12 May 2017

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

Audited final results for the year ended 31 December 2016

Hydrodec Group plc (AIM: HYR), the clean-tech industrial oil re-refining group, today announces audited results for the 12 months ended 31 December 2016.

Strategic highlights

- Strategic focus during 2016 on core transformer oil re-refining business and associated technology
- Rigorous focus on execution, making effective cost savings and delivering the ramp-up of production and sales in the US
- Disposal of loss-making UK recycling operations in March 2016

Financial highlights

- Revenues for the year arising from the continuing core re-refining business increased by over 100% to US$16.8 million (2015: US$8.2 million), reflecting the full recommissioning of the Canton plant and ongoing refinements to operating procedures and technological efficiency
- Gross unit margins higher than 2015, despite lower product sales prices and challenging market conditions, with operational performance driving improved commercial performance
- Improvement in overall sales mix between higher margin transformer oil and lower margin base oil, with transformer oil sales representing 40% of total Group oil sales in 2016, up from 7% in 2015
- Administrative expenses fell significantly by 44% to US$6.6 million (2015: US$11.8 million) representing 38% of total income (2015: 121%)
- Group EBITDA loss from continuing operations significantly reduced in the year at US$1.3 million, with just US$0.2 million incurred in the second half of the year
- Group EBITDA positive for Q4 2016, despite the usual seasonal trends, providing the Company with confidence that the trend towards positive EBITDA at Group level will continue throughout 2017
- Net financial expense was US$1.1 million (2015: US$0.5 million) and relates to the interest payable under the lease in the US and interest payable on the shareholder loans in the UK
- The overall loss for the year, including losses associated with the discontinued business, reduced to US$7.8 million (2015: US$31.1 million)

Operational highlights

- Group sales volumes of premium quality **SUPER**FINE transformer oil and base oil for the year of 33.3 million litres (2015: 14.4 million litres), up 131% on the prior year

- Average utilisation rate of 73% achieved for the year at Canton, further validated by a significantly lower number of production hours lost through unscheduled stoppages

- Reported record sales of over 2.8 million litres in October from Canton and record production days on two separate dates in the same month

- **SUPER**FINE transformer oil in US achieved "500 hour" status, certifying its quality

- Hydrodec of North America ("HoNA") received accreditation for generating carbon offsets through the re-refining of used transformer oil

- Relocated plant at Southern Oil's location in Bomen, New South Wales performed well in first full year of operation under the tolling arrangements – quality of the oil produced there is extremely high

- In Australia, award of a 5-year contract, for the supply of inhibited transformer and switchgear oil, by Essential Energy, expected to generate over 1 million litres of new transformer oil sales over the life of the contract

Post period-end highlights and current trading:

- Continued to pursue further market penetration in the transformer oil business with an improvement in this key indicator of 47% of all oil sales in Q1 2017 (2016: 24%)

- Company achieved positive EBITDA for Q1 2017 in traditionally the most difficult period of the year, particularly in respect of feedstock collection and availability

- Initial carbon credit sales achieved

- Additional working capital facility for £0.5 million from Andrew Black, the Company's largest shareholder and a non-executive director

Chris Ellis, Chief Executive Officer of Hydrodec, commented: **"**I am pleased to report that 2016 saw significant progress for the Company as it moved towards profitability, reflecting the positive impact of the operational improvements and cost reduction measures put in place over the last eighteen months.

It was an important year for Hydrodec as we continued to deliver on our strategy and made key portfolio changes in order to focus the business on our transformer oil operations and, in particular, on driving both our margins and overall market share penetration of the US transformer oil market as we relaunched our business there.

In 2017, we remain focused on continuing to deliver on the positive Q4 2016 performance, seeking to sustainably improve margins and market share whilst achieving further cost reductions and efficiencies where appropriate. This should enable Hydrodec to deliver positive Group EBITDA for 2017."

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Notes to Editors:

Hydrodec's technology is a proven, highly efficient, oil re-refining and chemical process initially targeted at the multi-billion US$ market for transformer oil used by the world's electricity industry. MarketsandMarkets forecasts that the global transformer oil market is expected to grow from US$1.98 billion in 2015 to US$2.79 billion by 2020 at a CAGR of 7.14% from 2015 to 2020. Spent oil is currently processed at two commercial plants with distinct competitive advantage delivered through very high recoveries (near 100%), producing 'as new' high quality oils at competitive cost and without environmentally harmful emissions. The process also completely eliminates PCBs, a toxic additive banned under international regulations.

In 2016 Hydrodec received carbon credit approval from the American Carbon Registry ("ACR"), enabling its product to be sold with a carbon offset and creating an incremental revenue stream. The Group is now generating carbon offsets through the re-refining of used transformer oil, which would otherwise ordinarily be incinerated or disposed of in an unsustainable manner. This is a highly distinctive feature for the Group, confirming (as far as the Board is aware) Hydrodec as the only oil re-refining business in the world to receive carbon credits for its output. This is a significant endorsement of the Company's proprietary technology and standing as a leader in its field.

Hydrodec's plants are located at Canton, Ohio, US and Bomen, New South Wales, Australia.

Hydrodec's shares are listed on the AIM Market of the London Stock Exchange. For further information, please visit www.hydrodec.com.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Chairman's Statement

2016 was an important year for Hydrodec, which saw material progress both operationally and commercially, reflecting the strategic imperatives the Board had previously determined as we considered the best way ahead for the Company. I believe Hydrodec is now well-positioned to further develop its core business and move into profitability in 2017.

Following an internal strategic review which was initiated in December 2015, we decided as a Board to focus on our market leading transformer oil re-refining technology. As a consequence the Group divested its UK collections and recycling business in March 2016. This facilitated an enhanced focus on operational improvements at our core US and Australian businesses.

The Group's intensive turnaround programme has been driven by the Company's Chief Executive, Chris Ellis, with the refocused and rationalised business moving towards profitability. Having been Acting Chief Executive from December 2015, Chris was confirmed in his role in March 2016 and has continued to drive the turnaround strategy across the business in 2017.

Our clear focus on growing our market leading transformer oil technology and business remains underpinned by the potential scale of the US$2 billion+ global transformer oil market. With ongoing operating refinements and technological enhancements, our Canton plant has achieved record production levels and we continue to see further improvements throughout 2017.

