11 November 2014

Hayward Tyler Group plc

(“Hayward Tyler Group”, the “Group” or the “Company”)

Hayward Tyler Group plc – Unaudited interim results for the six months ended 30 September 2014

Hayward Tyler Group plc (AIM: HAYT), the specialist engineering group, today announces its interim results for the six month period ended 30 September 2014. Hayward Tyler is a market leader in the design, manufacture and service of critical application motors and pumps for the power generation and oil and gas markets.

Financial Highlights:

- Revenues for H1 2014/15 up 18% to £24.0 million (6m to 30 September 2013: £20.3 million) and up 22% on a constant exchange rate* basis;
- Earnings before interest and tax (“EBIT”) up 6% to £2.3 million (6m to 30 September 2013: £2.2 million) and up 20% on a constant exchange rate* basis;
- Profit after tax up 62% to £1.5 million (6m to 30 September 2013: £0.9 million);
- Fully diluted earnings per share up 63% to 3.26 pence (6m to 30 September 2013: 2.00 pence);
- Net debt at 30 September 2014 decreased to £8.0 million (30 September 2013: £8.5 million) giving a net debt to EBITDA** ratio of 1.4 times (at 30 September 2013: 1.7 times);
- Net cash generated from operating activities £1.5 million (H1 2013/14: £1.1 million); and
- The Board are pleased to declare an interim dividend of 0.525 pence per share (prior year interim dividend: 0.5 pence), which will be paid on 5 February 2015 to all shareholders on the register on 23 January 2015, the ex-dividend date being 22 January 2015.

** constant exchange rate is calculated by rebasing prior year figures at current year average rate of GBP1:USD1.6694*
*** EBITDA is earnings before interest tax depreciation and amortisation*

Business Highlights:

- Order intake up 7% in H1 2014/15 at £27.6 million (6m to 30 September 2013: £25.7 million);
- Order book at 30 September 2014 at £33.2 million (at 30 September 2013: £33.6 million);
- Revenue split between Aftermarket and Original Equipment improved to a 55%:45% mix for the period compared to 59%:41% in the year to 31 March 2014;

- Hayward Tyler's Luton business will benefit over the next 4 years from employee training and development up to a value equivalent to £1.15 million from the Civil Nuclear Sharing in Growth ("CN:SiG") programme. In addition, the Luton business was awarded a £3.5 million grant from the Regional Growth Fund ("RGF") which will support the Company's growth plans over the mid to long term; and
- Positive outlook underpinned by a combination of market opportunity and underlying operational improvement.

Ewan Lloyd-Baker, Chief Executive Officer, commented:

"The Board is pleased with the good progress that continues to be made by the Group, which is reflected by the improvements in our revenues, earnings before interest and tax and profit after tax for the period.

"And whilst there is more work to be done across each of our operations under our continuous improvement programme, we are pleased to declare a 5% improvement in our interim dividend when compared to last year's inaugural interim dividend.

"We look forward to continuing to grow our market presence and maintaining our progressive dividend policy."

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Chief Executive’s Operational Review

Overview

We are pleased to report that our positive progress continues. Back in June when the 2013/14 full year numbers were published the Board set out the Group’s priorities for the current financial year. These are:

- Managing the balance between longer-term growth prospects and the short-term output requirements;
- Continuing to generate sufficient cash to fund expected growth; and
- Continuing to improve communication across the Group and with our customers and supply chain.

We also continue to measure ourselves against our Key Performance Indicators (“KPIs”) as highlighted on page 8 and 9 in the Financial Review section. In summary, in H1 2014/15, on revenue growth of 18% we delivered EPS growth of 63% whilst reducing overall net debt. This was against a backdrop of a change of revenue mix towards OE (now 45%) against AM (now 55%).

The increase in revenues of 18% to £24.0 million (H1 2013/14: £20.3 million) was driven by a growth of 49% in the Original Equipment (“OE”) manufacturing business from £7.2 million to £10.8 million (thus representing 45% of total revenues) underpinned by a strong performance from our Luton-based manufacturing operations. This contributed towards an underlying improvement in OE gross margins from 15% to 19%, which was pegged back to 14% due to a loss by our US OE business – mainly the result of one contract delivered in H1 2014/15. This complex project included significant aspects of research in the US that has, accordingly, been expensed in the period. We firmly believe that the remedial actions taken, including a restructuring of the US management team and improvement in associated operational processes, will ensure that such a situation will not be repeated.

