SWP GROUP PLC

Half Year Results
for the six months ended 31 December 2007

Chairman's Statement

Financial Highlights

These results are the Group's first to be reported under International Financial Reporting Standards (IFRS) which all AIM listed companies are obliged to adopt for accounting periods commencing on or after 1 January 2007. The adoption of IFRS represents an accounting change only and does not affect the operations or cash flows of the Group. Comparative figures for the six months ended 31 December 2006 and the year ended 30 June 2007 have been restated accordingly.

Turnover for the six months ended 31st December 2007 increased by 9.1% to £10,964,000 (2006 £10,050,000) with operating profits climbing to £660,000 (2006 £120,000). With increased finance costs of £298,000 (2006 £276,000) pre-tax profits amounted to £362,000 (2006 Loss £156,000).

With both Fullflow and Crescent of Cambridge treading water in financial terms during this period following record results at each subsidiary for the year ended 30th June 2007 the improvement in operational results lies in the performance of DRC following a period of restructuring and the successful outcome of litigation pursued against the owners of Ulva which allowed the Group to acquire this business and the intellectual property which vests in the Ulva brand on 29th November 2007. The results reported below incorporate the trading results for Ulva for the three weeks up to Christmas 2007 from the date of acquisition.

	Unaudited Six months ended 31.12.07 £'000	Unaudited Six months ended 31.12.06 £'000
Turnover	**10,964**	10,050
Operating profit	**660**	120
Profit/(loss) before and after tax	**362**	**(156)**
Profit/(loss) per share	**2.12p**	(0.92)p

Operational Highlights

Fullflow

For the six months under review, Fullflow's sales increased by 12.8% to £7.6 million. Unfortunately this still left Fullflow significantly short of its revenue targets and because overhead costs, mainly in the form of staff numbers, had been increased to support the extra planned growth, operating profit fell by 14.4%.

In the *UK*, there was a significant dearth of the sort of large projects which have constituted Fullflow's bread-and-butter in past years, and what ended up as a similar sales level to the previous year was derived from a higher number of smaller projects such as schools, offices and hotels. This is a trend which we expect to continue as developers, who now have to pay business rates on empty buildings and are also having to face up to what is a far less certain market, become less and less willing to construct large buildings on a speculative basis.

In *France*, on the other hand, the market as a whole was stronger, with demand for large distribution warehouses continuing unabated. However increased competition – mainly in the form of smaller operators offering cheaper prices – meant that, as in the UK, sales levels were flat and margins lower, with the result that a small operating loss was registered. However there are now signs that a number of contractors are realising that cheaper prices do not necessarily lead to lower overall costs and we are optimistic that a number of our customers who elected to give one or two of our competitors a try will return to the fold and boost our sales levels in the period ahead.

In *Spain* our Madrid-based operation continued to achieve good progress, both in terms of sustaining its rapid rate of sales growth and, just as importantly, attaining higher levels of efficiency and thus higher margins. In recent years investment in distribution warehouses, which represent a very important market for Fullflow's specialist rainwater drainage system, has lagged behind both the UK and France, but this situation is changing rapidly and should underpin further sales growth in the months ahead. As mentioned in the Annual Report, we have doubled the size of our premises and created a network of technical sales managers to seek out new customers and new markets. We firmly expect our Spanish operation to provide an increasingly important contribution to our overall prospects for at least the next two or three years.

Plasflow which specialises in the design and manufacture of polyethylene pipe fittings and fabrications, also achieved significant progress in the period under review, although in its case a substantial increase in sales was accompanied by a drop in margins arising partly from the transfer of its metalworking operation to Fullflow and partly from some sharp increases in the raw material prices. However this ought to be a temporary setback and recent developments on the sales front suggest that Plasflow is set to continue its emergence as a significant player in its chosen markets. In particular, the fact that we have managed to satisfy the very demanding requirements of the nuclear industry not only augurs well in terms of the potential for further progress in that sector but also acts as a reference point for Plasflow to use in its discussions with customers in other markets.

