



15 September 2005

HYDRODEC GROUP PLC

INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 JUNE 2005

CHAIRMAN'S STATEMENT

These accounts cover the six month period to 30 June 2005 for Hydrodec Group plc ("Hydrodec"). Hydrodec's technology is a modified oil re-refining process. It utilises an advanced form of catalytic hydrogenation, and is based upon standard oil and petrochemical industry packed bed hydrogenation processes, together with patented intellectual property that prevent the deactivation of the catalyst. This means that a variety of Persistent Organics Pollutants or POP's can be treated in an environmentally safe, zero-emission process with no direct air emissions.

As previously announced, there was no revenue generated during the period, which produced an operating loss of £682,893, and the Company had net assets of £10,123,406, including cash of £2,210,150.

On 31 August 2005, Hydrodec announced the completion of the acquisition of Oil Treatment Services Pty Ltd ("OTS"), its joint venture partner and the EPA licensed site located in Young, New South Wales, Australia. It is Hydrodec's intention to create a world-class centre of excellence at this location to showcase its advanced technology for transformer oil regeneration, PCB treatment and the re-refining of specialty oils.

The OTS business includes two certified transformer oil analysis laboratories, one based at the Young site, a mobile oil regeneration plant, mobile transformer retro-fill plant, customer management software and systems, a web based transformer and oil monitoring and reporting system, product distribution mechanisms and an EPA licensed site with offices and oil storage facilities where the existing 3,000 litres per day Hydrodec plant operates. The previously announced development of the 20,000

litre a day plant continues and, when operational, this plant will be based in Young.

The combined business consolidates Hydrodec as a premium quality transformer oil supplier and establishes it as a sustainable commodity and service provider. The acquisition also provides Hydrodec with a location to further develop and expand its Persistent Organic Pollutants division.

As a result of this short-term concentration in Australia, there is no requirement for a permanent presence in London and therefore the roles of Chris Nash (CEO), and Philip Newell (FD), are no longer necessary and they have left the Company. The duties of the CEO are now being undertaken by Mark McNamara (Chief Operating Officer) who, with recently the appointed Brian Davies (General Manager), are responsible for the day-to-day activities at Young. Rodger Sargent, a Non-executive Director is the new Finance Director, a role he has previously filled.

Environmental issues continue to be key factors in the global political and economic arenas. Recent natural disasters and oil price fluctuations illustrate the commercial potential that Hydrodec's technology has. The Board continues to investigate new geographic and feedstock marketplaces and testing on behalf of major potential clients continues. With its new base, Hydrodec is ideally placed to utilise its technology and I look to the future with great optimism.

John Gunn
Non-executive Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 6 months ended 30 June 2005

	(Unaudited) 6 months ended 30 June 2005 £	(Unaudited) 6 months ended 31 December 2004 £
Turnover	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses	(682,893)	(39,956)
Operating loss	(682,893)	(39,956)

Share of loss of associate		(54,934)	-
Interest receivable		31,992	33,092
Loss on ordinary activities before and after taxation		(705,835)	(6,864)
Loss retained for the period		(705,835)	(6,864)
Loss per share			
Basic	4	(0.45)p	(0.01)p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	(Unaudited) 6 months ended 30 June 2005	(Unaudited) 6 months ended 31 December 2004
	£	£
Loss for the financial period	(705,835)	(6,864)
Currency differences	(14,999)	3,555
Total recognised losses	(720,834)	(3,309)

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2005

	(Unaudited) As at 30 June 2005	(Unaudited) As at 31 December 2004
	£	£
Fixed assets		
Intangible	6 7,669,353	7,866,003
Tangible assets	378,901	293,322
	8,048,254	8,159,325
Current assets		
Debtors	136,804	18,882
Cash at bank and in hand	2,210,150	3,014,263

		2,346,954	3,033,145
Creditors: amounts falling due within one year		(271,802)	(295,796)
Net current assets		2,075,152	2,737,349
Total assets less current liabilities		10,123,406	10,896,674
Capital and reserves			
Called up share capital		782,500	782,500
Share premium account		10,065,050	10,117,483
Profit and loss account		(724,144)	(3,309)
Equity shareholders' funds	7	10,123,406	10,896,674

