Hayward Tyler Group PLC
Report & Accounts for the year ended 31 March 2015

HAYWARD TYLER

1815-2015
CONTINUOUS IMPROVEMENT

PEOPLEPROCESSESPRODUCTS
PERFORMANCE-CRITICAL
PUMPSMOTORSENERGY
OFFSHORENUCLEARSUBSEA
CHEMICALINDUSTRIAL
CENTREOFEXCELLENCE
LEANMANUFACTURING
NEXTGENERATIONTECHNOLOGIES

Engineering excellence for the global energy industry

Original Equipment design, project management and production centres

Local service centres

Locations

1 Luton, UK
2 Glasgow, UK
3 Vermont, USA
4 Delhi, India
5 Kunshan, China

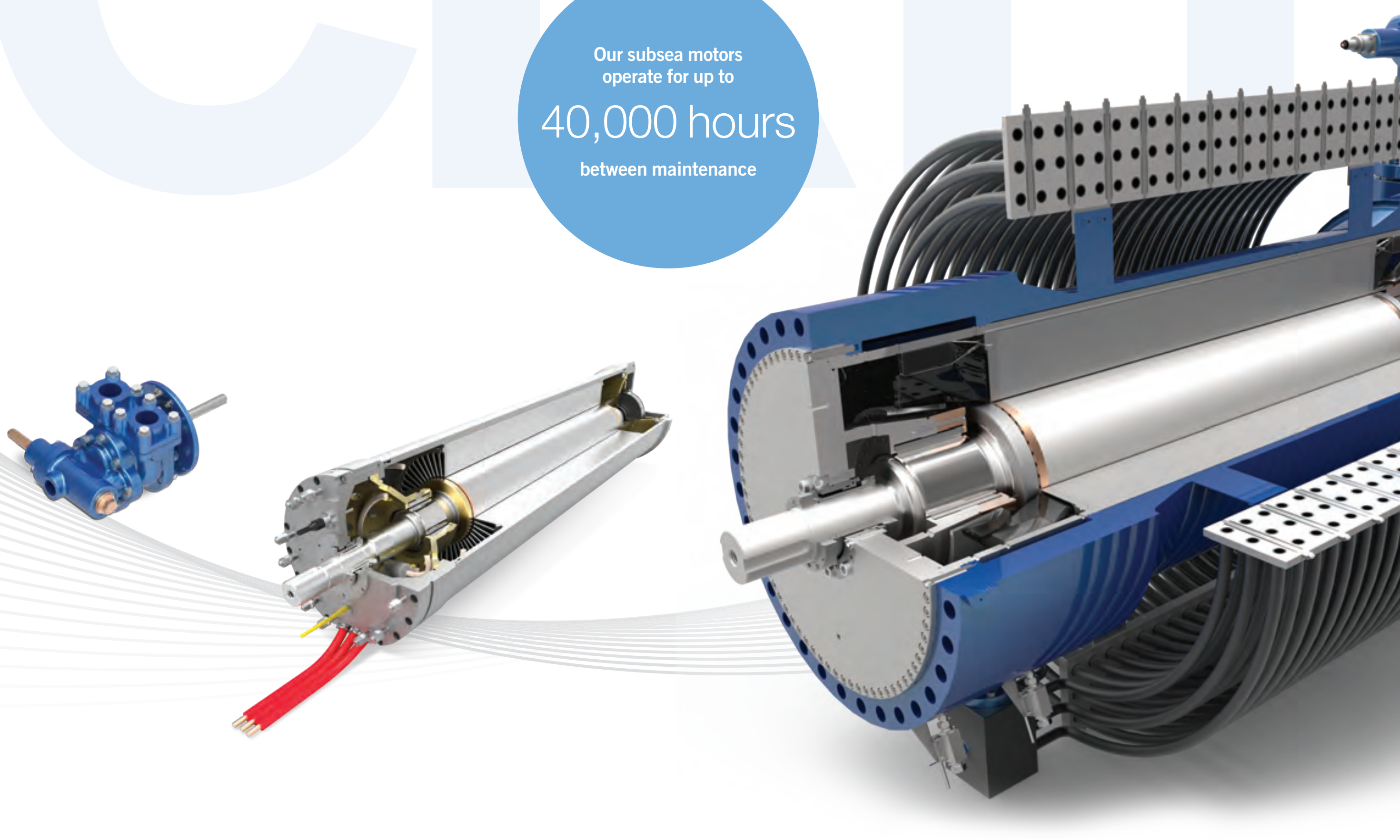
Performance-critical fluid filled motors and pumps for the global energy industry

Our expert knowledge, precision engineering and world-class manufacturing processes enable us to deliver unsurpassed product capabilities, reliability and performance

Our subsea motors operate for up to

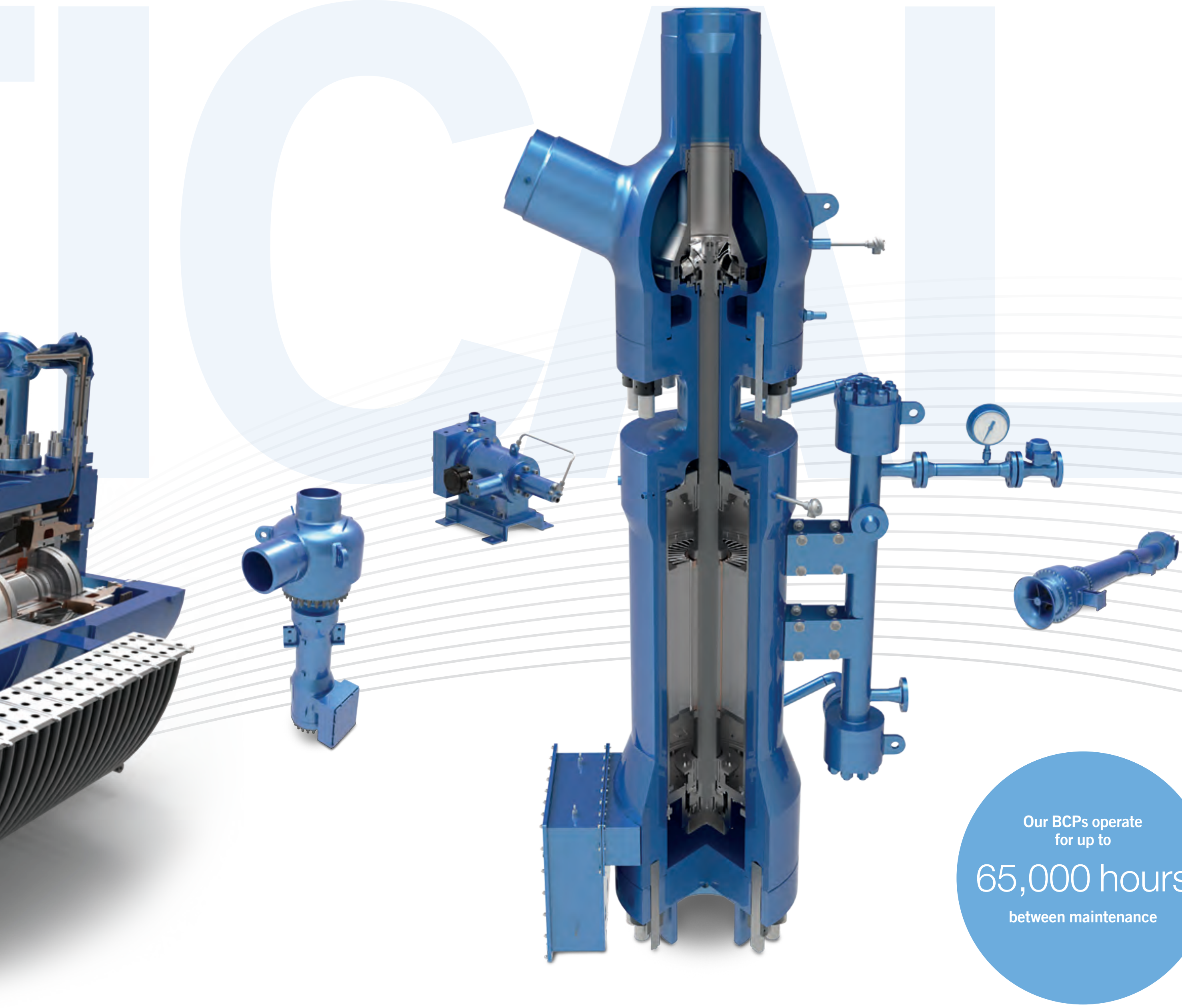
40,000 hours

between maintenance



High power, high performance, low maintenance

- High reliability
- Longer service intervals
- **3,000** Operate at depths of 3,000m (10,000ft)
- Lower total cost of ownership
- **100%** Safe even in the most sensitive of marine environments
- **35 week** Average lead-time in delivering complex projects
- **40,000** Assured hours meantime between maintenance



Our BCPs operate for up to

65,000 hours

between maintenance

Ultra-supercritical, supercritical, subcritical capabilities

High reliability (30+ years design lifetime)

Longer service intervals (Proven 8 years)

370bar @ 380°C

Sub, super and ultra-supercritical capability

Lower total cost of ownership

2,300
Units – largest global installed base

40 week
Average lead-time in delivering complex projects

65,000
Hours meantime between maintenance

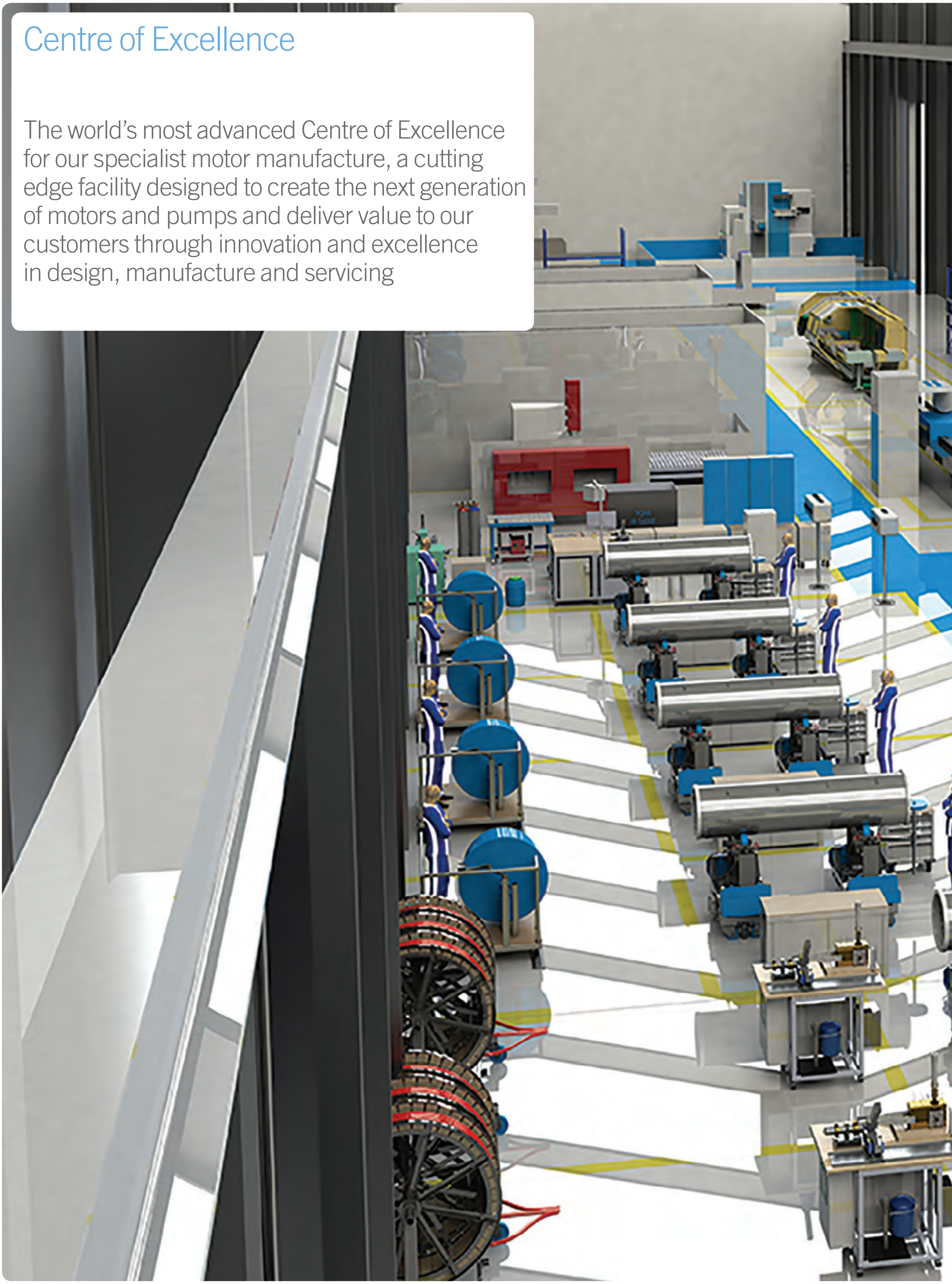
Continuous Improvement

To be our customers' first choice for performance-critical motors and pumps across the global energy sector

Products

Centre of Excellence

The world's most advanced Centre of Excellence for our specialist motor manufacture, a cutting edge facility designed to create the next generation of motors and pumps and deliver value to our customers through innovation and excellence in design, manufacture and servicing



“Our enhanced test capability and lean manufacturing processes will enable our next generation technology to be delivered with unrivalled quality assurance and even shorter lead times”

Hayward Tyler at a glance
Engineered solutions for the global energy sector

Hayward Tyler Group PLC (Ticker: HAYT.L) is a specialist engineering group serving the global energy sector.

We design, manufacture and service fluid-filled electric motors and pumps for the most demanding of performance-critical high-pressure, high-temperature applications and environments.

Our reputation is built on quality, reliability and world-class engineering, and we work with customers across the world from our bases in China, India, UK and USA.

ENGINEERING EXCELLENCE
1815 - 2015
200 YEARS

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About Hayward Tyler

Technology
World-class engineered solutions in the manufacture of performance-critical motors and seal-less pumping technology within the most demanding environments across the global energy sector.

Expertise
Established in 1815, we have unsurpassed experience and engineering know-how in the design, manufacture and servicing of fluid-filled electric motors and pumps for difficult to handle fluids and applications within high pressure, high temperature environments across the global energy sector.

Partnership
Hayward Tyler is the trusted partner across the energy sector for the design, manufacture and servicing of fluid-filled electric motors and pumps within high pressure, high temperature environments and difficult to handle applications.

Enhancing our reporting

Further information is available when you see these icons:

- **Additional information can be found within the report**
- **More information is available online**
- **Go to preceding/next page**
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www.haywardtyler.com

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INCREASEDREVENUE
HIGHERPROFIT
STRONGEPSGROWTH
REDUCEDNETDEBT
SIGNIFICANTHEADROOM
UKGRANTFUNDING
26000TRAINING&DEVELOPMENTHOURS
RESEARCH&DEVELOPMENT
CENTREOFEXCELLENCE

Key Highlights
A year of growth and investment

Find out more at
www.haywardtyler.com

Strong revenue growth

£48.6m

↑ 13%

(FY2014: £43.2 million)

Profit before tax

£4.4m

↑ 15%

(FY2014: £3.8 million)

Earnings per share

6.98p

↑ 39%

(FY2014: 5.02 pence)

Interim dividend per share

0.525p

↑ 5%

Final dividend proposed of 0.79 pence per share

Order intake

£41.7m

↓ 9%

(FY2014: £46.0 million)

Net debt

£7.9m

↓ 6%

(FY2014: £8.3 million), representing a net debt to EBITDA* ratio of 1.2:1 (FY2014: 1.5:1)

Investment

Total grants awarded to Hayward Tyler

£4.65m

Regional Growth Fund: £3.5 million

Civil Nuclear Sharing in Growth programme to support the Company's growth plans over the mid to long-term in training and development: £1.15 million

Headroom under bank borrowing

£5.9m

↑ 55%

£3.0 million loan note programme initiated to complement the grant funding and investment in the Luton Centre of Excellence

Investment in Centre of Excellence

£2.8m

(FY2014: £nil)

Supported by the Regional Growth Fund

* EBITDA represents earnings before interest, tax, depreciation and amortisation **(see KPIs and note 9)**

Our Vision
Engineering excellence

For more information on Our Strategy
see page 6

Our Mission

1 What do we do?

We design, manufacture and service fluid-filled electric motors and pumps to meet the most demanding of applications and environments across the global energy sector

2 How do we do it?

Through continuous improvement embracing our people and our processes, and long-term commitment to creating innovative products and delivering world-class service

3 Who do we supply?

The global energy markets demanding quality technology and responsive local service for performance-critical applications, including oil and gas, fossil, nuclear and renewables

Our mission is to become our customers' first choice for performance-critical motors and pumps across the global energy sector

200 Years of Engineering Excellence

To find out more about our history go to **About Us** www.haywardtyler.com

As one of the oldest engineering companies in the United Kingdom, we are rightly proud of our long and distinguished heritage and the brand we have built over the past 200 years

1815

1872

Main factory moved from London to the current site in Luton, which included a foundry, a sanatorium and a chapel with the bell being cast in the company's foundry. The site was strategically positioned next to the Great Northern Railway Line with its own siding and the business expanded further into packing and pumping technology and machinery

1903

Manufacture of a prototype of the first motor car with a belt driven eight horsepower engine. A fire at the factory destroyed it, putting paid to its development

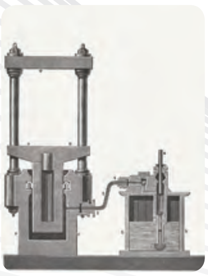
mid-1900s

Development of the glandless submersible pumping system and the world's first boiler circulating pump ("BCP") for use in conventional thermal power stations

1900

1815

In the late 1700s Joseph Bramah invented and patented a number of machines that would go on to form the basis for the Hayward Tyler business, which he founded in 1815. These machines focused on fluid applications including plumbers fittings and hydraulic presses



mid-1800s

Hayward Tyler grew to incorporate the manufacture of various types of machine, sanitation equipment and universal steam pumps and employed around 60 people based in London

60

employees in London

1854

Robert Howard takes over the business

1908

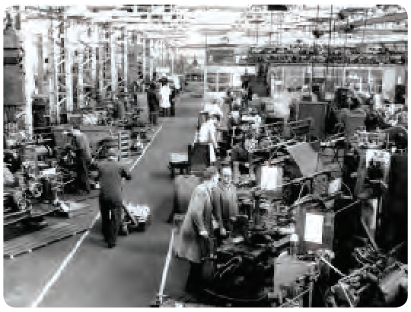
Submersible electric motor design developed and used in mine-dewatering operations and marine salvage, notably for the British Admiralty at Scapa Flow in World War 1

1956

Hayward Tyler supplied 32 glandless pumps to the world's first civil nuclear power station at Calder Hall, UK

1957

After 103 years under the Howard family's control Hayward Tyler was sold



Hayward Tyler has a rich and varied history that can be traced back 200 years to the original plumber's merchant

1978

First Hayward Tyler BCP sold to China

Latter half of the 1900s

Ownership of Hayward Tyler changed several times

2000

2007-08

Development of the 2.75MW subsea motor

2010

Hayward Tyler reversed into AIM listed PLC

HAYWARD TYLER

2011

Transformation of Hayward Tyler Luton commenced

2013

Announcement of a joint strategic initiative with Eureka Pumps AS to jointly market combined submersible pump and motor solutions for the offshore topside oil and gas market

Hayward Tyler recognised as Manufacturer of the Year in the ICT and Young Manufacturer categories

EUREKA

TM AWARDS 2013

2014

Payment of inaugural dividend

Record-breaking nuclear order received from KHNP for USD10 million

RGF and CNSiG grants awarded and building of Centre of Excellence started

2015

Announcement of a production alliance agreement with FMC Technologies for the manufacture of a 3.2MW permanent magnet motor for use in FMC's subsea pump system

200th anniversary

200 ENGINEERING EXCELLENCE 1815–2015

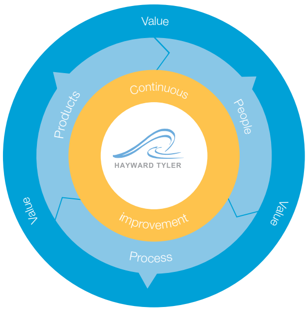
2015

ENGINEERING EXCELLENCE 1815 - 2015 200 YEARS

Our Strategy

For more information on our KPIs see page 18

For more information go to Remuneration Committee see page 37



Our strategy | focuses on | creating value

Continuous Improvement

Leading the business with the development of a world-class Centre of Excellence to create the next generation of motors and pumps and deliver value to our customers through innovation and excellence in design, manufacture and servicing.

People

Our people are at the very heart of everything we do. We have a highly skilled global workforce passionate about our business and we have created the right workplace environment for them to grow. As part of our commitment to their development, we have rolled out lean foundation training for all staff and offer universal access to both in-house and external learning opportunities, including MBAs for our senior managers.

Processes

Reduced lead times, superior test capability, lean manufacturing and Six Sigma methodologies delivered from our Centre of Excellence all contribute to giving our customers exceptional peace of mind and confidence. We constantly drive operating efficiencies both internally and in supply chain partnerships to generate enhanced quality assurance, and our continuous improvement programme is fully focused on eliminating sub-optimal processes across our business.

Products

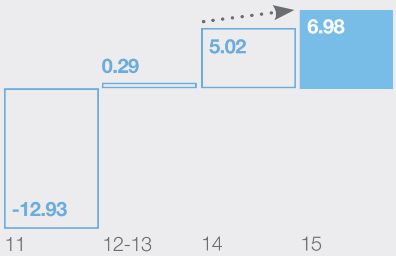
We have a reputation for reliability and the long-term durability of our fluid-filled motors and pumps and their ability to perform in complex applications and challenging environments. All our products and services are designed to give our customers a competitive advantage and enhanced ROI through excellent lifetime cost of ownership. We invest heavily in world-class research and innovation to ensure our offer remains the best available.

Shareholder Value

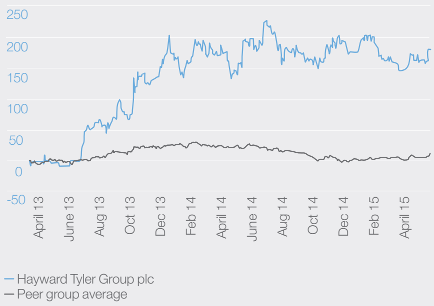
To ensure the long-term strength of our business* through strong cash generation and increased profitability* that enables us to deliver a good shareholder return*.

* see KPIs

EPS growth
pence



Performance chart
% Return



Our Strategy in action

Our expert knowledge, precision engineering and world-class manufacturing processes enable us to deliver unsurpassed product capabilities, reliability and performance

for our customers through innovation and design

People

All Hayward Tyler business units are ISO 9001 accredited.

This ISO accreditation is a widely recognised international quality management system that demonstrates the ability of a business to consistently provide products and services that meet the needs of customers and other stakeholders.

Hayward Tyler Kunshan provides aftermarket services to power plants across China and South East Asia and in FY2015 achieved ISO 9001 for the first time. Led by Operations Manager Tim Wang, with technical support from the engineering team and skilled fitters, the business created workflow documentation for the shop floor. Members of the sales and supply chain management teams meanwhile put in place a computer systems upgrade. These two enhanced systems together fulfilled the third party quality assessment needed to achieve ISO 9001 and Hayward Tyler Kunshan was accredited in December 2014.

Being able to demonstrate ISO 9001 certification gives customers the extra assurance that we have at Hayward Tyler satisfied the most demanding of third party quality assessment. This puts us ahead of our competition, opens up new revenue opportunities and ensures our premium product and services keep their value. The Hayward Tyler team ethic is also afforded important external recognition which is of particular value in modern China where young people have a huge range of employment opportunities.

LLOYD'S REGISTER QUALITY ASSURANCE ISO9001

UKAS MANAGEMENT SYSTEMS 001

Processes

We understand that you can never achieve reliability without quality and we have an over-arching commitment to continuous improvement.

As part of this process, Hayward Tyler Vermont launched a project to reduce waste and optimise productivity by creating an orderly workplace with visual clues. To achieve this goal, the team used the 5S workplace organisation method.

In November 2014, all 95 employees gathered on the shop floor to take the 5S pillars — sort, set, shine, standardise and sustain — to organise their work area and minimise loss of time and wasted movement. After two days, staff had created a safer, more organised facility by eliminating clutter and confusion and in so doing enhanced the efficiency and effectiveness of the operation. There is a short video of the event here: **http://www.haywardtyler.com/mega5s**

This project was just the beginning: during 2015, Hayward Tyler Vermont is improving operational efficiency even further by adding visual controls and standardised work. The processes include redesigning the plant layout, adding point-of-use storage, improving quality at source, and creating more efficient flow lines. In common with all Group business units, Hayward Tyler Vermont has achieved ISO 9001 certification, demonstrating a strong commitment to continuous improvement.

Products

Hayward Tyler is responsible for designing and engineering the world's most advanced deepwater submersible motor.

