

SWP GROUP PLC

Half Year Results
for the six months ended 31 December 2008



Financial Highlights The six months to December 2008 have seen the Group record highly respectable results given the parlous state of the world economy which is suffering the deepest recession that has been experienced for a number of decades. Most markets have been adversely affected and we have not been immune to the difficulties encountered by the industrial engineering and construction sectors within which most of our business operate.

These results and the comparatives for the corresponding period in 2007 are reported under International Financial Reporting Standards (IFRS) which all AIM listed companies are obliged to adopt and will be reported in this format from now on.

Turnover for the six months ended 31st December 2008 increased by 17.3% to £12,864,000 (2007 £10,964,000) and operating profit before amortisation of acquired intangibles rose to £863,000 (2007 £660,000) an increase of 30.3%. With finance costs more or less static at £294,000 (2007 £298,000) pre tax profits increased to £452,000 (2007 £362,000).

Market conditions for both Fullflow Group and Crescent were particularly challenging during the period as these businesses are more closely aligned to the difficulties within the building and construction sectors. On the other hand the DRC/Ulva divisional activities which include industrial engineering are more centred on being specified in many project situations in diverse locations ranging from the UK to Eastern Europe, the Middle East, Asia and the Pacific Rim. The integration of the recently acquired Ulva brand into the Group and its interface with the Group's production unit at DRC is complete and operating entirely as planned albeit subject to a few months delay as explained below.

	Unaudited Six months ended 31.12.08 £'000	Unaudited Six months ended 31.12.07 £'000
Turnover	12,864	10,964
Operating profit	863	660
Profit before tax	452	362
Profit after tax	407	362
Profit per share	2.30p	2.12p

- Operational Highlights**
- Fullflow* In what can most generously be described as challenging market conditions, Fullflow produced a reasonable overall performance. Sales to third parties increased by 6.4% to £8.1 million and operating profit was maintained at roughly last year's level.
- Generally Fullflow's markets were significantly affected by the deterioration in the global economy. In recent years a significant proportion of Fullflow's business has come from the widespread development of large distribution warehouses but this sector of the market has more or less evaporated, with developers being unwilling or unable to proceed with speculative projects and the majority of potential users (mainly retailers or logistics specialists) being unwilling to take on additional commitments against a background of declining retail sales. This trend has been especially evident in the UK but it has also affected France and Spain.
- UK* In the UK, construction of industrial and retail premises also declined and, despite enjoying a reasonable degree of success in the financially more robust public sector, Fullflow's sales levels suffered accordingly. Margins also continued to come under pressure as the market falls gave rise to yet more intense competition. Until some of these pressures lift – perhaps as a result of one or more of our competitors failing – all we can do is maximise the number of projects we bid for, work hard to put forward a more compelling proposition than our competitors and then achieve high standards at every phase of the design and installation process in the hope that at least a proportion of our customers are encouraged to place repeat business.
- France* In France, revenue levels were up by 6%, but because our business plan had been predicated on even higher revenues and had involved the recruitment of additional staff, this failed to translate into extra profit. Order intake during the period was also disappointing and since the period end we have had no alternative but to implement a significant redundancy plan, with all the complexity and problems which such action involves in France. However, having completed what has been a painful process, we believe that from what is now a smaller and more cohesive base we can begin to build a business which will provide a consistently high level of service to its customers and a healthy level of return to the Group.
- Spain* In Spain, revenue levels were marginally up but fell well short of plan, with the result that operating profit reduced significantly. Spain's economic problems relate less to the credit crunch than to what has evolved into a serious crisis in the property sector but the overall effect is the same – higher unemployment levels, falling house prices, lower retail sales and a collapse of consumer and business confidence.

However, against such an unpromising background our business is demonstrating considerable resilience and while there is little chance of us achieving the financial targets which we set for the year, we can look forward with a reasonable degree of confidence to the future. With several substantial projects in the pipeline there is every reason to think that we may even achieve significant progress during the next 18 months.

Plasflow Plasflow, which operates mainly in markets less affected by the economic downturn than at the other Fullflow businesses, produced an impressive set of results. Progress has been made in a number of areas, with significant sales being secured through a partnering arrangement with a major pipe producer, and further project-based work being carried out for a major contractor in the nuclear power industry. Plasflow's reputation for delivering a combination of product quality and high service standards is beginning to spread and we are confident that the business can maintain its growth path for the foreseeable future.

International We have always made it clear that international expansion represents a fundamental element of Fullflow's strategy and it is therefore very pleasing to report that the company has won a large order for the design and installation of a syphonic rainwater system for the new terminal currently under construction at Doha Airport in Qatar. Little benefit from this order will be seen in the current financial year but it will help to provide some real substance next year and it is possible that further work in the area will follow. Partnering arrangements have also been established in Singapore and Korea and similar arrangements covering other jurisdictions are at discussion stage. If Fullflow is to continue to expand and produce a growing profit stream it is essential that we make progress in as many new markets as possible and this is a challenge which our management team both understands and is ready to take on.