Aftermarket revenues increased marginally from £13.1 million to £13.2 million whilst there was a small decline in AM gross margins from 49% to 46%. Whilst these margins are at a healthy level, with a combination of the process improvements in our US business and the recently announced contract win for Nuclear spares in South Korea, it is anticipated that gross margins will increase in the second half.

We continue to aim for a 50%:50% split of revenue between OE and AM whilst maintaining our overall headline growth aspirations. We also expect to perform more strongly in H2 2014/15 to provide us with the opportunity to return the Group gross profit margin closer to our target of 35% and operating margins of between 10-15%. In particular, this expectation is based on a significant improvement in profitability that we anticipate from our US operation that reflects the improvement in operational processes, mentioned above, together with the increase in order intake in H1 2014/15.

Chief Executive's Operational Review (continued)

Increased profit from the AM and lower central costs led to an increase of 6% in EBIT to £2.3 million from £2.2 million in H1 2013/14. With no non-recurring items in H1 2014/15 profit after tax was significantly higher at £1.5 million, an increase of 62% over H1 2013/14.

Looking beyond the numbers the more intangible elements of our improvement journey are also encouraging. Within the wider manufacturing community our Young Manufacturer of the Year (awarded in December 2013) is now sitting on the Editorial Board of the UK's Manufacturer Magazine. Hayward Tyler, via numerous employees, is represented on various trade bodies (both in the UK and US) such as the Hydraulic Institute, the Institute for Mechanical Engineers and the Engineering Employers Federation. In addition, one of our employees who was instrumental in Hayward Tyler winning the ICT Award in last year's Manufacturer of the Year now sits on the judging panel for the current awards. This insight, combined with further developments of our market leading IT system with its visual dashboards and detailed scenario analysis, is giving us greater visibility over forward loading and capacity planning, which is key to delivering our longer term growth plans in our Luton based manufacturing operations.

We have also now formally commenced the first phase of the development of our Luton facility. This development is focused on extending the existing main production facility to increase our capacity, enhance our capabilities and improve our efficiencies. The result of this investment will be a world-class centre of excellence for Hayward Tyler's technology for the Oil and Gas and Civil Nuclear markets and will give us a production facility fit for the 21st century.

The investment, which is underpinned by the RGF and CN:SiG grants, is not just focused on the facility but also on (a) training and employee development and (b) research and development. In H1 2014/15 we invested £0.3 million in such areas with the costs offset by £0.1 million of grant income from the RGF. The net cost of £0.2 million therefore being an investment in the longer term growth of our people and our products, which are two of the pillars underpinning our strategy.

Order intake

Order intake continued to increase, rising 7% to £27.6 million, resulting in an order book of £33.2 million at 30 September 2014 despite the associated increase in revenues of 18%. Particularly encouraging is the broad spread of order intake across market sectors and geographical regions. Power accounted for 51% of order intake with nuclear showing a sharp increase to 35% driven by the South Korea spares order. This growth offset a quiet first half for oil and gas which accounted for only 3% of order intake although it is anticipated that this will increase in H2 2014/15. The US remained the largest market representing 28% of order intake followed by South Korea at 25% and China at 18%. The domestic UK market accounted for only 11% of order intake with India and South Africa at 4% each. Order intake in H1 2014/15 was weighted heavily in favour of the AM accounting for 64% of the total against 36% for

Chief Executive's Operational Review (continued)

OE. However, from an order book perspective as at 30 September 2014 the balance is a much more even 49% against 51% split in favour of the OE business.

Outlook

We see first-hand the positive impact that continuous improvement is having across our business and the further potential it can provide. This has given us the confidence to apply for and be successful in achieving our recent grant awards for our main manufacturing facility in Luton, UK. As previously highlighted, it is very encouraging that, whilst we are taking significant steps forward on our self-improvement journey, the wider markets in which we operate are also relatively buoyant. Our fortunes are tied to those of the energy sector but given how wide this is in terms of definition and geographical coverage we remain confident in our ability to continue to meet and exceed our KPIs over the course of the financial year.

Looking forward we have a much stronger financial footing with net debt to EBITDA now below our target KPI on a sustained basis, which enables the Board to continue with its progressive dividend policy highlighted by the 5% increase in the interim dividend over that for H1 2013/14. This dividend is in recognition of the progress we are continuing to make and our supportive shareholder base.

Separately I'd like to again thank the team, which is proving its ability to deliver, and 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.

E Lloyd-Baker
Chief Executive Officer
11 November 2014

Financial Review

Introduction

I am pleased to report on the results for the 6 month period to 30 September 2014 (referred to below as *H1 2014/15*), which show further improvements in the financial performance of the Group. The results have been compared to those for the 6 month period to 30 September 2013 (*H1 2013/14*).

