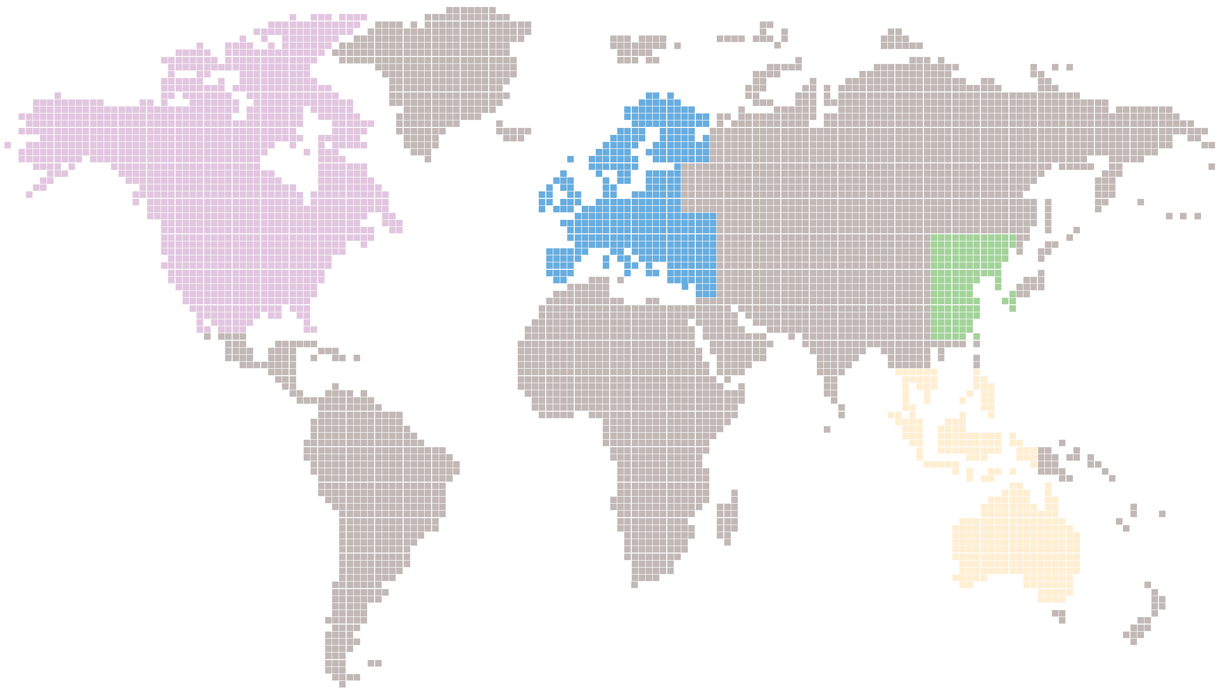
Advanced fluid handling systems for ships and offshore oil and gas facilities

Hamworthy plc

Annual Report and Accounts 2005

Hamworthy
FLUID INNOVATION

Our Global Reach



Three year aggregate product sales by region for continuing business 2003 – 2005

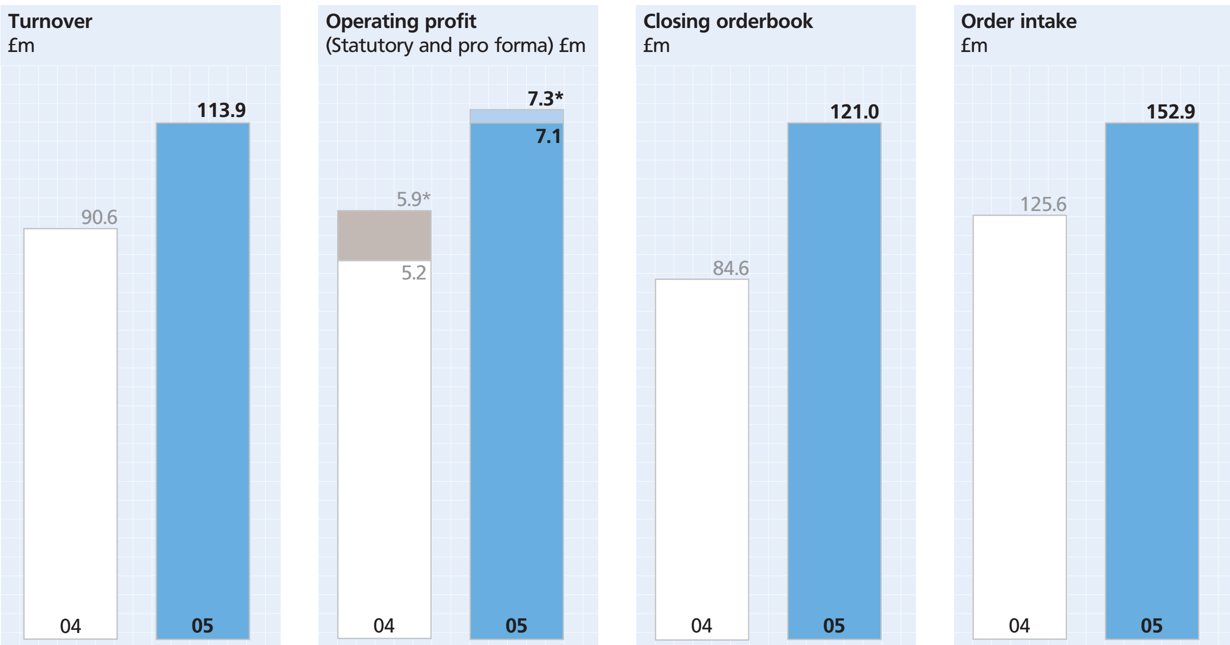
46%	40%	5%	6%	3%
Japan, Korea & China	Europe	North America	Australia & other Far East	Rest of World

Corporate Statement

Hamworthy is a world leader in the design and manufacture of innovative shipping and offshore fluid handling systems focused on gas handling, pumping and wastewater systems. It has a significant market share in most of its product ranges. The Group serves international markets and customers which, typically, are commercial and naval shipbuilding yards, ship owners and oil and gas companies.

Financial Highlights

- Turnover up 25.7%
- Operating profits increased by 36.1% (24.4% on a pro forma* basis)
- Record order intake of £152.9 million
- Closing order book up 43.0% to £121.0 million**
- Net funds increased by £8.0 million



* Pro forma operating profit and earnings per share have been calculated to exclude certain items of a non-recurring nature and present consistency between two financial years including consistency of the Group's financial structure. These calculations are detailed in note 27 and in the financial review on pages 10 to 11.
** The closing order book differs by £2.6 million from the sum of the opening order book plus net movements in the year as a result of exchange rate movements.

Business Overview

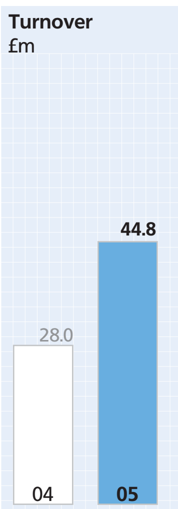
Hamworthy has created a strong market position through developing leading edge technologies and focusing on markets which offer growth potential from increasing energy transportation. In addition, the Group's markets are often underpinned by increasing environmental, noise and safety legislation and regulation.

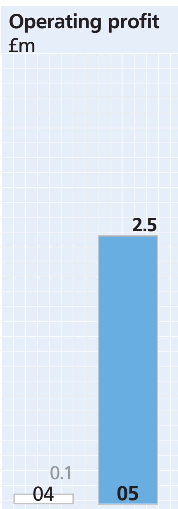
Gas systems

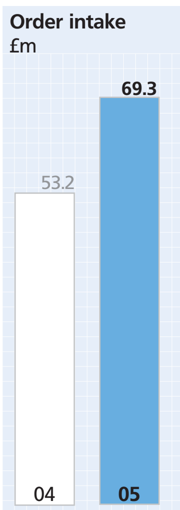
LPG reliquefaction system on board the Sahna LPG FPSO

The gas systems business is located in Asker, Norway. The technology allows cargo vapour boil-off created during transportation to be reliquefied and returned to cargo, thereby minimising cargo loss and reducing emissions. The markets are liquid petroleum gas (LPG), liquid nitrogen gas (LNG) and crude.

LNG reliquefaction and liquefaction
LNG regasification
LPG and Ethylene cargo handling
VOC recovery





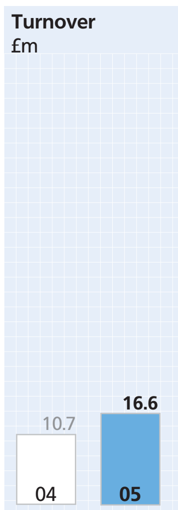


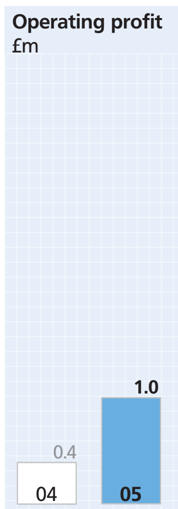
Inert gas systems

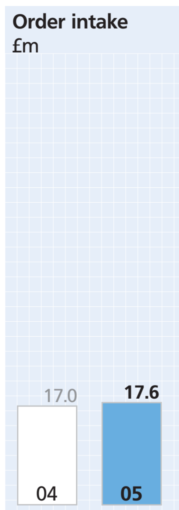
Inert gas systems on the quay side at Hamworthy's Moss facility

The inert gas systems business is located in Moss, Norway. These systems supply oxygen-depleted air to the ship's cargo tanks to prevent explosion during the transportation of oil and chemical cargos.

Moss flue gas system
Moss inert gas generators
Moss Nitrogen generators
Moss Mult-Inert™ system





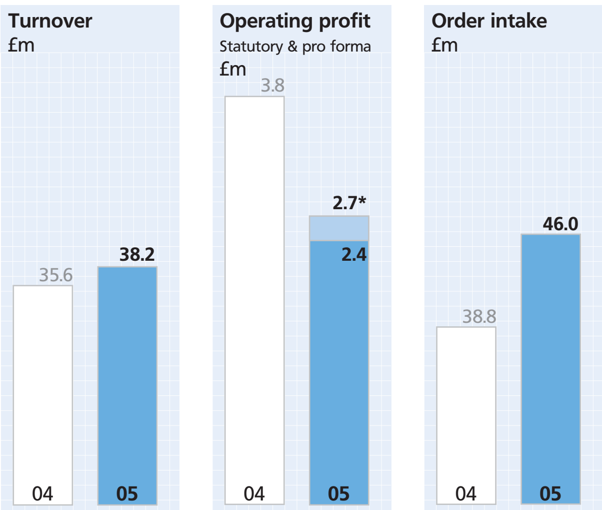


Pump systems

Deepwell cargo pump being installed in Turkter Shipyard, Turkey.

The pump systems business comprises three product groups: deepwell pumps, pump room systems and engine room pumps. These businesses are based in Denmark, Singapore, Norway and the UK. These products are predominantly for LPG carriers, product and chemical tankers, crude oil tankers and FPSOs.

Svanehøj deepwell pumps
Pump room systems
Engine room pumps

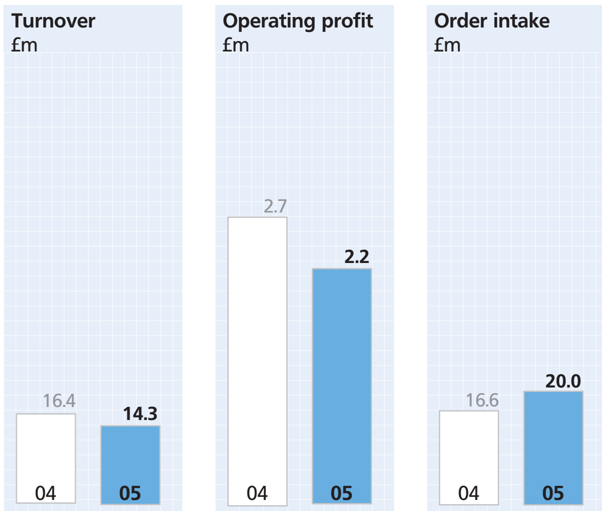


Wastewater systems

Membrane bioreactor on board Princess Cruises's Dawn Princess.

The wastewater systems business is based in Poole, Dorset and provides advanced, environmentally friendly solutions for the treatment and separation of liquid waste products on all vessels to enable a clean discharge.

Membrane bioreactor
Sewage treatment plant
Vacuum toilet systems
Oily water separators



* Differences between pro forma numbers (as explained in the financial review on pages 10 and 11) and statutory figures are immaterial except for the pump systems operating profit as shown.

Chairman's Statement

The Group won significant orders during the year and all business sectors saw an increase in order intake compared with the previous year.

Results

I am delighted to report Hamworthy's first set of annual results since joining AIM in July 2004. These results are in line with the management's anticipated outturn for the twelve months ending 31 March 2005 at flotation.

2004/05 represented a further year of growth by the Group. Turnover for the year increased by 25.7% to £113.9 million (2004: £90.6 million). Operating profit increased by 36.1% to £7.1 million (2004: £5.2 million). On a pro forma* basis operating profit increased by 24.4% to £7.3 million (2004: £5.9 million).

Profit on ordinary activities before taxation increased by 52.2% to £6.4 million (2004: £4.2 million). Basic earnings per share decreased by 35.6% to 17.7p (2004: 27.5p). This decrease principally is driven by the increase in the issued share capital immediately prior to the admission to AIM. Pro forma* earnings per share rose by 38.3% to 14.8p (2004: 10.7p).