Crescent of Cambridge The UK market place in which Crescent operates has seen a significant fall in activity levels. This is consistent with the economic conditions which prevail whereby construction projects are either cancelled or in many cases put on hold. That said, Crescent is more cohesive and streamlined than it has been for a very long time particularly as our own risk management controls have dictated swift and decisive action on the part of management to balance reduced activity levels with cost reductions in every department within the organisation. This has given us the opportunity to refine not only our product offering to selected customers but to restructure our cost base to ensure that we limit damage through the worst of the recession and yet have the competence and skill base to expand again when market conditions improve which assuredly they will, but we do not know precisely when.

Crescent also benefits from its fair share of public works through HM Prisons and/or Ministry of Defence contracts. Here again projects tend to suffer interminable delays as customers face declining order books and funding issues that contribute to reduced levels of activity. Competitive pressures exist as producers and fabricators chase scarce orders but Crescent is able to compete on price secure in the knowledge that the brand is respected for its association with quality and customer service.

The investment in our Computer Aided Design Automation has been completed and the system is now "live" and is beginning to deliver benefits. This tool will play a significant role in reinvigorating Crescent's profits as and when the recession clouds lift and market conditions return to normal.

DRC Polymer Products When reporting our results for the year ended 30th June 2008 we brought to the attention of shareholders the potential turnaround in fortunes for this recently restructured business. During the six months under review we had to balance the medium to long term needs of our Ulva business with the overriding requirement for further investment in upgrading certain of DRC's process equipment. This required a major overhaul of our calendaring machine which had to be taken off line for a number of weeks during last summer. This project was important and not helped by the failure of one of the contractors commissioned to do the work to meet their contractual obligations which resulted in significant delay. Had this not been the case DRC's profits would have been further enhanced. We are pleased to be able to report that this calender is now operating to our planned utilisation factor and is supplying its sister company Ulva with high quality Ulvashield for onward sale to its range of international oil, gas and petrochemical customers.

The business of DRC continues to operate in its four defined market areas as follows

Modular Build This is a well-established stream where DRC's products are used in modular roofing structures. Despite the economic climate order levels have remained satisfactory and we continue to work closely with our valued customers who have remained loyal to the brand.

Hylam IQ This emerging product line has much potential. We now supply three water utility companies in the UK and expect to work with several more in the near future. The product is demonstrably able to detect water leaks on a highly cost effective basis through the use of computer based technology which alarms the membrane cover so as to identify the incidence of leaks, introduction of impurities and/or acts of vandalism or terrorist attack. We are working closely with a number of our customers in establishing this product as "the asset

standard" for the protection of drinking water reservoirs. After the commencement of the Asset Management Plan 5 (AMP5) which commences on 1st April 2010 we believe this product will play a more significant role in the organic development of DRC as the producer of niche products which will be sold to an industry which has eagerly embraced this new technology and is ready to specify our branded product for installation in a whole range of reservoir projects. DRC has recently strengthened its technical team through the recruitment of an electronics engineer whose function it will be to monitor installations and assist in the profitable development of our product.

FPA Membrane Considerable progress has been made in further developing our market penetration into the water industry where our product is Drinking Water Inspectorate (DWI) approved for tank linings and baffle curtains in treatment tanks and vessels. This has resulted in a recent large order from Oman and we anticipate future orders of a similar nature from other companies in the Middle East. In the UK similar benefits are likely to accrue from April 2010 onwards when AMP5 kicks in and allows maintenance programmes to progress rapidly.

This product offering as in the case of Hylam IQ benefits from continuous effort on the part of our management team to refine and improve the technical competence of the products we manufacture and sell.

Ulvashield The production of Ulvashield is of significant importance to the dynamics of DRC. Ulva based in Telford is DRC's single biggest customer and counts for at least half of DRC's sales. Our new management has settled in well whilst our production team has responded superbly to this leadership and new direction following both the restructuring and the acquisition of the Ulva brand. Demand for the Ulva product is steady and offers the ability within DRC to maximise capacity utilisation so that greater levels of productivity have been recorded in recent months than ever before. As the order levels from Ulva continue to increase for onward supply to oil, gas and petrochemical majors for the management of "corrosion under insulation" we believe that the profitability of DRC will continue to grow.

The combination of niche products manufactured by DRC for use in industrial engineering applications which are largely unaffected by the economic recession leaves DRC poised for a period of rapid expansion in conjunction with its sister company Ulva Insulation Systems where the dynamics of growth are referred to below.