Internationally, Fullflow's planned push into other countries has proved to be less easy to achieve than expected, largely because of the difficulty in finding suitable local partners. However in recent weeks we have achieved significant progress in three potentially important markets and we are optimistic that this progress can be converted into an additional income and profit stream in the relatively near future. International expansion remains a fundamental plank of our overall business growth strategy and we believe that significant opportunities exist in this area.

Crescent of Cambridge

The performance of Crescent during the traditionally quieter half of the year was adversely affected by the "summer floods" in 2007 which had a serious impact on one of Crescent's major customers. This caused delay throughout the supply chain with installations postponed by a number of months in some cases. Changes within the market demand greater levels of efficiency to such an extent that investment in our Computer Aided Design Technology will come "on line" towards the end of this current financial year. These changes will shorten the time period between approving a customer's design requirements through to the production and installation of the finished stair in strict conformity to the customer's specification. This is likely to increase Crescent's capacity to innovate and produce and for this reason greater emphasis in future will be directed towards sales and marketing in specialist areas within the staircase sector where growth opportunities exist for further expansion. Much requires to be undertaken in this important area of the business to ensure Crescent's future development.

There is considerable evidence that the UK economy is slowing down in the face of inflationary pressures, credit issues and global uncertainty. Like Fullflow, Crescent is heavily dependent on the construction industry which allied to the commercial property sector faces a difficult economic future at this time. That said, the company continues to support a wide range of customers engaged in all sectors of the community including the Ministry of Defence, HM Prisons and increasingly modular build.

DRC Polymer Products

The problems which bedevilled DRC over the years appear to be behind us following a comprehensive restructuring of the operations and the introduction of new management. DRC is now profitable in its own right and will benefit substantially from its relationship with Ulva Insulation Systems Ltd its sister company to whom it will supply insulation membranes for application within oil, gas and petrochemical installations. DRC's traditional product offering to the modular build sector continues in line with expectations whilst the development of our "intelligent membrane" is spreading to a number of diverse utility organisations who recognise with increasing frequency the benefits on offer by installing such systems. DRC has taken active steps to research this specialist market in depth and a number of major projects have been identified and targeted to which our systems are ideally suited. The growth associated with these two latter product areas is likely to be steady rather than spectacular whereas the opportunities presented through the reintroduction of supply arrangements with Ulva offer growth possibilities of transformational proportions. For this reason we have embarked upon a modest capital expenditure programme within DRC's manufacturing plant to upgrade the calendar line in order to improve productivity yield and the underlying quality of the output in order to exploit the synergies which exist between the manufacturing unit on the one hand and the brand driven sales unit on the other. This product line will be a key driver of growth in future. DRC has considerable expertise in terms of technical competence and innovation and is likely to deploy future resources into the development of new products for specialist application to not only existing but also complementary markets.

Ulva Insulation Systems

Shareholders will recall that when we issued our 2007 Annual Report in December 2007 we disclosed that we had acquired the Ulva brand pursuant to the successful litigation with its owners for breach of contract in the High Courts of Justice back in July 2007. The acquisition of this brand took place on 29th November 2007 and therefore Ulva's trading only features within these results for the three weeks up to Christmas 2007. The product involves the sale and distribution of Hypalon based membranes used for both weather and fire protection over thermal insulation to pipes or vessels used within the oil, gas and petrochemical industries.

During the past four months the business has been successfully integrated into the Group and in particular is working cohesively with both its traditional suppliers but also with its sister company DRC Polymer Products with whom supply arrangements exist and with whom technical synergies as well as economies of scale will produce long term financial benefits to the Group as a whole.