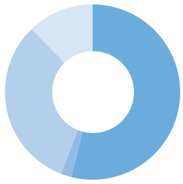
With a rating of 2.5MW and capable of operating at depths as low as 3,000m, the motor was launched in 2008 and a bespoke version later developed for the GE Oil & Gas Universal Subsea Boosting research project. This 3MW, 4-pole, 60Hz wet-wound motor has a variable speed drive and can operate over a range of frequencies and speeds. It was built for GE Oil & Gas at Hayward Tyler Luton and was first deployed in 2011 at the Nuove Pignone USB facility in Bari, Italy, following a two-year development programme.

More recently Hayward Tyler's proven ability in subsea oil and gas has enabled it to secure a production alliance agreement with subsea infrastructure market leader FMC Technologies.

For further details go to Our Markets
see page 9

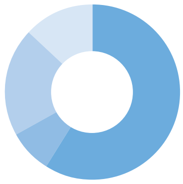
Our Markets
Operating across the energy sector

Order intake
%



Power	54%
Oil and Gas	2%
Nuclear	32%
Other	12%

Revenue
%



Power	59%
Oil and Gas	8%
Nuclear	20%
Other	13%

Hayward Tyler operates across the energy sector, one of the world's biggest and most dynamic industries

Power

For the year to 31 March 2015 Power represented:

54%
order intake

59%
revenue

60
years' experience

2,300
BCPs worldwide – largest installed base

30+
years' design lifetime

40
week standard lead time

Hayward Tyler successfully services the market for large scale power of 300MW and above, which includes both coal and gas-fired power generation plants. We have the largest installed base of boiler circulating pumps ("BCPs") worldwide with more than 2,300 units installed, mainly in coal-fired power stations. Our BCPs are a tried and tested solution for performance-critical, high pressure, high temperature boiler systems, making Hayward Tyler a preferred supplier to major EPCs and boiler manufacturers worldwide.

We are working closely with operators and EPCs to develop the next generation of super and ultra-supercritical boiler systems to meet the ever-growing push for efficiency and environmental effectiveness. As a result our BCPs incorporate an array of industry leading features to help drive efficiency, ensure reliability, deliver low maintenance and a long lifespan, and a high ROI.

The market is expected to grow significantly over the next 20 years with around 1,200 coal-fired power stations being proposed with a capacity of 1,400GW[1]. More than 75% of these developments are expected to be in China and India, and we anticipate the majority of the larger power stations will be built to supercritical and ultra-supercritical designs.

Activity in the Indian market during the first part of the year was low due to the political and economic landscape ahead of national elections, even though the demographic and economic drivers for significantly higher power generation capacity remain unchanged – an anomaly also highlighted in our 2014 report. However, since the elections in May 2014, there has been an upsurge of inquiries for BCPs for supercritical projects in India.

China by comparison remains consistently more buoyant, despite a slowing of the domestic economy and with its continued drive for larger, more efficient coal-fired plant. Despite the introduction of very strict emission targets and the drive to move new generating capacity away from the coastal regions to the north-west of the country, China's coal-fired generation capacity is expected to increase by 60% from 846GW in 2014 to 1,350GW in 2025. This increase represents an additional 46GW per annum, equivalent to 46 large power stations.

There has also been an improvement in the European market, both for BCPs and for Economiser Recirculation Pumps which allow Selective Catalytic Reduction systems to be added to existing coal-fired plant. This significantly enhances the economic viability of ageing plants while also helping to meet the European emission targets required to allow continued operation.

Our significant expertise in designing and manufacturing to the stringent EN standard means we are well-placed to take advantage of this activity. We have, for example, been selected by Mitsubishi Hitachi Power Systems Europe GmbH as the preferred supplier for the Kozienice Power Plant, Poland's second largest power station. This plant has an installed capacity of 2.8GW operated by Elektrownia Wytwarzanie SA.

There is a global demand for increased capacity and security of supply and in some areas this has led to a drive to extend operating windows as plants that have been in use for 20-plus years near the end of their design life. At Hayward Tyler, we evaluate the condition of such installations and help keep them operating by supplying replacement systems. This has been a key focus for the AM team over the past 12 months.

1 *Source:* World Resources Institute: Global Coal Risk Assessment Report (November 2012)

Our Markets

continued

For further details go to Our Markets
www.haywardtyler.com

Oil and Gas

For the year to 31 March 2015 Oil and Gas represented:

2%
order intake

8%
revenue

50
years' offshore experience

250
units installed worldwide

25
years' design lifetime

35
week standard lead time

Hayward Tyler focuses on providing reliable motor solutions to the upstream offshore oil and gas market, both topside and subsea.

Although the recent pressure on oil prices is forecast to produce a near-term reduction of 20-30% in overall capital expenditure, the long term macro-economic outlook is one of increasing demand and a declining production base[1]. The cost of recovery is now a key driver for continued investment and, as this is both geography and geology-dependent, lower oil pricing is not a pivotal factor. There is an industry-wide drive for higher efficiency through improved collaboration and this is likely to increase both the demand for re-usable topside infrastructure and prioritise subsea investment in enhanced recovery from existing assets.

We provide a complete range of submersible seawater lift and firewater motors to our customers as part of an integrated pump package. During the year we continued to develop our strategic relationship with Eureka Pumps AS, successfully delivering several submersible projects including firewater lift motors for the Total-operated Martin Linge field and seawater lift motors for Norwegian operator Statoil on the Aasta Hansteen project.

Altogether, we have installed more than 250 high-power motors offshore and these are in service with most of the major independent and national oil companies across all key markets including the UK, Norway, Canada and Malaysia. We are adapting to changing market requirements by investing in the joint development of the next generation of systems appropriate for re-usable FPSO and FLNG platform applications and this is already under way within the next phase of the collaboration programme.

Demand has grown for subsea processing driven by both oil majors and independent operators. Oil majors see subsea processing as a means of improving their own free cash flows and subsea boosting has the potential to change the economics of oil recovery by not only reducing hardware costs (by around 50% through standardisation) but also by adding an estimated 5-6 years to a North Sea field's life. Spending on subsea trees is accordingly expected to increase by around 12% year on year to 2018[2]. Hayward Tyler is well placed to capitalise on this trend as it is one of only a handful of motor suppliers worldwide with the required motor expertise, global standards, approvals and reference list.

We recently announced at the 2015 Offshore Technology Conference in Houston the signing of a production alliance agreement with subsea infrastructure market leader FMC Technologies. We will draw on our extensive offshore and subsea experience to manufacture the qualified 3.2MW permanent magnet motor that will be incorporated into a Sulzer pumping system for integration and deployment by FMC. These specialist motors will be manufactured at Hayward Tyler's new Centre of Excellence which is specifically designed to incorporate the facilities and capability to meet current and future subsea motor build and test requirements.

1 *Source:* Rosneft IPW Presentation (February 2015)
2 *Source:* Morgan Stanley Research Note (May 2014)

Our Markets

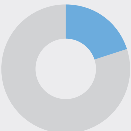
continued

For further details go to Our Markets
www.haywardtyler.com

Nuclear

For the year to 31 March 2015 Nuclear represented:

32%
order intake



20%
revenue

60
years' offshore experience

600
units operational worldwide

40+
years' design lifetime

50
week standard lead time

We continue to support both our existing installed base and new build potential in the global nuclear power market, particularly in the UK, India, the USA and China. Over the past year Hayward Tyler has secured a USD10 million nuclear spare parts order from Korea Hydro Nuclear Power ("KHNP"), as well as significant orders from its installed base in the USA. Around 75% of the 438 operational reactors worldwide are currently over 25 years old[1], offering continued growth opportunities for aftermarket services.

Significant investment has been made at our Luton facility through the UK government's Civil Nuclear Sharing in Growth ("CNSiG") programme. This initiative, which is being undertaken with the Nuclear Advanced Manufacturing Research Centre ("NAMRC") in Sheffield, is focused on training and development and is bringing Luton's entire workforce to NVQ level 3 and above. The associated 'Fit for Nuclear' accreditation is focused on ensuring that Hayward Tyler is firmly positioned as a key supplier in the UK domestic supply chain for new build nuclear, which is currently focused on Hinckley Point C. This plant is part of approximately 19GW of nuclear power expansion planned in the UK over the next 20 years with each reactor design being worth £3-10 million of potential sales value to Hayward Tyler.

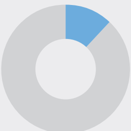
Over the past 12 months Hayward Tyler Vermont has secured orders for three Reactor Water Clean-Up canned motor retrofits with one of the largest power producers in the USA and we anticipate further contract wins in the coming year. The unique seal-less and retrofit technology gives operators a more robust design that significantly increases the motor's service life. Our US facility holds the ASME B&PV 'N', 'NPT' and 'NA' stamps as well as the 'NS' certificate, all key accreditations in the nuclear market that represent significant barriers to entry for other businesses looking to enter the market.

1 *Source:* International Atomic Energy Authority

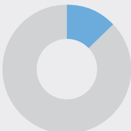
For further details go to Our Markets
www.haywardtyler.com

Other including Industrial, Chemical and Renewables

For the year to 31 March 2015 Other represented:



12%
order intake



13%
revenue

Hayward Tyler provides engineered solutions for applications across a wide range of other sectors, among them specialty chemical, lubrication, fuel pumping, pulp and paper, and solar.

We realised two major milestones during the year under review with the delivery and commissioning of pumps for the first Integrated Gasification Combined Cycle ("IGCC") demonstration project in South Korea as well as a large Butanediol ("BDO") project in central China. IGCC is a process that extracts synthetic gas from coal for use as a fuel to generate electricity. BDO is used industrially in the manufacture of plastics, elastic fibres, and polyurethanes. These milestones expand Hayward Tyler's products into non-power global growth markets.

Hayward Tyler canned motor pumps and canned motor retrofits are used extensively for high pressure, high temperature and difficult to handle fluid applications. The seal-less design eliminates the need for a dynamic seal and utilises the process fluid as a coolant with no need for an external fan. Traditional ball and roller bearings are replaced with high capacity, product lubricated sleeve bearings, which significantly reduce the risk of lubrication/bearing failure and so dramatically improve the mean time between failure, a crucial benefit to the end user.

Our canned motor retrofit provides a unique solution for customers wanting to take advantage of our canned motor technology. This design takes the existing pump head and simply retrofits the motor end with the Hayward Tyler canned motor, so saving time and money over full replacement.

The Hayward Tyler Varley range of gear pumps, including foot mounted and engine mounted designs, continues to serve the lubrication and fuel pumping sectors. Our bespoke diesel engine pumps combine pre-lube, lube and fuel pumping in one compact unit, delivering an economical design, which saves space, making maintenance easier and more economical.

All these engineered solutions provide longer life and superior performance and play to Hayward Tyler's focus on performance-critical motors and pumps, which reduces the lifetime cost of ownership, a key feature for our customers.

Strategic Report

Governance

Financial Statements

Chairman's Statement
A year of further significant progress

> "Laying the foundations for the next chapter of growth"

John May
Non-Executive Chairman

The Board

Key areas of focus for the Board in FY2016

These areas of focus include *inter alia*:

- Further development of our people;
- Completion of the building work relating to our Luton Centre of Excellence;
- Investment in product related research and development;
- Deepening and broadening our market penetration; and
- Further enhancement of our risk management processes.

ENGINEERING EXCELLENCE 1815 - 2015 200 YEARS

Dear Shareholder

I am delighted to report on another successful year in the performance of your Company and I would like to take this opportunity to thank the Executive Directors and all the team, on your behalf, for the outstanding performance.

Results Overview

The Group continued to make strong progress in the year with revenue rising to £48.6 million (FY2014: £43.2 million). That generated an operating profit of £5.3 million (FY2014: £4.7 million), representing a return on revenue of 11.0% (FY2014: 10.8%), and a profit after tax significantly higher at £3.1 million (FY2014: £2.3 million). Fully diluted earnings per share were 6.98 pence (FY2014: 5.02 pence).

See the Chief Executive's Business Review and the Financial Review

Dividend

We have previously stated that we will adopt a progressive dividend policy to which end we increased the interim dividend by 5% to 0.525 pence per ordinary share, paid in February 2015. Subject to shareholder approval, we will pay a final dividend of 0.79 pence per share, an increase of just over 5% on prior year, on 28 August 2015 to shareholders on the register on 14 August 2015 (ex-dividend date: 13 August 2015).

200 Years of Engineering Excellence

For the past 200 years, Hayward Tyler has been meeting and exceeding customer expectations and we have built a global reputation for industry-leading innovation, quality, and reliability. For example, we designed and built the world's first electric submersible motor back in 1908 and ever since we have shown the way, developing world-beating fully-certified technology that now drives a wide range of performance-critical applications in the fields of power, oil and gas exploration and the industrial sector.

As reported elsewhere in these financial statements, this has been another successful year of growth and we look forward with confidence as we lay the foundations for the future with the development of the Luton Centre of Excellence.

Centre of Excellence

During the year we kicked-off development of the centre. This project is key to our growth prospects and encompasses research and development, training and development, and expansion of the Luton facility footprint by around 40%. Key to funding the development has been the award of government grants to Hayward Tyler Limited and extended borrowing arrangements in the year. The Board's thanks goes out to the various teams that have helped to secure our future through these arrangements.

Further details of the Centre of Excellence are set out in the Chief Executive's Business Review and the Financial Review

Expanding our Global Reach

As shareholders know, we currently operate out of China, India, UK and USA, which provides us with a global footprint to sell all around the world. In FY2015, we continued to sell a significant proportion of our products and services

Chairman's Statement

continued

Expansion of Luton facility

40%

Revenue generated from non-UK based customers

88%

Architect's impression
of Centre of Excellence

overseas with 88% of revenue generated from non-UK based customers. During the year under review we opened a new sales office in Shanghai, China, to complement our existing service and overhaul facility in Kunshan. The Shanghai presence is allowing the Group to better access and serve the Chinese energy, power and chemical markets.

Corporate Governance

I set out my review of governance in Corporate Governance on page 32

Outlook

The expansion of the Group's production capabilities, coupled with the strengthening of our balance sheet, puts Hayward Tyler in an increasingly well-placed position to capture significant opportunities across our chosen markets and to achieve the Board's growth ambitions. The Board remains confident in the prospects for the business.

Yours faithfully

John May
Non-Executive Chairman
22 June 2015

Our Strategy in action

We are creating the world's most advanced Centre of Excellence for specialist motor manufacture, a cutting-edge facility with greatly enhanced test capabilities and lean manufacturing processes.

For our customers, this means delivering our next generation technology with even shorter lead times and unrivalled levels of quality assurance.

We set ourselves two key objectives after achieving substantial growth in turnover year-on-year since 2011: to double the capacity of our Luton facility and to increase the number of units produced to meet accelerating demand right across our markets. Our challenge was to fully understand how our business and operations could evolve over the next five to ten years and the impact of that on the timing of key investments in people, equipment, sub-assembly processes, support infrastructure and back office processes.

To achieve this, we used process simulation software, named WITNESS from Lanner, to create a virtual dynamic factory with a highly visible picture of our manufacturing operations, and were able to anticipate what we might need to do to meet demand and maximise profitability. The simulation model factors in multiple plant capacity and performance influencers, including factory layout, equipment requirements, shift patterns, peaks and troughs in demand, and product mixes. We can now plan when spare capacity will run out, when to upgrade machinery, and when we need to change a shift pattern, and using this model allows us to pre-empt forecast changes in the business, so ensuring productivity remains high and costs are minimised.

Using WITNESS this way has had such a positive impact on our planning capabilities that we will now roll it out to other business units to lay the foundations for enhanced operational planning across the Group.

Strategic Report

Governance

Financial Statements

Chief Executive's Business review

"Building for the future whilst celebrating our 200 year past"

Ewan Lloyd-Baker
Chief Executive Officer

Setting Hayward Tyler's priorities

Our FY2015 focus

- Manage the longer-term growth prospects whilst maintaining the short-term output requirements particularly in light of the Luton led grant funding opportunities;
- Continue to generate sufficient cash internally to fund expected growth and the related investment; and
- Continue to improve communication across the Group and with our customers and supply chain.

Achievements

- OE revenue up 13% during the course of the year whilst undertaking over 26,000 hours of training and development and embarking on the demolition phase of the building works in Luton;
- Strong cash generation resulting in reduced net debt and diversified funding sourced from the secured loan note programme (£1.635 million); and
- Increased engagement with customers, suppliers and employees both within and across the Group facilities.

Priorities for FY2016

- Deliver the world class Centre of Excellence for commissioning in calendar Q2 2016;
- Develop further strategic alliances with customers to help underpin the longer term growth of the Group;
- Expand our overseas activities to further support growth; and
- Look for businesses sharing similar characteristics to Hayward Tyler to buy, build and grow.

A Brief History

There are not very many companies in the UK, let alone the world, that can say they are 200 years young and therefore before I discuss the events of the past 12 months I want to take a moment to reflect on what is a major milestone in the history of this great business.

Given all the current focus and attention in the media about balancing the UK economy between the financial sector and the manufacturing sector, it is somewhat ironic that the origins of Hayward Tyler can be traced back to the Howard family that also founded Lloyds Bank in 1765. It was Joseph Bramah, however, who established the business in 1815 focused on the fluid applications that have formed the bedrock of Hayward Tyler to this day. Notable achievements over the last two centuries include the pioneering development of the submersible electric motor, the glandless boiler circulating pump ("BCP") and a subsea fluid-filled electric motor capable of operating at depths of 3,000 metres. These developments enabled Hayward Tyler to supply glandless pumps to the world's first civil nuclear power station in the UK in 1956, establish the largest installed base of over 2,300 BCPs worldwide and deliver 2.75MW subsea motors to enhance oil extraction from the North Sea.

For all the technological innovation and market penetration, the latter decades of the twentieth century saw Hayward Tyler affected by underinvestment by former owners. In 2010 the business was reversed into an AIM listed PLC, which allowed the business to begin its journey of regeneration.

Recent Improvements

Indeed, the last four years have been transformational and now provide not just the Luton business but also the entire Group with an exceptionally strong platform on which to continue building.

Our entire workforce, now numbering 203 in Luton alone and 345 altogether, have been involved in the turnaround and I'd therefore like to thank everyone for their patience and fortitude whilst we have been through some particularly 'heavy lifting'. In particular, however, I would like to thank Dave Murray, Mike Williams and Martin Clocherty, who have led and sustained the transformation of Hayward Tyler Luton and are now supporting the next stage of the Group's development and growth.

Further details of Hayward Tyler's history are set out in 200 Years of Engineering Excellence
see page 4

Performance Review

So, with this behind us let us now turn our attention to the financial year ended 31 March 2015. We set ourselves a number of priorities over 12 months ago (as highlighted in the box) and it is therefore encouraging to report that we have been successful in delivering against our plans. This has been no mean feat, particularly at our main Luton facility where output has increased despite the extensive demolition and building works under way. The creation of a world-class Centre of Excellence is a feature and theme that will be re-visited frequently across this document and over the coming months. It is very exciting to be a part of this for two reasons; firstly, it enhances our capabilities by improving

Chief Executive's Business review

continued

EBITDA

£6.4m

15%

Earnings per share

6.98p

39%

our efficiencies and increasing our capacity and secondly, because it takes a great 200 year old business into the next generation, ensuring that it has a strong and bright future. For a company that has re-found its 'mojo' the opportunities for our employees, our customers, our suppliers and wider stakeholders are significant and we can look to the future with increasing confidence and excitement.

Global Expansion

We have a global footprint with operations based in Kunshan (China), Delhi (India), East Kilbride and Luton (both UK), and Vermont (USA). In addition, we opened a sales office in Shanghai (China) in January 2015. For reporting purposes, however, we split our business into two segments, Original Equipment ("OE") and Aftermarket ("AM"). Hayward Tyler East Kilbride, Luton and Vermont contribute to the OE business and Hayward Tyler Kunshan, Delhi, Luton and Vermont form the AM business. Both parts of the business showed an increase in revenues of 13% over the previous year.

In revenue terms, the USA was our biggest single geographical market accounting for 24% (FY2014: 25%) of total sales reflecting our strong domestic business there. The Far East was the next largest market accounting for 23% of revenues (FY2014: 16%) underpinned by China and South Korea. Domestic UK revenues increased slightly to 12% (FY2014: 9%) and South Africa performed strongly with 7% of revenues (FY2014: 6%), driven by sales of BCP spares. European revenues were down to 8% (FY2014: 17%) as a result of lower oil and gas revenues whilst revenues derived from India were 4% (FY2014: 4%), reflecting the previously poor economic environment and uncertainty prior to the Indian general election.

From a market sector perspective Power remained our largest market representing 59% of revenue (FY2014: 51%), driven by world-wide sales of new units and aftermarket services. The next largest market was nuclear with 20% of revenue (FY2014: 16%) as a result of sales to KHNP. Oil and gas was lower at 8% of revenue (FY2014: 18%) whilst other markets, including industrial, chemical and renewables, represented 13% (FY2014: 15%).

Overall the diversity of our markets and broad geographical coverage provides the Group with a significant degree of resilience to adverse market fluctuations in any single market.

Operating Profit Margin Improvement

As highlighted at the time of our interim results, we anticipated a strong performance in 2H2015 and this helped increase the gross profit margin for the Group to 35.1%, marginally above our target, and significantly ahead of the performance in the first half of the year. Likewise the operating profit margin improved in 2H2015 thus driving the full year performance up to 11.0% (FY2014: 10.8%), which is in our KPI target range of 10-15%. We anticipate that this second half performance is sustainable and will therefore help underpin the margin expectations in the current year.

Looking at the performance in greater detail, gross profit margins of the AM business typically fall in the range of 45-50% dependent on the mix of business. The result in FY2015 was no different with a gross profit margin of 47%, which

Our Strategy in action

We have a highly skilled global workforce that are passionate about our business

Our exceptional employees are the heart and soul of our business. Truly nothing happens without their ingenuity, innovation, dedication and hard work. Though instances of this commitment are in plain sight all around us, one example is Hayward Tyler Vermont's Quality Assurance Engineer, Matt Ellis, who donated his time to a local school to teach kids about engineering and electro-magnetism.

Matt led the class through an exercise on building a motor and their teacher reports that the students can't stop talking about the experience they had. More than one has already declared that they want to be an engineer and work at Hayward Tyler!

Chief Executive's Business review

continued

For more information go to:
Our Vision see page 3
Sustainability see page 28

For further details go to Our Markets on www.haywardtyler.com

We are creating the world's most advanced Centre of Excellence for our specialist motor manufacture, a cutting edge facility where our enhanced test capability and lean manufacturing processes will enable our next generation technology to be delivered with unrivalled quality assurance and even shorter lead times.

Above l-to-r:
Luton facility in 2012, 2014, 2016

Investment in Centre of Excellence

£2.8m

was down from 50% in FY2014 but in line with expectation. The gross profit margin of the OE business improved from 14% in 1H2015 to 23% in 2H2015, thus providing an overall gross margin of 18% for FY2015.

The OE gross profit margin represents an increase on the margin in FY2014 of 14% and it was achieved despite the disappointment in 1H2015 of a loss making contract by our US business. Since then we have undertaken a number of significant steps to strengthen our US business. These steps included conducting a root and branch review of our contract acceptance process, restructuring the reporting lines, appointing a new President and undertaking a Mega 5S event, jargon for improving workplace organisation through standards and discipline, which involved the entire workforce **(see Our Strategy in action)**. To put this into perspective, the activity included all 95 employees, supported by 4 employees from the UK, who over the course of 2 days set to work clearing out 15 tons of scrap, 4 tons of trash, applying 45 gallons of paint and using 20 gallons of cleaning solution to ensure that the shop was thoroughly sorted, set and shined.

For further details go to Our Strategy in action see page 7

Further workplace management practices are now in place to ensure that the changes made are standardised and sustained.

Centre of Excellence

Regarding developments in the UK, supported by the Regional Growth Fund and the subsequent secured loan note programme, the Centre of Excellence represents very much the future of Hayward Tyler: its investment into research and development, training and development, as well as the expansion of the facility.

During 2H2015 the preparation of the site continued at pace against a backdrop of increasing output, which involved the demolition of 8 redundant buildings and replacement of an old cooling tower, a relic from the 1950s, by a state of the art cooling system. Inside the existing main building 14 machines were scrapped or removed and the flow-lines revised in preparation for new plant, machinery and capacity planning requirements.

In specific terms, the Centre of Excellence will deliver:

- Our most advanced facility for specialist motor manufacture in the world;
- Integrated single process flow-lines for engineering, production, assembly and test control of stators and rotors;
- An extended, fit for purpose facility (for subsea and nuclear sectors) with dedicated clean assembly areas and test pits;
- An environment for extending the continuous improvement philosophy; and
- Greater capabilities for the design and manufacture of our performance critical motors and pumps.

In addition, we anticipate that the optimised flow-lines will enhance throughput to reduce lead times significantly, reduce takt time (a term often used in manufacturing to describe the average production time to match the required customer demand) and increase the number of stock turns supported by internally developed leading business software planning tools. Having embarked on the planning of this project back in 2013 it was, therefore, particularly encouraging to have signed a global production alliance with FMC Technologies

For further details go to Our Strategy in action see page 13

For a global company like FMC, the market leader in subsea systems, to choose Hayward Tyler for its "best-in-class manufacturing capability" is truly a glowing endorsement of the progress that we've made and for our further potential.