Another key goal of the Group is to build our sales of transformer oil and to continue to increase the margin for our product in what remains a highly competitive market. We continue to rebuild our market share in the US, whilst increasing the production ratio of transformer oil against base oil - both fundamental aims for our North American business. The additional investment by G&S into the US business reflects the strength of this key partnership, thereby ensuring secure supplies of feedstock. We also continue to review opportunities to develop further re-refining capability in the US and other jurisdictions.

It was transformational to the Company to receive carbon credit approval in September, making the Company the first re-refiner to earn a carbon credit for its transformer oil. This further endorses the quality of our technology, our product and market leading green credentials; whilst creating an annuity-styled revenue stream for the Group. Our first sale of carbon credits was reported in May 2017.

I would like to record, on behalf of the Board and the Company, our thanks to Andrew Black, our largest shareholder, whose continuing support of the business in recent years, over a challenging period in the Company's history, has been hugely appreciated. This is further demonstrated by the provision of additional working capital facilities announced today. We are confident we will be in a position to repay Andrew's good faith and support as the Company continues to strengthen.

I look forward to updating you further as we continue to make progress during 2017.

Lord Moynihan
Chairman

Chief Executive's Report

I am pleased to report that 2016 saw significant progress for your Company as we moved towards profitability, reflecting the positive impact of the operational improvements and cost reduction measures put in place over the last eighteen months.

This work has also created strong foundations for the business on which we continue to look to build in the short term. This is particularly relevant in respect of feedstock supply and collection which are crucial elements of the supply chain and our business model.

Strategy

In March 2016, the Board restated its strategy to focus on the Group's core market leading transformer oil re-refining technology and to grow that business in order to access a larger proportion of the US$2 billion global transformer oil market.

Specifically, the Board stated its intention to look to strengthen Hydrodec's footprint in the US and in the international transformer oil market, where the Board believes Hydrodec has a competitive advantage through its proven and market-leading technology.

Our focus has therefore been to grow the transformer oil business in order to drive margin expansion and profitability, with a rigorous focus on execution, making effective cost savings and delivering the ramp-up of production and sales in the US.

It was, therefore, an important year for Hydrodec as we continued to deliver on this strategy by further improving our rebuilt, expanded facility at Canton in Ohio, as we relaunched our US transformer oil business. As the business there continues to grow we will further seek to leverage this opportunity with our partner and deploy a further two trains at the appropriate time.

In addition, we made important portfolio changes in order to focus our business on our transformer oil operations, with the disposal of our loss-making UK recycling operations in March 2016.

Regional business review

USA

Following the well-publicised reliability issues upon its recommissioning in 2015, the Canton plant performed satisfactorily in its first full year of production. Further improvements identified by operating the plant were made during 2016 and will continue to be made in the coming financial year to both enhance reliability and product quality. We were able to report record sales of over 2.8 million litres in October and record production days on two separate dates in the same month. It was also pleasing to report that our SUPERFINE transformer oil in the US achieved "500 hour" quality status, a requirement from a dielectric perspective enabling us to service the larger transformer market going forward. Importantly we were able to win back several of our largest customer relationships at the end of the year which will have a positive impact on the performance of Canton in 2017. As we continue to re-establish our market position, I am confident that we will see a further improvement in the proportion of transformer oil sales increasing significantly from the 40% they represented in 2016, with actual performance in 2017 to date at levels above that. Feedstock availability and collection are key to our business and I am pleased that, under the terms of our earlier agreement, we concluded in October additional investment by our partner G&S Technologies Group in Hydrodec of North America ("HoNA"), increasing their ownership of the business to 37.45% and their non-controlling interest to US$7.9 million (2016: US$5.6 million).

Australia

The relocated plant at Southern Oil's location in Bomen, New South Wales has worked well in its first full year of operation under the tolling arrangements and the quality of the oil produced there is extremely high. The key to unlocking all of the operational benefits available to us through this relocation is driven by the availability of feedstock. The more feedstock we are able to put through our production process over the fixed monthly fee, the more profitable the operation will become. A key focus has therefore been on this aspect of our commercial activities with some notable successes from a low starting point at the beginning of the year. The award of a five-year contract, for the supply of inhibited transformer and switchgear oil, by Essential Energy, including the collection and re-refining of all generated PCB and non-PCB waste oils, is expected to generate over one million litres of new transformer oil sales over the life of the contract. This is a significant step and validation of our product and service offering. The fact that our re-refined transformer oil was successful in a competitive tender and exceeded the technical product acceptance criteria provides the basis to develop similar relationships with other utilities in Australia in 2017.

Carbon credits

We were pleased to receive in September carbon credit approval from the American Carbon Registry ("ACR"), enabling Hydrodec's product to be sold with a carbon offset and creating a future incremental revenue stream. This is a highly distinctive feature for the Company, confirming (as far as the Board is aware) Hydrodec as the only oil re-refining business in the world to receive carbon credits for its output. This is a significant endorsement of the Company's proprietary technology and standing as a leader in its field.

HoNA is now generating carbon offsets through the re-refining of used transformer oil, which would otherwise ordinarily be incinerated or disposed of in an unsustainable manner. The ACR has recognised 165,000 credits for HoNA's previous production between 2009 and 2014 and the Board was pleased to announce post the financial year end, the first sales of a proportion of these historic credits. Whilst the historic credits may only generate nominal sums, the Company anticipates that it will generate between 50,000 to 60,000 tons of carbon offset annually going forward and the ongoing generation of such credits could realise a value of up to US$5 per ton based on current industry reports.

Operating and commercial performance

Revenues for the year arising from the continuing core re-refining business increased by over 100% to US$16.8 million (2015: US$8.2 million), reflecting the full recommissioning of the Canton plant at the end of 2015 and the ongoing refinements made to our operating procedures and technological efficiency.

This result reflected increased Group sales volumes of premium quality SUPERFINE transformer oil and base oil for the year of 33.3 million litres (2015: 14.4 million litres), up 131% on the prior year.

Underpinning this volume increase was the process of continued improvement of plant operability, with an average utilisation rate of 73% achieved for the year in Canton. This was further validated by a significantly lower number of production hours lost through unscheduled stoppages. We continue to focus on maintaining high levels of mechanical asset reliability.

Gross unit margins were higher than 2015, despite lower product sales prices and challenging market conditions, with operational performance driving improved commercial performance.

There was an improvement in the overall sales mix between higher margin transformer oil and lower margin base oil, with transformer oil sales representing 40% of total Group oil sales in 2016, up from 7% in 2015. We continue to pursue further market penetration in the transformer oil business with an improvement in this key indicator of 47% of all oil sales in Q1 2017 (2016: 24%).