This business based at Telford in Shropshire is well managed and offers potential for rapid expansion through its ability to achieve specification globally in not only the United Kingdom but the Far East, Middle East, Europe as well as the United States of America. At the present time we are actively researching the worldwide capabilities of this product with a view to developing a global strategy so that its full potential can be exploited over time in a manner designed to maximise both brand awareness and profitability. By the time we write to shareholders later this year we expect to be able to report further on our strategic ambitions for this product line.

Current Trading Trading in the second half of the year has begun very positively with Ulva making a substantial contribution to the Group for the first time whilst the other three subsidiaries, namely Fullflow, Crescent and DRC each remain profitable. Active steps are being taken to manage the Group's working capital so as to facilitate expansion of our key operations whilst also generating cash in order to pay down bank debt as rapidly as possible.

Future Prospects The shape and balance of our business is more dynamic than ever before. In this regard whilst sales of our specialist building products depend to a large extent on the economic activity associated with the construction and building industries we have a counter balance to the volatile nature of these industries through our active participation in the oil and gas sector on a global basis. With fuel and energy prices recently reaching all time highs it is likely that this Group will develop at a faster pace than we would ordinarily have expected. We are in a strong position in a rapidly developing and changing market place through our specialised range of products to capitalise on the opportunities that arise in both the UK and abroad in order to deliver strong organic growth. Greater levels of profitability and enhanced shareholder value are likely to follow.

SWP has laid down strong foundations to take full advantage of the expanding markets in which we operate and the Group will strive to maximise all growth opportunities. We look forward with confidence to the remainder of 2008 and beyond.

J.A.F. Walker
Chairman

27th March 2008

Unaudited Consolidated Income Statement

Six months ended 31 December 2007

	Six months ended 31.12.07 Unaudited £'000	Six months ended 31.12.06 Unaudited £'000	Year ended 30.06.07 Audited £'000
Turnover	**10,964**	10,050	20,844
Operating expenses	**(10,304)**	(9,930)	(19,776)
Operating profit	**660**	120	1,068
Finance income	**1**	—	1
Finance costs	**(299)**	(276)	(597)
Profit/(loss) on ordinary activities before taxation	**362**	(156)	472
Income tax expense	**—**	—	(44)
Profit/(loss) for the period	**362**	(156)	428
Basic profit/(loss) per share (pence)	**2.12p**	(0.92)p	2.51p
Diluted profit/(loss) per share (pence)	**2.12p**	(0.92)p	2.51p

Turnover and operating profit all derive from continuing operations

Unaudited Consolidated Balance Sheet

As at 31 December 2007

	As at 31.12.07 £'000	As at 31.12.06 £'000	As at 30.06.07 £'000
Non-current assets			
Intangible assets	**480**	39	29
Property, plant and equipment	**4,808**	4,554	4,697
Trade and other receivables	**738**	652	543
Deferred tax assets	**678**	678	678
	6,704	5,923	5,947
Current assets			
Inventories	**3,509**	3,218	3,176
Trade and other receivables	**7,046**	5,442	6,399
	10,555	8,660	9.575
Total assets	**17,259**	14,583	15,522
Current liabilities			
Trade and other payables	**(5,261)**	(3,925)	(4,810)
Current tax liabilities	**(1,387)**	(1,112)	(1,015)
Obligations under finance leases	**(179)**	(182)	(172)
Bank overdrafts and loans	**(3,653)**	(3,684)	(3,066)
	(10,480)	(8,903)	(9,063)
Non current liabilities			
Bank loans	**(3,250)**	(3,250)	(3,250)
Deferred tax liabilities	**(394)**	(331)	(394)
Obligations under finance leases	**(189)**	(265)	(231)
	(3,833)	(3,846)	(3,875)
Total liabilities	**(14,313)**	(12,749)	(12,938)
NET ASSETS	**2,946**	1,834	2,584
Capital and reserves			
Called up share capital	**85**	85	85
Share premium account	**11,878**	11,878	11,878
Capital reserves	**41**	41	41
Revaluation reserve	**1,669**	1,459	1,669
Retained earnings	**(10,727)**	(11,629)	(11,089)
TOTAL EQUITY	**2,946**	1,834	2,584