CASH FLOW STATEMENT

For the 6 months ended 30 June 2005

	Note	(Unaudited) 6 months ended 30 June 2005 £	(Unaudited) 6 months ended 31 December 2004 £
Net cash (outflow)/inflow from operating activities	8	(652,336)	202,312
Returns on investments and servicing of finance			
Interest received		340	33,092
Taxation		-	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(99,683)	-
Purchase of investment		-	(721,124)
Repayment of loan on acquisition		-	(500,000)
		(99,683)	(1,221,124)
Financing			

Issue of new shares		-	4,309,998
Share issue costs		(52,434)	(310,015)
		(52,434)	3,999,983
(Decrease)/increase in cash	9	(804,113)	3,014,263

NOTES TO THE INTERIM REPORT

For the 6 months ended 30 June 2005

1. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The principal accounting policies of the Group have remained unchanged from those set out in the Group's 31 December 2004 annual report and financial statements. The interim financial statements have not been reviewed by the Group's auditors.

2. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The figures for the period ended 31 December 2004 have been extracted from the statutory financial statements which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

3. TAXATION

There is no tax charge for the interim period.

4. EARNINGS PER SHARE

	6 months ended 30 June 2005	6 months ended 31 December 2004
	£	£
Loss for the financial period	705,835	6,864
	Number of shares	Number of shares

Weighted average number of shares in issue	156,600,000	79,468,173
For basic earnings per share	(0.45)p	(0.01)p

5. DIVIDENDS

No dividends have been paid or proposed for the period.

6. INTANGIBLE FIXED ASSETS

	(Unaudited)
	£
Cost	
At 1 January 2005 and 30 June 2005	7,866,003
Amortisation	
At 1 January 2005	-
Charge for the period	196,650
At 30 June 2005	196,650
Net book value	
At 30 June 2005	7,669,353
At 31 December 2004	7,866,003

The goodwill arises on the acquisition of Hydrodec Development Corporation Pty Limited and is being amortised over its estimated useful life of 20 years.

7. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	(Unaudited)
	£
Loss for the financial period	(705,835)
Share issue costs	(52,434)
Currency transaction differences	(14,999)
	(773,268)
Opening shareholders' funds	10,896,674
Closing shareholders' funds	10,123,406

8. NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	(Unaudited) 6 months ended 30 June 2005 £	(Unaudited) 6 months ended 31 December 2004 £
Operating loss	(682,893)	(39,956)
Depreciation	14,013	-
Amortisation of goodwill	196,650	-
Increase in debtors	(86,270)	(10,199)
(Decrease)/increase in creditors	(93,836)	252,467
Net cash (outflow)/inflow from operating activities	(652,336)	202,312

9. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	(Unaudited) 6 months ended 30 June 2005 £	(Unaudited) 6 months ended 31 December 2004 £
(Decrease)/increase in cash in the period	(804,113)	3,014,263
Net funds at the beginning of the period	3,014,263	-
Net funds at the end of the period	2,210,150	3,014,263

10. POST BALANCE SHEET EVENTS

On 31 August 2005 it was announced the acquisition of Oil Treatment Services Pty Ltd ("OTS"), Hydrodec's joint venture partner and the EPA licensed site in Young, New South Wales, Australia was completed.

The OTS business includes two certified transformer oil analysis laboratories, one based at the Young site, a mobile oil regeneration plant, mobile transformer retro-fill plant, customer management software and systems, a web based transformer and oil monitoring and reporting system, product distribution mechanisms and an EPA licensed site with offices and oil storage facilities where the existing 3,000 litres per day Hydrodec plant operates.

The consideration payable for OTS was satisfied by the issue of 6,495,402 new ordinary shares (“Ordinary Shares”) at an issue price of 22.2p per share. A cash sum may also be payable depending on the working capital position of OTS as at the completion date. In addition, 1,004,598 new Ordinary Shares were issued, at an issue price of 22.2p per share, to various third parties in satisfaction of sums owed by OTS to such third parties.

As a result of this short-term concentration in Australia, there is no requirement for a permanent presence in London and therefore the roles of Chris Nash (CEO), and Philip Newell (FD), are no longer necessary and their employment and directorships with the Company ceased with immediate effect.

The duties of the CEO are being undertaken by Mark McNamara (Chief Operating Officer) who, with the recently appointed Brian Davies (General Manager), are responsible for the day-to-day activities at Young. Rodger Sargent, a Non-executive Director is the new Finance Director, a role he has previously filled.