Basis of Reporting

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

Operating Results

Revenue for H1 2014/15 was up 18% to £24.0 million (H1 2013/14: £20.3 million) driven by the OE business. Gross profit margin was lower at 32% (H1 2013/14: 37%) as a result of the performance of the US OE business and lower margins from the AM. Overall the revenue and margin delivered an EBIT for the period up 6% at £2.3 million (H1 2013/14: £2.2 million) and a return on revenue of 9.6% (H1 2013/14: 10.7%). The operating profit in H1 2014/15 is stated after deducting net operating charges relating to the Regional Growth Fund programme of £0.2 million (H1 2013/14: £nil) otherwise the operating margin would have been 10.4%. Profit before tax was £1.8 million (H1 2013/14: £1.8 million) after the fair valuing of foreign exchange hedge contracts.

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* basis revenue and operating profit in H1 2013/14 would have been lower by £0.6 million and £0.3 million respectively (i.e. the real increase in revenue and operating profit in H1 2014/15 from H1 2013/14 was 22% and 20% respectively).

Finance Charges

Finance costs in the period, which mainly represent interest payable, were £0.3 million (H1 2013/14: £0.3 million). In addition, there was a loss on the fair value of derivatives of £0.2 million (H1 2013/14: £nil) that arose on the revaluation of foreign exchange hedge contracts to exchange rates that applied at 30 September 2014.

Tax

The tax charge for the period was £0.4 million (H1 2013/14: £0.9 million), which represents an effective tax rate of 20% (H1 2013/14: 50%). This low tax rate reflects the poorer performance in the US business together with the strong performance in the UK, where the Group is able to use its significant tax losses. This use is manifested as a non-cash deferred tax charge on UK profits that reduces the deferred tax asset.

** constant exchange rate is calculated by rebasing prior year figures at current year average rate of GBP1:USD1.6694*

Financial Review (continued)

Profit After Tax

The profit after tax for the period was £1.5 million (H1 2013/14: £0.9 million), which delivered a fully diluted earnings per share up 63% over last year of 3.26 pence (H1 2013/14: 2.00 pence). There were no non-recurring items in the period (H1 2013/14: £0.5 million). On a like-for-like* basis profit after tax was up 6% from £1.4 million and fully diluted earnings per share was up 7% from 3.05 pence.

Dividends

The Group paid its final dividend of 0.75 pence per share in respect of the year to 31 March 2014 in August 2014 representing a total of over £0.3 million. An interim dividend in respect of the current year of 0.525 pence per share will be paid on 5 February 2015 to all shareholders on the register on 23 January 2015, the ex-dividend date being 22 January 2015.

Regional Growth Fund

The Luton business was awarded a £3.5 million grant from the Regional Growth Fund programme during H1 2014/15. The operating charges in this period of £5.3 million include costs incurred on the programme of £0.3 million, which mainly relate to research, development and training, offset by grant income of £0.1 million. In the consolidated interim statement of financial position at 30 September 2014, the grant receivable and the deferred income in respect of the programme have been recorded as a long term other debtor of £3.5 million and a long term other creditor of £3.4 million respectively. As at 30 September 2014 no grant income had been received as cash by the Company.

Further details of the accounting treatment of the Regional Growth Fund programme are given in note 3 to these financial statements.

Working Capital

Management of working capital continues to be a key focus of the Group. This focus enabled the Group to generate £1.5 million net cash from operating activities (H1 2013/14: £1.1 million) such that cash plus undrawn borrowing facilities at 30 September 2014 improved marginally to £3.9 million (at 31 March 2014: £3.8 million).

During the period the Company further developed its relationship with Royal Bank of Scotland plc (“RBS”), which gives us confidence in our ability to fund future growth prospects. This development included finalisation of a new USD2 million borrowing facility for our US operation with RBS Citizens Bank and the issue by RBS of advance payment bonds with a value of around £1 million under the UK Export Finance bond support scheme, which was in addition to the £3 million bonds and guarantee facility provided by the bank.

