innovation technology engineering

Corac Group plc

Interim Report for the six months ended 30 June 2013

Contents

Corac is a UK based group of advanced technology and engineering companies that produces diverse and valuable solutions in compression systems, atmosphere control and heat exchangers for government, energy and industrial users.

Highlights

The Group has made substantial progress during the first half to build a balanced business with increasingly mature and commercial technologies, a growing list of global customers and the capability to deliver long term success. The performance of the business is in line with management expectations for the year.

Group business highlights

- Strong and growing order book, on track for second half performance and beyond
- Added new global industrial majors to the client base
- Grown a robust sales pipeline through group-wide presence and cross selling
- Strategy of extending geographic presence and supporting key clients across the combined range of Corac Group business capabilities and technologies is now delivering benefits
- Roles of Chief Financial Officer (CFO) and Chief Operating Officer (COO) separated to reflect the increasing breadth of Group business activities both in the UK and overseas,
- Jon Carter appointed CFO on 22 July with Mark Crawford retaining COO role

Atmosphere Control International (ACI)

- Greater international presence with active negotiations on two Asian submarine programmes
- Strengthened relationships with UK Government agencies to access additional export markets
- New export order in excess of £0.7m for single vessel air purification equipment
- Identified further opportunities for long term supply, support and maintenance contracts
- Opened channels with industrial and defence contractors in the USA for technical and commercial collaboration

Corac Energy Technologies (CET)

- Breakthrough tests of downhole gas compressor deployed in a partner's live well in Texas
- Major contract signed with BP for offshore compression, extending the reach of developed technologies - successful feasibility study led to initial design order valued at £0.4m as part of total project for first system estimated at £2.5m
- First expander system, to generate renewable energy, delivered to customer for testing in August
- Identified opportunities worth $1billion as follow on to current projects with first commercial orders expected during 2014
- Regional office opened in Aberdeen to support the regional oil and gas market
- Continued to register new patent applications to protect growing IP portfolio

Hunt Graham (HG)

- Restructured following post acquisition review
- New management team recruited with extensive relevant industry experience
- Company refocused on specialist engineering projects and wider geographic reach
- Two contracts with a combined value £2.4m signed in July for large heat exchange projects with global partners
- Opened enlarged service and maintenance facility supporting refinery business in Scotland

Financial Highlights

- Group revenue of £8.3m (2012: £4.3m)
- £2.8m cash at half year end (31 December 2012: £6.7m)
- Total R&D[4] spend of £1.4m (2012: £1.7m) before partner contributions
- Group loss before tax of £2.4m (2012: loss before tax of £3.8m)
- Adjusted Group EBITDA[3] loss (before share based payments and exceptional items) of £1.5m (2012: loss £2.5m)
- Group order book stood at £13.2m as at 30 June 2013 (2012: £16.3m) providing good visibility for second half cash generation and improving margins

Highlights

Notes

[1] EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment and amortisation of acquired intangible assets.

[2] The directors have provided the pro forma financial information to give an indication of performance as though the acquisitions of ACI and HG had occurred on 1 January 2012. The pro forma financial information is based on unaudited management accounts of both ACI and HG for the period from 1 January 2012 to 4 April 2012, aggregated with the trading results of the Group for the six month period ended 30 June 2012, which include the trading results of ACI and HG for the period from 5 April 2012 to 30 June 2012. The aggregated financial information is then further adjusted to eliminate certain exceptional items that do not relate to underlying trading contained in the unaudited management accounts of both ACI and HG for the period from 1 January 2012 to 4 April 2012.

[3] Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation of acquired intangible assets and any other acquisition related charges, share based payment charges and exceptional items. Exceptional items are those items believed to be exceptional in nature by virtue of their size and or incidence, and in the current period comprise costs associated with the restructuring of activities at HG. In the six months to 30 June 2012 and twelve months to 31 December 2012 they comprise costs associated with the acquisitions of ACI and HG on 5 April 2012 and the associated equity fundraising on 2 April 2012.

[4] Total R&D spend includes cost of sales within CET.

Chief Executive Officer's Statement

Introduction

The first half of 2013 has seen further progress for all three Corac businesses. There have been further advances in technology development projects, improved operational effectiveness in all activity areas and synergies achieved across the operating businesses. Overall financial performance and cash position were in line with expectations.

