TRANSFORMATION FOR GROWTH

Hayward Tyler Group plc | Report & Accounts for the year ended 31 March 2016

HAYWARD TYLER GROUP PLC ("HTG") AT A GLANCE

HTG includes both the Hayward Tyler and Peter Brotherhood businesses, together providing 350 years of engineering experience, heritage and pedigree.

HTG is focused on delivering performance-critical solutions for the most demanding requirements to meet current and future global energy needs.
www.htg.global

Who we are
HTG is the name of the Group which now includes both the Hayward Tyler and Peter Brotherhood businesses. Each of these businesses has an enviable reputation and strong brand within their chosen market niches. As part of HTG the whole is greater than the sum of the parts with a Group that through its businesses stands for world-class skills in design, engineering, manufacturing, servicing and support. The Group through both Hayward Tyler and Peter Brotherhood has real, practical experience in providing technically reliable and cost-effective solutions to our customers through original equipment manufacturing and aftermarket services. With over 500 employees globally and facilities in the UK, USA, China and India, HTG has a proven reputation for providing innovative, reliable engineered solutions.

Markets we serve
- Power
- Process
- Oil and Gas
- Renewables
- Nuclear
- Marine
- Other

HAYWARD TYLER

With a pedigree stretching back over 200 years Hayward Tyler is a market leader in the design, manufacture and servicing of performance-critical motors and pumps for the harshest of environments. We are a trusted supplier for the markets we serve with bases in the UK, the USA, China and India. We are making a multi-million pound investment in a new Centre of Excellence. This will significantly enhance our existing capabilities and create the world's most advanced facility for specialist motor manufacture based at our headquarters in Luton as well as providing significant additional support for R&D and the training and development of our workforce.

www.haywardtyler.com

PETER BROTHERHOOD

Peter Brotherhood has been providing engineering solutions for almost 150 years and is a market leader in the design, manufacture and servicing of performance-critical steam turbines, compressors, gear boxes and combined heat and power systems. Peter Brotherhood's expertise covers a range of industries with over 1,500 units sold to over 100 countries globally.

www.peterbrotherhood.com

£61.6m
GROUP REVENUE

>90%
REVENUE FROM OUTSIDE EUROPE (EXCL UK)

7
LOCATIONS GLOBALLY

511
EMPLOYEES GLOBALLY [2]

WORLD CLASS PRODUCTS
TECHNOLOGY-LED ENGINEERING

DIVERSE END MARKETS
GLOBAL REACH

1 For the period from 30 October 2015 to 31 March 2016
2 As at 31 March 2016

HTG TRANSFORMATION FOR GROWTH

Built on the solid foundations of the continuous improvement philosophy across our people, our processes and our products, the last financial year has been transformational for HTG. We have not only completed the Centre of Excellence at Hayward Tyler Luton but also acquired Peter Brotherhood and established a number of new key strategic alliances:

Centre of Excellence

Hayward Tyler has made a multi-million pound investment in a new Centre of Excellence that adds further world-class capabilities to create the world's most advanced facility for specialist motor manufacture, based in Luton

For more information go to **page A3**

Peter Brotherhood

During the year the Group made its first acquisition, purchasing the trade and assets of the Peterborough operations of Dresser-Rand and resurrecting the brand "Peter Brotherhood", a UK-based engineering business with nearly 150 years of engineering heritage and pedigree and a trusted name within its core markets

For more information go to **page A5**

New strategic alliances

Hayward Tyler has established new strategic alliances with FMC Technologies and Ebara Corporation and continued to develop trading relationships with customers including Shanghai Boiler Works, Bharat Heavy Electricals Ltd, KHNP and Bechtel

For more information go to **page A7**

CENTRE OF EXCELLENCE THE MOST ADVANCED FACILITY FOR SPECIALIST MOTOR MANUFACTURE IN THE WORLD

The heart of the future of Hayward Tyler is the development of the Centre of Excellence, which includes investment in research and development, training, new equipment and new infrastructure.

Single process flow-lines in the facility will increase throughput and reduce lead times, thereby reducing working capital requirements. Optimised flow-lines and operations combined with training and new equipment will enable the Luton facility to potentially double its capacity.

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

DAVE MURRAY, DIRECTOR, HAYWARD TYLER GROUP
MARTIN CLOCHERTY, GENERAL MANAGER OPERATIONS, HAYWARD TYLER GROUP

"Cutting-edge design, engineering and manufacturing in a custom-built, state of the art facility."

LAURENCE REDMOND,
SPECIAL PROJECTS DIRECTOR

Capital expenditure on Centre of Excellence

£9.8m

(FY2015: £2.5m)

This expansion has involved building a c.25,000 square foot extension to the existing structure, fitting it out with state-of-the-art facilities, such as particulate control systems and specialist test facilities, and renewing the existing structure. The latter process has included the re-cladding of the walls, replacement of the roof and installation of solar panels, all to improve the environmental footprint of the business.

ACQUISITION OF PETER BROTHERHOOD

On 30 October 2015, UK engineering group Hayward Tyler Group PLC completed the acquisition of the trade and assets of the Peter Brotherhood business for £10.1 million cash, from Dresser-Rand, an arm of German industrial giant Siemens.

Peter Brotherhood is a UK manufacturer of steam turbines and gas compressors, neatly complementing Hayward Tyler's existing business of specialist electric motors and pumps, whilst bringing in a number of new customers.

POWERING CUSTOMER PROFITS IN OVER 100 COUNTRIES

40 MW

UK'S ONLY PRODUCER OF STEAM TURBINES WITH OUTPUTS UP TO 40 MW

1,000+

STEAM TURBINES SUPPLIED FOR MARINE APPLICATIONS

33 MW

WORLD LEADER IN TURBO GENERATORS FOR FLOATING PRODUCTION VESSELS, INCLUDING ONE OF THE WORLD'S LARGEST OF 33 MW

500+

STEAM TURBINES INSTALLED IN THE CANE SUGAR INDUSTRY

24/7

CUSTOMER CARE AND SERVICING GLOBALLY

1,000 MW

INSTALLED POWER IN WASTE TO ENERGY POWER PLANTS

"Great British engineering brands, such as Peter Brotherhood have a well-deserved kudos for reliability and quality around the world. We value our engineering heritage and what it means to our customers both in the UK and overseas."

EWAN LLOYD-BAKER
CHIEF EXECUTIVE OFFICER

Peter Brotherhood currently has revenues of circa £25 million per year, employs 153 staff and has over 1,500 units operating in over 100 countries.

Peter Brotherhood designs, manufactures, installs and services specialist turbines and compressors used in the power generation, marine, sugar, petrochemical and processing, Waste to Energy power plants, Combined Heat and Power (CHP) and oil and gas markets globally.

Peter Brotherhood is the UK's only producer of steam turbines with an output up to 40MW, which has applications in waste heat recovery, the FPSO and FLNG markets and the Royal Navy Astute class submarine new build programme.

Returning the business's name above the door signals HTG's intention to re-energise and develop the business, having supplied steam turbines to the likes of Woodside, SBM, Saipem, Aker, Fred Olsen, Samsung and Maersk.

Peter Brotherhood acquisition borrowings

£10.1m

(Prepaid in full)

KEY STRATEGIC ALLIANCES

Hayward Tyler has established new strategic alliances with FMC Technologies and Ebara Corporation and continued to develop trading relationships with customers including Shanghai Boiler Works, Bharat Heavy Electricals Ltd, KHNP and Bechtel.

In May 2015 we were delighted to announce that we had entered into a production alliance agreement with FMC Technologies, the global market leader in subsea systems.

Under the terms of the agreement, Hayward Tyler will manufacture permanent magnet motors for use in FMC Technologies' 3.2MW subsea pump systems. This production alliance represents a cornerstone for our subsea activity and the Centre of Excellence includes a dedicated test facility for subsea motors that will give rise to an additional revenue stream.

(Images courtsey of FMC)

"Combined, we can now offer the subsea oil and gas segment the absolute latest technology – and then deliver it with best-in-class manufacturing capability. This critical step ensures our customers receive the most reliable subsea boosting solutions available while enhancing the economics for subsea reservoir development."

JIM PRIBBLE, PRESIDENT AND GENERAL MANAGER
FMC TECHNOLOGIES, DIRECT DRIVE SYSTEMS

(Main picture: Ewan Lloyd-Baker and Jim Pribble)

We have formed a strategic alliance with Ebara Corporation, a leading Japanese manufacturer of pumps for the energy, oil and gas, and general industry sectors. The scope of the agreement covers the supply of Hayward Tyler's boiler circulating pumps in Japan and globally through Ebara with a number of major engineering, procurement and construction groups.

"Over 40 coal fired power stations are planned to be built in Japan during the next decade using ultra-super-critical and other more efficient technologies, which creates huge opportunities for both companies."

VIC ERDILEK
GLOBAL BUSINESS DEVELOPMENT MANAGER

HAYWARD TYLER – 60 YEARS' BCP EXPERIENCE, DESIGNED WORLD'S FIRST GLANDLESS BCP, SUPPLIED 2,300 UNITS – LARGEST GLOBAL INSTALLED BASE, BCPS OPERATE FOR UP TO 65,000 HOURS BETWEEN MAINTENANCE

CONTENTS

OUR MARKETS

To see how we have performed in the markets across the energy sector see Our Markets **pages 12-15**

Read about the development of our people on **page 6**

OUR PEOPLE

COMMITMENT TO GROWTH

To find out more about our recent aquisition and our commitment to the long-term growth of our Company see **page 20**

OUR STRATEGY

We chart our financial statements for the year from **page 52**

We set out the key objectives of our strategy for growth on **page 5**

FINANCIAL PERFORMANCE

SECTION 1 STRATEGIC REPORT

An overview of our performance in FY2016, a focus on our strategy and a review of the businesses underpinning our strategy.

Contents

STRATEGIC REPORT

KEY HIGHLIGHTS AT A GLANCE

Revenue

£61.6m

27%

Hayward Tyler £49.1m (FY2015: £48.6m)
Peter Brotherhood [1] £12.5m (FY2015: £nil)

Trading[2] profit before tax

£5.1m

18%

(FY2015: £4.4m)

Trading[2] earnings per share

9.47p

36%

(FY2015: 6.98 pence)

Net debt to trading EBITDA

1.2x

(FY2015: 1.2x)

Order intake

£61.4m

47%

Hayward Tyler £54.0m (FY2015: £41.7m)
Peter Brotherhood [1] £7.4m (FY2015: £nil)

Order book

£36.1m

67%

Hayward Tyler £26.7m (FY2015: £21.6m)
Peter Brotherhood £9.4m (FY2015: £nil)

Investment in R&D

£1.1m

65%

(FY2015: £0.6m)

Capital expenditure on Centre of Excellence

£9.8m

(FY2015: £2.5m)

Peter Brotherhood acquisition borrowings

£10.1m

(Prepaid in full)

(FY2015: £0.6m)

1 For the period from 30 October 2015 to 31 March 2016
2 Trading represents the underlying performance of HTG

"The investment in R&D, the Centre of Excellence and acquisition of Peter Brotherhood demonstrates our commitment to grow HTG."

NICK FLANAGAN
CHIEF FINANCIAL OFFICER

OUR VISION
ENERGY IN MOTION

Demand for energy continues to grow, with the World's population forecast to exceed 9 billion people by 2050. This will create even greater challenges across all energy sources. The energy industry needs solutions to answer these global challenges – venturing into evermore extreme and harsh environments, further offshore and deeper underwater and into even more remote and inhospitable locations.

HTG is responding to these challenges. We are working to transform existing technologies and innovate new technologies, to develop new products and solutions and to generate new ideas and new thinking.

We call this *energy in motion.*

OUR STRATEGY FOR GROWTH

Delivering performance-critical solutions for the most demanding requirements to meet current and future global energy needs.

Objectives:

- Deliver value to our customers through innovation and excellence in design, manufacture and service.
- Professional development of our workforce across the business, upskilling them and providing the environment for collaboration and knowledge sharing.
- Enhance product performance and capabilities through investment in R&D and improved design, test and manufacturing capabilities.
- Provide the platform for growth by optimising our existing business and maximising the potential within our niche markets, whilst opening up new product and market opportunities.

OUR STRATEGY IN ACTION PEOPLE

Working together, succeeding together. The development of our people is providing the foundation for improved collaboration and knowledge sharing, increasing our agility and responsiveness.

SCOTT, SERVICE VALUE STREAM MANAGER (USA) & TIM, OPERATIONS MANAGER (CHINA)

Scott: I deal with all activities from quote to shipment, while continuing to improve on lead time and on-time-delivery. It has been exciting seeing all the improvements come to fruition and I enjoy the teamwork involved to make this happen.

Tim: With 10 years at Kunshan, China, I am currently heading up a dynamic team providing first class customer service. I enjoy being the in-country operation for a world class manufacturer and the constant co-operation with international colleagues as a team.

KEITH, ENGINEERING MANAGER, (USA) & JOHN, PRODUCTION SCHEDULER (SCOTLAND)

Keith: I oversee all engineering related activities for new and aftermarket products. I have over 13 years of experience providing bespoke engineered products to the nuclear industry. I enjoy pushing the boundaries of engineering capabilities and reducing the lead times of our products and being part of an engineering team that delivers a complex product in a short timescale.

John: I joined Hayward Tyler in 2011, having formally worked 24 years in the Semiconductor industry. I have a NEBS Diploma in management and the NEBOSH General Certificate for Health & Safety. My main role is to schedule the workload for the manufacturing team, ensuring both utilisation and on-time-delivery are achieved. I liaise with purchasing to ensure the supply of materials is managed correctly and I contribute to East Kilbride's Health & Safety performance. I mostly enjoy the fact that the Group has adopted a progressive, responsive culture.

BEN, GROUP ACCOUNTANT & LAURA, FINANCE DIRECTOR, LUTON

Ben: I am a qualified chartered accountant through KPMG and involved in corporate finance and investment activities at HTG. My experience spans a range of sectors including manufacturing, retail, and professional services. The best part of my job is the variety as well as working as part of a team dedicated to building a great business.

Laura: I have a department of 10 employees covering the Finance and Business Systems teams. Together we are focused on providing excellent customer service and supporting the strategic growth plans for the company. I enjoy working closely with people in driving the business forward with the ambition of continuous improvement and am proud to be part of a world class manufacturer, with heritage of over 200 years, supporting and providing energy solutions across the globe.

FRANK, QUALITY & ENVIRONMENTAL ENGINEER (SCOTLAND) & ANNE, DOCUMENTATION COORDINATOR (USA)

Frank: I have 30 years working within various Quality Roles, in various sectors such as Aerospace, Automotive and Oil & Gas. I have an HNC in Quality Assurance as well as Lead Auditor ISO 9001:2008. I enjoy ensuring on-going certification to ISO 9001:2008 and ISO 14001:2004, as well as up-keep and improving our Quality Management System. I am proud of East Kilbride gaining certification to OHSAS 18001:2007.

Anne: I have worked for Hayward Tyler for 31 years. I prepare the Job Traveler Packets to go out onto the shop floor for production. I really enjoy the teamwork across the Value Stream personnel and have made great friendships across the company.

ADRIANA, HR ASSISTANT, LUTON & GEORGIANA, LEARNING & DEVELOPMENT COORDINATOR (UK)

Adriana: With an engineering Diploma achieved in 2008, I assist with day-to-day HR activities, policies, processes and procedures. I like the fact that I constantly interact with people and helps them solve problems within a company that puts people first and help them develop and evolve professionally.

Georgiana: I have an Economics Diploma, achieved in 2009. I enjoy the variety of the role, working with people from across the whole HT Group and providing development and training to assist in growing the talent of the team to ensure we remain leading edge and at the forefront of development.

MARK, SALES MANAGER (UK) & KEITH, TECHNICAL SALES & SUPPORT ACCOUNT MANAGER (USA)

Mark: I have 30 years within Hayward Tyler with a broad selection of undertakings across QA, Commercial and Management. I am responsible for generating order intake in the UK. I have a Diploma in Management Studies and I enjoy the challenges and opportunities the job creates. The opportunities during my time at Hayward Tyler have always allowed development, growth and an opportunity to add value.

Keith: I have 38 years experience in the Power and Chemical Industry and 18 years with Hayward Tyler in the US. My role involves travelling to increase the footprint of the Hayward Tyler brand as well as technical support to Hayward Tyler Colchester sales and customers. I enjoy helping others solve problems and working for a company that has maintained its closeness to the customer with a personal touch.

MICHAEL, GRADUATE BUYER / PROCUREMENT & MIKE, GRADUATE HYDRAULIC ENGINEER

Michael: I graduated from University with a BEng in Chemical Engineering and work in category management of raw material procurement and all indirect purchasing. The diversity of my job role is one of its best characteristics as I get the opportunity to engage face-to-face with my suppliers, building relationships and managing them, and I also get great exposure to employees across HTG from Luton to America to China.

Mike: I'm an Associate member of IMechE. I joined HT in 2015 and I currently work in the engineering department. I deal with pump selection for enquiries from customers and modelling and drawing impellers and pumps on CAD software. I have also worked in projects involving designing of test rigs and working on CFD using ANSYS. I enjoy it when I am faced with an engineering problem where I have to work to find a positive outcome. I enjoy being in a company that is small enough to get exposure around the business, however, it is large enough to give you the support and guidance you need to grow and to become a successful engineer.

OUR STRATEGY IN ACTION
PROCESSES

World-class quality, delivery and customer experience.

"Continuous improvement of processes has driven ever improving quality whilst reducing lead-times and cost and ensuring 'right first time' customer orders."

WILLIAM RUFF, TEST MANAGER
IMARA CAFFOOR, CUSTOMER SERVICES MANAGER

Reduced lead times

Superior testing capability

Lean manufacturing

Six Sigma Methodology

We are constantly driving operating efficiencies both internally and in supply chain partnerships – to generate enhanced quality assurance, exceptional peace of mind and confidence for our customers. Central to HTG's Centre of Excellence is the continued development of our Marketing, Sales & Operational Planning (M,S&OP) award winning information systems.

We have embedded "What-if" scenario planning capability through highly customised Witness Simulation software, to benefit our strategic partners throughout the entire supply chain using predictive simulation technology proven to maximise performance, optimise throughput and resource utilisation. Witness Simulation software also provides significant advantages over real life experimentation in terms of cost, time and repeatability when variability, disruption and complexity exist.

M,S&OP links our sales function with engineering, manufacturing, supply partners and production departments via an in-house, best-in-class, innovative 'all-in-one' Epicor (ERP) contract management system.

Through a single process flow, we drive all business operations with the flow line system designed and dedicated to each product application. In addition we have developed a unique factory transportation system to optimise flow and provide safer working.

OUR STRATEGY IN ACTION PRODUCTS

Providing peace of mind through the reliability, quality and durability of our performance-critical products and innovative solutions in the harshest of environments.

OUR SUBSEA MOTORS OPERATE FOR UP TO

40,000 HOURS

BETWEEN MAINTENANCE

OUR BCP MOTORS OPERATE FOR UP TO

65,000 HOURS

BETWEEN MAINTENANCE

OPERATE AT DEPTHS OF 3,000M (10,000FT)

3,000

SUPPLIED LARGEST GLOBAL INSTALLED BASE OF BCP UNITS

2,300

AVERAGE LEAD TIME IN DELIVERING COMPLEX PROJECTS

35 WEEKS

WE ARE THE UK'S ONLY PRODUCER OF STEAM TURBINES WITH OUTPUTS UP TO

40 MW

OUR STEAM TURBINES HAVE A RELIABILITY OF

25+ YEARS

WE HAVE THE UK'S ONLY LIVE STEAM FACILITY THAT CAN PRODUCE

400C

40 BAR STEAM

OUR MULTI CRUSER® HAS A LIFTING CAPACITY OF

27,000KG

MODEL PICTURED MC1027.
(BESPOKE SOLUTIONS AVAILABLE).

