12 August 2010

corac
group plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

Corac Group plc ('Corac'), the intellectual property and engineering group, specialising in direct drive turbo machinery, announces its interim results for the six months ended 30 June 2010.

Operational Highlights

- Reorganisation of Company into three main business streams to address existing and potential applications for Corac's technologies:
  - Gas in harsh environments;
  - Clean air supply; and
  - Efficient air power
- Eni SpA field trial project progressing to revised timetable and plan to deliver in H2 2010
- Contractual discussions continuing with potential new partners in the USA and the Middle East
- Additional industrial air booster compressor shipped to Austria with agreement for one more to be shipped in Q3
- Renewed interest in compressed air applications in the market
- New patents filed to extend the application of our core technology across all business streams
- Additional investment in management infrastructure to support the Company's transition to commercialisation. Appointment of Rohan Courtney as Non Executive Director.

Financial Highlights

- Revenues of £0.05m (2009: £0.89m)
- Net loss after tax £2.41m (2009: £1.28m)
- Loss per share 2.2p (2009: loss per share 1.4p)
- Cash and cash equivalents of £3.69m (2009: £2.69m)

Commenting on the future, CEO, Phil Cartmell, said:

"We have made significant changes during the first half to improve the internal management, systems and processes and as a result the Board is now re-organising the Company around three main business streams. This will provide a broader reach into new geographies and sectors which I believe will leave us better placed to meet the challenges in the near future in order to deliver returns to all our stakeholders."

For further information:

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NOTES TO EDITORS

Corac is an intellectual property and engineering group which holds many patents. It focuses on high speed, direct drive compressors based on its expertise in gas bearings and high speed shafts and motor drives for use in the extraction of gas from gas wells and for supercharging piston compressors used in factory applications.

EXECUTIVE CHAIRMAN & CEO REPORT

The first half financial results are a reflection of the focus to deliver the final stages of the Eni SpA downhole gas compressor development project, as well as the investment in securing additional gas lift application projects with other partners. No major revenues have been received in the first half which compares with JIP partner funding received in the same period last year. As a consequence, revenue in the period was £0.05 million (2009: £0.89 million) resulting in a net loss after tax of £2.41 million (2009: £1.28 million).

Other costs reflect the additional investment in management infrastructure to support the transition towards commercialisation.

The Eni SpA field trial development work continues to progress in line with the revised timetable and plan for Corac to deliver in the second half of 2010.

Negotiations are still in progress for the development trials for two new applications of our core Downhole Gas Compressor (DGC) technology in the USA and Middle East where negotiations are nearing the final stages. Recent issues in the Gulf of Mexico have raised additional concerns around liabilities, making the final stages in the USA slower than anticipated, but these are not deemed to be insurmountable.

We have delivered another industrial air booster compressor to LMF in Austria and reached agreement to ship a further machine in Q3.

There has been renewed interest in our compressed air applications during the second quarter of 2010 which could lead to future development projects.

As part of our technology IP development we have continued to file new patents in the first half to extend the application of our core technology across our business streams.

The Company's development in the first half has not progressed at the pace I would have liked due to the significant changes required within the business to improve the management, systems and processes.

There have been significant changes to the Board in the first half. The appointment of Rohan Courtney as a Non-Executive Director, formerly with Tullow Oil is an important addition to the Board. Professor Gerry Musgrave, formerly Executive Chairman stepped down from the Board to take a Research and Enterprise role to retain his knowledge and experience within the Company and to support the Board.

Following a strategic review of the business, the Board is now re-organising the Company into three main business streams that relate to the different areas of application of our technology:

> **Gas in harsh environments**: includes DGC, air cycle cryogenics and vapour cycle refrigeration
>
> **Clean air supply**: includes waste water treatment, pneumatic powder conveying and air drying; and
>
> **Efficient air power**: facilitates lower cost, more efficient industrial air compression

We have plans to extend our reach across these business streams into new geographies and market sectors by building commercial relationships with industrial partners and agents.

We believe this will broaden the opportunity to realise value by positioning Corac as a technology innovator in the development and application of our turbomachinery for a wider market, whilst maintaining our focus on the delivery of the existing projects.

As outlined above I feel that the Company is now better placed to meet the near term challenges and to commercialise its technology across a broader range of applications and markets in order to deliver returns to all our stakeholders.

Phil Cartmell
Executive Chairman and CEO
11 August 2010

Condensed Consolidated Interim Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Revenue	46	893	1,337
Cost of sales	(45)	(728)	(946)
Gross profit	1	165	391
Other income	7	29	36
Research and development costs	(1,687)	(1,090)	(2,429)
Administrative expenses	(1,101)	(785)	(1,730)
Operating loss	(2,780)	(1,681)	(3,732)
Finance income	17	32	47
Loss before income tax	(2,763)	(1,649)	(3,685)
Income tax credit	358	370	751
Loss and total comprehensive expense for the period attributable to shareholders	(2,405)	(1,279)	(2,934)
Loss per share expressed in pence per share	pence	pence	pence
Basic and diluted loss per share	(2.2)	(1.4)	(3.1)

Condensed Consolidated Interim Statement of Financial Position

	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
ASSETS			
Non current assets			
Property, plant and equipment	68	66	51
	68	66	51
Current assets			
Inventories	91	136	136
Trade and other receivables	280	318	504
Taxation recoverable	300	300	680
Cash and cash equivalents	3,690	2,693	5,344
	4,361	3,447	6,664
Total assets	4,429	3,513	6,715
LIABILITIES			
Current liabilities			
Trade and other payables	(655)	(665)	(672)
Net assets	3,774	2,848	6,043
EQUITY			
Share capital	10,834	9,421	10,834
Share premium	7,939	4,562	7,939
Capital redemption reserve	575	575	575
Own shares held by the Employee Benefit Trust	(551)	(551)	(551)
Share-based payments reserve	431	235	295
Retained earnings	(15,454)	(11,394)	(13,049)
Total equity	3,774	2,848	6,043

