

Half year report 2009



Hamworthy is a market leading global company providing specialist systems and services to the marine and oil & gas industries. We provide a wide range of innovative solutions for our customers across a number of long-term growth markets.

Our leading position in key sectors, track record of success and financial strength provide the solid foundations from which we will further develop and grow the business.

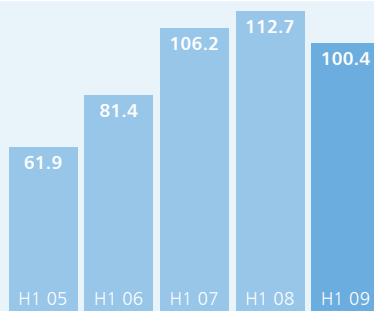
Our goal is to continue to deliver enhanced shareholder value through long-term earnings growth.

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Highlights

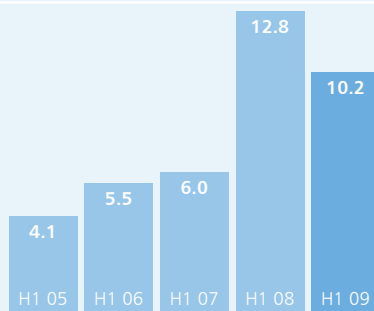
Revenue (£m)

£100.4m
-11.0%



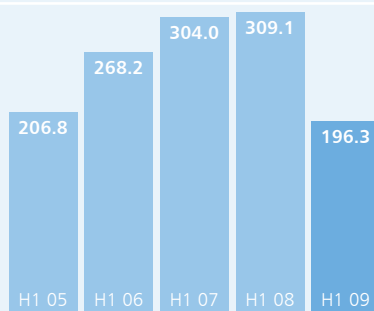
Operating profit (£m)

£10.2m
-20.6%



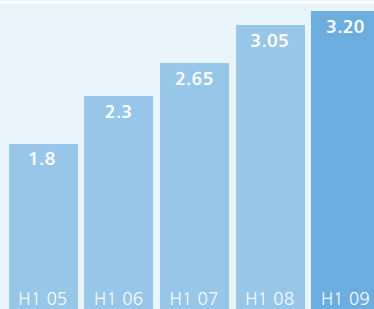
Closing order book (£m)

£196.3m
-36.5%



Interim dividend (p)

3.20p
+5%



Highlights

- Revenue decreased by 11.0% to £100.4 million (H1 2008: £112.7 million)
- Operating profit decreased by 20.6% to £10.2 million (H1 2008: £12.8 million)
- Underlying basic earnings per share* decreased 25.8% to 16.7p (H1 2008: 22.5p per share)
- Order book stood at £196.3 million (30 September 2008: £309.1 million)
- Strong cash generation from operations of £15.9 million (H1 2008: £13.3 million), leading to net funds at 30 September 2009 of £63.9 million (30 September 2008: £56.6 million)
- Interim dividend up 5% at 3.20p per share (2008: 3.05p per share)
- Action continues to reduce the Group's cost base including a further 5% reduction in the workforce
- Completion of two strategic acquisitions

* Calculated to exclude the gain or loss on fair value movements in derivatives as set out in note 4.

Financial review

“Markets continue to be challenging and are likely to remain so for some time. In these conditions the Group will continue to adjust its cost base appropriately. Operating cash flows remain healthy, maintaining the strength of the balance sheet. Hamworthy continues to invest in research and development and in acquisitions providing access to further technologies and markets with strong growth prospects. With the current order book position and steady demand for Aftersales the Board remains confident of meeting expectations for the full year.”

Gordon Page CBE
Chairman

The Group presents its results for the six months to 30 September 2009. Revenue for the period decreased 11.0% to £100.4 million (H1 2008: £112.7 million) with operating profit down 20.6% at £10.2 million (H1 2008: £12.8 million). At 10.1% the operating margin was ahead of the previous full financial year of 9.1% although below the exceptional first half of 2008 of 11.3%.

The majority of the Group's operating profits are generated in currencies other than sterling. The consolidated results have been subject to currency volatility on translation particularly over the last two years. Compared to the same period last year the weighted average exchange rate of local reporting currencies to sterling strengthened, having the effect of increasing the operating profit in the six months to 30 September 2009 by £1.2 million.