** like-for-like EPS is calculated by adopting the treatment in the audited accounts by adding back to profit after tax non-recurring (a) re-banking costs of £23,000 and (b) deferred tax charge, relating to the change in the UK corporation tax rate from 23% to 20%, of £455,000*

Financial Review (continued)

Borrowings
Net debt was lower at £8.0 million at 30 September 2014, down against net debt at 31 March 2014 (£8.3 million) and at 30 September 2013 (£8.5 million). Net debt comprised term borrowings of £5.2 million (at 30 September 2013: £3.1 million), finance leases of £0.5 million (at 30 September 2013: £0.6 million) and drawings under revolving credit facilities of £4.0 million (at 30 September 2013: £6.6 million) offset by cash of £1.7 million (at 30 September 2013: £1.8 million). The net debt to EBITDA ratio improved to 1.4x (at 31 March 2014: 1.5x).

Pensions
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 future service accruals and new UK employees offered membership of the defined contribution plan. The majority of UK employees are members of one of these arrangements.

A full actuarial valuation of the defined benefit plan is produced every three years (the last one being as at 1 January 2011), however, a valuation is prepared at each period end for the purposes of the report and accounts by independent qualified actuaries. The net obligation at 31 March 2014 was £1.5 million and this has been maintained at 30 September 2014.

Further comment on pensions is given in note 10 to these financial statements.

Key Performance Indicators
As discussed in the Company's report and accounts for the year to 31 March 2014, we use various internal and external measures to assess our performance against our strategy. The key performance indicators (*KPIs*) set out below help to determine how successful we have been in achieving our strategic objectives:

KPI	**Target**	**Progress in period**
Strategic Objective – to ensure the strength of our business		
Order Intake	Achieve orders of >1.1x historical revenue	Very strong order intake in H1 2014/15 of 1.4x historical revenue.
Cash conversion	Convert >85% of EBITDA to cash	53% reflecting a significant overdue debt at 30 September 2014, payment dates for which have now been agreed for November and December 2014. Without this debt cash conversion would have been 119%.
Net debt to EBITDA	Achieve a ratio of 2:1 or lower	Good profitability in the 12 months to 30 September 2014 and lower borrowings improved the ratio to 1.4:1.

Financial Review (continued)

KPI	Target	Progress in period
Strategic Objective – to increase profitability		
Gross Profit %	Generate a gross profit margin of >35%	The performance of the US OE business and lower margins from the AM caused the gross profit margin to be lower at 32%. The expectation for the full year is to return the margin to closer to 35%.
EBIT	Generate EBIT which is 10-15% of revenue for the period	Lower gross profit margin caused EBIT to be lower at 9.6%. The expectation for the full year is to generate an EBIT that is greater than 10% of revenue.
Strategic Objective – to generate positive shareholder return		
EPS	Generate year on year growth of >10%	Good profitability in the period led to 63% growth over H1 2013/14. On a like-for-like basis* EPS growth was 7%. The expectation for the full year is that this like-for-like EPS growth will exceed 10%.

** like-for-like EPS is calculated by adopting the treatment in the audited accounts by adding back to profit after tax non-recurring (a) re-banking costs of £23,000 and (b) deferred tax charge, relating to the change in the UK corporation tax rate from 23% to 20%, of £455,000*

Total Equity

Total equity increased by £1.2 million from 31 March 2014 to £12.5 million as a result of the net profit in the 6 month period to 30 September 2014 (£1.5 million) offset by the final dividend in respect of the prior year (£0.3 million).

N Flanagan
Chief Financial Officer
11 November 2014

Consolidated interim income statement

	Notes	**Unaudited Six months to 30 September 2014 £000**	**Unaudited Six months to 30 September 2013 £000**	**Audited Year to 31 March 2014 £000**
Revenue	4	24,005	20,344	43,205
Cost of sales		(16,425)	(12,884)	(26,920)
Gross profit		**7,580**	**7,460**	**16,285**
Gross profit margin		32%	37%	38%
Operating charges		(5,278)	(5,278)	(11,623)
Operating profit		**2,302**	**2,182**	**4,662**
Finance costs	6	(290)	(360)	(900)
(Loss)/gain on fair value of derivatives		(168)	-	41
Profit before tax		**1,844**	**1,822**	**3,803**
Taxation	9	(373)	(913)	(1,523)
Profit for the period		**1,471**	**909**	**2,280**
Basic earnings per share (pence)	7	**3.26**	**2.00**	**5.02**
Diluted earnings per share (pence)	7	**3.26**	**2.00**	**5.02**