Unaudited Consolidated Cash Flow Statement

Six months ended 31 December 2007

	Six months ended 31.12.07 Unaudited £'000	Six months ended 31.12.06 Unaudited £'000	Year ended 30.06.07 Audited £'000
Cash flow from operations	**107**	54	1,346
Interest received	**1**	—	1
Interest paid	**(255)**	(266)	(533)
Net cash (outflow)/inflow from operating activities	**(147)**	(212)	814
Cash flow from investing activities			
Purchase of property, plant and equipment	**(270)**	(66)	(332)
Purchase of intangible assets	**(135)**	—	(2)
Proceeds for disposals of property, plant and equipment	**—**	47	75
Net cash outflow from investing activities	**(405)**	(19)	(259)
Cash flow from financing activities			
Finance lease repayments	**(35)**	215	47
Net cash (outflow)/inflow from financing activities	**(35)**	215	47
Net (decrease)/increase in cash, and bank overdrafts	**(587)**	(16)	602
Cash, cash equivalents and bank overdrafts at beginning of period	**(6,316)**	(6,918)	(6,918)
Cash, cash equivalents and bank overdrafts at end of period	**(6,903)**	(6,934)	(6,316)

Notes to the Interim Report

1 Basis of Preparation

This interim report does not constitute statutory accounts of the group within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 June 2007, which were prepared under UK generally accepted accounting principles (UK GAAP) have been filed with the Registrar of Companies. The auditors report on those accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

The accounting policies applied in these unaudited interim financial statements are those that the group expects to apply in its annual Financial Reporting Standards (adopted IFRS), and those parts of the Companies Act 1985 that remain applicable to companies reporting under IFRS.

2 Taxation

The tax charge for the previous year has been impacted by IFRS adoption adjustments (refer to the Company's separate 'Adoption of IFRS – Preliminary Restatement of 2006 Comparatives' report for further detail).

3 Dividends

The Directors are not recommending the payment of an interim dividend.

4. Segmental reporting

	Six months ended 31.12.07 Unaudited £'000	Six months ended 31.12.06 Unaudited £'000	Year ended 30.06.07 Unaudited £'000
Revenue			
United Kingdom	**6,388**	6,715	14,130
Rest of Europe	**4,576**	3,335	6,714
Total Revenue	**10,964**	10,050	20,844
Operating profit			
United Kingdom	**550**	102	1,066
Rest of Europe	**110**	18	2
Total operating profit	**660**	120	1,068
Profit/(loss) on ordinary activities before taxation			
United Kingdom	**284**	(162)	447
Rest of Europe	**78**	6	(19)
Total profit/(loss) on ordinary activities before taxation	**362**	(156)	428

Notes to the Interim Report

5 Profit per share

Profit per share is calculated on the basis of shares 17,019,546 (2005: 16,189,199) which is the weighted average of the number of shares in issue during the period.

The Company's share options are not dilutive for profit per share calculations because the share options' exercise prices are greater than the current market price.

6. Cash flow generated from operating activities

	Six months ended 31.12.07 Unaudited £'000	Six months ended 31.12.06 Unaudited £'000	Year ended 30.06.07 Audited £'000
Operating profit	**660**	120	1,068
Adjustments for			
Depreciation of plant property and equipment	**159**	167	384
Amortisation of intangible assets	**9**	12	15
Profit on disposal of plant and equipment	**—**	—	(22)
Operating cash flows before movement in working capital	**828**	299	(1,445)
Increase in inventories	**(333)**	(249)	(207)
(Increase)/decrease in receivables	**(842)**	456	(392)
Decrease/(increase) in payables	**454**	(452)	500
Cash flow from operations	**107**	54	1,346

7. Copies of Interim Report

Copies of the interim report will be posted to shareholders in due course and are available from the Group head office at 4th Floor, Bedford House, 3 Bedford Street, Strand, London WC2E 9HD or available to view from the Company's website at http://www.swpgroupplc.com.

