Interim report 2005

mcc energy group

Energy Efficiency Technologies
Alternative Fuels/Renewable Energy
Investing, Operating and Advising

TERSUS ENERGY PLC

Contents

Change of name

Your Board has decided to recommend to you that we change the name of your Company from MCC Energy Plc to Tersus Energy Plc. Whilst MCC Energy has an excellent reputation in the sector for its advisory work, the focus of our activities has shifted since listing and will continue to shift towards strategic investment and your Board believes that a change of name is appropriate to accompany this change of focus. Tersus means 'clean' in latin and is therefore a very suitable name for our investment activities in our chosen areas of energy efficiency and alternative fuels/renewable energy.

Highlights

Operational

» Successful admission to trading on AIM in February raising £3m
» Acquisition of Navitas Technologies – the first step in our battery efficiency roll up
» Investment in DynaMotive Energy Systems – the first of our BioEnergy investments
» Investment in Tang Group – a window to China and to Asian renewable projects
» A growing pipeline of strategic and project investments under negotiation
» Nurtured and added to our sweat equity positions
» Advisory activity sustained including repeat assignment with Minnesota Power
» Proposed change of name to Tersus Energy Plc

Financial

» Revenue of £1.263m for the first half (2004 half year: £0.108m; full year: £1.655m)
» Pre-tax loss of £0.306m (2004 half year: £1.212m; full year: £1.448m)
» Net Assets of £2.137m (2004 half year: £0.010m; full year: £0.133m)

Chairman's statement

Background

MCC Energy Plc was incorporated on 15 December 2004 and acquired the whole of the share capital of MCC Energy Group, Inc. on 27 January 2005. MCC Energy Group, Inc. had been trading for a number of years before that as a strategic advisor in the energy sector. MCC Energy Plc was admitted to trading on AIM on 4 February 2005.

Financial results

In the six months to 30 June 2005, consolidated turnover was £1,263,533, of which £846,425 was from advisory fees and £417,108 was from our subsidiary Navitas Technology ("Navitas") for the period from mid April when we acquired the business.

The loss on ordinary activities of the advisory and investment business was £362,432 whilst Navitas contributed a profit of £55,798 to give a consolidated loss before tax of £306,634. During the period considerable time and therefore cost has been applied to our investment programme.

Our cash position at 30 June, after taking into account the costs of the IPO and our acquisition of Navitas, was £1.578m which is slightly more than we anticipated at the time of listing. Since 30 June, we have invested a further £0.550m in DynaMotive and Tang Group.

Achievements

In the period since listing we have:

» Collected the US$800,000 previously earned for advisory work for Minnesota Power and have begun a new advisory assignment for this client.

» Won further advisory mandates in growing industry sectors such as gas storage and bioenergy with income including retainers, success fees, and client equity.

» Acquired in April the assets and trade of Navitas (previously SRE Controls Inc.), grown its revenues and turned a loss making business into a profitable one. More details are provided below.

» Made significant progress in negotiations with two further companies which if acquired will, with Navitas, create a powerful and significantly larger platform of battery efficiency technologies, products, and distribution capability.

» Invested in September in DynaMotive Energy Systems Corp, a Canadian biofuel company (wood waste to BioOil). We have the right to invest in its first project, which is operating and revenue earning. We expect to enter into a development agreement which will enable us to deploy substantial amounts of capital, at our discretion, in future projects worldwide. More details are provided below.

» We are investing in Tang Group Ltd, a Dallas and Beijing based technology and project developer specialising in Asian renewables. In particular, this will allow us to gain access to China's largest wind blade manufacturer and to large scale Chinese wind and clean coal projects. More details are provided below.

» Agreed terms to invest in a company using advanced measurement and recovery technology to continue to work oil wells otherwise considered to be depleted. This investment will also enable us to invest in the company's individual projects as we judge appropriate. We expect to announce completion shortly.