Consolidated interim statement of financial position

	Notes	Unaudited At 30 September 2014 £000	Unaudited At 30 September 2013 £000	Audited At 31 March 2014 £000
Non-current assets				
Goodwill		**2,219**	2,219	2,219
Other intangible assets		**683**	878	781
Property, plant and equipment		**9,214**	8,786	9,000
Deferred tax assets		**2,804**	3,378	3,312
Other debtors		**3,499**	-	-
		18,419	15,261	15,312
Current assets				
Inventories		**6,669**	6,550	7,674
Trade and other receivables		**11,952**	10,794	11,872
Other current assets		**885**	924	870
Current tax assets		**376**	159	580
Financial assets - derivatives		**-**	-	41
Cash and cash equivalents		**1,672**	1804	1,748
		21,554	20,231	22,785
Total assets		**39,973**	35,492	38,097
Current liabilities				
Trade and other payables		**9,874**	9,459	10.514
Borrowings		**5,316**	7,586	5,163
Provisions		**932**	1,032	1,070
Current tax liabilities		**115**	506	881
Other liabilities		**1,873**	1,966	2,755
Financial liabilities - derivatives	12	**127**	-	-
Current liabilities		**18,237**	20,549	20,383
Net current assets/ (liabilities)		**3,317**	(318)	2,402
Total assets less current liabilities		**21,736**	14,943	17,714
Non-current liabilities				
Borrowings		**4,351**	2,763	4,933
Pension and other employee obligations		**1,538**	1,555	**1,538**
Other creditors		**3,374**	-	-
		9,263	4,318	6,471
Net assets		**12,473**	10,625	11,243

Consolidated interim statement of financial position (continued)

	Notes	Unaudited At 30 September 2014 £000	Unaudited At 30 September 2013 £000	Audited At 31 March 2014 £000
Equity				
Called up share capital	11	**455**	455	455
Share premium account		**28,705**	28,705	28,705
Merger reserve		**14,502**	14,502	14,502
EBT reserve		**(274)**	-	(274)
Reverse acquisition reserve		**(19,973)**	(19,973)	(19,973)
Other equity		**18**	18	18
Foreign currency translation reserve		**(321)**	(256)	(421)
Retained earnings		**(10,639)**	(12,826)	(11,769)
Total equity		**12,473**	10,625	11,243

Consolidated interim statement of comprehensive income

	Unaudited Six months to 30 September 2014	**Unaudited Six months to 30 September 2013**	**Audited Year to 31 March 2014**
	£000	**£000**	**£000**
Profit for the period	**1,471**	909	2,280
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit and loss			
Remeasurement of net defined benefit liability	**-**	-	(113)
Income tax relating to items not reclassified	**-**	-	26
Items that will be reclassified subsequently to profit and loss	**100**	(130)	(295)
Other comprehensive income/(charge) for the period net of tax	**100**	(130)	(382)
Total comprehensive profit for the period	**1,571**	779	1,898

Consolidated interim statement of changes in equity

Unaudited	Share Capital £000	Share Premium £000	Merger Reserve £000	Reverse Acquisition Reserve £000	Employee Benefit Trust 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	-	-	-	-	-	-	-	(341)	**(341)**
Transactions with owners	-	-	-	-	-	-	-	(341)	**(341)**
Profit for the period	-	-	-	-	-	-	-	1,471	**1,471**
Other comprehensive income/(loss):									
Gain on translation of overseas subsidiaries	-	-	-	-	-	-	100	-	**100**
Total comprehensive income/(loss)	-	-	-	-	-	-	100	1,471	**1,571**
Balance at 30 September 2014	**455**	**28,705**	**14,502**	**(19,973)**	**(274)**	**18**	**(321)**	**(10,639)**	**12,473**

Consolidated interim statement of changes in equity (continued)

Unaudited	Share Capital £000	Share Premium £000	Merger Reserve £000	Reverse Acquisition Reserve £000	Employee Benefit Trust Reserve £000	Other Equity £000	Foreign Currency Translation Reserve £000	Retained Earnings £000	Total £000
Balance at 1 April 2013	**455**	**28,705**	**14,502**	**(19,973)**	**-**	**18**	**(126)**	**(13,735)**	**9,846**
Profit for the period	-	-	-	-	-	-	-	909	**909**
Other comprehensive income/(loss):									
Loss on translation of overseas subsidiaries	-	-	-	-	-	-	(130)	-	**(130)**
Total comprehensive income/(loss)	-	-	-	-	-	-	(130)	909	**779**
Balance at 30 September 2013	**455**	**28,705**	**14,502**	**(19,973)**	**-**	**18**	**(256)**	**(12,826)**	**10,625**

Consolidated interim statement of changes in equity (continued)