A key focus has been on managing the cost base appropriately, and significant reductions in operating and corporate costs have already been realised with the benefits from more recently implemented initiatives continuing to filter through into 2017. Those initiatives include the recent outsourcing of non-core added activities such as finance in addition to expected reductions in other areas such as insurance. Administrative expenses fell significantly by 44% to US$6.6 million (2015: US$11.8 million) representing 38% of total income (2015: 121%) and a reflection of efforts in this area.

Group EBITDA loss from continuing operations significantly reduced in the year and was US$1.3 million, with just US$0.2 million incurred in the second half of the year. Group EBITDA was positive for Q4 2016, despite the usual seasonal trends, providing the Company with confidence that the trend towards positive EBITDA at Group level will continue throughout 2017. We have already seen further evidence of that in Q1 of this year as the Company achieved positive EBITDA in traditionally the most difficult period of the year, particularly in respect of feedstock collection and availability.

The overall loss for the year, including losses associated with the discontinued business, reduced to US$7.8 million (2015: US$31.1 million).

Internally the business continues to be managed and performance measured by reference to EBITDA, it being the closest indicator of cash generated from operations. As this is not a statutory accounting measure, the table below reconciles this figure to the statutory operating loss:

	US$'000
EBITDA	**(1,278)**
Interest costs	(1,086)
Taxation	445
Depreciation	(2,711)
Amortisation	(1,667)
Share based payment costs	(9)
Loss from discontinued operations	(1,503)
Statutory operating loss	**(7,809)**

Finance costs

Net financial expense was US$1.1 million (2015: US$0.5 million) and relates to the interest payable under the lease in the US and interest payable on the shareholder loans in the UK.

Operating cash flow and working capital

In 2016, the Group had net cash outflow from operating activities of US$4.4 million (2015: US$13.7 million). The movement in working capital of US$1.5 million was a combination of a reduction in inventory levels, an increase in trade receivables and a reduction in trade and other payables consisting principally of the payment of feedstock suppliers. Credit management remains robust with no bad debts written off during the year.

The amount of working capital required by the Group's operations continues to be closely monitored and controlled, and forms a key part of management information. While the improving operational and financial performance has led to the recent and forecast positive EBITDA position, the Group is not yet positive cash generative overall given its finance costs. As a result, and in light of the Group's current cash and working capital position, the Company announces that it has today agreed an additional working capital facility (the "Facility") with Andrew Black, the Company's largest shareholder and a non-executive Director (the "Lender"). The Facility is for up to £500,000, bears interest at 10% per annum on drawndown sums and is subject to an arrangement fee of 2.5%. The Facility is secured over the assets of the Company.

The Facility is repayable on 31 December 2017, however the Lender has agreed to provide the Company with an option to extend the repayment date on the Facility, and the repayment date on all other existing working capital facilities provided by the Lender, to 31 December 2018. Any such extension of the loans would be at the sole discretion of the Company and on commercial terms to be agreed between the parties at the time.

Liquidity and financing activities

The Group's principal financing facilities are a seven year US$10 million finance lease arrangement with First Merit fully drawn and repayment under which commenced on 1 October 2015, and shareholder loans from Andrew Black of US$7.8 million as at 31 December 2016 (of which US$7.4 million was utilised as at 31 December 2016), repayable on 31 December 2017. As referred to above, the Company has acquired the option, at the Company's sole discretion, to extend the repayment date of these loans to 31 December 2018.

The Company also has in place a lease financing arrangement of US$1.2 million with its partner in Australia, Southern Oil, in respect of the infrastructure costs incurred for the establishment of its facilities at the site in Bomen. Additional working capital has been provided by overdraft facilities in the USA and Australia. Borrowings associated with the discontinued UK business were divested as part of the sale arrangements for the UK operations in March 2016.

The Group's net debt at 31 December 2016 was US$19.2 million (2015: US$19.6 million).

Capital expenditure in 2016 totalled US$0.5 million (2015: US$14.9 million), primarily incurred in the US in relation to operational improvements of the rebuilt plant at Canton.

Financial reporting

The financial information has been prepared under IFRS and in accordance with the Group's accounting policies. There have been no changes to the Group's accounting policies during the year ended 31 December 2016.

Going concern

As set out in note 1 of the Group financial statements, taking into account the Group's current forecast and projections, the available facilities and progress in re-establishing market share in the US, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue operating for at least the next 12 months. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Disposal of UK recycling operations

In late 2015 and January 2016, the Company undertook a detailed internal strategic review of its UK waste oil collections business and proposed UK lubricant oil re-refining project, following a significant deterioration in its UK operations. This deterioration was driven predominately by the rapid decline in global oil prices and continued challenging market conditions which resulted in the UK business generating an increasing level of significant losses. Despite implementing extensive restructuring and cost-saving measures during 2015, Hydrodec remained heavily exposed to the impact of the global oil price decline. Given the significant cash consumption and limited cash resources available to the Company (in the absence of a significant further fundraising), the Directors reviewed all available options and concluded that it was in the best interests of the Company to dispose of the UK operations.

Following a strategic auction process conducted by an independent third party financial adviser, the Company sold its UK operations to Andrew Black, a non-executive Director and substantial shareholder (the "Buyer"), on 4 March 2016 for a consideration of £1 in cash, including the transfer to the Buyer of c. £3.9 million of existing third party indebtedness in the UK business and involving the injection by the Buyer of further working capital into that operation. In addition, the Buyer granted Hydrodec a contractual right to receive a proportion of the Buyer's entitlement to any future profits of the UK re-refining project on the following waterfall basis (a) first, the Buyer, as primary risk taker, to recover the costs of its investment in the UK re-refining project; (b) then, the next tranche to be applied 70:30 between Hydrodec and the Buyer respectively until Hydrodec has recovered its costs incurred to date in connection with the UK re-refining project; and (c) finally, the balance of any profits to be shared 90:10 between the Buyer and Hydrodec. The Buyer will bear all risk and responsibility for developing the UK lubricant oil re-refining project going forward, with Hydrodec retaining only a passive economic interest under these profit share arrangements. The UK re-refining project also offers a potential opportunity to develop transformer oil re-refining capacity in the UK. The loss for the year that is attributable to the discontinued operations is US$1.5 million (2015: US$14.1m). The impact on the Company and the financial statements of all of the above is described in note 4 to the financial statements, “Discontinued operations”.