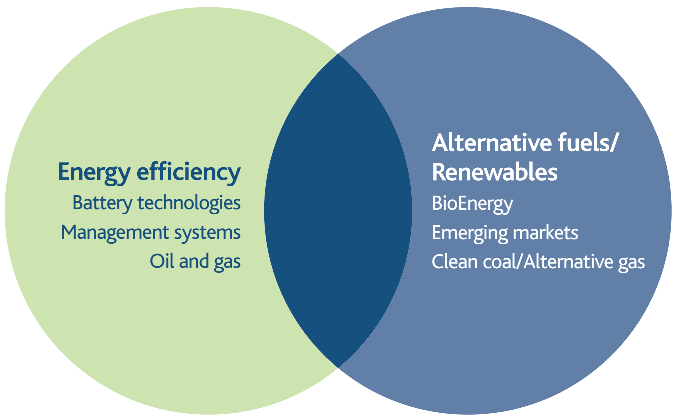
» Agreed terms to invest in a leading advanced technology developer and manufacturer of battery testing equipment. We also expect to secure an advisory engagement with this company.

» Made significant progress in negotiating further investments in:

(a) a UK-based world-leading animal waste-to-energy developer utilising patented anaerobic digestion, including the right to invest in all projects developed with this technology.
(b) an EU based household waste to energy business with operating assets and current earnings.
(c) two complementary businesses in the energy management systems area.

» Continued to nurture the equity positions previously earned in return for advisory work and added to them through work currently in progress. Given continued development in line with their business strategies, we believe that these investments will yield significant value which we will realise as they mature.

MCC Energy Plc
Our strategic focus



Existing and new investments

Navitas Technologies

Navitas supplies battery control products to battery powered vehicles and was loss making in 2004 and in the period to April 2005 when we acquired it. Following our active involvement, and with a restructured management team, the business has made a small profit in the period April to June. It is expected to achieve a profit in the second half year on turnover of around US$2m, to grow earnings strongly in 2006 on forecast revenues in excess of US$5.5m (representing year on year growth of over 30%), and to continue its growth in 2007 resulting in a value many multiples greater than our acquisition cost of around £0.5m. This value will be further enhanced by the successful addition of complementary business investments currently under negotiation.

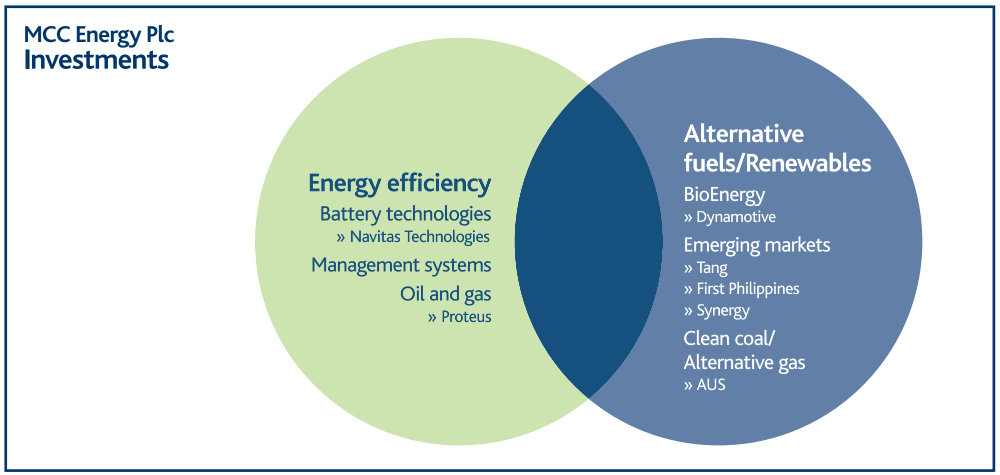
DynaMotive Energy Systems

DynaMotive is a Nasdaq traded company. Our US$500,000 investment in the company brings with it the right to acquire 20% of the equity in its first project which is operating and income earning and has a project value of circa $15m. This project at West Lorne in Ontario converts wood waste into BioOil and char and is the world's largest pyrolysis plant and the first BioOil fuelled co-generation facility. Power is delivered to the plant co-located with the facility and surplus is sold to the Ontario grid. We expect to enter into a development agreement giving us the right to invest in future DynaMotive projects and to earn fees from the introduction of overseas opportunities.

Tang Group

We are investing US$500,000 in this privately-held US and China based renewable technology and power generation project development company and are committed to invest an additional US$500,000 in the US$10m equity round on which we are advising. In addition to the direct investment return we will be able to invest at least 20% in the Group's future wind farm projects projected by the company to potentially be in excess 4,000MW of generating capacity. We have also been given the right to raise the project financing for at least two of the Tang projects under development.

Tang has an option to acquire an interest in a leading Chinese wind blade manufacturer experiencing very substantial growth. Tang has agreed to use best endeavours to allow MCC Energy Plc to participate as an investor in this rapidly expanding blade business and we expect to enter into a joint development agreement to pursue additional projects.