Your directors are recommending a final ordinary dividend of 3.24p per share which is consistent with the intention stated at the time of the flotation. Subject to shareholders' approval the final dividend will be paid on 24 July 2005 to all shareholders on the register at 1 July 2005.

Business progress

The Group won significant orders during the year and all business sectors saw an increase in order intake compared with the previous year.

The largest order, worth £48 million, was for Liquid Natural Gas (LNG) reliquefaction systems for eight QatarGasII LNG carriers. These advanced vessels are the largest LNG carriers so far ordered and puts the Group in a strong position to compete for LNG reliquefaction systems in future. Indeed, since the year end orders for four further shipsets of equipment have been won. Other significant orders included those for wastewater systems on five new cruise ships ordered by Carnival, including the Queen Victoria for Cunard, a specialised inert gas system on the offshore facility to be built by Daewoo for the Chevron Texaco Agbami field in Nigeria, and the launch order for the new CKL 200 electric deepwell pump for tankers being built for a German owner.

> 2004/05 represented a further year of growth by the Group. Turnover for the year increased by 26% to £113.9 million (2004: £90.6 million). Operating profit increased by 36% to £7.1 million (2004: £5.2 million).

The major contributors to the strong turnover and profit performance were the gas reliquefaction and inert gas businesses offset by reductions in non-deepwell pump spares and wastewater management systems for the cruise sector. Non-deepwell pump spares can be expected to continue to decline as a result of declining field population following reduced turnover of these products over the last two decades. The opposite trend is in progress for

* Pro forma operating profit and earnings per share have been calculated to exclude certain items of a non-recurring nature and present consistency between the two financial years including consistency of financial structure. These calculations are detailed in the Financial Review on pages 10 and 11 and in note 27 to the financial statements.

wastewater spares where rising new product volumes are producing increased spares turnover.

Corporate governance

You will see from the other sections of this report that much progress has been made in developing the governance systems of the Group beyond those strictly required for AIM companies. Many of the details and policies are available on the Group's web site. Wherever practical the Group will seek to comply with the requirements of the Combined Code and is planning to adopt International Financial Reporting Standards (IFRS) for the year ending 31 March 2007, one year earlier than the requirement for AIM companies.

Strategy

The Group's focus on technical innovation has been a significant source of organic growth and this will continue to be a priority. This innovation is often in response to environmental legislation that creates new markets. The Group is focused on providing equipment and systems for specialist ship types, particularly those concerned with oil and gas transportation and production. Owners of these ship types and the offshore sector both require products with extremely efficient through-life economics and very high reliability as do the world's major cruise operators, who represent the other main ship type targeted by the Group.

> The Group's focus on technical innovation has been a significant source of organic growth and this will continue to be a priority.

This emphasis on quality is of paramount importance in China where the Group's assembly and procurement activities have expanded considerably. The assembly activity was established in 1998 ahead of its competitors.

In the period since float the Group has concentrated on delivering organic growth. It is now considering opportunities to augment this by selective acquisition. It is seeking acquisitions which fit the existing skills and activities of the Group and which will enhance shareholder value.

The strength of the Group lies in the skills and commitment of its 670 employees and on behalf of the board I thank them for their continued energy and dedication. Strong order intake has continued in most business sectors except for the offshore market which has experienced delays to a number of projects. We look forward to a year of continued growth.

Gordon Page
Chairman

Summary of the chairman's statement

- Results in line with expectations at flotation.
- The Group won significant orders during the year and all business sectors saw an increase in order intake compared with the previous year.
- The major contributors to the strong turnover and profit performance were the gas reliquefaction and inert gas businesses.
- Strong order intake has continued in most business sectors.
- Opportunities to augment organic growth by acquisitions.

Chief Executive's Review

The Group achieved a further year of substantial growth with turnover increasing by 26% and operating profit by 36% (pro forma 24%). Gas reliquefaction systems were the biggest contributor to both turnover and profit growth completing most of the contract retrofitting volatile organic compound recovery systems on North Sea shuttle tankers and the first stages of the LNG reliquefaction contracts on QatarGasII.

Meeting Kyoto standards

In response to impending legislation to reduce the emissions of volatile organic compound (VOC) gas into the atmosphere, Hamworthy set about developing a solution in 1999 to recover VOC emissions at the point of transfer of crude oil from offshore installations to shuttle tankers.

The first prototype achieved a recovery of 78% of emissions to meet the requirements of Norwegian legislation. Since then the Group has continued to develop the technology and now achieves a 100% reduction of emissions. This is achieved without increased cost and no other solutions in the market achieve the same emission reductions.

Furthermore, Hamworthy's solution reliquifies the recovered VOC gas and stores it in deck tanks. The reliquefied gas is used to power the recovery plants, or delivered to the receiving terminal. This environmentally-friendly and economic initiative is one of many that Hamworthy has developed over the years.

The Group achieved a further year of substantial growth with turnover increasing by 25.7% and operating profit by 36.1% (pro forma* 24.4%). Gas reliquefaction systems were the biggest contributor to both turnover and profit growth completing most of the contract retrofitting volatile organic compound recovery systems on North Sea shuttle tankers and the first stages of the LNG reliquefaction contracts on QatarGasII.

Orders received in the year improved for each of the four principal products of the Group amounting in aggregate to £152.9 million (2004: £125.6 million). The closing order book increased to £121.0 million (2004: £84.6 million). On a continuing business basis, including the results of acquired businesses throughout the periods, the spares and service turnover was constant at £19.9 million (2004: £19.8 million).

> The highlight of the year was the winning of orders worth £48 million for eight shipsets of LNG reliquefaction equipment.

Both shipping and shipbuilding continued to enjoy favourable conditions. In 2004 the average merchant ship earned $29,400 per day compared with $12,000 per day in the 1990s. The newbuilding price index for ships contracted rose nearly 60% from March 2002 to March 2005. From the end of the 1980s to 2004 shipbuilding tonnage grew by 11% per annum, one of the unsung growth sectors of the world economy. This is in response to continuing globalisation, one consequence of which is increased transport of physical goods. For the last few years of that period the spectacular growth in China has been a significant factor.

Hamworthy's products and systems are installed onto five main ship types:

- Tankers
- Liquid natural gas (LNG) carriers
- Liquid petroleum gas (LPG) carriers
- Cruise ships
- Offshore production and storage vessels known as FPSOs

Newbuild ship delivery volumes in 2004 were high for tankers but low for LPG carriers, cruise vessels and FPSOs. Against this background much of the growth was achieved through the retrofit Volatile Organic Compound (VOC) recovery system contract and illustrates the resilience of the Group, deriving from its broad spread of technologies and products.

Gas systems

Turnover rose to £44.8 million (2004: £28.0 million). Operating profit rose to £2.5 million (2004: £0.1 million). The prior year was depressed by cost overruns on the prototype LNG liquefaction plant and a complex LPG reliquefaction system on a gas FPSO. The most significant contributors to the 2004/05 results were the North Sea VOC contract and the first stages of the ground-breaking QatarGasII LNG reliquefaction contracts.

The highlight of the year was the winning of orders worth £48 million for eight shipsets of LNG reliquefaction equipment. These ships are to be built in the three big Korean yards (Hyundai, Samsung and Daewoo) and represent the next phase in the development of the QatarGasII project under the aegis of Exxon Mobil and the QatarGas consortium. Our LNG reliquefaction technology has been developed over three years and included the installation of a land-based LNG liquefaction plant which successfully demonstrated the technology. The second half of the year saw an expansion of the gas team in Asker, near Oslo, to execute these contracts, which are on schedule. Oslo is a significant offshore oil centre and our location has made it possible to recruit both permanent and temporary staff with the right technical and contract handling skills at short notice.

World LNG trade grew by 15% in 2004 and its growth prospects are helped by the reducing reserve to consumption ratio for oil and its continuing high price. LNG carriers are an important sector for the Group not just for reliquefaction systems but also inert gas systems, waste treatment and engine room pumps. The Group has recently announced that it has won a further order for four shipsets of LNG reliquefaction equipment from Samsung. Whether an LNG reliquefaction system is required on an LNG carrier depends on what propulsion system is specified. It remains to be seen what propulsion systems will be selected on any future ships ordered and therefore the proportion that offer potential for LNG reliquefaction equipment.

The LPG reliquefaction business had a quieter though satisfactory year. Although the number of orders for LPG carriers, particularly of the larger size Group over 60,000m^3, has increased sharply the bulk of these orders was placed on a Korean yard to which Hamworthy is not the traditional supplier. Looking ahead, the prospects for this ship type remain positive and other yards in Korea and China are taking an interest.

The bulk of the work for the retrofitting of VOC reliquefaction systems on six North Sea shuttle tankers was completed during the year with installation and commissioning scheduled to be concluded by the first half of 2005/06. In due course we may expect there to be some further retrofit opportunity in the North Sea, with possible orders during 2005/06.

There are other potential new applications for our gas reliquefaction expertise. These include further LNG liquefaction plants similar to that already installed at Snurrevarden, Norway. There are also opportunities for small-scale plants to produce LNG from landfill gas. As with other Hamworthy technologies this is in part driven by environmental considerations.

A further application with medium term potential is in the regasification of LNG on board an LNG carrier to avoid the need for a delivery terminal on land. Hamworthy is involved in a joint industry project to develop an economic regasification concept conforming to relevant environmental legislation.

Inert gas systems

Turnover rose to £16.6 million (2004: £10.7 million). Operating profit rose to £1.0 million (2004: £0.4 million). This increase in turnover and profit came both from traditional marine business and the offshore sector. Order intake increased over the prior year and 25% of this was inert gas systems for LNG or LPG carriers.

Further progress was made in transferring manufacture of inert gas from Norway to the Group's assembly plant in Suzhou, China. Flue gas systems and inert gas systems for tankers are now assembled in Suzhou with increasing local sourcing of components. Progressively the assembly

Achieving cost leadership

Hamworthy first started sourcing low cost materials and parts from China in the mid 1990's and in 1998 developed its own assembly plant in Suzhou 90 kilometres from Shanghai. This plant was wholly owned enabling Hamworthy to control the quality of products and services.

The plant initially manufactured wastewater equipment and vacuum toilets which were exported to customers in Europe and the Far East. It has since been expanded to include the assembly of inert gas systems.

The Suzhou plant, now employs 60 engineers, represents a total £1 million investment for Hamworthy and operates within an ISO9002 quality management system. With the rapid growth of the Far East ship building industry, particularly China and Korea, the plant has proved to be a sound investment for Hamworthy's future.

Our philosophy of recent years has served us well. We are a truly international Group serving an international industry and providing technically innovative products and systems of the highest quality. We will continue to seek further opportunities for organic and acquisitive growth world-wide.

of inert gas systems for gas ships will be transferred to Suzhou leaving the Norwegian facility to concentrate on highly customised plants such as for the offshore sector and systems requiring test in the Company's dedicated test facility at Moss, Norway.

The development group at Moss is working on a new inert gas system for the latest generation of very large LNG carriers up to 250,000m^3.

In the course of the year the Group took its largest ever inert gas order, approaching £2 million, for a customised system on an FPSO. The delivery of this inert gas system is scheduled for 2006/07.

Inert gas systems are sold on to both tankers and gas ships and both sectors are very active at present. However, it is forecast that deliveries of crude and product tankers, although not chemical tankers, will decline from their peak after 2007. The forecast for deliveries of LPG and LNG vessels is strong beyond this date and accordingly the inert gas business is putting considerable focus on gas ships. It has already, through value engineering, made significant cost savings to the product line and is now marketing to gas ship owners.

Pump systems

Turnover rose to £38.2 million (2004: £35.6 million). Operating profit fell to £2.4 million on a statutory basis or £2.7 million on a pro forma basis (2004: £3.8 million statutory and pro forma* basis). The reduction in profit derived from lower spares and service volumes and margins for pump room and engine room pumps together with reduced deliveries of electric deepwell pumps for LPG carriers. Reduced spares volumes for engine room pumps are in part driven by lower field populations following the withdrawal from part of this market some years ago. The reduced volume of electric deepwell pumps for LPG carriers is solely the result of lower deliveries of these vessels following the market cycle and its upturn will see a recovery of deepwell gas pump sales in forthcoming years. The reduced profit was offset to some extent by the first deliveries of electric deepwell pumps to the offshore sector and better turnover and profit contributions from sales of engine room pumps and pump room systems both due to the market and reduced product costs.

The offshore deepwell pump business experienced difficult conditions. Several projects were delayed and the Group lost a major bid for pumps on the Agbami FPSO. The sustained high oil price has finally led to improved activity on new FPSO projects but too late to impact on turnover in the twelve months.

Whilst electric deepwell pumps for LPG carriers suffered from low ship deliveries the newer lubricated shaft deepwell pump for oil tankers saw turnover rise over 30% and a record order intake exceeding £10 million. The business has just won its first order for the newly-developed CKL200 size pump for tankers being built for a German owner. The order intake for deepwell pumps for LPG carriers was also significant at almost three times the prior year. A significant part of this business comes through gas contractors other than Hamworthy in Norway and its fortunes are not dependent on which shipyards win orders for these vessels.

