

**Including:**

**Hayward Tyler - engineered solutions for critical application in:**

- **Power Generation**
- **Offshore Oil and Gas**

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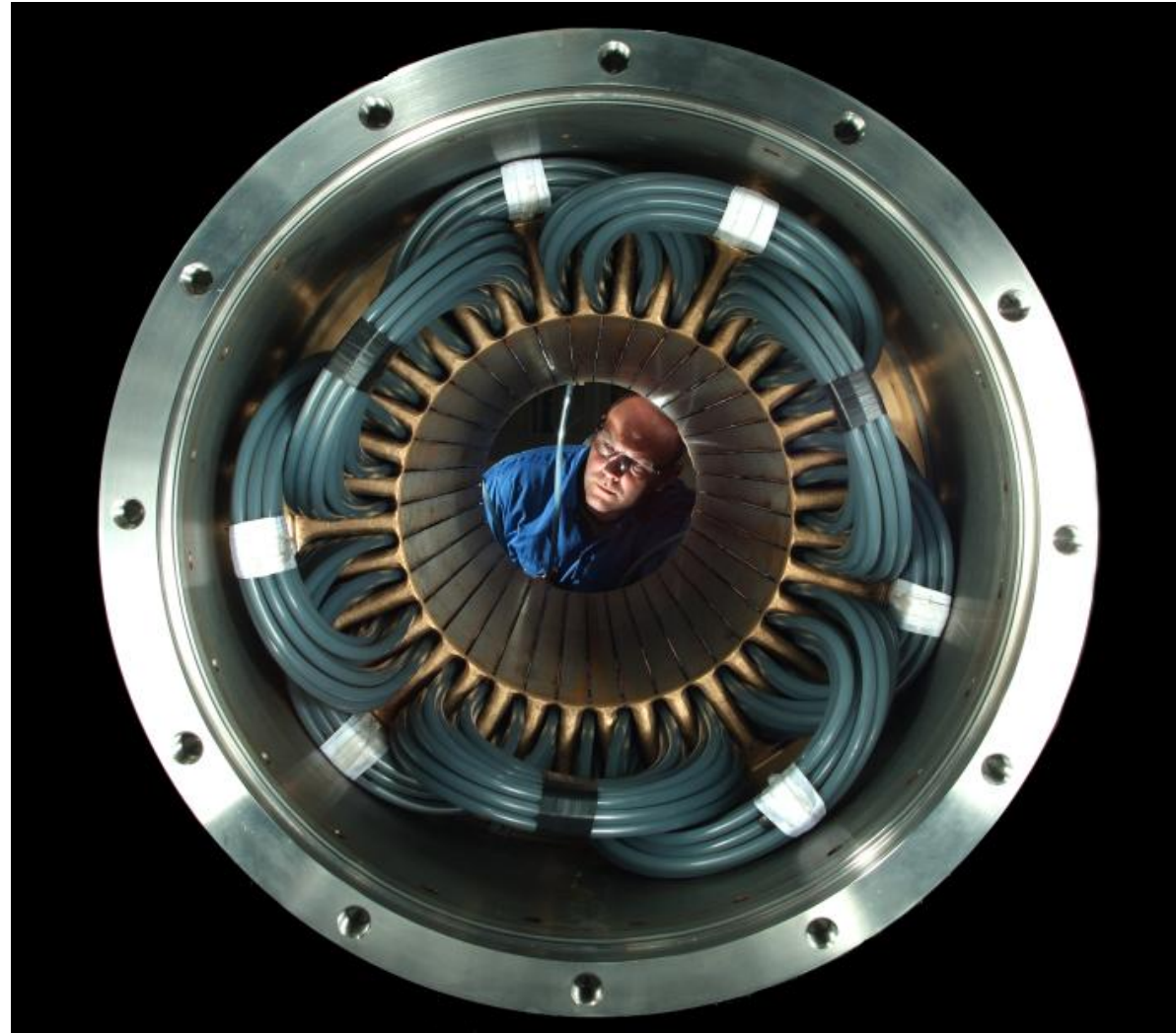
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- Highlights
- Finance Review
- Operational Review
- Strategy
- Outlook



