

21 September 2011

**Hydrodec Group plc**  
("Hydrodec", the "Company" or the "Group")

**Unaudited Interim Results**

Hydrodec Group plc (AIM: HYR), the cleantech industrial oil re-refining group, today announces unaudited results for the six months ended 30 June 2011.

**Financial Highlights**

- Revenues increased 26% to US\$10.1 million (H1 2010: US\$8.0 million) driven by higher pricing from improved product and customer mix and more favourable market conditions
- Gross profit up 25% to US\$2.0 million (H1 2010: US\$1.6 million)
- Gross unit margins increased 17% to US\$0.21 per litre (H1 2010: US\$0.18 per litre)
- Adjusted operating loss\* and cash outflows from continuing operations flat at US\$3.4 million and US\$2.2 million respectively (H1 2010: US\$3.4 million and US\$2.1 million respectively)
- £2 million debt financing secured

\*Adjusted for unrealised foreign exchange movements on intra-group balances

**Operational Highlights**

- Established first operating joint venture in Japan with strategic alliance partner Kobelco Eco Solutions, the Kobe Steel group environmental division, opening up multi-billion US dollar market
- Higher SUPERFINE sales volumes of 9.5 million litres (H1 2010: 9.4 million litres)
- Expanding customer portfolio into new geographic and application markets
- Signed three year contract with major US utility for supply of used oil to reduce exposure to feedstock constraints
- Strengthened local US management team

Neil Gaskell, Chairman, commented: "Hydrodec's existing operations are progressing well, margins are improving and the development of the joint venture in Japan remains on track. As our feedstock availability steadily improves, Hydrodec is moving into higher gear with the development of a new strategic plan, including a further strengthening of the leadership team, to support expansion."

**For further information please contact:**

**Hydrodec Group plc** 020 7786 9810  
Neil Gaskell, Chairman  
Mark McNamara, Chief Executive  
Mike Preen, Head of Corporate and Legal Affairs

**Numis Securities Limited** 020 7260 1000  
Nominated Adviser: Hugh Jonathan  
Corporate Broker: David Poutney, Alex Ham

**Corfin Public Relations** 020 7596 2860  
Neil Thapar, Alexis Gore

**Notes to Editors:**

The Group's technology is a proven highly efficient oil re-refining and chemical process which is being initially targeted at the multi-billion US\$ market for transformer oil used by the world's electricity industry. The Group takes spent oil, including polychlorinated biphenyl ("PCB") contaminated oil, as the primary feedstock, which is then processed at its two plants enabling 99 per cent or greater recovery of oil for reuse while also eliminating PCBs, a toxic additive banned under international regulations, without environmentally harmful emissions.

## **Overview**

Hydrodec is pleased to report a strengthening performance in the first half of 2011, building on the significant progress made in 2010. Revenue from continuing operations increased by 26 per cent. to US\$10.1 million (H1 2010: US\$8.0 million). Sales volumes and gross unit margins both increased over the same period last year. This growth reflects increasing market recognition of Hydrodec's SUPERFINE brand of premium quality and environmentally-friendly transformer oil and naphthenic base oil.

The Group expanded its customer base in existing and new application markets and gradually increased its used oil feedstock supplies at economic cost from a growing number of higher quality suppliers.

With Hydrodec's cleantech industrial oils delivering compelling value in terms of potential applications, environmental advantages and superior technical performance, demand for its products continued to exceed production.

Underlying cash generation has improved year on year, after allowing for the US\$0.4 million strengthening of stocks and working capital.

## **Operational review**

### *Market strengthening*

Sales volumes increased to 9.5 million litres from 9.4 million litres year on year. Volume growth was lower than expected as the Group maintained price discipline in the acquisition of feedstock from the spot market while building long term relationships with quality suppliers.

Gross unit margins improved significantly to US\$0.21 per litre (2010: US\$0.18 per litre) as the Group's strategy to diversify its customer base and address new applications resulted in higher selling prices.