Research and development (R&D)

A key tenet of our strategy for growth. During FY2016 we increased our expenditure on R&D by 65% to £1.1 million, of which £0.8 million was capitalised (FY2015: £0.4 million).

This R&D was focused on a number of areas that included:

- New product development;
- Developing a renewable testing system for subsea motors;
- Enhancing our existing product range;
- Finding new applications for existing products in new markets; and
- Developing new markets.

STRATEGIC REPORT

OUR MARKETS OPERATING ACROSS THE ENERGY SECTOR

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

POWER

FOR THE YEAR TO 31 MARCH 2016

ORDER INTAKE %

REVENUE %

Hayward Tyler
Hayward Tyler operates in the large scale power market of 300MW and above, which includes 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 supplied, mainly in coal-fired power stations. Our BCPs are a tried and tested solution for performance-critical, high pressure, high temperature boiler systems.

We work 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. 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] driven by China, India and others. Key market drivers include the continued pursuit of larger, more efficient coal-fired plant and use of economisers to enhance the economic viability of ageing plants while also helping to meet emission targets.

Further opportunities arise from renewing and upgrading of equipment to extend the operating life of existing power plants, from participating in new applications such as solar power generation and from the development of new strategic alliances. Recently we announced an alliance with Ebara Corporation, which includes the supply of Hayward Tyler's BCPs in Japan and globally, which comes at a time when Japan is planning to build over 40 coal fired power stations during the next decade.

Peter Brotherhood
Peter Brotherhood designs, manufactures and services steam turbine generators, combined heat and power units and gas to power units.

Steam Turbines
Peter Brotherhood produces multi-stage impulse steam turbine generators of up to 40MW for marine, process and power applications. Along with the service opportunity from having supplied over 2,000 steam turbines, new prospects addressable by the business are expected to rise to around USD80 million by 2020[2] as a result of the projected growth of the global steam market, which is driven by the increase in electricity consumption, demand from emerging economies and the need for additional thermal power capacity.

Combined Heat and Power ("CHP")
CHP is an efficient means of producing electric power and useful thermal energy from a single fuel source. It uses less fuel than the alternative methods of separately generating heat by conventional boilers and power stations. With a significant pedigree in this field, Peter Brotherhood has positioned itself to re-enter the UK CHP market, which is expected to grow to 18GW[3] by 2020.

Gas To Power ("GTP")
On a typical day inputs to the UK national grid need to meet a demand of around 38.3GW[4]. A potential supply gap of 40% to 50%[4] could arise as demand grows, older coal and nuclear power stations are taken offline and renewables are unable to provide an on-demand service. As part of an overall strategy aimed at bridging the gap, the UK Government is promoting a Short Term Operating Reserve ("STOR") market to add 2.5GW additional capacity by 2020. Peter Brotherhood's GTP packaged 1MW units are designed specifically to address the STOR market.

1 World Resources Institute: Global Coal Risk Assessment Report (November 2012)
2 Power Engineering International: Advancing Steam Turbine Technology (April 2016)
3 RICARDO-AEA: Projections of CHP capacity and use to 2030 (ED56126 March 2013)
4 Institution of Mechanical Engineers: Engineering the UK Electricity Gap (January 2016)

Global Energy Consumption
▶ Chinese energy growth has slowed significantly in the last year. Despite this, China will continue to be the world's largest energy growth market with energy consumption forecast to grow 46% by 2035.

Energy Growth by Fuel
▶▶Looking forward the mix of global energy consumption will shift more towards Nuclear and Renewables, nevertheless fossil fuel consumption will continue to grow.

OIL AND GAS

FOR THE YEAR TO 31 MARCH 2016

ORDER INTAKE %

REVENUE %

Hayward Tyler
Hayward Tyler provides reliable motor solutions to the topside and subsea offshore oil and gas market. With the recent pressure on oil prices and its consequent impact on capital investment, demand for the topside submersible motor product range has declined significantly. However, our strategic diversification into the subsea arena has mitigated this impact and resulted in a record year for order intake and a recovery in revenue derived from the oil and gas market despite the 20-30% reduction in capital expenditure by the oil majors

Submersible
Hayward Tyler provides a complete range of submersible seawater lift and firewater motors to customers as part of an integrated pump package. Whilst short term demand for this product group has reduced, two packages were secured in conjunction with our strategic partner, Eureka Pumps AS and with an installed base of more than 250 high-power motors offshore there are additional aftermarket opportunities across key markets.

Subsea
Oil majors see subsea processing as a means of improving the economics of oil recovery by reducing hardware costs (by around 50% through standardisation) and extending an oilfield's life, estimated to be 5-6 years in the case of the North Sea. Accordingly, spending on subsea trees is expected to increase by around 12% year-on-year to 2018[1].
This demand is driven by the need of over 1,000 candidate fields[2] to either optimise production or minimise the topside investment burden for multiple wellheads. It is also driven by the need to find an alternative to oil-filled subsea systems and Electro-Submersible Pumps in-well artificial lift systems with their inherent constraints and reliability concerns. Hayward Tyler is well placed to capitalise on this trend as it is one of only a handful of motor suppliers worldwide that have the required wet wound motor expertise, global standards capability, existing approvals and operational reference list. This is evidenced by the strategic production alliance with FMC Technologies and orders from a number of customers for specialist motors that will be manufactured at the Centre of Excellence, which has been designed to meet current and future subsea motor build requirements.
This facility includes an investment in a new 3.2MW 6,000rpm re-generative test stand to provide full load testing of subsea motors; a unique capability and the first of its type globally.

Peter Brotherhood
Peter Brotherhood produces steam turbine generators of up to 40MW for the offshore and onshore oil and gas sector including power generation units on FPSO, FLNG and FSRU vessels as well as land based applications such as oil refineries. Peter Brotherhood has significant experience in the reciprocating gas compressor market, which is forecast to grow from USD1.9 billion in 2014 to USD2.4 billion in 2020[3] driven by expansion of the Chinese petroleum and chemical markets, an emphasis on better energy utilisation, cost efficiency and the emerging demand for replacement of older compressors. In addition, the business' significant installed base provides aftermarket opportunities.

1 Morgan Stanley Research Note (May 2014)
2 Rystad Energy Report (August 2014)
3 Frost & Sullivan: The Global Gas Processor Market (2015)
4 BP Energy Outlook 2016 Edition

OUR MARKETS CONTINUED

NUCLEAR ENERGY
THE OUTLOOK

60[2] new power stations are under construction globally with 24 of these in China.

75[2] reactors in the USA have been granted licence renewals, which extend their operating lives from 40 to 60 years.

New Nuclear power stations are planned in the UK at Hinkley Point C, Sizewell C, Wylfa, Oldbury and Moorside.

NUCLEAR

FOR THE YEAR TO 31 MARCH 2016

ORDER INTAKE %

REVENUE %

Hayward Tyler
Hayward Tyler experienced significant growth in the nuclear sector over the past 12 months. This success reflected continuing support for our existing installed base as well as orders for new units, both of which result from the key accreditations of our US and UK businesses. With 75% of the 438 operational reactors worldwide currently over 25 years old[1], growth opportunities for aftermarket parts and services will continue to be realised in the European, South Korean and USA markets. In addition, the new build potential in markets such as China, India, UK and USA will provide significant opportunities for our operations in future years with 468 new reactors currently planned or proposed across the world.

Hayward Tyler "N-stamp"
Our Hayward Tyler Colchester 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.

Hayward Tyler's canned motor technology provides nuclear plants with a robust product for increased life cycle and reduced maintenance costs. Hayward Tyler Colchester continues to support its significant installed base as well as to provide new units and, in addition, it is leveraging its technology for opportunities in China for multi-purpose small modular reactor applications. With pilot projects planned for FY2017, we are deeply engaged in developing our position in this growing market supported by our local in-country presence.

Hayward Tyler "F4N"
Hayward Tyler Luton continues its pursuit of 'Fit for Nuclear' accreditation to position the business as a preferred supplier in the UK domestic supply chain for new nuclear build. There are currently eleven nuclear reactors planned, at least a further two proposed for UK installation over the next 20 years and opportunities to supply small modular reactors ("SMR"). The UK market represents approximately 22GW of planned and proposed large scale power plants, with an additional 2GW to 3GW of SMR power. Each large scale reactor design represents on average £3-10 million of potential sales value to Hayward Tyler while SMR power is a relatively new market that will require specialist and sometimes novel solutions. Encouragingly, the UK Government set aside £250 million in the 2015 Autumn Statement to support nuclear research and development in this market. With the creation of the Centre of Excellence, which includes stringent levels of quality and cleanliness demanded by the nuclear sector, Hayward Tyler is well placed to capitalise on these opportunities.

1 International Atomic Energy Authority
2 World Nuclear Association Outlook (April 2016)

15%

UK ENERGY CONSUMPTION TARGET FROM RENEWABLES BY 2020[1]

USD1.3tn

THE OECD ESTIMATED ANNUAL INVESTMENT TO MAINTAIN WATER INFRACTSTRUCTURE IN DEVELOPED COUNTRIES AND EMERGING MARKETS ALONE. IN ADDITION TO THESE BASELINE FINANCIAL NEEDS, EFFECTIVE CURRENT POLICIES AND FINANCE ARE NEEDED TO SUPPORT NEW, RESILIENT INFRASTRUCTURE.[2]

OTHER INCLUDING INDUSTRIAL, CHEMICAL AND RENEWABLES

FOR THE YEAR TO 31 MARCH 2016

ORDER INTAKE %

REVENUE %

Hayward Tyler
Hayward Tyler provides engineered solutions for applications across a wide range of other sectors to provide longer life and superior performance as well as to reduce the lifetime cost of ownership, a key feature for our customers.

Chemical
Hayward Tyler's technologies are satisfying the needs of the Butanediol and Integrated Gasification Combined Cycle markets. With an established brand and proven products, in China and South Korea respectively, these technologies provide additional growth opportunities into non-power global markets.

Hayward Tyler canned motor pumps and 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. Industrial chemical plants see this technology as a safer and more reliable alternative to traditional products and the trend is to use canned motor retrofits to replace these products. Hayward Tyler's reputation and experience has positioned the business as a key supplier for these applications.

Water
Hayward Tyler was successful in securing its first order for a high-demand water management project in the USA through its collaboration with Japanese pump manufacturer, Ebara Corporation. This is the first opportunity to utilise the high-voltage high-power submersible motor, previously used in the oil and gas market, for a different application. This reflects the Company's strategic plan to diversify and maximise the potential for this product in the future.

Marine
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 compact unit saves space, making maintenance easier and more economical.

Peter Brotherhood
The Peter Brotherhood steam turbines and reciprocating gas compressors have applications beyond the power and oil and gas markets. In choosing a steam turbine, a key driver for customers is reliability. That generates a wide range of applications, which include marine, defence, process industries such as sugar refining, waste heat recovery as well as small biomass and waste to energy plants. In the case of reciprocating gas compressors, there are a wide range of applications in gas processing such as carbon dioxide removal and petrochemical processing.

1 UK Renewable Energy Roadmap
2 OECD Infrastructure to 2030: Telecom, Land, Transport, Water and Electricity (2006)

CHAIRMAN'S STATEMENT
A YEAR OF INVESTMENT

£10.1m

ACQUISITION OF PETER BROTHERHOOD

1.38p

FULL-YEAR DIVIDEND

"The Group is well placed to achieve the Board's growth ambitions"

JOHN MAY

The Board

Key areas of focus for the Board in FY2017
These areas include *inter alia:*

- Further development of our people;
- Commissioning of the Centre of Excellence;
- Strengthening the position of Peter Brotherhood as we re-establish the business as a force in the global power, oil and gas and process markets;
- Expansion of our marketing and sales strategy; and
- Further development of our risk management processes.

Dear Shareholder
I am delighted to report on further successful transformational changes made by HTG in FY2016 and I would like to take this opportunity to thank the Executive Directors and all the team, on your behalf, for their contribution.

Results Overview
The results for the year reflect a steady performance from the Hayward Tyler business and a good first five months from Peter Brotherhood.

Against a backdrop of challenging end markets and continuing uncertain economic times, Hayward Tyler's performance is highly credible and we expect it to strengthen further in FY2017. This strengthening will come from amongst others the improving prospects for Hayward Tyler in our US market and the beneficial impact of the Centre of Excellence, which comes on-line this year. We are encouraged by the capabilities of Peter Brotherhood and the key for the success of this business is to fully re-establish it as a force in the global power, oil and gas and process markets, a process which is well underway. Accordingly, the major focus for HTG looking forward is development of the order pipeline and order book.

Further details of the trading performance are set out in 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 a further 5% to just over 0.55 pence per ordinary share, paid in February 2016. Subject to shareholder approval, we will pay a final dividend of 0.83 pence per share on 25 August 2016 to shareholders on the register on 12 August 2016 (ex-dividend date: 11 August 2016), which is an increase of 5% on FY2015.

Acquisition of Peter Brotherhood
During the year we made our first acquisition by purchasing the trade and assets of the Peterborough operations from Dresser-Rand, a Siemens company for a total consideration of £10.1 million following an adjustment for working capital. The consideration was paid in cash from new facilities from National Westminster Bank that were subsequently prepaid out of the proceeds of an equity placing and sale and leaseback of the business' Peterborough freehold site.

Post-acquisition we subsequently resurrected the Peter Brotherhood brand and incorporated Peter Brotherhood Ltd. Peter Brotherhood is a UK based engineering business specialising in steam turbines, reciprocating gas compressors and combined heat and power units for the power generation, oil and gas, marine and process markets. It shares a number of characteristics with Hayward Tyler, which include its long heritage and that its revenue is generated from original equipment manufacturing and aftermarket services from the UK together with a substantial portion from overseas. The transaction increases the Group's scale, number of customers and orders, and thus diversifies the Group's operations.

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

Corporate Governance

I set out my review of governance in Corporate Governance

Risk Management

We set how we manage risk within the business in Principal Risks and Uncertainties

Outlook
The expansion of the Group through the acquisition of Peter Brotherhood together with the continued focus on developing our Hayward Tyler branded businesses, by expanding our production capabilities and investing in research and development, means that the Group is well placed to achieve the Board's growth ambitions. As anticipated at the time of the acquisition the focus continues to be on building the sales pipeline for Peter Brotherhood as well as for Hayward Tyler. The development of the Group's order book is likely to see the financial performance having a stronger bias towards the second half of FY2017. Overall the Board remains confident in the prospects for the business.

Yours faithfully

JOHN MAY
NON-EXECUTIVE CHAIRMAN
4 JULY 2016

EXPANDING OUR CAPABILITIES

Centre of Excellence
The Centre of Excellence in Luton will be the world's most advanced facility for specialist fluid-filled motor manufacture, enabling our next generation technology to be delivered with unrivalled quality assurance and even shorter lead times.

Our manufacturing centre is already certified to ISO Class 9 and has been granted both ASME and nuclear accreditation, and we are the only UK provider of industry-specific hotbed testing.

With a 40% expansion to 6,300 sq. meters (approximately 68,000 sq. foot) the Centre of Excellence will enable Hayward Tyler Luton to potentially double its capacity as well as becoming certified as Fit for Nuclear (F4N) with single-piece flow lines embedded with lean methodologies as well as dedicated clean assembly areas and test pits.

The Centre of Excellence provides cutting edge process capabilities for the design and manufacture of our performance-critical motors and pumps.

The investment is also allowing us to push our technical capabilities. Hayward Tyler Luton is investing heavily in tools and resources to develop its core competencies for the nuclear and subsea markets, focusing on energy-dense and high efficiency motors, and enhancing its capabilities in finite element analysis, rotor-dynamic analysis, thermal modelling and computational fluid dynamics to support cutting-edge product development.

"We have the capability to simulate and emulate load effect on engineering, supply chain, production, assembly and test resources through our WITNESS Simulation software."

MARTIN CLOCHERTY
GENERAL MANAGER OPERATIONS

STRATEGIC REPORT

CHIEF EXECUTIVE'S BUSINESS REVIEW
MOVING UP TO THE NEXT STAGE OF OUR GROWTH

9.47p

TRADING[1] EARNINGS PER SHARE

36%

INCREASE

"A simple vision, a clear strategy and solid foundations – we are ready to deliver on our next chapter focused on growth"

EWAN LLOYD-BAKER

For more information go to:
Our Vision

For further details go to Our Markets on haywardtyler.com

Setting HTG's priorities

Our FY2016 focus

- Deliver the world class Centre of Excellence for commissioning in calendar 2Q2016;
- 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.

Achievements

- Centre of Excellence building and fitting-out completed;
- Key strategic alliances signed with FMC Technologies and Ebara Corporation and orders booked;
- Hayward Tyler awarded Queen's Award for Enterprise in International Trade; and
- Acquisition of Peter Brotherhood successfully completed on 30 October 2015.

Priorities for FY2017

- Continue to focus on implementing our strategy for growth through product and market development;
- Continue to increase order intake through improvements to the 'win-order' process across all markets;
- Re-establish Peter Brotherhood and embed the business in the Group; and
- Continue to look for wider opportunities to develop and grow the Group.

Introduction
In FY2016 we achieved a number of key developments that demonstrate our commitment to the long-term growth of the Group. The previous four years have been characterised by focusing on the continuous improvement of our operations and the related improvement to our financial stability. We now have a strong foundation on which to develop our longer term growth strategy. We have formed some key strategic alliances with the likes of FMC Technologies and Ebara Corporation, delivered the Centre of Excellence, invested in training, research and development and completed our first acquisition, that of Peter Brotherhood.

From a performance perspective, I am pleased to report substantially increased revenue for the year, which was ahead by 27% to £61.6m driven by the acquisition of Peter Brotherhood, trading[1] operating profit was up by 8% to £5.8 million and trading earnings per share ahead by 36% at 9.47 pence. This despite challenging times and weakness in some of our end markets.

The foundations on which have built our platform for future growth are underpinned by our people and we continue to devote significant time to learning and development. This is to strengthen the Group, create an integrated business and provide a stimulating place for all our people to develop and progress. We operate with a mind set of "Working Together, Succeeding Together" with a shared set of values across the Group which we refer to as PIPE:

- Pride in what we do;
- Innovation in thought, process and product;
- Pace in getting things done; and
- Excellence in everything we do.

Strategic Alliances
The recently signed strategic alliances with both FMC Technologies and Ebara Corporation have already begun to deliver tangible benefits in terms of orders won.

In May 2015 we were delighted to announce that we had entered into a production alliance agreement with FMC Technologies, the global market leader in subsea systems, and since then FMC has placed a number of orders with Hayward Tyler. Under the terms of the agreement, Hayward Tyler will manufacture permanent magnet motors for use in FMC Technologies' 3.2MW subsea pump systems. This production alliance represents a cornerstone for our subsea activity and the Centre of Excellence includes a dedicated test facility for subsea motors that will give rise to additional process capability and ultimately a separable revenue stream.

In addition, as part of our on-going market expansion we signed an agency agreement

STEP CHANGE IN SCALE AND SIZE

Peter Brotherhood

Peter Brotherhood offers a complete "one-stop shop" from an initial concept through to site installation and commissioning, with a service tailored to meet client requirements.