Outlook

I believe we continue to make strong progress in the turnaround of the Company, with the goal of generating positive EBITDA for 2017 in sight. Whilst the general operating environment for oil related businesses has improved recently, positively impacting the Group's pricing and margins, challenges still remain. 2017 has begun strongly in terms of sales orders in the US and Australia. Whilst the Australian feedstock position remains robust, the feedstock position in the US is tighter. Higher margin transformer oil sales currently represent c. 47% of total Group oil sales, with scope for further improvement through the year. The first sale of carbon credits in the US takes us a step further to realising our goal of an additional revenue stream unique to our technology and business.

In 2017, we remain focused on continued progress from the positive Q4 2016 performance, which will be driven by strengthening margins as the Group continues to grow market share and deliver further cost reductions and efficiencies where appropriate. This should position Hydrodec to deliver positive Group EBITDA for 2017.

Chris Ellis

CEO

Consolidated Income Statement

For the year ended 31 December 2016

	Note	**2016 USD'000**	2015 USD'000
Continuing operations			
Revenue	**2**	**16,828**	8,231
Other income	**2.3**	**445**	1,521
Total income		**17,273**	9,752
Cost of sales		**(15,952)**	(10,421)
Gross profit/(loss)		**1,321**	(669)
Administrative expenses		**(6,613)**	(11,763)
Operating loss before impairment		**(5,292)**	(12,432)
Impairment of property, plant and equipment and intangibles		**(373)**	(3,433)
Operating loss after impairment		**(5,665)**	(15,865)
Finance costs	**3**	**(1,086)**	(497)
Finance income		**-**	5
Loss on ordinary activities before taxation	**2.2**	**(6,751)**	(16,357)
Taxation		**445**	(656)
Loss for the year from continuing operations		**(6,306)**	(17,013)
Discontinued operations			
Loss from discontinued operations, net of tax	**4**	**(1,503)**	(14,125)
Loss for the year		**(7,809)**	(31,138)
Loss for the year attributable to:			
Owners of the parent company		**(7,145)**	(30,134)
Non-controlling interest	**10**	**(664)**	(1,004)
		(7,809)	(31,138)
Loss per Ordinary Share			
From continuing operations			
Basic and diluted, cents	**5**	**(0.84)**	(2.28)
From continuing and discontinued operations			
Basic and diluted, cents	**5**	**(1.05)**	(4.17)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 USD'000	2015 USD'000
Total loss for the year	**(7,809)**	(31,138)
Other comprehensive income		
Items that may be subsequently reclassified to profit and loss:		
Foreign currency translation differences on foreign operations	**(1,101)**	(1,385)
Foreign currency translation differences on discontinued operations	**(216)**	24
Items that will never be reclassified to profit and loss:		
Revaluation of property, plant and equipment	**-**	(496)
	(1,317)	(1,857)
Total comprehensive income for the year	**(9,126)**	(32,995)
Total comprehensive income for the year attributable to:		
Owners of the parent company	**(8,462)**	(31,991)
Non-controlling interest	**(664)**	(1,004)
	(9,126)	(32,995)

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	2016	2015
		USD'000	USD'000
Non-current assets			
Property, plant and equipment		**38,318**	45,645
Intangible assets		**6,586**	9,616
		44,904	55,261
Current assets			
Trade and other receivables	**6**	**1,969**	6,799
Inventories		**460**	1,282
Cash and cash equivalents		**114**	2,064
		2,543	10,145
Current liabilities			
Bank overdraft		**(688)**	(2,367)
Trade and other payables	**7**	**(3,787)**	(10,489)
Other interest-bearing loans and borrowings	**8**	**(2,981)**	(6,195)
		(7,456)	(19,051)
Net current liabilities		**(4,913)**	(8,906)
Non-current liabilities			
Employee obligations		**(63)**	(46)
Other interest-bearing loans and borrowings	**8**	**(15,612)**	(13,091)
Provisions		**(776)**	(1,776)
Deferred taxation		**(1,093)**	(1,827)
		(17,544)	(16,740)
Net assets		**22,447**	29,615
Equity			
Called up share capital	**9**	**6,200**	6,200
Share premium account		**130,539**	130,539
Merger reserve		**48,940**	48,940
Employee benefit trust		**(1,150)**	(1,150)
Foreign exchange reserve		**(10,491)**	(9,174)
Capital redemption reserve		**420**	420
Share option reserve		**665**	883
Profit and loss account		**(160,547)**	(152,662)
Equity attributable to owners of the parent company		**14,576**	23,996
Non-controlling interest		**7,871**	5,619
Total equity		**22,447**	29,615

Consolidated Statement of Cash Flow
For the year ended 31 December 2016

	2016 USD'000	2015 USD'000
Cash flows from operating activities		
Loss before taxation	**(8,254)**	(31,124)
Net finance costs	**1,113**	522
Adjustments for:		
Gain on disposal of discontinued operations	**(52)**	-
Amortisation, depreciation and impairment	**4,726**	13,439
Loss/(gain) on disposal of property, plant and equipment	**19**	(760)
Impairment of goodwill	**-**	3,433
Share-based payments	**9**	31
Asset revaluation	**-**	496
Other non-cash movements	**-**	(2,389)
Foreign exchange movement	**(470)**	884
Operating cash flows before working capital movements	**(2,909)**	(15,468)
Decrease in inventories	**510**	835
(Increase)/decrease in trade and other receivables	**(1,312)**	4,041
Decrease in trade and other payables	**(611)**	(3,268)
(Decrease)/increase in provisions	**(80)**	270
Taxes paid	**(9)**	(133)
Net cash outflow from operating activities	**(4,411)**	(13,723)
Cash flows from investing activities		
Acquisition of ECO Assets	**-**	(3,575)
Purchase of property, plant and equipment	**(540)**	(14,937)
Proceeds from disposal of property, plant and equipment	**10**	2,536
Interest received	**-**	5
Disposal of discontinued operations, net of cash disposed of	**1,760**	-
Proceeds from sale of interest in subsidiary	**322**	-
Net cash inflow/(outflow) from investing activities	**1,552**	(15,971)
Cash flows from financing activities		
Proceeds from loans	**4,665**	15,404
Capital contribution from NCI	**250**	850
Interest paid	**(640)**	(527)
Repayment of lease liabilities	**(1,618)**	(573)
Net cash inflow from financing	**2,657**	15,154
Net decrease in cash and cash equivalents	**(202)**	(14,540)
Cash and cash equivalents at beginning of year	**(303)**	14,237
Effect of movements in exchange rates on cash held	**(69)**	-
Closing cash and cash equivalents	**(574)**	(303)
Reported in the Consolidated Statement of Financial Position as:		
Cash and cash equivalents	**114**	2,064
Bank overdraft	**(688)**	(2,367)
Net cash balance	**(574)**	(303)