The Company has significantly expanded its addressable market and improved its unit margins by increasing exports and broadening the product range. The Company is now supplying SUPERFINE products to customers in the United States, Australia, Canada, Central America, South America, the Caribbean and South East Asia. Exports increased to 22 per cent. of total sales during the period from 19 per cent. last year. Group sales into non-transformer oil, niche applications increased to 36 per cent from 24 per cent. in the same period last year as understanding of meeting customers' requirements for naphthenic base oils develops.

### *Feedstock supply improvements*

Good progress was made on improving the availability of feedstock supplies at an economic cost and total supplies increased 8 per cent year on year. The Group has diversified the roster of feedstock suppliers and is establishing stronger feedstock pipelines through long term relationships with key used oil suppliers. In June 2011, Hydrodec signed a three-year agreement with a major US utility for around 5 per cent of current annual feedstock requirements at the Company's Canton facility in Ohio, bringing term feedstock supply arrangements, as opposed to spot purchases, to 26 per cent of the total for the Group in the first half from 24 per cent last year.

Since the same period last year the Group has halved its reliance on a small number of ex-service equipment disposal companies in the US to around 35 per cent. of US feedstock volumes. Utilities and other lower cost suppliers have more than replaced these volumes, responding to Hydrodec's green solution for their waste oil. These new relationships take time to develop but are expected to provide a long term and stable supply chain for the Company.

In the US, management have recently been informed by the US Environmental Protection Agency ("EPA") that the proposed permit to treat high-level PCB contaminated oil remains a priority matter. However, as previous timing indications have not been met due to a combination of staffing issues and restructuring at the EPA, the Group is reluctant to put any revised timescale on the grant of the permit until formal confirmation from the EPA is received.

#### *Management strengthened*

The Group has significantly strengthened its local US senior management team with the appointment of experienced individuals into the new roles of North American Operations Manager, Senior Procurement and Business Development Manager and US Exports Manager. The Board looks forward to accelerating the improvement trends in the Group's US operations under this new team.

#### *Plant improvements*

The Group increased capital investment in fast pay-back projects to enhance the technical and production reliability and safety and efficiency at the two operating plants. These assist in optimising the process and build the intellectual property base of the Group.

#### *Japanese venture builds momentum*

Shortly following the period end, in early July, Hydrodec jointly announced with Kobelco Eco-Solutions, the Kobe Steel Group environmental company, that they had formally executed a shareholders agreement to establish Pacific Eco Refining Co., Ltd, the first joint operating entity to use the Hydrodec technology in Japan.

The signing of the agreement enables the parties to begin joint operations through Pacific Eco Refining, including the plant construction phase, the conclusion of commercial negotiations with suppliers and customers, and the securing of debt finance within Japan. Good progress continues to be made towards the start-up of this first plant by the end of 2012.

Pacific Eco Refining will re-refine polychlorinated biphenyl (PCB) contaminated transformer oil to produce high grade transformer oil and also supply clean transformer oil for use in decontaminating electricity industry transformers before their disposal. Together with Kobelco Eco, the Group has recently reached an arrangement with an associated transformer decontamination business which will be one of the suppliers of feedstock to the first plant.

#### **Funding and Board appointment**

In May, Hydrodec announced £2 million in new debt funding to allow increased stockbuild of feedstock, especially during the US summer, as well as strengthening the balance sheet to underpin other much needed operational improvements.

In June, the Board appointed Andrew Black as a non-executive director. This is his first public company directorship since leaving Betfair Group plc, the FTSE 250 international online sports betting provider which he co-founded. His experience in fast growing, innovative technologies and his strong personal commitment to Hydrodec's success will be invaluable as it seeks to realise its full potential.

#### **Outlook**

Demand for the Group's cleantech SUPERFINE industrial oils is robust. Revenues and volumes continue to improve on the first half. Feedstock availability is improving gradually as the Group forges relationships with major providers such as utilities to provide a consistent and stable supply for the long term.