Underlying basic earnings per share, calculated to exclude the gain or loss on fair value movements in derivatives, fell 25.8% to 16.7p (H1 2008: 22.5p). The continuing low level of interest rates globally reduced the net interest income to £0.2 million (H1 2008: £1.0 million).

Order intake for the period was £45.6 million (H1 2008: £116.5 million) as the reduced level of order receipt for original equipment experienced in the second half of last financial year continued. Demand for Aftersales remained healthy. The Group's forward order book was £196.3 million compared to £309.1 million at 30 September 2008 and £260.4 million at 31 March 2009.

The Group has continued to increase its investment in research and development. Total expenditure was £1.6 million in the period (H1 2008: £1.2 million).

Cash generated from operations exceeded expectations in the period at £15.9 million although some reversal of this outperformance is expected in the second half of the year. Net funds at 30 September 2009 were £63.9 million (30 September 2008: £56.6 million).

On 29 September 2009 the Group acquired the business and assets of Krystallon Limited for a cash consideration of £1.8 million plus further potential amounts payable dependant on financial performance in the periods up to 31 March 2015. Krystallon is a leading supplier of cost effective systems to address the emerging market for marine sulphur emissions reduction. On 30 September 2009 the Group also completed the acquisition of the Technology and Products division of Aibel AS for an initial cash consideration of £3.7 million plus further amounts payable dependant on performance in the period to 31 December 2010. This business supplies leading technologies to the offshore oil & gas market that are used to increase the efficiency of oil production and ensure the safe handling of oil & gas cargoes on offshore production vessels. These acquisitions expand the Group's technology and market positions in emerging and growth markets. Further details are provided in note 7.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Group continues to adopt the going concern basis in preparing this half year report.

Dividends

On 24 December 2009 the Company will pay an interim dividend of 3.20p per share amounting to £1.45 million (2008 interim: 3.05p per share amounting to £1.38 million) to all shareholders on the register at the close of business on 4 December 2009. In accordance with IAS 10 this payment will be set against profit in the second half of this financial year. In July 2009 a final dividend of 5.68p per share amounting to £2.57 million was paid in respect of the financial year ended 31 March 2009.

Markets

The Group operates in a number of specialist markets with long-term growth characteristics, driven by environmental legislation and continued investment in oil & gas production and transportation. Whilst these drivers remain in place for the long term, in the short term the Group continues to experience challenging market conditions for much of its original equipment.

In new shipbuilding, on which the Group has reduced its dependency in the last two years, ordering of new vessels remains at a historically low level. Whilst this weakness is widespread around the world, enquiry levels remain high in China and are increasing in Brazil where the state-owned oil company, Petrobras, is pushing ahead with a significant offshore vessel and shipbuild programme to support the development of its oil and gas reserves. The level of cancellations seen by the Group remains relatively low, at less than 3% of the 30 September 2008 order book value.

Over the last six months oil prices have stabilised at levels that support ongoing investment in offshore development and, whilst several offshore projects have been delayed, enquiry levels in this sector remain high. The Henry-Hub natural gas price remains low which is expected to affect the level of investment in the LNG import infrastructure in the USA.

Demand from the Aftersales market remains steady with lower vessel utilisation being offset by an increasing field population of Hamworthy equipment.

Pump Systems

First half revenue was 1.4% lower at £40.1 million (H1 2008: £40.6 million) with operating profit 14.7% lower at £6.6 million (H1 2008: £7.8 million). Operating margins, whilst below the exceptional level of 19.1% in the first half 2008, were again unusually strong at 16.6%, which was well ahead of the previous full financial year. The outstanding order book was £58.0 million (H1 2008: £79.2 million). Order intake for the period was £17.2 million, down 44.4% (H1 2008: £31.9 million).

As expected, deliveries of deepwell pumps to the LPG carrier market have slowed from the very high levels witnessed in the previous year and the product mix has shifted towards the offshore and tanker sectors. The business continued to make progress in the offshore market with this segment representing 87% of newbuild engine room pump revenue in the period. Product development investment continues to focus on extending the range of pumps to meet offshore requirements. Although there has been little market activity in new shipbuilding, the business secured a significant order for cargo pump room systems for five product carriers to be built for the Indonesian state-owned oil and gas company, Pertamina. Enquiry levels for the centrifugal pump ranges have remained consistent although project initiation and order placements are being delayed.

