 was £94,000 (H1, 2010 £492,000). The loss on operations was £0.88 million (H1, 2010 loss £0.42 million). Losses attributable to equity shareholders were £1.68 million (H1, 2010 loss £0.86 million).

### **Dividends and loss per share**

No dividend payment is proposed. The basic and diluted loss per share was 0.32 pence compared to a loss of 0.22 pence in 2010.

### **Trading**

Turnover included revenue for licences and minimum royalties.

Administrative expenses for the period were £0.97 million (H1, 2010 £0.91million). Exceptional costs of £0.13 million (H1, 2010 £nil) were incurred relating to impairment of available-for-sale assets. Excluding the impairment for available-for-sale financial assets and amortisation, normal overheads incurred in running the company were £0.39 million (H1, 2010 £0.30 million). The increase in overheads related to securing patents and the associated legal costs.

### **Financing**

#### **Subscription for shares**

On 31 January 2011, the Company entered into a subscription agreement with a new investor to raise £540,000 by issuing 13,500,000 ordinary shares of 2.5 pence each in the Company ("Ordinary Shares") at a price of 4 pence per Ordinary Share. As part of that subscription, the Company agreed to issue warrants over 6,000,000 new Ordinary Shares exercisable at any time until 28 April 2011. In addition, the new investor indicated in writing that they would be willing to subscribe for a further 13,500,000 Ordinary Shares at a price of 4 pence at any time up to 20 April 2011. This offer was accepted on 25 March 2011 which raised a further £540,000 for the Company.

On 20 April 2011, the 6,000,000 warrants were exercised at a price of 2.5p per share resulting in net proceeds received by the company of £150,000.

#### **Repayment of Convertible Loan Agreement**

Following the subscription in January 2011, the Board resolved to repay in full its Convertible Loan Agreement with YA Global Investments ("Yorkville") entered into on 28 December 2005.

In accordance with the Convertible Loan Agreement, and following receipt of conversion notices, the Company issued two tranches of Ordinary Shares to Yorkville (the "Conversion"). The first tranche was for 8,459,492 Ordinary Shares which were issued at a price of 3.76 pence, which represented a discount of 32.8 percent to the closing middle market price of the Company on 28 January 2011. The second tranche was for 214,136 Ordinary Shares which were issued at a price of 4.38 pence, which represented a discount of 21.7 percent to the closing middle market price of the Company on 28 January 2011. The Conversion satisfied £259,400 of loans owed to Yorkville.

The remaining outstanding amounts under the Convertible Loan Agreement of £540,000 were repaid using the cash proceeds from the subscription for Ordinary Shares set out above (the "Repayment").

Following the Conversion and Repayment, the Convertible Loan Agreement was terminated and a debenture secured against the assets of the Company is in the process of being removed.

**Litigation settlement**

On 2 February 2010, the company announced that it reached a settlement on a series of disputes and litigation with Mr Sean Daley (“Mr Daley”), the former director of Camco Corporation Limited and CEO of the group’s Central Asian operations. As part of that settlement agreement the Board agreed to make certain payments to Mr Daley in both cash and shares over a period of three years.

In accordance with this settlement agreement, the Company issued Mr Daley with 992,063 Ordinary Shares at 5.04 pence, representing a discount of 10 percent to the closing middle market price of the Company on 31 January 2011.

**Finance guarantee obligations**

In April 2011, the full and final settlement terms of the finance guarantee obligation were agreed between all parties. The provision for the financial guarantee obligation has been settled during the period with a resulting increase in borrowings.

**Debt conversion**

On 29 June 2011, in accordance with the Company’s policy of debt reduction, a further £1,024,487 of longer term debt, being the amount owed to third party lenders as at 31 December 2010, was converted into 23,551,425 Ordinary shares in the Company at a price of 4.35p per share.

**Short term funding**

Short term funding facilities have been organised to cover the Company’s normal overheads for the rest of the year. The directors do not expect there to be a requirement to repay the loans in cash during the next 12 months.

**Post balance sheet events**

On 7 September 2011, a resolution to increase the authorised share capital from 600,000,000 ordinary shares of £0.025 each to 800,000,000 ordinary shares of £0.025 each was approved at the Annual General Meeting.