- Further year of revenue growth in difficult climate
  - *Over 5% increase to £18.6m\**
- Further improvement in underlying gross margins
  - *Increased to 32.3% (from 30.5% in H1 2009)*
- Significant improvement in profit
  - *EBITDA increased to £1.6m (from £0.3m)*
  - *Operating profit increased to £1.3m (from £0.04m)*
- Reduced net debt
  - *Reduced to £10.5m (from £13.7m\*\*)*
- Power generation and oil & gas dominant
  - *85% of revenues*
- Order intake of £13.8m
- Completed reverse, new capital raising of £4m and 2 year committed banking facilities
- Closure of Nviro operations and sale of Vertus tangible fixed assets. Clean coal technology IP licensing opportunities being pursued
- Appointment of new NED, Ron Emerson (ex Premier Oil/Fairfield Energy)

\*Despite the negative impact of FX

\*\*Net debt of Southbank prior to reverse of Nviro as at 31/12/09



## Income Statement

	6 months to 30 June 2010 £000 Trading	6 months to 30 June 2010 £000 Non-trading	6 months to 30 June 2010 £000 Total	6 months to 30 June 2009 £000 Trading	6 months to 30 June 2009 £000 Non-trading	6 months to 30 June 2009 £000 Total
Revenue	18,572	-	18,572	17,638	-	17,638
Gross profit <i>Gross profit %</i>	6,006 32.3%	-	6,006 32.3%	5,372 30.5%	-	5,372 30.5%
EBITDA	1,585	16	1,601	336	-	336
Operating profit	1,267	16	1,283	41	-	41
Net finance charge (Loss)/gain on fair value of derivatives*	(288) -	(35) (1,744)	(323) (1,744)	(677) -	- 1,625	(677) 1,625
Profit before tax	979	(1,763)	(784)	(636)	1,625	989
Tax	(394)	488	94	(695)	(395)	(1,090)
Profit from continuing operations	585	(1,275)	(690)	(1,331)	1,230	(101)
Loss from discontinued operations	-	(3,379)	(3,379)	-	-	-
Net profit	585	(4,654)	(4,069)	(1,331)	1,230	(101)