In anticipation of lower activity levels in the second half of the year and next year, the deepwell pumps business has reduced its workforce by 28%.

Financial review continued

Gas Systems

Revenue in the period fell 37.5% to £23.1 million (H1 2008: £37.0 million) with operating profit 58.9% lower at £0.9 million (H1 2008: £2.1 million). The outstanding order book was £51.0 million (H1 2008: £112.9 million). Order intake for the Gas Systems business was significantly lower at £5.2 million (H1 2008: £34.6 million). The business continued to invest in the development of its technologies and positions in growth markets and margins fell to 3.8% (H1 2008: 5.7%) on lower revenue.

The slowdown in ordering of new gas carriers and initiation of major offshore projects continued, exacerbated by the global economic slowdown and lack of available finance. Despite the market weakness the business was successful in securing its first order for LPG cargo handling systems at a Chinese shipyard for a fully pressurised LPG carrier. This was a strategically significant contract, giving the business a reference in this target market segment.

During the period the business delivered its second and third regasification systems for an FSRU. Hamworthy's efficient and flexible technology enables LNG to be delivered into the gas distribution grid without the need for a land-based receiving terminal. The first system delivered in 2008 for retrofit on the LNG carrier Golar Winter successfully started up operations in September for Brazilian oil company Petrobras.

Following its acquisition in 2008, Hamworthy Baltic Design Centre is now fully integrated into the Group and has delivered cost-effective design and engineering services to both the Gas Systems business and other parts of the Hamworthy Group. The business continues to secure external orders for both marine and land-based design services.

The acquisition of the Technology and Products division of Aibel AS was successfully completed on 30 September 2009. This business provides leading, patented technologies, used to increase the efficiency of oil production and to ensure the safe and environmentally friendly handling of oil and gas during production. The business is now integrated into the Gas Systems division and represents continued progress in expanding the Group's technology and market position in the offshore sector.

Water Systems and Compressors

Revenue in the first half rose 7.0% to £24.2 million (H1 2008: £22.6 million) and operating profits increased 3.2% to £3.3 million (H1 2008: £3.1 million). The forward order book was £55.5 million (H1 2008: £73.3 million). Order intake was 40.7% down at £18.9 million (H1 2008: £32.0 million).

The business had particularly strong sales of advanced waste water systems for both retrofit and new build applications and of condensers into the power generation market. The business secured a second retrofit contract from a major US cruise line following successful delivery of the first system during the period. The business continues to see strong demand for its smaller marine waste treatment plant ahead of new environmental legislation coming into force in 2010 and for its high pressure compressors for the offshore and seismic markets. However, cruise companies continue to hold back on the ordering of new cruise ships and the order book for this market segment has reduced significantly over the last year.

At 13.4% operating margins were marginally higher than the 13.2% for the previous full financial year despite the business increasing investment in research and development in ballast water treatment systems following the acquisition of Greenship in March 2009. Hamworthy Greenship's Sedinox system received IMO final approval in July 2009 as expected and tests are now underway to achieve full Type Approval.

Inert Gas Systems

Revenue in the first half increased 3.8% to £13.0 million (H1 2008: £12.5 million) with operating profit 5.1% lower at £0.8 million (H1 2008: £0.9 million). The forward order book stood at £31.8 million (H1 2008: £43.6 million). Order intake fell to £4.1 million (H1 2008: £17.6 million).

The business successfully completed its deliveries for one major offshore order to the Pazflor FPSO and is on schedule to deliver a second to the Usan FPSO in the second half year. Aftersales revenues increased by 8% over the first half of the prior year.

In October 2009 the business secured a notable contract worth in excess of £6.0 million for nitrogen generator systems for a series of ten product and chemical tankers being built in Korea.

