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HYDRODEC GROUP PLC

HYDRODEC COMPLETES ACQUISITION OF OTS AND ANNOUNCES BOARD CHANGES

Further to the announcement made on 4 July 2005, Hydrodec Group plc (“Hydrodec” or “The Company”) today announces the completion of the acquisition of Oil Treatment Services Pty Ltd (“OTS”), its joint venture partner and the EPA licensed site located in Young, New South Wales, Australia. It is Hydrodec’s intention to create a world-class centre of excellence at this location for transformer oil re-refining and regeneration, and PCB treatment specifically, and also the re-refining of specialty oils generally.

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

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

The consideration payable for OTS is being satisfied by the issue of 6,495,402 new ordinary shares (“Ordinary Shares”) at an issue price of 22.2p per share. A cash sum may also be payable depending on the working capital position of OTS as at today’s date. In addition, 1,004,598 new Ordinary Shares are to be issued, at an issue price of 22.2p per share, to various third parties in satisfaction of sums owed by OTS to such third parties. Application has today been made to the London Stock Exchange plc for the admission to trading on AIM of these 7,500,000 new Ordinary Shares.

John Gunn, Chairman, commented *“As previously stated our corporate strategy is to focus initially on one industry in one geographic region. This acquisition gives Hydrodec the foundation to consolidate its technology in Australia and provides a base for the replication and roll out of the technology across global territories”*.

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

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

John Gunn, Chairman, commented "*Chris and Philip have done a first class job for Hydrodec during their brief time, including the acquisition of OTS, a key step forward in The Company's development. I wish Chris and Philip every success in their new ventures*".

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