Audited	Share Capital £000	Share Premium £000	Merger Reserve £000	Reverse Acquisition Reserve £000	Employee Benefit Trust Reserve £000	Other Equity £000	Foreign Currency Translation Reserve £000	Retained Earnings £000	Total £000
Balance at 1 April 2013	**455**	**28,705**	**14,502**	**(19,973)**	**-**	**18**	**(126)**	**(13,735)**	**9,846**
Purchase of shares	-	-	-	-	(274)	-	-	-	**(274)**
Dividends	-	-	-	-	-	-	-	(227)	**(227)**
Transactions with owners	-	-	-	-	(274)	-	-	(227)	**(501)**
Profit for the period	-	-	-	-	-	-	-	2,280	**2,280**
Actuarial loss for the period on pension scheme	-	-	-	-	-	-	-	(113)	**(113)**
Deferred tax on actuarial movement on pension scheme	-	-	-	-	-	-	-	26	**26**
Loss on translation of overseas subsidiaries	-	-	-	-	-	-	(295)	-	**(295)**
Total comprehensive income/(loss)	-	-	-	-	-	-	(295)	2,193	**1,898**
Balance at 31 March 2014	**455**	**28,705**	**14,502**	**(19,973)**	**(274)**	**18**	**(421)**	**(11,769)**	**11,243**

Consolidated cash flow statement

	Unaudited Six months to 30 September 2014 £000	Unaudited Six months to 30 September 2013 £000	Audited Year to 31 March 2014 £000
Cash flows from operating activities			
Profit after taxation	**1,471**	909	2,280
Adjustment for:			
Tax expense	**373**	913	1,523
Finance costs	**458**	360	859
Amortisation of intangible assets	**98**	97	194
Depreciation of tangible fixed assets	**372**	290	686
Profit on disposal of property, plant and equipment	**67**	-	10
Foreign exchange differences	**-**	(40)	
Changes in working capital:			
Movement in inventories	**1,026**	(1,067)	(2,252)
Movement in trade and other receivables	**659**	(1,323)	(2,889)
Movement in trade and other payables	**(2,283)**	1,358	3,246
Movement in provisions	**(138)**	(150)	(112)
Cash generated from operations	**2,103**	**1,347**	**3,545**
Taxes paid	**(374)**	(11)	(345)
Interest paid	**(195)**	(271)	(587)
Net cash generated from operating activities	**1,534**	**1,065**	**2,613**
Cash flows from investing activities			
Purchase of property, plant and equipment	**(653)**	(1,129)	(1,656)
Disposal of property, plant and equipment	**-**	-	(5)
Net cash used in investing activities	**(653)**	**(1,129)**	**(1,661)**
Cash flows from financing activities			
Draw down of short term borrowings	**500**	1,850	4,644
Repayment of short term borrowings	**(306)**	(500)	(4,889)
Draw down of long term borrowings	**-**	-	4,880
Repayment of long term borrowings	**(660)**	(348)	(3,627)
Re-banking costs	**-**	-	(415)
Proceeds from issue of share capital	**-**	-	4,478
Purchase of shares by EBT	**-**	-	(274)
Dividends paid	**(341)**	-	(227)
Net grant income receivable	**(125)**	-	-
Draw down of finance leases	**62**	314	294
Repayment of finance leases	**(87)**	(18)	(161)
Net cash (used in)/generated from financing activities	**(957)**	**1,298**	**225**
Net (decrease)/increase in cash and cash equivalents	**(76)**	1,234	1,177
Cash and cash equivalents at beginning of period	**1,748**	570	571
Cash and cash equivalents at end of period	**1,672**	1,804	1,748

Notes to the interim financial statements

1. General Information

Hayward Tyler Group plc’s consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the ultimate parent company.

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

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

2. Basis of preparation

These unaudited condensed consolidated interim financial statements of Hayward Tyler Group plc are for the six months ended 30 September 2014. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of Hayward Tyler Group plc for the year ended 31 March 2014. The financial information for the year ended 31 March 2014 set out in these interim consolidated financial statements does not constitute statutory accounts as defined in the Isle of Man Companies Act 1931 to 2006. The Group's statutory financial statements for the year ended 31 March 2014 have been filed with the Companies Registry. The auditor's report on those financial statements was unqualified and did not contain a statement under section 15.4 of the Isle of Man Companies Act 1982.

3. Accounting policies

The condensed interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the last audited financial statements for the year ended 31 March 2014.

During the 6 month period to 30 September 2014 Hayward Tyler Limited, based in Luton, UK, was awarded a £3.5 million grant from the Regional Growth Fund. The accounting treatment for the grant is set out below.

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.

Notes to the interim financial statements (continued)

3. Accounting policies (continued)

A grant is recognised as income 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.