Margins decreased as the business increased its investment in research and development by £0.3 million. This programme included development work on marine exhaust cleaning systems complementing the acquisition of the assets and business of Krystallon Limited. This acquisition was completed on 29 September 2009 and brings into the Group the leading provider of sulphur emissions reduction technology. This acquisition will enable Hamworthy to provide cost effective solutions into this emerging market underpinned by forthcoming international environmental regulations.

In anticipation of lower activity levels next year, the Inert Gas Systems business reduced its workforce by 14%.

Aftersales

The Group's Aftersales businesses, the constituent parts of which are included in the divisional results reported above, performed well. In aggregate, Aftersales revenue within the separate divisions for the half year remained the same as in the first half year of 2008 at £17.7 million, reflecting the current steady demand from this market.

Outlook

Market conditions remain challenging with new project initiation hindered by the weak global economy and limited availability of finance. Order intake for original equipment has not yet recovered from the low levels experienced since October 2008 and is unlikely to significantly improve in the near term. With the current order book position and the steady demand for Aftersales the Board remains confident of meeting expectations for the full year.

In the medium term the Group anticipates levels of ordering in the new shipbuilding market to remain subdued and continues to both pursue its expansion into adjacent markets and reduce costs where appropriate to mitigate the effects of this. The Group's workforce was reduced by a further 5% in the period. The offshore market is expected to be robust with continued investment activity supported by current oil prices.

In the longer term, increasing environmental legislation and energy demand remain the key drivers for sustained growth in the Group's markets. Strong cash generation and a robust balance sheet give the Group the ability to continue to invest in developing the business. Good progress has already been made in broadening the Group's technology base both by organic product development and strategic acquisitions. This expansion in technology and increased exposure to new market opportunities gives the Board confidence in the future growth prospects for the Group.

Joe Oatley
Chief Executive

24 November 2009

Paul Crompton
Finance Director

Independent review report

to Hamworthy plc

We have been engaged by the Company to review the condensed set of financial statements in the half year report for the six months ended 30 September 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 7. We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half year report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half year report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half year report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year report for the six months ended 30 September 2009 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Deloitte LLP

Chartered Accountants and Statutory Auditors
Southampton, United Kingdom

24 November 2009

Condensed consolidated income statement

for the six months ended 30 September 2009

	Note	Unaudited half year 30 Sep 09 £'000	Unaudited half year 30 Sep 08 £'000	Audited year ended 31 Mar 09 £'000
Revenue	2	100,357	112,712	252,834
Cost of sales		(69,423)	(78,995)	(184,229)
Gross profit		30,934	33,717	68,605
Distribution expenses		(1,452)	(1,953)	(2,850)
Administrative expenses		(19,328)	(18,977)	(42,793)
Group operating profit		10,154	12,787	22,962
Finance income		855	1,245	2,171
Finance expense		(95)	(240)	(2,784)
Profit before taxation		10,914	13,792	22,349
Underlying profit before taxation		10,314	13,792	24,542
Gain/(loss) on fair value movements on derivatives		600	–	(2,193)
Profit before taxation		10,914	13,792	22,349
Taxation	3	(2,947)	(3,616)	(5,802)
Profit for the period		7,967	10,176	16,547
Attributable to:				
Equity holders of the parent		7,970	10,176	16,559
Minority interest		(3)	–	(12)
		7,967	10,176	16,547
Basic earnings per share	4	17.6p	22.5p	36.6p
Underlying basic earnings per share	4	16.7p	22.5p	40.0p
Diluted earnings per share	4	17.6p	22.4p	36.5p
Underlying diluted earnings per share	4	16.6p	22.4p	40.0p

All results relate to continuing activities.

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2009

	Unaudited half year 30 Sep 09 £'000	Unaudited half year 30 Sep 08 £'000	Audited year ended 31 Mar 09 £'000
Profit after taxation	7,967	10,176	16,547
Exchange differences on translating foreign operations	(1,057)	613	5,511
Cash flow hedges:			
Transfers to profit or loss on cash flow hedges	4,917	(4,645)	5,543
Gains/(losses) on cash flow hedges	5,745	(5,231)	(25,062)
Actuarial loss in pension scheme	–	–	(2,362)
Tax relating to components of other comprehensive income:			
Deferred tax on cash flow hedge	(3,403)	4,135	6,193
Deferred tax on employee share option schemes	(57)	(157)	(86)
Deferred tax on unrelieved losses carried forward	–	–	(2,164)
Deferred tax on pension deficit	–	–	796
Total comprehensive income for the period	14,112	4,891	4,916
Attributable to:			
Equity holders of the parent	14,115	4,891	4,928
Minority interest	(3)	–	(12)
	14,112	4,891	4,916