The CKL250 deepwell electric pump will be launched in 2005/06 and complete the range of these lubricated shaft pumps for oil tankers up to 60,000 dwt and beyond. The deepwell pump business has enjoyed considerable success in sourcing high quality stainless steel castings in China and this is reducing the product cost which should enable market share to continue to grow in the tanker sector.

Pump room and engine room pumps both saw improved turnover and profit margins, notably for pump room pumps where the results of a value engineering and procurement drive began to come through. During the latter part of the year the sales and contract handling activity for pump room systems was moved from Norway to Singapore. In addition to cost benefits this move takes the product to the site where it is manufactured and closer to its principal Far East markets.

The fall in both spares and profit margins for engine room and pump room pumps spares derives from increasingly competitive conditions as well as a declining field population. The move of quotation and order processing was successfully completed by the end of the year. The cost savings will accrue from 2005/06.

Wastewater systems

Turnover fell to £14.3 million (2004: £16.4 million). Operating profit fell to £2.2 million (2004: £2.7 million). The principal factor behind the profit reduction was lower deliveries of advanced wastewater (membrane bioreactor) systems and large conventional water treatment systems to the cruise industry. This was offset to some extent by increased spares and service volumes and smaller wastewater systems for merchant vessels and offshore.

The newbuild and retrofit cruise sector is important to the wastewater business. 2005 should represent the trough of the newbuild cycle with only five new cruise ships scheduled for delivery. Deliveries are forecast by an independent research organisation to rise to 14 by 2007 and 18 by 2008. This is supported by the order pattern which shows 12 vessels ordered in 2004 compared with only five in each of the previous two years. The Group has been successful in picking up a creditable share of wastewater systems orders on these recently ordered vessels. In particular it has obtained orders for conventional wastewater systems on five vessels recently ordered by Carnival in Italy and for an advanced wastewater system for the Cunard Queen Victoria. It has also obtained orders for advanced wastewater systems on two cruise vessels to be built in a German shipyard.

The market for retrofitting cruise ships with advanced wastewater systems to meet tighter environmental legislation is in a quiet period. After the initial round of retrofitting vessels cruising to Alaska to meet the new stringent regulations, of which Hamworthy obtained a 45% market share, there has been a lull. Hamworthy obtained only two advanced wastewater retrofit orders in the year on ships with specific operational requirements. As yet there is no clear pattern of legislation emerging in the USA but the world's number two cruise line, Royal Caribbean, has publicly stated that it will be undertaking a retrofit programme and Hamworthy is well placed to compete for this business.

The high volume small wastewater systems business continues to strengthen. In recent years, based on high quality, low cost production from the Suzhou facility, volumes have grown and reached a record in excess of 400 in 2004/05. The Suzhou facility itself increased its turnover to the wastewater and inert gas businesses by 60% compared with prior year. Like other businesses in China it is facing inflationary pressures on wages and salaries and from suppliers, but it remains a cost competitive and high quality facility.

Wastewater spares and service increased by 20% in the year with improvement coming from both advanced water systems and high volume small conventional plant on merchant vessels.

Prospects

For the key ship types supplied by the Group the medium term forecasts are generally good. In particular the recovery in newbuild rates for cruise and LPG carriers is underway and the long awaited upturn in offshore FPSO activity is a reality. LNG is going through major growth and the Group is well positioned to take advantage of this, not only with its new reliquefaction technology but also inert gas and other products. Despite the expected decline in oil tanker deliveries towards the end of the decade the Group's prospects are encouraging.

Our philosophy of recent years has served us well. We are a truly international Group serving an international industry and providing technically innovative products and systems of the highest quality. We will continue to seek further opportunities for organic and acquisitive growth world-wide.

Kelvyn G Derrick
Chief Executive

Reshaping preconceptions

Environmental, cost and safety benefits are enabling Hamworthy to shift opinion among oil companies toward electrically driven cargo pumps as an alternative to the traditional solution of hydraulically driven equipment on FPSOs. Hamworthy combined two of its existing and proven technologies to create a new range of electrically driven pump type called CKL.

Hamworthy resolved to bring CKL to market without delay and, recognising that customers would require these pumps to be tested fully assembled at over 30 metres, decided to build its own dedicated testing facility, investing £0.5 million. Now, using a 30 metre tower based in its Danish facility, Hamworthy is able to test in a controlled and safe environment, cost effectively meeting the requirements of the oil company requirements.

Financial Review

The Group's continued strategy of development in technology led products resulted in operating profit growth and strong cash generation.

The Group has met its aims of growth and delivery of shareholder value in this first period of public share ownership.

Flotation

On 20 July 2004 the Company was admitted to the AIM of the London Stock Exchange. Immediately prior to flotation the Group increased its nominal share capital from £550,000 to £1,850,000 and reorganised its loan structure, including the settlement of various balances with former fellow subsidiary companies. As part of that reorganisation the Company acquired three companies in the USA and the Netherlands historically part of its management Group but owned by former related companies.

Operating results

The directors have presented pro forma results data within the chairman's statement, chief executive's review and this financial review in order to provide a more informative comparison of the performance against the prior year. This data is consistent with the adjustments made in the presentation of results in the Prospectus and admission to AIM document. The adjustments to the reported figures in the audited financial statements are given in the table opposite. The calculation of the pro forma earnings per share is set out in note 27 on page 35.

Turnover increased by 25.7% to £113.9 million (2004: £90.6 million). £16.8 million of this growth was attributable to the gas systems business as the Group continued its strategy of development in technology led product areas. On a pro forma basis operating profits rose 24.4% to £7.3 million (2004: £5.9 million).

The Group incurred a £0.3 million restructuring charge to move sales order processing and contract handling operations from Norway to other Group locations. This has coincided with the growth in the gas systems business allowing redeployment of some staff. The non recurring charge will have a payback of less than one year.

Excluding central costs 79% of the Group's operating profits are generated by companies whose reporting currency is other than Sterling. Average Sterling exchange rates have strengthened 2.7% compared to the prior year. The impact on the translation of local currency results into the Sterling consolidated financial statements has been a reduction of consolidated profits of £0.2 million.

Taxation

The tax charge of £1.0 million (2004: £1.2 million) represents a rate of 16.0% (2004: 28.2%). Excluding goodwill amortisation and the loss on disposal of businesses in 2004 the effective rate is 15.6% (2004: 23.1%). This effective rate is lower than the average tax rate of countries in which the Group operates. In China inward investment incentives provide reduced tax rates for a limited period. In Singapore and Norway the availability of deferred allowances and short term timing differences not previously recognised as deferred tax assets reduces this year's charge by £0.9 million, equivalent to 13.9% on the tax rate. These factors are not expected to materially affect future tax charges. Further details of the tax charge can be found in note 7 to the financial statements.

Earnings per share

Basic earnings per share decreased from 27.5p in 2004 to 17.7p and diluted earnings per share from 27.5p to 17.4p. This is largely as a result of the issue of new share capital and the change in Group loan structure on the Company's flotation on the AIM in July 2004 net of the effects of non recurring losses on business disposals and former parent company management charges in 2004.

A pro forma earnings per share calculated to eliminate these changes and non recurring losses shows a 38.3% rise to 14.8p (2004: 10.7p).

Dividend

The directors are recommending a final ordinary dividend of 3.24p per share which is consistent with the intentions disclosed at the time of the Company's flotation.

Financing and cash flow

The management of working capital and the commitment to cash generation is given major focus in all operations. The Group is a strong generator of cash but is subject to short term volatility in its net cash position.

The Group generated cash from operating activities of £9.3 million (2004: £3.2 million) resulting in a net funds position at the year end of £2.5 million (2004: £5.5 million net debt).

Treasury functions are administered centrally with all principal operating businesses participating in a cash pooling arrangement. This provides efficient sourcing and use of aggregate funds. The Group hedges the interest exposure of 2/3 of its term debt. This caps the LIBOR rate within our interest charge at 6.39% on the proportion of debt hedged.

The Group operates globally and will contract in numerous currencies. Our policy is to hedge fully all transaction exposures back to the reporting currency of the contracting business. Hedges are put in place at the time of entering the currency commitment.

Reconciliation of pro forma operating profit

	31 March 2005 £m	31 March 2004 £m
Per audited financial statements	**7.1**	5.2
Adjust for acquired and discontinued businesses	**(0.1)**	(0.1)
Eliminate non-recurring costs of Norwegian reorganisation	**0.3**	–
Eliminate previous parent company management charges	**–**	0.8
Pro forma operating profit	**7.3**	5.9

The Group has its primary banking and finance facilities with Barclays Bank plc. The facility includes a five year term loan of £9.0 million, of which £8.3 million is outstanding at 31 March 2005, and a revolving facility of overdraft, forward foreign exchange contracts and bonds, guarantees and indemnities. The Group's larger customer contracts will typically involve receipt of advance and stage payments. These are supported by the issuing of a bank guarantee. Turnover growth, particularly in larger systems orders, leads to an increased requirement for these instruments. Barclays have extended the facility agreed in July 2004 to accommodate the Group's requirements.

Net interest cover is at a prudent 10.4 times (2004: 13.2 times).

During the period the Group acquired capital equipment of £0.7 million (2004: £1.7 million) compared to the depreciation charge of £1.2 million (2004: £1.3 million). The Group is not capital intensive and will commit to major items of capital investment only after a thorough economic review and payback analysis.

Acquisitions

In July 2004 the Company acquired three companies in USA and the Netherlands which, whilst historically part of the Hamworthy management Group, had previously been owned by former related companies.

Hamworthy Inc and Hamworthy Marine Inc operate as the Group's sales, service and customer support businesses for the USA. They were acquired for the cash sum of £0.8 million with net tangible assets at fair value of £0.6 million, including cash and inter group debtors of £0.9 million.

Hamworthy BV operates as the Group's sales, service and support business for the Netherlands and various immediately surrounding territories. It was purchased for £1 cash consideration with net assets at fair value of £0.4 million.

International Financial Reporting Standards (IFRS)

Companies listed on AIM will not have to apply IFRS until accounting periods commencing on or after 1 January 2007. Consequently the first set of fully compliant IFRS financial statements will not be required until the year ending 31 March 2008. The Group is currently investigating the effects of the transition to IFRS reporting standards and has a programme of review with its financial advisors. It expects to adopt IFRS as the basis for its financial reporting one year earlier than required for the year ending 31 March 2007.

Paul Crompton
Finance Director

Summary of the Financial Review

- Turnover up 25.7%, pro forma operating profits up 24.4%
- Operating cash flow ahead of operating profits
- Interest cover 10.4 times
- Pro forma earnings per share up 38.3%

Board of Directors

Gordon F Page CBE, MA, FRAeS, DSc
Non-Executive Chairman
Mr Page, age 61, joined the board in June 2004. He is non-executive chairman of Cobham plc and FKI plc. Mr Page previously held a number of senior commercial and marketing positions at Rolls-Royce plc. He is chairman of the Department of Trade and Industry's Industrial Development Advisory Board. He is president of the Dorset Chamber of Commerce & Industry, and chairman of the Bournemouth, Dorset and Poole Economic Partnership. He is president-elect of the Royal Aeronautical Society and a council member of the Dorset Local Learning and Skills Council. He was awarded the CBE in June 2000 and an Honorary Doctorate of Science from Cranfield University in June 2003. He is chairman of the nomination committee.

Kelvyn Derrick BSc (Eng), MSc (Econ)
Chief Executive
Mr Derrick, age 57, joined the Company in 1994 as managing director having spent five years in the venture capital industry. Prior to that his experience was principally in the engineering sector in CEO roles in both turnaround and growth situations spanning 15 years. Mr Derrick has an MSc(Econ) from the London Business School and an engineering degree from the University of London. He is chairman of the Society of Maritime Industries and vice-president of the European Marine Equipment Council.

Paul Crompton BA, FCA
Finance Director
Mr Crompton, age 44, joined the Company in 1994 as finance director. A graduate in finance and business studies, he is a chartered accountant, having spent five years at Ernst & Young. Prior to joining Hamworthy, Mr Crompton held senior financial and general management roles within the electronics and aerospace industries including a main board directorship at Penny & Giles International plc. He is chairman of Trustees of the Hamworthy Pension Scheme.

James Wilding MA FCA
Non-Executive Director
Mr Wilding, age 45, joined the board in 2000 following the acquisition of Powell Duffryn plc, a former holding company, by Nikko Principal Investments Limited. Mr Wilding is a chartered accountant and joined Nikko Principal Investments Limited in 2000. He was previously a partner at PricewaterhouseCoopers from 1994 to 2000 where he had held various audit and corporate recovery positions since 1983. He is also a non-executive director of PD Ports plc.
He is chairman of the remuneration committee.

Alan Frost BSc
Non-Executive Director
Mr Frost, age 60, joined the board in June 2004 and is also currently the chairman of Teachers Building Society, chairman of the board of Bournemouth University and a non-executive director of Car Crash Line Group plc, INVESCO Pensions Ltd, and NFU Mutual Insurance Society Limited. Mr Frost has over 35 years of experience in the financial services sector, including ten years as managing director of Abbey Life Assurance and chief executive of United Assurance Group plc. He is the senior independent director and is chairman of the audit committee.

Directors' Report

Principal activities

The principal activities of the Company have been acting as holding company and provider of group management services. The principal activities of the Group are the design, manufacture and supply of products and systems for marine oil and gas related industries.