Across the Group we were also able to celebrate for the first time all of our facilities achieving ISO 9001 accreditation **(see Our Strategy in action)** and our Scottish facility has also retained its ISO 14001 accreditation. Significantly, from January 2013 through to February 2015, four audits of this business' ISO 9001 and ISO 14001 management systems were conducted without a single non-conformance being raised.

Order Intake

Order intake for the year was £41.7 million, giving an order book at 31 March 2015 of £21.6 million. This intake was 1.0x historical revenues, marginally less than our KPI target of 1.1x but with the shortfall reflecting more of a timing issue than a softening in our chosen markets. The largest order received in the year related to the replacement

Chief Executive's Business review

continued

"Best-in-class manufacturing capability"

FMC Technologies

Our Strategy in action

Leading the way in large-scale coastal power generation

China's Zhejiang Ninghai Power Plant is breaking new ground in large-scale coastal power generation and is the first of its kind to use a desalinated seawater circulation cooling system so eliminating any environmental impact on adjacent sea areas caused by warm water discharge.

The operators chose Hayward Tyler glandless wet stator boiler recirculation pumps for both the Zhejiang Ninghai Phase II 1,000MW super-critical once-through boilers, and the project has won a gold medal in China's prestigious National Quality Project Award.

of nuclear parts for South Korea's KHNP at two of its reactors, Hayward Tyler having provided the original equipment during the 1980s. Valued at over USD10 million, this order skewed the metrics increasing the nuclear share of overall order intake for the year to 32% (FY2014: 15%) and the AM share to 69% (FY2014: 64%). Power remained the dominant segment at 54% of order intake (FY2014: 57%) with oil and gas right down at 2% of the total (FY2014: 12%). The situation in the oil and gas sector has improved for Hayward Tyler since the year-end and it is anticipated that this sector is likely to return to the levels seen in FY2014. Despite the lower oil price the strong drivers underpinning demand for our subsea and submersible motors mean that we are still aiming for this market segment to account for 20-30% of our revenues over the medium term. In geographical terms, the single largest market segment was the USA reflecting the growing nature of the business followed by China, South Africa, South Korea and the UK.

The Future

Our achievements over the last three to four years have been significant and there is more hard work to come to secure our place amongst the elite. However, given strong order intake in the first two months of FY2016 of £9.8 million and with our team's unrelenting enthusiasm and drive, I've no doubt we can do that. Looking further afield we are ambitious to identify businesses that share similar characteristics to Hayward Tyler to buy, build and grow to generate further shareholder value.

At last but by no means least, I'd like to welcome Steve Robins as Managing Director of Hayward Tyler Luton and Mike Turmelle as President of Hayward Tyler Vermont. These are great times to be part of the Hayward Tyler team.

With thanks and best wishes to all our employees and wider stakeholders, Happy 200th Birthday.

Ewan Lloyd-Baker
Chief Executive Officer
22 June 2015

Our Strategy in action

We are creating a dynamic environment with the opportunity for all our employees to develop and grow.

As part of developing our Luton Centre of Excellence, we are re-qualifying for the N-Stamp nuclear standard to grow our market share in the sector. Safety compliance is therefore critical and we needed to enhance our performance in some areas, including eliminating the use of forklift trucks on the shop floor, reducing dependency on cranes, and improving operator ergonomics and efficiency.

To make this happen, we gave one of our mechanical engineering graduates the freedom to originate and develop a ground-level dynamic and moveable workstation capable of carrying loads of up to 15 tonnes.

Oliver Buhlinger had joined our Luton production engineering team in July 2013 to help develop lean manufacturing solutions, taking concepts through detailed design to manufacture and implementation.

For this project, he involved employees from across a number of disciplines in developing the solution, which delivers multiple benefits including enhanced safety and operator ergonomics, manufacturing efficiencies, and financial savings.

Named the Cruser™ after the manager who encouraged Oliver to develop it, the first prototype has been manufactured, successfully tested, and fully integrated into the production process as a key feature of the Centre of Excellence single piece flow lines. We plan to employ 20 Crusers™ in Luton over the next five years.

KPIs
Measuring our performance

For further details see the Directors' Report on Remuneration

To see Our Strategy go to page 6

We use various internal and external measures to assess our performance against our strategy. The Key Performance Indicators (KPIs) set out below help determine how successful we have been in strengthening our business, increasing profitability and generating a positive return to shareholders

In addition to the financial KPIs measured below we have been working with the NAMRC to develop a range of non-financial KPIs that tie-in seamlessly with our management information system dashboard mechanism. These KPIs are cascaded down, up and across the organisation to ensure a consistent approach and one based on fact and transparency. They cover a variety of subjects including delivery, execution, lead time, supply chain performance and safety.

The financial measures for 2012-13 in the charts below are measured for the 15 month period to 31 March 2013 except for net debt to EBITDA, which is measured at 31 March 2013 and assumes EBITDA has been earned evenly over the 15 month period.

To align the interests of senior management with those of shareholders, remuneration of the Executive Directors is linked to a number of these KPIs.

Progress indicator:

Positive Neutral Negative

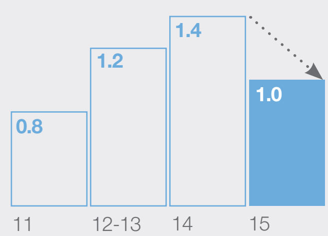
Strategic Objective: To ensure the strength of our business

Order Intake to Historical Revenue

New orders represent future revenue and profit.

How we performed

Ratio



Progress in year

Order intake marginally below target at 1.0x historical revenue.

Target

Order intake to historical revenue

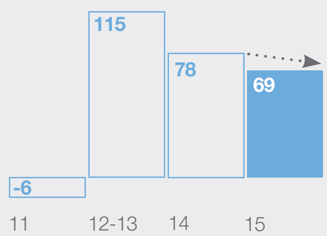
> 1.1x

Cash Conversion

Maintain a balance between growth and working capital.

How we performed

%



Progress in year

Performance below target at 69% driven by shipment of contracts worth over £7.5 million shortly before year-end.

Target

Cash conversion

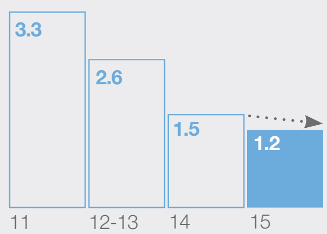
> 85%

Net Debt to EBITDA

Maintain a balance between growth and borrowings.

How we performed

Ratio



Progress in year

A strong performance ahead of target with a sustained improvement to 1.2x in spite of the significant investment in the Luton Centre of Excellence.

Target

Ratio of 2:1 or lower

< 2:1

KPIs

continued

To see Our Strategy go to page 6

Definitions

2012-13
15 month period to 31 March 2013 or at 31 March 2013.

Order Intake
Contracts for which purchase orders have been received from customers in a period.

Cash Conversion
Ratio of (a) EBITDA plus movement in working capital to (b) EBITDA.

Net Debt
Cash less borrowings.

EBIT
Earnings before interest and tax before exceptional items.

EBITDA
Earnings before interest, tax, depreciation and amortisation before exceptional items.

Gross Profit %
Gross profit margin represents ratio of (a) revenue less cost of sales to (b) revenue.

EPS
Fully diluted earnings per share.

* All KPIs except EPS are presented on a like-for-like basis (i.e. exclude non-recurring items). There were no non-recurring items in FY2015.

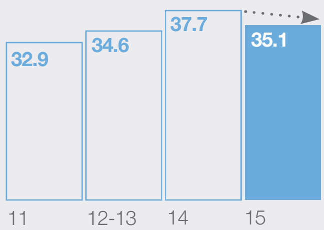
Strategic Objective: To increase profitability

Gross Profit %

Maintain a balance between prices and direct costs.

How we performed

%



Progress in year

Gross profit margin at 35.1% marginally ahead of target.

Target

Margin

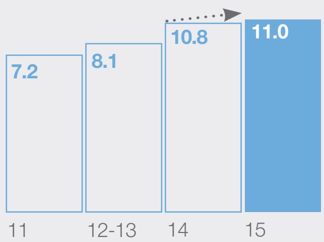
> 35%

EBIT %

Key profit measure that is used to assess operational performance.

How we performed

%



Progress in year

EBIT margin on target and increased slightly to 11.0% of revenue in spite of the costs of the Luton Centre of Excellence reflecting control of overheads.

Target

Generate EBIT which is 10-15% of revenue for the period in question.

= 10–15%

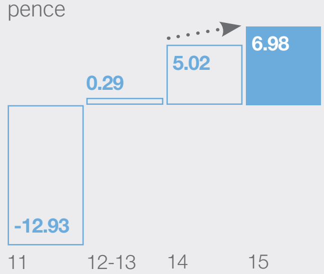
Strategic Objective: To generate positive shareholder return

EPS Growth

Closely aligned to shareholders' objectives.

How we performed

pence



Progress in year

EPS growth at 39% was ahead of target as a result of strong profitability. On a like-for-like basis* EPS growth was 7.0% (15% excluding the impact of the fair value of derivatives).

Target

Year on year growth of

> 10%

Financial Review

Increased revenues, increased profitability

Further details of the accounting treatment of the RGF programme are given in note 2.24 to these financial statements see page 56

Further details of our principal risks and how we manage risk is set out in Principal Risks and Uncertainties see page 22

"The investment in the Luton Centre of Excellence demonstrates our commitment to grow Hayward Tyler"

Nick Flanagan
Chief Financial Officer

Our Focus and Achievements

Our FY2015 focus

- Manage working capital of our growing business;
- Develop risk management processes further;
- Develop corporate governance policies and practices further; and
- Establish a new borrowing facility of USD2.0 million.

Achievements

- Working capital controlled and net debt reduced in spite of investment in Luton Centre of Excellence and 13% growth in revenue;
- Additional borrowing facilities arranged to complement the grant funding to support the investment in the Luton Centre of Excellence;
- Risk register fully operational and disseminated to business units;
- All business units ISO 9001 accredited;
- Internal control checklist operating; and
- USD2.0 million borrowing facility arranged for our US operation.

Priorities for FY2016

- Continue to manage working capital and borrowings whilst completing the investment in the Centre of Excellence and growing our business units;
- Control costs; and
- Continue to focus on risk management.

Introduction

I am pleased to report increased revenues and increased profitability.

Basis of Reporting

The Group financial statements in this report have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Trading Operating Results

Revenue for the year was up by 13% to £48.6 million (FY2014: £43.2 million) driven by growth in revenues from both the OE and AM. Gross profit margin was ahead of our target KPI level at 35.1% but lower than prior year (FY2014: 37.7%) as a result of the performance of the US OE business in the first half of the year and marginally lower margins from the AM. Operating charges in the year of £11.7 million (FY2014: £11.6 million) included net costs incurred on the Regional Growth Fund ("RGF") programme of £0.5 million (FY2014: £nil) (see RGF below). Taking these elements together delivered an increased profit before tax of £4.4 million (FY2014: £3.8 million). EBITDA (earnings before interest, tax, depreciation and amortisation) for the year was up 15% at £6.4 million (FY2014: £5.5 million).

The Group is exposed to the US Dollar through its operating business in the USA and from UK exports to China. On a constant exchange rate[1] basis revenue and profit before tax in FY2014 would have been lower by £0.3 million and £0.1 million respectively.

Finance Charges

Finance costs in the year were £0.7 million (FY2014: £0.9 million). These costs represent underlying interest payable of £0.5 million (FY2014: £0.6 million), amortisation of arrangement fees over the life of the loans to which they relate of £0.1 million (FY2014: £0.2 million) and finance costs of pensions £0.1 million (FY2014: £0.1 million). In addition, the fair value of derivatives was a loss of £0.3 million (FY2014: gain of £41,000), driven by the mark-to-market of foreign exchange hedging instruments that were outstanding at 31 March 2015, which have an average exchange rate of GBP1:USD1.56 compared to a year-end rate of GBP1:USD1.48.

Tax

There was a tax charge for the year of £1.2 million (FY2014: £1.5 million), which represents an effective tax charge of 28% (FY2014: 40%) made-up of tax payable on profits in the USA and China of £0.7 million (FY2014: £0.8 million) and a non-cash deferred tax charge on profits generated in the UK of £0.5 million (FY2014: £0.7 million).

Net Profit

The total profit for the year was £3.1 million (FY2014: £2.3 million), which delivered a fully diluted earnings per share up 39% at 6.98 pence (FY2014: 5.02 pence).

Dividends

The Group paid its interim dividend of 0.525 pence per share in February 2015 at a total cost of £0.2 million.

RGF

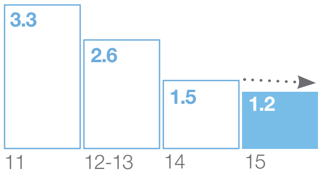
The Luton business was awarded a £3.5 million grant from the RGF programme during the first half of the year. Net costs incurred on the

1 constant exchange rate is calculated by rebasing prior year figures at current year rates

Financial Review

continued

Net debt to EBITDA
Ratio



Revenue

£48.6m

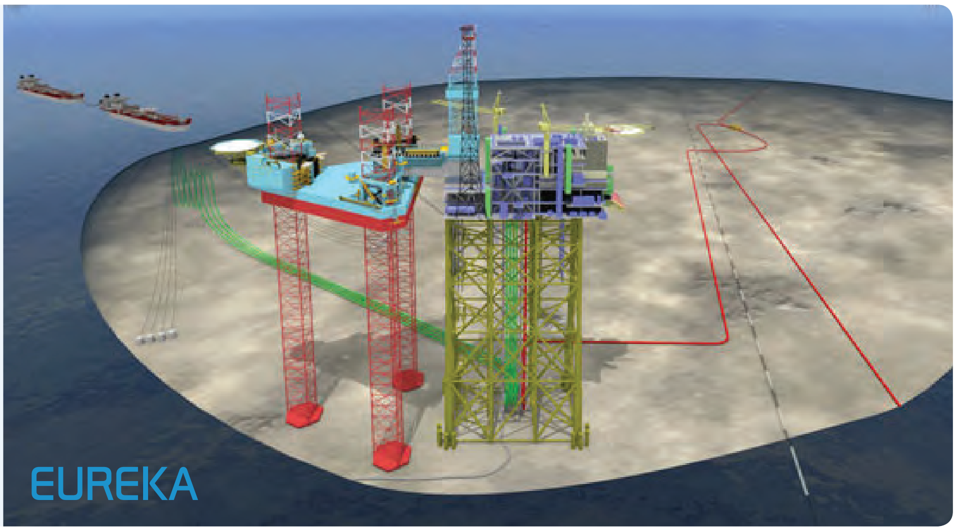
↑ 13%

Our Strategy in action

Chevron's topside challenge

Hayward Tyler designed and engineered three bespoke submersible motor systems for use on Chevron's gravity-based structure in the challenging Hebron field, offshore Newfoundland.

Working in partnership with Eureka Pumps AS, we built on our established wet-wound design for these firewater and seawater lift units, all of which had to be capable of performance-critical operations in an extreme environment. Hayward Tyler was an integral part of the supply chain for the project, leading the design and compliance process, including meeting the exacting conditions demanded by the Canadian Standards Association. Our close working relationship with Eureka Pumps has also seen us win orders for 14 units for projects in the North Sea.



programme of £0.5 million (FY2014: £nil) represented costs of £0.8 million, which mainly related to research, development and training, offset by grant income of £0.3 million. In the consolidated statement of financial position at 31 March 2015, the grant receivable and the deferred income in respect of the programme have been recorded as an other debtor of £2.1 million and an other creditor of £3.2 million respectively, each analysed between current and non-current. As at 31 March 2015 the Luton business has received grant income as cash of £1.4 million **(see note 2.24)**.

Working Capital

Working capital increased from prior year-end to 31 March 2015 mainly as a result of trade receivables relating to unusually high revenues in March 2015 of over £7.5 million. The majority of these receivables were collected over the subsequent two months. In spite of higher working capital, year-end headroom (cash plus undrawn facilities) was very strong at £5.9 million (FY2014: £3.8 million). Details of cash, borrowings and related interest rates are given in **notes 22** and **28** to the financial statements.

Funding

In March 2014 we announced that we had secured £14.2 million of new banking and borrowing facilities. During FY2015 we arranged a USD2.0 million working capital facility for our US business together with the additional facilities to complement the grant funding of the Luton Centre of Excellence. These additional facilities include:

- A £2.4 million increase to the £5.0 million UK revolving credit facility;
- A £1.0 million increase to a £1.0 million equipment finance line to help fund the acquisition of new plant and equipment; and
- A £3.0 million loan note programme to help fund the extension of the Luton facility. An initial £1.635 million was drawn from the programme in January 2015 with the balance expected to be drawn before the end of summer 2015.

We have established a strong relationship with our banking partner, RBS, over the last 18 months or so and, in addition, have been able to access the UK Export Finance schemes to support exporters. That assurance, together with the above facilities, provides us with the confidence to take the Group forward.

Borrowings

Net debt was reduced from £8.3 million at 31 March 2014 to £7.9 million at 31 March 2015 in spite of the 13% growth in revenue and the investment in the Centre of Excellence mainly as a result of operational inflows offset by capital expenditure. This reduction helped to improve the ratio of net debt to EBITDA from 1.5:1 at 31 March 2014 to 1.2:1 at 31 March 2015.

At 31 March 2015 net debt comprised:

- Term borrowings of £6.0 million (FY2014: £5.8 million);
- Finance leases of £0.7 million (FY2014: £0.5 million); and
- Drawings under revolving credit facilities of £2.9 million (FY2014: £3.8 million) offset by cash £1.7 million (FY2014: £1.7 million).

Pensions

Within the UK, the Group operates a defined benefit plan, with benefits linked to final salary, and a defined contribution plan ("DCP"). With effect from 1 June 2003 the defined benefit plan was closed to future service accruals and new UK employees offered membership of the DCP.

A full actuarial valuation of the defined benefit plan is produced every three years (the last one being as at 1 January 2014) and a valuation is prepared at each period end for the purposes of the report and accounts by independent qualified actuaries. The net obligation has reduced significantly in the year to £0.2 million at 31 March 2015 (FY2014: £1.5 million), mainly due to the increase in the value of the plan assets.

Details of pensions and employee obligations are given in note 27 to the financial statements

Statement of Financial Position

Total equity increased by £4.2 million to £15.4 million as a result of profit for the year of £3.1 million, the impact of exchange differences on translating foreign operations of £0.7 million and the reduction in the pension deficit net of deferred tax of £1.0 million offset by the payment of dividends in the year of £0.6 million. This increase in net assets reflects the investment in the fixed assets associated with the Luton Centre of Excellence of £2.8 million (FY2014: £nil).

Nick Flanagan
Chief Financial Officer

22 June 2015

Principal Risks and Uncertainties

To see our KPIs
go to page 18

To see Our Strategy
go to page 6

The Group is exposed to a number of risks and uncertainties that could have a material impact on its performance and financial position

Strategic risk

- **A** **Growth Strategy and Competition**
- **B** **Execution**
- **C** **Global Economic Activity**

Operational risk

- **D** **Employees**
- **E** **Supply Chain**

Financial risk

- **F** **Funding**
- **G** **Working Capital**
- **H** **Currency**
- **I** **Interest Rate**
- **J** **Pension Deficit**

“Our approach to risk is intended to protect the interests of our shareholders and other stakeholders whilst allowing sensible risk taking that is critical to growth”

Managing Risk

Identifying, assessing and managing risk is the responsibility of the Board. Our approach to risk is intended to protect the interests of our shareholders and other stakeholders whilst allowing the business to develop and to grow. Our risk appetite depends on the nature of an individual risk and it is considered in Board discussions as the need arises but also as part of our regular risk review process in the Audit Committee. From time to time we obtain advice from third party experts in a cost effective manner to complement and supplement in-house knowledge.

The long-term success of the Group relies, in part, on managing the risks to our business. Whilst the Group has long-established risk management policies and practices in place, which address and monitor risk, we recognised that we could and should do more. Last year we asked the Chief Financial Officer to take responsibility for risk management on behalf of the Board and we extended the terms of reference of the Audit Committee to review the risk register on a regular basis. Ultimately our aim is to ensure that risk management is embedded within the core processes of our business units and, accordingly, we will continue to develop the risk management processes further during FY2016, which reflects our philosophy of continuous improvement.

Risk Management Process

The Group uses a risk register to help coordinate its risk management process. The risk register identifies the key business risks and documents the policies and practices in place to mitigate those risks. In addition, the risks are assessed as to their probability and their impact in order to determine a risk score. Each quarter the register is updated, which might include the assessment of a new key risk, and the risk score re-calculated. During FY2015 use of the risk register has been disseminated to all business units to complete. The business unit registers are reviewed by the Group and consolidated into a Group register, which is reviewed by the Audit Committee. Where relevant, further mitigating actions are taken following the review.

Principal Risks

We classify the risks to the business into three groups, namely, strategic risk, operational risk and financial risk. The principal risks identified by the Directors under these groups are set out in the table below. The risks considered during the Group-wide risk management process cover a wider range of issues than the top 10 that are listed in this table.

Principal Risks and Uncertainties

continued

Risk	Potential Impact	Mitigation
Strategic Risk **A. Growth Strategy and Competition**	A fundamental part of the Group's strategy is growth, which includes, amongst others, reliance on the growing markets of: – Power (mainly China and India); – Offshore oil and gas; – Nuclear (including aftermarket and new build); and – Other (including chemical and industrial). The markets in which the Group operates remain highly competitive. If the Group fails to keep up with technological change and innovation then its products, services and technologies could become less competitive.	The Group's current focus is on organic growth only. There is no acquisition risk. The Group is a specialist business providing niche engineering solutions for the global energy sector. It has an excellent market profile (quality and reliability), which results in inclusion on sector bid/quote opportunities. The focus on organic growth in markets that are growing and investment in key aspects will help to maintain and improve the Group's competitive position. The investment in key aspects includes: – employees (see **Employees** on **page 24**) including access to nuclear new build through CNSiG training; – supply chain (see **Supply Chain** on **page 24**); – developing and maintaining strong relationships with key customers and suppliers including life cycle management; – capital expenditure on the Luton Centre of Excellence to provide greater throughput, broaden product offering, reduce lead times and assemble/test in a clean environment that is fit for the nuclear and subsea oil and gas markets; – capital expenditure on plant and equipment; and – research and development of products supported by the RGF to bring technological advances that improve or maintain the Group's competitive advantage (see Execution below) and reduce cost and lead time.
B. Execution	The Group designs, manufactures and services highly technical products that are mission critical to the end user. Failure to satisfy contractual obligations including timescales or product performance could give rise to significant losses (e.g. warranty claims), cash constraints, lost future orders (e.g. cross selling opportunities) and adverse impact on the Group's reputation.	The Group continues to invest heavily in its people, processes and products to maintain and improve lead times and product integrity through: – enhanced customer relationship management; – new sales and operational planning tools to support improved "What If" scenario planning; – product standardisation initiatives to reduce lead time and potential for engineering risk; – new investments in machining and test greatly enhance capability and product quality assurance; – new engagement tools to enhance supply chain forecasting and focus on supply chain performance; and – strengthening of supply chain and quality leadership in support of further improvements. The Group also seeks to minimise the impact of execution risk through its terms of trade such as (1) limiting the undertakings it gives to pay liquidated damages and (2) avoiding consequential damages.
C. Global Economic Activity	The Group operates in the global energy market. A slowdown in that market from, for example: – lower levels of economic activity in China (e.g. power consumption has fallen to its lowest level since 2008) or India that impacts energy demand; and – a sustained low oil price; may adversely impact new orders, liquidity needs, terms of trade and the financial performance of the Group.	Local senior management are responsible for monitoring and responding to changes in their markets. The Group has a diversified geographical and sector spread that reduces the impact of localised economic trends and activities. In addition, it is exploring the opportunity to broaden its range of products (e.g. subsea storage) and services (e.g. oil and gas aftermarket).

Principal Risks and Uncertainties

continued

To see our KPIs go to page 18

To see Our Strategy go to page 6

Risk	Potential Impact	Mitigation
Operational Risk **D. Employees**	The Group relies on the quality of its people and, in particular, its ability to attract, develop and retain key employees. The business relies on the quality, engagement and commitment of its employees to: – follow current, and support new, working processes; – support continuous improvement projects; – develop new products and processes; and – deliver the highest standards of product quality. A failure to follow Group processes or attract the right talent could impact on the Group's performance. In addition, the age profile of the Group (e.g. HTL has 46 employees (21%) at age 60 years and above) could give rise to a loss of market, product and process knowledge.	Recruitment and retention of employees remains a key focus for the Group to ensure its continued success. Group mitigating actions include: – formal policies and procedures, which cover all aspects of employment including, amongst others, high standards of health and safety at work, to which the Group is committed; – continuing the significant investment in training and development. In the case of Hayward Tyler Luton this includes the CNSiG and RGF programmes and recruitment of a Learning and Development Manager; – personal development reviews; – career development; – succession planning; – outreach to Universities; – monitoring pay and benchmarking; – maintaining the very successful graduate and apprentice programmes with focus directed toward key skill sets and areas at risk; – stepping-up overall employee engagement; – embedding variable pay awards into the remuneration package of all employees to incentivise positive business performance; – skills matrices across all areas of the business to identify business risks; and – utilisation of external and Group resource to offset absence of key personnel.
E. Supply Chain	The Group has an increasing dependence on its supply chain (e.g. implementation of core processes within the Luton Centre of Excellence model) as part of its aim to improve throughput and minimise stock. Failure of that supply chain can result in operational disruption and potential delays in shipments to customers, which may lead to: – additional in-house costs; – financial penalties; – loss of profit; – damage to the Group's reputation; and – damage to customer relationships.	A complete root and branch review of the supply chain has previously been undertaken. The Group now benefits from a reduced number of suppliers with strategic, long term partnerships on key components. Mitigating actions include: – sourcing strategies to avoid single point dependence for any key commodity (including the nuclear industry) and standardisation to support possible stock holdings; – evaluation of alternate material sources for current single point of supply and commercial framework to secure supply continuity; – in-house capability has been retained for key components when specifying capital investment in new machinery; – standard diary, exception reporting and daily operational planning and review processes support the early identification of risk and where necessary escalation; – monitoring of supplier performance further enhanced through a supplier portal and review of potential back to back deals to protect against supplier non-performance. The portal gives suppliers advanced forecasting data allowing them to better plan their business and support Hayward Tyler Luton; – strengthening of supply chain teams via recruitment of senior leadership roles and on-going training and development to support enhanced supplier audit and enhanced performance monitoring; and – continuous supply chain benchmarking and development.