Important technology and commercial milestones have been achieved, including the first field testing of a downhole gas compressor, delivery of the first renewable energy expander and agreement to develop new compressor applications for offshore platforms.

The Group is now better equipped than it has ever been to meet the technical challenges of proving its technology systems and can plan with more confidence for long term commercial success.

Financial Review

Overall, the business continues to commit cash to fund its technology development projects, however, the rate of burn has been reduced by the partner funding of projects and the profit stream from ACI and HG. The Board continues to review the performance, strategic direction and options for financing growth in the businesses and are confident in the future prospects of the Group.

The financial results for the half year ended 30 June 2013 show a loss before tax of £2.4m (2012: £3.8m) and adjusted EBITDA[3] (before share based payments and exceptional items) of £1.5m loss (2012: £2.5m loss).

ACI has recorded an improved performance with revenues of £4.5m (2012: £4.1m on a pro forma[2] basis). It reported adjusted EBITDA[3] of £1.0m profit (2012: £0.7m on a pro forma[2] basis).

Within CET, total R&D spend was £1.4m (2012: £1.7m), resulting in a reduced adjusted EBITDA[3] loss of £1.9m (2012: £2.4m loss). R&D expenditure has reduced by £0.5m as a result of external partner funding. This funding was greater than last half year (2012: £0.1m) and reflects increasing market confidence in the progress of the technology programme.

The restructuring of the HG leadership team impacted on its first half year results, but is expected to lead to improved performance in the second half and in 2014. Revenues for HG were £3.4m (2012: £4.0m on a pro forma[2] basis), It reported an adjusted EBITDA[3] of £nil (2012: £0.3m on a pro forma[2] basis).

The Group order book stood at £13.2m (2012: £16.3m) and has strengthened in Q3.

Central costs were £0.7m (2012: £0.6m before exceptional items of £1.0m).

Net cash at 30 June 2013 was £2.8m compared to £6.7m at 31 December 2012. First half a year timing of payments and natural working capital flows of the longer term contracts has resulted in cash outflow of £3.8m, which is greater than the £1.7m EBITDA[1]. The working capital outflow is expected to reverse in the second half of the year.

Group Development

The Group has invested in business improvement programmes following the acquisition of HG and ACI. Changes in senior teams and business methods have focused attention on the core assets – advanced technologies, world class skills and strong customer relationships.

Chief Executive Officer's Statement

Recruitment and restructuring in the first half of the year has attracted senior skills and experience from established companies to drive the Group forward. Following the half year end, the roles of Chief Financial Officer and Chief Operating Officer, previously both held by Mark Crawford, were separated to reflect the increasing breadth of Group business activities both in the UK and overseas. Going forward, Mark will focus on the role of COO to drive business growth and delivery across the three operating companies. Accordingly, Jon Carter was appointed as Chief Financial Officer with effect from 22 July; Jon joined from IPL Group and has many years of experience as CFO in private equity backed and leveraged companies in the manufacturing and technology sectors. Additionally, Neville Vickery joined Hunt Graham as Managing Director during the period. Neville was formerly Managing Director at David Brown Gear Industries Ltd, a specialist in engineering and gearing innovation, and brings international sales and marketing experience to the business.

As part of the Group's focus on key client relationships, a new regional office has been opened in Aberdeen to provide more immediate access to the oil and gas community there. A new service facility has also been opened near Grangemouth to support the long-term maintenance relationship with Ineos and other refineries in the region.

The Group has committed further investment into the technology development plan to improve collaboration across the Group to exploit synergies and bring specialist products to market quickly and effectively. Joint work by HG and CET is progressing as a result of their shared interest in thermal engineering and pressure vessels.

A commercial and technical team has started to work with potential partners to test an enhanced smoke removal system, originally developed by ACI, for commercial use. This development reflects the strategy to expand Group technologies into new markets.

The Group has also strengthened its commercial approach to protect its IPR. This includes better protection within commercial contracts and filing new patent applications such as one by CET relating to gas transmission pipelines.

Atmosphere Control International (ACI)

ACI has focused on continuing to provide effective support to long term submarine programmes, whilst adding capability to work on international fleets and other commercial programmes.

In the UK Astute class programme, work continues on two further deliveries due in 2013 and 2014 to complement four boat sets already installed, two of which went into active service this year. Work also continues on the second of the six-boat programme of the French Barracuda class.