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

	Share capital USD ’000	Share premium USD ’000	Revaluation reserve USD ’000	Merger reserve USD ’000	Treasury reserve USD ’000	Employee benefit trust USD ’000	Foreign exchange reserve USD ’000	Capital redemption reserve USD ’000	Share option reserve USD ’000	Profit and loss account USD ’000	Total attributable to owners of the parent USD ’000	Non-controlling interest USD ’000	Total equity USD ’000
At 1 January 2015	6,620	130,539	548	48,940	(44,186)	(1,239)	(2,915)	-	7,556	(90,234)	55,629	6,100	61,729
Transactions with owners in their capacity as owners:													
Issue of equity shares	-	-	-	-	-	31	-	-	-	-	31	-	31
Cancelled Shares	(420)	-	-	-	44,186	-	-	420	-	(44,186)	-	-	-
Capital contribution from NCI	-	-	-	-	-	-	-	-	-	325	325	525	850
Transfer to retained earnings in respect of lapsed options	-	-	-	-	-	-	-	-	(6,344)	6,344	-	-	-
Effect of foreign exchange rates	-	-	-	-	-	58	(56)	-	-	-	2	(2)	-
Total transactions with owners in their capacity as owners	(420)	-	-	-	44,186	89	(56)	420	(6,344)	(37,517)	358	523	881
Loss for the year	-	-	-	-	-	-	-	-	-	(30,134)	(30,134)	(1,004)	(31,138)
Other comprehensive income:													
Currency translation differences	-	-	(52)	-	-	-	(6,227)	-	(329)	5,223	(1,385)	-	(1,385)
Currency translation differences on discontinued operations	-	-	-	-	-	-	24	-	-	-	24	-	24
PPE revaluation	-	-	(496)	-	-	-	-	-		-	(496)	-	(496)
Total other comprehensive income for the year	-	-	(548)	-	-	-	(6,203)	-	(329)	5,223	(1,857)	-	(1,857)
Total comprehensive income for the year	-	-	(548)	-	-	-	(6,203)	-	(329)	(24,911)	(31,991)	(1,004)	(32,995)
At 31 December 2015	6,200	130,539	-	48,940	-	(1,150)	(9,174)	420	883	(152,662)	23,996	5,619	29,615

	Share capital USD '000	Share premium USD '000	Revaluation reserve USD '000	Merger reserve USD '000	Treasury reserve USD '000	Employee benefit trust USD '000	Foreign exchange reserve USD '000	Capital redemption reserve USD '000	Share option reserve USD '000	Profit and loss account USD '000	Total attributable to owners of the parent USD '000	Non-controlling interest USD '000	Total equity USD '000
At 1 January 2016	6,200	130,539	-	48,940	-	(1,150)	(9,174)	420	883	(152,662)	23,996	5,619	29,615
Transactions with owners in their capacity as owners:													
Capital contribution from NCI	-	-	-	-	-	-	-	-	-	-	-	250	250
Sale of interest in HoNA	-	-	-	-	-	-	-	-	-	(966)	(966)	2,666	1,700
Share-based payments	-	-	-	-	-	-	-	-	9	-	9	-	9
Transfer to retained earnings in respect of forfeit/waived options	-	-	-	-	-	-	-	-	(226)	226	-	-	-
Effect of foreign exchange rates	-	-	-	-	-	-	-	-	(1)	-	(1)	-	(1)
Total transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(218)**	**(740)**	**(958)**	**2,916**	**1,958**
Loss for the year	-	-	-	-	-	-	-	-	-	(7,145)	(7,145)	(664)	(7,809)
Other comprehensive income:													
Currency translation differences	-	-	-	-	-	-	(1,101)	-	-	-	(1,101)	-	(1,101)
Currency translation differences on discontinued operations	-	-	-	-	-	-	(216)	-	-	-	(216)	-	(216)
Total other comprehensive income for the year	-	-	-	-	-	-	(1,317)	-	-	-	(1,317)	-	(1,317)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(1,317)**	**-**	**-**	**(7,145)**	**(8,462)**	**(664)**	**(9,126)**
At 31 December 2016	**6,200**	**130,539**	**-**	**48,940**	**-**	**(1,150)**	**(10,491)**	**420**	**665**	**(160,547)**	**14,576**	**7,871**	**22,447**

Notes to the Financial Statements
For the year ended 31 December 2016

1. Corporate information and accounting policies

Hydrodec Group plc (the 'Company') is a public company incorporated, domiciled and registered in England in the UK. The registered number is 5188355 and the registered address is Dorset House, Regent Park, Kingston Road, Leatherhead, KT22 7PL.

The Group's principal activity is the re-refining of used transformer oil into, and the sale of, new **SUPER**FINE^{TM} oil.

Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with the principal accounting policies adopted by the Group, with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union ('EU'), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements were approved by the Board on 11 May 2017. They are presented in US Dollars, which is the presentational currency of the Group. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the comparative income statement has been re-presented so that the disclosures in relation to discontinued operations relate to all operations that have been discontinued by the balance sheet date.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These results are audited, however, the financial information set out in this announcement does not constitute the Group's statutory accounts, as defined in Section 435 of the Companies Act 2006, for the year ended 31 December 2016, but is derived from the 2016 Annual Report. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered in due course. The auditors have reported on those accounts; their reports were unqualified.

The accounting policies used in completing this financial information have been consistently applied in all periods shown. These accounting policies are detailed in the Group's financial statements for the year ended 31 December 2015 which can be found on the Group's website.

Going concern

As described in the Chief Executive's Report, the Group has reported much improved operational and financial results from the continuing business for the year, and positive Group EBITDA for the final quarter of the year. The impact of continued improvements in operational performance and efficiencies, coupled with current and forecast improvements in pricing and margins, results in base case projections for the combined USA and Australian operations for the period to June 2018, showing a steadily improving position.

However, while the Group has continued the positive EBITDA performance into 2017 and the projections show sufficient cash in totality to fund the Group’s corporate costs, in order to facilitate UK payments and also to provide additional working capital support for the business, an additional facility has been secured with Andrew Black.