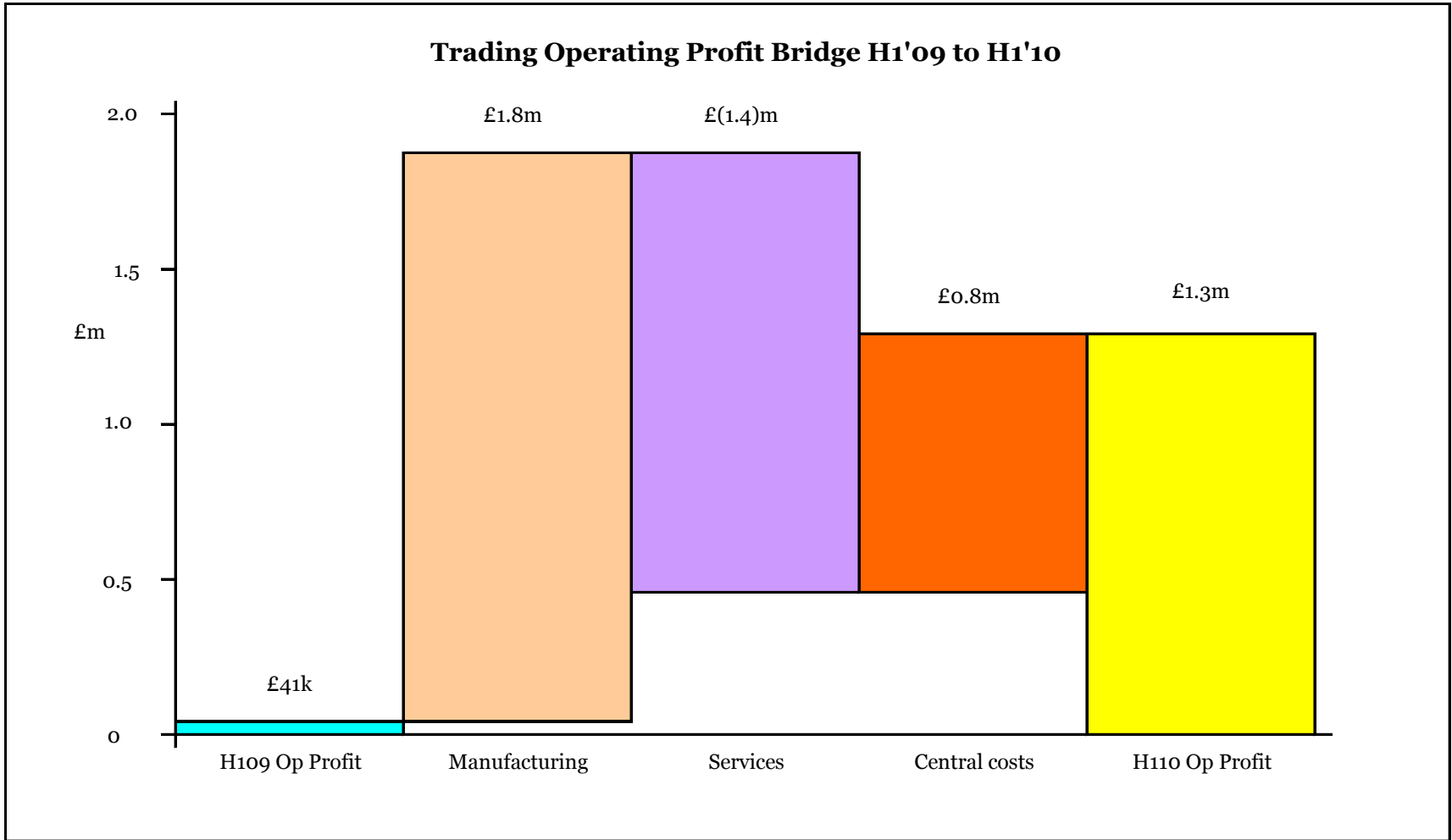
	6 months to 30 June 2010 £000	6 months to 30 June 2010 £000	6 months to 30 June 2010 £000	6 months to 30 June 2009 £000	6 months to 30 June 2009 £000	6 months to 30 June 2009 £000
	Revenue	Trading Operating Profit	Operating Profit Margin	Revenue	Trading Operating Profit	Operating Profit Margin
Manufacturing	9,778	652	6.7%	7,191	(1,166)	-16.2%
Services	8,794	1,197	13.6%	10,447	2,567	24.6%
Central costs*	-	(582)	-	-	(1,360)	-
<b>Total</b>	<b>18,572</b>	<b>1,267</b>	<b>6.8%</b>	<b>17,638</b>	<b>41</b>	<b>0.2%</b>

\* Central costs include:

- PLC costs (directors, listing etc) £(0.4)m (H109: £(0.4)m)
- Unallocated central costs in HT £(0.2)m (H109: £(0.2)m)
- FX loss in HT £nil (H109: £(0.8)m - resulting from bank's refusal to transfer hedges into H209)

- Revenue growth of over 5% impacted by FX (7.6% in real terms)
- Slow start in Services (primarily due to the US, recovery expected in H2)
- Continuing improvement in manufacturing in both revenue & operating margins (legacy contracts shipped, new higher margin business won)