**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 2011 which comprises the Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Shareholders' Equity, Group Statement of Cash Flows and 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 2011 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 LLP**

**Chartered Accountants and Registered Auditors, Birmingham. 9 September 2011**

**BDO LLP is a limited liability partnership registered in England and Wales**

**(with registered number OC305127)**

## Interim Accounts for the Six Months ended 30 June 2011 (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 5 September 2011 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 2011.

### Group Statement of Comprehensive Income (unaudited)

		Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
		£'000 Unaudited	£'000 Unaudited	£'000 Audited
<b>Continuing operations</b>	<b>note</b>			
Revenue		94	492	1,016
<b>Administrative expenses</b>				
Exceptional	2	(127)	-	(1,407)
Other		(845)	(913)	(2,410)
<b>Total administrative expenses</b>		<b>(972)</b>	<b>(913)</b>	<b>(3,817)</b>
Loss on operations		(878)	(421)	(2,801)
Finance income	3	35	-	629
Finance costs	3	(830)	(349)	(1,230)
Loss before income tax		(1,673)	(770)	(3,402)
Tax on loss on ordinary activities		-	-	-
Loss for the period from continuing operations attributable to the equity shareholders of the company		(1,673)	(770)	(3,402)
<b>Other comprehensive income</b>				
Available-for-sale financial assets – foreign currency and valuation movements		(4)	-	4
–impairment		-	(89)	80
<b>Other comprehensive income</b>		<b>-</b>	<b>(89)</b>	<b>84</b>
<b>Total comprehensive loss for the period attributable to equity shareholders of the company</b>		<b>(1,677)</b>	<b>(859)</b>	<b>(3,318)</b>
Loss per share (pence)				
Basic and diluted loss per share	4	(0.32p)	(0.22p)	(0.83p)

## Group Statement of Financial Position (unaudited)

		Six months ended 30 June 2011 £'000 Unaudited	Six months ended 30 June 2010 £'000 Unaudited	Year ended 31 December 2010 £'000 Audited
<b>Assets</b>	<b>note</b>			
<b>Non-Current Assets</b>				
Intangible assets		8,449	9,344	8,897
Plant & equipment		-	-	-
Available-for-sale financial assets		32	612	163
<b>Total non current assets</b>		<b>8,481</b>	<b>9,956</b>	<b>9,060</b>
<b>Current assets</b>				
Trade and other receivables		1,515	1,250	1,455
Cash and cash equivalents		270	9	177
<b>Total current assets</b>		<b>1,785</b>	<b>1,259</b>	<b>1,632</b>
<b>Total assets</b>		<b>10,266</b>	<b>11,215</b>	<b>10,692</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		1,263	1,747	1,873
Borrowings	5	3,513	2,377	2,475
Provisions	6	-	1,795	2,202
<b>Total current liabilities</b>		<b>4,776</b>	<b>5,919</b>	<b>6,550</b>
<b>Total liabilities</b>		<b>4,776</b>	<b>5,919</b>	<b>6,550</b>
<b>Net assets</b>		<b>5,490</b>	<b>5,296</b>	<b>4,142</b>
<b>Equity attributable to the shareholders of the parent</b>				
Share capital		14,026	10,797	12,247
Share premium reserve		36,673	35,500	35,749
Warrant reserve		428	329	564
Available-for-sale reserve		(74)	(243)	(70)
Retained earnings		(45,527)	(41,087)	(44,348)
<b>Total equity</b>		<b>5,490</b>	<b>5,296</b>	<b>4,142</b>

## Group Statement of Changes in Shareholders' Equity (unaudited)

Six months ended 30 June 2011	Share Capital	Share Premium	Warrant Reserves	Available -for-sale reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Loss for the period	-	-	-	-	(1,673)	(1,673)
Foreign currency movement	-	-	-	(4)	-	(4)
Total comprehensive loss for the period	-	-	-	(4)	(1,673)	(1,677)
Issue of share capital	1,779	1,091	-	-	155	3,025
Warrants granted	-	(203)	253	-	(50)	-
Warrants exercised	-	-	(389)	-	389	-
Movement for the period	1,779	888	(136)	(4)	(1,179)	1,348
Balance at 1 January 2011	12,247	35,749	564	(70)	(44,348)	4,142
Balance at 30 June 2011	14,026	36,637	428	(74)	(45,527)	5,490
<b>Six months ended 30 June 2010</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Warrant Reserves</b>	<b>Available -for-sale reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000
Loss for the period	-	-	-	-	(770)	(770)
Available-for-sale reserve	-	-	-	(89)	-	(89)
Total comprehensive loss for the period	-	-	-	(89)	(770)	(859)
Issue of share capital	2,385	-	-	-	-	2,385
Warrants and options lapsed	-	-	(616)	-	616	-
Movement for the period	2,385	-	(616)	(89)	(154)	1,526
Balance at 1 January 2010	8,412	35,500	945	(154)	(40,933)	3,770
Balance at 30 June 2010	10,797	35,500	329	(243)	(41,087)	5,296