We have a global reputation for delivering practical and economic engineering solutions using our extensive design, manufacturing and procurement capabilities to provide a truly turnkey solution.

Our steam turbines are designed for a variety of applications up to 40 MW and inlet pressures to 70 bar; condensing, mixed pressure and back-pressure. They provide high reliability for flexible operating conditions, ensuring a service life of over 25 years and are designed for standalone industrial standards and for on-shore and off-shore oil and gas applications.

With experience covering a wide range of mixtures, including corrosive and hazardous gases, our gas compressors are rated up to 20MW and operate between 260rpm and 1,000rpm. They are designed to operate at low speeds with variable strokes to give maximum reliability, smooth operation and low wear, ensuring a minimum service life of 20 years and compliance with API 618.

With more than 20 years' experience in the global combined heat and power (CHP, also known as co-generation) marketplace, Peter Brotherhood has developed a strong reputation for delivering energy cost savings and emissions reductions through the design of bespoke CHP systems. As a partner to commercial, industrial and municipal energy users, we have designed, built and installed over 60 CHP units, from 75KW small standalone units, to 6.5MW turnkey installations.

Our Customer Services operation offers the unique combination of experience and expertise of an original equipment manufacturer, coupled with the responsiveness of a service organisation. Our capabilities and products range from full installation to global technical support 24/7.

£5.8m

TRADING[1] OPERATING PROFIT

8%

INCREASE (FY2015: £5.3 MILLION)

with Ebara Corporation, a leading Japanese manufacturer of pumps for the energy, oil and gas, and general industry sectors. The scope of the agreement covers the supply of Hayward Tyler's boiler circulating pumps in Japan and globally through Ebara with a number of major engineering, procurement and construction groups. Historically Hayward Tyler has over 40 units installed in Japan but it represents a very small fraction of our world-wide installed base. Over 40 coal fired power stations are planned to be built in Japan during the next decade using ultra-super-critical and other more efficient technologies, which creates huge opportunities for both companies. Furthermore the benefits of working with Ebara has already borne fruit with Hayward Tyler contracted to provide a submersible motor for application in the municipal water market in the USA. Opportunities in this market are significant.

Centre of Excellence

The development of the Centre of Excellence, which includes investment in research and development, training and development, new capital equipment and new infrastructure, is at the heart of the future of Hayward Tyler and ensures that we will be "Fit for Nuclear". The single process flow-lines in the expanded facility are expected to:

- Increase throughput;
- Reduce lead times;
- Reduce working capital requirements; and
- Enable Hayward Tyler Luton to potentially double its capacity.

Whilst the research and development, training and development and investment in new capital equipment will continue, the expansion of the Luton facility is drawing to a close. This expansion has involved building a c.25,000 square foot extension to the existing structure, fitting it out with state-of-the-art facilities, such as particulate control systems and specialist test facilities, and renewing the existing structure. The latter process has included the re-cladding of the walls and replacement of the roof, all to improve the environmental footprint of the business and to "future-proof" our production facilities for decades to come.

The project has been financed from a number of sources including the Regional Growth Fund, a secured loan note programme, National Westminster Bank and funds generated from our operations. I would like to take this opportunity to thank all of those stakeholders for the support they have shown the business to enable us to make this investment and I look forward to celebrating the formal opening of the Centre of Excellence later in the year.

Further details of the Centre of Excellence are set out in the Financial Review.

Research & Development

Research and development ("R&D") is a key tenet of our strategy for growth. During FY2016 we increased our expenditure on R&D by 65% to £1.1 million, of which £0.8 million was capitalised (FY2015: £0.4 million). This R&D was focused on a number of areas that included:

- New product development;
- Developing a renewable testing system for subsea motors;
- Enhancing our existing product range;
- Finding new applications for existing products in new markets; and
- Developing new markets.

We are continuing to invest in R&D and ultimately we expect to further diversify our product offering by developing new products for new markets.

Acquisition of Peter Brotherhood

In October we announced the acquisition of the trade and assets of the Peter Brotherhood business from Dresser-Rand Company Ltd, a Siemens-owned business, which represented a non-core disposal for Dresser-Rand. Following an adjustment for a working capital benchmark, the total purchase consideration was £10.1 million which was paid in cash wholly funded through new facilities from National Westminster Bank. These facilities were subsequently prepaid in full out of the proceeds of an equity issue and the sale and leaseback of the Peterborough freehold property. The acquisition is of strategic significance as it brings important diversification to the Group's operations in our chosen markets, widens the customer base and offers the opportunity to cross-sell products and services.

Peter Brotherhood is a UK engineering business based in Peterborough with 145 employees that can trace its history back to 1867. More recently it has focused on energy efficient solutions for land and marine based applications including steam turbines, reciprocating gas compressors and combined heat and power units for the power generation, oil and gas, marine and process markets. Peter Brotherhood is the UK's only producer of steam turbines with an output up to 40MW which has applications in waste heat recovery, floating vessels (including FPSO, FSRU and FLNG) and the Royal Navy Astute class submarine new build programme. Steam turbines tend to have higher operational availability and lower operating costs, when compared to gas turbines. Peter Brotherhood has nearly 1,500 units that continue to operate across 100 countries globally, having supplied steam turbines to many of the world's leading operators including Woodside, SBM, Saipem, Aker, Fred Olsen, Samsung and Maersk.

Over the past near 150 years Peter Brotherhood has built a leading reputation in its end markets for reliability and on-time delivery at a competitive price. We believe there is a significant opportunity to re-invigorate the Peter Brotherhood brand to win new business and drive revenues from its existing installed base. Furthermore we are confident that, operating within HTG, Peter Brotherhood will benefit from improved manufacturing processes, broader geographical coverage and access to overseas service facilities as well as accelerated investment in new product development and design. The business is bedding-in well and we are encouraged by the progress made to date.

"With Peter Brotherhood and Hayward Tyler together we have 350 years of combined engineering pedigree – the start of an exciting new chapter"

EWAN LLOYD-BAKER
CHIEF EXECUTIVE

Further details of acquisition are set out in the Financial Review and in note 16 of the financial statements.

Other Developments

Beyond the numbers we have continued to make progress across the business. In June 2015 we took all 213 of Hayward Tyler Luton's employees through the planned operation of the Centre of Excellence from order intake, through design and build along the single-process flow lines, to assembly, test and despatch. The very positive level of employee engagement reinforced our conviction that development of this 21st century design and manufacturing facility will herald an exciting new chapter in Hayward Tyler's history. This occasion was one of a number of events held across the Group with customers, suppliers, employees and other stakeholders to record the 200th year of Hayward Tyler.

In November Hayward Tyler's achievements were recognised again at The Manufacturer MX Awards for 2015. The business was awarded Exporter of the Year and joint runner-up Manufacturer of the Year, highly commended in the People & Skills category and shortlisted for its Leadership & Strategy. These highly coveted awards are a recognition by our peer group that Hayward Tyler has made significant strides forward in a number of fields and demonstrates that our strategy of focusing on our people, processes and products is paying-off. In addition, from past experience we know that the awards are a great advert for the business, particularly for the recruitment of graduates and apprentices, so thank you to all of the team who contributed to this success.

Throughout the year, as part of our marketing initiatives, we show-cased Hayward Tyler at a number of trade fairs including the Offshore Technology Conference in Houston, which helped to cement our position as a key supplier to the subsea sector, and Power-Gen India, which represents a key strategic market for Hayward Tyler. More recently we have been able to include Peter Brotherhood in these initiatives to help re-establish that business. Post year-end, the Group was also honoured to receive the Queen's Award for Enterprise in International Trade, which was announced on 21 April 2016.

Order Intake

Order intake[2] increased by 47% to £61.4 million, helped in-part by the Peter Brotherhood acquisition completed in October 2015, which contributed £7.4 million. Underlying growth in order intake from the Hayward Tyler branded business units was 29% (to £54.0m), which represented an order intake to historical revenue in line with our KPI target of 1.1x.

As at 31 March 2016, the Group's order book[3] stood at £36.1 million compared with £21.6 million as of 31 March 2015, which represented an increase of 67%. The increase reflects both the contribution from the recently acquired Peter Brotherhood (order book of £9.4 million) and organic growth of 24% from the Hayward Tyler branded business units (order book of £26.7 million).

A key feature of contracts won in the year was the recovery of order intake from the oil and gas sector, which formed 21% of order intake (FY2015: 2%). This performance was on the back of Hayward Tyler subsea orders and a turbine gen-set project for Peter Brotherhood, its first contract win as a standalone company. The nuclear orders remained strong at 25% (FY2015: 32%) with Hayward Tyler Colchester securing two large orders, representing a combined value of USD12.0 million, from KHNP of South Korea and an US domestic order from Bechtel for delivery in FY2017 and FY2018. Power remained the largest sector representing 45% of order intake (FY2015: 54%) with the Other sector at 9% (FY2015: 12%). In geographical terms, the USA was the largest segment at 35% (FY2015: 30%) reflecting a strong year for Hayward Tyler Colchester and, in addition, subsea orders from FMC Technologies for Hayward Tyler Luton. Asia Pacific (excluding China) was again strong at 29% (FY2015: 21%) reflecting orders from South Korea. These markets were followed in order of importance by Europe (excluding UK), the UK and China.

Outlook

Over the past five years we have transformed Hayward Tyler into a forward-thinking, profitable market-leader in its specific niche markets. We are now starting to re-establish the Peter Brotherhood business such that it is able to benefit from its significant installed base and to grow into new product and market areas. The acquisition increases the critical mass and robustness of the Group and, taken together with other areas of investment including research and development, the Centre of Excellence and training and development of our people, means that we are ready for our next stage of growth.

Provided recent economic and political uncertainty does not affect general industrial activity, the outlook for HTG is positive. In the current year and as anticipated at the time of the acquisition of Peter Brotherhood, we expect to see the financial performance of the Group to be heavily weighted towards the second half, influenced by the need of Peter Brotherhood to develop a sales pipeline from a standing start. Bidding activity levels continue to increase both driven by the recruitment of a new sales team at Peter Brotherhood but also the developing benefit of leveraging existing Hayward Tyler relationships.

We live in exciting times and our ability to continue to develop and grow the Group is built upon the abilities of our people and the team we have. As ever I would like to thank each and every one of our employees for their unrelenting enthusiasm and drive to ensure that we continue to improve, to deliver and to take advantage of whatever opportunities arise in our chosen markets.

With thanks and best wishes to our wider stakeholders,

EWAN LLOYD-BAKER
CHIEF EXECUTIVE OFFICER
4 JULY 2016

1 Trading represents the underlying performance of the Group
2 Order intake represents contracts for which purchase orders were received from customers in the year to 31 March 2016
3 Order book represents contracts that had yet to be shipped to customers as at 31 March 2016

GOING BEYOND CUSTOMER EXPECTATIONS

Astute class

During the five months of trading post acquisition, Peter Brotherhood delivered a substantial part of a £6.8 million contract to Rolls Royce for four steam turbine generator ("STG") sets for the Astute Class submarines (boats Six and Seven) for ultimate delivery to the Royal Navy.

Having previously delivered five safety critical secondary propulsion STG sets for HMS Astute, HMS Ambush, HMS Artful, HMS Audacious and HMS Anson, Peter Brotherhood successfully delivered the STG sets for HMS Agamemnon in March 2016.

Feedback from Rolls-Royce on Peter Brotherhood's performance since the acquisition by HTG has been tremendous with several executives complimenting the change in approach. The remaining STGs for boat set Seven will be completed in Q2 of FY2017.

"Successful delivery of the Astute Boat 6 STGs has been a huge effort by many people over many months and now that it has been achieved it's time to celebrate."

MIKE MILSOM
R-R PROGRAMME MANAGER
14TH MARCH 2016

"Following successful completion of the boat 6 port factory testing today I would like to thank you and the team at Peter Brotherhood for the hard work and efforts of all involved. I particularly appreciate how well everyone worked together and I look forward to building on this for the remainder of the programme."

MATHEW STRANGE
R-R SPECIALIST SECONDARY PROPULSION 14TH JANUARY 2016

£6.8m

CONTRACT WITH ROLLS ROYCE

STRATEGIC REPORT

KPIs
MEASURING OUR PERFORMANCE

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.

STRATEGIC OBJECTIVE
TO ENSURE THE STRENGTH OF OUR BUSINESS

Order Intake to Historical Revenue

New orders represent future revenue and profit.

Progress in year
Order intake well ahead of target at 1.3x historical revenue. On a like-for-like basis the KPI was on target at 1.1x.

Target
Order intake to historical revenue

> 1.1x

Cash Conversion

Maintain a balance between growth and working capital.

Progress in year
Performance was well ahead of target at 127%. Excluding net working capital purchased with Peter Brotherhood cash conversion was 105%.

Target
Cash conversion

> 85%

Net Debt to Trading EBITDA

Maintain a balance between growth and borrowings.

Progress in year
Ahead of target at 1.2x despite significant investment in the Centre of Excellence.

Target
Ratio of 2:1 or lower

< 2:1

In addition to the financial KPIs measured below we have a range of non-financial KPIs that tie-in seamlessly with our management information system dashboard mechanism. Taken together 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 as well as financial matters.

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 was measured at 31 March 2013 and assumed EBITDA had been earned evenly over the 15 month period.

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

For further details see the Directors' Report on Remuneration.

DEFINITIONS

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

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

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

Net Debt
Cash less borrowings.

Trading EBIT
Trading earnings before interest and tax before exceptional items.

Trading EBITDA
Trading 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.

Trading EPS
Trading diluted earnings per share.

All KPIs are presented on a like-for-like basis (i.e. exclude non-recurring items).

STRATEGIC REPORT

STRATEGIC OBJECTIVE TO INCREASE PROFITABILITY

Gross Profit %
Maintain a balance between prices and direct costs.

Progress in year
Gross profit margin below target driven by the Peter Brotherhood business. Hayward Tyler was ahead of target at 36.6%.

Target
Margin

> 35%

Trading EBIT %
Key profit measure that is used to assess operational performance.

Progress in year
Trading EBIT margin below target at 9.4% driven by lower gross profit margin in Peter Brotherhood.

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

= 10–15%

STRATEGIC OBJECTIVE TO GENERATE POSITIVE SHAREHOLDER RETURN

Trading EPS Growth
Closely aligned to shareholders' objectives.

Progress in year
Trading EPS growth at 36% was ahead of target as a result of strong profitability. Excluding exceptional tax benefits EPS would have been 8.09p giving growth of 16%.

Target
Year on year growth of

> 10%

FINANCIAL REVIEW
STRONG CASH GENERATION STRONGER CAPITAL BASE

£61.6m
REVENUE

27%
INCREASE ON 2015

"The Group has moved-up a gear with the strategic investment in Peter Brotherhood and the Centre of Excellence"

NICK FLANAGAN

For more information go to:
Our Vision

For further details go to Our Markets on haywardtyler.com

Setting HTG's priorities

Our FY2016 focus

- 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.

Achievements

- Net cash from operating activities increased by 30% to £5.1 million;
- Additional funding of £4.9 million and term borrowing facilities of £11.0 million arranged to support the on-going investment in the Centre of Excellence and acquisition of Peter Brotherhood respectively;
- Additional working capital and bonding facilities of £9.5 million in aggregate arranged to support the UK and US operations of the Group; and
- Further development of risk management including contract risk.

Priorities for FY2017

- Continue to manage working capital and borrowings whilst growing and investing in the business;
- Continue to ensure that the Group has access to flexible and sufficient funding arrangements;
- Enhance systems and processes to roll out a common IT platform across the Group to enhance collaboration, knowledge sharing and communication; and
- Continue to develop risk management processes within the Group with a particular focus on contract risk and re-establishing the position of Peter Brotherhood.

Introduction

I am delighted to report increased profit, strong cash generation and firm financial foundations at a time of significant investment in the future of the business.

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

Overall Group revenue was substantially higher at £61.6 million (FY2015: £48.6 million) with the increase almost entirely due to the acquisition of Peter Brotherhood, which contributed £12.5 million to revenue. Of that sum, £9.4 million was derived from the order book that we acquired and £3.1 million was from order intake during the five months of our ownership of the business.

Our broad geographical coverage and diversity of markets provides us with a significant degree of resilience to adverse market fluctuations in a single market. That being said we experienced some headwinds in FY2016 with revenue for the Hayward Tyler branded businesses rising by just 1% to £49.1 million (FY2015: £48.6 million). That increase reflects a slower recovery in revenue by our Hayward Tyler US business than we had expected, however, I am glad to report that the strong order intake by that business late in the year will provide a good foundation for revenues in FY2017 and FY2018.

In terms of the total Group, Power was the largest sector at 51% of revenue (FY2015: 59%) whilst Nuclear remained more or less level at 21% (FY2015: 20%). Oil and gas was stronger at 11% (FY2015: 8%) reflecting turnover from Peter Brotherhood and Hayward Tyler's subsea and submersible units. Revenue from Other markets that include chemical, defence, industrial and renewables formed a higher proportion of the total at 17% (FY2015: 13%). That revenue reflects sales of steam turbines by Peter Brotherhood to Rolls Royce for the Astute-class submarines for the Royal Navy, which has also been a source of revenue for Hayward Tyler over recent years. The largest geographical market was Asia Pacific (excluding China) at 25% of revenue (FY2015: 32%), of which South Korea was the single largest market. China was 13% (FY2015: 5%) reflecting sales of BCP new units and aftermarket services. The USA accounted for 22% of revenue (FY2015: 24%) followed by the UK at 19% of revenue (FY2015: 12%), driven by the sales to Rolls Royce. Europe excluding the UK was 10% (FY2015: 8%).

Profit and Profit Margin

We continue to operate two service lines within Hayward Tyler and now Peter Brotherhood as well. These lines are original equipment manufacturing ("OE") and aftermarket services ("AM"), which deliver products and services worldwide and across a number of energy and process markets. Whilst the overall gross profit margin was 33% (FY2015: 35%), I am encouraged to report that the margin from the Hayward Tyler branded business was noticeably ahead of our KPI target of 35% at 37% reflecting both an increase in the margin on Hayward Tyler's OE business to 22% (FY2015: 18%) and a slightly higher proportion of AM revenue in the year of 63% (FY2015: 60%). The increase in the OE margin continues the upward trend of the last few years and is testament to the process of continuous improvement (particularly in operations) implemented throughout the Group.

Generally, looking to the future we expect the gross profit margin from Peter Brotherhood to be lower than Hayward Tyler, reflecting in part that its OE business has a significant proportion of bought-in parts such as generators. This proved to be the case with a margin of 20% (OE 14%, AM 37%), which also reflected OE making-up 74% of Peter Brotherhood's revenue in the period. Despite this difference in expectations we are working hard to improve the overall gross margin and therefore will retain our stated gross margin KPI at or in excess of 35% and likewise for the trading[1] operating profit margin KPI of 10-15% as highlighted below.

Trading[1] operating charges in the year were £14.7 million, of which Peter Brotherhood represented £1.4 million and the Hayward Tyler operations and non-operational costs represented £13.3 million (FY2015: £11.7 million). The increased charges in Hayward Tyler in FY2016 mainly reflect higher headcount, Centre of Excellence costs (see Centre of Excellence below) and depreciation. Taken together that delivered an overall trading[1] operating profit around 8% higher at £5.8 million (FY2015: £5.3 million) and a trading operating profit margin of 9.4% (FY2015: 11.0%). Trading[1] profit before tax was £5.1 million (FY2015: £4.4 million) with trading[1] EBITDA (earnings before interest, tax, depreciation and amortisation) for the year up 13% at £7.2 million (FY2015: £6.4 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[2] basis revenue and operating profit in FY2015 would have been higher by £1.9 million and £0.7 million respectively.