Ulva Insulation Systems During the six months under review considerable progress was made in establishing both our short term and medium term strategic plans for this new business within our expanding Group which is increasingly reinforced by brand ownership. Nowhere is this more evident than with the Ulva brand which has become synonymous with the provision of non-metallic cladding applied to pipelines, tanks and vessels in locations as widely spread as the UK, Europe, the Caspian, the Middle East, the Far East and the United States. Our plans involve the harvesting of a range of projects involving major oil, gas and petrochemical companies around the world where our product is recognised as delivering superior performance in the management of corrosion under insulation ("CUI") and therefore specified as the "asset standard" both for onshore and offshore configurations. In the longer term we aim through the development of clear lines of communication and understanding with our customers to influence the "specification" that is written at the very inception of the project and/or at the point of origination.

Notwithstanding the delay in DRC being able to supply a continuous flow of Ulvashield last summer and early autumn Ulva has produced highly satisfactory results in the six months ended on 31st December 2008. Since then a number of large scale projects have got underway which is likely to keep the manufacturing plants at both DRC and in Telford occupied for the rest of 2009.

As part of our global commitment to this product line we have established a small office in Malaysia (Kuala Lumpur) and recruited specialist sales and marketing expertise with close links to the major oil and gas producers based in a region that takes in China, Singapore, Korea, Malaysia, Thailand and Vietnam. This offers substantial opportunities for organic sales growth.

The cohesion and operating efficiency now created between DRC and Ulva pursuant to their integration within the Group is most encouraging with no obvious limit to our operating capacity at least in the short to medium term. It is anticipated that sales would have to rise by a significant amount before there is a requirement to make additional capital investment in the business. We plan to exploit this competitive advantage.

The business is well managed and controlled from its base in modern facilities in Telford. Whilst there is much to do management has a clear focus on both our short term aspirations and the longer term need to invest in the future both in terms of international expansion and the need for product development in order to continuously enhance our product offering to an increasing number of discerning internationally based customers.

Earnings per share So far as these relate to ordinary activities of the Group underlying EPS have risen by 8.5% to 2.30p against 2.12p in the same period of 2007.

Staff We are better managed in 2009 than at any stage of the Group's history. Young and vibrant management has been recruited by each of the operating companies with the staff taking pride in what they do and what they achieve for the Group. To each and every member of staff I offer on behalf of the Board sincere thanks for the effort and commitment that is expended in driving forward our stated aims and ambitions. This is contributing to the welcome improvement in the Group's overall performance.

Current Trading and Prospects The rest of 2009 promises to be highly challenging on all fronts. The performance of Fullflow and Crescent is inevitably being coloured by the effect of the economic downturn on the construction industry. At DRC and Ulva, on the other hand, the second half of the year offers much scope for further development of our sales initiatives just as long as the planned projects arrive on schedule and in the quantities expected.

Overall we continue as a Group to grow organically as customers recognise the merit in working with a Group which benefits from its portfolio of niche brands all of which have their part to play in helping to develop this focused Group into the profitable multinational businesses to which we and shareholders aspire.

J.A.F. Walker

Chairman

30th March 2009

Unaudited Consolidated Income Statement

**Six months
ended
31 December
2008**

	Six months ended 31.12.08 Unaudited £'000	Six months ended 31.12.07 Unaudited £'000	Year ended 30.06.08 Audited £'000												
Turnover	12,864	10,964	25,058												
Operating expenses	(12,001)	(10,304)	(23,052)												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Operating profit before amortisation of acquired intangibles</td> <td style="text-align: right;">863</td> <td style="text-align: right;">660</td> <td style="text-align: right;">2,006</td> </tr> <tr> <td>Negative goodwill</td> <td style="text-align: right;">—</td> <td style="text-align: right;">—</td> <td style="text-align: right;">6,175</td> </tr> <tr> <td>Amortisation of acquired intangibles</td> <td style="text-align: right;">(117)</td> <td style="text-align: right;">—</td> <td style="text-align: right;">—</td> </tr> </table>				Operating profit before amortisation of acquired intangibles	863	660	2,006	Negative goodwill	—	—	6,175	Amortisation of acquired intangibles	(117)	—	—
Operating profit before amortisation of acquired intangibles	863	660	2,006												
Negative goodwill	—	—	6,175												
Amortisation of acquired intangibles	(117)	—	—												
Operating profit	746	660	8,181												
Finance income	—	1	50												
Finance costs	(294)	(299)	(639)												
Profit on ordinary activities before taxation	452	362	7,592												
Income tax expense	(45)	—	86												
Profit for the period	407	362	7,678												
Basic profit per share (pence)	2.30p	2.12p	45.05p												
Diluted profit per share (pence)	2.30p	2.12p	45.05p												