At the same time, the development of the Japan business with Kobelco Eco continues to build solid momentum. The Group is increasingly confident that this joint venture, together with the continued steady

operational progress being made elsewhere, will provide the platform for growth in 2012 and beyond. A strategic plan to support the Group's expansion, including a further strengthening of the leadership team, is being developed and the Board looks to the future with optimism.

## CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 June 2011 USD'000	6 months to 30 June 2010 USD'000	Year to 31 December 2010 USD'000	
Note	(unaudited)	(unaudited)	(audited)	
<b>Continuing operations</b>				
Revenue	2	10,095	8,020	17,329
Cost of sales		(8,131)	(6,377)	(13,786)
Gross profit		<u>1,964</u>	<u>1,643</u>	<u>3,543</u>
Administrative costs				
Employee benefit expense		(2,438)	(2,408)	(5,098)
Depreciation and amortisation		(1,122)	(823)	(2,333)
Other administrative expense		(1,754)	(1,764)	(3,802)
Unrealised foreign exchange (loss)/gain		(220)	493	1,054
<b>Operating loss</b>		<u>(3,570)</u>	<u>(2,859)</u>	<u>(6,636)</u>
Profit on sale of asset		25	-	35
Finance income		-	-	1
Finance costs	3	(1,820)	(1,425)	(3,046)
<b>Loss before tax</b>		<u>(5,365)</u>	<u>(4,284)</u>	<u>(9,646)</u>
Income tax	4	307	-	849
<b>Loss for the period from continuing operations</b>		<u>(5,058)</u>	<u>(4,284)</u>	<u>(8,797)</u>
Loss from discontinued operations	6	(118)	(18)	(51)
<b>Loss for the period</b>		<u>(5,176)</u>	<u>(4,302)</u>	<u>(8,848)</u>
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations		1,326	(1,793)	(224)
<b>Total comprehensive loss for the period</b>		<u>(3,850)</u>	<u>(6,095)</u>	<u>(9,072)</u>
<b>Basic loss per share</b>				
Loss per continuing operations		(1.44) cents	(1.49) cents	(2.84) cents
Loss per discontinuing operations		(0.03) cents	(0.01) cents	(0.02) cents
<b>Total</b>	5	<u>(1.47) cents</u>	<u>(1.50) cents</u>	<u>(2.86) cents</u>

## CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2011 USD'000	As at 30 June 2010 USD'000	As at 31 December 2010 USD'000
Note	(unaudited)	(unaudited)	(audited)
<b>Non-current assets</b>			
Property, plant and equipment	24,098	23,381	24,145
Other intangible assets	25,041	25,037	24,982
Other	38	-	36
	<u>49,177</u>	<u>48,418</u>	<u>49,163</u>
<b>Current assets</b>			
Trade and other receivables	2,014	2,612	1,930
Inventories	807	277	458
Cash and cash equivalents	1,808	552	1,747
	<u>4,629</u>	<u>3,441</u>	<u>4,135</u>
Assets and disposal group classified as held for sale	6 209	181	228
<b>Total assets</b>	<u>54,015</u>	<u>52,040</u>	<u>53,526</u>
<b>Current liabilities</b>			
Borrowings – bank overdraft	(594)	(249)	(456)
Trade and other payables	(3,401)	(3,943)	(3,584)
	<u>(3,995)</u>	<u>(4,192)</u>	<u>(4,040)</u>
<b>Non-current liabilities</b>			
Employee provisions	(96)	(34)	(68)
Borrowings	7 (13,013)	(7,872)	(8,517)
Deferred taxation	(2,154)	(3,125)	(2,357)
	<u>(15,263)</u>	<u>(11,031)</u>	<u>(10,942)</u>
Liabilities included in disposal group held for sale	6 (70)	(10)	(76)
<b>Total liabilities</b>	<u>(19,328)</u>	<u>(15,233)</u>	<u>(15,058)</u>
<b>Net assets</b>	<u>34,687</u>	<u>36,807</u>	<u>38,468</u>
<b>Equity attributable to equity holders of the parent</b>			
Called up share capital	8 3,317	2,722	3,178
Share premium account	61,788	53,746	59,202
Equity reserve	14,264	13,322	13,668
Merger reserve	47,829	44,668	45,827
Treasury reserve	(43,183)	(40,327)	(41,376)
Employee benefit trust	(1,301)	(1,214)	(1,246)
Foreign exchange reserve	5,746	5,156	5,875
Share option reserve	5,830	5,270	5,519
Profit and loss account	(59,603)	(46,536)	(52,179)
<b>Total equity</b>	<u>34,687</u>	<u>36,807</u>	<u>38,468</u>