Non-Trading Operating Results

Non-trading operating charges were £1.8 million (FY2015: £nil), which represent the costs of the acquisition of Peter Brotherhood (£1.3 million), the cost of the sale and leaseback of the Peterborough property (£0.1 million) and amortisation of the Peter Brotherhood order book (£0.4 million) (see Peter Brotherhood Acquisition on page 26).

Finance Charges
Trading[1] finance costs in the year were £0.6 million (FY2015: £0.7 million). In addition, the fair value of derivatives was a charge of £40,000 (FY2015: £0.3 million), driven by the mark-to-market of foreign exchange hedging instruments that were outstanding at 31 March 2016, which have an average exchange rate of GBP1:USD1.5014 compared to a year-end rate of GBP1:USD1.4373. Non-trading finance costs were £0.4 million (FY2015: £nil), which relate to the one-off cost of expensing bank arrangement fees on loans associated with the acquisition of Peter Brotherhood that were prepaid.

Tax
There was a trading tax charge for the year of £0.6 million (FY2015: £1.2 million), which mainly represents tax payable on profits in the USA and China of £0.7 million (FY2015: £0.7 million). The effective tax charge is 12% (FY2015: 28%) as a result of exceptional high capital allowances, mainly from the investment in the Centre of Excellence, and prior year adjustments. Without these two benefits the tax charge would have been £0.7 million higher, which would have given an overall effective tax rate of 24%, closer to more normalised levels. There was a non-trading tax charge of £41,000 (FY2015: £nil) representing a reduction in the deferred tax asset following the change in UK corporation tax rate from 20% to 18% (£253,000) offset by a tax credit on non-trading operating and finance charges (£212,000).

Net Profit
The trading[1] profit for the year was £4.6 million (FY2015: £3.1 million), which delivered a trading[1] basic earnings per share of 9.47 pence per share (FY2015: 6.98 pence) and trading[1] diluted earnings per share of 9.47 pence (FY2015: 6.98 pence). Excluding the exceptional tax benefits set out above, the trading[1] diluted earnings per share would have been 8.09 pence per share. Net of the non-trading items, total profit was £2.4 million (FY2015: £3.1 million), which delivered a diluted earnings per share of 4.89 pence per share.

Dividends
The Group paid its interim dividend of 0.552 pence per share in February 2016 at a total cost of £0.3 million. Subject to shareholder approval, we will pay a final dividend of 0.83 pence per share, which is an increase of 5% on FY2015.

Centre of Excellence
The development of the Centre of Excellence includes investment in new infrastructure and new equipment as well as research, development and training. During the year the Group incurred capital expenditure on the Centre of Excellence of £9.8 million (FY2015: £2.5 million) together with capitalised development costs of £0.5 million (FY2015: £0.2 million). The capital expenditure mainly relates to:

- The building extension and refurbishment of £7.0 million (FY2015: £1.9 million); and
- Plant and machinery of £2.7 million (FY2015: £0.6 million).

In addition, the net expense on the project was £0.9 million (FY2015: £0.5 million) representing costs of £1.2 million (FY2015: £0.8 million), which mainly related to research, development and training, offset by grant income of £0.3 million (FY2015: £0.3 million).

This expenditure was partly funded by a £3.5 million grant from the Regional Growth Fund (RGF) programme. As at 31 March 2016 the business had received grant income as cash of £3.3 million (FY2015: £1.4 million) with the consolidated statement of financial position including the remaining grant receivable of £0.2 million (FY2015: £2.1 million) in other non-current assets and the deferred income in respect of the programme in other creditors of £2.8 million (FY2015: £3.2 million), analysed between current and non-current.

Further details of the accounting treatment of the RGF programme are given in **note 2.24** to these financial statements.

Peter Brotherhood Acquisition
As reported elsewhere in this report, the Group acquired the trade and assets of Peter Brotherhood for a total consideration of £10.1 million following an adjustment for working capital. Under IFRS 3 (Business Combinations) a buyer is required to consider the fair value of the assets and liabilities that it has purchased. Such assets and liabilities include both those identified by the seller and those not identified. The fair value exercise can be undertaken in the first 12 months of ownership and the provisional fair value of the net assets acquired has been determined to be £9.8 million, which gives rise to goodwill on acquisition of £0.4 million. The provisional fair value includes valuing the order book of Peter Brotherhood at 30 October 2015, which was determined to be £0.5 million.

The purchase consideration was paid in cash from new term borrowing facilities from National Westminster Bank of £11.0 million. These facilities were prepaid in full out of the proceeds of an equity placing in December 2015 and a sale and leaseback of the business' Peterborough freehold site at the end of March 2016. The site was sold for just under £7.5 million with Peter Brotherhood Limited as the tenant and the Company as the guarantor. The lease is for 15 years at a market rent of £575,000 per annum and subject to market reviews after five and ten years.

> "The strong relationship that we have established with our banking partners and UKEF provide us with the confidence to take HTG forward"
>
> NICK FLANAGAN
> CHIEF FINANCIAL OFFICER

Details of the acquisition are given in **note 16** to the financial statements.

Cash Generation and Working Capital
Net cash generated from operating activities increased by 30% to £5.1 million. This strong performance together with our flexible funding arrangements allowed us to accelerate expenditure on the Centre of Excellence to maximise our utilisation of the RGF grant, while it remained available to draw, and to invest in a dedicated test facility that will give rise to an additional separable revenue stream.

Net working capital reduced from £9.2 million at 31 March 2015 to £7.2 million at 31 March 2016 driven by Peter Brotherhood, including negative net working capital of £1.6 million that was purchased with the business. In spite of high trade receivables at year-end, undrawn borrowing facilities were strong at £5.1 million (FY2015: £5.9 million).

Details of cash, borrowings and related interest rates are given in **notes 23 and 29** to the financial statements.

Funding
In December 2015 we raised £8.4 million equity before expenses from a placing of ordinary shares with current and new large shareholders. The proceeds were used to prepay a £5.0 million bridging facility from National Westminster Bank and the remainder is being used to fund capital expenditure in Luton and Peterborough. The placing was significantly oversubscribed reflecting strong support for the Group and its strategy.

During the year we arranged a number of borrowing and ancillary facilities to support the Group's on-going business and to finance the acquisition of Peter Brotherhood. The acquisition borrowings have been prepaid in full. The additional facilities to support the on-going business include:

- A £3.0 million increase to the UK committed revolving credit facility;
- A £1.5 million increase to the equipment finance line to help fund the purchase of new plant and machinery;
- A £4.5 million increase in the bonds and guarantees facility to support commercial contracts;
- The remaining balance of the loan note programme representing £1.365 million to help fund the extension of the Luton facility; and
- An increase of USD3.0 million to the US borrowing and ancillary facilities covering working capital, equipment finance and bonds and guarantees.

The strong relationship that we have established with our banking partners and the support that we have been able to access from UK Export Finance, taken together with the existing and additional banking and borrowing facilities, provide us with the confidence to take HTG forward.

Borrowings
Net debt increased as planned from £7.9 million at 31 March 2015 to £8.6 million at 31 March 2016 mainly driven by investment in the Luton Centre of Excellence. However, with the five months of profit contribution from Peter Brotherhood, the ratio of net debt to trading EBITDA remained at the same level as last year at 1.2x, which is well within the Group's target KPI of less than 2.0:1.

At 31 March 2016 net debt comprised:

- Term borrowings of £5.9 million (FY2015: £6.0 million);
- Finance leases of £1.6 million (FY2015: £0.7 million); and
- Drawings under revolving credit facilities of £6.2 million (FY2015: £2.9 million) offset by cash £5.1 million (FY2015: £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 financial year end for the purposes of the report and accounts by independent qualified actuaries. The net obligation has been eliminated in the year and now shows a net surplus of £0.2 million at 31 March 2016 (FY2015: net obligation of £0.2 million) mainly due to improved actuarial assumptions.

Details of pensions and employee obligations are given in **note 28** to the financial statements.

Statement of Financial Position
Total equity increased by £10.4 million to £25.8 million mainly as a result of the net proceeds of the equity placing of £8.0 million, profit for the year of £2.4 million, movement on reserves of £0.6 million and the gain in value of the pension scheme of £0.1 million offset by the payment of dividends in the year of £0.7 million.

NICK FLANAGAN
CHIEF FINANCIAL OFFICER
4 JULY 2016

£5.1m

NET CASH FROM OPERATING ACTIVITIES

30%

INCREASE ON FY2015

1 Trading represents the underlying performance of the Group
2 Constant exchange rate is calculated by rebasing prior year figures at current year

PRINCIPAL RISKS AND UNCERTAINTIES

"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."

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 Part 1 – Growth
- B Growth Strategy and Competition Part 2 – Acquisition Risk
- C Execution
- D Global Economic Activity
- E Employees

Operational risk

- F Supply Chain

Financial risk

- G Funding
- H Working Capital
- I Currency
- J Pension Deficit

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 endeavour to develop those practices each year. The Chief Financial Officer is responsible for risk management on behalf of the Board and the Audit Committee reviews 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.

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. The register is updated regularly, which might include the assessment of a new key risk, and the risk score re-calculated. 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.

During the year interest rate risk was removed from the top 10 risks as a result of the on-going relatively benign interest rate environment in which we operate. Acquisition risk was added to the list.

To see our KPIs go to **page 22**

To see Our Strategy go to **page 5**

RISK	POTENTIAL IMPACT	MITIGATION
Strategic Risk A Growth Strategy and Competition Part 1: Growth	A fundamental part of the Group's strategy is growth from both OE and AM. This growth is reliant on our markets. These markets demonstrate long-term growth but remain highly competitive. Failure to keep-up with technological change could give rise to the Group's products, services and technologies becoming less competitive.	The Group is a specialist business providing niche engineering solutions for the global energy sector. It has an excellent market profile (quality, reliability and customer relationships), which results in inclusion on sector bid/quote opportunities. The Group is investing in key aspects to maintain and improve the Group's competitive position including: • employees (see **E below**); • supply chain (see **F below**); • developing and maintaining strong relationships with key customers; • capital expenditure on the Centre of Excellence and plant and equipment; • research and development of products and processes (see **Strategy in Action**); and • aftermarket initiatives including supporting end-of-life extension programmes.
B Growth Strategy and Competition Part 2: Acquisition Risk	The Group has acquired a new subsidiary, Peter Brotherhood ("PBL"), the former Peterborough operations of Dresser-Rand. Failure to re-establish this business could (1) absorb a disproportionate part of management resource at the expense of other parts of the Group and (2) reduce the Group's profitability.	The Group has completed the following actions to mitigate this risk: • pre-deal due diligence; • achieving a balance between attractive purchase price and business purchase agreement terms and conditions; • appropriate funding of the acquisition and on-going business followed by de-leveraging the business; • local senior management team established in weeks 1 and 2 following the acquisition complemented by experienced executives from Hayward Tyler. The Group is seeking to mitigate this risk through the following on-going means: • development of employees; • focusing on marketing and sales; and • re-organising the business on the basis of process flow lines.
C Execution	The Group designs, manufactures and services highly technical products that are mission critical to the end user. Failure to satisfy contractual obligations could give rise to significant losses (e.g. warranty claims), cash constraints, lost future orders 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 innovation. These steps include *inter alia* enhanced customer relationship management, sales and operational planning, process flow mapping, increased research and development, product standardisation and enhancing process capability. 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 altogether.
D Global Economic Activity	The Group operates in global energy and process markets. A slowdown in those markets including the possible impact from recent economic and political uncertainty may adversely impact order intake, 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, the Group is investing in research and development to develop new products or adapt existing products for use in other applications in order to broaden its product offering to reduce the risk.

RISK	POTENTIAL IMPACT	MITIGATION
E Employees	The Group relies on the quality of its people and, in particular, its ability to attract, develop and retain key employees. Failure to attract the right talent, including highly trained and qualified engineering staff, could inhibit the rate of product and process development as well as impact on the Group's performance.	Recruitment and retention of employees remains a key focus for the Group to ensure its continued success. Group mitigating actions include: • continuing the significant investment in training and development; • personal development reviews; • career development including the first inter-business unit job swap; • succession planning; • outreach to Universities; • monitoring pay and benchmarking; • maintaining the very successful graduate and apprentice programmes; • stepping-up overall employee engagement; • embedding the gain share programme into employee remuneration packages to incentivise performance; • skills matrices across all areas of the business to identify business risks; and • utilisation of external and Group resource to offset the absence of key personnel.
F Operational Risk Supply Chain	The Group has an increasing dependence on its supply chain as part of its aim to improve throughput and minimise stock. Failure of that supply chain can result in operational disruption and delays to shipments to customers leading to potential loss of profit 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 and standardisation to support possible stock holdings; • identifying in-house capability and focused investment in related capital expenditure; • exception reporting, daily operational planning and review processes support the early identification of risk and where necessary action; • monitoring of supplier performance; • strengthening of supply chain teams; and • continuous supply chain benchmarking and development.
Financial Risk G 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, capital expenditure, and research and development.	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 maintains committed UK bank credit facilities augmented by specific funding to support the investment in the Centre of Excellence and a bonding facility. New facilities were established during FY2016 to support Hayward Tyler Colchester's working capital needs. In addition, the Group maintains an active bank relationship programme and close relationship with UK Export Finance to safeguard its ability to fund its needs. The borrowings used to finance the acquisition of Peter Brotherhood were prepaid during FY2016 enhancing the debt capacity of the Group.

RISK	POTENTIAL IMPACT	MITIGATION
H Working Capital	As a fundamental part of the Group's strategy is growth the Group is exposed to a potential increase in its working capital requirement that absorbs cash. If the Group fails to keep this increase under control it could face cash constraints that impact the business cycle.	The Group is seeking to mitigate this risk through the following means: • standard terms and conditions of manufacturing contracts require a customer to make stage payments to fund working capital on the contract. Where stage payments cannot be achieved the Group has established a close relationship with UK Export Finance in conjunction with its main lender to augment borrowing and bonding lines; • a Groupwide initiative to reduce stock; • increased manufacturing velocity through workflow re-engineering to reduce working capital requirements per unit of revenue; • through active management of accounts receivable and accounts payable; and • linking employee remuneration to the control of cash and working capital.
I 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 principal risk is US Dollar income.	The Group's policy is to hedge its transaction exposures (i.e. cash flows) on a rolling 12 month basis and build a foundation of cover for non-contracted flows in the 12 to 24 month period. As at 31 March 2016 94% of estimated USD net inflows into the UK over the following 12 months were hedged. Currency hedging lines are available from two providers.
J Pension Scheme	The Group maintains a defined benefit pension scheme. The Group could 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.	The scheme is closed to new members and to future benefit improvements. The performance of the investment advisers is monitored closely by the Company and 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, which assures stakeholders and helps to maintain or reduce 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.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

MAPPING OUR PRINCIPAL RISKS

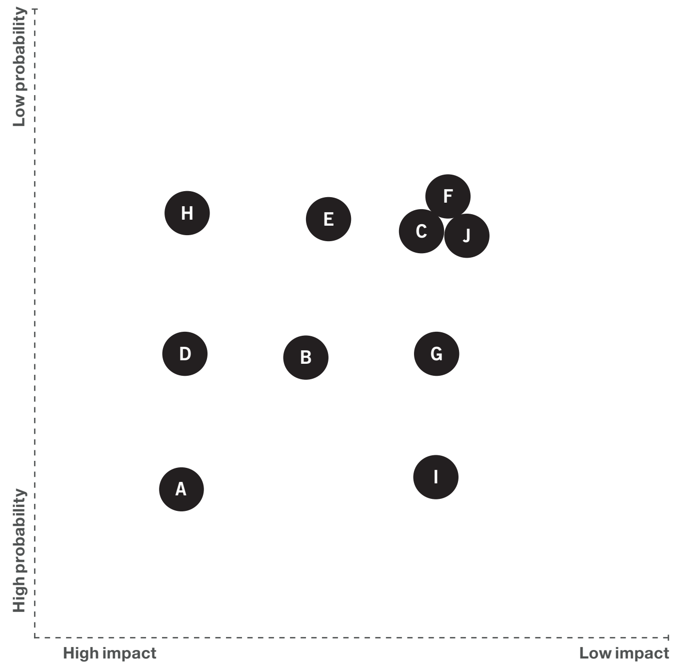
The principal risks outlined in this section have been assessed in light of the current environment and summarised in the diagrams below.

Measure of the principal risks

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

Principal risks have been colour coded to show our assessment of the direction of change and provides a focus for mitigating actions. The Group undertakes additional work to address those risks that it considers to be potentially heightened.

A — Growth Strategy and Competition Part 1 – Growth
B — Growth Strategy and Competition Part 2 – Acquisition Risk
C — Execution
D — Global Economic Activity
E — Employees
F — Supply Chain
G — Funding
H — Working Capital
I — Currency
J — Pension Scheme



CORPORATE SOCIAL RESPONSIBILITY

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.

"We are rightly proud of our long history of working with and supporting our local communities both directly and indirectly through the actions of our employees"

EWAN LLOYD-BAKER
DIRECTOR

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
The success of the Group is linked to the vision, performance and success of our people. We are always looking for the brightest and best new employees and spend time at local careers fairs as a way of sourcing new talent as well as spreading the word of Hayward Tyler and Peter Brotherhood. As well as finding new talent, our goal is to attract and retain the most productive, creative and hard-working employees by striving to create an atmosphere in which they can develop, thrive and create ideas. For example, to date Hayward Tyler Luton employees have undertaken 47,000 hours of training to give them new tools, skills and competencies to improve their productivity and performance. This training ranges from on-the-job skills to personal development plans towards professional qualifications. A further example of employee development was a recently completed successful job swap between two employees from Hayward Tyler Luton and Colchester (see page 36).

On top of this approach we like to celebrate in our employees' success. For example, currently we have many employees with 20, 30 and even 40 years' service to Hayward Tyler or Peter Brotherhood, with this loyalty being recognised and rewarded. All of our businesses offer competitive salaries, which come with an exceptional benefits plan, including many shopping and dining discounts as well as discounted gym membership in the UK and free gym membership in the USA, emphasising the Group's belief that an active and healthy workforce is a productive one. This belief is reflected by our staff with many social, fitness and outdoor events organised by and between employees.

OUR VALUES

PRIDE
in what we do

INNOVATION
in thought, process and product

PACE
getting things done

EXCELLENCE
in everything we do

As previously outlined, we operate with a shared set of values across the Group. Referred to as PIPE (Pride, Innovation, Pace and Excellence) their purpose is to further develop our culture of customer service and continuous improvement underpinned by these values. Integrity forms an important part of these values, which encompass our dealings with all our stakeholders including inter alia customers, suppliers and each other. These values are promoted in our employee handbook, contracts of employment and internal policies such as compliance with the UK Bribery Act 2010.

Safety
The Group prioritises the safety of its employees above all else. Safety is managed and reported on visual display boards, including relevant KPIs, so that all employees are aware of the safety performance and the personal impact that they have on it both individually and collectively.

STRATEGIC REPORT

Our key areas of focus

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

OUR PEOPLE AND VALUES

SAFETY

ENVIRONMENT

SOCIETY

The year to 31 March 2016 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.