In export markets, ACI has built upon its established programmes to establish a greater international presence. This has led to a further order for air purification equipment on a boat from an overseas fleet. Active negotiations are in progress for at least one of the remaining four boats in this programme and other opportunities in the rapidly expanding Asian submarine market

Corac Energy Technologies (CET)

CET has achieved significant milestones in proving its technology maturity in the first half of the year as well as making significant progress towards commerciality.

Accelerated life testing of system components has been followed by field testing of complete systems in live wells. As a result, additional energy industry companies have committed to work with CET on these exciting emerging technologies. In total there are six projects live or committed to build systems with partners in the energy and industrial sectors.

Chief Executive Officer's Statement

In the United States, initial testing has proved the overall functionality of the DGC system. This was backed up in the UK by testing of the ENI system, witnessed by customer engineers. In both cases, engineering enhancements have been agreed with the partners to improve long term, reliable performance. The ENI system is scheduled to return to Spadeadam in Cumbria for acceptance testing in October. It is expected that the American DGC will be returned to site before the end of the year and both systems are anticipated to be testing in wells in early 2014.

The surface compression programme has completed a technical review with Saudi Aramco leading to negotiation of a contract amendment for a revised scope of work. The system will be designed to satisfy a range of well conditions with several hundred candidate wells to provide potentially substantial returns to CET. Detail design and system build of the revised system will begin in the second half of 2013 with field testing anticipated in early 2015.

Compression for offshore platforms has progressed with an order for system concept and arrangement placed by BP Trinidad and Tobago LLC under the Master Service Agreement, as announced on 8 July, just after the half year end. Following a successful feasibility study, this order is valued at almost £0.4m and will be completed in the third quarter of this year. Further orders for detail design and system build will follow. Total project value for the first system is estimated at just over £2.5m with installation on the platform in early 2015, with the expectation of futher systems to follow. A second application with Tullow Oil has completed the feasibility phase and technical and commercial discussions for design and system build are currently in progress.

Beyond the oil and gas sector, work on expanders, which generate electicity from waste energy, has progressed as planned. Building on an initial contract announced on 15th November 2012, the first integrated system was delivered for partner testing on schedule in August. The parallel compressor design has been approved by the partner for build phase with delivery planned in November.

Hunt Graham (HG)

The business review carried out post-acquisition has resulted in investment to restructure the Hunt Graham management, business methods and facilities. Neville Vickery was appointed Managing Director as reported in the trading update on 16th May 2013 . Since his appointment, Neville has focused HG on its approach to its core markets, building on its specialist skills in large and complex thermal engineering solutions and making improvements in its production facilities.

The result allows the team to provide higher levels of service and capability to their key customers and reach out to wider geographic markets through cross-selling with other Group companies.

The Group is now seeing the positive returns on this investment, with successful pursuit of larger scale opportunities where order values have risen and significant contacts have been secured. Notably these include a contract with VME Process, a US based Engineering, Procurement and Construction (EPC) company for a major programme in Saudi Arabia as reported on 30th July 2013 and a further new contract in excess of £0.8m with a global petrochemical company, also signed in July.

These orders have strengthened the order book and will deliver returns to HG over the second half of the year.

Outlook

The Board is pleased with the progress shown by the operating companies in the first six months of the year. The management changes have delivered immediate benefits and have strengthened the Group for the second half year and beyond.

Technology programmes are being delivered with increasing frequency and on time, and market partners are reacting positively to the proof points they are being shown. The Group's Strategy of extending geographic

Chief Executive Officer's Statement

presence and supporting key clients across the combined range of Corac Group business capabilities is beginning to bear fruit.

Information from partners has identified opportunities valued in excess of $1billion as potential follow-on to existing projects. The total market from other equivalent energy and industrial organisations can be reasonably projected to be many times this amount. It is anticipated that the first commercial follow-on orders will be received in 2014.

The outlook for the second half is encouraging with orders due for delivery, a strong pipeline of funded work and new opportunities. The Group order book has strengthened in Q3. The Board anticpates a reduction in second half losses and cash burn as a result.

The result is a more balanced business with strong continuity of performance from ACI, a revitalised Hunt Graham and an increasingly commercial CET.