## UNAUDITED CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Equity reserve	Merger reserve	Treasury reserve	Employee benefit trust	Foreign exchange reserve	Share option reserve	Profit and loss account	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>At 1 January 2010</b>	2,734	54,223	14,232	47,718	(43,083)	(1,298)	4,406	5,513	(44,812)	39,633
Exchange differences	(175)	(3,473)	(910)	(3,050)	2,756	84	4,768	-	-	-
Share-based payment	-	-	-	-	-	-	-	110	-	110
Issue of shares	163	3,138	-	-	-	-	-	-	-	3,301
Issue costs	-	(142)	-	-	-	-	-	-	-	(142)
<b>Transactions with owners</b>	<b>(12)</b>	<b>(477)</b>	<b>(910)</b>	<b>(3,050)</b>	<b>2,756</b>	<b>84</b>	<b>4,768</b>	<b>110</b>	<b>-</b>	<b>3,269</b>
Exchange differences	-	-	-	-	-	-	(4,018)	(353)	2,578	(1,793)
Loss for the period	-	-	-	-	-	-	-	-	(4,302)	(4,302)
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,018)</b>	<b>(353)</b>	<b>(1,724)</b>	<b>(6,095)</b>
<b>At 30 June 2010</b>	<b>2,722</b>	<b>53,746</b>	<b>13,322</b>	<b>44,668</b>	<b>(40,327)</b>	<b>(1,214)</b>	<b>5,156</b>	<b>5,270</b>	<b>(46,536)</b>	<b>36,807</b>
Exchange differences	66	1,323	346	1,159	(1,049)	(32)	(1,813)	-	-	-
Share-based payment	-	-	-	-	-	-	-	115	-	115
Issue of shares	390	4,327	-	-	-	-	-	-	-	4,717
Issue costs	-	(194)	-	-	-	-	-	-	-	(194)
<b>Transactions with owners</b>	<b>456</b>	<b>5,456</b>	<b>346</b>	<b>1,159</b>	<b>(1,049)</b>	<b>(32)</b>	<b>(1,813)</b>	<b>115</b>	<b>-</b>	<b>4,638</b>
Exchange differences	-	-	-	-	-	-	2,532	134	(1,097)	1,569
Loss for the period	-	-	-	-	-	-	-	-	(4,546)	(4,546)
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,532</b>	<b>134</b>	<b>(5,643)</b>	<b>(2,977)</b>
<b>At 31 December 2010</b>	<b>3,178</b>	<b>59,202</b>	<b>13,668</b>	<b>45,827</b>	<b>(41,376)</b>	<b>(1,246)</b>	<b>5,875</b>	<b>5,519</b>	<b>(52,179)</b>	<b>38,468</b>
Exchange differences	139	2,586	596	2,002	(1,807)	(55)	(3,461)	-	-	-
Share-based payment	-	-	-	-	-	-	-	69	-	69
<b>Transactions with owners</b>	<b>139</b>	<b>2,586</b>	<b>596</b>	<b>2,002</b>	<b>(1,807)</b>	<b>(55)</b>	<b>(3,461)</b>	<b>69</b>	<b>-</b>	<b>69</b>
Exchange differences	-	-	-	-	-	-	3,332	242	(2,248)	1,326
Loss for the period	-	-	-	-	-	-	-	-	(5,176)	(5,176)
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,332</b>	<b>242</b>	<b>(7,424)</b>	<b>(3,850)</b>
<b>At 30 June 2011</b>	<b>3,317</b>	<b>61,788</b>	<b>14,264</b>	<b>47,829</b>	<b>(43,183)</b>	<b>(1,301)</b>	<b>5,746</b>	<b>5,830</b>	<b>(59,603)</b>	<b>34,687</b>

## CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

	6 months to 30 June 2011 USD'000 (unaudited)	6 months to 30 June 2010 USD'000 (unaudited)	Year to 31 December 2010 USD'000 (audited)
<b>Cash flows from operating activities</b>			
Loss before tax	(5,365)	(4,284)	(9,646)
Net finance costs	1,820	1,425	3,046
Amortisation	1,101	784	2,197
Depreciation	680	639	1,299
Gain on disposal of fixed assets	(25)	0	(15)
Share based payment expense	105	111	226
Foreign exchange movement	(129)	(478)	(1,245)
(Increase)/decrease in inventories	(348)	127	(55)
(Increase)/decrease in receivable	(12)	(718)	(87)
Increase/(decrease) in amounts payable	1	257	(181)
Net cash outflow from continuing activities	(2,172)	(2,137)	(4,461)
Net cash outflow from discontinuing activities	(92)	13	(36)
<b>Net cash outflow from operating activities</b>	<b>(2,264)</b>	<b>(2,124)</b>	<b>(4,497)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(191)	(63)	(157)
Purchase of investment in joint venture	-	-	(36)
Proceeds from disposal of property, plant and equipment	66	-	51
<b>Net cash outflow from investing activities</b>	<b>(125)</b>	<b>(63)</b>	<b>(142)</b>
<b>Cash flows from financing activities</b>			
Issue of new shares	-	3,301	8,018
Costs of share issue	-	(142)	(336)
Proceeds from loans	3,222	-	-
Interest paid	(872)	(808)	(1,721)
Repayment of lease liabilities	(38)	(122)	(292)
<b>Net cash inflow from financing</b>	<b>2,312</b>	<b>2,229</b>	<b>5,669</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(77)</b>	<b>42</b>	<b>1,030</b>
<b>Movement in net cash</b>			
Cash	1,747	384	384
Bank overdraft	(456)	(123)	(123)
Opening cash and cash equivalents	1,291	261	261
(Decrease)/increase in cash and cash equivalents	(77)	42	1,030
<b>Closing cash and cash equivalents</b>	<b>1,214</b>	<b>303</b>	<b>1,291</b>
<b>Reported in the consolidated Statement of Financial Position as:</b>			
Cash and cash equivalents	1,808	552	1,747
Borrowings - bank overdraft	(594)	(249)	(456)
	<b>1,214</b>	<b>303</b>	<b>1,291</b>

## NOTES TO THE UNAUDITED INTERIM REPORT

### 1 BASIS OF PREPARATION

Hydrodec Group plc is the Group's ultimate parent company. It is incorporated and domiciled in England and Wales. The address of Hydrodec Group plc's registered office is 4th Floor, 120 Moorgate, London, United Kingdom. Hydrodec Group plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

Hydrodec's consolidated interim financial statements are presented in United States Dollar (USD). The principal rates used for translation are:

In US dollars:	Jun 2011 Closing	Jun 2011 6 mth avg	Dec 2010 Closing	Dec 2010 12 mth avg	Jun 2010 Closing	Jun 2010 6 mth avg
British pounds	0.62	0.62	0.65	0.65	0.66	0.66
Australian dollars	0.97	0.96	0.98	1.08	1.17	1.12

These consolidated condensed interim financial statements have been approved by the Board of Directors on 20 September 2011.

The interim consolidated financial statements for the six months ended 30 June 2011, which are unaudited, do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Accordingly, this condensed report is to be read in conjunction with the Annual Report for the year ended 31 December 2010, which has been prepared in accordance with IFRS's as adopted by the European Union, and any public announcements made by the Group during the interim reporting period.