All employees are encouraged to report any accident, near miss or safety observation across all sites. All relevant information is recorded daily and displayed on visual display boards located in each production area as well as in office-based departments. Safety is discussed in daily production meetings as well as at management's monthly review meetings with each business unit and at each monthly board meeting. This commitment to health and safety has seen a reduction in incidents, which can be attributed to the vast amount of work carried out over the past year to enhance our health and safety procedures from risk assessments to accident reporting as part of our continuous improvement programme. For example, the introduction of a ground-level dynamic and moveable workstations capable of carrying loads of up to 15 tonnes, known as Cruser™ trolleys, in the Hayward Tyler Luton production line have drastically reduced crane and forklift truck usage. That step has resulted in 60% less crane-usage and the elimination of forklift trucks thereby reducing risks significantly. The plan is to roll-out Crusers™ around the whole of the Group.

Further evidence of our commitment to health and safety is that Hayward Tyler Colchester and Peter Brotherhood have both achieved OHSAS 18001 certification and that Hayward Tyler East Kilbride is currently working towards achieving that accreditation, demonstrating these facilities are continuously improving their health and safety procedures and practices.

Environment

At HTG we have a commitment to comply with regulatory statutes and to drive towards a minimal environmental impact. This commitment has included *inter alia* the following:

- Hayward Tyler Colchester and Peter Brotherhood replaced their lighting with energy efficient, long-lasting LED bulbs and installed motion sensors. Hayward Tyler Luton is now following the same steps as part of the development of the Centre of Excellence;
- Hayward Tyler Luton removed over 200 skips of scrap from the site, thereby creating a more ergonomic work environment, and reinvested the proceeds from its sale in further process improvements. The business unit's finance department strived to produce a paperless environment saving 15,000 sheets of paper a year and created a leaner and more productive work environment. In addition, Hayward Tyler Luton is re-cladding the walls and replacing the roof of its existing building as well as installing 0.5MW of solar panels on the roof as part of the development of the Centre of Excellence. These steps will improve the environmental footprint of the business and reduce its energy usage substantially;
- Peter Brotherhood has a long-term plan in place to reduce its environmental impact. This plan includes a continued commitment to tracking its environmental impact, for example, annual reduction in paper usage, and have recently installed a new water heater system, designed by Peter Brotherhood staff, that saves nearly 50,000kWh per annum. That saving equates to around a 40% cost reduction. From 2015 no waste has been sent to landfill, rather it is being recycled, reused or sent for energy regeneration;
- Combining the values of responsibility for the environment and society, employees of Hayward Tyler Colchester volunteered to organise a local 'green-up' day. As part of this day, over 20 employees have cleaned-up four miles of local roads as an annual spring event; and
- Hayward Tyler East Kilbride holds both ISO 9001 and ISO 14001 certification, which have contributed to a significant reduction in the business unit's impact on the environment from projects such as reducing landfill waste, improving energy efficiency on site and manufacturing without using hazardous, toxic or scarce materials. In addition, Hayward Tyler East Kilbride is currently working on projects to meet the new requirements of both these standards prior to their introduction in 2018.

47,000

HOURS OF EMPLOYEE TRAINING TO DATE AT HAYWARD TYLER LUTON

60 %

REDUCTION IN CRANE USAGE DUE TO INTRODUCTION OF CRUSERS™

HTG is constantly looking at joining new markets including the renewable energy market and is working hard to find more efficient ways to produce sustainable energy.

Society
This year we've continued to support our employees in their charitable events such as marathon running and cycling events as well as maintaining a significant presence in the local community. In addition, the Group continues to support a thriving social diary with events planned with current and former employees including many day trips and, in the case of Hayward Tyler Luton, a pensioners' reunion at the Luton facility.

We have a policy of matching employee donations to charities giving our on-going support to causes such as: Special Olympics, a local children's charity, British Heart Foundation, The Lullaby Trust, CHUMS Bereavement, Macmillan Cancer Support, Alzheimer's Society and Human Relief Foundation. In addition, amongst other good causes, we have sponsored the Luton food bank and a local little league baseball team.

Hayward Tyler Colchester employees continue to mentor the STEM/Nova group in the local scout pack, discussing topics in science, technology, engineering and maths. This engagement includes welcoming the scouts to visit the facility to see engineering in action. In addition, one of our employees, Ben Hardy, has designed and fabricated an innovative bike rack, which was donated to the local community.

The Group continues to maintain strong links with local and national universities, attending careers fairs, sponsoring project awards and running a mentoring scheme with both university students and final year school pupils.

This Strategic Report was approved by the board on 4 July 2016 and is signed on their behalf by:

EWAN LLOYD-BAKER
DIRECTOR

LEADING BY EXAMPLE

Safety

Hayward Tyler, as expected of a world class company, takes its safety record very seriously with our East Kilbride facility being the exemplar across the Group in terms of delivering over 2,200 days since its last Lost Time Injury.

This record despite significant changes in the operational layout, the moving of our Varley business to the facility and the recent successful completion of a Mega 5S and 'Creative Destruction' event. Our Colchester business has also been breaking records with its longest run without a recordable incident. Having historically seen an increase in workplace safety incidents, a root-and-branch review was undertaken of our people and processes which since have resulted in an improved culture of safety. The addition of a new Environment, Health and Safety Officer has further helped solidify the commitment to building an employee-centric safety culture.

2,200days
SINCE THE LAST LOST TIME INJURY RECORDED IN EAST KILBRIDE FACILITY

CELEBRATING OUR SUCCESS

MX Awards

In late 2015 Hayward Tyler's achievements were recognised by its peers at The Manufacturer MX Awards.

The annual awards, which are delivered by The Manufacturer magazine in association with the Institution of Mechanical Engineers inspire, recognise and reward the best of UK manufacturing. They are the biggest annual celebration in the industry's calendar, attracting more than 1,000 attendees to a gala ceremony and represent the culmination of a rigorous judging programme designed to provide valuable business improvement advice and feedback from an expert panel of judges. The award categories range from innovation and sustainability, through to apprenticeships, leadership and staff engagement, for businesses of all sizes and sectors.

The competition is remarkable in its diversity, and the shortlist for The Manufacturer MX Awards 2015 included over 50 companies, with finalists from nearly every sector of manufacturing – automotive, food and drink, engineering, defence contractors, aerospace, beauty products and precision components.

Hayward Tyler was

- short-listed in the *Leadership and Strategy* category,
- highly commended for *People and Skills*,
- crowned *Exporter of the Year* and
- joint runner-up for *The Manufacturer of the Year 2015*.

This was a shining example of the achievements of our people, our processes and our products.

"Hayward Tyler's success at the MX Awards reflects our philosophy of "Working Together, Succeeding Together".

DAVID JONES
PROJECT MANAGER

STRATEGIC REPORT

SHARING BEST PRACTICE

Global opportunities
For a relatively small global player Hayward Tyler certainly punches above its weight in terms of opportunities available to its employees. Ross Meikle is a great example of the opportunities available to a graduate who is willing to seek out those opportunities.

Joining the Group in 2011, he soon involved himself in the "future factory" layout process which combined with other lean techniques led to him winning the "Young Manufacturer of the Year" in 2013. Looking to continue to grow and develop our employees, Ross volunteered for Hayward Tyler's first ever "job swap" opportunity with another young graduate, Morgan Knapton, from our Colchester facility in 2015. During the 6-month job swap period both were able to share ideas and perspectives with each other and across the other's respective work units. This has already led to an improved culture of information sharing and trust between the two facilities and laid the foundations for future job-swap opportunities across the Group.

6 month
JOB-SWAP OPPORTUNITY

"The opportunity to go out to our Hayward Tyler site in Colchester was brilliant. I gained valuable insight into how the business unit runs, focusing largely on their aftermarket. The experiences I gained from the secondment were phenomenal from day 1 where I was tasked with going to view potential new machinery, flying out to Detroit for a conference and subsequently learning to ski. It was a once in a lifetime opportunity and the Colchester site was very welcoming. I was able to engage with everyone very easily and got heavily involved across all departments. I will carry this experience with me throughout my life and am very thankful for the opportunity".

ROSS MEIKLE
HAYWARD TYLER

ENERGY EFFICIENCY ON YOUR DOORSTEP

Keeping the lights on
Delivering energy cost savings and emissions reductions through the design and application of bespoke CHP systems

60
CHP UNITS PROVIDING

150,000
HOURS OF CONTINUAL USE

95%
UPTIME

With more than 20 years' experience in the global CHP, (combined heat and power, also known as cogeneration) marketplace, Peter Brotherhood has developed a strong reputation for delivering energy cost savings and emissions reductions through the design and application of bespoke CHP systems, including conventional heat and power, AirCHP and combined cooling (tri-generation systems).

As a partner to commercial, industrial and municipal energy users worldwide, we are committed to delivering energy savings through cost-effective energy-efficiency investments with predesigned, factory-tested, fully packaged CHP systems. We have designed, built and installed over 60 CHP units, from 75 KW small standalone units, to 6.5MW turnkey installations. These units have been operating with uptimes of over 95% for over 150,000 hours continual use – a considerable differentiator in an environment of uncertainty.

SECTION 2 GOVERNANCE

Our corporate governance processes and the role that they play in supporting the delivery of our strategy, including reports from the Chairman and each of the Board Committees.

Contents

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
10 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 an "intrepreneur" consultant for a number of blue-chip companies. Ewan was granted an honorary doctorate by the University of Bedfordshire in recognition of his achievements in the manufacturing industry in 2016.

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.

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, M&A, secondary placings, rights issues and managing investor relationships.

Committee membership
By invitation

2. Nick Flanagan
Chief Financial Officer & Executive Director

Length of service
8 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, subsequent equity placings and the acquisition of Peter Brotherhood. In addition, he led the refinancing of the Group's debt in 2014 and loan note issue in 2015.

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
10 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
2 years: 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 around £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)

CORPORATE GOVERNANCE

Structure of the report
This report sets out how HTG is governed and the key activities of the Board of Directors in promoting effective governance during FY2016.

"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."

JOHN MAY
NON-EXECUTIVE CHAIRMAN

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 2016, 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.

BOARD AND COMMITTEE MEETINGS DURING THE YEAR

Director	Board	Audit Committee	Remuneration Committee
E LLOYD-BAKER	11/11	1/2	2/2
N FLANAGAN	11/11	2/2	2/2
J MAY	11/11	2/2	2/2
MAURICE CRITCHLEY	11/11	2/2	2/2

CORPORATE GOVERNANCE CONTINUED

GOVERNANCE

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

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

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 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 have previously indicated our intention to appoint an additional Non-Executive Director at the appropriate time to provide greater diversity and independence without overburdening the Company with additional overhead. Our intention is to commence the appointment process during FY2017.

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.

Eleven 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 acquisition of Peter Brotherhood and the associated funding arrangements and the sale and lease back of the Peterborough property.

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

Setting HTG's Priorities for Corporate Governance

The key achievements of the Board in FY2016 were

- We continued to extend our risk management processes with a focus on contract risk;
- We maintained our corporate governance in line with, or ahead of, best practice for smaller quoted companies;
- We initiated a more formal performance evaluation programme for the Directors, the Board and each committee of the Board; and
- We maintained an active investor relations programme.

The Board's key priorities for FY2017 are:

- Appoint an additional Non-Executive Director;
- Complete the implementation of a more formal performance evaluation programme for the Directors, the Board and each committee of the Board; and
- Maintain the investor relations programme.

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 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 shareholders during the period under review.

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 around 23 days prior to the date of the meeting. This year the meeting will be held on 4 August 2016 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 last year's report we indicated our intention to introduce a more formal system of performance evaluation of each of the Directors, the Board and each committee of the Board. This process has been initiated and we will report on it in greater detail next year.

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 handbooks 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
4 JULY 2016

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.

AUDIT COMMITTEE REPORT

THE AUDIT COMMITTEE MEMBERS

Chairman of the Audit Committee
John May

Non-Executive Director
Maurice Critchley

The Audit Committee responsibilities

- 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 together with the effectiveness and quality 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;
- To report to the Board on how it has discharged its responsibilities; and
- To communicate effectively to shareholders the extent of the Audit Committee's activities.

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 FY2016
The Audit Committee met formally two times during the financial 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 2015, of which there were none;
- To determine that the report and accounts for that period were fair, balanced and understandable;
- To discuss matters relating to the audit for the year ended 31 March 2016 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 audit approach for FY2016, 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 auditor'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 financial year the external auditor undertook some minor non-audit work and, from time to

time 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 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, we welcomed Paul Naylor as new engagement partner. We would like to thank Paul and his team for their guidance and support over the last 12 months.

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, which includes 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 FY2017
Since 31 March 2016 the Audit Committee has determined and agreed (1) the scope of the audit for the year ended 31 March 2016 and (2) the fees payable to the external auditor therefor. In addition, the Audit Committee has reviewed the outcome of the audit of the Report and Accounts for the year ended 31 March 2016.

JOHN MAY
MAURICE CRITCHLEY
4 JULY 2016

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 Remuneration Committee responsibilities

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 FY2016 and the plans for FY2017.

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 FY2016
The Remuneration Committee met formally twice during the year to set the scale of the remuneration of the Executive Directors and to implement the long-term incentive plan discussed in last year's report. 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 a 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).

This policy is summarised in the adjacent table.

	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 FY2016 • 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
TSR LTIP	• Incentivises delivery of long-term value creation • Aligns Executive Directors' interest with those of shareholders • Encourages share ownership	• Initial grant made following announcement of results for FY2015 • Share award vests subject to continued service and performance target	Up to 200% of salary at date of award	• Three year performance period • Total shareholder return (TSR) relative to comparator group of companies • Clawback provisions will apply
PBL LTIP	• Incentivises delivery of long-term value creation • Aligns Executive Directors' interest with those of shareholders • Encourages share ownership	• Initial grant made following announcement of acquisition of Peter Brotherhood • Share award vests subject to continued service and performance target	• Ewan Lloyd-Baker: 250,000 restricted shares • Nick Flanagan: 110,000 share options	• One year performance period • Peter Brotherhood Limited to deliver at or above revenue or operating profit targets for year ended 31 March 2017 • Clawback provisions will apply

FY2015

Base Salary

During the year under review the Chief Executive Officer and Chief Financial Officer were paid base annual salaries of £250,000 (FY2015: £237,263) and £184,839 (FY2015: £177,789) respectively. The remuneration received by each Director that served during the period was as set out in the table on the page opposite.

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 above relate to the performance in FY2015 for which the metrics were achieved in part. The metrics used in FY2016 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, however, the Executive Directors have decided to waive their right to receive their bonuses in respect of FY2016.

Long-term Incentive Plan (LTIP)

The Hayward Tyler Long-Term Incentive Plan ("LTIP") is the Group's primary long-term incentive arrangement and it was established in June 2015. Prior to that no share options existed. The LTIP has been established to incentivise the Executive Directors and certain senior managers (the "Executives") to deliver long-term value creation for shareholders. To date two awards have been issued under the scheme; TSR LTIP and PBL LTIP. These awards share the same characteristics other than their performance conditions.

Under the TSR LTIP the Company has awarded the Executives either nominal options or restricted shares for which the participant pays only the nominal value of the shares.

The nominal options vest three years from the date of grant, subject to continued service and the achievement of a performance target. The restricted shares are subject to clawback under the same performance conditions. The grants can be made for up to a maximum of the share equivalent of 200% of an Executive's annual salary each year. An award under TSR LTIP will vest only if the total shareholder return ("TSR") achieved by the Company over the three year vesting period is greater or equal to the TSR of the median company in a defined comparator group of companies over that period. The percentage of the award that vests operates on a sliding scale with 0% below the median, 20% at the median and 100% in the upper quartile.

Options which have vested may be exercised up to 10 years from the date of grant. An initial grant was made to the Executive Directors on 23 June 2015 that represented 100% of their salary as at the mid-closing price of the Company on 22 June 2015 (85 pence) representing 294,118 shares in the case of Ewan Lloyd-Baker and 215,153 shares in respect of Nick Flanagan. In addition, aggregate awards of 211,764 shares were made to three senior managers in the Group.

Under the PBL LTIP the Company has awarded the Executives either nominal options or restricted shares for which the participant pays only the nominal value of the shares. The nominal options will vest 18 months from the date of grant, subject to continued service and the achievement of certain performance conditions attached to the successful development and growth of the Peter Brotherhood business. The restricted shares are subject to clawback under the same performance conditions. A grant was made to the Executive Directors on 19 November 2015 that represented 250,000 shares in the case of Ewan Lloyd-Baker and 110,000 shares in respect of Nick Flanagan. In addition, aggregate awards of 140,000 shares were made to three senior managers in the Group.

Details of share-based employee remuneration are given in note 8 to the financial statements.

Performance Chart

The chart on page 47 shows the relative performance of the Company's TSR compared with the TSR of a comparable group of companies over the last three years. These indexes have been chosen as comparators as they represent broad equity indexes of which the Company is a constituent member.

FY2017

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 2017 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.

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 2016	At 31 March 2015
E LLOYD-BAKER	4,201,564	3,657,446
N FLANAGAN	384,333	384,333
J MAY	41,963	41,963
M CRITCHLEY	4,168,131	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
4 JULY 2016

DIRECTOR'S REMUNERATION
YEAR TO 31 MARCH 2016

£000	Salary & fees	Bonus	Pension [1]	LTIP	2016 Total [2]	2015 Total [2]
EXECUTIVE						
E LLOYD-BAKER	250	94	–	47	391	332
N FLANAGAN	177	73	8	28	286	257
NON-EXECUTIVE						
J MAY	64	–	–	–	63	63
M CRITCHLEY	37	–	–	–	37	37

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. Employer's National Insurance Contributions made relating to Directors' emoluments in the period were £80,630 (FY2015: £78,437)

REPORT OF THE DIRECTORS

The Directors present their report and the financial statements of the Group for the year ended 31 March 2016.

Principal Activities
The primary business activity of the Group is to design, engineer, manufacture and service performance-critical equipment 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 2016 are shown in the attached financial statements. The Directors recommend a final dividend of 0.83 pence per share.

Annual General Meeting
The Annual General Meeting will be held at Hayward Tyler, 1 Kimpton Road, Luton LU1 3LD on 4 August 2016 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.

John May and Maurice Critchley 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 29 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 2019 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 2016.

Major Interests in Shares
At 31 March 2016, the following parties highlighted in the table below had a significant direct or indirect holding in the securities of the Company.

Related Party Transactions
Details of related party transactions are given in note 32 to the financial statements.

For and on behalf of the Board

N FLANAGAN
DIRECTOR

MAJOR INTERESTS IN SHARES

	Number of shares	Percentage at date of notification
THE BANK OF NEW YORK (NOMINEES) LIMITED	6,413,798	11.58
SECURITIES SERVICES NOMINEES LIMITED	6,000,000	10.83
EWAN LLOYD-BAKER*	4,201,564	7.59
HAREWOOD NOMINEES LIMITED*	3,609,538	6.52
PLATFORM SECURITIES NOMINEES LIMITED	2,896,751	5.23
VIDACOS NOMINEES LIMITED	2,891,811	5.22
SEVERN GLOCON LIMITED	2,275,370	4.11
STATE STREET NOMINEES LIMITED	1,887,802	3.41
AURORA NOMINEES LIMITED	1,789,701	3.23

* aggregate of more than one holding

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

For more information visit **haywardtyler.com**

The Directors are responsible for preparing the annual report including the strategic report, the report on governance 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 **(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
4 JULY 2016

GOVERNANCE

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 2016 which comprise the Group 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 Cash Flow 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 80C(2) 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 as set out on page 49, 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 Company's affairs as at 31 March 2016 and of the Group's profit for the year then ended in accordance with the International Financial Reporting Standards (IFRS) (as adopted by the European Union).