## Group Statement of Changes in Shareholders' Equity (unaudited)

Year ended 31 December 2010	Share Capital	Share Premium	Warrant Reserves	Available -for-sale reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Loss for the year	-	-	-	-	(3,402)	(3,402)
Foreign currency movement	-	-	-	4	-	4
Impairment	-	-	-	80	-	80
Total comprehensive loss for the period	-	-	-	84	(3,402)	(3,318)
Issue of share capital	3,835	249	-	-	(629)	3,455
Warrants and options granted	-	-	235	-	-	235
Warrants granted	-	-	112	-	(112)	-
Warrants and options exercised	-	-	(104)	-	104	-
Warrants and options lapsed	-	-	(624)	-	624	-
Movement for the year	3,835	249	(381)	84	(3,415)	372
Balance at 1 January 2010	8,412	35,500	945	(154)	(40,933)	3,770
Balance at 31 December 2010	12,247	35,749	564	(70)	(44,348)	4,142

## Group Statement of Cash Flows (unaudited)

Six months ended 30 June 2010

	Six months ended 30 June 2011 £'000 Unaudited	Six months ended 30 June 2010 £'000 Unaudited	Year ended 31 December 2010 £'000 Audited
<b>Continuing Activities</b>			
Loss before tax	(1,673)	(770)	(3,402)
Adjusted for:			
Amortisation of intangible assets	448	447	894
Accrued interest cost	180	192	380
Share options granted	-	-	172
Warrants granted	-	-	63
Loss/(gains) on liabilities settled in shares	155	-	(629)
Impairment of available-for-sale assets	127	-	622
Amortisation of debt issue costs	460	157	824
Fees and legal claims settled in shares	-	1,311	-
Adjusted loss from operations	(303)	1,337	(1,076)
Increase in trade and other receivables	(60)	(446)	(651)
(Decrease)/increase in trade and other payables	(343)	(474)	463
(Decrease)/increase in provisions	-	(638)	579
Cash used by operations	(706)	(221)	(685)
Net cash outflow from operations	(706)	(221)	(685)
<b>Cash flows from financing activities</b>			
Issue of equity share capital	1,230	-	378
Inception of loans	300	50	280
Repayment of loans	(731)	(24)	-
Net increase in cash from financing activities	799	26	658
Net increase/(decrease) in cash	93	(195)	(27)
Cash and cash equivalents at beginning of period	177	204	204
Cash and cash equivalents at end of period	270	9	177

# 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 2010. Furthermore the Group does not expect there to be any changes to the accounting policies applicable at 31 December 2011.

The interim report has been prepared in accordance with the recognition and measurement principles that are consistent with 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 2011.

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 2010 does not constitute the full statutory accounts for that period, but is derived from those accounts.

The Annual Report and Financial Statements for 2010 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2010 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

### 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 instituted 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 has been repaid and following settlement of the financial guarantee obligation borrowings now amount to £3.51million.

Written assurance has been received from the lender of £3.51 million that there is no intention to request immediate repayment. The directors do not expect there to be a requirement to repay the loans in cash during the next 12 months.

Based upon forecasts prepared, the Directors have a reasonable expectation that the Company 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 interim 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 2011 £'000 Unaudited	Six months ended 30 June 2010 £'000 Unaudited	Year ended 31 December 2010 £'000 Audited
Impairment of available-for-sale financial assets	127	-	622
Finance guarantee obligations	-	-	785
<b>Total exceptional items</b>	<b>127</b>	<b>-</b>	<b>1,407</b>

Impairment of available-for-sale financial assets refers to the write down of the available for sale investment held in LBOC Inc. Finance guarantee obligations relate to a financial guarantee dated August 2006, which guaranteed the Alpha line finance agreement that was transferred to Enviro Potytek Limited (formerly Environmental Polymer Technologies Limited) on the sale of 3DM Europe and 3DM Group Limited on 30 November 2006.

