



# cordac

group plc

## Preliminary Results 2009

Phil Cartmell

Chief Executive Officer

Mark Crawford

Commercial and Finance Director

# Agenda

- Company overview
- Board and management team
- Operational & financial highlights
- Business status review
- DGC field trial update
- Business transformation
- Corac's strategy
- Summary

# Company Overview



Corac creates innovative solutions in turbo machinery to improve our industrial partners' performance.

We combine:

- Research and development
- Engineering expertise
- Innovative products
- Patented solutions
- Collaborative approach
  
- To develop high speed, energy efficient compressors with a range of economically significant applications:
  - compressed air delivery without risk of oil contamination
  - artificial-lift gas extraction

# Board and Management Team

- Gerry Musgrave
  - Executive Chairman \*
- Phil Cartmell
  - Chief Executive Officer
- Mark Crawford
  - Commercial and Finance Director
- Julian Reed
  - Chief Technical Officer
- Rohan Courtney
  - Non-Executive Director

\* Gerry Musgrave steps down from the Board at the AGM in June to take on new responsibilities for Research and Enterprise

# Operational Highlights

- Strengthened the Board and senior management team
- Continued development and testing of our Downhole Gas Compressor (DGC) for the Eni SpA field trial
- 2 industrial air machines each achieved c. 7,000 hours factory testing
- 2 Industrial air booster compressors installed and running
- New patents filed to extend our core technology into other applications

# Financial Highlights

	2009		2008
Revenue	£1.34m	↑	£0.66m
Loss after tax	£2.93m	↓	£2.97m
Loss per share	3.1p	↓	3.5p
Net Assets	£6.04m	↑	£3.08m
Cash Balance	£5.34m	↑	£2.12m
Cash raised from investors	£5.79m	↑	£nil

# Profit & Loss Account

	2009 £	2008 £
<b>Revenue</b>	1,336,750	661,704
Research & development costs (including cost of sales)	(3,375,467)	(2,945,201)
Administrative expenses	(1,729,789)	(1,449,981)
Other income	36,045	46,349
<b>Operating loss</b>	(3,732,461)	(3,687,129)
Finance income	47,147	210,812
<b>Loss before tax</b>	(3,685,314)	(3,476,317)
Tax credit	750,747	507,758
<b>Loss after tax</b>	(2,934,567)	(2,968,559)

- Revenue doubled through additional JIP partner funding
- Increased investment in R&D and new management/infrastructure
- Tax credit reflects increased R&D investment

# Cash

	2009 £	2008 £
<b>Net cash used in operating activities</b>	(3,090,698)	(2,659,941)
<b>Investing activities</b>		
Finance income	47,147	210,812
Purchase of property, plant & equipment	(19,258)	(21,551)
	27,889	189,261
<b>Financing activities</b>		
Net proceeds from issue of shares	5,785,434	
Net proceeds on options exercises and EBT share purchase	-	112,782 (270,504)
Cash transferred from/(to) short term deposits	500,000	(250,000)
	6,285,434	(407,722)
<b>Net increase/decrease in cash and cash equivalents</b>	3,222,625	(2,878,402)
Cash & cash equivalents at beginning of year	2,121,363	4,999,765
<b>Cash &amp; cash equivalents at end of year</b>	5,343,988	2,121,363

- Significant additional funds raised from 2 share issues
- Cash managed in instant access accounts to maximise liquidity and returns
- Strong net cash position at year end

# Balance Sheet

	2009 £	2008 £
<b>Non-current assets</b>		
Property, plant & equipment	51,360	83,465
	51,360	83,465
<b>Current assets</b>		
Inventories	135,900	-
Trade, taxation & other receivables	1,183,857	960,675
Other short term financial assets	-	500,000
Cash & cash equivalents	5,343,988	2,121,363
	6,663,745	3,582,038
<b>Current liabilities</b>		
Trade & other payables	(672,307)	(584,267)
<b>Net assets</b>	6,042,798	3,081,236

Doubling of net assets has strengthened the balance sheet

# Legacy Conditions

- Existing conditions
  - Projects – delays in delivery schedules
  - Cash - rely upon investors funds
  - Confidence – customer uncertainty over our ability to deliver
- Assets to build upon
  - Technology – patented intellectual property from years of research and proven compressor capability
  - Industrial Air Partners – Fu Sheng, LMF
  - Oil and Gas Partners - JIP (ENI, Repsol & Conoco Phillips) recognise the potential, links with Baker Hughes and potential other ventures in Middle East and USA
  - People - talented and committed

# Aims

The Corac Leadership Team will create an effective company which aims:

- To prove and extend our core technologies
- To develop further innovative applications
- To realise the potential in our chosen markets
- To create value for stakeholders
  - Shareholders - return on investment
  - Customers – satisfy and develop
  - Staff - challenge and security