Phil Cartmell
Chief Executive Officer
16 September 2013

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Revenue	8,347	4,261	15,299
Cost of sales	(6,178)	(3,334)	(11,845)
Gross profit	2,169	927	3,454
Distribution Costs	(293)	(219)	(509)
Research and development costs	(907)	(1,603)	(2,986)
Administrative expenses	(3,331)	(3,058)	(6,233)
Operating loss	(2,362)	(3,953)	(6,274)
Finance income	2	117	180
Loss before income tax	(2,360)	(3,836)	(6,094)
Income tax credit	280	427	870
Loss and total comprehensive expense for the period attributable to shareholders	(2,080)	(3,409)	(5,224)
Loss per share expressed in pence per share	Pence	pence	pence
Basic and diluted loss per share	(0.74)	(1.24)	(1.8)

Condensed Consolidated Statement of Financial Position

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
ASSETS			
Non-current assets			
Goodwill	4,953	4,953	4,953
Other intangible assets	11,223	12,033	11,631
Property, plant and equipment	1,581	2,028	1,828
	17,757	19,014	18,412
Current assets			
Inventories	36	30	44
Trade and other receivables	3,245	5,511	3,339
Taxation recoverable	884	350	700
Cash and cash equivalents	2,774	6,806	6,651
	6,939	12,697	10,734
Total assets	24,696	31,711	29,146
LIABILITIES			
Current liabilities			
Trade and other payables	(5,099)	(7,646)	(7,347)
Taxation payable	(52)	(428)	(52)
	(5,151)	(8,074)	(7,399)
Non-current liabilities			
Deferred taxation	(2,579)	(2,768)	(2,675)
Provisions	(642)	(757)	(712)
	(3,221)	(3,525)	(3,387)
Total liabilities	(8,372)	(11,599)	(10,786)
Net assets	16,324	20,112	18,360
EQUITY			
Share capital	30,793	30,788	30,788
Share premium	13,769	13,769	13,769
Capital redemption reserve	575	575	575
Own shares held by the Employee Benefit Trust	(551)	(551)	(551)
Share-based payments reserve	1,065	963	1,026
Retained earnings	(29,327)	(25,432)	(27,247)
Total equity	16,324	20,112	18,360

Condensed Consolidated Statement of Changes in Equity

Six months to 30 June 2013	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 2013	30,788	13,769	575	(551)	1,026	(27,247)	18,360
Issue of shares	5	-	-	-	-	-	5
IFRS 2 share option charge	-	-	-	-	39	-	39
Transactions with owners	5	-	-	-	39	-	44
Total comprehensive loss for the period	-	-	-	-	-	(2,080)	(2,080)
Balance at 30 June 2013	30,793	13,769	575	(551)	1,065	(29,327)	16,324
Six months to 30 June 2012							
Balance at 1 January 2012	24,740	13,523	575	(551)	883	(22,023)	17,147
Issue of shares	6,048	246	-	-	-	-	6,294
IFRS 2 share option charge	-	-	-	-	80	-	80
Transactions with owners	6,048	246	-	-	80	-	6,374
Total comprehensive loss for the period	-	-	-	-	-	(3,409)	(3,409)
Balance at 30 June 2012	30,788	13,769	575	(551)	963	(25,432)	20,112
Year to 31 December 2012							
Balance at 1 January 2012	24,740	13,523	575	(551)	883	(22,023)	17,147
Issue of shares	6,048	246	-	-	-	-	6,294
IFRS 2 share option charge	-	-	-	-	143	-	143
Transactions with owners	6,048	246	-	-	143	-	6,437
Total comprehensive loss for the year	-	-	-	-	-	(5,224)	(5,224)
Balance at 31 December 2012	30,788	13,769	575	(551)	1,026	(27,247)	18,360