Principal Risks and Uncertainties

continued

Risk	Potential Impact	Mitigation
Financial Risk **F. Funding**	The Group is dependent on its ability to service its debts and refinance existing borrowings when they fall due as well as to fund working capital and its growth. The Group is committed to a significant investment programme for the Luton Centre of Excellence.	The Group manages its capital to continue as a going concern and maintain its liquidity. The Group continually reforecasts its borrowing requirements (including a Group wide forecast each quarter) to ensure that funding is available to support its operations and its compliance with borrowing covenants. The Group refinanced its borrowings on a committed basis in March 2014, which provide the Group with an extended debt maturity profile, increased headroom and more flexible terms. A new USD2 million working capital facility was established for Hayward Tyler Vermont in summer 2014. In addition, the Group maintains an active bank relationship programme to safeguard its ability to fund its needs. In 2014 and early 2015 additional funding has been arranged to support the investment in the Luton Centre of Excellence, which includes: – £3.5 million RGF grant; – £2.4 million increase in the revolving credit facility; – £1.0 million increase in the Lombard equipment finance facility; and – £3.0 million loan note programme.
G. Working Capital	As a fundamental part of the Group's strategy is growth, the Group is exposed to a growth in its working capital that absorbs cash. If the Group fails to keep this growth under control it could face cash constraints that impact the business cycle.	The Group is seeking to mitigate this risk through the following means: – the Group's standard terms and conditions of a manufacturing contract, which are likely to be working capital intensive, require a customer to make stage payments that fund the working capital on the contract. Where stage payments cannot be achieved the Group has established relationships with UK Export Finance and US Exim Bank in conjunction with its main lenders to augment borrowing lines; – a Group wide initiative to reduce stock, which includes a revision to buying practices (e.g. continuous improvement initiatives include development of vendor relationships to support quicker delivery times and significantly lower the requirements for on hand inventory); – increased manufacturing velocity through workflow re-engineering is reducing and will continue to reduce working capital requirements per unit of revenue; – through active accounts receivable and payable management; and – heightened awareness throughout business units of the importance of cash and working capital control.
H. Currency	The Group operates and sells in overseas markets that may utilise currencies other than those in which its principal costs are denominated. The exposure to foreign exchange rate fluctuations may, as a result, affect the Group's cash flow. The main exposure arises from contracted Hayward Tyler Luton exports denominated in USD as well as the repatriation of profits from Hayward Tyler Vermont. In addition, there is a smaller exposure to UK imports, which varies in value from year to year, denominated in EUR.	The Group's policy is to hedge its transaction exposures (i.e. cash flows) on a rolling 12 month basis. Currency hedging lines are available from three providers. As at 31 March 2015: – 98% of estimated USD net inflows into the UK over the following 12 months were hedged; and – 25% of estimated EUR net outflows from the UK over the following 12 months were hedged.

Principal Risks and Uncertainties

continued

To see our KPIs go to page 18

To see Our Strategy go to page 6

Risk	Potential Impact	Mitigation
Financial Risk **I. Interest Rate**	The Group has long-term loans and short-term borrowing facilities that carry floating rates of interest based on LIBOR that expose the Group to an increase in charge.	The Group's policy is to minimise interest cost. Over the last 2 to 3 years the Group has maintained the majority of its borrowings as floating in order to benefit from low interest rates. More recently the Group has established a portion of long term fixed rate debt through (1) finance leases for plant and machinery and (2) the loan note programme for investment in the Luton Centre of Excellence. This fixed rate debt represents 22% of gross borrowings at 31 March 2015 and is expected to rise as a percentage of gross borrowings in FY2016. The Group continually monitors the prospects for the interest rate market to ensure that it reacts quickly to an unexpected adverse movement in current rates. Current expectations remain that, if any interest rate rise occurs, it will be modest.
J. Pension Deficit	The Group maintains a defined benefit pension scheme and it may be required to increase its contributions to cover funding shortfalls caused by poor investment performance of scheme assets, a deterioration in the discount rate or inflation rate applied and changes in life expectancy of members of the scheme. In addition, the Group balance sheet is weakened by the pension deficit.	The scheme is closed to new members and to future benefit improvements. The performance of the investment advisers is monitored closely by the pension trustees and action taken where that is not satisfactory. The assumptions used to determine the pension deficit/surplus are based on recommendations of the actuary to the scheme. The Directors discuss the pension scheme at each Board meeting and there is regular contact with the pension fund trustees. The aim is to strengthen the financial position of Hayward Tyler Luton, the sponsor company, through its underlying performance. That strengthens its covenant, which assures stakeholders of its financial viability and helps to maintain or reduce Hayward Tyler Luton's contributions to cover any funding shortfall. The plan trustees have selected a liability driven investment strategy and glide path aimed at reducing interest and inflation rate risks and providing a return that matches or exceeds the growth in projected pension plan liabilities. A valuation is prepared at each period end for the purposes of the report and accounts by independent qualified actuaries. The net obligation has reduced significantly in the year to £0.2 million at 31 March 2015 (FY2014: £1.5 million) mainly due to the increase in the value of the plan assets exceeding the increase in the liabilities resulting from the changes to the actuarial assumptions.

Principal Risks and Uncertainties
Mapping our Principal Risks

A Growth Strategy and Competition
B Execution
C Global Economic Activity
D Employees
E Supply Chain
F Funding
G Working Capital
H Currency
I Interest Rate
J Pension Deficit

The principal risks outlined in this section have been assessed in light of the current environment and summarised in the adjacent diagrams

Table 1 assesses the degree of risk arising from the principal risks. The vertical axis plots the probability that a principal risk will occur and the horizontal axis plots its impact. The diagram gives a measure of the risk.

Table 1: Measure of the principal risks

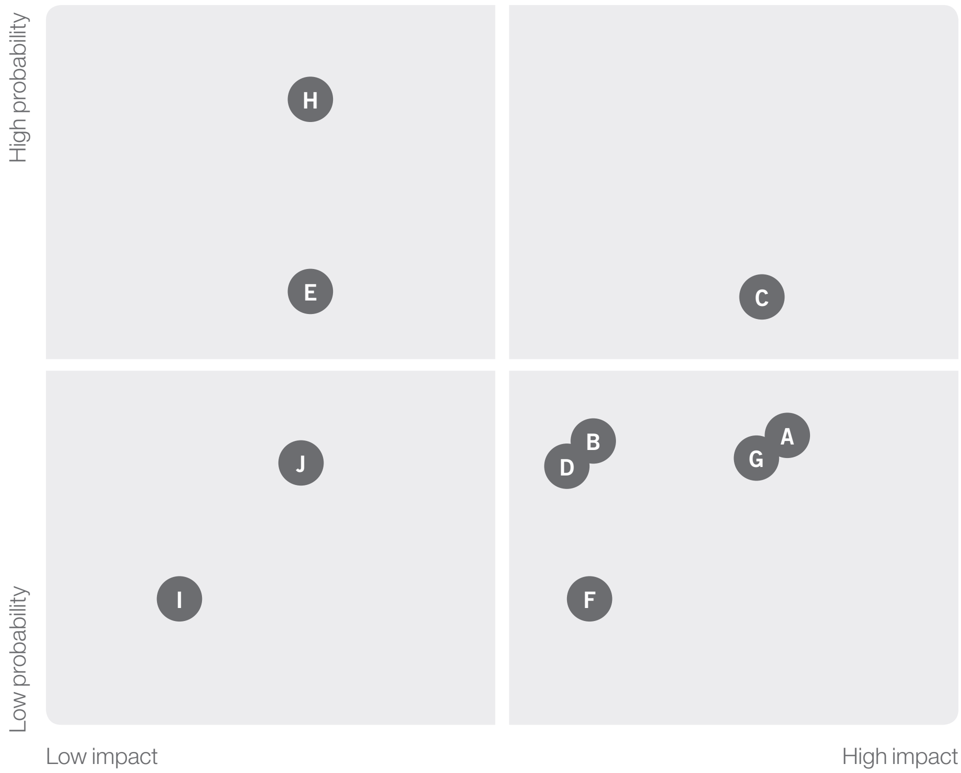


Table 2 assesses the year-on-year change in the degree of risk arising from the principal risks. The vertical axis plots the degree of risk and the horizontal axis plots its year-on-year change. The diagram indicates our assessment of whether a risk is emerging, stable or receding and provides a focus for mitigating actions. The Group undertakes additional work to address those risks that it considers to be of potentially heightened risk.

Table 2: Change in risk

Corporate Social Responsibility

Pride Innovation Pace Excellence

We lead our business responsibly to meet our stakeholders' needs and we are driving improvements to our corporate social responsibility as part of our programme of continuous improvement

Our key areas of focus

As an employer and manufacturer, Hayward Tyler focuses on four key areas:

Our People and Values

Safety

Environment

Society

The year to 31 March 2015 continued to see increased focus on these key areas, with a number of new initiatives aimed at enhancing existing, and developing new, activities and procedures.

Leadership on corporate social responsibility ("CSR") matters is provided by the Board. CSR is managed by our business units and it forms an integral part of their day-to-day operations.

People and Values

Our business success is intrinsically linked to the success of our people. Our goal is to attract and retain productive, creative and hard-working employees while providing a culture and environment in which to grow, develop and thrive. When we have open positions, we systematically aim to upgrade our talent across all areas of the business to ensure we are staffed in a way that maximises new ideas, fresh perspectives and practical experience, all of which support us on our journey of sustainable growth. We aim to offer competitive salaries across all our businesses and where possible an exceptional benefits plan, including free gym memberships in the USA, to support our belief that an active and healthy workforce is both a strong and productive one. We are proud to have several employees among our ranks who have served the business for 25, 30, 35 and 40-years and we always take time out to recognise and celebrate their years of service when important milestones are reached. Indeed, a couple of employees present during the recent Royal visit celebrating our 200th birthday had also attended the 150th birthday – no mean feat!

We are focused on further developing our culture of customer service and continuous improvement, underpinning this through our Values:

- **Pride**
  integrity/honesty
- **Innovation**
  in thought, product and process
- **Pace**
  look to how to get things done, don't procrastinate, act
- **Excellence**
  drives what we do and how we do it

Integrity is key to all of our dealings with customers, suppliers and each other and we promote this as part of our Employee Handbook and Contracts of Employment. We insist on the highest ethical standards in all our dealings across the globe.

Learning and Development

The last 12 months has seen a step change in how we develop and train our people. Of our 345 employees globally, 203 are based at our main facility in Luton and since receiving grant funding from the UK Government under the CNSiG programme we have appointed a Learning and Development Manager and Human Resources Director to support us. The need for this additional resource is demonstrated by the fact that during FY2015, we invested more than 26,000 hours (equivalent to over three weeks per person) in developing the skills and behaviours that will enable us to operate

Corporate Social Responsibility

continued

Employees globally

345

203 in Luton facility

Scrap metal recycled in Mega 5S event

15 tonnes

Our bicentenary celebrations were kicked-off by a visit by HRH Duke of Kent to Hayward Tyler Luton

efficiently and effectively to remain competitive in our existing markets and to develop new ones.

Our training ranges from on-the-job skills development through to MBAs and everything in between from Lean and Six Sigma to specialised European welding and beyond.

This huge investment in training and development will continue, supporting Graduate and Apprentice schemes and succession planning throughout the organisation to ensure that we continue to derive maximum benefit from our highly skilled and flexible workforce.

Our new Learning and Development Manager and HR Director will also support us in driving communication and engagement through the Luton business and sharing information and best practice across the Group.

Safety

Policies and strict procedures are in place to ensure that our most valuable assets – our people – are protected and healthy. When we do have a workplace injury, accident or near-miss, it is standard practice to investigate thoroughly and analyse what happened, why it happened and how it could be prevented in the future. Across our sites we have Safety Committees, representing varied mix of departments, including the shop floor and both shifts, with active senior management participation. We are proud to have achieved our ISO 9001 certification across all our sites, recognising our stringent standards of quality and excellence.

Environment

We strive to minimise our environmental impact, and take compliance with regulatory statutes as our minimum. We have upgraded several lighting fixtures in our US facility with efficient, long-lasting LEDs, which reduces our energy consumption. In November, our US business held a Mega 5S event (see **Our Strategy in action**). A thorough housecleaning of the shop floor was the main thrust of this event and it allowed us to “reduce, reuse and recycle”, yielding thousands of pounds of material we were then able to keep out of landfill.

For more information about our Mega 5S event see Our Strategy in action on page 7

Society

We have always maintained an active presence in our local communities, supporting our employees in their many diverse charitable activities and events. Examples from across the Group include sponsorship of a local Little League baseball team, matching donations to employee causes, including to the Special Olympics, a local children’s hospital, the British Heart Foundation, The Lullaby Trust and CHUMS Bereavement. Recently, one of our employees entered and won a community competition to design creative and innovative bike racks for the town of Colchester, Vermont, where our US facility is based. The two winning designs will be fabricated in-house and donated to the town.

The Company also actively supports a thriving sports, social and events diary as part of engaging with the wider Hayward Tyler “family” and we continue to host an employee pensioners’ reunion at our Luton facility.

As part of the Company’s bicentenary celebrations we have already welcomed HRH Duke of Kent to Hayward Tyler Luton and we are organising a number of events across the globe to celebrate the remarkable achievement of being one of the oldest companies in the world.

This Strategic Report was approved by the board on 22 June 2015 and is signed on their behalf by

Ewan Lloyd-Baker
Director

Governance

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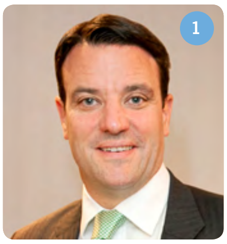
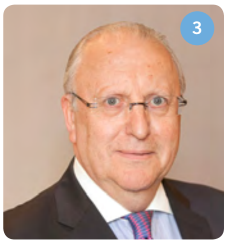
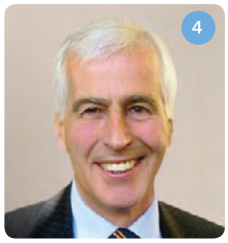
BOARDOFDIRECTORS
EWANLLOYD-BAKERNICKFLANAGAN
JOHNMAYMAURICECRITCHLEY
CORPORATEGOVERNANCEPRINCIPALACTIVITIES
AUDITCOMMITTEEANNUALGENERALMEETING
DIRECTORSREPORTREMUNERATIONANNUALSTATEMENT
REPORTOFTHEDIRECTORS
STATEMENTOFDIRECTORSRESPONSIBILITIES
INDEPENDENTAUDITORSREPORT

Board of Directors







The Board is responsible for delivering corporate governance within the Group. Our objective is to create sustained shareholder value. Key to ensuring our success is to provide leadership, including our values and standards, and proper management of the Group

1. Ewan Lloyd-Baker

Chief Executive Officer & Executive Director

Length of service

9 years: appointed to the Board in 2010 following the reverse into the AIM listed PLC.

Experience

Ewan Lloyd-Baker has been involved in the manufacturing industry for over 20 years.

He started his career at Arthur Andersen working in corporate recovery and corporate turnaround with a number of privately owned and publicly listed companies across a wide range of sectors. As a principal, he was part of the management team in a venture capital backed software start-up which was ultimately sold to Reuters. He then helped set up a FTSE100 corporate incubator focused on technology businesses before completing his Masters of Business Administration and working as a consultant for a number of blue-chip companies.

Ewan is a partner in Lloyd-Baker & Associates LLP, a merger and acquisition boutique, focused on finding interesting opportunities for its acquisitive clients to buy in deal sizes ranging from £1 million to £20 million with a particular focus on the engineering and manufacturing sectors.

It was through this route that Ewan was responsible for finding the original Hayward Tyler opportunity, setting-up the acquisition vehicle, brokering the deal and managing the finance raising process. Subsequently he led the reverse of the Group into an AIM listed PLC and two subsequent placings during the economic recession. Operationally since the end of 2011 he has led the restructuring of the main business and the subsequent fund raising to support the on-going investment in the Group's Centre of Excellence. He is now focused on leading the Group through its next phase of growth.

Key areas of expertise

Strategic leadership and planning including operational turnaround and change management. Commercial and business development. Corporate finance including start-ups, MBO, MBI and IPO, secondary placings, rights issues and managing investor relationships.

Committee membership

By invitation.

2. Nick Flanagan

Chief Financial Officer & Executive Director

Length of service

7 years: appointed to the Board in 2010 following the reverse into the AIM listed PLC.

Experience

Nick Flanagan is a graduate engineer from Imperial College and a Chartered Accountant, having qualified with PwC in 1987. Before joining the Company in 2008 he spent the previous 14 years in the engineering and manufacturing sectors where he held a number of senior financial roles, initially with Trafalgar House PLC followed by Kvaerner ASA and Jeyes Group Limited. Prior to that he spent six years in corporate treasury with Saatchi & Saatchi Company PLC. Nick jointly led the reverse into the AIM listed PLC in January 2010 together with subsequent placings and led the refinancing of the Group's debt in 2014 and recent loan note issue. He was shortlisted for FD of the Year at the 2014 UK Stock Market Awards.

Key areas of expertise

Extensive industry experience in engineering and manufacturing, strategic development, financial planning and development, commercial and operational support, capital raising including equity and debt, debt restructuring, change management, reporting, M&A and all aspects of treasury management.

Committee membership

By invitation.

3. John May

Non-Executive Chairman

Length of service

9 years: appointed to the Board in 2010 following the reverse into the AIM listed PLC

Experience

John May is the managing partner of City & Westminster Corporate Finance LLP, a FCA registered company that focuses on advising companies on raising finance, mergers and acquisitions, business strategies and entry on to listed markets such as AIM. He was previously a senior partner at Crowe Clark Whitehill, a UK accountancy firm, for 17 years from 1977 to 1994, including eight years on the managing board. John is the chairman of the Small Business Bureau Limited and the Genesis Initiative Limited, which are lobbying groups to Government on behalf of small businesses. He is chairman of Red Leopard Holdings PLC, a mining company listed on AIM, and a non-executive director of Pires Investments PLC, also an AIM company. He was a Conservative Borough Councillor until 2015 and past Mayor of the Borough of Surrey Heath from May 2010 to May 2011.

John qualified as a Chartered Accountant in 1974 having previously gained his DIA at the University of Bath Management School in 1970 and his BA from the University of London in 1969.

Key areas of expertise

Extensive experience in corporate finance, legal, accounting and governance matters, in particular, relating to those that impact small and medium sized companies.

Committee membership

- Audit Committee (Chairman)
- Remuneration Committee.

4. Maurice Critchley

Non-Executive Director

Length of service

1 year: appointed to the Board in 2014.

Experience

Maurice Critchley is a Chartered Accountant. After qualifying in 1969 he worked for five years as Chief Accountant for a subsidiary of Spillers PLC between 1970 and 1975. In 1975, at the age of 26 he was appointed General Manager of the European and South East Asia Fine Chemicals division of Mallinckrodt Inc, a large listed US Corporation. In 1989 Maurice purchased a control valve company and he has continued to grow the business organically and through acquisition into Severn Glocon Group PLC, of which he is CEO. The group, which serves the international oil and gas, LNG and power industries, has sales of £120 million and employs around 900 people across all continents.

Key areas of expertise

Extensive industry experience in engineering and manufacturing for the international oil and gas and power markets, strategic development, finance, sales and marketing, operations and M&A.

Committee membership

- Audit Committee
- Remuneration Committee (Chairman).

Strategic Report

Governance

Financial Statements

Corporate Governance

“In this report I set out the work and operation of the Board of Directors of the Company and the governance framework that we use to lead, manage and control the Group and report on its performance”

The Directors recognise the value of the principles of good corporate governance, as set out in the UK Corporate Governance Code and the QCA Corporate Governance Code for Smaller Quoted Companies. We do not comply with the UK Corporate Governance Code but we are committed to applying and maintaining the highest standards of corporate governance so far as is practicable and appropriate for a public company quoted on AIM of the size and nature of the Company. We believe that such standards are in the best interests of all shareholders and stakeholders as outlined in later sections of this report. Set out below is a summary of how, at 31 March 2015, the Group was dealing with corporate governance issues.

The Board

The Board is responsible for delivering corporate governance within the Group. Our objective is to create sustained shareholder value. Key to ensuring our success is to provide leadership, including our values and standards, and proper management of the Group. This approach includes setting our strategic objectives, providing the resources to enable the Group to achieve those objectives, managing risk, establishing an effective control framework and holding the Executive Directors to account.

The Board's key responsibilities include inter alia determination of Group strategy, approval of reported financial statements and budget, setting risk management strategy, funding and M&A activity.

The roles of the Chairman and Executive Directors

The Chairman's role and that of the Chief Executive Officer and Chief Financial Officer are separate.

I am responsible for:

- Leading the Board;
- Ensuring that the Board operates effectively in the interests of all shareholders and stakeholders, and with the contribution from all members of the Board; and
- Corporate Governance in the Group.

The Chief Executive Officer is responsible for:

- Leading the business;
- Establishing and implementing the strategy;
- Managing the business; and
- Leading and maintaining the investor relations programme.

The Chief Financial Officer is responsible for:

- Recording and reporting of past performance;
- Budgeting, forecasting and planning;
- Establishing and maintaining the internal control framework;
- Tax planning;
- Establishing and maintaining the debt policy, which includes funding the Group and managing the bank relationship programme;
- Risk management including treasury and insurance;
- Supporting the Chairman on matters of corporate governance; and
- Supporting the Chief Executive Officer.

The Executive Directors report to the Board.

Setting Hayward Tyler's Priorities for Corporate Governance

The key achievements of the Board in FY2015 were:

- We extended our risk management processes including introducing business units to operate their own risk registers;
- We introduced an internal control checklist to augment the assessment of the internal control systems;
- My fellow independent Non-Executive Director undertook a performance evaluation of the Board; and
- We maintained an active investor relations programme.

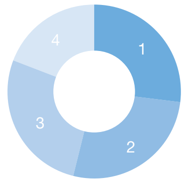
The Board's key priorities for FY2016 are:

- Continue to extend our risk management processes;
- Maintain our corporate governance in line with, or ahead of, best practice for smaller quoted companies;
- Implement a more formal performance evaluation programme for the Directors, the Board and each committee of the Board; and
- Maintain the investor relations programme.

Corporate Governance

continued

Attendance at regular Board meetings during the year



1	E Lloyd-Baker	10
2	N Flanagan	10
3	J May	10
4	M Critchley	7

Directors and Directors' Independence

The Board comprises the Non-Executive Chairman, one Non-Executive Director and two Executive Directors. The Chairman and Non-Executive Director are not employees of the Group. From time to time I meet the Non-Executive Director for one-to-one discussions.

The names of the Directors are set out in Board of Directors on **page 31** together with their biographical details, which identify the diverse skills and experience that the Directors bring to the Board. Maurice Critchley, who joined us in early 2014, does not meet the test of independence under the UK Corporate Governance Code in view of his shareholding in the Company, however, the Board considers that he is independent in character and judgement. In particular, Maurice has extensive experience in manufacturing, marketing and sales, and international markets in a larger company together with knowledge of the offshore oil and gas market. This experience provides him with the objectivity to challenge and inspire the Board.

We had intended to appoint a new Non-Executive Director during the year, however, we decided to focus our resources on enhancing the operational skill base in the Group instead. That being said we do intend to appoint a new Non-Executive Director at the appropriate time to provide greater diversity and independence without overburdening the Company with additional overhead.

On a sad note we learnt in March 2015 of the passing of one of our former directors, Deepak Khaitan, who stood down from the Board in March 2014. As we said at that time we are very grateful for the support that Deepak provided to the Company as a Non-Executive Director and our sincere condolences go to Deepak's family and colleagues.

Information and Meetings

The Board meets regularly to review performance and to determine strategy. Ad hoc meetings are arranged where an issue arises that requires attention. In advance of each meeting the Board is supplied with an agenda and information on financial, business and corporate matters to be considered at the meeting. The financial information includes a report against the Group's budget, which is set at the start of the year, and the forecast for the year, which is updated each quarter.

Ten regular Board meetings were held during the year, the attendance at which is set out in the adjacent chart. A number of additional meetings were held to consider and to approve other matters including inter alia the development plans for the Luton Centre of Excellence and the associated funding arrangements.