PAUL NAYLOR
GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
GRANT THORNTON HOUSE
MILTON KEYNES
4 JULY 2016

SECTION 3 FINANCIAL STATEMENTS

Detailed analysis of our audited financial statements for the year ended 31 March 2016, providing in-depth disclosure on the financial performance of the Group.

Contents

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Notes	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Non-current assets					
Goodwill	15	2,573	2,219	–	–
Other intangible assets	17	1,586	1,034	–	–
Investments	18	–	–	9,723	7,723
Property, plant and equipment	19	25,302	11,288	–	–
Deferred tax assets	22	2,726	2,555	(17)	–
Other debtors	21	180	806	–	–
Trade and other receivables	21	–	–	3,806	2,412
Pension and other employee obligations	28	167	–	–	–
		32,534	17,902	13,512	10,135
Current assets					
Inventories	20	6,626	6,015	–	–
Trade and other receivables	21	20,414	16,599	10,673	7,898
Other current assets	21	2,308	1,139	12	98
Current tax assets	12	207	500	–	–
Cash and cash equivalents	23	5,135	1,769	1,550	–
		34,690	26,022	12,235	7,996
Total assets		67,224	43,924	25,747	18,131
Current liabilities					
Trade and other payables	24	15,178	9,976	97	192
Borrowings	31.4	7,418	4,270	(70)	1,070
Provisions	26	3,542	884	–	–
Current tax liabilities	12	755	1,084	–	–
Other liabilities	25	3,426	3,722	142	208
Derivatives	31.2	292	252	–	–
Current liabilities		30,611	20,188	169	1,470
Net current assets		4,079	5,834	12,066	6,526
Total assets less current liabilities		36,613	23,736	25,578	16,661
Non-current liabilities					
Borrowings	31.4	6,356	5,359	2,941	2,411
Pension and other employee obligations	28	–	179	–	–
Other creditors	25	4,449	2,757	–	–
		10,805	8,295	2,941	2,411
Net assets		25,808	15,441	22,637	14,250
Equity					
Called-up share capital	34	554	455	554	455
Share premium account	34	36,677	28,705	36,677	28,705
Merger reserve		14,502	14,502	20,667	20,667
Treasury stock reserve		–	(274)	–	(274)
Reverse acquisition reserve		(19,973)	(19,973)	–	–
Share based payment reserve		93	–	93	–
Other equity		18	18	18	18
Foreign currency translation reserve		375	238	–	–
Retained earnings		(6,438)	(8,230)	(35,372)	(35,321)
Total equity		25,808	15,441	22,637	14,250

The accounts were approved by the Board of Directors on 04 July 2016 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 2016

	Notes	Trading 2016 £000	Non-trading 2016 £000	Total 2016 £000	Trading 2015 £000	Non-trading 2015 £000	Total 2015 £000
Revenue	6	61,648	–	61,648	48,619	–	48,619
Cost of sales		(41,223)	–	(41,223)	(31,554)	–	(31,554)
Gross profit		20,425	–	20,425	17,065	–	17,065
Operating charges	2.5	(14,659)	(1,777)	(16,436)	(11,718)	–	(11,718)
Operating profit/(loss)	7	5,766	(1,777)	3,989	5,347	–	5,347
Finance costs	2.5 & 10	(579)	(382)	(961)	(694)	–	(694)
Fair value losses on derivatives	10	(40)	–	(40)	(294)	–	(294)
Profit/(loss) before tax		5,147	(2,159)	2,988	4,359	–	4,359
Taxation	2.5 & 11	(597)	(41)	(638)	(1,210)	–	(1,210)
Profit/(loss) for the year		4,550	(2,200)	2,350	3,149	–	3,149
Basic earnings per share (pence)	13	9.47	(4.58)	4.89	6.98	–	6.98
Diluted earnings per share (pence)	13	9.47	(4.58)	4.89	6.98	–	6.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	2016 £000	2015 £000
Profit for the year	**2,350**	3,149
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit and loss		
Remeasurement of net defined benefit liability	**138**	1,221
Income tax relating to items not reclassified	**(28)**	(256)
Items that will be reclassified subsequently to profit and loss		
Gain on translation of overseas subsidiaries	**137**	659
Other comprehensive income for the year net of tax	**247**	1,624
Total comprehensive profit for the year	**2,597**	4,773
Attributable to		
Equity shareholders of the Company	**2,597**	4,773

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Share Capital £000	Share Premium £000	Merger Reserve £000	Reverse Acquisition Reserve £000	Treasury Stock Reserve £000	Share Based Payment Reserve £000	Other Equity £000	Foreign Currency Translation Reserve £000	Retained Earnings £000	**Total £000**
Balance at 1 April 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 28)**	–	–	–	–	–	–	–	–	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
Dividends	–	–	–	–	–	–	–	–	(668)	(668)
Issue of share capital	99	7,902	–	–	–	–	–	–	–	8,001
Sale of shares	–	70	–	–	274	–	–	–	–	344
Employee share based compensation	–	–	–	–	–	93	–	–	–	93
Transactions with owners	99	7,972	–	–	274	93	–	–	(668)	7,770
Profit for the year	–	–	–	–	–	–	–	–	2,350	2,350
Actuarial gain for the year on pension scheme **(see note 28)**	–	–	–	–	–	–	–	–	138	138
Deferred tax on actuarial movement on pension scheme	–	–	–	–	–	–	–	–	(28)	(28)
Gain on translation of overseas subsidiaries	–	–	–	–	–	–	–	137	–	137
Total comprehensive income	–	–	–	–	–	–	–	137	2,460	2,597
Balance at 31 March 2016	554	36,677	14,502	(19,973)	–	93	18	375	(6,438)	25,808

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	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 2014	455	28,705	20,667	(274)	18	–	(34,889)	14,682
Dividends	–	–	–	–	–	–	(575)	(575)
Profit for the year	–	–	–	–	–	–	143	143
Balance at 31 March 2015	455	28,705	20,667	(274)	18	–	(35,321)	14,250
Dividends	–	–	–	–	–	–	(668)	(668)
Issue of share capital	99	7,902	–	–	–	–	–	8,001
Sale of shares	–	70	–	274	–	–		344
Employee share based compensation	–	–	–	–	–	93	–	93
Transactions with owners	99	7,972	20,667	274	–	93	(668)	7,770
Profit for the year	–	–	–	–	–	–	617	617
Balance at 31 March 2016	554	36,677	20,667	–	18	93	(35,372)	22,637

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Operating activities					
Trading profit/(loss) before tax		5,147	4,359	230	(95)
Non-cash adjustment	35	1,995	1,853	(350)	(316)
Net changes in working capital	35	116	(1,608)	(4,244)	(249)
Contributions to defined benefit plan		(210)	(210)	–	–
Payment of non-trading items		(1,359)	–	–	–
Taxes paid		(548)	(426)	–	–
Net cash from operating activities		5,141	3,968	(4,364)	(660)
Investing activities					
Purchase of property, plant and equipment		(10,803)	(2,944)	–	–
Proceeds from finance leases to purchase property, plant and equipment		1,578	364	–	–
Purchase of intangible assets		(765)	(446)	–	–
Interest received		–	–	825	461
Disposal of property, plant and equipment		7,460	(5)	–	–
Acquisition of trade and assets		(10,132)	–	–	–
Investment in subsidiary		–	–	(2,000)	–
Dividends received		–	–	387	238
Net cash used in investing activities		(12,662)	(3,031)	(788)	699
Financing activities					
Proceeds from borrowings		15,665	4,035	9,865	1,635
Repayment of borrowings		(12,760)	(4,626)	(10,217)	(1,000)
Re-banking costs		(258)	(199)	(258)	(199)
Proceeds from issue of share capital		8,001	–	8,001	–
Dividends paid		(668)	(575)	(668)	(575)
Sale of treasury shares		344	–	344	–
Repayment of finance leases		(631)	(166)	–	–
Interest paid		(411)	(523)	(365)	(145)
Grant income received		1,605	1138	–	–
Net cash from financing activities		10,887	(916)	6,702	(284)
Net change in cash and cash equivalents		3,366	21	1,550	(245)
Cash and cash equivalents at beginning of year		1,769	1,748	–	–
Cash and cash equivalents at end of year		5,135	1,769	1,550	(245)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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 04 July 2016. The Directors have recommended a final dividend of 0.83 pence per share.

The Group includes both the Hayward Tyler and Peter Brotherhood businesses, which together provide nearly 350 years of engineering experience, heritage and pedigree. The Group is focused on delivering performance-critical solutions for the most demanding requirements to meet current and future global energy needs. Hayward Tyler is a market leader in the design, manufacture and servicing of performance-critical motors and pumps for the harshest of environments. Peter Brotherhood is a market leader in the design, manufacture and servicing of performance-critical steam turbines, compressors and combined heat and power systems. The end markets served by the Group include oil and gas (topside and subsea), power generation (conventional and nuclear), the chemical and industrials sectors, the marine market and the sugar industry.

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 Colchester (USA) together with a sales office in Shanghai (China). Peter Brotherhood has its manufacturing and servicing facility in Peterborough (England). 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 2019 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 2016.

2.2 Basis of preparation

The company and consolidated financial statements for the year ended 31 March 2016 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 31) and freehold properties which are held at revalued amounts (see note 19). 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 subsidiaries as of 31 March 2016. Subsidiaries are all entities over which the company is exposed to, or has rights to, variable returns from its involvement, and has the ability to affect those returns through its power over the subsidiary in accordance with IFRS10 – Consolidated Financial Statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal as applicable.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 and Peter Brotherhood together with head office costs. Non-trading represents non-recurring items. There were non-trading operating charges in the year of £1.8 million. These charges relate to cost of the acquisition of the Peter Brotherhood business of £1.3 million, the sale and leaseback of the Peterborough site of £0.1 million and amortisation of the Peter Brotherhood order book of £0.4 million. Non-trading finance costs of £0.4 million relate to the one-off cost of expensing bank arrangement fees on loans associated with the acquisition of Peter Brotherhood that were prepaid. Non-trading tax charges of £41,000 relate to a reduction in the deferred tax asset of £253,000 following the change in the enacted UK corporation tax rate from 20% to 18% offset by a tax credit on non-trading operating and finance charges of £212,000.

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, pumps and steam generators. 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:

- Centre of Excellence expenses net of grant income
- expenses relating to share-based payments; 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 change 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 re-translated). 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 re-translation 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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 of the Hayward Tyler businesses incurred in 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.

In addition, other intangible assets include the fair value of intangible assets acquired in a business combination at their acquisition date less any amortisation of such assets. In the case of Peter Brotherhood, these assets include the value of the order book at the acquisition date less the value of the orders that had traded during the period from the acquisition date to 31 March 2016.

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 subsidiaries 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 re-translation 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.

Treasury stock reserve represents the cost of stock issued and subsequently reacquired.

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.

Share based payment reserve comprises the fair value of options and restricted shares recognised as an expense less the nominal value of restricted shares which is presented in share capital. Upon exercise of options or performance share rights, any proceeds received are credited to share capital.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Treasury Stock

On 28 January 2014 the Company purchased 419,204 of its own shares at 65 pence per share. During the year the Company sold the shares held at 82.5 pence per share. The costs of purchasing own shares held by the Company are shown as a deduction against equity. The gain on the sale of the shares is recorded in share premium.

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, short-term employee benefits and share-based employee remuneration

Post employee 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. The net obligation has been eliminated in the year and now shows a net surplus of £0.2 million.

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.

Short-term benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its key management personnel. None of the Group's plans are cash-settled.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in the income statement with a corresponding credit to share-based payment reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period.

The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

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.

2.20 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, motors, compressors and steam turbines specifically customised to each customer. The contracts for the sale of these goods specify a fixed price for their development and installation.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.24 Government Grants

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 prior period, Hayward Tyler Limited ("HTL"), based in Luton, UK, was awarded a £3.5 million grant from the Regional Growth Fund ("RGF"). In the year ended 31 March 2016 the Group has concluded that there is reasonable assurance that it will be able to comply with the RGF grant conditions. The grant is conditional upon HTL achieving a job target of 231 full time jobs at the Luton business by 2024 and defraying £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. 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. In the year ended 31 March 2016 the group received £1.9 million (2015: £1.4 million), leaving a remaining debtor at the year end of £0.2 million. Also in the year ended 31 March 2016, the deferred income liability was reduced to £2.9 million by £0.3 million of grant income (2015: £0.3 million) that is recognised in the consolidated income statement. This grant income is included in operating charges as a deduction from related research, development and training expenses.

3 CHANGES IN ACCOUNTING POLICIES

New and revised standards that are effective for annual periods beginning on or after 1 January 2015

'Defined Benefit Plans: Employee Contributions' (Amendments to IAS 19) came into mandatory effect for the first time in 2015. The Group adopted these amendments early in 2014. Other amendments to IFRSs that became mandatorily effective in 2015 have no material impact on the Group's financial results or position. Accordingly, the Group have made no changes to its accounting policies in 2015.

Standards, amendments and interpretations 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.

IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed;
- an expected credit loss-based impairment will need to be recognised on the Group's trade receivables it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income; and if the Group continues to elect the fair value option for certain financial liabilities fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

The Group has no financial liabilities classified as '*Availiable for Sale or Held to Maturity*'

IFRS 9 is effective 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

3 CHANGES IN ACCOUNTING POLICIES CONTINUED

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

Management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

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.

Currently the Group has no joint arrangements in place. The amendments are effective for reporting periods beginning on or after 1 January 2016. Accordingly, if adopted today, these amendments would have no impact on the consolidated financial statements.

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 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. Further information on intangible assets is contained in **note 17**.

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 contained 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. All unused tax losses and credits have been recognised in the year as management believes that use of the deferred tax asset created is probable.

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. Further information on the Group's leases are contained in **note 27**.

Property leases are spilt between land and the building to assess whether they are operating or finance leases. Land is almost always an operating lease due to its long life but judgment is required to assess the classification between operating and finance lease for buildings which are assessed individually against the criteria in IAS 17.10. Refer to **note 27** in respect of the new lease entered into in the year.

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 22

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 28

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 £13.2 million (FY2015: £14.1 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 asset at 31 March 2016 was £0.2 million (FY2015: £0.2 million liability).

Provisions – refer to note 26

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 2016 was £0.8 million (FY2015: £0.6 million).

The amount recognised for restoration is a management estimate in relation to the estimated cost to restore the property to the agreed condition set out in the lease rental agreement for Peter Brotherhood's Peterborough property.

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 arising to be remote.

Business combinations – refer to note 16

A number of estimates and valuation techniques were used when determining the provisional fair values of certain assets and liabilities acquired in the acquisition of the trade and assets of Peter Brotherhood. The principal estimates were in relation to customer contracts, PPE, stock and work in progress and debtors.

A valuation methodology was applied to determine the fair value of the customer contracts acquired which involved a number of key estimates, including the future profitability of those contacts and attributable costs. The fair value of the freehold property has been measured by reference to the sale and leaseback transaction, which occurred before the end of the financial period, making adjustments for estimated restoration costs required under the lease. Plant and machinery has been measured by estimating the net present value of future cash flows based on forecasted future usage, and attributing a profit factor to each usage based on historical margins. Inventory has been reduced to net realisable value by estimating future usage and recoverable amount and work in progress by reference to estimated cost to complete less selling price. The fair value of debtors reflects estimated recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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, motors and steam turbines. The activities of the AM division include the servicing of, and provision of spares for, a wide range of goods.

In light of the new acquisition of Peter Brotherhood Limited, management have reviewed whether the current segmental reporting framework is appropriate. As the chief operating decision maker continues to regularly review results based on the OE and AM segments no change has been made to the segmental reporting. The newly acquired Peter Brotherhood business is divided between OE and AM. The classification of these segments are consistent with the Group segmental treatment and have been included below.

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

Year to 31 March 2016	OE £000	AM £000	Total £000
Segment revenues from:			
External customers	27,274	34,374	61,648
Other segments	0	0	0
Segment revenues	27,274	34,374	61,648
Cost and expenses	(26,403)	(26,753)	(53,156)
Segment operating profit	871	7,621	8,492
Segment assets	19,949	27,135	47,084
Year to 31 March 2015			
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/(loss)	(272)	7,641	7,369
Segment assets	19,076	14,958	34,034

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	Revenue 2016 £000	Non-current assets 2016 £000	Revenue 2015 £000	Non-current assets 2015 £000
Africa & Middle East	3,212	–	6,018	–
Americas & Caribbean (excl. USA)	4,170	–	3,124	–
Asia Pacific (excl. China)	15,326	5	15,596	3
China	7,762	144	2,317	177
Europe (excluding UK)	6,008	–	3,979	–
United Kingdom	11,628	24,923	6,008	13,058
United States of America	13,542	1,816	11,577	1,205
	61,648	26,888	48,619	14,443

Revenues from external customers in the Group's domicile, United Kingdom, as well as its major markets, 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 2016 or in the year to 31 March 2015.

6 SEGMENT INFORMATION CONTINUED

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	2016 £000	2015 £000
Segment revenues		
Segment revenues	61,648	48,619
Elimination of inter-segmental revenues	–	–
	61,648	48,619
Segment profit		
Segment operating profit	8,492	7,369
Centre of Excellence expenses net of grant income	(896)	(548)
Other operating costs not allocated	(1,503)	(1,378)
Foreign currency exchange differences	(327)	(96)
Trading operating profit	5,766	5,347
Non-trading items (see **note 2.5**)	(1,777)	–
Operating profit after exceptional items	3,989	5,347
Finance costs	(961)	(694)
Fair value on derivatives	(40)	(294)
Group profit before tax	2,988	4,359

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

Year to 31 March	2016 £000	2015 £000
Segment total assets		
Total segment assets	47,084	34,034
Group assets	59,643	48,062
Consolidation adjustments	(39,503)	(38,172)
Group total assets	67,224	43,924

7 OPERATING PROFIT

Operating profit is stated after charging:

Year to 31 March	2016 £000	2015 £000
Depreciation of owned assets	961	719
Depreciation of assets held under finance leases	183	101
Amortisation of other intangible assets	675	193
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	58	16
Fees payable to the Company's auditor for other services:		
– Audit of the accounts of subsidiaries	117	110
– Tax compliance services	–	–
– Other assurance services	10	–
Rentals under operating leases:		
– Land and buildings	199	205
– Plant and equipment	262	300
Foreign currency exchange differences – loss	327	96
Research and developments costs	304	203

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

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8 EMPLOYEE REMUNERATION

Employee benefits expense

The employee benefit expense during the year was as follows:

Year to 31 March	2016 £000	2015 £000
Wages and salaries	17,674	13,686
Social security costs	1,661	1,246
Share based payments	106	–
Redundancy costs	68	111
Pension costs	800	784
	20,389	15,827

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

Year to 31 March	2016 £000	2015 £000
OE and AM	241	188
General and administration	146	122
Selling	35	35
	422	345

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	2016 £000	2015 £000
Short-term employee benefits	702	689
Post-employment benefits	–	–
Share-based payment benefits	76	–
Employer's National Insurance Contributions	81	78
	859	767

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

Year to 31 March	2016 £000	2015 £000
Short-term employee benefits	344	332
Post-employment benefits	–	–
Share-based payment benefits	47	–
Employer's National Insurance Contributions	46	44
	437	376

None of the Directors participate in the Group's defined benefit plan. Details of related party transactions are given in **note 32** to the financial statements.