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2009

	Share capital £'000	Share premium account £'000	Hedging reserve £'000	Own shares £'000	Minority interest £'000	Retained earnings £'000
At 1 April 2009	2,270	19,107	(8,801)	(800)	(12)	50,820
Profit for the period	–	–	–	–	(3)	7,970
Exchange differences on translation of foreign operations	–	–	–	–	–	(117)
Increase in fair value of cash flow hedging derivatives	–	–	9,722	–	–	–
Tax effect of increase in fair value of cash flow hedging derivatives	–	–	(3,403)	–	–	–
Employee share option schemes	–	–	–	–	–	245
Deferred tax on employee share option schemes	–	–	–	–	–	(57)
Dividends paid	–	–	–	–	–	(2,570)
At 30 September 2009 (unaudited)	2,270	19,107	(2,482)	(800)	(15)	56,291
At 1 April 2008	2,266	18,958	4,525	(400)	–	35,622
Profit for the period	–	–	–	–	–	10,176
Exchange differences on translation of foreign operations	–	–	–	–	–	732
Decrease in fair value of cash flow hedging derivatives	–	–	(9,876)	–	–	–
Tax effect of decrease in fair value of cash flow hedging derivatives	–	–	4,135	–	–	–
Employee share option schemes	–	–	–	–	–	177
Deferred tax on employee share option schemes	–	–	–	–	–	(157)
Shares in employee share matching scheme	–	–	–	(300)	–	–
Share issue	4	149	–	–	–	–
Dividends paid	–	–	–	–	–	(2,402)
At 30 September 2008 (unaudited)	2,270	19,107	(1,216)	(700)	–	44,148
At 1 April 2008	2,266	18,958	4,525	(400)	–	35,622
Profit for the period	–	–	–	–	(12)	16,559
Exchange differences on translation of foreign operations	–	–	–	–	–	5,613
Decrease in fair value of cash flow hedging derivatives	–	–	(19,519)	–	–	–
Tax effect of decrease in fair value of cash flow hedging derivatives	–	–	6,193	–	–	–
Actuarial loss in pension schemes	–	–	–	–	–	(2,362)
Movement in deferred taxation on pension scheme deficit	–	–	–	–	–	796
Employee share option schemes	–	–	–	–	–	625
Deferred tax on employee share option schemes	–	–	–	–	–	(2,250)
Shares in employee share matching scheme	–	–	–	(400)	–	–
Share issue	4	149	–	–	–	–
Dividends paid	–	–	–	–	–	(3,783)
At 31 March 2009 (audited)	2,270	19,107	(8,801)	(800)	(12)	50,820

Condensed consolidated balance sheet

as at 30 September 2009

	Unaudited half year 30 Sep 09 £'000	Unaudited half year 30 Sep 08 £'000	Audited year ended 31 Mar 09 £'000
Non-current assets			
Intangible assets	27,759	12,052	19,410
Property, plant and equipment	11,141	10,127	11,706
Derivative financial instruments	1,490	560	728
Deferred taxation assets	3,401	5,911	7,108
	43,791	28,650	38,952
Current assets			
Inventories	65,667	72,522	67,474
Trade and other receivables	35,588	43,189	59,144
Derivative financial instruments	3,926	2,960	4,523
Corporation tax	3,205	387	2,630
Cash and cash equivalents	64,810	57,351	57,175
	173,196	176,409	190,946
Total assets	216,987	205,059	229,898
Current liabilities			
Borrowings	(273)	(97)	(788)
Trade and other payables	(89,283)	(89,316)	(106,815)
Derivative financial instruments	(7,124)	(5,425)	(16,029)
Provisions	(9,054)	(3,269)	(3,816)
Corporation tax	(8,896)	(4,149)	(6,171)
	(114,630)	(102,256)	(133,619)
Non-current liabilities			
Borrowings	(639)	(649)	(934)
Trade and other payables	(8,027)	(24,740)	(8,863)
Derivative financial instruments	(802)	(3,199)	(4,341)
Deferred taxation liabilities	(6,426)	(6,494)	(6,833)
Provisions	(6,752)	(2,015)	(8,082)
Retirement benefit obligations	(5,340)	(2,097)	(4,642)
	(27,986)	(39,194)	(33,695)
Total liabilities	(142,616)	(141,450)	(167,314)
Net assets	74,371	63,609	62,584
Capital and reserves			
Called up share capital	2,270	2,270	2,270
Share premium account	19,107	19,107	19,107
Hedging reserve	(2,482)	(1,216)	(8,801)
Own shares	(800)	(700)	(800)
Profit and loss account	56,291	44,148	50,820
Equity attributable to equity holders of the parent	74,386	63,609	62,596
Minority interest	(15)	–	(12)
Total equity	74,371	63,609	62,584