From time to time senior management from the operating businesses of the Group attend the Board meetings to present matters of strategic importance, their annual budgets and actual performance. In addition, the Company's advisers may attend a meeting to brief the Board on a matter of law, market guideline or corporate finance. As and when required appropriate training is given to Board members and there are also procedures in place for a Non-Executive Director to obtain independent legal or other professional advice at the Company's expense.

Conflicts

A Director has a duty to avoid a situation in which he has or can have a direct or indirect interest that conflicts or may conflict with the interests of the Company. The Board considers each Director's conflicts of interest and only those Directors that have no interest in the matter under consideration take the relevant decision.

Committees

The Board has established an Audit Committee and a Remuneration Committee. For further details of these committees see the **Audit Committee Report** and **Directors' Report on Remuneration**.

At present given the Group's size, the Board has decided not to delegate responsibility for considering the composition and structure of the Board to a separate nominations committee. The Board has retained responsibility for developing further the corporate governance policy and practices in the Group rather than forming a separate committee for this purpose.

Relations with Shareholders

The Board remains fully committed to maintaining regular communication with its shareholders. Communication is achieved through press releases, interviews, information posted on its website **www.haywardtyler.com** and through the Interim and Annual Reports. The Chief Executive Officer and Chief Financial Officer hold regular meetings with major shareholders, analysts and the financial press, in particular following the announcements of the interim and full year results. From time to time the Company hosts an "investor day" at one of its operating units for analysts and shareholders to see the business at first hand and to meet operational management. The Board receives a briefing from its broker of each major shareholder's view of the Company and the effectiveness of the Executive Directors. No major concerns have been raised by

Compliance with the UK Corporate Governance

The Directors recognise the value of the principles of good corporate governance, as set out in the UK Corporate Governance Code and the QCA Corporate Governance Code for Smaller Quoted Companies, and we are committed to applying and maintaining the highest standards of corporate governance so far as is practicable and appropriate for a public company quoted on AIM of the size and nature of the Company. We believe that such standards are in the best interests of all shareholders and stakeholders.

Corporate Governance

continued

For more information on the UK Corporate Governance Code go to www.frc.org.uk

For more information on the QCA Corporate Governance Code for Smaller Quoted Companies go to www.theqca.com

shareholders during the period under review.

In addition, during the year the Executive Directors presented at a number of investor forums, which gave private investors a chance to learn more about the Company. Furthermore the Board welcomes shareholders to attend its annual general meeting at the Group's Luton facility, which in particular provides an opportunity to communicate with private investors. This gives shareholders an opportunity to ask questions and to discuss issues with the Directors after the formal proceedings have concluded. Notice of the annual general meeting is sent to shareholders at least 22 days prior to the date of the meeting. This year the meeting will be held on 30 July 2015 at 10a.m. at Hayward Tyler, 1 Kimpton Road, Luton LU1 3LD.

Performance Evaluation

In the past, performance evaluation of the Directors has been carried out in determining the Executive Directors' bonus entitlement against performance related targets.

In FY2015 we have capitalised on Maurice Critchley's appointment to the Board as a Non-Executive Director. Maurice's extensive experience of operating in a larger manufacturing business and in similar markets provides him with the objectivity to challenge and inspire, which we were able to harness as a proxy for a performance evaluation of the Board and the Directors. The purpose of the evaluation is to maximise the effectiveness of the senior leaders in the Company, which should contribute to maximising the performance of the business as a whole. The evaluation considered the balance of skills, experience, effectiveness, knowledge and, where relevant, independence of the Directors and their contribution together with the diversity, operation and effectiveness of the Board.

In FY2016 we intend to introduce a more formal system of performance evaluation of each of the Directors, the Board and each committee of the Board.

Internal Control and Risk Management

The Board has the responsibility for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. Such a system, however, is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The procedures which include inter alia, financial, operational and compliance matters and risk management are reviewed on an on-going basis. The Board approves the annual budget and performance against budget is monitored and reported to the Board. The Board has considered the guidance published by the Institute of Chartered Accounts in England & Wales concerning the internal control requirements of the UK Corporate Governance Code and has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. Further details of the management of risk are set out in **Principal Risks and Uncertainties**.

Business Conduct

The Board is responsible for setting the values and standards in the Group. The Board requires that the Directors, senior executives and employees maintain a high ethical standard and conduct themselves with the utmost integrity. This approach to business is set out in the staff handbook and employment contracts.

Another aspect of Group's conduct of business is to ensure that all affected employees understand and comply with the UK Bribery Act 2010 (the "Act"). Affected employees receive an initial briefing on the Act and an update from time to time. In addition, each affected employee is required to certify their compliance on an annual basis.

John May
Non-Executive Chairman

22 June 2015

Audit Committee Report

The Audit Committee members

Chairman of the Audit Committee
John May

Non-Executive Director
Maurice Critchley

The responsibilities of the Audit Committee include:

- To monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them and ensuring that the accounts are fair, balanced and an understandable assessment of the Company's position and prospects;
- To make recommendations to the board, for it to put to the shareholders for their approval in general meeting, relating to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor and to develop and implement policy on the engagement of the external auditor to supply non-audit services;
- To discuss and agree on the nature and scope of the annual audit and interim review with the external auditor;
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- To review arrangements by which employees may, in confidence, raise concerns about specified matters that are in the public interest and ensure that arrangements are in place for proportionate, independent and immediate investigation of such matters;
- To review the Group's internal control and risk management systems, which includes

  (1) meeting the external auditor and reviewing the reports from the external auditor relating to accounts and internal control systems; and

  (2) reviewing the risk register and agreeing on further actions, where relevant, to help mitigate risk; and
- To report to the board on how it has discharged its responsibilities.

Composition and Governance

The Board established an Audit Committee (1) to apply corporate reporting, risk management and internal control principles and (2) to maintain an appropriate relationship with the Company's external auditor. The Audit Committee comprises the Non-Executive Director, Maurice Critchley, together with the Non-Executive Chairman, John May, who serves as Chairman of the Audit Committee. Collectively the members of the committee have the experience and skills to fulfil the duties of the Audit Committee. In particular, both John May and Maurice Critchley satisfy the requirement of recent and relevant financial experience from past and current roles.

In general, the Chief Financial Officer is invited to join all or part of the Audit Committee meetings. The external auditor has direct access to the Chairman of the Audit Committee outside of formal meetings.

The external auditor provides a written report of their findings and recommendations from the annual audit. Fees for audit and non-audit work are pre-approved by the Audit Committee.

Activities in FY2015

The Audit Committee met formally four times during the year. The purpose of these meetings included:

- To consider the findings from last year's audit including the adequacy of the internal control systems;
- To consider any significant issues relating to the report and accounts for the year ended 31 March 2014, of which there were none;
- To determine that the report and accounts for that period were fair, balanced and understandable;
- To introduce the new engagement partner from the external auditor, Grant Thornton;
- To discuss matters relating to the audit for the year ended 31 March 2015 with the external auditor; and
- To consider the risk register and agree on further actions to mitigate risk.

In addition to the formal meetings of the Audit Committee, the members held a number of discussions. These discussions included agreeing on the scope of the review by the external auditor of the interim results and various matters relating to the external auditor, which covered the external auditors's independence and objectivity, re-appointment and fees.

External Auditor

The Audit Committee is responsible for ensuring that an appropriate relationship is maintained between the Company and the external auditor, including the provision of non-audit services. In late 2011 a separate firm was appointed to provide taxation compliance services to the Group. During the year the external auditor has not undertaken any non-audit work, however, from time to time during the year at the Company's request the external auditor provided informal advice relating to financial, accounting and capital structuring matters.

Grant Thornton were first appointed as external auditor to the original Group headed by Southbank UK PLC in 2006. Following the reverse acquisition in 2010, Grant Thornton were also appointed as the external auditor to the Group headed by Hayward Tyler Group PLC. In line with its policy to ensure continued independence, Grant Thornton routinely

Audit Committee Report

continued

confirms the position of all team members as part of each audit process having taken account of appropriate ethical guidance. As we mentioned in last year's report Malcolm Gomersall, the engagement partner, retired from the audit team during FY2015, owing to his period of association with the Company. The Audit Committee wish to thank Malcolm for the eight year period of service to the Company and for his guidance and support over that period and to welcome Paul Naylor as new engagement partner. Paul has no previous engagement with the Company.

Any decision to open the audit to tender is taken on recommendation of the committee. The Audit Committee will recommend to shareholders at the Annual General Meeting that Grant Thornton be reappointed as the external auditor for a further year.

Internal Audit

Given the Group's size and the nature of its business, the Board does not consider it would be appropriate for the Group to have its own internal audit function. The audit of internal financial controls forms part of the responsibilities of the Group's finance function. This work includes inter alia quarterly balance sheet reviews, completion of internal control questionnaires with business unit management, completion of a risk register by each business unit and follow-up of external audit review points.

Risk

The Group does not have a designated risk committee. The Audit Committee addresses all aspects of risk through its review of the risk register, internal control systems and regular review of financial information. This approach helps to determine the nature and scope of the external audit and review work to be undertaken by Grant Thornton. The Audit Committee reviews the risk register with the Executive Directors on a regular basis. These reviews include a discussion of the risks, the actions being taken to mitigate the risk and, where relevant, further proposed actions to address the risks.

Details of the risk register are discussed in more detail in Principal Risks and Uncertainties

Activities in FY2016

Since 31 March 2015 the Audit Committee has met twice. Firstly, to determine and agree (1) the scope of the audit of the report and accounts for the year ended 31 March 2015 and (2) the fees payable to the external auditor therefor. Secondly, to review the outcome of the audit.

John May
Maurice Critchley

22 June 2015

Directors' Report on Remuneration Annual Statement and Policy Report

The Remuneration Committee members

Chairman of the Remuneration Committee
Maurice Critchley

Non-Executive Chairman
John May

The responsibilities of the Remuneration Committee

The Remuneration Committee, having due regard to the interests of shareholders, is responsible for:

- Reviewing the performance of the Executive Directors and senior employees; and
- Setting the scale of their remuneration including performance related bonus and long-term incentive plans.

Directors' Report on Remuneration

This report describes how the Board has applied the principles of good governance relating to a Director's remuneration. The report is split into three sections:

- Annual Statement, which sets out the scope and make-up of the Remuneration Committee and its activities in the year;
- Policy Report, which sets out the Group's policy for the remuneration of the Executive Directors; and
- Annual Remuneration Report, which sets out the implementation of the policy in FY2015 and the plans for FY2016.

Composition and Governance

The Remuneration Committee comprises the Non-Executive Chairman, John May, together with the Non-Executive Director, Maurice Critchley, who serves as Chairman of the Remuneration Committee.

The Remuneration Committee is authorised to seek external advice and to secure the attendance of third parties with relevant expertise, if considered necessary, but shall ensure that all its activities are cost effective for the Company with the pre-approval of the Board.

Activities in FY2015

The Remuneration Committee met formally twice during the year to set the scale of the remuneration of the Executive Directors and to develop plans for a long-term incentive plan. In addition, the members of the Remuneration Committee held a number of discussions to consider remuneration related matters.

Policy Objectives

The policy for the remuneration of the Executive Directors includes three key objectives:

- To provide remuneration to attract, retain and motivate Executive Directors and senior management of the calibre to run the Company successfully;
- To ensure that there is strong link between such remuneration and the Company's strategy; and
- To align the Executive Directors' interest with those of shareholders.

Remuneration Components

The remuneration of the Executive Directors has three components, which are:

- A base salary including any benefits and pension;
- An annual performance related bonus (non-pensionable); and
- A long-term incentive plan (LTIP) (from June 2015).

This policy is summarised in the table below.

	Purpose	Operation	Maximum	Performance
Salary including pension & benefits	Reflects the role, responsibilities and experience of the Executive Director	Reviewed annually Paid in cash each month	No maximum – designed to attract, motivate and retain high quality individuals whilst continuing to control costs Bench-marked against comparable companies	n/a
Bonus	Incentivises delivery of the Group's objectives of growth, increased profitability and enhanced financial strength **(see KPIs)** and, in the case of the Chief Financial Officer, risk management Aligns Executive Directors' interest with those of shareholders	Reviewed annually Paid in cash following announcement of results for FY2015 Non-pensionable The Remuneration Committee is satisfied that the current mix of fixed and variable remuneration does not inadvertently encourage undue risk taking	Up to 50% of salary	One year performance period Group financial targets, which include revenue, EBIT, net debt to EBITDA and order intake, and, in the case of the Chief Financial Officer, certain risk management criteria
LTIP from June 2015	Incentivises delivery of long-term value creation Aligns Executive Directors' interest with those of shareholders Encourages share ownership	Initial grant to be made following announcement of results for FY2015 Share award vests subject to continued service and performance target	100% of salary at date of inception June 2015	Three year performance period Total shareholder return (TSR) relative to comparator group of companies Clawback provisions will apply

Directors' Report on Remuneration
Annual Remuneration Report continued

Increase in CEO base salary from FY2011 to FY2015

31%

Growth in underlying EPS from FY2011 to FY2015

92%

FY2015

Base Salary

The Remuneration Committee indicated in last year's annual report that, given that it had been four years since base salaries were benchmarked and that the Executive Directors had brought about a significant improvement in the trading performance and financial position of the Group, it was an appropriate time to undertake a wider review of remuneration. This review was undertaken during FY2015 supported by external consultants. As a result of the review the base salary of the Executive Directors and the fee payable to the Non-Executive Chairman were increased to the market median for comparable companies.

During the year under review the Chief Executive Officer and Chief Financial Officer were paid base annual salaries and benefits of £237,263 (FY2014: £187,461) and £177,789 (FY2014: £156,218) respectively. The remuneration received by each Director that served during the period is set out in the table on **page 39**.

Performance Related Annual Bonus

The remuneration of the Executive Directors has been structured to incorporate a variable element (up to 50% of base salary) linked to the achievement of performance related targets approved by the Remuneration Committee each year. These metrics are designed to align the Executive Directors' interests with those of shareholders.

In the year under review the bonuses received by the Executive Directors as set out in the table on **page 39** relate to the performance in FY2014 for which the metrics were achieved in full.

The metrics used in the year under review were chosen to be aligned to the Group's objectives of growth, increased profitability and enhanced financial strength **(see KPIs)** and, in the case of the Chief Financial Officer, risk management. These metrics were achieved in part and the bonuses will be paid to the executive Directors following the announcement of the results for the year to 31 March 2015.

Performance Chart

The chart on **page 39** shows the relative performance of the Company's TSR compared with the TSR of a comparitable group of companies over the last two years.

FY2016

Base Salary and Performance Related Annual Bonus

For the new financial year the Executive Directors will receive a base salary and benefits and they will be eligible to receive a performance related bonus for the year to 31 March 2016 that have a maximum potential of 50% of base salary. The award of a bonus will be dependent on achieving various financial targets and, in the case of the Chief Financial Officer, certain risk management criteria.

Long-term Incentive Plan (LTIP)

The Remuneration Committee indicated in last year's annual report that it would consider the introduction of long-term incentives, there being no long-term incentive plans in place for the Executive Directors, senior management and employees. At the Company's annual general meeting in 2014, shareholders gave their approval for such schemes to be established subject to a limitation on the issue of new ordinary shares of the Company. This limitation allows up to 10% of shares to be issued (4,550,740 shares, at present).

The schemes will be formally established in June 2015 following the announcement of the results for the year to 31 March 2015.

No share options existed at 31 March 2015.

Directors' Interests in Shares

The Directors who served the Company during the period, together with their beneficial interests in the shares of the Company, were as follows:

Ordinary shares of 1p each

	At 31 March 2015	At 31 March 2014
E Lloyd-Baker	**3,657,446**	3,657,446
N Flanagan	**384,333**	384,333
J May	**41,963**	41,963
M Critchley	**2,275,370**	2,275,370

Directors' Service Contracts and Letters of Appointment

The Executive Directors have service contracts that have a notice period of 12 months. All Non-Executive Directors have specific terms of engagement that have a notice period of three months.

Maurice Critchley
John May

22 June 2015

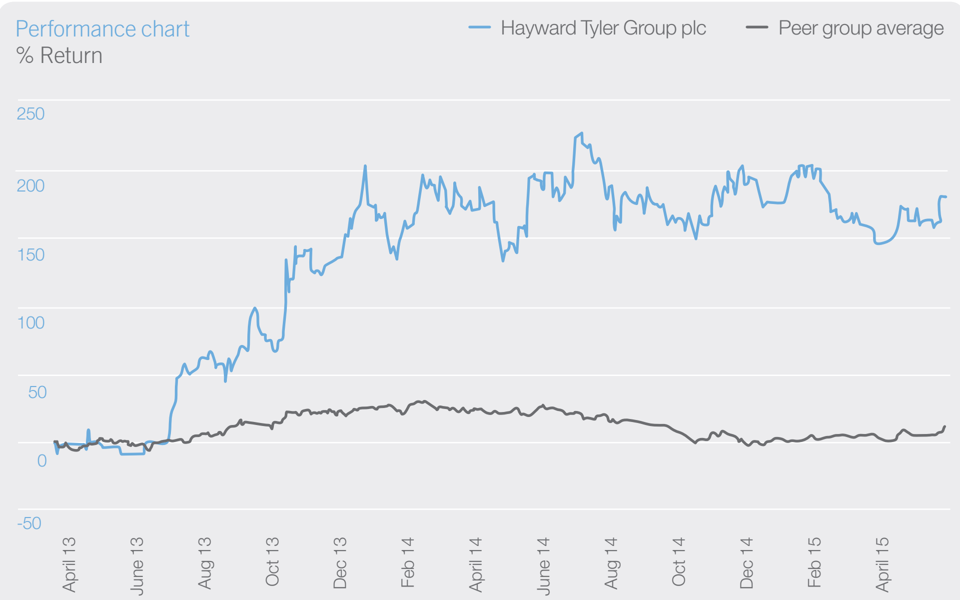
Directors' Report on Remuneration Annual Remuneration Report continued

Director's remuneration

£000	Salary & fees	Bonus	Pension[1]	LTIP[2]	**Year to 31 March 2015 Total[3]**	Year to 31 March 2014 Total[3]
Executive						
E Lloyd-Baker	**237**	**95**	–	–	**332**	223
N Flanagan	**148**	**79**	**30**	–	**257**	156
Non-executive						
J May	**63**	–	–	–	**63**	57
M Critchley	**37**	–	–	–	**37**	6
D Khaitan[4 5]	–	–	–	–	–	–
S Dasgupta[4]	–	–	–	–	–	33
P Ghosh[4 6]	–	–	–	–	–	9
	485	**174**	**30**	–	**689**	484

Notes

1. None of the Directors participate in the Group's defined benefit scheme. Pension contributions represent payment of part of the Director's base salary to a personal pension arrangement
2. At 31 March 2015 there was no long-term incentive plan in place
3. Employer's National Insurance Contributions made relating to Directors' emoluments in the period were £78,437 (FY2014: £45,304)
4. Resigned 6 March 2014 following the completion of the re-banking of the Group
5. During the year to 31 March 2014 £33,210 was paid to MBE Mineral Technologies Pte Limited for the provision of Non-Executive Director services by Deepak Khaitan
6. During the year to 31 March 2014 £24,205 was paid to MBE Mineral Technologies Pte Limited for the provision of Non-Executive Director services by Prabir Ghosh



Peer group

600 Group, Alumasc, Avingtrans, Bodycote, Brammer, Chamberlin, Fenner, GKN, Melrose, IMI, Pressure Technologies, Renold, Redhall Group, Renew, Rotork, Scapa, Senior, Spirax-Sarco, Tricorn, Trifast and Weir Group

Source: CapitalIQ

Report of the Directors

The Directors present their report and the financial statements of the Group for the year ended 31 March 2015.

Principal Activities

The primary business activity of the Group is to design, engineer, manufacture and service of fluid-filled electric motors and pumps for the global energy sector.

Business Review

A review of the business and future developments is given in the **Chairman's Statement,** the **Chief Executive's Business Review** and the **Financial Review**.

Results and Dividends

The trading results for the period and the Group's financial position at 31 March 2015 are shown in the attached financial statements. The Directors recommend a final dividend of 0.79 pence per share.

Annual General Meeting

The Annual General Meeting will be held at Hayward Tyler, 1 Kimpton Road, Luton LU1 3LD on 30 July 2015 starting at 10a.m. The notice of meeting will be sent to shareholders in due course. This notice will include the text of the resolutions proposed to be passed at the meeting.

Corporate Governance

Details of how the Group addresses corporate governance issues are set out in **Corporate Governance**.

Directors

Biographical details of the Directors are set out in **Board of Directors**.

Directors' Interests

Details of the Directors that served in the period, together with their beneficial interests in the shares of the Company, are set out in the **Directors' Report on Remuneration**.

Directors' Re-Election

At the end of each financial period, one third of the Directors who are subject to retirement by rotation shall retire from office by rotation.

Ewan Lloyd-Baker and Nick Flanagan retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting of the Company. The Chairman confirms that the performance of each of the Directors proposed for re-election is effective and is committed to his role.

Directors' Remuneration

Details of the remuneration of the Directors are set out in the Directors' Report on Remuneration

Employees

The Company is an equal opportunity employer with particular reference to non-discrimination and non-harassment on the basis of ethnic origin, religion, gender, age, disability and sexual orientation. The Group gives disabled people the same consideration as other individuals. Matters that affect the Group are communicated to employees through formal and informal meetings, internal announcements and regular contact with Directors and senior management.

External Auditor

The external auditor, Grant Thornton UK LLP retires at the forthcoming annual general meeting, and being eligible, offer themselves for reappointment in accordance with s.12 (2) of the Isle of Man Companies Act 1982.

Financial Risk Management Policies

The details of the Group's financial risk management policies are detailed in **note 28** to the financial statements.

Going Concern

After making due enquiry, and having considered the Group's budget for the coming year and its projections through to 2018 together with its banking and borrowing arrangements, the Directors confirm that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis of accounting in preparing the financial statements for the period ended 31 March 2015.

Major Interests in Shares

At 31 March 2015, the parties highlighted in the table below had a significant direct or indirect holding in the securities of the Company.

Payment to Suppliers

It is the Company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and abide by them.

Group trade creditors at the year end amount to 77 days (at 31 March 2014: 72 days) of average supplies for the year.

Related Party Transactions

Details of related party transactions are given in **note 31** to the financial statements.

By the order of the Board

Peregrine Corporate Services Limited
Registered agent

Major Interests in Shares	Number of shares	Percentage at date of notification
Vidacos Nominees Limited	6,214,321	13.66%
Securities Services Nominees Limited	3,736,698	8.21%
Ewan Lloyd-Baker*	3,657,446	8.04%
Platform Securities Nominees Limited	2,871,367	6.31%
Hargreaves Lansdown (Nominees) Limited	2,381,143	5.23%
State Street Nominees Limited	2,302,299	5.06%
Severn Glocon Limited	2,275,370	5.00%
The Bank of New York Nominees Limited	2,273,938	5.00%
Harewood Nominees Limited	2,177,777	4.79%
Nutraco Nominees Limited	2,048,813	4.50%
Barclayshare Nominees Limited	1,606,356	3.53%

* aggregate of more than one holding

Statement of Directors' Responsibilities

For more information on IFRS go to www.ifrs.org

For more information visit www.haywardtyler.com

The Directors are responsible for preparing the strategic report and annual report and the financial statements in accordance with applicable law and regulations.

Isle of Man company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors have prepared Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under Isle of Man company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Director's Report on Remuneration comply with the Companies Acts 1931 to 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Hayward Tyler website (**www.haywardtyler.com**).

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

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Nick Flanagan
Director

22 June 2015

Independent Auditor's Report to the members of Hayward Tyler Group PLC

We have audited the financial statements of Hayward Tyler Group PLC for the year ended 31 March 2015 which comprise the Consolidated and Company Statements of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Group and Company Cashflow Statements and the related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) (as adopted by the European Union).