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Operating activities			
Loss before income tax	(2,360)	(3,836)	(6,094)
Adjustments for:			
Depreciation	254	210	478
Amortisation	408	202	605
Finance income	(2)	(117)	(180)
Share-based payment expense	39	80	143
Decrease/(increase) in inventories	8	(621)	95
Decrease/(increase) in trade and other receivables	94	(392)	2,455
(Decrease)/increase in trade and other payables	(2,248)	(332)	(2,303)
(Decrease)/increase in provisions	(70)	-	-
Cash utilised in operations	(3,877)	(4,806)	(4,801)
Income tax received	-	731	731
Net cash used in operating activities	(3,877)	(4,075)	(4,070)
Investing activities			
Interest received	2	117	180
Purchase of property, plant and equipment	(7)	(112)	(175)
Acquisition of subsidiary undertakings	-	(10,750)	(10,910)
Net cash used in investing activities	(5)	(10,745)	(10,905)
Financing activities			
Proceeds from issue of shares	5	6,350	6,350
Expenses of issue of shares	-	(56)	(56)
Net cash from financing activities	5	6,294	6,294
Net decrease in cash and cash equivalents	(3,877)	(8,526)	(8,681)
Cash and cash equivalents at beginning of period	6,651	15,332	15,332
Cash and cash equivalents at end of period	2,774	6,806	6,651

Notes to the Condensed Consolidated Interim Financial Statements

1. Nature of operations and general information

Following the acquisition of ACI and HG in April 2012, the principal activities of Corac Group plc and its subsidiaries (the "Group") undertaken by the ACI, CET and HG businesses comprise:

- ACI: Specialised miniaturisation of chemical processes for rugged environments. ACI supplies air purification equipment, oxygen/hydrogen generation and purification for submarines and air handling and distribution systems in maritime and other environments.

- CET: Innovation and development of turbomachinery systems for use in the oil and gas sector and a wide range of other applications in industrial and utilities sectors. CET has active development programmes for oil-less compression for waste heat recovery and clean gas handling, and compact compression systems to enhance natural gas production operating inside the pipe both downhole and at the wellhead.

- HG: Production of specialised heat exchange equipment used in the cooling and heating of large scale industrial processes. HG supply original equipment and spares, and perform refurbishment and term support services to user communities in oil & gas, chemical processing, power generation, foods and pharmaceuticals from an integrated design and production facility.

Corac Group plc (the "Parent Company") is the Group's ultimate parent company which is incorporated and domiciled in the United Kingdom. The address of the Company is Technology Centre, 683-685 Stirling Road, Slough, Berkshire, SL1 4ST. The Parent Company's shares are listed on the Alternative Investment Market 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 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 2012, prepared under IFRS as adopted by the EU, have been delivered to the Registrar of Companies. The auditor's report on the 2012 financial statements was unqualified and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.
The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 16 September 2013.

2. Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 June 2013. They have been prepared following the principal accounting policies set out in the Group's Annual Report and Accounts for the year ended 31 December 2012.

These condensed consolidated interim financial statements have been prepared under the historical cost convention using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. While the financial figures included in this half-yearly report have been computed in accordance with IFRS applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34

The presentation of the unaudited 30 June 2012 comparative information has been changed to reflect adjustments to the fair value of assets and liabilities acquired on the purchase of ACI and HG on 5 April 2012. These adjustments were recognised in the audited Corac Group plc Accounts to 31 December 2012 but had not been recognised in the unaudited 30 June 2012 Interim Statement. The adjustments have decreased the loss for the period and increased net assets by £46,000 as follows:

	30 June 12 Interim Statement £'000	Adjustment £'000	Credit to comprehensive income £'000	30 June 12 Restated £'000
Statement of Financial Position				
Goodwill	1,969	2,984	-	4,953
Deferred tax liability	-	(2,814)	46	(2,768)
Other net assets	18,097	(170)	-	17,927
	20,066	-	46	20,112
Statement of Comprehensive Income				
Loss before income tax	(3,836)	-	-	(3,836)
Income tax credit	381	-	-	427
Loss and total comprehensive expense for the period attributable to shareholders	(3,455)	-	46	(3,409)

Notes to the Condensed Consolidated Interim Financial Statements

3. Segmental Reporting

The following table presents revenue, profit and certain net asset information for each business segment.