For further information or enquiries:

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31 December 2007

SWP Group Plc

Adoption of International Financial Reporting Standards (IFRS) Preliminary restatement of 2006 comparatives

Introduction

Companies listed on the AIM market are required to adopt International financial Reporting Standards (Adopted IFRS) for financial periods commencing on or after 1 January 2007. SWP plc will report its results under IFRS as adopted by the European Union for the year ended 30 June 2008. Its first results to be reported under the new standards will be for the six months ended 31 December 2007.

In order to comply with Adopted IFRS, SWP is required to provide comparative numbers. Included within this report is an analysis of how balance sheets and income statements previously prepared under UK generally accepted accounting practice ("UK GAAP") have changed under Adopted IFRS, and to explain the adjustments to reconcile the figures from one basis of accounting to the other. The main reconciling items and their effects on the balance sheet and income statement are set out as follows:-

Appendix 1	–	Transition Balance Sheet at 1 July 2006
	–	Balance Sheet at 31 December 2006
	–	Balance Sheet at 30 June 2007
Appendix 2	–	Income Statement for the six months ended 31 December 2006
	–	Income Statement for the year ended 30 June 2007

IFRS 1 – First time adoption

IFRS 1 'First time adoption of International Financial Reporting Standards' details the procedures a company must follow when adopting IFRS for the first time. It also gives companies the option of taking a number of exemptions to the full requirements of IFRS in the year of transition. The group's date of transition to IFRS is 1 July 2006 with the transitional year being the year ended 30 June 2007.

The group has elected to take the following key exemption on transition to IFRS.

- **IFRS 3- Business combinations**
  The Group has chosen not to restate historical business combinations that took place before the date of transition 1 July 2006.
- The Group has chosen to apply a provisional fair value to the business assets purchased in respect of the recent acquisition of the Ulva brand on the 28th November 2007 in accordance with the provisions of IFRS3 – Business combinations.

Summary of IFRS adoption changes

The adoption of IFRS represents an accounting change only, and does not affect the operations or cash flows of the group. The effect of the adoption of IFRS on the results of the group for the year ended 30 June 2007 is set out below:

Summary of IFRS changes

Year ending 30 June 2007

	UK GAAP (£'000)	IFRS (£'000)	Change (£'000)
Turnover	20,844	20,844	—
Operating profit	1,068	1,068	—
Profit before tax	472	472	—
Profit/(loss) after tax	428	428	—
Diluted profit per share	2.51p	2.51p	—
Net assets	2,503	2,584	81

IAS 12 – Income tax: deferred tax

Under IAS 12, deferred tax should be recognised on the basis of taxable temporary differences (subject to certain exceptions), which represents the difference between the carrying value of an asset or liability and the amount used for taxation purposes (a balance sheet approach). Under UK GAAP, deferred tax is recognised on timing differences that arise from the inclusion of gains and losses in the tax assessments in periods different to those in which they are recognised in the financial statements (an income approach). The change to IFRS results in a proportion of deferred tax being recognised directly in equity on certain items that would not have given rise to deferred tax under UK GAAP.

Accounting policy changes and financial effect

The principal changes the Group has made to its accounting policies on adoption of IFRS to those presented in the Financial Statements for the year ended 30 June 2007 and their effect on the Financial Statements are as follows: (accounting policies that have not changed with the introduction of IFRS have not been reproduced below)

IFRS1 – Impact on cash flow statement

The Group prepares the cash flow statement for both UK GAAP and the Adopted IFRS using the indirect method. Consequently, adjustments made to working capital items on the balance sheet on conversion to Adopted IFRS lead to an adjustment in the IFRS cash flow statement. There are no significant changes between cash flow from operating activities, investing activities and financing activities. No adjustments have been made to the cash flow statement on conversion.