Turnover and operating profit all derive from continuing operations

Unaudited Consolidated Balance Sheet

**As at
31 December
2008**

	As at 31.12.08 £'000	As at 31.12.07 £'000	As at 30.06.08 £'000
Non-current assets			
Intangible assets	9,170	480	9,293
Property, plant and equipment	5,136	4,808	5,165
Trade and other receivables	462	738	549
Deferred tax assets	888	678	888
	15,656	6,704	15,895
Current assets			
Inventories	3,659	3,509	3,783
Trade and other receivables	10,175	7,046	9,459
	13,834	10,555	13,242
Total assets	29,490	17,259	29,137
Current liabilities			
Trade and other payables	(8,116)	(6,604)	(8,418)
Current tax liabilities	(348)	(44)	(271)
Obligations under finance leases	(152)	(179)	(163)
Bank overdrafts and loans	(4,047)	(3,653)	(6,475)
	(12,663)	(10,480)	(15,327)
Non current liabilities			
Bank loans	(2,740)	(3,250)	—
Deferred tax liabilities	(2,739)	(394)	(2,771)
Obligations under finance leases	(19)	(189)	(117)
	(5,498)	(3,833)	(2,888)
Total liabilities	(18,161)	(14,313)	(18,215)
NET ASSETS	11,329	2,946	10,922
Capital and reserves			
Called up share capital	89	85	89
Share premium account	12,534	11,878	12,534
Capital reserves	41	41	41
Revaluation reserve	—	1,669	—
Retained earnings	(1,335)	(10,727)	(1,742)
TOTAL EQUITY	11,329	2,946	10,922

Unaudited Consolidated Cash Flow Statement

**Six months
ended
31 December
2008**

	Six months ended 31.12.08 Unaudited £'000	Six months ended 31.12.07 Unaudited £'000	Year ended 30.06.08 Audited £'000
Profit after tax	407	362	7,678
Adjustments for:			
Negative goodwill arising on acquisition	—	—	(6,175)
Net finance costs	294	298	589
Depreciation of property, plant and equipment	209	159	334
Amortisation of intangible assets	6	9	15
Amortisation of acquired intangibles	117	—	—
Operating cash flows before movement in working capital	1,033	828	2,441
Increase in inventories	124	(333)	(507)
Increase in receivables	(629)	(842)	(3,276)
Increase in payables	(350)	419	2,199
Net interest paid	(310)	(254)	(589)
Net cash inflow from operating activities	(132)	(182)	268
Cash flow from investing activities			
Purchase of property, plant and equipment	(180)	(270)	(308)
Purchase of intangible assets	—	(135)	(28)
Acquisition of business, net of cash	—	—	(628)
Net cash outflow from investing activities	(180)	(405)	(964)
Cash flow from financing activities			
Issue of ordinary shares	—	—	660
Finance lease repayments	—	—	(123)
Net cash inflow from financing activities	—	—	537
Net decrease in cash, and bank overdrafts	(312)	(587)	(159)
Cash, cash equivalents and bank overdrafts at beginning of period	(6,475)	(6,316)	(6,316)
Cash, cash equivalents and bank overdrafts at end of period	(6,787)	(6,903)	(6,475)

1 Basis of Preparation The Condensed Interim Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting.

The financial information for the six month period ended 31 December 2008 and 2007 has not been audited by the Group's auditors and does not constitute accounts within the meaning of s240 of the Companies Act 1985. The financial information for the year ended 30 June 2008 is an abridged version of the Group's accounts which received an unqualified auditors' report and did not contain a statement under s237(2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 30 June 2008.

2 Taxation Interim period income tax is accrued based on the estimated average annual effective income tax rate.

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

4 Segmental reporting

	Six months ended 31.12.08 Unaudited £'000	Six months ended 31.12.07 Unaudited £'000	Year ended 30.06.08 Unaudited £'000
Revenue			
United Kingdom	7,135	6,388	13,147
Europe	4,979	4,576	11,139
Far East	314	—	603
Middle East	436	—	169
Total Revenue	12,864	10,964	25,058
Operating profit			
United Kingdom	489	550	7,673
Europe	176	110	426
Far East	37	—	64
Middle East	44	—	18
Total operating profit	746	660	8,181

5 Profit per share Profit per share is calculated on the basis of shares 17,729,546 (2007: 17,019,546) 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 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 Bedford House, 1 Regal Lane, Soham, Ely, Cambridgeshire, CB7 5BA or available to view from the Company's website at <http://www.swpgroupplc.com>.

For further information or enquiries

J.A.F Walker
Chairman

D.J. Pett
Director of Finance

Oliver Scott/Richard Kauffer
KBC Peel Hunt, Nominated Adviser
and Broker

Tel Office: 01353 723270
Mobile: 07800 951151

Tel Office: 01353 723270
Mobile: 07940 523135

Tel Office: 0207 418 8900



4th Floor
Bedford House
3 Bedford Street
London WC2E 9HD
Telephone: 020 7379 7181
Facsimile: 020 7379 7090