At 30 April 2017, the Group’s indebtedness, excluding finance lease liabilities, was funded by a combination of overdraft facilities in the USA and Australia of USD 1.9 million, and committed loan facilities, including accrued interest, of £6.9 million (USD 9.0 million). In order to fund additional working capital requirements and provide headroom for additional downside risk in the period covered by the projections, the Company has today announced a further committed facility for £500,000 (USD 0.6 million), further details of which are set out in note 11. The key risks considered by the Directors in making their assessment as to the adequacy of headroom include a reduction in volume of production/sales and a decline in projected pricing.

The committed loan facilities currently have a repayment date of 31 December 2017, however the Company has the option to extend the repayment period to 31 December 2018 on terms to be agreed. The Board will keep the position under review and may elect to extend the repayment period or source alternative funding or re-financing.

After making enquiries, taking into account the Group's current projections and financial position, the available facilities and progress in re-establishing market share in the US, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next 12 months from the date of approval of these financial statements. In preparing these financial statements the Directors have given consideration to the above matters and on that basis, they believe that it remains appropriate to prepare the financial statement on a going concern basis. The financial statements do not include any adjustment that would result from the basis of preparation being inappropriate.

2. Revenue and operating loss

2.1. Segment analysis

Prior to the disposal of Hydrodec (UK) Limited and Hydrodec Re-refining (UK) Limited, (the ‘discontinued operations’), the Group was organised into two main operating segments, Re-refining and Recycling. Subsequent to the disposal the Group now has one main operating segment, Re-refining, which is classified as the treatment of used transformer oil and the sale of **SUPER**FINE^{TM} oil. The operating segment arises from two geographic locations, USA and Australia.

The financial information detailed below is frequently reviewed by the Board (the Chief Operating Decision Maker) and decisions made on the basis of adjusted segment operating results.

Year ended 31 December 2016 **Income Statement**	**USA** **USD'000**	**Australia** **USD'000**	**Unallocated** **USD'000**	**Total** **USD'000**
Revenue	**13,158**	**3,670**	**-**	**16,828**
Other income	**400**	**2**	**43**	**445**
Operating EBITDA	**670**	**90**	**(2,038)**	**(1,278)**
Depreciation, loss on disposal of property, plant and equipment, and impairment	**(1,924)**	**(408)**	**(398)**	**(2,730)**

Amortisation	**-**	**(273)**	**(1,394)**	**(1,667)**
Loss for the year on continuing operations	**(1,682)**	**(787)**	**(3,837)**	**(6,306)**

At 31 December 2016	**USA**	**Australia**	**Unallocated**	**Total**
Balance Sheet	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Total assets	**34,642**	**6,759**	**6,046**	**47,447**
Total liabilities	**(11,951)**	**(3,547)**	**(9,502)**	**(25,000)**
Net assets	**22,691**	**3,212**	**(3,456)**	**22,447**

Year ended 31 December 2015	Re-refining	Discontinued operations	Unallocated	Total
Income Statement	USD'000	USD'000	USD'000	USD'000
Revenue	8,231	34,083	-	42,314
Other income	1,521	2	-	1,523
Operating EBITDA	(3,254)	(2,855)	(5,114)	(11,223)
Growth Costs	(1,246)	(422)	(92)	(1,760)
Recommissioning Costs	(302)	-	-	(302)
Restructuring Costs	(231)	(1,028)	-	(1,259)
Depreciation	(1,310)	(1,414)	(11)	(2,735)
Amortisation	(1,683)	(1,381)	-	(3,064)
Share-based payment costs	-	-	(31)	(31)
Foreign exchange profit	784	3	58	845
Operating loss before impairment	(7,242)	(7,097)	(5,190)	(19,529)

At 31 December 2015	Re-refining	Discontinued operations	Unallocated	Total
Balance Sheet	USD'000	USD'000	USD'000	USD'000
Total assets	49,987	10,445	4,974	65,406
Total liabilities	(18,023)	(10,445)	(7,323)	(35,791)
Net assets	31,964	-	(2,349)	29,615

2.2. Loss on ordinary activities

The loss before taxation is stated after charging/(crediting) the following amounts:

	Continuing 2016 USD'000	**Discontinued 2016 USD'000**	Continuing 2015 USD'000	Discontinued 2015 USD'000
Government income	**(1,031)**	**-**	(941)	-
Loss/(profit) on disposal of property, plant and equipment	**19**	**-**	-	(760)

Cost of sales				
- inventory expenses	**6,783**	**133**	4,955	6,145
- other direct costs	**5,379**	**2,925**	3,581	18,504
- employee benefit expense	**1,583**	**814**	656	6,317
- depreciation	**2,207**	**301**	1,229	1,307
Amortisation	**1,667**	**-**	1,683	1,381
Share-based payments	**9**	**-**	31	-
Depreciation and impairment of property, plant and equipment	**504**	**47**	92	4,167
Impairment of intangible assets	**-**	**-**	3,433	3,580
Operating lease rentals – land and buildings	**206**	**157**	315	537
Exchange (gain)/loss	**(1,137)**	**(4)**	847	(2)
Fees payable to the Company's auditor for the audit of the annual accounts	**60**	**-**	67	-
Fees payable to the Company's auditor and its associates for other services:				
- audit of the Company's subsidiaries	**35**	**-**	113	-

Profit on disposal of assets in 2015 relate to the surplus generated from a sale and leaseback arrangement with TIP Europe.

2.3. Other income

	Continuing 2016 USD'000	**Discontinued 2016 USD'000**	Continuing 2015 USD'000	Discontinued 2015 USD'000
Settlement proceeds	**400**	**-**	-	-
Other income	**45**	**-**	25	2
Insurance proceeds	**-**	**-**	1,496	-
	445	**-**	1,52 1	2

Settlement proceeds
Subsequent to the incident at Canton in December 2013, Zeton Inc., the main contractor for the rebuild, installed faulty heat exchangers which leaked and caused a safety hazard. Hydrodec filed a claim against Zeton Inc. in 2015 and a total settlement of USD 0.4 million was received during the year ended 31 December 2016.

Insurance proceeds
On 11 November 2014, the Group and its insurers settled the Group's insurance claim arising from the incident at Canton in December 2013. The sum of USD 17.25 million had been received by the Group at 31 December 2014, and the final proceeds of USD 1.5 million were recognised in 2015.