# Present Activities



- Gas extraction
  - DGC progress towards downhole field trial
    - Proof of concept
    - Commercialisation
    - Scaling up
  - Opportunities for further trials
- Industrial air
  - Limited product sales opportunity
- IP development opportunities and partnerships

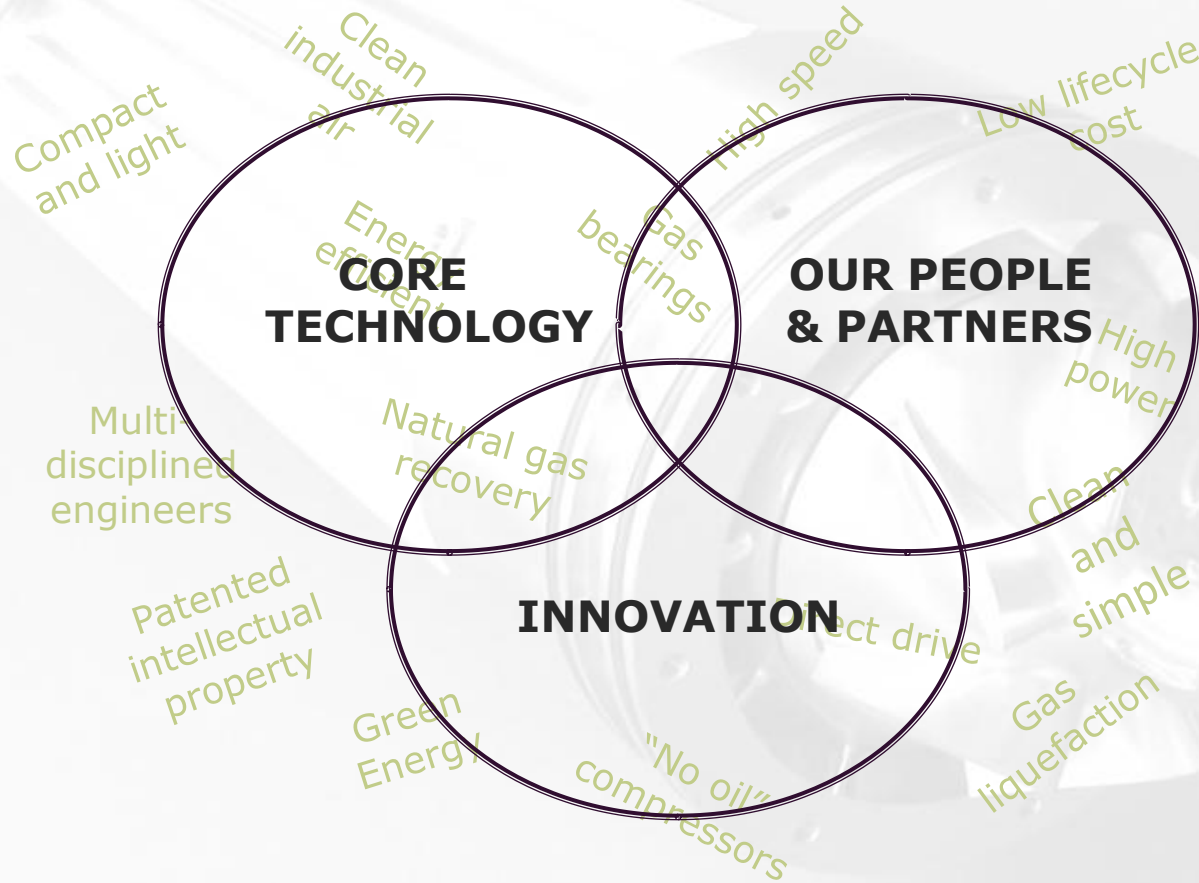
# DGC Field Trial Updates

- ENI project progressing to revised timetable and plan
  - Project management overhauled Dec 09
    - Recognises dual operational and technical development risk
    - Delivery and implementation schedule agreed
    - More effective partner communication and reporting established
  - 4 months progress – we remain on plan
    - Prototype systems designed, built and tested
    - Test events at Spadeadam and Uxbridge
    - Many production items in process
- Contractual discussions ongoing for two new applications of Corac compressor technology with partners in USA and Middle East

# Business Transformation

- Establishing the framework
  - Structure : balancing technical and commercial success
  - Discipline : success within a controlled framework
  - Accountability : deliver on customer expectations
  - Process : consistent, clear and repeatable methods
- Implementation of industry best practice programme management methodologies
  - Assures project deliveries to achieve desired outcomes
  - Manages risk across the whole company
  - Builds effective customer relations & communications

# Corac's Strategy



Creating innovative solutions in turbo machinery to improve industrial performance

# Summary

- Build on core and latent technology
  - Engineering expertise
  - Innovative technology
  - Patented solutions
- Improve commercial approach
  - Partner & market understanding
  - Identify future growth opportunities
- Improve resource optimisation & management
- Reduced risk through improved commercial awareness and management information
- Create value for stakeholders