	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Revenue			
Atmosphere Control International	4,490	1,919	7,496
Corac Energy Technologies	505	87	220
Hunt Graham	3,352	2,255	7,583
Group	8,347	4,261	15,299
Segment Operating Result			
Atmosphere Control International	610	128	1,053
Corac Energy Technologies	(2,153)	(2,642)	(5,082)
Hunt Graham	(144)	167	578
Central costs[5]	(675)	(1,606)	(2,823)
Group	(2,362)	(3,953)	(6,274)
Loss from operations	(2,362)	(3,953)	(6,274)
Finance Income	2	117	180
Loss before income tax	(2,360)	(3,836)	(6,094)
Income tax credit	280	427	870
Loss after tax	(2,080)	(3,409)	(5,224)
Segment net assets / (liabilities)			
Atmosphere Control International	10,723	9,557	10,254
Corac Energy Technologies	4,142	8,202	6,112
Hunt Graham	2,104	1,828	2,244
Central	(645)	525	(250)
Total net assets	16,324	20,112	18,360
Geographical analysis – revenue			
United Kingdom	6,681	3,850	12,541
Rest of European Union	787	193	857
Rest of World	879	218	1,901
Total revenue	8,347	4,261	15,299

[5] Central costs in the first six months to 30 June 2012 and year to 31 December 2012 include exceptional items of £980,000 associated with the acquisition of Atmosphere Control International Limited and Hunt Graham Limited.

Notes to the Condensed Consolidated Interim Financial Statements

4. Segmental Reporting continued

	Atmosphere Control International	CET	Hunt Graham	Central costs	Group
	£'000	£'000	£'000	£'000	£'000
Six months ended 30 June 2013					
Segment operating result	610	(2,153)	(144)	(675)	(2,362)
Depreciation and amortisation	405	213	44	-	662
EBITDA[1]	1,015	(1,940)	(100)	(675)	(1,700)
Share based payments	-	-	-	39	39
Exceptional items	-	-	140	-	140
Adjusted EBITDA[3]	1,015	(1,940)	40	(636)	(1,521)
Six months ended 30 June 2012					
Segment operating result	128	(2,642)	167	(1,606)	(3,953)
Depreciation and amortisation	201	200	11	-	412
EBITDA[1]	329	(2,442)	178	(1,606)	(3,541)
Share based payments	-	-	-	80	80
Exceptional items	-	-	-	980	980
Adjusted EBITDA[3]	329	(2,442)	178	(546)	(2,481)
Year ended 31 December 2012					
Segment operating result	1,053	(5,082)	578	(2,823)	(6,274)
Depreciation and amortisation	600	418	65	-	1,083
EBITDA[1]	1,653	(4,664)	643	(2,823)	(5,191)
Share based payments	-	-	-	143	143
Exceptional items	-	-	-	980	980
Adjusted EBITDA[3]	1,653	(4,664)	643	(1,700)	(4,068)

[1] EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment and amortisation of acquired intangible assets.

[3] Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation of acquired intangible assets and any other acquisition related charges, share based payment charges and exceptional items. Exceptional items are those items believed to be exceptional in nature by virtue of their size and or incidence. In the six months to 30 June 2013 they comprise costs associated with the restructuring of activities at HG. In the six months to 30 June 2012 and twelve months to 31 December 2012 they comprise costs associated with the acquisitions of ACI and HG on 5 April 2012 and the associated equity fundraising on 2 April 2012.

Notes to the Condensed Consolidated Interim Financial Statements

5. Loss per share

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

	Unaudited Six months ended 30 June 2013 number	Unaudited Six months ended 30 June 2012 number	Audited Year ended 31 December 2012 number
Weighted average shares in issue	306,379,318	275,471,400	291,007,168

The weighted average number of shares in issue has been reduced by deducting the weighted average number of shares held by the Employee Benefit Trust of 1,506,347 shares (six months ended 30 June 2012 and year ended 31 December 2012: 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.

6. Share Issues

At 31 December 2012 Corac Group plc has called up share capital of 307,880,416 ordinary shares of nominal value 10p each. On 11 June 2013 the Company issued 50,000 new ordinary shares of nominal value 10p each following the exercise of an employee share option issued at 10 pence per share under the Enterprise Management Incentive (EMI) scheme. At 30 June 2013 Corac Group plc has a total called up share capital of 307,930,416 ordinary shares of nominal value of 10p each.

Company Information

Company number
3152034

Directors
R W King
Non-executive Chairman

P Cartmell
Chief Executive Officer

J P Carter
Chief Financial Officer (appointed 22 July 2013)

M S Crawford
Chief Operatingl Officer

R R Courtney OBE
Non-executive Director

Julia Henderson
Non-executive Director (appointed 26 March 2013)

Secretary
M J Webb

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