Share-based employee remuneration

As at 31 March 2016, the Group maintained two share-based payment schemes as long-term incentive plans that align management's interest with those of shareholders. The plans are the Total Shareholder Return Long-Term Incentive Plan ("TSR LTIP") and the Peter Brotherhood Limited Long-Term Incentive Plan ("PBL LTIP"). Both programmes will be settled in equity.

In both schemes there are options and restricted shares. Participants awarded restricted shares pay only the nominal value of the shares and the shares are subject to clawback if performance conditions are not met. The dates and performance conditions are identical on restricted shares and options, however on vesting, only restricted shares are entitled to receive any accrued dividends on the underlying shares during the vesting period. Those granted restricted shares are required to pay the nominal value of the shares at the commencement of the lease period creating share capital at the grant date. Subsequently, the accounting treatment for the restricted shares is the same as the share options.

In total, £106,000 (2015: £nil) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) net of related deferred tax has been included in the income statement and credited to share-based payment reserve.

8 **EMPLOYEE REMUNERATION** CONTINUED

TSR LTIP

The TSRLTIP is part of the remuneration package of the Executive Directors and certain senior managers ("Executives"). Options and restricted shares under this programme will vest only if the total shareholder return achieved by the Company over the three year vesting period is greater or equal to the TSR of the median company in a defined comparator group of companies over that period. The percentage of the award that vests operates on a sliding scale with 0% below the median, 20% at the median and 100% in the upper quartile. In addition, participants in this programme have to be employed until the end of the agreed vesting period. Upon vesting, each option allows the holder to purchase one ordinary share at a nominal value of £0.01 up to 10 years from the grant date. Total expense included in the income statement relating to the TSR LTIP is £53,000 (2015: £nil).

The TSR LTIP options and restricted shares together with their related exercise prices were as follows for the reporting period:

	Restricted shares Number	Restricted shares Exercise price per share (p)	Share options Number	Share options Exercise price per share (p)
Outstanding at 1 April 2015	–	–	–	–
Granted	294,118	1	426,917	1
Forfeited	–	–	–	–
Exercised	–	–	–	–
Outstanding at 31 March 2016	**294,118**	**1**	**426,917**	**1**
Exercisable at 31 March 2016	–	–	–	–

Fair values have been determined by a Monte Carlo model. The following principal assumptions were used in the valuation:

Grant date	23 June 2015
Vesting period ends	23 June 2018
Share price at date of grant (pence)	79
Volatility	44.00%
Option life (years)	3
Dividend yield[1]	1.70%
Risk-free investment rate	1.04%
Option fair value at grant date (pence)	28
Restricted shares fair value at grant date (pence)	30
Exercise price at grant date (pence)	1
Exercisable from	23 June 2018
Exercisable to	23 June 2025
Remaining contractual life (years)	9.2

1 Dividend yield for restricted shares is 0.00%

The underlying expected volatility was determined by reference to historical share price of the Company over the same period as the expected life of the awards that were granted.

Weighted average fair value of options granted during the period is 28 pence, and weighted average fair value of restricted shares granted is 30 pence.

PBL LTIP

The PBL LTIP is part of the remuneration package of the Group's Executives. Options and restricted shares under this programme will vest only if Peter Brotherhood Limited (a subsidiary of Hayward Tyler Group PLC) delivers an operating profit (before intercompany charges) of £1.6 million or higher, and/or revenues of £27.5 million or higher, in its audited results for the year ended 31 March 2017. Upon vesting, each option allows the holder to purchase one ordinary share at a nominal value of £0.01 up to 10 years from the grant date. Total expense included in the income statement relating to the PBL LTIP is £53,000 (2015: £nil).

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8 EMPLOYEE REMUNERATION CONTINUED

The PBL LTIP options and restricted shares together with their exercise prices were as follows for the reporting period:

	Restricted shares Number	Restricted shares Exercise price per share (p)	Share options Number	Share options Exercise price per share (p)
Outstanding at 1 April 2015	–	–	–	–
Granted	250,000	1	250,000	1
Forfeited	–	–	–	–
Exercised	–	–	–	–
Outstanding at 31 March 2016	**250,000**	**1**	**250,000**	**1**
Exercisable at 31 March 2016	**–**	**–**	**–**	**–**

Fair values have been determined using a Black Scholes option pricing model. The following principal assumptions were used in the valuation:

Grant date	19 November 2015
Vesting period ends	1 June 2017[3]
Share price at date of grant (pence)	91
Volatility	31.00%
Option life (years)	1.53
Dividend yield[2]	1.50%
Risk-free investment rate	0.56%
Option fair value at grant date (pence)	88
Restricted shares fair value at grant date (pence)	90
Exercise price at grant date (pence)	1
Exercisable from	1 June 2017
Exercisable to	1 June 2025
Remaining contractual life (years)	9.2

2 Dividend yield for restricted shares is 0.00%
3 Options vest as at the later of 1 June 2017 or the date that the audited accounts are published

Options vest as at the later of 1 June 2017 or the date that the audited accounts of Peter Brotherhood Limited are published for the year ended 31 March 2017. The underlying expected volatility was determined by reference to historical share price of the Company over the same period as the expected life of the awards that were granted.

Weighted average fair value of options granted during the period is 88 pence, and weighted average fair value of restricted shares granted is 90 pence.

9 TRADING EBITDA

Trading earnings before interest, tax, depreciation and amortisation are as follows:

Year to 31 March	2016 £000	2015 £000
Trading operating profit	5,766	5,347
Depreciation and amortisation	1,401	1,013
Trading EBITDA	7,167	6,360

10 FINANCE COSTS

Year to 31 March	2016 £000	2015 £000
Trading		
Interest payable on bank borrowing	371	496
Finance charges – re-banking	206	136
Finance costs of pensions	2	62
Loss arising on fair value of derivative contracts	40	294
	619	988
Non-trading		
Finance charges – prepayment	382	–
	1,001	988

11 INCOME TAX EXPENSE

a) Analysis of total tax charge

Year to 31 March	2016 £000	2015 £000
Current tax		
UK corporation tax at 20% (FY2015: 21%)	–	–
Amounts over provided in prior years	–	–
Overseas taxation	840	674
Adjustment in respect of prior year	(110)	35
Total current tax charge	730	709
Deferred tax		
Accelerated capital allowances	238	109
(Gains)/losses available for offset against future taxable income	(311)	400
Retirement benefit obligations	69	286
Less movement recorded in other comprehensive income	(28)	(256)
Other temporary differences	(103)	43
Derivatives	(8)	(62)
Effect of change in tax rate	253	(34)
Amounts (over)/under provided in prior years	(202)	15
Total deferred tax (credit)/charge	(92)	501
Tax charge reported in the income statement	638	1,210

(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 20% (FY2015: 21%) 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	2016 £000	2015 £000
Profit before tax	2,988	4,359
Domestic tax rate for Hayward Tyler Group PLC	20%	21%
Expected tax charge	598	915
Adjustment for tax-rate differences in foreign jurisdictions	220	265
Deferred tax not recognised and effect of tax rate change	(234)	(116)
Amounts over provided in prior years	(312)	50
Adjustment for non-deductible expenses	366	96
Tax charge	638	1.210

Note 22 provides information on the entity's deferred tax assets and liabilities, including the amounts recognised directly in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

12 INCOME TAX ASSET/(LIABILITY)

Year to 31 March	2016 £000	2015 £000
Current tax assets	207	500
Current tax liabilities	(755)	(1,084)
Income tax payable	(548)	(584)

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	2016 £000	2015 £000
Adjusted Earnings per share calculations based on Trading Profit		
Trading Profit for the year	4,550	3,149
Weighted average number of shares used for basic earnings per share	48,047,956	45,088,200
Shares deemed to be issued for no consideration in respect of share based payments	8,017	–
Weighted average number of shares used in diluted earnings per share	48,055,973	45,088,200
Basic earnings per share (pence)	9.47	6.98
Diluted earnings per share (pence)	9.47	6.98

Year to 31 March	2016 £000	2015 £000
Earnings per share calculations based on Total Profit		
Profit for the year	2,350	3,149
Weighted average number of shares used for basic earnings per share	48,047,956	45,088,200
Shares deemed to be issued for no consideration in respect of share based payments	8,017	–
Weighted average number of shares used in diluted earnings per share	48,055,973	45,088,200
Basic earnings per share (pence)	4.89	6.98
Diluted earnings per share (pence)	4.89	6.98

Dividends

An interim dividend of 0.552 pence per ordinary share was declared during the year representing a total of £305,723 (FY2015: £238,913).

14 DIVIDENDS

Year to 31 March	Pence per share	2016 £000	Pence per share	2015 £000
Paid in the year				
Interim dividend – current year	0.552	306	0.525	237
Final dividend – in respect of prior year	0.790	362	0.750	338
Total	1.342	668	1.275	575

A final dividend of 0.83 pence per share payable on 25 August 2016 is proposed subject to shareholder approval.

15 GOODWILL

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

Year to 31 March	2016 £000	2015 £000
Gross carrying amount		
Carrying amount at start of year	2,219	2,219
Acquired through business combinations **(note 16)**	354	–
Carrying amount at end of year	2,573	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	2016 £000	2015 £000
OE	416	368
AM	2,157	1,851
Carrying amount at end of year	2,573	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 recoverable amount of each operating segment is set below:

At 31 March	2016 £000	2015 £000
OE	23,539	12,238
AM	94,467	118,483

The key assumptions used in the calculations were:

- the forecast operating cash flows for the next three 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 12% for OE and 8% for AM 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 11.04% 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.

NOTES TO THE FINANCIAL STATEMENTS
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16 BUSINESS COMBINATIONS

On 30 October 2015 the Company acquired the trade and assets of the Peter Brotherhood business from Dresser-Rand Company Ltd.

Peter Brotherhood is a UK engineering business based in Peterborough with 145 employees that can trace its history back to 1867. More recently it has focused on energy efficient solutions for land and marine based applications including steam turbines, reciprocating gas compressors and combined heat and power units for the power generation, oil and gas and marine markets. Peter Brotherhood is the UK's only producer of steam turbines with an output up to 40MW which has applications in waste heat recovery, the FPSO and FLNG markets and the British Navy Astute class submarine new build programme. Steam turbines tend to have higher operational availability and lower operating costs, when compared to gas turbines. Peter Brotherhood has nearly 1,500 units that continue to operate across 100 countries globally, having supplied steam turbines to many of the world's leading operators including Woodside, SBM, Saipem, Aker, Fred Olsen, Samsung and Maersk.

	£000
Provisional fair value of consideration transferred	
Amount settled in cash	10,132
	10,132
Recognised amounts of identifiable net assets	
Property, plant and equipment	7,646
Other intangible assets	462
Deferred tax assets	89
Non-current assets	8,197
Inventories	5,745
Trade and other receivables	1,463
Current assets	7,208
Trade and other payables	(5,627)
Current Liabilities	(5,627)
Identifiable net assets	**9,778**
Goodwill on acquisition	**354**

Consideration transferred

The acquisition was settled in cash amounting to £10,132,266. Of this consideration £9,813,543 was paid on 30 October 2015 and a further £318,723 following an adjustment for a working capital benchmark. Acquisition-related costs amounting to £1,244,456 are not included as part of consideration transferred and have been recognised as non-trading operating charges in the consolidated income statement.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to £1,462,599, with a gross contractual amount of £1,559,077. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to £96,478.

The fair value of the land and buildings at the time of acquisition has been determined by reference to the sale and leaseback arrangements during March 2016. Management do not judge there to be any significant movement in the value of the land and buildings between the acquisition date in October 2015 and the disposal in March 2016. The fair value is based upon the proceeds from the sale and leaseback less the estimated cost to restore the property to the agreed condition set out in the lease rental agreement.

The value of key plant and machinery was assessed by considering the net present value of the future cash flows that they are expected to generate, as well as their current condition, repair requirements and any obsolescence. That assessment led to a write down of £1.1 million from the acquired value, which resulted in a revised opening valuation of £2.0 million for plant and machinery.

At the date of acquisition the Company acquired the order book of customer contracts relating to Peter Brotherhood equipment. These represent an intangible asset and were valued at £462,000 based on their forecast gross margins less appropriate adjustments including overheads, taxation and other less significant factors. Most of the contracts were completed in the period and they accounted for 75% of the revenues recognised by Peter Brotherhood. During the period £418,000 of the order book value was therefore amortised against those sales. The remaining balance of £44,000 is expected to trade out and be amortised in FY2017. The fair value of customer contracts is presented on the balance sheet as part of "Other intangible assets".

16 BUSINESS COMBINATIONS CONTINUED

Goodwill

Goodwill on acquisition was £354,260. It relates primarily to (1) management's expectations for the growth and future profitability of Peter Brotherhood and (2) the substantial skill and expertise of Peter Brotherhood's workforce. Goodwill has been allocated to the aftermarket and original equipment segments and is not deductible for tax purposes.

Peter Brotherhood's contribution to the Group results

In the period from 30 October 2015 to 31 March 2016 Peter Brotherhood generated revenue of £12,500,000 and trading operating profit of £1,022,000, which mainly arose from the original equipment order book acquired as part the trade and assets of the business. Without access to the records of Dresser-Rand Company Ltd producing an accurate assessment of the revenue and profit of Peter Brotherhood for the period had they been acquired at the beginning of the accounting period is impractical, therefore no estimate has been disclosed.

17 OTHER INTANGIBLE ASSETS

The Group's other intangible assets comprise (1) internally generated development costs and (2) the order book acquired on acquisition of Peter Brotherhood (see note 2.11). The net carrying amounts for the reporting periods under review can be analysed as follows:

Group At 31 March	2016 £000	2015 £000
Gross carrying amount		
Balance at start of year	2,159	1,713
Additions	765	446
Acquisition through business combinations	462	–
Balance at end of year	3,386	2,159
Accumulated amortisation and impairment		
Balance at start of year	1,125	932
Amortisation	675	193
Balance at end of year	1,800	1,125
Carrying amount at end of year	1,586	1,034

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 £300,812 at 31 March 2016. The remaining amortisation period of the subsea motor is 3 years.

18 INVESTMENTS

The Company had the following investments in subsidiary undertakings:

At 31 March	2016 £000	2015 £000
Gross value of investments		
Balance at start of year	27,916	27,916
Additions	2,000	–
Balance at end of year	29,916	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	9,723	7,723

On 29 March 2016, the Company subscribed for 100 £0.01 ordinary shares with a £19,999.99 share premium per share from Peter Brotherhood.

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18 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
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
Peter Brotherhood Limited	England & Wales	100	Trading

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

19 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 improve-ments £000	Plant and machinery, fixtures and fittings £000	Assets in course of construction £000	Total £000
Gross carrying amount					
Balance at 1 April 2015	8,814	1,982	13,779	1,702	26,277
Exchange adjustments	–	37	161	–	198
Additions	666	2,434	3,417	6,373	12,891
Reclassification	–	–	–	–	–
Acquisition through business combinations	5,317	–	2,329	–	7,646
Disposals	(5,317)	(82)	(286)	–	(5,685)
Balance at 31 March 2016	**9,480**	**4,371**	**19,401**	**8,075**	**41,327**
Depreciation and impairment					
Balance at 1 April 2015	3,048	1,100	10,841	–	14,989
Exchange adjustments	–	17	127	–	144
Reclassification	–	(2)	2	–	–
Disposals	–	–	(252)	–	(252)
Charge for the year	92	125	927	–	1,144
Balance at 31 March 2016	**3,140**	**1,240**	**11,645**	**–**	**16,025**
Carrying amount at 31 March 2016	**6,340**	**3,131**	**7,756**	**8,075**	**25,302**
Gross carrying amount					
Balance at 1 April 2014	8,622	1,694	13,333	–	23,649
Exchange adjustments	–	102	572	–	674
Additions	192	186	864	1,702	2,944
Reclassification	–	–	–	–	–
Disposals	–	–	(990)	–	(990)
Balance at 31 March 2015	8,814	1,982	13,779	1,702	26,277
Depreciation and impairment					
Balance at 1 April 2014	3,001	903	10,745	–	14,649
Exchange adjustments	–	68	437	–	505
Reclassification	–	–	–	–	–
Disposals	–	–	(985)	–	(985)
Charge for the year	47	129	644	–	820
Balance at 31 March 2015	3,048	1,100	10,841	–	14,989
Carrying amount at 31 March 2015	**5,766**	**882**	**2,938**	**1,702**	**11,288**

The category "Assets in course of construction" in the fixed asset table relates to the work being out carried out at the Centre of Excellence in Luton. The work will be completed during FY2017. A valuation of the freehold land and buildings relating to the Luton property will be carried out by an independent valuer once the construction is completed.

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 £6,165,105 (FY2015: £6,309,781). 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.

Additions in the year includes investment in the Centre of Excellence. This is made up of £7,038,788 of building improvements and £2,725,801 of new plant and machinery.

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19 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Disposals includes Peter Brotherhood's disposal of £5,317,000 of land and buildings in Peterborough in March 2016, which relate to the sale and leaseback transaction. Further detail can be found in **note 27**.

The carrying value of assets under finance leases included in plant and machinery amounted to £2,227,459 (FY2015: £937,503). The depreciation charged to the financial statements in the year in respect of finance leased assets amounted to £182,735 (FY2015: £101,195).

20 INVENTORIES

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

Group At 31 March	2016 £000	2015 £000
Raw materials and consumables	3,092	2,931
Work in progress	1,908	1,044
Finished goods and goods for resale	1,626	2,040
	6,626	6,015

In the year ended 31 March 2016, total inventory included in expenses amounted to £24,839,000 (FY2015: £19,960,000).

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
At 31 March	2016 £000	2015 £000	2016 £000	2015 £000
Current				
Trade receivables	15,860	10,659	–	–
Less: provision for impairment of receivables	(167)	(139)	–	–
Trade receivables – net	15,693	10,520	–	–
Gross amounts due from customers	4,222	4,493	–	–
Other receivables	499	286	12	49
Other debtors	–	1,300	–	–
Due from Group undertakings	–	–	10,661	7,849
Trade and other receivables	20,414	16,599	10,673	7,898
Prepayments	1,668	911	–	–
VAT recoverable	640	228	12	98
Other current assets	2,308	1,139	12	98
Total current trade and other receivables	22,722	17,738	10,685	7,996

	Group		Company	
At 31 March	2016 £000	2015 £000	2016 £000	2015 £000
Non current				
Due from Group undertakings	–	–	3,806	2,412
Other debtors	180	806	–	–
Trade and other receivables	180	806	3,806	2,412
Total non current trade and other receivables	180	806	3,806	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 in the Group. Receivables are long-term interest bearing loans to subsidiaries in the Company.

21 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 £0.2 million (FY2015: £0.1 million) has been made.

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

At 31 March	2016 £000	2015 £000
Balance at start of year	139	88
Charge for the year	189	53
Impairment reversals	(35)	(2)
Amounts utilised in the year	(126)	–
Balance at end of year	167	139

An analysis of unimpaired trade receivables that are past due is given in **note 29**.

22 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	2016 £000	2015 £000
Balance at start of year	2,555	3,312
Charge to income statement for the year **(note 11)**	92	(501)
Charge to other comprehensive income	(10)	(256)
Recognised in business combination	89	–
Balance at end of year	2,726	2,555

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 2016 and the future projected profitability of the Group. There are no losses for which a deferred tax asset has not been recognised (FY2015: £0.1 million).