This report is made solely to the Company's members, as a body, in accordance (Section 80C92) of the Isle of Man Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2015 and of the Group's profit for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931 to 2006 require us to report to you if, in our opinion:

- proper books of account have not been kept by the Company and proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' loans and remuneration specified by law are not made; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Paul Naylor
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Grant Thornton House
Milton Keynes

22 June 2015

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Statement of Financial Position
as at 31 March 2015

	Notes	Group At 31 March 2015 £000	Group At 31 March 2014 £000	Company At 31 March 2015 £000	Company At 31 March 2014 £000
Non-current assets					
Goodwill	15	**2,219**	2,219	**–**	–
Other intangible assets	16	**1,034**	781	**–**	–
Investments	17	**–**	–	**7,723**	7,723
Property, plant and equipment	18	**11,288**	9,000	**–**	–
Deferred tax assets	21	**2,555**	3,312	**–**	–
Other debtors	20	**806**	–	**–**	–
Trade and other receivables	20	**–**	–	**2,412**	–
		17,902	15,312	**10,135**	7,723
Current assets					
Inventories	19	**6,015**	7,674	**–**	–
Trade and other receivables	20	**16,599**	11,872	**7,898**	10,123
Other current assets	20	**1,139**	870	**98**	16
Current tax assets	12	**500**	580	**–**	–
Financial assets - derivatives	30.2	**–**	41	**–**	–
Cash and cash equivalents	22	**1,769**	1,748	**–**	–
		26,022	22,785	**7,996**	10,139
Total assets		**43,924**	38,097	**18,131**	17,862
Current liabilities					
Trade and other payables	23	**9,976**	10,514	**192**	217
Borrowings	30.4	**4,270**	5,163	**1,070**	896
Provisions	25	**884**	1,070	**–**	–
Current tax liabilities	12	**1,084**	881	**–**	–
Other liabilities	24	**3,722**	2,755	**208**	267
Derivatives	30.2	**252**	–	**–**	–
Current liabilities		**20,188**	20,383	**1,470**	1,380
Net current assets		**5,834**	2,402	**6,526**	8,759
Total assets less current liabilities		**23,736**	17,714	**16,661**	16,482
Non-current liabilities					
Borrowings	30.4	**5,359**	4,933	**2,411**	1,800
Pension and other employee obligations	27	**179**	1,538	**–**	–
Other creditors	24	**2,757**	–	**–**	–
		8,295	6,471	**2,411**	1,800
Net assets		**15,441**	11,243	**14,250**	14,682
Equity					
Called-up share capital	33	**455**	455	**455**	455
Share premium account	33	**28,705**	28,705	**28,705**	28,705
Merger reserve		**14,502**	14,502	**20,667**	20,667
Treasury stock reserve		**(274)**	(274)	**(274)**	(274)
Reverse acquisition reserve		**(19,973)**	(19,973)	**–**	–
Other equity		**18**	18	**18**	18
Foreign currency translation reserve		**238**	(421)	**–**	–
Retained earnings		**(8,230)**	(11,769)	**(35,321)**	(34,889)
Total equity		**15,441**	11,243	**14,250**	14,682

The accounts were approved by the Board of Directors on 22 June 2015 and were signed on its behalf by:

E Lloyd-Baker
Director

N Flanagan
Director

Company registration number:
010648V

Consolidated Income Statement
for the year ended 31 March 2015

	Notes	Year to 31 March 2015 Trading £000	Year to 31 March 2015 Non-trading £000	Year to 31 March 2015 Total £000	Year to 31 March 2014 Trading £000	Year to 31 March 2014 Non-trading £000	Year to 31 March 2014 Total £000
Revenue	6	**48,619**	–	**48,619**	43,205	–	43,205
Cost of sales		**(31,554)**	–	**(31,554)**	(26,920)	–	(26,920)
Gross profit		**17,065**	–	**17,065**	16,285	–	16,285
Operating charges	2.5	**(11,718)**	–	**(11,718)**	(11,623)	–	(11,623)
Operating profit	7	**5,347**	–	**5,347**	4,662	–	4,662
Finance costs	2.5 & 10	**(694)**	–	**(694)**	(676)	(224)	(900)
Fair value of derivatives	2.5 & 10	**(294)**	–	**(294)**	41	–	41
Profit/(loss) before tax		**4,359**	–	**4,359**	4,027	(224)	3,803
Taxation	2.17 & 11	**(1,210)**	–	**(1,210)**	(1,068)	(455)	(1,523)
Profit/(loss) for the year		**3,149**	–	**3,149**	2,959	(679)	2,280
Basic earnings per share (pence)	13	**6.98**	–	**6.98**	6.51	(1.49)	5.02
Diluted earnings per share (pence)	13	**6.98**	–	**6.98**	6.51	(1.49)	5.02

Consolidated Statement of Comprehensive Income for the year ended 31 March 2015

	Year to 31 March 2015	Year to 31 March 2014
Profit for the year	**3,149**	2,280
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit and loss		
Remeasurement of net defined benefit liability	**1,221**	(113)
Income tax relating to items not reclassified	**(256)**	26
Items that will be reclassified subsequently to profit and loss		
Gain/(loss) on translation of overseas subsidiaries	**659**	(295)
Other comprehensive income for the year net of tax	**1,624**	(382)
Total comprehensive profit for the year	**4,773**	1,898
Attributable to		
Equity shareholders of the Company	**4,773**	1,898

The accompanying accounting policies and notes form part of these financial statements

Consolidated Statement of Changes in Equity
for the year ended 31 March 2015

	Share Capital £000	Share Premium £000	Merger Reserve £000	Reverse Acquisition Reserve £000	Treasury Stock Reserve £000	Other Equity £000	Foreign Currency Translation Reserve £000	Retained Earnings £000	**Total £000**
Balance at 1 April 2013	455	28,705	14,502	(19,973)	–	18	(126)	(13,735)	**9,846**
Purchase of shares	–	–	–	–	(274)	–	–	–	**(274)**
Dividends	–	–	–	–	–	–	–	(227)	**(227)**
Transactions with owners	–	–	–	–	(274)	–	–	(227)	**(501)**
Profit for the year	–	–	–	–	–	–	–	2,280	**2,280**
Actuarial loss for the year on pension scheme **(see note 27)**	–	–	–	–	–	–	–	(113)	**(113)**
Deferred tax on actuarial movement on pension scheme	–	–	–	–	–	–	–	26	**26**
Loss on translation of overseas subsidiaries	–	–	–	–	–	–	(295)	–	**(295)**
Total comprehensive income/(loss)	–	–	–	–	–	–	(295)	2,193	**1,898**
Balance at 31 March 2014	455	28,705	14,502	(19,973)	(274)	18	(421)	(11,769)	**11,243**
Dividends	–	–	–	–	–	–	–	(575)	**(575)**
Transactions with owners	–	–	–	–	–	–	–	(575)	**(575)**
Profit for the year	–	–	–	–	–	–	–	3,149	**3,149**
Actuarial gain for the year on pension scheme **(see note 27)**	–	–	–	–	–	–	–	1,221	**1,221**
Deferred tax on actuarial movement on pension scheme	–	–	–	–	–	–	–	(256)	**(256)**
Gain on translation of overseas subsidiaries	–	–	–	–	–	–	659	–	**659**
Total comprehensive income	–	–	–	–	–	-	659	4,114	**4,773**
Balance at 31 March 2015	455	28,705	14,502	(19,973)	(274)	18	238	(8,230)	**15,441**

Company Statement of Changes in Equity
for the year ended 31 March 2015

	Share Capital £000	Share Premium £000	Merger Reserve £000	Treasury Stock Reserve £000	Other Equity £000	Share Based Payment Reserve £000	Retained Earnings £000	**Total £000**
Balance at 1 April 2013	455	28,705	20,667	–	18	–	(34,885)	**14,960**
Transactions with owners	–	–	–	(274)	–	–	(227)	**(501)**
Profit for the year	–	–	–	–	–	–	223	**223**
Balance at 31 March 2014	455	28,705	20,667	(274)	18	–	(34,889)	**14,682**
Transactions with owners	–	–	–	–	–	–	(575)	**(575)**
Profit for the year	–	–	–	–	–	–	143	**143**
Balance at 31 March 2015	455	28,705	20,667	(274)	18	–	(35,321)	**14,250**

Cash Flow Statement
for the year ended 31 March 2015

	Notes	Group Year to 31 March 2015 £000	Group Year to 31 March 2014 £000	Company Year to 31 March 2015 £000	Company Year to 31 March 2014 £000
Operating activities					
Profit/(loss) before tax		**4,359**	3,803	**(95)**	223
Non-cash adjustment	**34**	**2,001**	1,739	**(316)**	–
Net changes in working capital	**34**	**(1,976)**	(2,007)	**(249)**	(2,738)
Profit on disposal of property, plant and equipment		**10**	10	**–**	–
Taxes paid		**(426)**	(345)	**–**	–
Net cash from operating activities		**3,968**	3,200	**(660)**	(2,515)
Investing activities					
Purchase of property, plant and equipment		**(2,944)**	(1,656)	**–**	–
Purchase of intangible assets		**(446)**	–	**–**	–
Interest received		**–**	–	**461**	–
Disposal of property, plant and equipment		**(5)**	(5)	**–**	–
Dividends received		**–**	–	**238**	–
Net cash used in investing activities		**(3,395)**	(1,661)	**699**	–
Financing activities					
Proceeds from borrowings		**4,035**	9,524	**1,635**	3,000
Repayment of borrowings		**(4,626)**	(8,516)	**(1,000)**	–
Re-banking costs		**(199)**	(415)	**(199)**	(304)
Purchase of treasury shares		**–**	(274)	**–**	–
Dividends paid		**(575)**	(227)	**(575)**	(227)
Drawdown of finance leases		**364**	294	**–**	–
Repayment of finance leases		**(166)**	(161)	**–**	–
Interest paid		**(523)**	(587)	**(145)**	–
Grant income received		**1,138**	-	**–**	–
Net cash from financing activities		**(552)**	(362)	**(284)**	(2,469)
Net change in cash and cash equivalents		**21**	1,177	**(245)**	(46)
Cash and cash equivalents at beginning of year		**1,748**	571	**–**	(46)
Cash and cash equivalents at end of year		**1,769**	1,748	**(245)**	–

Notes to the Financial Statements
for the year ended 31 March 2015

1 General information

Hayward Tyler Group PLC is incorporated and resident in the Isle of Man. The Company's registered office is Peregrine Corporate Services Limited, Burleigh Manor, Peel Road, Douglas, Isle of Man, IM1 5EP. The Company's principal place of business is 1 Kimpton Road, Luton, UK, LU1 3LD. Hayward Tyler Group PLC's shares are listed on the Alternative Investment Market (AIM).

Hayward Tyler Group PLC is the ultimate parent company of the Group and its consolidated financial statements are presented in Pounds Sterling (£), which is its functional currency. These consolidated financial statements have been approved for issue by the Board of Directors on 22 June 2015. The Directors have recommended a final dividend of 0.79 pence per share.

Established in the UK in 1815, Hayward Tyler designs, manufactures and services a comprehensive range of fluid filled electric motors and pumps. These units are custom designed to meet the most demanding of applications and environments. Focused on the power generation (conventional and nuclear), oil and gas (topside and deep subsea) and industrial markets, Hayward Tyler is a market leader in its technology solutions. Furthermore, Hayward Tyler supplies and services a range of mission critical motors and pumps for the Royal Navy submarine fleet in the UK. Hayward Tyler also undertakes service, overhaul and upgrading of third-party motor and pump equipment across all sectors.

In addition to the head office in Luton (England), Hayward Tyler has manufacturing and service support facilities in Kunshan (China), Delhi (India), East Kilbride (Scotland) and Vermont (USA). These facilities and staff provide cover 24 hours 7 days a week for maintenance, overhaul and repair.

2 Summary of significant accounting policies

2.1 Going concern

The consolidated financial statements have been prepared on a going concern basis. The Directors have taken note of the guidance issued by The Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements and have considered a number of factors.

After making due enquiry, and having considered the Group's budget for the coming year and its projections through to 2018 together with its banking and borrowing arrangements, the Directors confirm that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 March 2015.

2.2 Basis of preparation

The consolidated financial statements for the year ended 31 March 2015 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Isle of Man Companies Act 1931-2006. The financial statements have been prepared under the historical cost basis for the purposes of inclusion in this document with the exception of some financial instruments which are carried at fair value **(see note 30)** and freehold properties which are held at revalued amounts **(see note 18)**. The accounting policies set out below have been consistently applied to all the periods presented. In accordance with the exemption by the Isle of Man Companies Act 2006 no separate income statement or Statement of Comprehensive Income is presented for the Company.

2.3 Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2015. Subsidiaries are entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Business combinations

For business combinations occurring since 1 January 2010, the requirements of IFRS 3R have been applied. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

2 Summary of significant accounting policies continued

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

2.5 Trading and non-trading

The consolidated income statement reports the results for the year under the headings Trading and Non-trading. Trading represents the underlying performance of Hayward Tyler together with head office costs. Non-trading represents non-recurring items, which include finance costs and deferred tax charge.

There are no Non-trading items in the current year. Non-trading in the prior year represented non-recurring items, which included re-banking costs of £0.2 million and a deferred tax charge, which represented the impact on the deferred tax asset of the reduction in the enacted UK corporation tax rate from 23% to 20% of £0.5 million.

2.6 Segmental reporting

In identifying its operating segments, management follows the Group's service lines, which represent the main products and services provided by the Group. The activities undertaken by the original equipment manufacturing segment ("OE") includes the design and manufacture of motors and pumps. The aftermarket segment ("AM") provides a comprehensive range of aftermarket services and spares supporting the Group's own product range as well as those of other original equipment manufacturers. Each of these operating segments is managed separately as they require different resources and have a different customer base, including sales and marketing approach. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, except that:

- post-employment benefit expenses;
- site modernisation costs and associated grant income;
- expenses relating to share-based payments;
- research costs relating to new business activities; and
- unallocated central costs

are not included in arriving at the operating profit of the operating segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.7 Foreign currency translation

The consolidated financial statements are presented in Pounds Sterling, which is the Company's functional currency.

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). In the Group's financial statements, all assets, liabilities and transactions of the Group entities, with a functional currency other than the Pound Sterling (the Group's presentation currency) are translated into Pounds Sterling upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

(c) Foreign subsidiaries

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the reporting date. Income and expenses are translated at the average rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are recognised in other comprehensive income and accumulated in the "Foreign Currency Translation Reserve" in equity. On disposal of a foreign operation the cumulative translation differences are reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

2.8 Property, plant and equipment

Land held for use in production or administration is stated at historical cost. As land is considered to have an unlimited useful life, related carrying amounts are not depreciated. Buildings for use in production or administration are initially recognised at acquisition cost and subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

2 Summary of significant accounting policies continued

Property and equipment held under finance leases are capitalised and included in property, plant and equipment. Such assets are depreciated on a straight line basis over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter. Buildings are stated at cost or revaluation less depreciation and impairment losses. Equipment, furniture and fittings are stated at cost less depreciation and impairment losses. Depreciation is provided at rates calculated to write off the cost or revaluation of fixed assets, less their estimated residual value, over their expected useful lives. The following useful lives are applied:

Buildings	–	25 years
Plant and machinery	–	5-10 years
Fixtures and fittings	–	3-5 years
Short leasehold improvements	–	over period of lease

Material residual value estimates and estimates of the useful life are updated as required, but at least annually, whether or not the asset is revalued.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within “other income” or “other expenses”.

2.9 Leased assets

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance leasing liability is reduced by lease payments, less finance charges, which are expensed as part of finance costs.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

2.10 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Goodwill is considered to have an indefinite useful life. Refer to **note 2.12** for a description of impairment testing procedures.

2.11 Other intangible assets

Other intangible assets include capitalised development costs used in respect of the development of new pump and motor technology and product and process development. They are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful life. Management assess the useful life of Group intangible assets to be in the range of five to ten years.

Costs that are directly attributable to the development phase of technology are recognised as an intangible asset, provided they meet the following recognition requirements:

- completion of the intangible asset to the development phase is technically feasible, so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there be a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on the development along with an appropriate portion of relevant overheads. Development costs recognised as an intangible asset are subject to the same subsequent measurement method. However, until completion of the development project, the assets are subject to impairment testing only as described below in the note on impairments.

2 Summary of significant accounting policies continued

2.12 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.13 Investments

Investments in undertakings are recorded at fair value of consideration paid less impairment.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the direct purchase price, including all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The foreign currency translation reserve represents differences arising on the retranslation of net investments in overseas subsidiary undertakings, based on the rate of exchange ruling at the balance sheet date.

The merger reserve of £14.5 million includes £9.9 million arising as a result of the acquisition of Southbank in January 2010. The merger reserve represents the difference between the nominal value of the share capital issued by Hayward Tyler Group PLC and its fair value at 20 January 2010, the date of the acquisition.

The reverse acquisition reserve arises as a result of the method of accounting for the acquisition of Southbank by Hayward Tyler Group PLC. In accordance with IFRS 3 Business Combinations (Revised 2008) the acquisition has been accounted for as a reverse acquisition.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in "other liabilities" when the dividends have been approved in a general meeting prior to the reporting date.

Treasury Stock

On 28 January 2014 the Company purchased 419,204 of its own shares at 65 pence per share. The costs of purchasing own shares held by the Company are shown as a deduction against equity.

2 Summary of significant accounting policies continued

2.17 Taxation

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions the Group does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

2.18 Post-employment benefits

The Group provides post-employment benefits through defined benefit plans as well as various defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions are recognised as an employee benefit expense when they are due.

Plans that do not meet the definition of a defined contribution plan are defined benefit plans. Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Service cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs. Gains and losses resulting from remeasurements of the net defined benefit liability are included in other comprehensive income.

2.19 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted to a customer, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

2 Summary of significant accounting policies continued

2.20 Revenue recognition

Revenue comprises revenue from the sale of goods and the rendering of services.

Revenue is measured at the fair value of consideration received or receivable and represents amounts obtained through trading activities, net of value added tax and trade discounts. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales or service transaction in order to reflect the substance of the transaction. The consideration received from these transactions is allocated to the separately identifiable component by taking into account the relative fair value of each component.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities has been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are described below.

(a) Original equipment manufacture

The Group provides pumps and motors specifically customised to each customer. These contracts specify a fixed price for the development and installation of pumps and motors.

When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the Group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of the contract costs incurred and to the extent that such costs are recoverable. Contract costs are recognised in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately in profit or loss.

The stage of completion of any contract is assessed by management by taking into consideration all information available at the reporting date. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract.

The gross amount due from customers for contract work is presented as an asset within "trade and other receivables" for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented as a liability within "trade and other payables" for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less losses).

(b) Aftermarket

Revenue comprises the sale of spare parts and other aftermarket services, which is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and services supplied. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods and services.

(c) Interest income

Interest income is recorded on an accrual basis using the effective interest method.

2.21 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

2.22 Borrowing costs

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits and the costs can be measured reliably. All other borrowing costs are expensed in the period in which they are incurred and reported within "finance costs".

2.23 Financial instruments

Financial assets and liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

2 Summary of significant accounting policies continued

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition loans and receivables.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within “finance costs” or “finance income”, except for impairment of trade receivables, which is presented within “other expenses”.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents and trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The impairment loss is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The Group’s financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities other than derivatives are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within “finance costs” or “finance income”.

Derivative financial instruments

Derivatives are financial assets or financial liabilities classified as held for trading and recorded at fair value through profit and loss.

Due to certain customer contracts being settled in foreign currencies, the Group enters into forward exchange contracts and swaps in order to reduce the exposure to foreign currency risk.

2.24 Government Grants

During the year ended 31 March 2015 Hayward Tyler Limited, based in Luton, UK, was awarded a £3.5 million grant from the Regional Growth Fund. The accounting treatment for the grant is set out below.

A government grant is recognised only when there is reasonable assurance that (a) the Group will comply with any conditions attached to the grant and (b) the grant will be received.

A grant is recognised as income in the income statement over the period necessary to match it with the expense, to which it relates, on a systematic basis. For reporting purposes the grant income is deducted from the related expense. A grant relating to assets is presented as deferred income in the consolidated statement of financial position, and released over the life of the asset in line with depreciation.

In the year ended 31 March 2015 the Group has concluded that there is reasonable assurance that it will be able to comply with the Regional Growth Fund (“RGF”) grant conditions. The grant is conditional upon the Luton manufacturing facility achieving a job target of 231 full time jobs at the Luton facility by 2024 and defraying a £21.6 million on eligible spending by 2020. This eligible spending relates to the extension to the existing factory, plant and machinery, training, and research and development. Failure to hit either target could result in the repayment of part of the grant to the Department of Business Innovation and Skills. Accordingly, at inception of the grant the Group recognised a receivable for the full grant amount of £3.5 million, presented as an other debtor, and a deferred income liability of £3.5 million, presented as an other creditor. Subsequently in the year ended 31 March 2015, the receivable was reduced to £2.1 million by £1.4 million of grant income received as cash by the Company. Also in the year ended 31 March 2015, the deferred income liability was reduced to £3.2 million by £0.3 million of grant income that is recognised in the consolidated interim income statement. This grant income is included in operating charges as a deduction from related research, development and training expenses of £0.8 million.

2 Summary of significant accounting policies continued

In addition to the RGF programme, Hayward Tyler Limited is participating in the UK government's Civil Nuclear Sharing in Growth ("CNSiG") programme. This programme, which is given in-kind, provides training and development with a value of £1.15 million to bring the business' entire workforce to NVQ level 3 and above. The associated 'Fit for Nuclear' accreditation is focused on ensuring that Hayward Tyler is firmly positioned as a key supplier in the UK domestic supply chain for nuclear new build. During the current year £602,413 was received as an in-kind payment that will be utilised by the CNSiG programme to fund training and development in the following 12 months. The payment is included in other creditors in the statement of financial position.

3 Changes in accounting policies

New and revised standards that are effective for annual periods beginning on or after 1 January 2014
A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

IFRIC 21 'Levies'
IFRIC 21 clarifies that:

- the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognised on that date; and

- the same recognition principles apply in the annual and interim financial statements. IFRIC 21 has no material effect on the annual financial statements but affects the allocation of the cost of certain property taxes between interim periods. The Group's past practice was to spread the cost of property taxes payable annually over the year, resulting in the recognition of a prepayment at interim reporting dates. The application of IFRIC 21 requires the Group to recognise the entire obligation as an expense at the beginning of the reporting period, which is the date specified in the relevant legislation.

IFRIC 21 has been applied retrospectively in accordance with its transitional provisions and had no material effect on the consolidated financial statements for any period presented.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of 'currently has a legally enforceable right of set-off'; and

- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the Group does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the consolidated financial statements for any period presented.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made; and

- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions.

Standards, amendments and interpretation to existing standards that are not yet effective and have not been adopted early by the Group
At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

3 Changes in accounting policies continued

IFRS 9 Financial Instruments (effective from 1 January 2015)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

The Group's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Group's management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

Accordingly, if adopted today, these amendments would not have a material impact on the consolidated financial statements.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

4 Significant management judgements in applying accounting policies

The following are significant management judgements in applying accounting policies of the Group that have the most effect on the financial statements.

Internally generated development costs

Management monitors progress of internal research and development projects by using a project management system. Significant judgement is required in distinguishing research from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expensed as incurred.

To distinguish any research-type project phase from the development phase, it is the Group's accounting policy to also require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets is based on the same data.

The Group's management also monitors whether the recognition requirements for development costs continue to be met and an assessment made of its recoverability. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

Revenue recognition – original equipment manufacture

The stage of completion of a contract is assessed by management taking into consideration all information available at the reporting date. In this process management carries out significant judgements about milestones, actual work performed and the estimated costs to complete the work. Further information on the Group's accounting policy for contracts is in **note 2.20**.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Leases

In applying the classification of leases in IAS 17, management considers its leases of equipment as finance lease arrangements. In some cases, the lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

5 Estimation uncertainty

When preparing financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Original equipment revenue
The stage of completion of any contract is assessed by management by taking into consideration all information available at the reporting date. In this process management formulates estimates regarding actual work performed and the estimated costs to complete the work.

Deferred tax asset – refer to note 21
The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Defined benefit pension liability – refer to note 27
Management estimates the defined benefit pension liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit pension gross liability of £14.1 million (FY2014: £13.1 million) is based on standard rates of inflation and mortality. The estimate does not include anticipation of future salary increases, as there are no members with benefits related to future salary progression. Discount factors are determined close to each period end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's defined benefit pension obligations. The value of the defined benefit pension liability at 31 March 2015 was £0.2 million (FY2014: £1.5 million).

Provisions – refer to note 25
The amount recognised for warranties for which customers are covered for the cost of repairs is estimated based on management's past experience, current knowledge and future expectation that defects may arise. The value of warranty provisions at 31 March 2015 was £0.6 million (FY2014: £0.4 million).

Goodwill – refer to note 15
Management carry out impairment tests at each reporting date and indicate present values of future cash flows in respect of both the OE and AM divisions are far in excess of the carrying values of the associated assets including goodwill such that management considers the likelihood of any impairment arriving to be remote.

6 Segment information

Management currently identifies the Group's two service lines, OE and AM, as operating segments. The activities undertaken by the OE segment include the manufacture of pumps and motors. The activities of the AM division include the servicing of, and provision of spares for, a wide range of pumps and motors.

Segment information can be analysed as follows for the reporting periods under review:

Year to 31 March 2015	OE £000	AM £000	Total £000
Segment revenues from:			
External customers	19,689	28,930	48,619
Other segments	0	0	0
Segment revenues	19,689	28,930	48,619
Cost and expenses	(19,961)	(21,289)	(41,250)
Segment operating profit	(272)	7,641	7,369
Segment assets	19,076	14,958	34,034

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6 Segment information continued

Year to 31 March 2014*	OE £000	AM £000	Total £000
Segment revenues from:			
External customers	17,501	25,704	43,205
Other segments	0	0	0
Segment revenues	17,501	25,704	43,205
Cost and expenses	(17,284)	(19,217)	(36,501)
Segment operating profit	217	6,487	6,704
Segment assets	12,971	11,583	24,554

The Group's revenues from external customers and its non-current assets (other than goodwill and deferred tax assets) are divided into the following geographical areas:

		31 March 2015		31 March 2014
	Revenue £000	**Non-current assets £000**	Revenue £000	Non-current assets £000
United Kingdom	**6,008**	**13,058**	4,007	8,450
USA	**11,577**	**1,205**	10,829	1,198
Other countries	**31,034**	**180**	28,369	133
	48,619	**14,443**	43,205	9,781

Revenues from external customers in the Group's domicile, United Kingdom, as well as its major market, the USA, have been identified on the basis of the customers' geographical location. Non-current assets are allocated based on their physical location.