The statutory accounts for the year ended 31 December 2010 have been reported on by the Group's auditors, received an unqualified audit report but included an emphasis of matter modification regarding going concern, and have been filed with the registrar of companies at Companies House. The unaudited condensed interim financial statements for the six months ended 30 June 2011 have been drawn up using accounting policies and presentation expected to be adopted in the Group's full financial statements for the year ending 31 December 2011, which are not expected to be significantly different to those set out in note 1 to the Group's audited financial statements for the year ended 31 December 2010.

Current period and prior year comparatives for direct costs included in 'Administrative expenses' in the income statement have been reclassified to 'Cost of Sales' to better reflect the nature of those costs. As a result 'Administrative expenses' disclosed in the current period amounting to USD2,300,000, with comparatives in H1 2010 of USD1,900,000 and FY2010 of USD4,100,000 have been reclassified to 'Cost of Sales'. The reclassification consists of direct employee benefit expenses, plant depreciation and other direct costs.

The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future.

Currently, the Group is dependent upon its two plants to produce sufficient SUPERFINE oil at satisfactory margins to generate sufficient cash to meet the Group's forecast requirements. Margins are affected by, amongst other things, the world price for oil and demand for transformer oil which are beyond the Directors' control and about which there is material uncertainty. The plants are also reliant on satisfactory production rates which are dependent on the availability of sufficient feedstock, and at the appropriate cost. Sensitivity to change on both criteria have been assessed by the Board.

The Directors are satisfied that with available funding and at projected production, sales and margin rates the Group's cash flow requirements will be met.

The Directors believe that it is appropriate to prepare the interim consolidated financial statements on a going concern basis as they believe that the conditions outlined above will be met or exceeded.

## 2 GEOGRAPHIC ANALYSIS

Revenue and assets for each period are wholly attributable to the Group's sole activity of the treatment of used transformer oil and the sale of SUPERFINE oil, which are deemed to be continuing activities.

	<b>USA</b>	<b>Australia</b>	<b>Unallocated</b>	<b>Total</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
Six months ended 30 June 2011				
Revenue	6,226	3,869		10,095
Discontinued operations	-	9	-	9
Segment Revenues	<u>6,226</u>	<u>3,878</u>	<u>-</u>	<u>10,104</u>
Non-current assets	15,312	17,050	16,815	49,177
Six months ended 30 June 2010				
Revenue	5,129	2,891	-	8,020
Discontinued operations	-	225	-	225
Segment Revenues	<u>5,129</u>	<u>3,116</u>	<u>-</u>	<u>8,245</u>
Non-current assets	16,099	14,245	18,074	48,418
Year ended 31 December 2010				
Revenue	11,134	6,195	-	17,329
Discontinued operations	-	436	-	436
Segment Revenues	<u>11,134</u>	<u>6,631</u>	<u>-</u>	<u>17,765</u>
Non-current assets	15,705	16,293	17,165	49,163

### 3 FINANCE COSTS

	30 June 2011	30 June 2010	31 December 2010
	USD'000	USD'000	USD'000
Bank overdrafts and leases	34	33	74
Convertible loan stock	1,772	1,392	2,972
Fixed rate note	14	-	-
	<b>1,820</b>	<b>1,425</b>	<b>3,046</b>

### 4 TAXATION

	30 June 2011	30 June 2010	31 December 2010
	USD'000	USD'000	USD'000
Current tax	-	-	-
Deferred tax	483	-	849
Loss on ordinary activities before taxation	<b>(5,483)</b>	<b>(4,302)</b>	<b>(9,697)</b>

The deferred tax asset has been adjusted by USD176,000 to reflect the change in the UK corporate tax rate from 28% to 26% during the period.

A deferred tax asset of approximately USD9,927,000 (2010:USD8,448,000) in respect of losses against future taxable profits is not recognised due to the uncertainty of future taxable profits.