Deferred tax assets

31 March	1 April 2015 £000	Charge through profit or loss for the year £000	Recognised in other comprehensive income £000	Recognised in business combination £000	2016 £000
Accelerated tax depreciation	(154)	(14)	–	181	13
Retirement benefit obligations	36	(38)	(28)	–	(30)
Tax losses	2,605	201	–	–	2,806
Derivatives	50	8	–	–	58
Temporary differences	18	(65)	18	(92)	(121)
Total	2,555	92	(10)	89	2,726

31 March	1 April 2014 £000	Charge through profit or loss for the year £000	Recognised in other comprehensive income £000	Recognised in business combination £000	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

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23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following components:

At 31 March	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash at bank and in hand:				
GBP	4,217	896	1,550	(245)
USD	453	608	–	–
EUR	117	39	–	–
Other	348	226	–	–
	5,135	1,769	1,550	(245)

At 31 March 2016 the Group had the following undrawn facilities:

Group At 31 March	2016 £000	2015 £000
Revolving credit facilities	5,087	5,851
Corporate charge card facility	344	84

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:

At 31 March	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash at bank and in hand	5,135	1,769	1,550	(245)
Short-term bank borrowings	(6,629)	(3,145)	–	–
Short-term bank loans	(859)	(1,195)	–	(895)
Unamortised arrangement fees	70	70	70	70
Non-current bank borrowings	(1,212)	–	–	–
Non-current bank loans	(2,203)	(3,923)	–	(975)
Non-current non bank borrowings	(2,941)	(1,436)	(2,941)	(1,436)
Net debt	(8,639)	(7,860)	(1,321)	(3,481)

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

24 TRADE AND OTHER PAYABLES

At 31 March	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade payables	10,376	6,202	91	17
Payments on account	3,863	3,410	–	–
Social security and other taxes	939	364	–	–
Due to Group undertakings	–	–	6	175
Trade and other payables	15,178	9,976	97	192

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

25 OTHER LIABILITIES

Other liabilities can be summarised as follows:

At 31 March	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Current				
Accruals	1,704	2,506	142	208
Other payables	1,721	1,216	–	–
	3,426	3,722	142	208

At 31 March	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Non current				
Other creditors – deferred income	4,449	2,757	–	–
	4,449	2,757	–	–

26 PROVISIONS

Group At 31 March	2016 £000	2015 £000
Warranty	773	631
Loss making contracts	351	76
Restoration	2,088	–
Other	330	177
	3,542	884

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

	Warranty £000	Loss making contracts £000	Restoration £000	Other £000	Total £000
Carrying amount at start of year	631	76	–	177	884
Exchange differences	10	–	–	2	12
Additional provisions	1,151	351	2,088	388	3,978
Unused amounts reversed	(214)	–	–	–	(214)
Amount utilised	(805)	(76)	–	(237)	(1,118)
Carrying amount at end of year	773	351	2,088	330	3,542

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.

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.

Restoration provision

Provisions for restoration represent the estimated cost to restore the property to the agreed condition set out in the lease rental agreement for Peter Brotherhood's Peterborough property, which resulted from the sale and leaseback of the property.

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FOR THE YEAR ENDED 31 MARCH 2016

26 PROVISIONS CONTINUED

Other provisions include:

- 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.

- 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 2016. There were minor expected delays in the year.

- Post acquisition provision
  Provision for incremental committed expenditure arising from the acquisition.

27 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 £2,227,459 (FY2015: £937,503). The assets are included under “Plant and Machinery”, which form an integral part of “property, plant and equipment” (see note 19).

The future aggregate minimum finance lease payments are as follows:

Group At 31 March	Minimum payments 2016 £000	Present value of payments 2016 £000	Minimum payments 2015 £000	Present value of payments 2015 £000
No later than 1 year	517	429	272	250
Later than 1 year and no later than 5 years	1,288	1,212	583	450
	1,805	1,641	855	700
Less: Amounts representing finance charges	(164)		(155)	
Present value of minimum lease payments	1,641		700	

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 buildings, 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	2016 £000	2015 £000
No later than 1 year	981	142
Later than 1 year and no later than 5 years	3,223	175
More than 5 years	6,679	–
	10,883	317

Lease payments recognised as an expense during the period are shown in note 7.

In March 2016, the Group announced the completion of the sale and leaseback of its 11.5 acre Peter Brotherhood site in Peterborough. The Group signed a 15 year lease with a market rent of £575,000 per annum and subject to market reviews after 5 and 10 years. Of the minimum lease payments above, £9,553,841 relates to this lease.

As per IAS17 leases, when a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease separately. Given the indefinite economic life of the land, this element has been classified as an operating lease. Based on the indicators in IAS 17.10, management has also assessed the building element to be an operating lease. It considers the persuasive indicators to be the short length of the lease in relation to the economic life of the building, the lease does not transfer ownership to the company nor does the company have any option to purchase it at below market rate or share in the residual value, nor to extend the lease at a below market rent.

28 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 2016 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.

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	2016 £000	2015 £000
Defined benefit obligation	(13,204)	(14,084)
Fair value of plan assets	13,371	13,905
Surplus/(deficit)	167	(179)
Impact of asset ceiling	–	–
Net defined benefit asset/(liability)	167	(179)

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FOR THE YEAR ENDED 31 MARCH 2016

28 PENSIONS AND OTHER EMPLOYEE OBLIGATIONS CONTINUED

Scheme liabilities

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

Group At 31 March	2016 £000	2015 £000
Defined benefit obligation at start of year	14,084	13,053
Interest cost	423	543
Experience (gain)	–	(185)
Changes to demographic assumptions	–	83
Changes to financial assumptions	(415)	1,461
Benefits paid	(888)	(871)
Defined benefits obligation at end of year	13,204	14,084

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

Group At 31 March	2016 £000	2015 £000
Discount rate	3.35%	3.10%
Expected rate of pension increases	2.00%	2.00%
Inflation assumption	2.80%	2.80%
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 2016* *20.8*
- *Male retiring at age 65 in 2036* *22.6*
- *Female retiring at age 65 in 2016* *22.7*
- *Female retiring at age 65 in 2036* *24.7*

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.

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	2016 £000	2015 £000
Fair value of plan assets at start of year	13,905	11,515
Interest income	421	481
Return on plan assets (excluding amounts included in net interest)	(277)	2,580
Contributions by the Group	210	200
Benefits paid	(888)	(871)
Fair value of plan assets at end of year	13,371	13,905
Actual return on plan assets	144	525

The Group expects to pay contributions of £221,000 in the year to 31 March 2017 and the weighted average duration of the defined benefit obligation is around 14 years.

28 PENSIONS AND OTHER EMPLOYEE OBLIGATIONS CONTINUED

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	2016 £000	%	2015 £000	%
Real estate funds	–	–	973	7
Equity investment funds	–	–	5,423	39
Diversified growth funds	8,959	67	–	–
Gilts and LDI funds	4,412	33	4,450	32
Corporate bonds	–	–	2,781	20
Liquid funds	–	–	278	2
Total value of assets	13,371	100	13,905	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'. Level 3 valuations are sensitive to unobservable inputs.

Scheme expenses

Net interest expense resulting from the Group's defined benefit plans was £2,000 (FY2015: £62,000). The employee benefits expense for the period is £nil (FY2015: £nil). In the period the actual return on plan assets was £144,000 (FY2015: £525,000).

The remeasurement recorded in other comprehensive income is as follows:

Group At 31 March	2016 £000	2015 £000
Loss/(gain) on scheme assets in excess of interest	277	(2,580)
Experience (gain)	–	(185)
Loss from changes to demographic assumptions	–	83
(Gain)/loss from changes to financial assumptions	(415)	1,461
Total gain/(loss) recognised in other comprehensive income	138	(1,221)

Sensitivity of the value placed on the liabilities

Reduce discount rate by 0.1% p.a.	£163,000
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	£145,000
Apply a 90% loading to the mortality base table (reduces probability of death by 10% at each age)	£521,000

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

29 RISK MANAGEMENT OBJECTIVES AND POLICIES

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 2016 were £5.9 million (FY2015: £4.8 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.

Change in exchange rate Impact on profit in a 12 month period based on financial instruments held at:	+10% £000	–10% £000
31 March 2016	**(546)**	**667**
31 March 2015	(371)	454

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 £4.5 million that have an effective fixed rate of interest. These borrowings relate to finance lease agreements (£1.6 million) and loan notes (£2.9 million). The remaining term borrowings of £4.1 million have a floating rate of interest based on LIBOR.

29 RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

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 2016 is as follows:

Group Interest rate profile	Fixed £000	Floating £000	Zero £000	Total £000
Receivables				
Trade and other receivables	–	–	20,414	**20,414**
Payables				
Trade and other payables	–	–	15,178	**15,178**
Bank loans	–	3,062	–	**3,062**
Amounts due under revolving credit facilities	–	6,200	–	**6,200**
Amounts due under finance lease agreements	1,641	–	–	**1,641**
Amounts due under loan notes agreements	2,871	–	–	**2,871**
	4,512	9,262	15,178	**28,952**
Cash	–	(5,135)	–	**(5,135)**
	4,512	4,127	15,178	**23,817**

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.

Change in interest rate Impact on profit in a 12 month period based on financial instruments held at:	+0.5% £000	–0.5% £000
31 March 2016	**(21)**	**21**
31 March 2015	(29)	29

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.

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	2016 £000	2015 £000
Classes of financial assets – carrying amounts		
Trade and other receivables	**20,414**	16,599
Cash and cash equivalents	**5,135**	1,769

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.

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FOR THE YEAR ENDED 31 MARCH 2016

29 RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

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	2016 £000	2015 £000
Not more than 3 months	13	–
More than 3 months but less than 6 months	4	3
More than 6 but less than 12 months	146	136
More than 12 months	4	–
	167	139

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 2016 the Company held minimal cash balances. In addition, as at 31 March 2016 the Company had provided long-term intercompany funding to its subsidiaries of £14.6 million (FY2015: £10.3 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.

As at 31 March 2016, 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 2016				
Trade payables	10,376	–	91	–
Accruals and other payables	3,426	–	142	–
Short-term bank borrowings	6,200	–	–	–
Finance lease liabilities	429	1,212	–	–
Bank loans	859	2,203	–	–
Loan notes	(70)	2,941	(70)	2,941
Owed to Group undertakings	–	–	6	–
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	–

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.

30 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 long-term goal in capital management is to maintain a balance of capital to overall financing in the range 40% to 60% while maintaining net debt to trading EBITDA below the Group's target KPI of less than 2.0:1. At 31 March 2016 capital represented 75% of overall financing (FY2015: 66%) and net debt to trading EBITDA was 1.2:1 (FY2015: 1.2:1). The Board will continue to monitor developments in the Group's capital over FY2017. The Group has met all external capital requirements in the year ended 31 March 2016. The capital and overall financing for the reporting periods under review is summarised as follows:

Group At 31 March	2016 £000	2015 £000
Total equity	25,808	15,441
Total equity	25,808	15,441
Net borrowings	8,639	7,860
Overall financing	34,447	23,301

31 FINANCIAL ASSETS AND LIABILITIES

31.1 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	2016 £000	2015 £000	2016 £000	2015 £000
Financial assets				
Current:				
Loans and receivables:				
– Trade and other receivables	20,414	15,269	10,673	7,898
– Cash and cash equivalents	5,135	1,769	1,550	–
Financial liabilities				
Current:				
Financial liabilities measured at amortised cost:				
– Trade payables	10,376	6,202	91	17
– Borrowings	7,418	4,270	(70)	825
Finance liabilities measured at fair value:				
– Derivatives	292	252	–	–
Non-current				
Financial liabilities measured at amortised cost:				
– Borrowings	6,356	5,359	2,941	2,411

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 29.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

31 FINANCIAL ASSETS AND LIABILITIES CONTINUED
31.2 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 can be summarised as follows:

Group At 31 March	2016 £000	2015 £000
Forward exchange contracts	292	252
Fair value of derivative financial liabilities	292	252

The Group uses forward exchange contracts to mitigate exchange rate exposure arising from forecast sales and purchases US Dollars and Euro respectively.

In the period a loss of £40,000 (2015: £294,000) was recognised in the consolidated income statements.

The fair value measurements of all of the above derivative financial liabilities fall into Level 2 of the fair value hierarchy. Valuation has been obtained from an external valuation report which compares the contractual deal rate with the spot rate at the 31 March 2016.

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

		Group		Company
At 31 March	2016 £000	2015 £000	2016 £000	2015 £000
Loans and receivables – interest received	–	–	–	–
Financial liabilities measured at amortised cost – interest paid	(895)	(489)	365	145
Fair value movements on derivative financial instruments	(40)	(294)	–	–
	(935)	(783)	365	145

31.4 Borrowings
Borrowings comprise the following financial liabilities:

		Current		Non-current
Group At 31 March	2016 £000	2015 £000	2016 £000	2015 £000
Financial liabilities measured at amortised cost:				
Bank borrowings and loans	6,989	4,025	5,144	4,911
Finance lease liabilities	429	245	1,212	448
	7,418	4,270	6,356	5,359

		Current		Non-current
Company At 31 March	2016 £000	2015 £000	2016 £000	2015 £000
Financial liabilities measured at amortised cost:				
Bank borrowings and loans	(70)	825	2,941	2,411
	(70)	825	2,941	2,411

The bank borrowings and loans are secured by fixed and floating charges over the Group assets. The rates of interest on these borrowings and loans are detailed in **note 29**. The above bank loans contain terms and conditions that are normal for the commercial banking market. A breakdown of net debt is given in **note 23**.

32 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.

In the prior 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 their three year term. In the year ended 31 March 2016 Nicholas Flanagan received interest of £5,264 (FY2015: £863) on his subscription of £75,000 and Ewan Lloyd-Baker received interest of £1,053 (FY2015: £172) on his subscription of £15,000, which is held through his holding in Platform Securities Nominees Limited. Both loan note subscriptions were made on an arm's length basis.

During the year, the Group received acquisition related consultancy services from Lloyd-Baker & Associates LLP, a firm of which Ewan Lloyd-Baker is a partner. The cost incurred in the year was £118,000 (2015: £nil). These services were provided on an arm's length basis.

During the year, the Group ordered machinery from Severn Drives & Energy Limited, a company of which Maurice Critchely is a Director, for its test facilities at the Centre of Excellence. The value of the order was £1,385,180 and the amount billed in the year was £377,730 (2015: £nil). This machinery was provided on an arm's length basis.

Transactions with post-employment benefit plans

The defined benefit plan referred to in **note 28** 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 28**. The Group has not entered into other transactions with the pension scheme, neither has it any outstanding balances at the reporting dates under review.

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	2016 £000	2015 £000
Amounts due from subsidiary undertakings:		
– Southbank UK Limited	6,982	7,862
– Hayward Tyler Group Limited	112	–
– Hayward Tyler Limited	5,508	2,417
– Peter Brotherhood Limited	1,865	–
	14,467	10,279
Amounts owed to subsidiary undertakings:		
– Nviro Cleantech Limited	(1)	–
– Hayward Tyler Limited	(2)	–
– Peter Brotherhood Limited	(5)	–
– Hayward Tyler Group Limited	–	(175)
	(8)	(175)

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 Hayward Tyler Limited to finance the Centre of Excellence and working capital. Funding was provided to Peter Brotherhood to fund the acquisition and support working capital. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

33 COMMITMENTS

Group At 31 March	2016 £000	2015 £000
Contracted for but not provided for	2,274	4,660
	2,274	4,660

34 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.

At 31 March Authorised share capital:	2016 £000	2015 £000
80,000,000 ordinary shares of 1p	800	800
	800	800

At 31 March Issued share capital:	No.	2016 £000	No.	2015 £000
Allotted, called up and fully paid				
At start of year	45,507,404	455	45,507,404	455
Issued in June 2015	294,118	3	–	–
Issued in November 2015	250,000	3	–	–
Issued in December 2015	9,333,334	93	–	–
At end of year	55,384,856	554	45,507,404	455

The Group issued restricted shares in relation to share-based payments representing 294,118 shares in June 2015 and 250,000 shares in November 2015 (see note 8). Restricted shares carry the same voting and dividend rights as ordinary shares.

The Group issued 9,333,334 shares on 15 December 2015, corresponding to 20.5% of total shares issued. Each share has the same right to receive dividends and the repayment of capital and represents one vote at a shareholders' meeting of Hayward Tyler Group PLC.

The Company did not own any of its own shares at 31 March 2016 (FY2015: 419,204).

Share premium

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

Proceeds received in addition to the nominal value of the shares issued during the year have been included in share premium, less registration and other costs. The premium from the share issue during the year, less costs amounted to £7,994,743 (FY2015: £nil).

The sale of treasury shares in the period gave rise to a gain of £70,269 (FY2015: £nil). In accordance with the Companies Act (2006) this gain has been adjusted through share premium.

35 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		Company	
At 31 March	2016 £000	2015 £000	2016 £000	2015 £000
Non-cash adjustments:				
Amortisation of intangibles	257	193	–	–
Depreciation of property, plant and equipment	1,144	820	–	–
Finance costs	619	988	365	145
Interest income	–	–	(825)	(461)
Share based payment	110	–	110	–
Deferred tax	(253)	(158)	–	–
Loss on disposal of property, plant and equipment	(118)	10	–	–
Total adjustments	1,995	1,853	(350)	(316)
Net changes in working capital:				
Movement in inventories	5,152	1,762	–	–
Movement in trade and other receivables	(4,785)	(3,495)	(4,084)	(163)
Movement in trade and other payables	(820)	310	(160)	(161)
Movement in provisions	569	(185)	–	–
	116	(1,608)	(4,244)	(314)

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FINANCIAL CALENDAR

5 July 2016
Announcement of results for FY2016

4 August 2016
Annual General Meeting

25 August 2016
Payment date of proposed final dividend for FY2016

30 September 2016
Half year-end date

November 2016
Announcement of interim results for FY2017

February 2017
Payment of interim dividend for FY2017

31 March 2017
Year-end date

GLOSSARY OF TERMS

2Q2016
Second quarter of FY2016 being 1 July 2015 to 30 September 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

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

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

CHP
Combined heat and power

Company, Group or HTG
Hayward Tyler Group PLC

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

CSR
Corporate social responsibility

EBIT
Earnings Before Interest and Tax

EBITDA
Earnings Before Interest Tax Depreciation and Amortisation

EPC
Engineering, Procurement and Construction business

EPS
Earnings Per Share

F4N
Fit for Nuclear is a measure of a business's operations against the standards required to supply the nuclear industry

FLNG
Floating liquefied natural gas carrier

FPSO
Floating production storage and offloading vessel used by the offshore oil and gas sector for the production and processing of hydrocarbons and storage of oil

FSRU
Floating storage and regasification unit vessel used by the offshore oil and gas sector for the production and processing of hydrocarbons and storage of oil

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

FY2017
Financial year ended 31 March 2017 or as at 31 March 2017

GW
Giga Watt

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

GTP
Gas To Power

IFRS
International Financial Reporting Standards

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

KWH
Kilowatt-hour

KPI
Key Performance Indicator

MW
Mega Watt

Net Debt
Cash less borrowings

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

rpm
Revolutions per minute

R&D
Research and development

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

SMR
Small modular reactor

UK Export Finance
UK Government's export credit agency

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