No customer represented greater than 10% of Group revenue in the year to 31 March 2015 or in the year to 31 March 2014.

The totals presented for the Group's operating segments reconcile to the entity's key financial figures as presented in its financial statements as follows:

	Year to 31 March 2015 £000	Year to 31 March 2014* £000
Segment revenues		
Segment revenues	**48,619**	43,205
Elimination of inter-segmental revenues	–	–
	48,619	43,205
Segment profit		
Segment operating profit	**7,369**	6,704
Centre of Excellence expenses net of grant income	**(548)**	–
Site modernisation	–	(243)
Other operating costs not allocated	**(1,378)**	(1,489)
Foreign currency exchange differences	**(96)**	(310)
Operating profit	**5,347**	4,662
Finance costs plus fair value of derivatives	**(988)**	(859)
Group profit before tax	**4,359**	3,803

Segment total assets can be reconciled to Group assets as follows:

	Year to 31 March 2015 £000	Year to 31 March 2014 £000
Segment total assets		
Total segment assets	**34,034**	24,554
Group assets	**48,062**	56,406
Consolidation adjustments	**(38,172)**	(42,863)
Group total assets	**43,924**	38,097

* The revenue figures presented in the tables above for the year to 31 March 2014 have been restated from those presented in the prior year financial statements to amend the value of revenues disclosed from external customers and other segments. The amendment does not change the total segment revenues for the year to 31 March 2014.

7 Operating profit

Operating profit is stated after charging:

	Year to 31 March 2015 £000	Year to 31 March 2014 £000
Depreciation of owned assets	**719**	580
Depreciation of assets held under finance leases	**101**	106
Amortisation of other intangible assets	**193**	194
Auditor's remuneration:		
Audit services:		
– Fees payable to the Company's auditor for the audit of the Company's annual accounts	**16**	16
– The audit of the Company's subsidiaries pursuant to legislation	**110**	106
Other services:		
– Taxation services	**–**	–
– Other services	**–**	48
Rentals under operating leases:		
– Land and buildings	**205**	245
– Plant and equipment	**300**	111
Foreign currency exchange differences – loss	**96**	310
Research and developments costs	**203**	487

Foreign currency exchange differences relate to realised losses on receipts and payments together with an unrealised loss arising on the retranslation of net current assets.

8 Employee remuneration

Employee benefits expense

The employee benefit expense during the year was as follows:

	Year to 31 March 2015 £000	Year to 31 March 2014 £000
Wages and salaries	**13,686**	11,504
Social security costs	**1,246**	1,078
Redundancy costs	**111**	677
Pension costs	**784**	709
	15,827	13,968

The average numbers of employees during the year were as follows:

	Year to 31 March 2015 £000	Year to 31 March 2014 £000
OE and AM	**188**	177
General and administration	**122**	105
Selling	**35**	36
	345	318

Key management personnel

Key management of the Group are members of the Board of Directors in Hayward Tyler Group PLC.

Remuneration in respect of the Directors including employer's national insurance cost was as follows:

	Year to 31 March 2015 £000	Year to 31 March 2014 £000
Short-term employee benefits	**689**	484
Employer's National Insurance Contributions	**78**	50
	767	534

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8 Employee remuneration continued

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	Year to 31 March 2015 £000	Year to 31 March 2014 £000
Short-term employee benefits	**332**	223
Employer's National Insurance Contributions	**44**	30
	376	253

None of the Directors participate in the Group's defined benefit plan. Details of related party transactions are given in **note 31** to the financial statements.

9 EBITDA

Earnings before interest, tax, depreciation and amortisation are as follows:

	Year to 31 March 2015 £000	Year to 31 March 2014 £000
EBITDA		
Operating profit	**5,347**	4,662
Depreciation and amortisation	**1,013**	880
	6,360	5,542

10 Finance costs

	Year to 31 March 2015 £000	Year to 31 March 2014 £000
Interest payable on bank borrowing	**496**	609
Finance costs of pensions	**62**	67
Finance charges – re-banking	**136**	224
Loss/(gain) arising on fair value of derivative contracts	**294**	(41)
	988	859

11 Income tax expense

a) Analysis of total tax charge

	Year to 31 March 2015 £000	Year to 31 March 2014 £000
Current tax		
UK corporation tax at 21% (FY2014: 23%)	–	–
Amounts over provided in prior years	–	–
Overseas taxation	674	841
Adjustment in respect of prior year	35	(21)
Total current tax	709	820
Deferred tax		
Accelerated capital allowances	109	(69)
Losses available for offset against future taxable income	400	487
Retirement benefit obligations	286	4
Less movement recorded in other comprehensive income	(256)	26
Other temporary differences	43	(122)
Derivatives	(62)	9
Effect of change in tax rate	(34)	455
Amounts under/(over) provided in prior years	15	(87)
Total deferred tax	501	703
Tax charge reported in the income statement	1,210	1,523

(b) Reconciliation of profit before tax total to tax charge

The relationship between the expected tax expense based on the domestic effective tax rate of Hayward Tyler Group PLC at 21% (FY2014: 23%) and the reported tax expense in the income statement is set out below, which also shows the major components of tax expense:

	Year to 31 March 2015 £000	Year to 31 March 2014 £000
Profit before tax	4,359	3,803
Domestic tax rate for Hayward Tyler Group PLC	21%	23%
Expected tax charge	915	875
Adjustment for tax-rate differences in foreign jurisdictions	265	295
Deferred tax not recognised and effect of tax rate change	(116)	381
Amounts over provided in prior years	50	(87)
Adjustment for non-deductible expenses	96	59
Tax charge	1,210	1,523

Note 21 provides information on the entity's deferred tax assets and liabilities, including the amounts recognised directly in the income statement.

12 Income tax asset/(liability)

	At 31 March 2015 £000	At 31 March 2014 £000
Current tax assets	500	580
Current tax liabilities	(1,084)	(881)
Income tax payable	(584)	(301)

Notes to the Financial Statements
for the year ended 31 March 2015

13 Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post-tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

	Year to 31 March 2015	Year to 31 March 2014
Earnings per share calculations only		
Profit attributable to ordinary shareholders:		
Profit for the year (£000)	**3,149**	2,280
Weighted average number of shares (used for basic earnings per share)	**45,088,200**	45,436,197
Weighted average number of shares	**45,088,200**	45,436,197
Basic earnings per share (pence)	**6.98**	5.02
Diluted earnings per share (pence)	**6.98**	5.02

Dividends
An interim dividend of 0.525 pence per ordinary share was declared during the year representing a total of £238,913 (FY2014: £227,536).

14 Dividends

	Year to 31 March 2015		Year to 31 March 2014	
	Pence per share	£000	Pence per share	£000
Paid in the year				
Interim dividend – current year	**0.525**	**237**	0.500	227
Final dividend – in respect of prior year	**0.750**	**338**	–	–
Total	**1.275**	**575**	0.500	227

A final dividend of 0.79 pence per share payable on 28 August 2015 is proposed subject to shareholder approval.

15 Goodwill

The net carrying amount of goodwill can be analysed as follows:

Group	At 31 March 2015 £000	At 31 March 2014 £000
Gross carrying amount		
Carrying amount at start of year	**2,219**	2,219
Carrying amount at end of year	**2,219**	2,219

Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill rises, as follows:

	At 31 March 2015 £000	At 31 March 2014 £000
OE	**368**	368
AM	**1,851**	1,851
Carrying amount at end of year	**2,219**	2,219

The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management.

The key assumptions used in the calculations were:

– the forecast operating cash flows for the next five years and a terminal value of such flows based on approved budgets and plans. These budgets and plans are based on past performance, current orders, future order pipeline and expectations for the market development of the CGU, taking into account the current economic climate and forecast assumptions (both internal and external where appropriate) around the relevant product markets;

– an estimate of the long-term growth rate for the CGU representing management's best estimate of future long-term growth in the respective divisions, taking into account both internal and external projections for the markets in which they operate. The growth rate used for the first five years was 10% which has been based on a review of historic growth rates over the last one to five years. The terminal growth rate used was 2%, which is based on the UK's long-term consumer price index growth rate; and

– a discount rate of 9.68% was used to discount future cash flows and reflects management's estimate of the weighted average cost of capital of the Group.

Impairment test are carried out at each reporting date and indicate present values of future cash flows in respect of both the OE and AM divisions are far in excess of the carrying values of the associated assets including goodwill such that management considers the likelihood of any impairment arising to be remote.

16 Other intangible assets

The Group's other intangible assets comprise solely internally generated development costs **(see note 2.11)**. The net carrying amounts for the reporting periods under review can be analysed as follows:

Group	At 31 March 2015 £000	At 31 March 2014 £000
Gross carrying amount		
Balance at start of year	1,713	1,713
Additions	446	–
Balance at end of year	2,159	1,713
Accumulated amortisation and impairment		
Balance at start of year	932	738
Amortisation	193	194
Balance at end of year	1,125	932
Carrying amount at end of year	1,034	781

The amortisation charge for the year is included within operating charges and disclosed in **note 7**.

The main material asset included above is the development of the subsea motor which has a carrying value of £444,990 at 31 March 2015.

17 Investments

The Company had the following investments in subsidiary undertakings:

	At 31 March 2015 £000	At 31 March 2014 £000
Gross value of investments		
Balance at start of year	27,916	27,916
Additions	–	–
Balance at end of year	27,916	27,916
Provision for impairment		
Balance at start of year	20,193	20,193
Impairment in year	–	–
Balance at end of year	20,193	20,193
Net book value at end of year	7,723	7,723

17 Investments continued

The Company owns more than 20% of the following companies:

Name of company	Place of incorporation	% ownership/ voting power	Principal activity
Southbank UK Limited	England & Wales	100	Holding company
Redglade Associates Limited	England & Wales	100	Property
Redglade Investments Limited	England & Wales	100	Property
Hayward Tyler Group Limited	England & Wales	100	Holding company
Hayward Tyler Limited	England & Wales	100	Trading
Hayward Tyler (UK) Limited	England & Wales	100	Dormant
Varley Pumps Limited	England & Wales	100	Dormant
Hayward Tyler Subsea Limited	England & Wales	100	Dormant
Hayward Tyler Holdings Limited	England & Wales	100	Holding company
Hayward Tyler Holding Inc	USA	100	Holding company
Hayward Tyler Inc	USA	100	Trading
Hayward Tyler Pumps (Kunshan) Co Limited	China	100	Trading
Hayward Tyler India PTE Limited	India	100	Trading
Appleton & Howard Limited	England & Wales	100	Dormant
Hayward Tyler Fluid Dynamics Limited	England & Wales	100	Dormant
Hayward Tyler Fluid Handling Limited	England & Wales	100	Trading
Hayward Tyler Services Limited	England & Wales	100	Dormant
Specialist Energy Group Trustee Limited	England & Wales	100	Acts as employee benefit trust
Hayward Tyler Pension Plan Trustees Limited	England & Wales	100	Manages pension scheme
Sumo Pumps Limited	England & Wales	100	Dormant
Hayward Tyler Engineered Products Limited	England & Wales	100	Dormant
Capital Engineering Services Limited	England & Wales	100	Dormant
Credit Montague Limited	England & Wales	100	Dormant
Mullins Limited	England & Wales	100	Dormant
Nviro Cleantech Limited	England & Wales	100	Holding company
Laseair Limited	England & Wales	80	Dissolved[1]
Microrelease Limited	England & Wales	80	Dissolved[1]
Organotect Inc	USA	65	No longer trading
Nviro Cleantech Inc	USA	100	Holding company
Vertus Technologies US LLC	USA	100	Holding company
Vertus Technologies Industrial LLC	USA	100	No longer trading
Vertus Technologies Limited	Cayman Islands	100	Holding company
Nviro Cleantech Limited	Cayman Islands	100	Holding company

1 Dissolved on 5 May 2015

All companies are owned indirectly by Hayward Tyler Group PLC except for Southbank UK Limited, Specialist Energy Group Trustee Limited and Nviro Cleantech Limited (which are owned directly) and the results for all have been included within the consolidation.

Notes to the Financial Statements
for the year ended 31 March 2015

18 Property, plant and equipment

The Group's property, plant and equipment comprise primarily land, buildings, plant and machinery, and fixtures and fittings. The carrying amount can be analysed as follows:

Group	Freehold land and buildings £000	Short leasehold improvements £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Gross carrying amount					
Balance at 1 April 2014	8,622	1,694	10,212	3,121	23,649
Exchange adjustments	–	102	453	119	674
Additions	1,894	186	677	187	2,944
Reclassification	–	–	(3)	3	–
Disposals	–	–	(990)	–	(990)
Balance at 31 March 2015	**10,516**	**1,982**	**10,349**	**3,430**	**26,277**
Depreciation and impairment					
Balance at 1 April 2014	3,001	903	8,236	2,509	14,649
Exchange adjustments	–	68	363	74	505
Reclassification	–	–	–	–	–
Disposals	–	–	(985)	–	(985)
Charge for the year	47	129	418	226	820
Balance at 31 March 2015	**3,048**	**1,100**	**8,032**	**2,809**	**14,989**
Carrying amount at 31 March 2015	**7,468**	**882**	**2,317**	**621**	**11,288**
Gross carrying amount					
Balance at 1 April 2013	8,622	835	11,569	3,578	24,604
Exchange adjustments	–	(64)	(332)	(88)	(484)
Additions	–	583	741	448	1,772
Reclassification	–	340	(310)	(30)	–
Disposals	–	–	(1,456)	(787)	(2,243)
Balance at 31 March 2014	8,622	1,694	10,212	3,121	23,649
Depreciation and impairment					
Balance at 1 April 2013	2,959	604	9,852	3,154	16,569
Exchange adjustments	–	(51)	(270)	(48)	(369)
Reclassification	–	275	(273)	(2)	–
Disposals	–	–	(1,454)	(783)	(2,237)
Charge for the year	42	75	381	188	686
Balance at 31 March 2014	3,001	903	8,236	2,509	14,649
Carrying amount at 31 March 2014	**5,621**	**791**	**1,976**	**612**	**9,000**

The Group's freehold land and buildings were valued by independent valuers for the financial statements for the year ended 31 December 2011 and an impairment charge was made at that date. The Directors believe that there has been no further impairment of the property since that date. Fair value of freehold land and buildings do not have quoted prices and have been determined based on professional appraisals that would be classified as Level 3 of the fair value hierarchy as defined in IFRS 13 "Fair Value Measurement".

If the cost model had been used, the carrying amount of land and buildings would be £6,355,655 (FY2014: £6,494,375). Revaluation previously has only ever resulted in a decrease arising, as a consequence there is no revaluation surplus.

All depreciation charges are included within operating charges and disclosed in **note 7**.

The Group's land and buildings have been pledged as security for term loans.

The carrying value of assets under finance leases included in plant and machinery amounted to £937,503 (FY2014: £707,000).
The depreciation charged to the financial statements in the year in respect of finance leased assets amounted to £101,195 (FY2014: £106,000).

19 Inventories

Inventories recognised in the statement of financial position can be analysed as follows:

Group	At 31 March 2015 £000	At 31 March 2014 £000
Raw materials and consumables	**2,931**	2,944
Work in progress	**1,044**	2,939
Finished goods and goods for resale	**2,040**	1,791
	6,015	7,674

In the year ended 31 March 2015, total inventory included in expenses amounted to £19,960,000 (FY2014: £16,810,000).

20 Trade and other receivables

		Group		Company
	At 31 March 2015 £000	At 31 March 2014 £000	**At 31 March 2015 £000**	At 31 March 2014 £000
Current				
Trade receivables	**10,659**	7,793	**–**	–
Less: provision for impairment of receivables	**(139)**	(88)	**–**	–
Trade receivables – net	**10,520**	7,705	**–**	–
Gross amounts due from customers	**4,493**	4,031	**–**	–
Other receivables	**286**	136	**49**	–
Other debtors	**1,300**	–	**–**	–
Due from Group undertakings	**–**	–	**7,849**	10,123
Trade and other receivables	**16,599**	11,872	**7,898**	10,123
Prepayments	**911**	587	**–**	–
VAT recoverable	**228**	283	**98**	16
Other current assets	**1,139**	870	**98**	16
Total current trade and other receivables	**17,738**	12,742	**7,996**	10,139

		Group		Company
	At 31 March 2015 £000	At 31 March 2014 £000	**At 31 March 2015 £000**	At 31 March 2014 £000
Non current				
Due from Group undertakings	**–**	–	**2,412**	–
Other debtors	**806**	–	**–**	–
Trade and other receivables	**806**	–	**2,412**	–
Total non current trade and other receivables	**806**	–	**2,412**	–

The Directors believe that the carrying amounts of trade and other receivables approximate their fair values. The receivables are short term and non-interest bearing.

Notes to the Financial Statements
for the year ended 31 March 2015

20 Trade and other receivables continued

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of £0.1 million (FY2014: £0.1 million) has been made.

The movement in the provision for credit losses can be reconciled as follows:

	At 31 March 2015 £000	At 31 March 2014 £000
Balance at start of year	**88**	717
Charge for the year	**53**	51
Impairment reversals	**(2)**	(89)
Amounts utilised in the year	–	(591)
Balance at end of year	**139**	88

An analysis of unimpaired trade receivables that are past due is given in **note 28**.

21 Deferred tax assets

Deferred tax movements for the year arising from temporary differences and unused tax losses of the Group can be summarised as follows:

	At 31 March 2015 £000	At 31 March 2014 £000
Balance at start of year	**3,312**	3,989
Charge to income statement for the year (**note 11**)	**(501)**	(703)
Charge to other comprehensive income	**(256)**	26
Balance at end of year	**2,555**	3,312

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in future against which deductible temporary differences can be utilised. This recognition is supported by the underlying profitability of the Group in the year ended 31 March 2015 and the future projected profitability of the Group. No deferred tax asset has been recognised on tax losses of £0.1 million (FY2014: £0.6 million).

Deferred tax assets

	Balance at 1 April 2014 £000	Charge to income for the year £000	Credit to other comprehensive income for the year £000	Balance at 31 March 2015 £000
Accelerated tax depreciation	8	(162)	–	**(154)**
Retirement benefit obligations	308	(16)	(256)	**36**
Tax losses	2,856	(251)	–	**2,605**
Derivatives	(8)	58	–	**50**
Temporary differences	148	(130)	–	**18**
Total	3,312	(501)	(256)	**2,555**

	Balance at 1 April 2013 £000	Charge to income for the year £000	Charge to other comprehensive income for the year £000	Balance at 31 March 2014 £000
Accelerated tax depreciation	(66)	74	–	8
Retirement benefit obligations	358	(76)	26	308
Tax losses	3,710	(854)	–	2,856
Derivatives	–	(8)	–	(8)
Temporary differences	(13)	161	–	148
Total	3,989	(703)	26	3,312

22 Cash and Cash equivalents

Cash and cash equivalents included the following components:

	Group At 31 March 2015 £000	Group At 31 March 2014 £000	Company At 31 March 2015 £000	Company At 31 March 2014 £000
Cash at bank and in hand:				
GBP	**896**	1,487	**(245)**	–
USD	**608**	39	**–**	–
EUR	**39**	33	**–**	–
Other	**226**	189	**–**	–
	1,769	1,748	**(245)**	–

At 31 March 2015 the Group had the following undrawn facilities:

Group	**At 31 March 2015 £000**	At 31 March 2014 £000
Revolving credit facilities	**5,851**	2,094
Corporate charge card facility	**84**	49

The bank revolving credit facilities and loans are secured by fixed and floating charges over the Group's assets.

The short-term bank borrowings under the revolving credit facilities have been classified under borrowings in Hayward Tyler Group PLC. A breakdown of cash and borrowings is set out below:

	Group At 31 March 2015 £000	Group At 31 March 2014 £000	Company At 31 March 2015 £000	Company At 31 March 2014 £000
Cash at bank and in hand	**1,769**	1,748	**(245)**	–
Short-term bank borrowings	**(3,145)**	(3,806)	**–**	–
Short-term bank loans	**(1,125)**	(1,357)	**(825)**	(896)
Non-current bank loans	**(5,359)**	(4,933)	**(2,411)**	(1,800)
Net debt	**(7,860)**	(8,348)	**(3,481)**	(2,696)

The Directors consider that the carrying amount of the cash and cash equivalents approximates to their fair value.

23 Trade and other payables

	Group At 31 March 2015 £000	Group At 31 March 2014 £000	Company At 31 March 2015 £000	Company At 31 March 2014 £000
Trade payables	**6,202**	4,841	**17**	182
Payments on account	**3,410**	5,451	**–**	–
Social security and other taxes	**364**	222	**–**	–
Due to Group undertakings	**–**	–	**175**	35
Trade and other payables	**9,976**	10,514	**192**	217

The carrying amounts of trade and other payables approximate to their fair values. All amounts shown above are short-term liabilities and are accruing no interest.

24 Other liabilities

Other liabilities can be summarised as follows:

	Group At 31 March 2015 £000	Group At 31 March 2014 £000	Company At 31 March 2015 £000	Company At 31 March 2014 £000
Current				
Accruals	**2,506**	2,682	**208**	267
Other payables	**1,216**	73	**–**	–
	3,722	2,755	**208**	267

	Group At 31 March 2015 £000	Group At 31 March 2014 £000	Company At 31 March 2015 £000	Company At 31 March 2014 £000
Non current				
Other creditors – deferred income	**2,757**	–	**–**	–
	2,757	–	**–**	–

25 Provisions

Group	At 31 March 2015 £000	At 31 March 2014 £000
Annual leave	**156**	145
Warranty	**631**	394
Liquidated damages	**21**	–
Loss making contracts	**76**	531
	884	1,070

All provisions are considered current. The carrying amounts may be analysed as follows:

	Annual leave £000	Warranty £000	Liquidated damages £000	Loss making contracts £000	Total £000
Carrying amount at start of year	145	394	–	531	**1,070**
Exchange differences	5	–	–	–	**5**
Additional provisions	25	609	21	76	**731**
Unused amounts reversed	–	(79)	–	–	**(79)**
Amount utilised	(19)	(293)	–	(531)	**(843)**
Carrying amount at end of year	156	631	21	76	**884**

Annual leave provision
Paid holidays are regarded as an employee benefit and are charged to the profit or loss as the benefit is earned. A provision is made at the balance sheet date to reflect the present value of the holidays earned but not taken.

Warranty provision
Provisions for warranty work represent the estimated cost of work provided under the terms of the contracts with customers with reference to the length and unexpired portion of the terms provided.

Liquidated damages
Provisions for liquidated damages are the liabilities estimated to arise on the expected delay in shipment of contracts that have been shipped prior to 31 March 2015. There were minor expected delays in the year.

Loss making contracts
Provisions for loss making contracts are the estimated total costs that exceed the total revenues from contracts that are in progress at the reporting date.

26 Leases

Finance Leases

The Group leases various equipment under finance lease arrangements. The net carrying amount of the assets held under finance lease arrangements is £937,503 (FY2014: £707,000). The assets are included under "Plant and Machinery", which form an integral part of "property, plant and equipment" **(see note 18)**.

The future aggregate minimum finance lease payments are as follows:

Group	**At 31 March 2015** Minimum payments £000	**At 31 March 2015** Present value of payments £000	At 31 March 2014 Minimum payments £000	At 31 March 2014 Present value of payments £000
No later than 1 year	**272**	**250**	180	167
Later than 1 year and no later than 5 years	**583**	**450**	447	335
	855	**700**	627	502
Less: Amounts representing finance charges	**(155)**		(125)	
Present value of minimum lease payments	**700**		502	

The lease agreement for the equipment includes fixed lease payments and a purchase option at the end of the lease term. The agreement is non-cancellable but does not contain any further restrictions. No contingent rents were recognised as an expense in the reporting periods under review.

Operating leases

The Group leases various offices, vehicles and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are:

Group	**At 31 March 2015 £000**	At 31 March 2014 £000
No later than 1 year	**142**	187
Later than 1 year and no later than 5 years	**175**	145
	317	332

Lease payments recognised as an expense during the period are shown in **note 7**. The Group's operating lease agreements do not contain any contingent rent clauses.

27 Pensions and other employee obligations

Within the UK the Group operates a defined benefit plan with benefits linked to final salary and a defined contribution plan. With effect from 1 June 2003 the defined benefit plan was closed to new UK employees who are offered membership of the defined contribution plan. The majority of UK employees are members of one of these arrangements. The method used in assessing the scheme liabilities is the projected unit method. A full valuation of the pension scheme is produced every three years (the last one being as at 1 January 2014) and updated annually to 31 March 2015 by independent qualified actuaries.

The Group operates a defined benefit pension arrangement called the Hayward Tyler Pension Plan (the "Plan"). The Plan provides benefits based on final salary and length of service on retirement, leaving service or death.

The Plan is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Plan is carried out at least once every three years to determine whether the Statutory Funding Objective is being met. As part of the process the Company must agree with the Trustees of the Plan the contributions to be paid to address any shortfall against the Statutory Funding Objective. The Statutory Funding Objective does not currently impact on the recognition of the Plan in these accounts.