With energy consumption and imports in China increasing significantly, the government of China has recently stepped up encouragement of renewable power generation, with a focus on wind, to increase and diversify electricity supply and reduce emissions. Yields on Asian wind projects are expected to exceed returns on European wind projects for some time. Through Tang and their experienced project team we expect to be an active participant in this high-yield market.

Additional investments and holdings

In addition to the investments highlighted above, Navitas Technologies, DynaMotive Energy Systems and Tang Group, we have made significant progress in making strategic investments in a leading advanced technology developer and manufacturer of battery testing equipment; an advanced oil recovery technology and project developer; and a UK-based world-leading animal waste-to-energy developer utilizing patented anaerobic digestion, including the right to invest in all projects developed with this technology.

In addition to the above investment progress, we continue to work our portfolio of equity positions obtained and obtainable in return for providing advisory services. The current portfolio includes interests in:

- A large-scale Asian wind farm in development
- A Chinese clean coal steam loop project in development
- A large scale Indian wind project
- A US gas storage development project
- An option in a tidal and run of river energy technology developer
- A small scale distributed generation wind technology and project developer
- An option in a biocatalyst technology developer to enhance biofuel production.

We believe that the value of the portfolio is at, or in excess of, the value as at the date of listing and the overall maturity of the opportunities has progressed. Given continued development in line with their business strategies we expect to realise significant gains from these positions over the next one to two years.

Our opportunity and outlook

The Company's focus continues to be on the energy efficiency and alternative fuels/renewable energy sectors, in particular the areas of:

- Battery technologies
- BioEnergy
- Clean coal/alternative gas
- Emerging market renewables
- Energy management systems
- Oil and gas efficiency for improved recovery or distribution.

Through our advisory work and increasingly through the activities of the companies in which we invest, we gain market intelligence which identifies specific investment opportunities and enables us to invest in the right businesses at the right time.

In many of the investments we have made or are currently negotiating we have been able to protect our downside by investing initially in convertible debt whilst maximising our upside by linking the initial investment to rights to participate in future projects and thus progressively raise the scale of our operations.

Our direct experience in the sector enables us to identify investment opportunities where we can add significant strategic value and as a consequence invest ahead of financial funds seeking to participate in these sectors.

This, together with our hands on strategic approach to our investments through which we work with management to capitalise on the opportunities available to the business, will enable us to achieve superior returns.

Furthermore, by investing across a number of platforms in what we believe to be the most attractive areas of the market we achieve risk diversification not available to single platform companies and we do so without any loss of investment upside.

We have built up considerable momentum and will continue to seek suitable investment opportunities. There is no shortage of candidates and as ever our expertise is to continue to select the right ones and to invest at the right time to maximise shareholder returns.

Change of name

Your Board has decided to recommend to you that we change the name of your Company from MCC Energy Plc to Tersus Energy Plc. Whilst MCC Energy has an excellent reputation in the sector for its advisory work, the focus of our activities has shifted since listing and will continue to shift towards strategic investment and your Board believes that a change of name is appropriate to accompany this change of focus. Tersus means 'clean' in latin and is therefore a very suitable name for our investment activities in our chosen areas of energy efficiency and alternative fuels/renewable energy.

Conclusion

Your Board is pleased with the progress we have made in the period since listing.

We have commenced the process of investing in high growth opportunities in our chosen sectors.

Our active involvement in the market continues to give us an insight not available to most investors.

We have a good pipeline of prospective investment opportunities and expect to make further announcements in the coming months.

We have continued to earn advisory fees and to create situations where, with favourable market uptake, we can earn significant contingent fees.

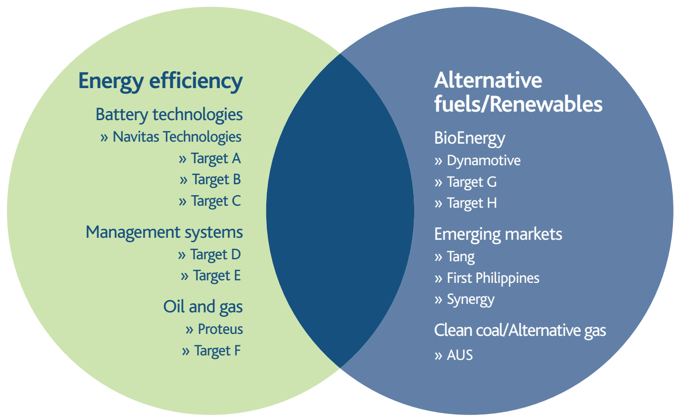
And macro economic developments in the meantime have confirmed our belief that our chosen sectors offer superior returns to an informed investor.