Review of business and future prospects

On 6 July 2004 the Company was re-registered as a public company, changed its name from Hamworthy KSE Group Ltd to Hamworthy plc and reorganised its share capital before successfully listing on the AIM stock market. Also on this date the Company acquired a 100% holding of Hamworthy Inc, KSE Marine Inc and Hamworthy BV, companies previously operating within its management group but owned by former related companies.

The Company and Group have performed satisfactorily during the year and the trading performance is in line with the directors' expectations. The directors expect the Group's activity levels to be sustained through the foreseeable future. A detailed review of the Group's performance, financial results and future development are contained within the chairman's statement, chief executive's review and financial review.

Dividends

The directors propose the payment of a final dividend in respect of the year to 31 March 2005 of 3.24p per share (2004: £nil). The Company did not pay an interim dividend during the financial year (2004: £3.18 per share).

Directors

The following directors held office during the year:
WL Belshaw (resigned 23 June 2004)
A Bentley (resigned 23 June 2004)
P Crompton
KG Derrick
AW Vedøy (resigned 23 June 2004)
WJ Larsen (resigned 23 June 2004)
GF Page – non-executive director and chairman (appointed 23 June 2004)
AJ Frost – non-executive director (appointed 23 June 2004)
JN Wilding – non-executive director (resigned as chairman 23 June 2004)
QJ Zentner – non-executive director (resigned 23 June 2004)

The director retiring by rotation at the forthcoming AGM is P Crompton who, being eligible, offers himself for re-election. GF Page and AJ Frost were appointed by the board of directors during the year and offer themselves for election at the forthcoming AGM.

None of the directors had a material interest in any contract of significance to which the Company, or its subsidiaries, was a party during the financial year. There were no contractual relationships between the non-executive directors and their companies and the Hamworthy plc group since the flotation on AIM. JN Wilding and QJ Zentner were employees of the Company's ultimate parent company prior to the flotation.

Other than the interests of directors disclosed below the Company had been notified at 20 June 2005 of the following substantial interests in the Company's issued ordinary share capital:

Registered holder	Number of ordinary shares	% of issued share capital
JP Morgan Mercantile Investment Trust plc	2,327,509	6.29%
Artemis Investment Management Ltd	2,300,550	6.22%

Directors' Report continued

Directors' remuneration

Companies trading on AIM are not required to provide a formal remuneration report. However, in line with current best practice the directors provide the following information to enable a better understanding as to how directors' remuneration in determined.

The board's remuneration committee comprises the three non-executive directors and meets at least twice per year.

Benefit packages awarded to directors are intended to be competitive, aimed at attracting, retaining and incentivising the highest calibre of directors. They comprise a mix of performance-related and non-performance-related remuneration designed to incentivise but not to detract from the goals of Corporate Governance. It is the intention of the board to grant share options to executive directors to continue to align their interests with those of shareholders.

P Crompton and KG Derrick are employed under service contracts which are terminable by the Company giving twelve months notice or by the director giving six months' notice in either case not to expire before 21 July 2006. Unless terminated previously the contracts expire upon the director's 60th birthday. They participate in discretionary bonus arrangements under which they could receive between 0% and 100% of their basic salaries as performance related pay.

The non-executive directors entered into Letters of Engagement which commenced on 21 July 2004 and can be terminated by either party giving three months' notice. GF Page receives an annual fee of £60,000 and AJ Frost an annual fee of £35,000 under the terms of their appointments. The Company pays an annual fee of £35,000 to Nikko Principal Investments Limited in respect of the appointment of JN Wilding.

Details of the directors' emoluments charged to the Group profit and loss account for the year are set out below. In the case of directors resigning or being appointed during the year the amounts are disclosed only in respect of their period of service as a director.

	Salary and fees £	Benefits in kind £	Annual bonus £	**Total 2005 £**	Total 2004 £
Executive					
WL Belshaw	16,650	2,269	3,330	**22,249**	139,698
A Bentley	18,986	1,738	3,418	**24,142**	104,734
P Crompton	112,338	9,194	57,000	**178,532**	122,616
KG Derrick	118,594	12,076	74,000	**204,670**	154,318
AW Vedoy	19,314	3,205	6,276	**28,795**	103,981
WJ Larsen	31,670	2,562	7,284	**41,516**	163,137
Non-executive					
GF Page	41,836	–	–	**41,836**	–
AJ Frost	24,308	–	–	**24,308**	–
JN Wilding	24,308	–	–	**24,308**	–
QJ Zentner	–	–	–	**–**	–
Total	408,004	31,044	151,308	**590,356**	788,484

Benefits in kind include the provision of company cars, or allowances in lieu thereof, and private medical insurance cover.

For the period up to 30 September 2004 WL Belshaw, A Bentley, P Crompton and KG Derrick were members of the Powell Duffryn Pension Plan ("PD Plan") which is a funded defined benefit scheme of Powell Duffryn Limited. Following the Company's listing on AIM all employees of the Group ceased to be active members of the PD Plan. From 1 April 2004 to 30 September 2004 participating employers contributed to the PD Plan at a rate of 16% of pensionable salaries which amounts are not included in the table above.

Since 1 October 2004 the executive directors have participated in the Hamworthy plc Pension Scheme, a defined contribution scheme for UK employees, under which the Company contributes 12.5% of the directors' basic salary. The scheme provides for benefits at retirement, and for lump sum payments and dependents benefits in the event of death in service. With effect from 1 October 2004 KG Derrick elected to waive emoluments equivalent to £58,000 per annum in favour of an equal amount being paid into his fund in the Hamworthy plc Pension Scheme as additional employer contributions. This waiver was approved by the remuneration committee.

The above amounts are payable by the Group and are charged to the profit and loss account in the period. In addition the six executive directors in the above table were paid termination bonuses by the Company's former ultimate parent undertaking. Whilst being paid through the Group's payroll systems, these amounts, together with any related employers' social security costs, were fully reimbursed by the former parent company and there is no net effect on the profit and loss account of the Group. The aggregate amount paid to executive directors immediately after flotation, including those resigning immediately prior to flotation, was £2,898,860 (2004: £321,000).

Directors' interests in shares

The interests of the directors in the shares of the Company were as follows:

	31 March 2005	31 March 2004
P Crompton	27,523	–
KG Derrick	90,000	–
AJ Frost	50,000	–
GF Page	18,500	–
JN Wilding	36,700	–

All directors' interests are beneficially held. There has been no change in the interests set out above since the balance sheet date to one month before the notice of the AGM.

Options over the Company's ordinary shares have been granted to directors as follows. In each case the option was granted on 20 July 2004 at the flotation price of 109p per share under the Hamworthy plc Unapproved Share Option Plan 2004. The earliest date upon which the options may be exercised is 20 July 2007. The exercise of options is subject to meeting the remuneration committee's performance criteria. This requires that the growth in earnings per share as measured under FRS14 from the year to 31 March 2004 to the year to 31 March 2007 shall be in excess of the rise in the Consumer Price Index plus 3% per annum compound over that period. The applicable earnings per share for the year to 31 March 2004 has been calculated on a pro forma basis within the performance criteria to be 11.0p.

The number of options granted and still held are:

P Crompton	407,000 shares
KG Derrick	518,000 shares

There were no share options exercised during the year.

The mid market price of the Company's ordinary shares at 31 March 2005 was 232.5p.

Employee policy

The Group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Group.

The Group's employment policies include a commitment to equal opportunities regardless of sex, age, race, ethnic origin or other forms of discrimination.

It is the policy of the Group to give full and fair consideration to applications made by disabled persons bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure their continued employment with the Group and to provide specialised training where appropriate.

Research and development

The Group spent £720,000 (2004: £615,000) on research and development during the year on marine oil and gas products and systems.

Creditor payment policy

It is the Group's policy to agree terms with its suppliers which are appropriate for the markets in which they operate and to abide by such terms where suppliers have also met their obligations.

Donations

The Company made no political donations in the year. The Company donated £2,000 to the Tsunami relief fund and other donations to non-profit making organisations of £350 were made.

Directors' responsibilities

The directors are required by company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Group for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently throughout the year. They confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2005 and that applicable accounting standards have been followed. The financial statements have been prepared on the going concern basis.

The directors are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985.

Directors' Report continued

They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibilities (continued)

The maintenance and integrity of the Group web site is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have been made to the financial statements since they were initially presented.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Share capital

An ordinary resolution will be put to the shareholders at the AGM to renew the directors' authority to issue and allot ordinary shares. The nominal value of ordinary shares to which this authority will be limited is £616,666. A special resolution will also be put to the shareholders at the AGM which renews the authority of the directors to allot ordinary shares without first offering them to existing shareholders in proportion to their existing holdings. This authority is limited to 5% of the issued share capital.

The Companies Act 1985 permits a company to purchase its own shares provided the purchase has been authorised by the members in general meeting. A special resolution will be put the shareholders at the AGM to authorise the Company to purchase up to 5% of the issued share capital at a maximum price 5% above the average middle market quotation according to the London Stock Exchange for the five days preceding any purchase.

In all cases the above resolutions will expire at the earlier of the next AGM in 2006 or 15 months after the date of the resolutions.

Annual general meeting

The annual general meeting (AGM) of the Company will take place at The Lifeboat College, West Quay Road, Poole BH15 1HZ on 21 July 2005 at 2.00pm. Full details of the resolutions to be put to the meeting are given in the notice of the AGM to be found at pages 37 and 38 of this annual report.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution proposing their reappointment will be made at the AGM.

By order of the board

Paul Crompton
Company secretary
20 June 2005

Corporate Governance

Introduction

The Group was listed on AIM on 20 July 2004. Although the rules of AIM do not require the Company to comply with the Combined Code on Corporate Governance ("the Code"), the Company fully supports the principles set out in the Code and will seek to comply wherever practical, given both the size and resources available to the Company. Details are provided below of how the Company applies those parts of the Code which it believes to be appropriate.

The board

The Company has appointed non-executive directors to bring an independent view to the board, and to provide a balance to the executive directors. The board of directors comprises two executive directors and three non-executive directors, one of whom is the chairman.

The board considers that each of the non-executive directors is independent within the meaning of the Code.

The board generally meets every other month and receives a board pack comprising individual reports from each of the executive directors and members of the senior management team together with any other material deemed necessary for the board to discharge its duties. The board has responsibility for formulating, reviewing and approving the Group's strategy, budgets, major items of expenditure and acquisitions.

Board committees

On 23 June 2004 the board established three committees; audit, remuneration and nominations, all having written terms of delegated responsibilities. Each is chaired by a different non-executive director. A copy of each committee's terms of reference can be found at the Company's web site www.hamworthy.com.

Audit Committee

The Audit Committee consists of GF Page, AJ Frost and JN Wilding and is chaired by AJ Frost. It meets at least twice a year and is responsible for ensuring that the appropriate financial reporting procedures are properly maintained and reported on and for meeting the auditors and reviewing their reports relating to the Group's accounts and internal control systems.

Remuneration Committee

The Remuneration Committee consists of GF Page, AJ Frost and JN Wilding and is chaired by JN Wilding. It meets at least twice a year and is responsible for reviewing the performance of the executive directors and other senior executives and for determining appropriate levels of remuneration.

Nominations Committee

A Nominations Committee consists of GF Page, AJ Frost, JN Wilding and KG Derrick and is chaired by GF Page. It will make recommendations on all new board appointments.

Shareholder relations

The Company meets with institutional shareholders and analysts as appropriate and uses its website to encourage communication with private, existing and prospective shareholders. Hamworthy welcomes feedback from investors about its published reports and website. Please address your feedback to our investor relations team by email to investor@hamworthy.com or in writing to Hamworthy plc, Fleets Corner, Poole, Dorset BH17 0JT.

Corporate Governance continued

Internal control and risk management

The board is responsible for the system of internal control and for reviewing its effectiveness. The board intends to develop and review such systems in accordance with the guidance published by the Institute of Chartered Accountants in England and Wales. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The board (through the audit committee) has approved a process of risk assessment and reporting, developed since the flotation of the Company in July 2004. Each major business assesses its risks and report to the board at least three times per year.

The Group does not have an internal audit function due to the small size of the Company's administrative function, the high level of director review and authorisation of transactions. However, the Company has created a programme of peer group operational reviews designed to visit all major businesses regularly. The finance director is responsible for that programme and its reporting to the audit committee.

The board (through the audit committee) will conduct a formal review of the effectiveness of internal control and risk management including the peer group review programme and risk assessment process during 2005. That review will involve discussions with the Company's independent auditors.

The board recognises that an essential part of its responsibility is the effective safeguarding of assets, the proper recognition of liabilities and the accurate reporting of results. The Group has a comprehensive system for regular reporting to the board. This includes an annual planning and budgeting system with budgets approved by the board. The financial reporting system compares against budget and prior year and reconsiders its financial year forecast on a monthly basis.

The board has established a formal policy of authorisation setting out matters which requires its expressed approval and certain authorities delegated to the executive directors.

The Group operates in a multi currency environment and is exposed to a number of foreign currency risks. The board has set a policy for the management and reporting of those risks and this is set out in more detail in the financial review on pages 10 and 11.

In compliance with AIM rules the Company has established a policy and share dealing code relating to dealing in the Company's shares by directors, employees and connected persons.

The Company maintains appropriate insurance cover in respect of legal actions against directors as well as against material loss or claims against the Group and reviews the adequacy of cover regularly.