In the 6 month period to 30 September 2014 the Group has concluded that there is reasonable assurance that it will be able to comply with the Regional Growth Fund grant conditions. Accordingly, at inception of the grant the Group recognised a receivable for the full grant amount of £3.5 million, presented as a long term other debtor, and a deferred income liability of £3.5 million, presented as a long term other creditor. Subsequently in the period to 30 September 2014, the deferred income liability was reduced to £3.4 million by £0.1 million of grant income that is recognised in the consolidated interim income statement. This grant income is included in operating charges as a deduction from related research, development and training expenses of £0.3 million. As at 30 September 2014 no grant income had been received as cash by the Company.

Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the last annual financial statements for the year ended 31 March 2014.

4. Segmental reporting

Management currently identifies the Group’s two service lines, original equipment manufacturing (“OE”) and aftermarket services (“AM”), as operating segments.

The activities undertaken by the OE segment include the manufacture of pumps and motors. The activities of the AM segment include the servicing of, and provision of spares for, a wide range of pumps and motors.

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

- post-employment benefit expenses;
- expenses relating to share-based payments; and
- research costs relating to new business activities

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. The measurement methods used to determine

Notes to the interim financial statements (continued)

4. Segmental reporting (continued)
reported segment profit or losses are consistently applied. No asymmetrical allocations have been applied between segments.

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

Six months to	**OE**	**AM**	**Total**
30 September 2014	**£000**	**£000**	**£000**
Segment revenues from:			
Total segment revenue	**11,015**	**13,312**	**24,327**
Inter-segment	**(250)**	**(72)**	**(322)**
External customers	**10,765**	**13,240**	**24,005**
Cost and expenses	**(11,225)**	**(9,821)**	**(21,046)**
Segment operating (loss)/profit	**(460)**	**3,419**	**2,959**
Segment assets	**14,577**	**10,212**	**24,789**

Six months to	OE	AM	Total
30 September 2013	£000	£000	£000
Segment revenues from:			
Total segment revenue	7,214	13,505	20,719
Inter-segment	-	(375)	(375)
External customers	7,214	13,130	20,344
Cost and expenses	(7,087)	(9,987)	(17,074)
Segment operating profit	127	3,143	3,270
Segment assets	9,143	12,288	21,431

Year to	OE	AM	Total
31 March 2014	£000	£000	£000
Segment revenues from:			
Total segment revenue	17,515	26,661	44,176
Inter-segment	(14)	(957)	(971)
External customers	17,501	25,704	43,205
Cost and expenses	(17,284)	(19,217)	(36,501)
Segment operating profit	217	6,487	6,704
Segment assets	12,971	11,583	24,554

Notes to the interim financial statements (continued)

4. Segmental reporting (continued)

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

	Six months to 30 September 2014 £000	Six months to 30 September 2013 £000	Year to 31 March 2014 £000
Segment revenues			
Total segment revenues	**24,327**	20,719	44,176
Elimination of inter-segmental revenues	**(322)**	(375)	(971)
Group revenues	**24,005**	20,344	43,205
Segment profit			
Segment operating profit	**2,959**	3,270	6,704
Post employment benefit expenses	**(99)**	(90)	(197)
Site modernisation	**-**	(120)	(243)
Regional Growth Fund programme	**(188)**	-	-
Other operating costs not allocated	**(469)**	(638)	(1,292)
Foreign currency exchange differences	**99**	(240)	(310)
Group operating profit	**2,302**	2,182	4,662
Finance costs	**(458)**	(360)	(859)
Group profit before tax	**1,844**	1,822	3,803
Segment total assets			
Total segment assets	**24,789**	21,431	24,554
Group	**55,463**	52,649	56,406
Consolidation	**(40,279)**	(38,588)	(42,863)
Group total assets	**39,973**	35,492	38,097

Notes to the interim financial statements (continued)

4. Segmental reporting (continued)

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:

	Six months to 30 September 2014		Six months to 30 September 2013		Year to 31 March 2014	
	£000 Revenue	**£000 Non-current assets**	£000 Revenue	£000 Non-current assets	£000 Revenue	£000 Non-current assets
United Kingdom	**2,245**	**8,430**	2,087	8,398	4,007	8,450
USA	**5,250**	**1,293**	4,379	1,129	10,829	1,198
Other countries	**16,510**	**174**	13,878	137	28,369	133
	24,005	**9,898**	20,344	9,664	43,205	9,781