## 5 EARNINGS PER SHARE

	<b>6 months to 30 June 2011 USD'000</b>	6 months to 30 June 2010 USD'000	Year to 31 December 2010 USD'000
Loss for the financial period	<u>(5,184)</u>	<u>(4,302)</u>	<u>(8,848)</u>
	<b>Number of shares</b>	Number of shares	Number of shares
Weighted average number of shares in issue*	<u>352,431,198</u>	<u>292,191,927</u>	<u>309,176,675</u>
* The weighted average shares in issue have been reduced by the weighted average number of shares held by a member of the Group (which are disenfranchised) and also shares held by the Employee Benefit Trust			
Basic loss per share	<u>(1.47) cents</u>	<u>(1.50) cents</u>	<u>(2.86) cents</u>

## 6 ASSETS CLASSIFIED AS HELD FOR SALE

Management have decided to discontinue the Group's Australian regeneration oil operation. The operation consists of mobile plant and equipment that regenerates poor quality oil held in transformers at client sites. The decision was taken in line with the Group's strategy to focus on its core refinery operations. The business is being actively marketed with expressions of interest from several parties received. It is expected that the operation will be sold within twelve months. Consequently, assets and liabilities allocable to the operation were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the income statement (see 'loss from discontinued operations').

Operating loss from the mobile regeneration plant for the period and assets and liabilities classified as held for sale is summarised as follows:

	30 June 2011 USD'000	30 June 2010 USD'000	31 December 2010 USD'000
<b>Operating loss</b>	(114)	(17)	(46)
Interest payable	(4)	(1)	(5)
<b>Loss before tax</b>	<u>(118)</u>	<u>(18)</u>	<u>(51)</u>
Income tax expense	-	-	-
<b>Loss for the period from discontinuing operations</b>	<u>(118)</u>	<u>(18)</u>	<u>(51)</u>

The carrying amounts of assets and liabilities in this disposal group is summarised as follows:

	30 June 2011	30 June 2010	31 December 2010
	USD'000	USD'000	USD'000
<b>Non-current assets</b>			
Property, plant and equipment	209	181	228
Assets classified as held for sale	209	181	228
<b>Non-current liabilities</b>			
Borrowings	(70)	(10)	(76)
Liabilities classified as held for sale	(70)	(10)	(76)

Cash flows generated by the mobile regeneration plant for the reporting periods is summarised as follows:

	30 June 2011	30 June 2010	31 December 2010
	USD'000	USD'000	USD'000
Operating activities	(92)	13	(36)
Investing activities	-	(24)	30
Financing activities	(13)	(10)	(30)
Cash flows from discontinued operations	(105)	(21)	(36)

## 7 LONG TERM BORROWINGS

	As at 30 June 2011	As at 30 June 2010	As at 31 December 2010
	USD'000	USD'000	USD'000
Convertible loan stock	9,553	7,292	8,244
Fixed rate notes	3,222	-	-
Finance lease liabilities due within five years	238	580	273
	13,013	7,872	8,517

During the six months to 30 June 2011, there were no loan notes converted into share capital of the Company. There are £12,790,000 nominal value of loan notes outstanding which are convertible into ordinary shares in the Company at the option of loan note holders at 14.64p per share, prior to 1 November 2012. Those elements not converted into shares by this date are repayable between 1 November 2012 and 31 October 2014. Interest is charged at a fixed rate of 8 per cent per annum on the value of the unconverted loan. Due to the convertible nature of this instrument it contains a loan element and equity element. Over time the loan element, as reflected above, increases such that the instrument's repayment value of £12,790,000 would be reached, assuming non conversion, on 31 October 2014.

On 14 June 2011, the Group issued £2,000,000 of non-convertible fixed rate secured loan notes. The notes are secured by mortgage deed over Group assets. Interest is payable at 10 per cent per annum due in March and September of each year. The notes are due for repayment in full at par on 31 July 2014.

## 8 MOVEMENT IN SHARE CAPITAL

	<b>As at 30 June 2011 No.</b>
Authorised Ordinary shares of 0.5 pence each	<u><b>800,000,000</b></u>
Issued and fully paid - ordinary shares of 0.5 pence each	
At 31 December 2010	411,854,531
At 30 June 2011	<u>411,854,531</u>

56,673,333 ordinary shares are held by a member of the Group and are therefore disenfranchised. As a result, the total number of ordinary shares with voting rights in the Company as at 30 June 2011 is 355,181,198.