Independent Auditors' Report

We have audited the financial statements which comprise the consolidated profit and loss account, the statement of group total recognised gains and losses, the group balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Corporate Statement, the Financial Highlights, the Business Overview, the Chairman's Statement, the Chief Executive's Review, the Financial Review, the Directors' Report and the Corporate Governance.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2005 and of its profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton
20 June 2005

Consolidated Profit and Loss Account

for the year ended 31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Turnover					
Continuing operations		112,465		90,602	
Acquisitions		1,431		–	
	1		113,896		90,602
Cost of sales			(84,988)		(65,090)
Gross profit			28,908		25,512
Distribution expenses		(1,353)		(1,579)	
Administrative expenses		(20,464)		(18,721)	
			(21,817)		(20,300)
Operating profit					
Continuing operations		7,169		5,212	
Acquisitions		(78)		–	
	2		7,091		5,212
Loss on sale of discontinued business	5		–		(655)
Net interest payable	6		(681)		(346)
Profit on ordinary activities before taxation			6,410		4,211
Tax on profit on ordinary activities	7		(1,026)		(1,187)
Profit on ordinary activities after taxation			5,384		3,024
Equity dividends	8		(1,200)		(1,750)
Retained profit for the financial year	20		4,184		1,274
Basic earnings per share	27		17.7p		27.5p
Diluted earnings per share	27		17.4p		27.5p
Pro forma basic earnings per share	27		14.8p		10.7p

There is no difference between the profit on ordinary activities before taxation and the result for the year stated above and their historical cost equivalents.

Statement of Group Total Recognised Gains and Losses

for the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Profit for the financial year		5,384	3,024
Currency translation differences on foreign currency net investments	21	139	(2,000)
Total gains recognised since last annual report		5,523	1,024

The reconciliation of the movement in the Group's and Company's equity shareholders' funds can be found in note 21 to the financial statements.

There were no material gains and losses recognised in the Company's accounts since the last annual report other than the profit for the financial year.

Balance Sheets

as at 31 March 2005

		Group		Company	
	Note	**2005 £'000**	2004 £'000	**2005 £'000**	2004 £'000
Fixed assets					
Intangible assets					
Goodwill	12	**7,082**	7,336	**–**	–
Negative goodwill	12	**(1,220)**	(1,087)	**–**	–
		5,862	6,249	**–**	–
Tangible fixed assets	9	**5,762**	6,178	**24**	28
Investments	10	**–**	–	**22,334**	21,548
		11,624	12,427	**22,358**	21,576
Current assets					
Stocks	13	**22,181**	12,668	**–**	–
Debtors	14	**16,961**	47,032	**8,790**	3,626
Cash at bank and in hand		**11,337**	3,627	**5,027**	–
		50,479	63,327	**13,817**	3,626
Creditors: amounts falling due within one year	15	**(42,688)**	(61,213)	**(24,833)**	(20,740)
Net current assets/(liabilities)		**7,791**	2,114	**(11,016)**	(17,114)
Total assets less current liabilities		**19,415**	14,541	**11,342**	4,462
Creditors: amounts falling due after more than one year	16	**(6,172)**	(7,210)	**(6,172)**	–
Provisions for liabilities and charges	18	**(3,280)**	(2,935)	**–**	–
Net assets		**9,963**	4,396	**5,170**	4,462
Capital and reserves					
Share capital	19	**1,850**	550	**1,850**	550
Share premium account	20	**85**	141	**85**	141
Profit and loss account	20	**8,028**	3,705	**3,235**	3,771
Equity shareholders' funds	21	**9,963**	4,396	**5,170**	4,462

These financial statements were approved by the board of directors on 20 June 2005 and signed on its behalf by:

K G Derrick
Director

P Crompton
Director

Consolidated Cash Flow Statement

for the year ended 31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Net cash inflow from operating activities	24		9,335		3,229
Returns on investments and servicing of finance					
Interest received		131		308	
Interest paid		(732)		(654)	
Issue costs of new bank loans		(606)		–	
Net cash outflow from returns on investments and servicing of finance			(1,207)		(346)
Taxation			(814)		(2,079)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(685)		(1,667)	
Sale of tangible fixed assets		67		–	
Costs of disposal of business segment		–		(563)	
Net cash outflow for capital expenditure and financial investment			(618)		(2,230)
Acquisitions					
Purchase of subsidiary undertakings		(786)		–	
Cash acquired with subsidiary undertakings		273		–	
Net cash outflow from acquisitions			(513)		–
Equity dividends paid to shareholders			–		(1,750)
Net cash inflow/(outflow) before use of liquid resources and financing			6,183		(3,176)
Financing					
Issue of ordinary share capital		1,300		–	
Costs of share issue		(56)		–	
Repayment of loans		(1,200)		(1,000)	
Increase in borrowings		790		–	
Net cash inflow from financing			834		(1,000)
Increase in net cash	25		7,017		(4,176)

Accounting Policies

Statement of accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards.

Basis of consolidation

The financial statements represent a consolidation of the Company and its subsidiary undertakings (the "Group") as at the balance sheet date. All intercompany transactions are eliminated, including any intercompany profits included in the Group which were not realised at the balance sheet date. Subsidiaries acquired during the year are included in the consolidated financial statements from the date upon which control passed, generating the effective date of acquisition.

Turnover

Turnover represents amounts receivable for goods and services despatched in the normal course of business, net of value added tax and trade discounts. In the case of long term contracts, turnover includes amounts (the cumulative sales value of such contracts) relevant to the stage of completion of the contract, based on the value and the cost of work done. Profit attributable to that part of the work performed by the year end is recognised in the profit and loss account for the year when the outcome is foreseeable with reasonable certainty. Any foreseeable losses are recognised in full immediately they are identified. The amount by which turnover exceeds payments on account is recorded in debtors and the amount by which payments on account are in excess of turnover is recorded in creditors under "payments in advance".

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life at the following annual rates:

Freehold land	Nil
Freehold buildings	2% – 5%
Leasehold buildings	2% – 10% or over the life of the lease if different.
Plant, machinery and equipment	20% – 33%
Assets under construction	Nil

Investments

Fixed asset investments are stated at cost less provision for any permanent impairment in value.

Intangible fixed assets

Goodwill represents the excess of cost of acquisitions of subsidiary undertakings and businesses over the fair value attributed to their net assets. Goodwill is capitalised as an intangible fixed asset and amortised through the profit and loss account on a straight line basis over its estimated useful economic life up to a maximum of 20 years. Negative goodwill is amortised over the periods in which the non-monetary assets of acquisitions made are recovered, whether through depreciation or sale and the period expected to benefit from the monetary assets. The Group is amortising negative goodwill over periods of one and a half to ten years.

Stocks

Stocks and work in progress are stated at the net of cost less foreseeable losses. Provision is made for obsolete, slow-moving or defective items where appropriate. Work in progress on contracts is stated at the net cost plus amounts transferred to the profit and loss account less foreseeable losses and applicable payments on account.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

Deferred finance costs

Costs associated with bank loans are deducted from the gross proceeds in the balance sheet and amortised on a straight line basis over the period of the loan.

Accounting Policies continued

Pension scheme arrangements
The Company provides pension arrangements to the majority of full time UK employees through a money purchase scheme and similar schemes exist across the other countries in which the Group operates except for Norway. Contributions and pension costs are based on pensionable salary and are recorded in the period in which they fall. Up until 30 September 2004 the Group also participated in the Powell Duffryn Pension Plan in respect of UK employees. This is a funded defined benefit scheme but since it is not possible to separately identify the amounts and liabilities within this scheme that relate to the Group's employees it has been accounted for in the same way as the money purchase schemes.

Employees in Norway participate in a funded defined benefit pension plan, contributions to which are paid on behalf of the employees. The cost of providing this pension is charged against profits on a systematic basis with pension surpluses and deficits arising allocated over the expected remaining service lives of the current members. Differences between the amounts charged to the profit and loss account and payments made to the pension fund are treated as assets or liabilities.

Research and development
All expenditure on research and development is written off in the period which it is incurred.

Foreign exchange
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or at a contracted rate if applicable. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain/loss in the profit and loss account. The results of overseas operations are translated at the average monthly rate of exchange during the period and their balance sheets at the rate ruling at the balance sheet date. Unrealised exchange gains and losses arising from the retranslation of equity investments in overseas subsidiaries are dealt with through reserves.

Financial instruments
Amounts payable or receivable in respect of interest rate cap, floor and swap agreements are recognised in the interest payable/receivable charge/credit on an accruals basis. The interest differential amounts due to/from the counterparty on such agreements are accrued until the settlement date and are recognised as an adjustment to interest expense.

Notes to the Accounts

1. Segmental information

	2005 £'000	2004 £'000
Turnover by class of business:		
Pump systems	38,192	35,563
Gas systems	44,838	27,955
Wastewater systems	14,282	16,360
Inert gas systems	16,584	10,724
	113,896	90,602
Turnover by destination:		
United Kingdom	9,001	16,115
Europe	54,003	36,255
Middle and Far East	43,463	33,277
Rest of world	7,429	4,955
	113,896	90,602

The figures for turnover by destination in 2004 have been amended from those reported in the 2004 financial statements to correct a misallocation of £8,147,000 between Middle and Far East and Rest of world.

	2005 £'000	2004 £'000
Turnover by country of origin:		
United Kingdom	14,341	19,073
Europe	90,198	64,650
Middle and Far East	6,852	6,879
Rest of world	2,505	–
	113,896	90,602
Operating profit by class of business:		
Pump systems	2,442	3,771
Gas systems	2,454	90
Wastewater systems	2,232	2,709
Inert gas systems	1,039	407
Central costs including goodwill amortisation	(1,076)	(1,765)
	7,091	5,212
Operating profit by location:		
United Kingdom	2,335	1,894
Europe	3,436	2,392
Middle and Far East	1,257	926
Rest of world	63	–
	7,091	5,212
Net assets including goodwill by location:		
United Kingdom	5,023	4,559
Europe	(1,397)	(5,311)
Middle and Far East	6,359	5,148
Rest of world	(22)	–
	9,963	4,396

Net assets by class of business are not disclosed as it is not possible to allocate the assets to the business stream.

2. Operating profit

Operating profit for the Group is stated after charging/(crediting):

	2005 £'000	2004 £'000
Exceptional charge for reorganisation of Norwegian business	310	–
Depreciation charge for the year	1,169	1,278
Amortisation of goodwill	410	391
Write back of negative goodwill	(254)	(124)
Profit on sale of fixed assets	(54)	–
Auditors' remuneration		
– audit work	174	114
– taxation UK	5	–
– taxation and accounting services overseas	10	22
Operating lease rentals for plant and machinery	238	120
Operating lease rentals for land and buildings	993	731
Research and development	720	615

Included in the Group audit fees is £28,000 (2004: £2,000) in respect of the parent company.

£815,000 of administrative expenses, £694,000 cost of sales, £281,000 of cash from operating activities £3,000, interest payable £2,000, taxation payable and £8,000 capital expenditure in 2005 relate to acquired businesses.

Notes to the Accounts continued

3. Profit attributable to ordinary shareholders

In accordance with the concession granted under Section 230(1) of the Companies Act 1985 the profit and loss account of Hamworthy plc has not been separately presented in these financial statements. The profit attributable to shareholders dealt with in the financial statements of Hamworthy plc is £664,000.

4. Employees and staff costs

The remuneration of the directors was as follows:

	2005 £'000	2004 £'000
Emoluments	**590**	788
Company contributions to money purchase pension schemes	**50**	–
	640	788

The total emoluments of directors charged to the Group's profit and loss accounts was £590,356 (2004: £788,484). In addition executive directors were paid an amount of £2,898,860 (2004: £321,000) by the Company's former parent company under an incentive scheme related to the former parent company's sale of its shareholding.

The emoluments of the highest paid director, including his share of the incentive bonus paid by the former parent company, was £929,387 (2004: £232,562). Company contributions to money purchase pension schemes in respect of this director were £42,055 (2004: £nil). The accrued pension entitlement of the highest paid director under the Powell Duffryn Pension Plan at the date of the Group ceasing its participation in that scheme on 30 September 2004 was £26,125 (2004: £23,889). At 31 March 2005 retirement benefits were accruing under money purchase schemes in respect of 2 directors (2004: nil) and under defined benefit schemes in respect of no directors (2004: 5).

The average number of employees during the year including directors by function was as follows:

	2005	2004
Production	**390**	383
Selling and marketing	**91**	92
Spares and service	**84**	80
Administration	**104**	88
	669	643

Their aggregate remuneration, excluding the amount paid by the Company's former parent company identified above, comprised:

	2005 £'000	2004 £'000
Wages and salaries paid to employees	**18,410**	16,901
Social security costs	**2,698**	2,376
Other pension costs	**1,355**	1,180
	22,463	20,457

In addition an amount was paid to the former holding company of the Group for the services of a non-executive director of £24,308 (2004 £nil).

5. Loss on sale of business

	2005 £'000	2004 £'000
Loss on sale of business segment	**–**	(655)

The loss on disposal of the business in 2004 arose from the end of the transitional arrangement to supply equipment and parts for the business sold on 28 March 2003.