We expect to report continued progress through the remainder of 2005 and into 2006.

John Devaney
Chairman

30 September 2005

MCC Energy Plc
Investments and targets



Interim accounts 2005

Consolidated profit and loss account

For the period ended 30 June 2005	Note	6 months ended 30 June 2005 (Unaudited) £	6 months ended 30 June 2004 (Unaudited) £	12 months ended 31 Dec 2004 (Unaudited) £
Turnover	3	**1,263,533**	108,462	1,655,317
Cost of sales		**(950,956)**	(53,384)	(875,129)
Gross profit		**312,577**	55,078	780,188
Administrative expenses		**(642,343)**	(1,267,115)	(2,228,389)
Operating loss		**(329,766)**	(1,212,037)	(1,448,201)
Interest receivable		**23,132**	–	–
Loss on ordinary activities before taxation		**(306,634)**	(1,212,037)	(1,448,201)
Taxation		**(22,362)**	–	–
Loss on ordinary activities after taxation		**(328,996)**	(1,212,037)	(1,448,201)
Dividends		**–**	–	–
Loss retained		**(328,996)**	(1,212,037)	(1,448,201)
Loss per share:				
Basic	5	**(1.3p)**	(10.6p)	(12.5p)
Diluted		**n/a**	n/a	n/a

Note: Of the loss on ordinary activities before taxation for the 6 months ended 30 June 2005, £305,913 is attributable to the 5 months since the company's shares were admitted to AIM.

Consolidated balance sheet

At 30 June 2005	As at 30 June 2005 (Unaudited) £	As at 30 June 2004 (Unaudited) £	As at 31 Dec 2004 (Unaudited) £
Fixed assets			
Intangible assets - goodwill	**259,327**	–	–
Tangible assets	**42,079**	–	–
	301,406	–	–
Current assets			
Stock	**222,937**	–	–
Debtors	**476,432**	60,571	455,145
Investments	**–**	3,155	–
Cash at bank and in hand	**1,578,824**	5,699	65,886
	2,278,193	69,425	521,031
Creditors: amounts falling due within one year	**(442,516)**	(59,087)	(387,745)
Net current assets	**1,835,677**	10,338	133,286
Total assets less current liabilities	**2,137,083**	10,338	133,286
Net assets	**2,137,083**	10,338	133,286
Capital and reserves			
Called up share capital	**130,751**	7,102	7,042
Share premium account	**2,290,147**	1,297,776	1,570,480
Merger reserve	**1,579,625**	–	–
Profit and loss account	**(1,863,440)**	(1,294,540)	(1,444,236)
Equity shareholders' funds	**2,137,083**	10,338	133,286

Consolidated cash flow statement

For the period ended 30 June 2005	Note	6 months ended 30 June 2005 (Unaudited) £	6 months ended 30 June 2004 (Unaudited) £	12 months ended 31 Dec 2004 (Unaudited) £
Net cash outflow from operating activities	8	**(304,130)**	(1,306,685)	(1,609,148)
Returns on investments and servicing of finance				
Interest received		**23,132**	–	–
Net cash inflow from returns on investments and servicing of finance		**23,132**	–	–
Taxation		**–**	–	–
Capital expenditure and financial investment				
Purchase of fixed assets		**(24,930)**	–	–
Net cash outflow from capital expenditure and financial investment		**(24,930)**	–	–
Acquisitions and disposals				
Purchase of Navitas business, including associated costs		**(506,425)**	–	–
Net cash outflow from acquisitions and disposals		**(506,425)**	–	–
Cash outflow before financing and management of liquid resources		**(812,353)**	(1,306,685)	(1,609,148)
Investing activity				
Sale of marketable investments		**–**	64,474	64,474
Financing				
Issue of shares on listing		**3,000,000**	–	–
Issue of shares - other		**75,001**	1,245,415	1,611,716
Costs associated with IPO		**(754,103)**	–	–
Net cash inflow from financing		**2,320,898**	1,245,415	1,611,716
Increase in cash		**1,508,545**	3,204	67,042