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held by EBT £'000	Share-based payments reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2010	10,834	7,939	575	(551)	295	(13,049)	6,043
IFRS 2 share option charge	-	-	-	-	136	-	136
Transactions with owners	-	-	-	-	136	-	136
Loss and total comprehensive expense for the period	-	-	-	-	-	(2,405)	(2,405)
Balance at 30 June 2010	10,834	7,939	575	(551)	431	(15,454)	3,774

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held by EBT £'000	Share-based payments reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2009	8,655	4,333	575	(551)	184	(10,115)	3,081
Issue of share capital	766	229	-	-	-	-	995
IFRS 2 share option charge	-	-	-	-	51	-	51
Transactions with owners	766	229	-	-	51	-	1,046
Loss and total comprehensive expense for the period	-	-	-	-	-	(1,279)	(1,279)
Balance at 30 June 2009	9,421	4,562	575	(551)	235	(11,394)	2,848

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held by EBT £'000	Share-based payments reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2009	8,655	4,333	575	(551)	184	(10,115)	3,081
Issue of share capital	2,179	3,606	-	-	-	-	5,785
IFRS 2 share option charge	-	-	-	-	111	-	111
Transactions with owners	2,179	3,606	-	-	111	-	5,896
Loss and total comprehensive expense for the year	-	-	-	-	-	(2,934)	(2,934)
Balance at 31 December 2009	10,834	7,939	575	(551)	295	(13,049)	6,043

Condensed Consolidated Interim Statement of Cash Flows

	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Operating activities			
Loss before income tax	(2,763)	(1,649)	(3,685)
Adjustments for:			
Depreciation	20	29	51
Finance income	(17)	(32)	(47)
Share-based payment expense	136	51	111
Decrease/(increase) in inventories	45	(136)	(136)
Decrease/(increase) in trade and other receivables	223	123	(63)
(Decrease)/increase in trade and other payables	(17)	81	88
	(2,373)	(1,533)	(3,681)
Income tax received	738	590	590
Net cash used in operating activities	(1,635)	(943)	(3,091)
Investing activities			
Finance income	17	32	47
Purchase of property, plant and equipment	(36)	(12)	(19)
Net cash (used in)/from investing activities	(19)	20	28
Financing activities			
Proceeds from issue of shares	-	1,000	5,946
Expenses of issue of shares	-	(5)	(160)
Cash transferred from short term deposits	-	500	500
Net cash from financing activities	-	1,495	6,286
Net (decrease)/increase in cash and cash equivalents	(1,654)	572	3,223
Cash and cash equivalents at beginning of period	5,344	2,121	2,121
Cash and cash equivalents at end of period	3,690	2,693	5,344

Notes to the Condensed Consolidated Interim Financial Statements

1. Nature of operations and general information

The principal activities of Corac Group plc and its subsidiaries (the "Group") comprise the research and development of high speed, direct drive compressors based on its expertise in gas bearings and high speed shafts and motor drives for use in the extraction of gas from gas wells and for supercharging piston compressors used in factory applications.

The Group has two main applications being:

(a) Downhole gas compressors ("DGCs") for deployment at the bottom of gas wells to increase the potential rate of extraction of gas and the absolute volume of gas that can be economically extracted. Under a Joint Industry Programme ("JIP"), the research and development has been supported by three gas operating companies ("JIP Partners"). The Group is working towards deployment of a DGC in a field trial at a gas well which is targeted for the second half of 2010.

(b) Industrial air compressors for use in supercharging existing piston compressors used in factory applications. Machines are currently being trialled in customers' operations, including at a food and beverage company.

Corac Group plc is the Group's ultimate parent company which is incorporated and domiciled in the United Kingdom. The address of the Registered Office and principal place of business of the Company is Brunel Science Park, Kingston Lane, Uxbridge, Middlesex UB8 3PQ. The Parent Company's shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange.

The condensed consolidated interim financial statements are presented in pounds sterling, which is also the functional currency of the Parent Company, and all values are rounded to the nearest thousand pounds except when otherwise indicated.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 11 August 2010.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 404 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2009, prepared under IFRS as adopted by the EU, have been delivered to the Registrar of Companies. The auditor's report on the 2009 financial statements was unqualified and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006**.**

2. Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 June 2010. They have been prepared following the recognition and measurement principles of International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board as adopted by the European Union. They do not include all of the information required for full financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009.

These condensed consolidated interim financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2009.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

3. Revenues

All revenues have been derived from the Group's research and development activities and the commercialisation of its resultant intellectual property.

4. Loss per share

The calculation of the loss per share is based on the loss for the period divided by the weighted average number of shares in issue during the period as follows:

	Unaudited Six months ended 30 June 2010 number	Unaudited Six months ended 30 June 2009 number	Audited Year ended 31 December 2009 number
Weighted average shares in issue	108,343,977	90,619,816	95,504,878

The weighted average number of shares in issue has been stated after deducting the weighted average number of shares held by the Employee Benefit Trust ("EBT") of 1,506,347 shares (six months ended 30 June 2009: 1,506,347 shares, year ended 31 December 2009 1,506,347 shares).

The issue of additional shares on exercise of employee share options would decrease the basic loss per share and there is therefore no dilutive effect of employee share options.

5. Copies of the interim financial statements

Copies of the interim financial statements will be sent to shareholders. Further copies will be available from the Group's registered office for one month from today.