# Trading Operating Profit Bridge



## Balance Sheet

	At 30 June 2010 £000	At 31 Dec 2009 £000
Non-current assets	20,150	19,640
Current assets excl. cash	14,690	15,541
Cash	117	781
Short term bank borrowings	(4,396)	(7,509)
Long term bank borrowings	(6,219)	(7,009)
Net debt	(10,498)	(13,737)
Current liabilities excl. bank borrowings	(18,084)	(20,161)
Pension scheme deficit	(2,761)	(2,761)
Net assets	<u>3,497</u>	<u>(1,478)</u>

## Movement in net debt

	6 months to 30 June 2010 £000 Trading	6 months to 30 June 2010 £000 Non-trading & discontinued	6 months to 30 June 2010 £000 Total	6 months to 30 June 2009 £000 Trading	6 months to 30 June 2009 £000 Non-trading & discontinued	6 months to 30 June 2009 £000 Total
Net debt 31 December 2009			(13,737)			(12,449)
Net debt 30 June 2010			<u>(10,498)</u>			<u>(14,741)</u>
Movement in net debt			<u>3,239</u>			<u>(2,292)</u>
EBITDA	1,585	16	1,601	336	-	336
Working capital movement excluding progress payments*	1,375	(2,820)	(1,445)	182	-	182
Movement in progress payments	(2,618)	-	(2,618)	(1,312)	-	(1,312)
	(1,243)	(2,820)	(4,063)	(1,130)	-	(1,130)
Cash generated from operations	342	(2,804)	(2,462)	(794)	-	(794)
Tax, interest & capital expenditure	(796)	-	(796)	(1,498)	-	(1,498)
Cash on acquisition	-	2,670	2,670	-	-	-
Net proceeds from issue of shares	-	3,827	3,827	-	-	-
Net movement in cash	(454)	3,693	3,239	(2,292)	-	(2,292)
Recurring EBITDA to operating cash conversion:						
Before movement in progress payments	187%			154%		
Including movement in progress payments	22%			-236%		

\* Non-recurring & discontinued movement in working capital represents:

Nuivo reverse acquisition costs	£m
Nuivo closure costs	(0.5)
Southbank reverse acquisition costs	(0.7)
Southbank bank & bank adviser fees	(0.8)
	<u>(0.8)</u>
	<u>(2.8)</u>

## Working capital

	Scenario 1 Impact of a contract from China Revenue value £800k, maximum WIP value £560k, funded by customer progress payments					Scenario 2 Impact of a contract from India Revenue value £800k, maximum WIP value £560K, funded by discounted letter of credit			
	Opening balance sheet £000	During construction £000	Interim balance sheet £000	Post completion £000	Final balance sheet £000	During construction £000	Interim balance sheet £000	Post completion £000	Final balance sheet £000
Non-current assets	20,150		20,150		20,150		20,150		20,150
Current assets excl. inventory & cash	8,415		8,415		8,415		8,415		8,415
Inventory	6,275	560	6,835	(560)	6,275	560	6,835	(560)	6,275
Cash	117								
Short term bank borrowings	(4,396)								
Long term bank borrowings	(6,219)								
Net debt	(10,498)		(10,498)	240	(10,258)	(560)	(11,058)	800	(10,258)
Current liabilities excl. progress payments & borrowings	(14,570)		(14,570)		(14,570)		(14,570)		(14,570)
Progress payments	(3,514)	(560)	(4,074)	560	(3,514)		(3,514)		(3,514)
Pension scheme deficit	(2,761)		(2,761)		(2,761)		(2,761)		(2,761)
Net assets	3,497		3,497		3,737		3,497		3,737

Note:  
Same interim and closing net assets position

Temporary increase in borrowings ...  
... but lower operational gearing compared to China contract



### —Fossil fired

—28 units shipped to China, India and the Middle East

### —Nuclear

—Shipped remote maintenance pumps to Sellafield

—Ongoing fulfilment of existing AP1000 canned motor pump designs

—Ongoing fulfilment of Chinese nuclear canned motor pump designs

### —‘Greener’ generation

—Synthetic gasification: shipped 4 cooler pumps for one of the largest Syngas projects in the world