Consolidated statement of total recognised gains and losses

For the period ended 30 June 2005	6 months ended 30 June 2005 (Unaudited) £	6 months ended 30 June 2004 (Unaudited) £	12 months ended 31 Dec 2004 (Unaudited) £
Loss for the financial period	**(328,996)**	(1,212,037)	(1,448,201)
Exchange differences on opening reserves	**(90,208)**	(6,697)	79,771
	(419,204)	(1,218,734)	(1,368,430)

Notes

1 Basis of preparation

MCC Energy Limited was incorporated on 15 December 2004. On 27 January 2005, MCC Energy Inc. entered into a group reconstruction whereby MCC Energy Limited became the new parent undertaking of the group. All shareholders of MCC Energy Inc. became shareholders of MCC Energy Limited. The transaction qualified as a group reconstruction and was accounted for using merger accounting. MCC Energy Limited was subsequently converted to a public limited company and listed on AIM.

The financial information has been prepared as if the parent undertaking had always been in existence. This represents a departure from the Companies Act 1985 as the parent undertaking has not been in existence for the full period covered by the current and comparative period. The directors consider that this presentation is necessary in order to give a true and fair view because the ownership of the group remained unchanged as a result of the group reconstruction. The loss after taxation on ordinary activities of the group for the period from the date of the group reconstruction was £328,275.

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

2 Taxation

The tax charge for the interim period relates to profits made in Canada.

3 Segmental information

	6 months ended 30 June 2005 (Unaudited) £	6 months ended 30 June 2004 (Unaudited) £	12 months ended 31 Dec 2004 (Unaudited) £
Income:			
Navitas Sales	**417,108**	–	–
USA fee income	**841,425**	108,462	1,655,317
UK fee income	**5,000**	–	–
	1,263,533	108,462	1,655,317

Notes continued

4 Acquisition note
On 20 April 2005 the company acquired the assets and trade of SRE Limited subsequently renamed Navitas Technologies Limited, a company incorporated in Ontario, Canada.

This has been accounted for as an acquisition. Details are as follows:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Assets and liabilities acquired:			
Fixed assets	16	–	16
Debtors	128	–	128
Stocks	12	101	113
Net assets acquired	156	101	257
Consideration:			
Cash			475
Capitalised cost associated with acquisition			31
Fair value of consideration paid			506
Goodwill			
Exchange movement at 30 June			249
Goodwill at 30 June			10
			259

Stock acquired was adjusted to its cost value.

Navitas Technologies Limited contributed £417,018 to turnover and £55,798 to operating profit for the group since it was acquired.

5 Loss per share

	6 months ended 30 June 2005 (Unaudited) £	6 months ended 30 June 2004 (Unaudited) £	12 months ended 31 Dec 2004 (Unaudited) £
Loss for the financial period	**(328,996)**	(1,212,037)	(1,448,201)

	Number of shares	Number of shares	Number of shares
Weighted average number of shares			
For basic loss per share	**26,084,379**	11,415,897	11,565,897

The number of shares has increased from the comparative periods as a result of the merger and subsequent floatation.

6 Dividends
No dividends have been paid or proposed for the period.

Notes continued

7 Publication of non-statutory accounts
The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The figures for the period ended 30 June 2004 have been calculated from the financial statements of MCC Energy Inc. for the year ended 31 December 2004.

8 Net cash outflow from operating activities

	6 months ended 30 June 2005 (Unaudited) £	6 months ended 30 June 2004 (Unaudited) £	12 months ended 31 Dec 2004 (Unaudited) £
Operating loss	**(329,766)**	(1,212,037)	(1,448,201)
Non-cash item: loss on disposal of investment	**–**	5,218	8,466
Exchange differences written off	**(15,335)**	–	–
Increase in stock	**(105,155)**	–	–
Decrease/(increase) in debtors	**139,569**	(21,526)	(441,250)
Increase/(decrease) in creditors	**6,557**	(78,340)	271,837
Net cash outflow from operating activities	**(304,130)**	(1,306,685)	(1,609,148)

9 Reconciliation of net cash flow to movement in net debt

	6 months ended 30 June 2005 (Unaudited) £	6 months ended 30 June 2004 (Unaudited) £	12 months ended 31 Dec 2004 (Unaudited) £
Increase in cash in the period	**1,508,545**	3,204	67,042
Translation differences	**4,393**	16	(3,635)
Movement in net debt in the year	**1,512,938**	3,220	63,407
Net funds at the beginning of the period	**65,886**	2,479	2,479
Net funds at the end of the period	**1,578,824**	5,699	65,886