Appendix 1

BALANCE SHEET

	1 Jul 06			31 Dec 06			30 Jun 07		
		IAS 12			IAS 12			IAS 12	
	UK	Deferred		UK	Deferred		UK	Deferred	
	GAAP	tax	IFRS	GAAP	tax	IFRS	GAAP	tax	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non current assets									
Intangible assets	42		42	39		39	29		29
Property,plant and equipment	4,411		4,411	4,554		4,554	4,697		4,697
Trade and other receivables	755		755	652		652	543		543
Deferred tax assets	203	475	678	203	475	678	203	475	678
	5,411	475	5,886	5,448	475	5,923	5,472	475	5,947
Current assets									
Inventories	2,969		2,969	3,218		3,218	3,176		3,176
Trade and other receivables	5,795		5,795	5,442		5,442	6,399		6,399
	8,764	–	8,764	8,660	–	8,660	9,575	–	9,575
Total assets	14,175	475	14,650	14,108	475	14,583	15,047	475	15,522
Current liabilities									
Trade and other payables	(4,008)		(4,008)	(3,925)		(3,925)	(4,810)		(4,810)
Current tax liabilities	(1,216)		(1,216)	(1,112)		(1,112)	(1,015)		(1,015)
Obligations under finance leases	(92)		(92)	(182)		(182)	(172)		(172)
Bank overdrafts and loans	(3,668)		(3,668)	(3,684)		(3,684)	(3,066)		(3,066)
	(8,984)	–	(8,984)	(8,903)	–	(8,903)	(9,063)	–	(9,063)
Non current liabilities									
Bank loans	(3,250)		(3,250)	(3,250)		(3,250)	(3,250)		(3,250)
Deferred tax liabilities		(331)	(331)		(331)	(331)		(394)	(394)
Obligations under finance leases	(95)		(95)	(265)		(265)	(231)		(231)
	(3,345)	(331)	(3,676)	(3,515)	(331)	(3,846)	(3,481)	(394)	(3,875)
Total liabilities	(12,329)	(331)	(12,660)	(12,418)	(331)	(12,749)	(12,544)	(394)	(12,938)
NET ASSETS	1,846	144	1,990	1,690	144	1,834	2,503	81	2,584

Appendix 1 continued

BALANCE SHEET

	1 Jul 06			31 Dec 06			30 Jun 07		
		IAS 12			IAS 12			IAS 12	
	UK	Deferred		UK	Deferred		UK	Deferred	
	GAAP	tax	IFRS	GAAP	tax	IFRS	GAAP	tax	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital and reserves									
Called up share capital	85		85	85		85	85		85
Share premium account	11,878		11,878	11,878		11,878	11,878		11,878
Capital reserves	41		41	41		41	41		41
Revaluation reserve	1,459		1,459	1,459		1,459	1,669		1,669
Retained earnings	(11,617)	144	(11,473)	(11,773)	144	(11,629)	(11,170)	81	(11,089)
TOTAL EQUITY	1,846	144	1,990	1,690	144	1,834	2,503	81	2,584

Appendix 2

	Six months to 31 Dec 06			Year to 30 June 07		
		IAS 12			IAS 12	
	UK	Deferred		UK	Deferred	
	GAAP	tax	IFRS	GAAP	tax	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	10,050		10,050	20,844		20,844
Operating expenses	(9,930)		(9,930)	(19,776)		(19,776)
Operating profit	120		120	1,068		1,068
Financial income				1		1
Financial costs	(276)		(276)	(597)		(597)
(Loss)/profit on ordinary activities before tax	(156)		(156)	472		472
Income tax expenses				(44)		(44)
(Loss)/profit for period	(156)		(156)	428		428
Basic (loss)/profit per share (pence)	(0.92)p		(0.92)p	2.51p		2.51p
Diluted (loss)/profit per share (pence)	(0.92)p		(0.92)p	2.51p		2.51p

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