3. Finance costs

	Continuing 2016 USD'000	**Discontinued 2016 USD'000**	Continuing 2015 USD'000	Discontinued 2015 USD'000
Bank overdrafts and leases	**612**	**27**	463	30

Shareholder loan	**474**	**-**	34	-
	1,086	**27**	497	30

4. Discontinued operations

On 4 March 2016, following a strategic auction process conducted by an independent third-party financial adviser, Hydrodec Holdco Limited, a wholly-owned subsidiary of the Company, disposed of Hydrodec (UK) Limited and Hydrodec Re-Refining (UK) Limited (together, the 'UK operations'), together with certain other rights and assets relating to its UK operations, to Andrew Black (the 'Buyer"), a non-executive Director and a substantial shareholder of the Company. The consideration for the sale of the UK operations was £1 in cash and, in addition, the Buyer agreed to grant the Group a contractual right to receive 10% of the Buyer's entitlement to any future net profits of the UK lubricant oil re-refining project on distribution or exit.

The UK operations have been treated as discontinued operations for the year ended 31 December 2016. A single amount is shown on the face of the consolidated income statement, comprising the post-tax result of discontinued operation and the post-tax loss recognised on the re-measurement to fair value less costs to sell and on disposal of the discontinued operations. The income statement for the prior period has been restated to conform to this presentation. In the cash flow statement, the cash provided by the operating activities of the UK operations has been reported as a single line item.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

4.1. Loss from discontinued operations, net of tax

	2016 **USD'000**	2015 USD'000
Revenue and other income	4,500	34,085
Expenses	(6,028)	(41,182)
Operating loss before impairment	**(1,528)**	(7,097)
Impairment	-	(7,640)
Operating loss after impairment	**(1,528)**	(14,737)
Finance costs	(27)	(30)
Loss before taxation	**(1,555)**	(14,767)
Income tax credit	-	642
Net loss attributable to discontinued operations	**(1,555)**	(14,125)
Gain on disposal of discontinued operations (see 4.2)	52	-
Loss from discontinued operations, net of tax	**(1,503)**	(14,125)
Loss per Ordinary Share Basic and diluted, cents	**(0.21)**	(1.89)

4.2. Gain on sale of discontinued operations

	USD'000
Property, plant and equipment	**(4,538)**
Inventories	**(312)**
Trade and other receivables	**(6,164)**
Cash and cash equivalents	**2,014**
Trade and other payables	**4,732**
Provisions	**894**
Other interest bearing loans and payables	**3,464**
Net liabilities	**90**
Currency translation differences	**216**
Costs of disposal, satisfied in cash	**(254)**
Gain on disposal of discontinued operations	**52**

Costs of disposal, satisfied in cash	**(254)**
Cash and cash equivalents disposed of	**2,014**
Net cash inflow	**1,760**

During the year, the discontinued operations contributed USD 1.64 million to the Group's net cash outflow from operating activities, USD 1.76 million to inflow from investing activities and USD 0.5 million to net cash inflow from financing activities.

5. Loss per Ordinary Share

Basic loss per Ordinary Share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of Ordinary Shares in issue during the year. The calculation of the basic and diluted loss per Ordinary Share is based on the following data:

	Continuing operations 2016 USD'000	Continuing and discontinued operations 2016 USD'000	Continuing operations 2015 USD'000	Continuing and discontinued operations 2015 USD'000
Losses				
Losses for the purpose of basic loss per Ordinary Share	**(6,306)**	**(7,809)**	**(17,013)**	**(31,138)**
	Number '000	**Number '000**	**Number '000**	**Number '000**
Number of shares				
Weighted average number of shares for the purpose of basic loss per share	**746,683**	**746,683**	**746,683**	**746,683**
Loss per Ordinary Share				
Basic and diluted, cents per share	**(0.84)**	**(1.05)**	**(2.28)**	**(4.17)**

Due to the losses incurred in the years reported, there is no dilutive effect from the existing share options, warrants or share based employment compensation plan.

6. Trade and other receivables

	2016 USD'000	2015 USD'000
Trade receivables	**1,427**	5,103
Prepayments and accrued income	**421**	1,260
Other receivables	**97**	436
VAT recoverable	**24**	-
	1,969	6,799

Trade receivables principally comprise amounts receivable in respect of revenue and are short term. No interest is generally charged on trade receivables.

Other receivables include the sum of USD 25,507 in respect of the sale of a further 12.45% interest in Hydrodec of North America LLC to G&S Oil Recycling Group LLC. See note 10.

Other receivables include the sum of USD 55,000 which is cash held in a restricted use bank account in connection with EPA environmental expenditure.

At 31 December 2016, trade receivables include amounts which are past their due date but against which the Group has not recognised an allowance for impairment because the amounts are considered recoverable.

The analysis of trade receivables is as follows:

	2016 USD'000	2015 USD'000
Less than one month	**1,399**	3,540
Past due but not impaired	**28**	1,563
	1,427	5,103

Credit sales are only made after credit approval procedures are completed, and the carrying value represents the Group's maximum exposure to credit risk.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

7. Trade and other payables

	2016 USD'000	2015 USD'000
Trade payables	**2,382**	6,021
Other payables	**180**	184
VAT payable	**17**	582
Other taxation and social security	**44**	634
Accruals	**1,164**	3,068

	3,787	10,489

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. No interest is generally charged on trade payables.

The Group has financial risk management policies to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

8. Other interest-bearing loans and borrowings

	2016 USD'000	2015 USD'000
Current liabilities		
Finance lease liabilities	**1,662**	2,074
Unsecured bank facility	**1,319**	4,121
	2,981	6,195
Non-current liabilities		
Finance lease liabilities	**7,774**	9,125
Shareholder loan	**7,838**	3,962
Other loans	**-**	4
	15,612	13,091

Finance lease liabilities

The Group has two arrangements which have been classified as finance leases. The first is denominated in USD and was for a principal sum of USD 10.0 million, bearing interest at the rate of 3.96% and is repayable on a fixed repayment basis over 7 years. The second arrangement is denominated in Australian dollars, bearing interest at the rate of 5.55% and is repayable on a fixed repayment basis over 7 years

	Minimum lease payments 2016 USD'000	**Interest 2016 USD'000**	**Principal 2016 USD'000**	Minimum lease payments 2015 USD'000	Interest 2015 USD'000	Principal 2015 USD'000
Less than one year	**2,028**	**366**	**1,662**	2,125	446	1,679
Between one and five years	**7,989**	**729**	**7,260**	8,072	1,052	7,020
More than five years	**518**	**4**	**514**	2,578	78	2,500
	10,535	**1,099**	**9,436**	12,775	1,576	11,199

The Group's obligations under finance leases are secured by the lessor's rights over certain assets. The amount outstanding in respect of the lease in which there is a general title to certain tangible assets held in the USA is USD 8.2 million (2015: USD 9.6 million).