—Advanced Supercritical Once-Through contract win in China

*Winner of the UKTI 2010 Exporter of the Year  
Award (London Advanced Engineering &  
Manufacturing)*



—Topside

—Seawater lift pumps

—Firewater pumps

—Good bid pipeline focused on South East Asia, West Africa and China

—Subsea

—Further progress in the testing of the existing deep submersible 2.5MW motors and development of new higher rated designs

—Defence

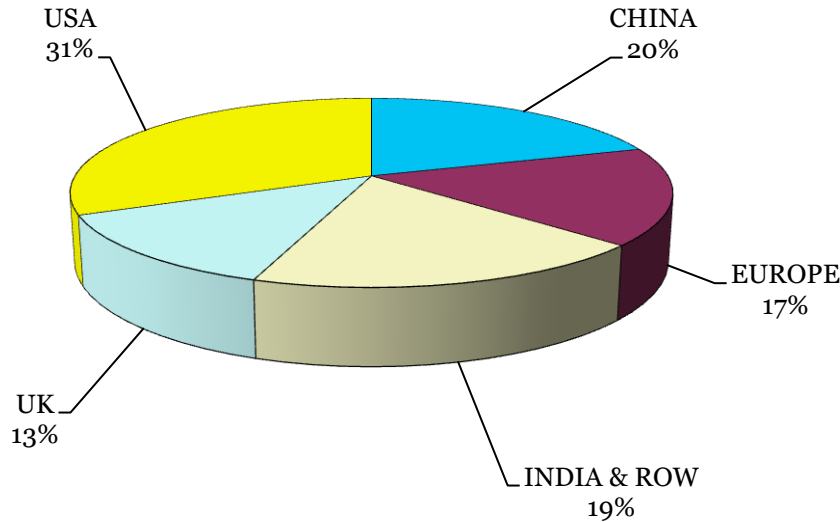
—Astute Boat 4 – units shipped, Boat 5 order pending



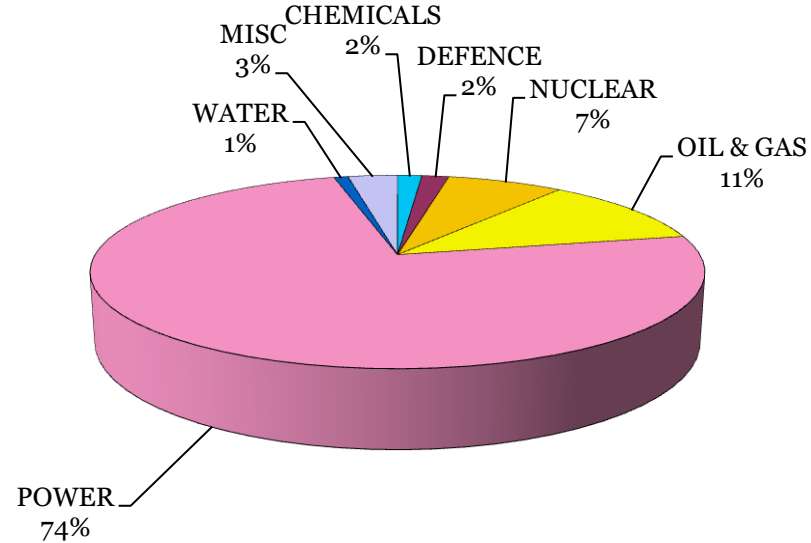
## Revenue split by Region & Sector

- Revenues £18.6m
- Power generation dominant
- Further growth potential in:
  - Oil & Gas
  - Nuclear