Condensed consolidated cash flow statement

for the six months ended 30 September 2009

	Note	Unaudited half year 30 Sep 09 £'000	Unaudited half year 30 Sep 08 £'000	Audited year ended 31 Mar 09 £'000
Cash flows from operating activities				
Cash generated from operations	6	15,925	13,348	13,874
Interest paid		(95)	(240)	(591)
Interest received		255	1,245	2,171
Corporate taxes paid		(1,245)	(1,264)	(3,124)
Net cash inflow from operating activities		14,840	13,089	12,330
Cash flow from investing activities				
Purchase of property, plant and equipment		(436)	(432)	(1,248)
Purchase of intangible fixed assets		(202)	(128)	(357)
Proceeds from disposal of property, plant and equipment		–	1	1
Capitalised development costs		–	(49)	–
Acquisition of subsidiary net of cash acquired		(4,714)	–	(2,655)
Net cash used in investing activities		(5,352)	(608)	(4,259)
Cash flows from financing activities				
Issue of share capital		–	254	153
Purchase of shares for employee share schemes		–	(400)	(400)
Dividends paid		(2,570)	(2,401)	(3,783)
Repayment of loans		(326)	(3,089)	(3,116)
Net cash used financing activities		(2,896)	(5,636)	(7,146)
Net increase in cash and cash equivalents	6	6,592	6,845	925

Notes to the condensed consolidated financial statements

1 General information and basis of preparation

The information for the period ended 30 September 2009 does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The information for the year ended 31 March 2009 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. Full accounts for the year ended 31 March 2009, which include an unqualified audit report, did not draw attention to any matters by way of emphasis, and did not contain statements under Section 237(2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies.

The Group's audited consolidated financial statements for the year ended 31 March 2009 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Whilst the current volatility in financial markets has created general uncertainty in respect of the current economic outlook, the long-term nature of the Group's business, taken together with its forward order book, provide a satisfactory level of confidence to the Board in trading during the year ahead.

Hence, after making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing this half year financial information.

The unaudited consolidated half year financial information for the six months ended 30 September 2009 has, except for the change set out below, been prepared in accordance with accounting policies that are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009.

Changes in accounting policy

In the current financial year, the Group has adopted International Financial Reporting Standard 8 "Operating Segments" and International Accounting Standard 1 "Presentation of Financial Statements" (revised).

In the current financial period the Group has adopted IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. The chief operating decision maker is considered to be the Chief Executive. In contrast, the predecessor Standard (IAS 14 "Segment Reporting") required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. Following the adoption of IFRS 8, there is no change in the disclosure of the reportable segments as these meet the criteria set out in IFRS 8 above.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

2 Business segments

Six months ended 30 September 2009 (unaudited)	Pump Systems £'000	Gas Systems £'000	Water Systems £'000	Inert Gas Systems £'000	Eliminations £'000	Total £'000
Revenue						
External sales	40,059	23,116	24,229	12,953	–	100,357
Inter-segment sales	8,103	932	8,500	4,330	(21,865)	–
Total revenue	48,162	24,048	32,729	17,283	(21,865)	100,357

Inter-segment sales are charged at prevailing market prices.