The loss on disposal is calculated as follows:

	£'000
Net assets sold	
Fixed assets	71
Stock	62
Creditors	(41)
	(92)
Consideration received	27
Direct costs of disposal	(590)
Loss on disposal	(655)

6. Net interest payable and similar charges

	2005 £'000	2004 £'000
Interest payable on bank loans and overdrafts	**731**	654
Amortisation of issue costs	**80**	–
Interest receivable	**(37)**	(19)
Interest receivable on loans to former related companies	**(93)**	(289)
Net interest payable	**681**	346

7. Tax on profit on ordinary activities

	2005 £'000	2004 £'000
The taxation charge/(credit) comprises:		
Foreign tax	435	566
UK tax/Group relief payable to former group companies	489	518
Prior year tax	(34)	–
Total current tax	890	1,084
Deferred tax	136	103
Tax on profits on ordinary activities	**1,026**	1,187

The tax assessed for the period differs from that resulting from applying the standard rate of corporation of tax in the UK of 30% (2004: 30%).

The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	6,410	4,211
Tax @ 30% thereon	1,923	1,263
Effect of:		
Expenses not deductible for tax purposes in UK	77	154
Accelerated capital allowances and other timing differences	(892)	(241)
Changes in respect of prior year's charge	(34)	–
Lower tax rate on overseas earnings	(184)	(92)
Total current tax	**890**	1,084

The current tax charge is affected by allowances and timing differences brought forward not recognised as assets in prior periods. These are not expected to materially affect future tax charges.

8. Equity dividends paid and payable

	2005 £'000	2004 £'000
Interim paid nil (2004: 318p per share)	–	1,750
Final payable 3.24p per share (2004: nil)	1,200	–
	1,200	1,750

9. Tangible fixed assets

Group	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and equipment £'000	Assets under construction £'000	Total £'000
Cost					
1 April 2004	2,880	1,911	13,486	135	18,412
Additions	262	4	388	31	685
Acquisitions	–	–	24	–	24
Disposals	–	–	(1,932)	–	(1,932)
Exchange adjustments	102	(30)	103	(2)	173
Transfers	–	–	101	(101)	–
At 31 March 2005	**3,244**	**1,885**	**12,170**	**63**	**17,362**
Depreciation					
1 April 2004	771	534	10,929	–	12,234
Charge for the year	144	113	912	–	1,169
Disposals	–	–	(1,919)	–	(1,919)
Exchange adjustments	29	(11)	98	–	116
At 31 March 2005	**944**	**636**	**10,020**	**–**	**11,600**
Net book value					
At 31 March 2005	**2,300**	**1,249**	**2,150**	**63**	**5,762**
At 31 March 2004	2,109	1,377	2,557	135	6,178

Of the net book value of freehold land and buildings £212,000 relates to the value of land (£2004: £212,000).

Notes to the Accounts continued

9. Tangible fixed assets (continued)

Company	Plant and machinery £'000
Cost	
1 April 2004	63
Additions	10
At 31 March 2005	**73**
Depreciation	
1 April 2004	35
Charge for the year	14
31 March 2005	**49**
Net book value	
At 31 March 2005	**24**
At 31 March 2004	28

10. Investments

Company	**2005 £'000**
Investments in subsidiary undertakings	
As at 1 April 2004	**21,548**
Acquisitions during the year	**786**
As at 31 March 2005	**22,334**

The following information relates to the principal subsidiary undertakings of the Company. In all cases the holding is 100% and the principal activity of the undertaking is the design, manufacture and sale of equipment for marine and offshore applications.

Hamworthy Wastewater Systems Limited incorporated and operating in England *
Hamworthy Svanehøj AS incorporated and operating in Denmark *
Hamworthy Gas Systems AS incorporated and operating in Norway *
Hamworthy Pump Systems AS incorporated and operating in Norway *
Hamworthy Moss AS incorporated and operating in Norway *
Hamworthy Pte Limited incorporated and operating in Singapore
Hamworthy Korea Limited incorporated and operating in Korea
Hamworthy BV incorporated and operating in The Netherlands *
Hamworthy Inc incorporated and operating in USA *
Hamworthy Marine Inc incorporated and operating in USA *
Hamworthy (Suzhou) Limited incorporated and operating in Peoples Republic of China *

* denotes shareholdings held directly by the Company.

11. Acquisitions

On 6 July 2004 the Company acquired 100% of the ordinary share capital of each of Hamworthy BV, Hamworthy Inc and Hamworthy Marine Inc. from Powell Duffryn International Limited.

These purchases have been accounted for as acquisitions in these consolidated financial statements. The principal activities of the companies acquired are acting as sales offices for other Group companies.

The total adjustments required to the book values of the assets and liabilities of the companies acquired in order to present the net assets of those companies at fair values, together with the resultant amount of goodwill, are set out below:

Hamworthy BV

	Book value £'000	Revaluations £'000	Fair value £'000
Fixed assets	17	–	17
Cash	220	–	220
Stocks	210	(50)	160
Debtors	711	(150)	561
Creditors	(569)	–	(569)
Provisions for liabilities and charges	(2)	–	(2)
Net assets acquired	587	(200)	387
Negative goodwill			(387)
Consideration			–

The £50,000 revaluation of stock represents provisions to reduce stock to its net realisable value under the alignment of Group accounting policies. The £150,000 revaluation of debtors represents additional provisions required to reduce debtors to their realisable value.

In its last financial year to 31 March 2004 Hamworthy BV showed a loss before taxation of £144,000. From the period since that date to the date of acquisition, Hamworthy BV's unaudited management accounts show:

	£'000
Turnover	1,105
Operating loss	(64)
Loss before and after taxation	(71)

From the date of acquisition to 31 March 2005 Hamworthy BV contributed £2,046,000 to turnover and reduced operating profit by £114,000 across all business streams.

Hamworthy Inc & Hamworthy Marine Inc

These acquisitions have been treated as one because the management accounting for the period to acquisition was to treat the two organisations as one.

	Book value £'000	Revaluations £'000	Fair value £'000
Fixed assets	7	–	7
Cash	53	–	53
Stocks	32	–	32
Debtors	1,287	–	1,287
Creditors	(749)	–	(749)
Net assets acquired	630	–	630
Goodwill			156
Consideration in cash			786

In its last financial year to 31 March 2004 the combined Hamworthy Inc and Hamworthy Marine Inc showed a profit before taxation of £38,000. From the period since that date to the date of acquisition the combined entity's unaudited management accounts show:

	£'000
Turnover	1,118
Operating loss	(8)
Profit before and after taxation	2

From the date of acquisition to 31 March 2005 the combined entity contributed £2,548,000 to turnover and £27,000 to operating profit across all business streams.

Turnover from acquisitions on the face of the consolidated profit and loss account differs from the turnover figures in this note due to the elimination of intragroup turnover.

12. Intangible assets

Group	Goodwill £'000	Negative goodwill £'000
Cost		
At 1 April 2004	7,813	(1,236)
Additions	156	(387)
At 31 March 2005	**7,969**	**(1,623)**
Amortisation		
At 1 April 2004	(477)	149
(Charge)/credit for the period	(410)	254
At 31 March 2005	**(887)**	**403**
Net book amount		
At 31 March 2005	**7,082**	**(1,220)**
At 31 March 2004	7,336	(1,087)

Positive goodwill is being amortised on a straight line basis over a period of up to 20 years. This period is that over which the directors estimate that the value of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Negative goodwill is being amortised on a straight line basis over a period of one and a half to ten years. This period is that over which the directors estimate that the non-monetary assets will be recovered, whether through depreciation or sale, and the period expected to benefit from the monetary assets.

Company

The Company had £nil (2004: £nil) intangible assets.

Notes to the Accounts continued

13. Stocks

	Group	
	2005 £'000	2004 £'000
Raw materials	**4,021**	3,043
Work in progress	**32,222**	6,669
Finished goods	**3,570**	3,249
	39,813	12,961
Payments on account	**(17,632)**	(293)
	22,181	12,668

Company

The Company held £nil (2004: £nil) stock.

14. Debtors

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Trade debtors	**12,775**	13,257	**—**	—
Amounts owed by current Group undertakings	**—**	—	**8,575**	2,205
Amounts owed by former group companies	**—**	30,310	**—**	1,245
Amounts recoverable under contracts	**80**	539	**—**	—
Other debtors	**3,672**	2,572	**115**	173
Prepayments and accrued income	**434**	354	**100**	3
	16,961	47,032	**8,790**	3,626

15. Creditors: amounts falling due within one year

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Bank loans and overdrafts	**2,644**	1,889	**1,600**	30
Trade creditors	**13,988**	11,059	**—**	—
Amounts owed to current Group undertakings	**—**	—	**21,269**	—
Amounts owed to former group companies	**—**	28,687	**—**	20,375
Payments in advance	**13,484**	4,973	**—**	—
Other creditors	**4,292**	4,778	**341**	—
Taxation and social security	**929**	1,733	**19**	24
Corporation tax payable	**334**	258	**—**	—
Dividends payable	**1,200**	—	**1,200**	—
Accruals and deferred income	**5,817**	7,836	**404**	311
	42,688	61,213	**24,833**	20,740

16. Creditors: amounts falling due after more than one year

	Group		Company	
Group	**2005 £'000**	2004 £'000	**2005 £'000**	2004 £'000
Bank loans and overdrafts	**6,172**	7,210	**6,172**	—

17. Loans and other borrowings

Group and Company	**2005 £'000**	2004 £'000
Gross bank loans and overdrafts	**9,344**	9,099
Less issue costs	**(528)**	—
	8,816	9,099
Maturity of gross debt:		
Within one year or on demand	**2,644**	1,889
Within two to five years	**6,700**	7,210
	9,344	9,099

£1,044,000 (2004: £389,000) of bank overdraft is unsecured from Den Danske Bank AS. All other bank loans and overdraft are secured against a fixed charge over Group assets under the terms of a debenture to Barclays Bank plc. Interest on the bank loan is charged at LIBOR plus a margin of 1.5%. The loan is being repaid by variable half yearly instalments commencing June 2005. The debt issue costs are set against the loan they were raised against and are being written off over the period of the loan on a straight line basis.

18. Provisions for liabilities and charges

Group

	Deferred tax £'000	Warranty and contracts £'000	Redundancy £'000	Retirement costs £'000	Total £'000
At 1 April 2004	253	1,905	317	460	2,935
Charged/(released) to the profit and loss account	136	(123)	308	173	494
Reclassified	–	603	(289)	–	314
Utilised in the year	–	(453)	(10)	–	(463)
At 31 March 2005	**389**	**1,932**	**326**	**633**	**3,280**

Warranties are routinely given to customers in respect of certain products. Any costs in meeting claims, for which the warranty provision has been established are expected to occur within two years of the balance sheet date.

The redundancy provisions are expected to be paid within twelve months of the balance sheet date.

The provision for deferred tax at 31 March 2005 comprises £307,000 (2004: £314,000) in respect of accelerated capital allowances and £82,000 (2004: £(61,000)) in respect of other short term timing differences. Deferred tax assets of £294,000 (2004: £649,000) have not been recognised due to uncertainty over future recoverability. These comprise of other timing differences.

The provision for retirement costs represents a legal obligation for the defined benefit pension scheme operating in Norway.

£603,000 of warranty and contract provisions were included within other creditors at 31 March 2004 and have been reclassified during the year. £289,000 relating to holiday pay accruals was included within redundancy and holiday pay provisions at 31 March 2004. These have been reclassified to accruals during the year.

Company

The Company had £nil (2004: £nil) provisions for liabilities and charges.

19. Called up share capital

	2005		2004	
Issued and fully paid	**Number '000**	**Nominal Value £'000**	Number '000	Nominal Value £'000
Ordinary shares of £0.05p each	**37,000**	**1,850**	–	–
Ordinary shares of £1.00 each "A"	–	–	275	275
Ordinary shares of £1.00 each "B"	–	–	275	275
	37,000	**1,850**	550	550

On 2 July 2004 the Company converted its existing share capital of "A" and "B" ordinary shares of £1 each into a new class of ordinary shares. The Company then sub divided its share capital from £1.00 shares into 5p shares.

At the same time the Company increased its authorised share capital by £2,450,000 from £550,000 to £3,000,000 being an increase of 49 million 5p shares from 11 million to 60 million. The Company issued for cash new shares to increase its issued share capital to £1,850,000 being 37 million 5p shares in total. These shares were issued to the Company's former ultimate parent company to finance the settlement of certain loan balances outstanding with the Company's former related companies.