The Plan is managed by a board of trustees appointed in part by the Company and in part from elections by members of the Plan. The board of trustees includes a professional trustee (Independent Trustee Services Limited). The trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Plan's assets. The trustees delegate some of these functions to their professional advisers where appropriate.

27 Pensions and other employee obligations continued

The Plan exposes the Company to a number of risks:

- **Investment risk**
  The Plan holds investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges;

- **Interest rate risk**
  The Plan's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Plan holds assets such as equities the value of the assets and liabilities may not move in the same way;

- **Inflation risk**
  A significant proportion of the benefits under the Plan are linked to inflation. Although the Plan's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging;

- **Longevity risk**
  In the event that members live longer than assumed a deficit will emerge in the Plan; and

- **Concentration risk**
  A significant proportion of the Plan's liabilities are in respect of a single pensioner member. The development of the liabilities over time will therefore depend heavily on the actual experience in respect of this member.

There were no plan amendments, curtailments or settlements during the period.

The Group's defined benefit obligations and plan assets may be reconciled to the amounts presented on the face of the statement of financial position for each of the reporting periods under review as follows:

Group	**At 31 March 2015 £000**	At 31 March 2014 £000
Defined benefit obligation	**(14,084)**	(13,053)
Fair value of plan assets	**13,905**	11,515
Net obligation	**(179)**	(1,538)

Scheme liabilities

The defined benefit obligations for the reporting periods under review are as follows:

Group	**At 31 March 2015 £000**	At 31 March 2014 £000
Defined benefit obligation at start of year	**13,053**	13,158
Interest cost	**543**	587
Experience loss	**(185)**	–
Changes to demographic assumptions	**83**	(216)
Changes to financial assumptions	**1,461**	336
Benefits paid	**(871)**	(812)
Defined benefits obligation at end of year	**14,084**	13,053

For determination of the pension obligation, the following actuarial assumptions were used:

Group	**At 31 March 2015**	At 31 March 2014
Discount rate	**3.1%**	4.3%
Expected rate of return on plan assets	**n/a**	4.7%
Expected rate of pension increases	**2.0%**	2.4%
Inflation assumption	**2.8%**	3.2%
Mortality assumption	**S2PXA CMI**	S2PXA CMI

S2PXA CMI – for males and females projected on a year of birth basis using CMI (2013) projections with a long-term rate of improvement of 1.25% per annum with a plus 2 year age rating. The mortality assumptions imply the following life expectancies:

- *Male retiring at age 65 in 2015 20.7*
- *Male retiring at age 65 in 2034 22.5*
- *Female retiring at age 65 in 2015 22.6*
- *Female retiring at age 65 in 2034 24.6*

These assumptions were developed by management under consideration of expert advice provided by Barnett Waddingham, independent actuarial appraisers. These assumptions have led to the amounts determined as the Group's defined benefit obligations for the reporting periods under review and should be regarded as management's best estimate. However, the actual outcome may vary.

27 Pensions and other employee obligations continued

No assumption is made with regard to the expected rate of salary increases as there are no members with benefits related to future salary progression.

Scheme assets

The assets held by the pension fund can be reconciled from the opening balance to the reporting date as follows:

Group	At 31 March 2015 £000	At 31 March 2014 £000
Fair value of plan assets at start of year	**11,515**	11,603
Interest income	**481**	520
Return on plan assets (excluding amounts included in net interest)	**2,580**	7
Contributions by the Group	**200**	197
Benefits paid	**(871)**	(812)
Fair value of plan assets at end of year	**13,905**	11,515
Actual return on plan assets	**525**	527

Based on historical data, the Group expects contributions of £210,000 to be paid in the year to 31 March 2016.

Plan assets do not include any investment in shares of the Company. Plan assets can be broken down into the following major categories of investments:

Group	At 31 March 2015 £000	%	At 31 March 2014 £000	%
Real estate funds	**973**	**7**	806	7
Equity investment funds	**5,423**	**39**	4,376	38
Gilts and LDI funds	**4,450**	**32**	4,606	40
Corporate bonds	**2,781**	**20**	1,382	12
Liquid funds	**278**	**2**	345	3
Total value of assets	**13,905**	**100**	11,515	100

All equity and debt instruments have quoted prices in active markets (Level 1). Fair values of real estate investments do not have quoted prices and have been determined based on professional appraisals that would be classified as Level 3 of the fair value hierarchy as defined in IFRS 13 'Fair Value Measurement'.

Scheme expenses

Net interest expense resulting from the Group's defined benefit plans was £62,000 (FY2014: £67,000). The employee benefits expense for the period is £nil (FY2014: £nil). In the period the actual return on plan assets was £525,000 (FY2014: £527,000).

The remeasurement recorded in other comprehensive income is as follows:

Group	At 31 March 2015 £000	At 31 March 2014 £000
(Gain) on scheme assets in excess of interest	**(2,580)**	(7)
Experience (gains)	**(185)**	–
Losses/(gains) from changes to demographic assumptions	**83**	(216)
Losses from changes to financial assumptions	**1,461**	336
Total (gains)/losses recognised in other comprehensive income	**(1,221)**	113

Group Experience gains and losses	At 31 March 2015 £000	At 31 March 2014 £000	At 31 March 2013 £000	At 31 December 2011 £000	2010 £000
Defined benefit obligation	**(14,084)**	(13,053)	(13,158)	(13,126)	(13,137)
Fair value of plan assets	**13,905**	11,515	11,603	10,659	10,488
Plan deficit	**(179)**	(1,538)	(1,555)	(2,467)	(2,649)
Experience adjustments:					
Plan assets	**2,580**	7	1,174	218	350
Plan liabilities	**(185)**	–	27	–	–

27 Pensions and other employee obligations continued

Sensitivity of the value placed on the liabilities

Reduce discount rate by 0.1% p.a.	£180,000
Increase inflation and related assumption by 0.1% p.a.	£110,000
Increase a long-term rate of longevity improvement by 0.25 p.a	£150,000

Note that the above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

Risk mitigation strategies
The trustees invest the Plan's assets in combination of Liability-Sensitive assets and Return-Generating assets. The Liability-Sensitive assets are invested in a variety of LDI (Liability-Driven Investment) Funds. These funds invest in a combination of interest rate and inflation rate swaps in order to mimic the movement in expected cashflows of the Plan caused by changes in interest and inflation rates.

Effect of the Plan on Company's future cashflows
The Company is required to agree a schedule of contributions with the trustees of the Plan following a valuation, which must be carried out at least once every three years. The next valuation of the plan is due as at 1 January 2017. In the event that the valuation reveals a larger deficit than expected the Company may be required to increase contributions above those set out in the existing schedule of contributions. Conversely, if the position is better than expected contributions may be reduced.

The Company expects to pay contributions of £210,000 in the year to 31 March 2016.

The weighted average duration of the defined benefit obligation is approximately 14 years on the Plan's Scheme Funding basis.

28 Financial instrument risk

The Group's activities expose it to a variety of financial risks; foreign currency risk, credit risk, liquidity risk, cash flow risk and interest rate risk. The Group's overall risk management programmes focus on both credit risk and the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's risk management is co-ordinated at its headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the Group's and the Company's short to medium-term cash flows by minimising the exposure to financial markets.

While the Group does use derivatives in order to economically hedge its exposure to foreign currency risk and cash flow interest rate risk (see below) it does not engage in the trading of derivatives for speculative purposes nor does it write options. The most significant financial risks to which the Group and the Company are exposed are described below.

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency sensitivity
The Group operates in overseas markets and is subject to currency exposures of transactions undertaken during the period. Management's overarching objective is to minimise the extent of the Group's exposure to currency risk. In respect of transactional foreign currency risk the Group maintains a policy that all exposures on material committed transactions should be economically hedged as far as possible. The Group prepares rolling 12 month currency cash flow forecasts to enable currency exposures to be identified and then subsequently hedged.

The Group uses forward exchange contracts to hedge the impact on receipts and payments of the volatility in exchange rates of US Dollar and Euro to Pound Sterling. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2015 were £4.8 million (FY2014: £2.8 million). Hedge accounting is not applied in respect of these hedged transactions.

Derivative contracts are measured at fair value in the statement of financial position with movements in that fair value being recognised in profit or loss.

Currency exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved. The significant currency risk arises from contracts raised in US Dollars.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in the US Dollar/Pound Sterling exchange rate of +/-10%. These changes are considered to be reasonably possible based on observation of recent volatility in the currency markets. The calculations are based on a change in average US Dollar/Pound Sterling exchange rate for each period and the foreign currency denominated financial instruments held at each reporting date that are sensitive to changes in the US Dollar/Pound Sterling exchange rate. All other variables are held constant.

28 Risk management objectives and policies continued

Impact on profit in a 12 month period based on financial instruments held at:	Change in exchange rate +10% £000	–10% £000
31 March 2015	**(371)**	**454**
31 March 2014	(263)	321

There is no impact on equity arising from foreign exchange fluctuations as the Group does not use hedge accounting. Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

The Company does not have any currency exposures.

Interest rate sensitivity

The Group's borrowings include loans that carry variable rates of interest and thus expose the Group to cash flow risk. The Group's policy is to minimise interest costs and changes in the market value of debt. Interest rate risk is regularly monitored to ensure that the mix of variable and fixed rate borrowing is appropriate for the Group. The Group has chosen to maintain the majority of its borrowings as floating in order to benefit from low current interest rates.

The Group has term borrowings of £2.1 million that have an effective fixed rate of interest. These borrowings relate to finance lease agreements (£0.7 million) and loan notes (£1.4 million). The remaining term borrowings of £4.6 million have a floating rate of interest based on LIBOR.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. The interest rate profile of the financial assets and liabilities of the Group at 31 March 2015 is as follows:

Group Interest rate profile	Fixed £000	Floating £000	Zero £000	Total £000
Receivables				
Trade and other receivables	–	–	15,269	15,269
Payables				
Trade and other payables	–	–	9,976	**9,976**
Bank loans	–	4,601	–	**4,601**
Amounts due under revolving credit facilities	–	2,900	–	**2,900**
Amounts due under finance lease agreements	693	–	–	**693**
Amounts due under loan notes agreements	1,436	–	–	**1,436**
	2,129	7,501	9,976	**19,606**
Cash	–	(1,769)	–	**(1,769)**
	2,129	5,732	9,976	**17,837**

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/-0.5%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in average market interest rate for each period and the financial instruments held at each reporting date that are sensitive to changes in interest rates (i.e. net floating rate debt). All other variables are held constant.

Impact on profit in a 12 month period based on financial instruments held at:	Change in interest rate +0.5% £000	–0.5% £000
31 March 2015	**(29)**	**29**
31 March 2014	(39)	39

The Company has minimal exposure to interest rate risk. It has interest bearing liabilities that are matched with interest bearing assets. It is exposed to interest rate risk on its financial assets being its cash at bank balances. The interest rate receivable on these balances is less than 0.5%. The Company gave careful consideration to which organisation it should use for its banking services and interest rates available was one aspect of the decision. The Directors currently believe that interest rate risk is at an acceptable level.

Credit risk analysis

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

28 Risk management objectives and policies continued

The Group's most significant exposure to credit risk is in respect of the possibility of any individual customer being unable to settle their debts as they fall due or as a result of changes in the political landscape that impact the Group's ability to collect debts from an individual jurisdiction. The credit risk associated with customers and jurisdictions is considered as part of the tender review process and is addressed initially via contract payment terms and, where appropriate, payment security. In certain circumstances it may lead to a decision by the Group to cease trading with individual customers or customers from certain jurisdictions.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

Group	At 31 March 2015 £000	At 31 March 2014 £000
Classes of financial assets – carrying amounts		
Trade and other receivables	**15,269**	11,872
Cash and cash equivalents	**1,769**	1,748

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements.

Some of the unimpaired trade receivables are past due as at the reporting date. Financial assets past due but not impaired can be shown as follows:

Group	At 31 March 2015 £000	At 31 March 2014 £000
Not more than 3 months	**–**	22
More than 3 months but less than 6 months	**3**	182
More than 6 but less than 12 months	**136**	276
	139	480

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered to be negligible since the counterparties are reputable banks with high quality external credit ratings.

The Company's credit risk arises principally from the Company's cash balances and the balances due to it from other Group undertakings. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The concentration of the Company's credit risk is considered by counterparty, geography and currency. During the year ended and as at 31 March 2015 the Company held minimal cash balances. In addition, as at 31 March 2015 the Company had provided long-term intercompany funding to its subsidiaries of £7.8 million (FY2014: £10.4 million), the Company's management consider that these financial assets that are not impaired are of good credit quality.

Liquidity risk analysis

The Group, together with the Company, manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis as well as on the basis of a rolling 60-day forecast and a rolling 13-week projection. Long-term liquidity needs for a 365-day lookout period are identified quarterly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls.

The Group and the Company maintain cash and headroom to meet their liquidity requirements for 60-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of credit facilities and the ability to sell long-term investment in subsidiaries.

28 Risk management objectives and policies continued

As at 31 March 2015, the liabilities that have contractual maturities (including interest payments where applicable) are summarised below:

	Group Current (<1 year) £000	Group Non-current (>1 year) £000	Company Current (<1 year) £000	Company Non-current (>1 year) £000
31 March 2015				
Trade payables	**6,202**	**–**	**17**	**–**
Accruals and other payables	**3,721**	**–**	**208**	**–**
Short-term bank borrowings	**2,900**	**–**	**–**	**–**
Finance lease liabilities	**245**	**448**	**–**	**–**
Bank loans	**1,196**	**3,405**	**895**	**905**
Loan notes	**(70)**	**1,506**	**(70)**	**1,506**
Owed to Group undertakings	**–**	**–**	**175**	**–**
31 March 2014				
Trade payables	4,841	–	182	–
Accruals and other payables	2,755	–	267	–
Short-term bank borrowings	3,806	–	–	–
Finance lease liabilities	163	332	–	–
Bank loans	1,194	4,601	896	1,800
Owed to Group undertakings	–	–	35	–

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date. Where the counterparty has a choice of when an amount is paid the liability has been included on the earliest date on which payment can be required. The Directors are of the view that the fair value of borrowings approximate to their carrying value.

29 Capital management objectives

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk. The Group funds itself through equity and debt, which is defined as bank borrowings, loan notes and finance leases.

The Group's capital is represented by the carrying amount of equity as presented on the face of the statement of financial position. The Group's goal in capital management is to maintain a balance of capital to overall financing in the range 40% to 60%. At 31 March 2015 capital represented 66% of overall financing (FY2014: 57%). The Board will continue to monitor developments in the Group's capital over FY2016. The capital and overall financing for the reporting periods under review is summarised as follows:

Group	At 31 March 2015 £000	At 31 March 2014 £000
Total equity	**15,441**	11,243
Total equity	**15,441**	11,243
Net borrowings	**7,860**	8,348
Overall financing	**23,301**	19,591

30 Financial assets and liabilities

30.1 Categories of financial assets and liabilities

The carrying amounts presented in the financial statements relate to the following categories of assets and liabilities:

	Group		Company	
	At 31 March 2015 £000	At 31 March 2014 £000	**At 31 March 2015 £000**	At 31 March 2014 £000
Financial assets				
Current:				
Loans and receivables:				
– Trade and other receivables	**15,269**	11,872	**7,898**	10,123
– Cash and cash equivalents	**1,769**	1,748	**–**	–
– Assets carried at fair value through Profit and Loss	**–**	41	**–**	–
Financial liabilities				
Current:				
Financial liabilities measured at amortised cost:				
– Trade payables	**6,202**	4,841	**17**	182
– Borrowings	**4,270**	5,163	**825**	896
– Derivatives	**252**	–	**–**	–
Non-current				
Financial liabilities measured at amortised cost:				
– Borrowings	**5,359**	4,933	**2,411**	1,800

See **note 2.23** for a description of the accounting policies for each category of financial instrument. The fair values are presented in the related notes. A description of the Group's risk management objectives and policies for financial instruments is given in **note 28**.

30.2 Derivatives financial instruments

The fair value of forward foreign currency contracts is calculated by reference to current market rates for contracts with similar maturity profiles.

The derivative financial (liabilities)/assets can be summarised as follows:

Group	**At 31 March 2015 £000**	At 31 March 2014 £000
Forward exchange contracts	**(252)**	41
Fair value of derivative financial (liabilities)/assets	**(252)**	41

The fair value measurements of all of the above derivative financial (liabilities)/assets fall into Level 2 of the fair value hierarchy.

30.3 Financial results by category of financial instruments

The financial results by category of financial instruments can be summarised as follows:

	Group		Company	
	Year to 31 March 2015 £000	Year to 31 March 2014 £000	**Year to 31 March 2015 £000**	Year to 31 March 2014 £000
Loans and receivables – interest received	**–**	–	**–**	–
Financial liabilities measured at amortised cost – interest paid	**(489)**	(409)	**–**	–
Fair value movements on derivative financial instruments	**(294)**	–	**–**	–
	(783)	(409)	**–**	–

30 Financial assets and liabilities continued

30.4 Borrowings

Borrowings comprise the following financial liabilities:

Group	Current At 31 March 2015 £000	Current At 31 March 2014 £000	Non-current At 31 March 2015 £000	Non-current At 31 March 2014 £000
Financial liabilities measured at amortised cost:				
Bank borrowings and loans	**4,025**	5,000	**4,911**	4,601
Finance lease liabilities	**245**	163	**448**	332
	4,270	5,163	**5,359**	4,933

Company	Current At 31 March 2015 £000	Current At 31 March 2014 £000	Non-current At 31 March 2015 £000	Non-current At 31 March 2014 £000
Financial liabilities measured at amortised cost:				
Bank borrowings and loans	**825**	896	**2,411**	1,800
	825	896	**2,411**	1,800

The bank loans are secured by fixed and floating charges over the Group assets. The rates of interest on the loans are detailed in **note 28**. The above bank loans contain terms and basis of the conditions that are normal for the commercial banking market. A breakdown of net debt is given in **note 22**.

31 Related party transactions

The Group's related parties include its key management, post-employment benefit plans for the Group's employees and subsidiaries.

Unless otherwise stated, none of the transactions incorporate special terms and conditions. Outstanding balances are usually settled in cash.

Transactions with key management personnel
During the year the Group undertook transactions with key management personnel as set out below. Members of the Board of Directors are considered to be key management personnel.

Remuneration with key management personnel are disclosed in **note 8** and in the **Remuneration Committee's report**.

During the year the Group rented office space with City and Westminster Corporate Finance LLP, a firm of which John May is a partner. City & Westminster Corporate Finance LLP were paid £5,500 (FY2014: £12,000) during the period for the provision of office and administration services to the Company and £nil (FY2014: £23,859) for the provision of legal services to Hayward Tyler Limited in respect of commercial contracts. These fees were charged on normal commercial terms.

During the year both Nicholas Flanagan and Ewan Lloyd-Baker subscribed to the Hayward Tyler Group PLC £3.0 million secured loan note programme. Loan notes issued in the programme bear a 7% coupon and will be repaid by the Group at the end of its three year term. In the period Nicholas Flanagan subscribed £75,000 and received interest of £863. Ewan Lloyd-Baker subscribed £15,000 through his holding in Platform Securities Nominees Limited and received interest of £172. Both loan note subscriptions were made on an arm's length basis.

Transactions with post-employment benefit plans
The defined benefit plan referred to in **note 27** is a related party to the Group.

The Group's transactions with the pension scheme include contributions paid to the plan, which are disclosed in **note 27**. The Group has not entered into other transactions with the pension scheme, neither has it any outstanding balances at the reporting dates under review.

31 Related party transactions continued

Transactions with subsidiaries

Transactions and balances within the Group have been eliminated on consolidation. Balances between the Company and its subsidiaries at the year-end were as follows:

Company	At 31 March 2015 £000	At 31 March 2014 £000
Amounts due from subsidiary undertakings:		
– Southbank UK Limited	**7,862**	7,512
– Redglade Investments Limited	–	893
– Hayward Tyler Limited	**2,417**	1,672
– Nviro Cleantech Limited	–	7
– Nviro Cleantech Inc	–	32
– Vertus Technologies Industrial LLC	–	6
– Vertus Technologies Limited	–	1
	10,279	10,397
Amounts owed to subsidiary undertakings:		
– Redglade Associates Limited	–	(9)
– Microrelease Limited	–	(12)
– Laseair Limited	–	(14)
– Hayward Tyler Group Limited	**(175)**	–
	(175)	(35)

Amounts due from subsidiary undertakings represent intercompany funding. In the case of Southbank UK Limited funding has been provided to finance working capital, particularly for Hayward Tyler, and to finance debt repayments. Funding has been provided to Redglade Investments Limited to finance debt repayments. In the case of the Nviro companies funding has been provided to meet tax and regulatory costs. Amounts owed to subsidiary undertakings relate to trading balances. From 1 April 2014 the intercompany funding has been converted to loans at market rates of interest with varying terms of between one to three years.

32 Commitments

Group	At 31 March 2015 £000	At 31 March 2014 £000
Contracted for but not provided for	**4,660**	55
	4,660	55

33 Equity

Share capital
The share capital of Hayward Tyler Group PLC consists of fully paid ordinary shares with a par value of 1 pence per share. Shares authorised and issued are summarised below.

Authorised share capital:	At 31 March 2015 £000	At 31 March 2014 £000
80,000,000 ordinary shares of 1p	**800**	800
	800	800

Issued share capital:	At 31 March 2015 No.	At 31 March 2015 £000	At 31 March 2014 No.	At 31 March 2014 £000
Allotted, called up and fully paid				
At start and end of year	**45,507,404**	**455**	45,507,404	455

The total number of own shares held by the Company at 31 March 2015 were 419,204 shares (FY2014: 419,204).

Share premium
Share premium consists of proceeds received in addition to the nominal value of the shares issued, net of transaction costs.

34 Non-cash adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cashflow.

	Group Year to 31 March 2015 £000	Group Year to 31 March 2014 £000	Company Year to 31 March 2015 £000	Company Year to 31 March 2014 £000
Non-cash adjustments:				
Amortisation of intangibles	**193**	194	**–**	–
Depreciation of property, plant and equipment	**820**	686	**–**	–
Finance costs	**988**	859	**145**	–
Interest income	**–**	–	**(461)**	–
Total adjustments	**2,001**	1,739	**(316)**	–
Net changes in working capital:				
Movement in inventories	**1,762**	(2,252)	**–**	–
Movement in trade and other receivables	**(3,495)**	(2,889)	**(163)**	(3,160)
Movement in trade and other payables	**(58)**	3,246	**(161)**	422
Movement in provisions	**(185)**	(112)	**–**	–
	(1,976)	(2,007)	**(314)**	(2,738)

Contacts & Financial Calendar

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Financial Calendar

23 June 2015
Announcement of results for FY2015

30 July 2015
Annual General Meeting

28 August 2015
Payment date of proposed final dividend for FY2015

30 September 2015
Half year-end date

10 November 2015
Announcement of interim results for FY2016

February 2016
Payment of interim dividend for FY2016

31 March 2016
Year-end date

Glossary of Terms

1H2015
First half of financial year ended 31 March 2015

2H2015
Second half of financial year ended 31 March 2015

AIM
London Stock Exchange's market for smaller growing companies

AM
Aftermarket business segment

ASME
American Society of Mechanical Engineers

BCP
Boiler Circulating Pump

BDO
Butanediol

Cash Conversion
Ratio of (a) EBITDA plus movement in working capital to (b) EBITDA

Centre of Excellence
Development of Hayward Tyler Luton including investment in research and development, training and development, and expansion of the facility

CNSiG
Civil Nuclear Sharing in Growth programme, in which Hayward Tyler Luton is participating with a £1.15 million training and development grant

Constant exchange rate basis
Calculation of prior year figures at current year foreign currency exchange rates to show the impact of the change in rates year-on-year

EBIT
Earnings Before Interest and Tax

EBITDA
Earnings Before Interest Tax Depreciation and Amortisation

EN
European clarification standards

EPC
Engineering, Procurement and Construction business

EPS
Earnings Per Share

FY2014
Financial year ended 31 March 2014 or as at 31 March 2014

FY2015
Financial year ended 31 March 2015 or as at 31 March 2015

FY2016
Financial year ended 31 March 2016 or as at 31 March 2016

GW
Giga Watt

Gross Profit %
Gross profit margin represents ratio of (a) revenue less cost of sales to (b) revenue

IGCC
Integrated Gasification Combined Cycle

ISO 9001
Certified quality management system to demonstrate a business' ability to consistently provide products and services that meet the needs of its customers and other relevant stakeholders

ISO 14001
Certified environmental management system to demonstrate a business' ability to manage its environmental responsibilities

KHNP
Korea Hydro Nuclear Power

KPI
Key Performance Indicator

MW
Mega Watt

NAMRC
Nuclear Advanced Manufacturing Research Centre

Net Debt
Cash less borrowings

NVQ
National Vocational Qualification

OE
Original Equipment manufacturing business segment

Order Book
Contracts for which purchase orders have been received from customers and have yet to be shipped by a period end

Order Intake
Contracts for which purchase orders have been received from customers in a period

RGF
Regional Growth Fund programme, in which Hayward Tyler Luton is participating with a £3.5 million grant

ROI
Return on investment

Takt time
The rate at which a product needs to be completed in order to meet customer demand

UK Export Finance
UK Government's export credit agency

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