Result

Segment result	6,641	868	3,250	834	–	11,593
Unallocated corporate expenses						(1,439)
Group operating profit						10,154
Finance income						855
Finance expense						(95)
Profit before taxation						10,914
Taxation						(2,947)
Profit for the half year						7,967

2 Business segments continued

Six months ended 30 September 2008 (unaudited)	Pump Systems £'000	Gas Systems £'000	Water Systems £'000	Inert Gas Systems £'000	Eliminations £'000	Total £'000
Revenue						
External sales	40,638	36,958	22,635	12,481	–	112,712
Inter-segment sales	5,769	974	7,920	5,037	(19,700)	–
Total revenue	46,407	37,932	30,555	17,518	(19,700)	112,712

Inter-segment sales are charged at prevailing market prices.

Result						
Segment result	7,782	2,113	3,149	879	–	13,923
Unallocated corporate expenses						(1,136)
Group operating profit						12,787
Finance income						1,245
Finance expense						(240)
Profit before taxation						13,792
Taxation						(3,616)
Profit for the half year						10,176

Year ended 31 March 2009 (audited)	Pump Systems £'000	Gas Systems £'000	Water Systems £'000	Inert Gas Systems £'000	Eliminations £'000	Total £'000
Revenue						
External sales	84,415	83,689	58,369	26,361	–	252,834
Inter-segment sales	12,308	2,350	17,676	9,768	(42,102)	–
Total revenue	96,723	86,039	76,045	36,129	(42,102)	252,834

Inter-segment sales are charged at prevailing market prices.

Result						
Segment result	12,520	3,703	7,687	1,768	–	25,678
Unallocated corporate expenses						(2,716)
Group operating profit						22,962
Finance income						2,171
Finance expense						(2,784)
Profit before taxation						22,349
Taxation						(5,802)
Profit for the year						16,547

3 Taxation

The tax charge of £2,947,000 (H1 2008: £3,616,000) is calculated by applying an estimated effective tax rate for each of the Group's material tax jurisdictions for the year to 31 March 2010 to the half year profit before taxation for each jurisdiction. The effective tax rate for the Group as a whole for the year to 31 March 2010 is estimated at 27.0% (H1 2008: 26.2%).

Notes to the condensed consolidated financial statements continued

4 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue in the reporting period.

For diluted earnings per share the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares where, on options granted, exercise price is less than the average market price of the Company's ordinary shares during the reporting period.

To assist the understanding of earnings trends, the directors have used measures of underlying earnings throughout this interim financial information. Where used, underlying earnings are calculated using earnings adjusted to eliminate the mark-to-market valuation movements of currency derivatives.

	Unaudited half year 30 Sep 09	Unaudited half year 30 Sep 08	Audited year ended 31 Mar 09
Profit for the period	£7,967,000	£10,176,000	£16,547,000
Mark-to-market (gain)/loss on currency hedging	£(432,000)	–	£1,579,000
Underlying profit for the period	£7,535,000	£10,176,000	£18,126,000
Weighted average number of shares in issue in the period	45,245,828	45,272,757	45,271,979
Dilutive effect of share options	18,249	56,568	32,540
Number of shares for diluted earnings per share	45,264,077	45,329,325	45,304,519
Basic earnings per share	17.6p	22.5p	36.6p
Diluted earnings per share	17.6p	22.4p	36.5p
Underlying basic earnings per share	16.7p	22.5p	40.0p
Underlying diluted earnings per share	16.6p	22.4p	40.0p

The number of ordinary shares in issue at 30 September 2009 amounted to 45,410,351 shares with 164,523 shares held in trust by the Group's share matching plan. There has been no issue of shares in the current financial period.

5 Dividends

	Unaudited half year 30 Sep 09 £'000	Unaudited half year 30 Sep 08 £'000	Audited year ended 31 Mar 09 £'000
Final paid in respect of year ended 31 March 2009 (5.68p per share)	2,570	–	–
Final paid in respect of year ended 31 March 2008 (5.29p per share)	–	2,402	2,402
Interim paid in respect of year ended 31 March 2009 (3.05p per share)	–	–	1,381
	2,570	2,402	3,783

6 Cash flow

The Condensed Consolidated Cash Flow Statement has been prepared using the temporal method by translating the cash flows of overseas subsidiaries at the rates applicable for the monthly reporting period in which they fall.