Potential issue of ordinary shares

Options to subscribe for shares in the Company are held under the Hamworthy plc Unapproved Share Option Plan 2004, the subscription price being 109p per share. These options are at a price of 109p per share, the market price at the date of grant. No options on shares were exercised during the year and no options lapsed. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below

Year of grant	Exercise price (pence)	Exercise period	**2005 Number**	2004 Number
2004	109	2007–2014	**2,210,000**	Nil

20. Reserves

	Share premium account £'000	Profit and loss account £'000
Group		
At 1 April 2004	141	3,705
Retained profit for the year	–	4,184
Costs associated with share issue	(56)	–
Exchange adjustments	–	139
At 31 March 2005	**85**	**8,028**
Company		
At 1 April 2004	141	3,771
Retained loss for the year	–	(536)
Costs associated with share issue	(56)	–
At 31 March 2005	**85**	**3,235**

Notes to the Accounts continued

21. Reconciliation of movement in equity shareholders' funds

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Profit for the year	5,384	3,024	664	1,964
Equity dividends paid	(1,200)	(1,750)	(1,200)	—
Retained profit/(loss) for the year	4,184	1,274	(536)	1,964
Costs associated with share issue	(56)	—	(56)	—
Share capital issued	1,300	—	1,300	—
Currency translation differences on foreign currency net investments	139	(2,000)	—	—
Increase/(decrease) in equity shareholders' funds	5,567	(726)	768	1,964
Opening equity shareholders' funds	4,396	5,122	4,462	2,498
Closing equity shareholders' funds	9,963	4,396	5,170	4,462

22. Operating lease commitments

Annual commitments under operating leases in respect of plant and machinery are as follows:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Expiring within one year	56	87	3	—
Expiring between two and five years	62	34	—	7
Expiring after five years	—	2	—	—
	118	123	3	7

Annual commitments under operating leases in respect of land and buildings are as follows:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Expiring within one year	22	263	—	—
Expiring between two and five years	661	409	—	—
Expiring after five years	325	302	12	28
	1,008	974	12	28

23. Pension

The Group operates a number of funded defined benefit pension schemes in Norway. The FRS17 calculations covering the combined Norwegian schemes for disclosure purposes have been based on the results of actuarial valuations as at 31 March 2005, 31 March 2004 and 31 March 2003 carried out by an independent qualified actuary using the projected unit method. The next actuarial valuation will take place at 31 March 2006.

The major assumptions used by the actuary were:

	At 31 March 2005	At 31 March 2004	At 31 March 2003
Discount rate	5.25%	5.50%	6.00%
Rate of increase in salaries	3.50%	4.00%	4.00%
Rate of increase of pensions in payment	2.50%	2.50%	2.50%
Inflation assumption	2.50%	2.50%	2.50%

The assets are invested through an insurance company, which was unable to provide an accurate breakdown of the assets into differing classes. The expected long term rate of returns and total market value of assets of the Company's defined benefit plans at were as follows:

	Long term expected rate at 31 March 2005 %	Value at 31 March 2005 £'000s	Long term rate of return expected at 31 March 2004 %	Value at 31 March 2004 £'000s	Long term rate of return expected at 31 March 2003 %	Value at 31 March 2003 £'000s
Other	6.25%	3,730	6.50%	3,260	7.00%	3,340
Total market value of assets		3,730		3,260		3,340
Present value of scheme liabilities		(5,270)		(4,540)		(4,120)
Deficit in the scheme		(1,540)		(1,280)		(780)
Related deferred tax asset		431		—		—
Net pension liability		(1,109)		(1,280)		(780)

If FRS17 had been adopted in the financial statements, the Company's net assets and profit and loss reserves at 31 March 2005 would be as follows:

	At 31 March 2005 £'000s	At 31 March 2004 £'000s	At 31 March 2003 £'000s
Net assets			
Group net assets	9,963	4,396	5,122
Add pension liability under SSAP 24	633	460	553
Group net assets excluding pension liability under SSAP 24	10,596	4,856	5,675
Net pension liability under FRS17	(1,109)	(1,280)	(780)
Group net assets including net pension liability under FRS17	9,487	3,576	4,895
Reserves			
Group profit and loss reserves	8,028	3,705	4,431
Add pension liability under SSAP 24	633	460	553
Group profit and loss reserves excluding pension liability under SSAP 24	8,661	4,165	4,984
Net pension liability under FRS17	(1,109)	(1,280)	(780)
Group profit and loss reserves including net pension liability under FRS17	7,552	2,885	4,204

The following amounts would have been recognised in the performance statements in the period to 31 March 2005 under the requirements of FRS17:

	31 March 2005 £'000s	31 March 2004 £'000s
Operating cost		
Current service cost	(490)	(410)
Past service cost	–	–
Total operating charge	(490)	(410)
Other finance income		
Expected return on scheme assets	220	230
Interest on liabilities	(240)	(240)
Net return	(20)	(10)
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on scheme assets	50	(150)
Experience gains and losses arising on the liabilities	–	–
Changes in assumptions underlying the present value of liabilities	180	(230)
Actuarial gain/(loss) deficit recognised in STRGL	230	(380)
Movements in deficit for the year to 31 March		
Deficit in scheme at beginning of the period	(1,280)	(780)
Movement in period:		
Current service cost	(490)	(410)
Past service costs	–	–
Contributions	90	60
Other finance income	(20)	(10)
Actuarial gain/(loss) recognised in STRGL	230	(380)
Currency (loss)/gain	(70)	240
Deficit in scheme at end of period	(1,540)	(1,280)

Details of experience gains and losses for the year to 31 March 2005

	31 March 2005 £'000s	31 March 2004 £'000s	31 March 2003 £'000s
1. Difference between the expected and actual return on scheme assets			
Amount (£'000)	50	(150)	(25)
Percentage of scheme assets at year end	1.3%	(4.6%)	(0.7%)
2. Experience gains and losses on liabilities			
Amount (£'000)	–	–	–
Percentage of the present value of the liabilities	–	–	–
3. Total amount recognised in statement of total recognised gains and losses			
Amount (£'000)	230	(380)	(13)
Percentage of the present value of the liabilities	4.4%	(8.4%)	(0.4%)

Until 30 September 2004 the Group participated in the Powell Duffryn Pension Plan ("the PD Plan") in respect of UK employees. This is a funded defined benefit scheme but it is not possible to separately identify the assets and liabilities within this scheme that relate to the Group's employees. Until 30 September 2004 the Group made contributions to the PD Plan at a rate of 16% of pensionable salary. Following cessation of participation in the PD Plan on 30 September 2004 the Group has no further liability to that scheme.

The last actuarial valuation of the PD Plan was carried out at 31 March 2003 by an independent qualified actuary using the projected unit method. The next valuation is expected to take place as at 31 March 2006.

Since 1 October 2004 the Group's UK operations have been contributing to a company defined contribution scheme, the Hamworthy Pension Scheme. The Group makes employer contributions, pays administration costs of the scheme and pays premiums for insured life cover benefits.

Notes to the Accounts continued

23. Pension (continued)

The Group accounts for pension costs in its financial statements under Statement of Standard Accounting Practice 24. The following amounts relate to the three schemes described above.

	Norway schemes		PD Plan		Hamworthy UK scheme	
	2005 £'000s	2004 £'000s	**2005 £'000s**	2004 £'000s	**2005 £'000s**	2004 £'000s
Amounts charged to the profit and loss account in the year	**702**	421	**259**	500	**171**	nil
Accruals at the year end in respect of amounts due but not paid over to the scheme	**nil**	nil	**nil**	57	**41**	nil

In addition, amounts of £223,000 (2004: £259,000) were charged in respect of state retirement schemes.

The key assumptions used in and the values derived from the latest valuations of the defined benefit schemes for the purposes of SSAP 24 were:

	Norway schemes	PD Plan
Price inflation	2.5%	2.6%
Rate of pay rises	4.0%	4.1%
Discount rate	5.5%	Between 6.6% and 5.35%
Rate of pension increases	2.5%	Between 1.9% and 2.5%
Market value of assets	£3.73 million	£345.7 million
Assets percentage of past service liabilities	74%	85%

24. Cash flow from operating activities

	Group	
	2005 £'000	2004 £'000
Operating profit	**7,091**	5,212
Depreciation of tangible fixed assets	**1,169**	1,278
Amortisation of intangible fixed assets	**156**	267
Profit on sale of fixed assets	**(54)**	–
Increase in stocks	**(9,321)**	(2,368)
Decrease/(increase) in debtors	**31,919**	(6,094)
(Decrease)/increase in creditors	**(21,832)**	5,675
Increase/(decrease) in provisions	**207**	(741)
Net cash inflow	**9,335**	3,229

25. Reconciliation of movement in net debt

	As at 1 April 2004 £'000	Cash flow £'000	Non-cash movements £'000	**As at 31 March 2005 £'000**
Cash at bank and in hand	3,627	7,662	48	**11,337**
Overdrafts	(389)	(645)	(10)	**(1,044)**
	3,238	7,017	38	**10,293**
Debt due within one year	(1,500)	(100)	–	**(1,600)**
Debt due after one year	(7,210)	510	528	**(6,172)**
Total debt	(8,710)	410	528	**(7,772)**
Net (debt)/funds	(5,472)	7,427	566	**2,521**

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

26. Reconciliation of net cash flow to movement in net debt

	2005 £'000
Increase in cash in year	**7,017**
Cash inflow from change in debt financing	**410**
Change in net debt resulting from cash flows	**7,427**
Other non-cash transactions	**566**
Movement in net debt in year	**7,993**

27. 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 during the year.

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

In July 2004 as part of the Company's flotation the fully paid nominal value of share capital was increased from £550,000 to £1,850,000 and the Company reorganised its loan structure including the settlement of various balances with former related companies. A pro forma earnings per share figure has been calculated which eliminates the effect of these changes, assumes the present share capital and loan structure has been in existence throughout the year and the previous year as opposed to from the time of flotation to the year end and adjusts for certain exceptional or non recurring items. These non recurring items were adjusted for in the presentation of the Group's results in the Prospectus and Admission to AIM document for reasons of consistency. The directors believe presentation of this pro forma figure provides a more informative reflection of the earnings per share performance.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Year ended 31 March 2005			Year ended 31 March 2004		
	Earnings £'000	Weighted average no. of shares 000's 2005	Per share amount pence	Earnings £'000	Weighted average no. of shares 000's 2004	Per share amount pence
Basic EPS	5,384	30,375	17.7	3,024	11,000	27.5
Effect of dilutive securities		566			–	
Diluted EPS	5,384	30,941	17.4	3,024	11,000	27.5
Pro forma earnings per share						
Basic EPS	5,384	30,375	17.7	3,024	11,000	27.5
Loss on sale of discontinued business	–			655		
Eliminate interest on extinguished loans net of tax	(65)			(202)		
Adjust for acquired and discontinued businesses	(50)			(86)		
Eliminate non recurring costs of Norwegian reorganisation	223			–		
Former parent company management charge net of tax	–			560		
Increase number of shares to current issued share capital		6,625			26,000	
Pro forma basic EPS	5,492	37,000	14.8	3,951	37,000	10.7

28. Derivatives and other financial instruments

Set out below are the narrative and numerical disclosures required by Financial Reporting Standard 13 "Derivatives and other financial instruments" (FRS13). The Group has taken advantage of the exemption available under FRS13 not to provide numerical disclosures in relation to provisions for liabilities and charges of £3.2 million or to short term debtors and creditors, other than currency risk disclosures, either due to the exemption granted to short term items or them not meeting the definition of a financial asset or liability.

a) Financial instruments

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors etc, that arise from its operations. The main purpose of these financial instruments is to manage the Group's operations. It is, and has been throughout the period under review, the policy of the Group that no trading in financial instruments shall be undertaken.

The main risks from the Group's financial instruments are interest rate risk, liquidity risk and foreign exchange risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

b) Interest risk

The Group finances its operations through a mixture of retained profits and term loan under a Senior Credit Agreement. The Group's exposure to market risk for changes in interest rates relates primarily to its borrowings under the Senior Credit Agreement upon which interest is paid at a rate of 1.5% above LIBOR and to its cash resources which are invested at variable rates.

The Group has entered into interest rate capping agreements during the year in order to manage its interest rate risk on the Senior Credit Agreement. Approximately two thirds of the interest rate payments under the Senior Credit Agreement are covered by these capping agreements. Under the capping agreements the Group receives from counter parties any amounts by which the LIBOR portion of its interest payments on certain of its floating rate borrowings exceeds a cap and is obliged to pay to counter parties any amounts by which that LIBOR portion falls below a floor rate. The current capping agreement provides for a cap of 6.39% and a floor of 2.93%.

c) Liquidity risk

The Group's exposure to liquidity risk is limited by the fact that it operates with significant cash resources, and it maintains the most appropriate mix of short, medium and long term borrowings from the Group's lenders.

d) Foreign currency risk

The currencies most important to the Group's financial position and results of operations were those which are typically linked by monetary policy at fixed exchange rates to the Euro as well as US Dollars, Sterling, Norwegian Kroner and Singapore Dollars.

28. Derivatives and other financial instruments (continued)

e) Maturity of financial liabilities and undrawn committed facilities

The maturity profile of the Group's net financial liabilities are given in note 17 above. At 31 March 2005 the Group held a revolving facility comprising a term loan of £9 million (2004: £12.5 million), committed overdraft facilities of £3.5 million (2004: £2.5 million) and committed revolving facilities of £27.5 million for documentary credits, guarantees and ancillaries (2004: £7.5 million) all at Barclays Bank plc. In addition an uncommitted overdraft and ancillary facility of £1.85 million (2004: £1.8 million) is held with Den Danske Bank AS. Of the loan and overdraft facilities £9,344,000 were drawn down at 31 March 2005 (2004: £9,099,000).

f) Fair values of financial assets and liabilities

There is no material difference between the fair value and the book value of the Group's financial assets and liabilities. The fair value of cash, bank overdrafts, amounts owed to related parties and bank loans approximate their respective book values as they have floating interest rates.

The fair value of the loan, and interest rate swaps has been calculated by reference to the available market price.

Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains £'000	Losses £'000	Total net gains £'000
Unrecognised gains and losses on hedges at 1 April 2004	–	–	–
Gains and losses arising in previous years that were recognised in 2005	–	–	–
Gains and losses arising before 31 March 2005 that were not recognised in 2005	159	(560)	(401)
Gains and losses arising in 2005 that were not recognised in 2005	–	–	–
Unrecognised gains and losses on hedges at 31 March 2005	**159**	**(560)**	**(401)**
Of which:			
Gains losses expected to be recognised in 2006	132	(556)	(378)
Gains losses expected to be recognised in 2007 or later	27	(4)	23

£6,000 of the gains and £41,000 of the losses relate to interest rate swaps. The remaining gains and losses relate to currency options.

g) Currency exposure of the Group's net monetary assets/(liabilities)

The principal currency exposure of the Group's net monetary assets/(liabilities) is shown below for the year ended 31 March 2005. Such exposures comprise the monetary assets and monetary liabilities that are not denominated in the operating currency of the operating unit involved. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the companies and the Group.

31 March 2005	Net foreign currency monetary assets/(liabilities) Value in currency '000s							
Functional currency of Group operation	EUR	USD	NOK	DKK	£	SGD	JPY	SEK
EUR	–	–	(4)	–	(16)	–	–	–
USD	–	–	–	–	21	–	–	–
NOK	303	383	–	(219)	(521)	(79)	(1,599)	(280)
DKK	1,424	–	–	–	–	–	–	39
£	–	68	–	(82)	–	–	–	–
SGD	–	–	–	–	–	–	–	–
KWON	1	197	1,871	–	14	–	–	–

No comparative information has been given due to the excessive cost in time in obtaining the information which was not recorded last year across all of the subsidiaries around the world.

29. Ultimate parent company

There are no shareholders with overall control of the Company as at 31 March 2005.

Up to 20 July 2004 the ultimate parent undertaking of the Company for the purposes of Section 736 Companies Act 1985 was Prestige (no.1) Limited. However the directors consider that Nikko Principal Investments Limited, which held warrants to subscribe for ordinary shares in the Company's immediate parent undertaking, Powell Duffryn Investments Limited, and which, on exercise, would have made it the majority shareholder, had effective control of the Company. The parent undertaking of the smallest and largest group that presented consolidated financial statements including the results of the Company was NPIL Hold Co Limited, a company registered in England and Wales, and the directors therefore consider that NPIL Hold Co Limited was the ultimate effective parent undertaking of the Company. NIkko Cordial Corporation, a company incorporated in Japan, has beneficial ownership of the majority of the ordinary shares of NPIL Hold Co Limited. However, as the minority shareholder had certain rights reserved to it, the directors consider that neither shareholder had control of that Company during the period it was in control of the Company. Copies of the financial statements for NPIL Hold Co Limited are available from the Company Secretary, NPIL Hold Co Limited, 100 Pall Mall, London SW1Y 5NN.

30. Contingent liabilities

At 31 March 2005 contingent liabilities exist in respect of bank guarantees in relation to performance bonds totalling £11,559,000 (2004: £4,609,000).

The Group routinely enters into a range of contractual arrangements in the ordinary course of business which can give rise to claims or potential litigation against Group companies. It is the Group's policy to make specific provisions at the balance sheet date for all liabilities including warranty costs and guarantees which, in the opinion of the directors, are expected to result in a significant loss. The directors have reviewed the open claims and pending litigation against the Group at the year end and concluded that no material loss is likely to accrue to the Group from any such unprovided claims.

Notice of AGM

Notice is hereby given that the 29th annual general meeting (AGM) of the Company will be held at the Seaside Auditorium, The Lifeboat College, West Quay Road, Poole BH15 1HZ on 21 July 2005 at 2.00pm to transact the following business:

1 To receive the directors' report and financial statements for the year ended 31 March 2005 together with the independent auditors' report.

2 To approve the directors' remuneration set out in the directors' report.

3 To declare a final dividend of 3.24p per ordinary share for the year ended 31 March 2005 to be paid on 24 July 2005 to members whose names appear on the register of members at the close of business on 1 July 2005.

4 To elect as a director GF Page, who was appointed on 23 June 2004 by a resolution of the directors, in accordance with Article 82 of the Company's Articles of Association.

5 To elect as a director AJ Frost, who was appointed on 23 June 2004 by a resolution of the directors, in accordance with Article 82 of the Company's Articles of Association.

6 To re-elect as a director P Crompton who retires by rotation in accordance with Article 87 of the Company's Articles of Association and, being eligible, offers himself for re-election.

7 To reappoint PricewaterhouseCoopers LLP as independent auditors to the Company to hold office until the conclusion of the next AGM at which accounts are laid before the members.

8 To authorise the directors to determine the independent auditors' remuneration.

To consider and, if thought fit, pass the following resolutions which will be proposed in the case of Resolution 9 as an ordinary resolution and in the case of Resolutions 10 and 11 as special resolutions.

9 THAT, subject to and in accordance with Article 5 of the Company's Article of Association, the directors be and they hereby are generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £616,666 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next AGM in 2006 or a date 15 months from the date of this Resolution, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities of the Company to be allotted after such expiry and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this Resolution had not expired.

10 THAT, subject to the passing of Resolution 9 as set out in this notice of AGM the directors be and hereby are generally empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) for cash pursuant to the authority conferred by Resolution 9 as set out in this notice of AGM as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities

a where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion as nearly practicable to the respective number of ordinary shares held by them but subject to the directors having the right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and legal or practical problems under the laws or the requirements of any recognised regulatory body or any stock exchange in any territory, and

b to the allotment otherwise than pursuant to subparagraph (a) above of equity securities up to an aggregate nominal value of £92,500

and such power shall expire on the earlier of the conclusion of the next AGM in 2006 or a date 15 months from the date of this Resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities of the Company 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 by this Resolution had not expired.

11 THAT, the Company be generally and unconditionally authorised pursuant to Article 14 of the Company's Articles of Association and pursuant to Section 166 of the Act to make market purchases (as defined in Section 163 of the Act) of ordinary shares of 5p each in the capital of the Company ("Shares") provided that

a the maximum number of Shares hereby authorised to be purchased is 1,850,000 being 5% of the current issued ordinary share capital of the Company, and

b the minimum price which may be paid for such Shares is the nominal value thereof and the maximum price (excluding expenses) which may be paid for such Shares is an amount equal to 105% of the average of the middle market quotations for a Share taken from the listing of the Alternative Investment Market of the London Stock Exchange plc over the five business days immediately preceding the day on which the contract for purchase is made, and

c the authority shall expire on the earlier of the conclusion of the next AGM in 2006 or a date 15 months from the date of this Resolution, save that the Company may before such expiry make a contract to purchase Shares which would or might be executed in whole or part after such expiry and the Company may make a purchase of Shares in pursuance of such a contract as if the authority conferred by this Resolution had not expired.

A map showing the location of the Lifeboat College can be found at the Company's web site www.hamworthy.com/agmmap

By order of the board

P Crompton
Company secretary
20 June 2005

Registered Office:
Fleets Corner
Poole
Dorset BH17 0JT

Notice of AGM continued

Notes

1 Any member entitled to attend and vote at the AGM is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so. In order to be valid any form of proxy must reach the Company's registrars, Capita Registrars, PO Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time of the commencement meeting or of any adjournment of the meeting.

2 Only those shareholders registered in the register of members of the Company as at 6.00pm on Wednesday 19 July 2005 shall be entitled to attend and/or vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

3 Copies of the service contracts of each of the directors and the register of directors' interests in the shares of the Company kept pursuant to Section 325 of the Act will be available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this notice until the date of the AGM and at the place of the AGM from at least 15 minutes prior to and until the conclusion of the AGM.

4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service providers(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (IDRA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Form of Proxy

Hamworthy plc

I/We ....

Of: ....

being (a) member(s) of the above named Company, hereby appoint the Chairman of the meeting

Or (see Note 2) ....

as my/our proxy to vote for me/us and on my/our behalf at the AGM of the Company to be held at the Seaside Auditorium, The Lifeboat College, West Quay Road, Poole BH15 1HZ on 21 July 2005 at 2.00pm and at any adjournment thereof.

I/We wish this proxy to be used as shown below:

Signed: ....Dated: 2005

For each Resolution please tick either the box marked "FOR" or the box marked "AGAINST" to indicate how you wish your votes to be cast. This proxy will be used only in the event of a poll being directed or demanded. If the form is returned without any indication as to how the proxy shall vote on any particular matter, the proxy may vote or abstain as he/she thinks fit.

Ordinary resolutions	FOR	AGAINST	WITHHELD
1. To receive the directors' report and financial statements			
2. To approve the directors' remuneration			
3. To declare a final dividend of 3.24p per ordinary share			
4. To elect as a director GF Page			
5. To elect as a director AJ Frost			
6. To re-elect as a director P Crompton who retires by rotation			
7. To reappoint PricewaterhouseCoopers LLP as independent auditors			
8. To authorise the directors to determine the independent auditors' remuneration			
9. To authorise the directors to allot relevant securities			
Special resolutions			
10. To disapply pre-emption rights			
11. To authorise the Company to make market purchases			

Notes:

1. The names of the holders should be stated in block capitals.
2. If you wish to appoint a proxy other than the Chairman of the meeting his name and address should be inserted, the reference to the Chairman deleted and the alteration initialled. A proxy who need not be a member of the Company, must attend the meeting in person to represent you.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the register of members. An individual should either sign himself or by his attorney. A corporation should execute the form under seal or under hand of a duly authorised officer or attorney.
4. To be effective the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy thereof, must reach the Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting.
5. In respect of CREST voting please refer to the notice of meeting.

FOLD 2

Business reply
License No. MB122

1

Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent BR3 4BR

FOLD 1

FOLD 3 AND TUCK IN

Financial Calendar 2005

29 June	ex-dividend date in respect of the dividend on ordinary shares
1 July	record date for receipt of the dividend on ordinary shares
21 July	AGM
24 July	payment of final dividend for the year ended 31 March 2005
22 November	preliminary date for announcement of interim results for the six months ending 30 September 2005
	The financial calendar is available from www.hamworthy.com

Glossary

FPSO	Floating production storage offloading
LPG	Liquid petroleum gas
LNG	Liquid natural gas
VOC	Volatile organic compounds

Senior Management

Senior management
In addition to the board, the Company has an executive committee which consists of the chief executive, finance director and four senior members of the management team, details of whom are set out here:

Allan Bentley, Managing Director Wastewater Systems
Mr Bentley joined the Company in 1992. He qualified as a chartered engineer and held various positions in Lloyds Register and Swan Hunter prior to joining Hamworthy.

Willy Larsen, Managing Director Pump Systems
Mr Larsen joined Hamworthy KSE Svanehøj A/S in 1994. He was educated as a naval architect and has over 30 years of marine experience in owners, consultancy, shipbuilding and ships' equipment.

Arne Vedøy, Managing Director Gas Systems
Mr Vedøy has been managing director of the gas systems division since 1998. He held various positions in Kvaerner Ships' Equipment Division including managing director in Singapore and had overall responsibility for the liquid cargo handling division.

William Belshaw, Procurement Director
Mr Belshaw joined the Group in 1995 as a divisional managing director. He has extensive manufacturing and engineering experience at board level and an MSc in engineering production and management.

Advisers and Worldwide Offices

Registered office
Fleets Corner
Poole
Dorset BH17 0JT
UK

Company registration number
713225

Auditors
PricewaterhouseCoopers LLP
Registered auditors
The Quay, 30 Channel Way
Ocean Village
Southampton SO14 3QG

Nominated adviser and stockbroker
Collins Stewart
9th Floor, 88 Wood Street
London EC2V 7QR

Financial public relations
Abchurch Communications Limited
100 Cannon Street
London
EC4N 6EU

China
Hamworthy Shanghai
Room 8B, Yi Dian Plaza,
No. 746 ZhaoJiaBang Road, Shanghai 20030

Hamworthy (Suzhou) Ltd
121 Dengwei Road, Suzhou New District,
Jiangsu Province 215011

Denmark
Hamworthy Svanehøj A/S
PO Box 30, DK-9230 Svenstrup J

India
Hamworthy India Pvt Ltd
C-155, Mittal Court, Nariman Point
Mumbai - 400 021

Korea
Hamworthy Ltd
8th Floor, Yoosung Plaza Building
#655–6 Woo-dong, Haeundae-Gu,
Busan (612–020)

Netherlands
Hamworthy BV
Aploniastraat 33, 3084 CC Rotterdam,

Norway
Hamworthy Moss AS
PO Box 1053, NO–1510 Moss

Hamworthy Gas Systems AS
PO Box 144, NO–1371 Asker

Hamworthy Pump Systems AS
PO Box 53, NO-1371 Asker

Singapore
Hamworthy Pte Ltd
15 Benoi Crescent, Singapore 629978

UK
Hamworthy Wastewater Systems Ltd
Fleets Corner, Poole, Dorset BH17 0JT

Hamworthy Pump Systems
Fleets Corner, Poole, Dorset BH17 0JT

USA
Hamworthy Inc.
1011 Highway 6 South, Suite 208
Houston, TX 77077

Hamworthy Inc
8000 NW31 Street, Unit 13
Miami, Florida 33122

Hamworthy Inc
1418 Edwards Avenue, Suite B,
New Orleans, Louisiana 70123

Hamworthy plc
Fleets Corner
Poole
Dorset
BH17 0JT

Telephone: 01202 662600
Email: investor@hamworthy.com

Company registration number
713225