10 Share capital
On admission of the company's shares to AIM and at 30 June 2005 the authorised and issued fully paid share capital of the company was as follows:

	At 30 June 2005 £	On admission £
Authorised		
200,000,000 ordinary shares	1,000,000	1,000,000
Issued and fully paid		
26,150,185 (26,000,185) ordinary shares of 0.5p	130,751	130,001

Notes continued

10 Share capital continued

During the period 150,000 shares representing £750 of share capital at nominal value were issued in consideration of legal fees of £75,000 payable by the company in relation to the AIM listing.

The Articles contain no provisions as to rights of pre-emption on either the transfer, issue or allotment of shares. The provisions of section 89 of the Companies Act (which confer on Shareholders rights to pre-emption in respect of the allotment of equity securities (within the meaning of section 94(2) of the Act) which are, or are to be, paid up in cash (other than by way of allotment to employees under an employees' share scheme (as defined in section 743 of the Act) apply, except to the extent that such provisions have been disapplied, to the authorised but unissued share capital of the Company in respect of which the Directors currently have (pursuant to the resolution referred to in paragraph 2.2 above) authority to make allotments pursuant to sections 80 and 89 of the Act.

At an Extraordinary General Meeting of the Company held on 7 January 2005 by special resolution:

the Directors were generally and unconditionally authorised for the purposes of section 80 of the Act to allot relevant securities of an aggregate nominal value not exceeding £500,000. This authority expires on 6 January 2010, save that the company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired and;

the Directors were empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) as if subsection (1) of section 89 of the Act did not apply to any such allotment. This power will, inter alia, permit the allotment for cash (otherwise than pro rata to existing holdings) of the authorised but unissued ordinary shares in the capital of the Company up to an aggregate nominal value of £500,000. This power will, unless renewed, varied or extended, expire on the later of 6 January 2006 and the annual general meeting to be held in 2006, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot equity securities in pursuant of such offer or agreement as if the power conferred hereby had not expired.

Notes continued

11 Directors interests in ordinary shares

The interests of the Directors in ordinary shares, all of which are beneficial, are as follows:

	As at 30 June 2005		On Admission	
Directors	**No. of ordinary shares**	**Percentage of issued share capital**	No. of ordinary shares	Percentage of enlarged issued share capital
J F Devaney [2]	**28,471**	**0.14**	–	–
A R Moore [1]	**1,084,998**	**5.42**	1,084,998	4.17
S P Levine	**1,783,702**	**8.92**	1,783,702	6.86
D T Wilson [2]	**63,938**	**0.31**	38,938	0.15
K I Denos	**652,694**	**3.26**	652,694	2.51
S J Clayton [1]	**1,084,998**	**5.42**	1,084,998	4.17
N N Trulsvik	**–**	**–**	–	–

Note:

[1] In addition A R Moore and S J Clayton are controlling shareholders in MCCI which holds ordinary shares, in which they are therefore interested.

[2] J F Devaney and D T Wilson have been granted options by MCCI over 300,000 existing ordinary shares held by MCCI which are exercisable for nominal consideration.

Options to subscribe ordinary shares

At admission and at 30 June 2005, certain Directors held the following options to subscribe for Ordinary shares:

	Type of scheme	Date of grant	Ordinary shares under option	Exercise price £	Exercise dates From	To
J F Devaney	Stand-alone Option	01/02/05	400,000	0.500	04/02/05	03/02/10
S P Levine	Rollover Stock Option	01/05/02	743,209	0.134	Vested	30/04/07
S P Levine	Rollover Stock Option	01/05/02	371,604	0.134	01/05/05	30/04/07
D T Wilson	Stand-alone Option	01/02/05	400,000	0.500	04/02/05	03/02/10
N N Trulsvik	Stand-along Option	01/02/05	200,000	0.500	04/02/05	03/02/10
			2,114,813			

No options have been issued in the period from admission to 30 June 2005.

Independent review report to MCC Energy plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes 1 to 11. We have read the other information contained in the interim report which comprises only the Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the company's members, as a body, in accordance with guidance contained in APB Bulletin 1999/4 'Review of Interim Financial Information'. Our review work has been undertaken so that we might state to the company's members those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of Interim Financial Information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Grant Thornton UK LLP
Chartered Accountants
London

30 September 2005

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