Cash generated from operations

	Unaudited half year 30 Sep 09 £'000	Unaudited half year 30 Sep 08 £'000	Audited year ended 31 Mar 09 £'000
Profit after taxation	7,967	10,176	16,547
Adjustments for:			
Taxation	2,947	3,616	5,802
Depreciation of property, plant and equipment	502	682	1,382
Amortisation of intangible fixed assets	367	384	724
Loss/(profit) on sale of fixed assets	29	(1)	2
Finance income	(855)	(1,245)	(2,171)
Finance expense	95	240	2,784
Share-based payment expense	245	184	394
Operating cash flows before movements in working capital and provisions	11,297	14,036	25,464
Decrease/(increase) in inventories	3,240	(8,292)	(2,801)
Decrease/(increase) in debtors	22,328	3,775	(8,904)
(Decrease)/increase in creditors	(21,651)	5,173	(3,968)
Increase/(decrease) in provisions	711	(1,344)	4,083
Cash generated from operations	15,925	13,348	13,874

Reconciliation of net cash flow to movement in net funds

	Unaudited half year 30 Sep 09 £'000	Unaudited half year 30 Sep 08 £'000	Audited year ended 31 Mar 09 £'000
Net increase in cash and cash equivalents in the period	6,592	6,845	925
Non-cash movements in cash and cash equivalents	1,499	(1,232)	3,875
Movement in cash and cash equivalents in the period	8,091	5,613	4,800
Movement in borrowings	326	3,089	3,117
Non-cash movements in borrowings	29	(144)	(197)
On acquisition of subsidiary	–	–	(315)
Net funds at the beginning of the period	55,452	48,047	48,047
Net funds at the end of the period	63,898	56,605	55,452

Non-cash movements relate to exchange differences and the unamortised issue costs of bank loans.

Notes to the condensed consolidated financial statements continued

7 Acquisitions

In September 2009 the Group completed the following acquisitions:

The business and assets of Krystallon Limited

This was acquired for an initial cash consideration of £0.95 million payable immediately plus £0.85 million payable upon satisfactory completion of an internal testing programme. Further payments may become due dependent on future profit performance up to the period ending 31 March 2015. The directors' best estimate of the amount likely to be paid is £3.0 million and this is recognised as performance related contingent deferred consideration.

Based in the UK, Krystallon is a leading supplier of marine exhaust sulphur emissions reduction technology. Krystallon's technology provides a cost-effective means of complying with the International Maritime Organization's regulations for the reduction of marine exhaust gas emissions.

The business and assets of the Technology & Products division of Aibel AS

This was acquired for an initial cash consideration of £3.7 million paid on completion with an additional amount of up to £2.7 million payable upon achievement of certain performance criteria over the next two years. The directors' best estimate of the additional amount likely to be paid is £nil.

Aibel Technology & Products provides leading technologies to the offshore oil & gas market that are used to increase the efficiency of oil production and ensure the safe handling of cargoes.

Both acquisitions were completed immediately preceding the period end. Work is currently being carried out on the identification of separate intangible assets for the balance sheet as at the date of acquisition. The intangible assets are likely to include an asset in relation to technology acquired which will be amortised once it comes into use. The amortisation charge for the current financial year is expected to be insignificant in relation to these acquisitions. Goodwill and intangible assets are therefore aggregated in the following tables. Provisional values are set out below.

	Krystallon £'000	Aibel T&P £'000	Total £'000
Net assets acquired:			
Goodwill and intangible assets	4,725	4,153	8,878
Provisions		(700)	(700)
Inventories and debtors	170	216	386
Total consideration	4,895	3,669	8,564
Satisfied by:			
Cash	950	3,654	4,604
Deferred and contingent consideration	3,850	–	3,850
Directly attributable costs	95	15	110
	4,895	3,669	8,564

Glossary

FPSO

Floating Production, Storage and Offloading

FSRU

Floating Storage Regasification Unit

IMO

International Maritime Organization

LNG

Liquid Natural Gas

LPG

Liquid Petroleum Gas

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