## 3. Finance

	Six months ended 30 June 2011 £'000 Unaudited	Six months ended 30 June 2010 £'000 Unaudited	Year ended 31 December 2010 £'000 Audited
<b>Finance income</b>			
Gain on liabilities settled in shares	35	-	629
<b>Total finance income</b>	<b>35</b>	<b>-</b>	<b>629</b>
<b>Finance costs</b>			
Loan interest	180	192	380
Bank interest	-	-	1
Stock lending costs	294	132	591
Amortisation of finance costs	166	25	214
Loss on liabilities settled in shares	190	-	-
Warrants granted in respect of loans	-	-	44
<b>Total finance costs</b>	<b>830</b>	<b>349</b>	<b>1,230</b>

#### 4. Earnings per share

From continuing operations

	Six months ended 30 June 2011 £'000 Unaudited	Six months ended 30 June 2010 £'000 Unaudited	Year ended 31 December 2010 £'000 Audited
<b>Numerator</b>			
Loss used for calculation of basic and diluted EPS	(1,673)	(770)	(3,402)
	Six months ended 30 June 2011 Number Unaudited	Six months ended 30 June 2010 number Unaudited	Year ended 31 December 2010 Number Audited
<b>Denominator</b>			
Weighted average number of shares used in basic and diluted EPS	523,139,461	354,020,566	410,921,812

At 30 June 2011, there were 33,979,185 (31 December 2010: 39,979,185) (H1, 2010: 9,509,185) of potentially issuable shares which are anti-dilutive.

#### 5. Borrowings

	30 June 2011 £'000 Unaudited	30 June 2010 £'000 Unaudited	31 December 2010 £'000 Audited
<b>Current – due within one year</b>			
Short term borrowings	3,513	978	1,670
Current portion of long term borrowings	-	1,399	805
	-	2,377	2,475
<b>Total borrowings</b>	<b>3,513</b>	<b>2,377</b>	<b>2,475</b>

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

	30 June 2011 £'000 Unaudited	30 June 2010 £'000 Unaudited	31 December 2010 £'000 Audited
<b>YA Global Investment Limited – current</b>	-	1,399	805
	-	1,399	805
<b>Other loans</b>	<b>3,513</b>	<b>978</b>	<b>1,670</b>
<b>Total borrowings</b>	<b>3,513</b>	<b>2,377</b>	<b>2,475</b>

The amounts due to YA Global Investments Limited (“Yorkville”) were repaid in full during the period.

Other loans advanced during the period totalled £300,000. The provision for the financial guarantee obligations have been settled with a corresponding increase in borrowings. These loans carry interest at 7.5% and conversion rights into ordinary shares.

## 6. Provisions

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
	Unaudited	Unaudited	Audited
<b>Legal claims</b>			
<b>At start of period</b>	-	1,016	1,016
<b>Utilised in period</b>	-	(638)	(661)
<b>Transferred to other payables</b>	-	-	(355)
<b>At end of period</b>	-	378	-

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
	Unaudited	Unaudited	Audited
<b>Financial guarantee obligations</b>			
<b>At start of period</b>	2,202	1,417	1,417
<b>Increase in provision</b>	-	-	785
<b>Transferred to borrowings</b>	(2,202)	-	-
<b>At end of period</b>	-	1,417	2,202

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
	Unaudited	Unaudited	Audited
<b>Current</b>	-	720	-
<b>Non-current</b>	-	1,075	2,202
<b>At end of period</b>	-	1,795	2,202

Provisions cover claims for legal and settlement costs associated with the former employee Mr Daley in Kyrgyzstan. The provision was increased during 2009 to cover further legal costs incurred and interest accruing on the court judgement. Amounts paid and equity issues to the former employee Mr Daley and legal advisors have been offset against the provision. The outstanding liability was converted into a loan during the period bearing interest at 7.5% per annum.

Finance guarantee obligations relates to a financial guarantee dated August 2006, which guaranteed the Alpha line finance agreement that was transferred to Enviro Potytek Limited (formerly Environmental Polymer Technologies Limited) on the sale of 3DM Europe and 3DM Group Limited on 30 November 2006. On 15 January 2010, Enviro Potytek Limited went into administration. The finance guarantee obligation was increased during 2010 to reflect the full and final settlement terms that were negotiated in April 2011.