### Revenue by Region



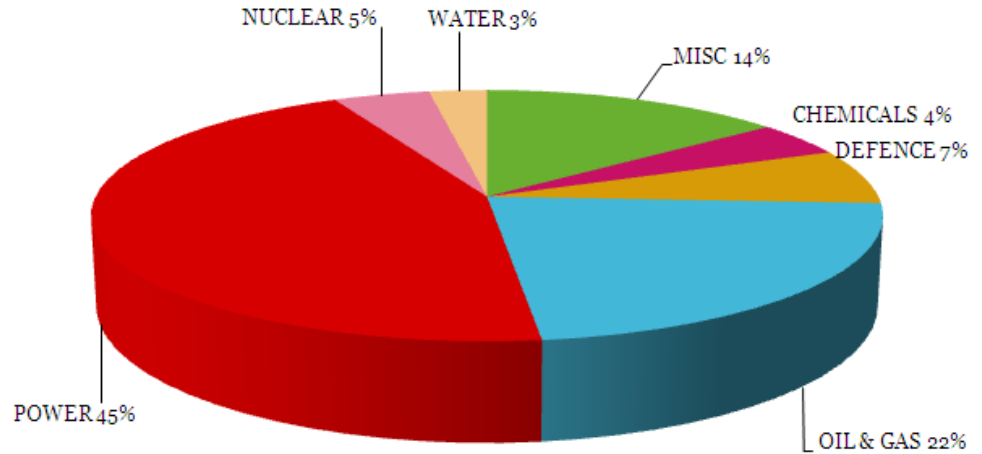
### Revenue by Sector



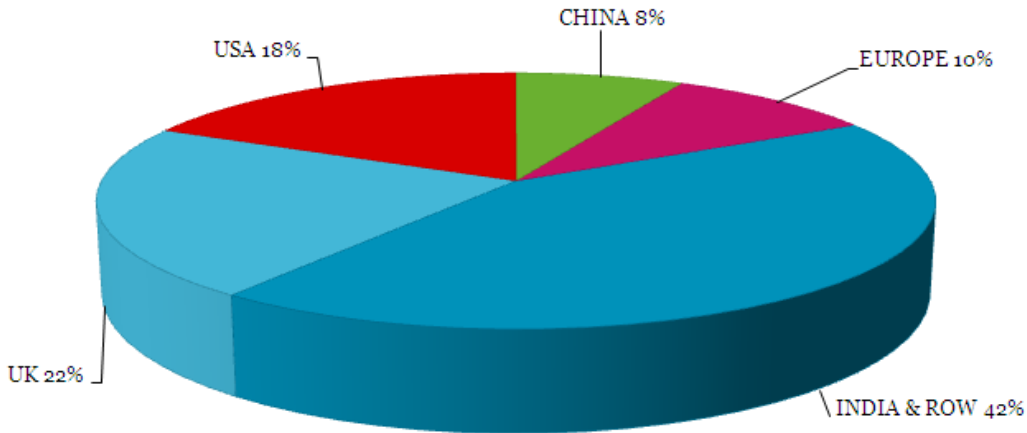
## Order intake split by Region & Sector

- Order intake £13.8m
- Services dominated H1
- Export markets still key
- Balanced mix

Order Intake by Sector



Order Intake by Region



—Develop & support Hayward Tyler business

*-Operationally:*

- *Focus on delivering order book to existing customers*
- *Focus on winning higher margin business or strategically important business*
- *Completion of transition to a more flexible manufacturing operation*
- *Continued investment in the supply chain (margin and quality improvements)*

*-Market led:*

- *Focus on expanding existing operations further into the nuclear market*
- *Focus on the growing export markets of China & India*
- *Focus on the offshore subsea market*

*-Working capital management to underpin export led growth*

—Identification of potential partners/joint venture opportunities in key markets/geographies

—Identification of complementary niche engineering businesses as part of the bigger picture ‘buy & build’



- Focus on flexible funding lines to support export led growth
- Further scope for increasing gross and operating margins
- Current trading in line with market expectations for 2010
- Good order book visibility and bid pipeline although revenue growth in 2011 remains challenging
- Longer term optimism for new nuclear build
- Opportunities for value enhancement through partnerships and joint ventures