Unsecured bank facility

The unsecured bank facility at 31 December 2016 represents a working capital facility in the USA. In addition to this facility, at 31 December 2015, there was an amount of USD 2.8 million in respect of a factoring facility in the UK which relates to the discontinued operation in 2016.

Shareholder loan

The shareholder loan represents an amount due to Andrew Black, a non-executive Director and significant shareholder in the Company.

	2016	2015
	USD'000	USD'000
Facility	**7,380**	3,928
Interest	**458**	34
Amount outstanding	**7,838**	3,962

The loan consists of an initial facility of USD 2.6 million (£2.15 million) and a second facility of USD 5.2 million (£4.25 million). The facilities are secured over the rights for Hydrodec Development Corporation Pty Limited to receive a royalty based on the quantity of **SUPER**FINE™ oil produced by Hydrodec of North America LLC and Hydrodec Australia Pty Limited. The royalty, which is based on average annual production, is expected to generate approximately USD 1.0 million per annum.

The loans bear interest at the rate of 7% per annum and 8% per annum respectively and accumulated interest to 31 December 2016 has been added to the principal loan amount. Under the original terms of the facilities, the loans are repayable by 31 December 2017, however, the Company has agreed an option to extend the repayment date to 31 December 2018 and the loans have therefore been treated as non-current liabilities. See note 11.

9. Share capital

	2016	2015
	USD'000	USD'000
Allotted, issued and fully paid		
Ordinary Shares of 0.5 pence each		
At 1 January	**6,200**	6,620
Issued in settlement of loan	**-**	(420)
At 31 December	**6,200**	6,200

	2016	2015
	Number of shares	Number of shares
At 1 January	**746,682,805**	803,356,138
Cancelled	**-**	(56,673,333)
At 31 December	**746,682,805**	746,682,805

Hydrodec Group plc held 54,500,000 of its own Ordinary Shares (which were previously held by VIN (Australia) Pty Limited pursuant to the acquisition of Virotec International plc in 2008) and which were transferred to Hydrodec Group plc as part of a dividend in specie to Hydrodec Group plc on the liquidation of VIN (Australia) Pty Limited in 2014. These shares, together with a further

2,173,333 Ordinary Shares issued as part of the acquisition of Virotec International plc, were cancelled in 2015 upon the liquidation of VIN (Australia) Pty Limited and Virotec International plc.

10. Investments

The Company had investments in the following subsidiary undertakings as at 31 December 2016 which principally affected the losses and net assets of the Group:

	Country of incorporation and principal operations	Proportion of ownership interest	Principal activity
Hydrodec Holdco Limited	UK	100%	Holding company
Hydrodec Development Corporation (UK) Limited*	UK	100%	Technology company
Hydrodec Inc	USA	100%	Holding company
Hydrodec of North America LLC**	USA	62.55%	Oil treatment services
Hydrodec Development Corporation Pty Limited	Australia	100%	Technology and holding compa
Hydrodec Australia Pty Limited***	Australia	100%	Oil treatment services
Hydrodec Japan Co Limited	Japan	100%	Holding company
Hydrotek Eco Japan Co Limited****	Japan	100%	Patent holding company

* Held through Hydrodec Holdco Limited
** Held through Hydrodec Inc
*** Held through Hydrodec Development Corporation Pty Limited
**** Held through Hydrodec Japan Co Limited

On 4 March 2016, Hydrodec Holdco Limited, a wholly-owned subsidiary of the Company, disposed of Hydrodec (UK) Limited and Hydrodec Re-Refining (UK) Limited). See note 4.

Subsidiary with material non-controlling interests

On 16 April 2013, the Group sold a 25% interest in Hydrodec of North America LLC ('HoNA') to G&S Oil Recycling Group LLC ('G&S') for a total consideration, based on a multiple of earnings, which management estimated to be USD 3.31 million. Additionally, a royalty stream of 5% of net revenue is payable to a member of the Group under the terms of the strategic partnership with G&S.

The terms of the agreement with G&S included the potential for the sale of a further 24.9% interest in HoNA to G&S in two equal tranches of 12.45%, subject to certain criteria being met. The additional investment would be triggered by the successful expansion of the Canton facility's existing four trains, by a further four trains, in increments of two trains (Stage 1 and Stage 2). The expansion was to be funded equally by the Group and G&S, and the terms of the agreement intended that the subsequent investment, and ownership of the additional trains, would be within newly incorporated entities, owned equally by the partners to ensure ownership was representative of the capital contributed by each party.

An additional two trains were funded equally by the parties as part of the rebuild of Canton and upon subsequent commencement of production at the end of December 2015, the key qualifying condition for the Stage 1 closing was met. Accordingly, on 14 October 2016, a further sale of 12.45% interest in HoNA was made for a total consideration of USD 1.7 million.

At 31 December 2016, there was an amount outstanding in respect of the sale of USD 25,507 which is included in other receivables. See note 6.

The additional two trains were constructed on the Canton site and not within a separate legal entity reflecting the equal funding, as prescribed under the terms of the agreement. It was therefore agreed that G&S would be allocated 41.65% share of net income from 14 October 2016 to reflect their contractual entitlement.

	Proportion of ownership interest and voting rights held by NCI		Total comprehensive income allocated to NCI		Accumulated NCI	
	2016	2015	**2016 USD'000**	2015 USD'000	**2016 USD'000**	2015 USD'000
Hydrodec of North America LLC	**37.45%**	25%	**(664)**	(1,004)	**(423)**	241

No dividends were paid to the NCI during the years reported.

During the year ended 31 December 2016, capital contributions of USD nil (2015: USD 1.3 million) were made by the Group and G&S in relation to the expansion of the Canton plant. Of this contribution, 25% was recognised as NCI capital contribution and the balance was recognised in the Group reserves.

11. Post balance sheet events

On 11 May 2017, the Company agreed an additional working capital facility with Andrew Black, a Non-Executive Director and significant shareholder in the Company, for the sum of up to USD 0.6 million. The facility bears interest at 10% per annum and is subject to an arrangement fee of 2.5%. The facility is repayable on 31 December 2017, however, the Company has agreed an option to extend the repayment date on both this, and its existing facilities, to 31 December 2018, on commercial terms to be agreed by the parties at the time. The facility is secured over the assets of the Company.