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

5. EBITDA

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

	Six months to 30 September 2014	Six months to 30 September 2013	Year to 31 March 2014
	£000	£000	£000
EBITDA			
Operating profit	2,302	2,182	4,662
Depreciation and amortisation	470	387	880
	2,772	2,569	5,542

Notes to the interim financial statements (continued)

6. Finance costs

	Six months to 30 September 2014 £000	Six months to 30 September 2013 £000	Year to 31 March 2014 £000
Interest payable	257	289	609
Finance costs of pensions	33	48	67
Loss arising on fair value of derivative contracts	168	-	(41)
Finance charges – re-banking	-	23	224
	458	360	859

7. Earnings per share

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

	Six months to 30 September 2014	Six months to 30 September 2013	Year to 31 March 2014
Profit attributable to ordinary shareholders:			
Profit for the period (£000)	1,471	909	2,280
Weighted average number of shares (used for basic earnings per share and diluted earnings per share)	45,088,200	45,507,404	45,436,197
Basic profit per share (pence)	3.26	2.00	5.02
Diluted profit per share (pence)	3.26	2.00	5.02

There are no options outstanding for the accounting periods reported.

Notes to the interim financial statements (continued)

8. Dividends

A final dividend of 0.75 pence per ordinary share was declared during the period representing a total of £341,304 (2013: £nil). An interim dividend in respect of the current year of 0.525 pence per ordinary share will be paid in February 2015.

9. Tax

	Six months to 30 September 2014 £000	Six months to 30 September 2013 £000	Year to 31 March 2014 £000
Current tax			
UK tax corporation tax at 21% (H1 2013: 23 %)	-	-	-
Amounts under/(over) provided in prior years	-	-	-
Overseas tax (credit)/charge	(133)	302	841
Adjustment in respect of prior years	-	-	(21)
Total current tax	(133)	302	820
Deferred tax			
Acceleration of capital allowances	44	24	(69)
Losses available for offset against future taxable income	277	245	487
Retirement benefit obligations	-	-	4
Less movement recorded in other comprehensive income	-	-	26
Other temporary differences	194	(56)	(122)
Financial derivatives	(35)	-	9
Effect of change in tax rate	(19)	451	455
Amounts under/(over) provided in prior years	45	(53)	(87)
Deferred tax	506	611	703
Tax charge reported in the income statement	373	913	1,523

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 profitability of the trading operations of the business.

Notes to the interim financial statements (continued)

10. Pension

No interim valuation of the pension liability has been carried out at 30 September 2014. As a result no actuarial gain or loss has been recognised in the consolidated statement of other comprehensive income and no change has been made to the net obligation for pensions recognised in the statement of financial position from that at 31 March 2014. The gains and losses for the full year together with any surplus or deficit at the year-end will be presented in the Annual Report and Accounts of the Group for the year to 31 March 2015.

The net obligation for pensions recognised in the statement of financial position as at 31 March 2014 was £1.5 million. This obligation represented the difference between the value of the scheme assets and the scheme liabilities. The value of the scheme liabilities were determined using actuarial assumptions developed by management under consideration of expert advice provided by independent actuarial advisers. The assumptions included a discount rate of 4.3%, which was based on prevailing relevant bond yields at the time, and inflation rates of 2.4% per annum in respect of CPI and 3.2% per annum in respect of RPI, based on the market's expectation of future inflation at that time.

As at 30 September 2014, such bond yields have fallen to around 3.9%, which if used as the discount rate would give rise to an increase in the pension liability, and the expectation for inflation has fallen to 2.2%, which if used as the inflation rate would give rise to a decrease in the pension liability. Of these two changes the fall in the discount rate has the greater impact on the pension liability. The Plan is currently in the process of completing an actuarial valuation and the next set of accounting disclosures for the Plan at 31 March 2015 will therefore be based on the more up-to-date data and calculations for this valuation.

11. Share capital

	At 30 September 2014		At 30 September 2013		At 31 March 2014	
	No.	**£000**	No.	£000	No.	£000
Allotted, called up and fully paid:						
At start and end of period	**45,507,404**	**455**	45,507,404	455	45,507,404	455

Notes to the interim financial statements (continued)

12. Fair value measurement of financial instruments

IAS 34 requires disclosure of the fair value of financial instruments addressed in IFRS 13 and IFRS 7. These disclosures include the classification of fair values within a three level hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The following table shows the hierarchy of financial assets and liabilities measured at fair value at each reporting date:

Level 2	**At 30 September 2014**	At 30 September 2013	At 31 March 2014
Financial assets			
Forward exchange contracts	-	-	41
Total assets	-	-	41
Financial liabilities			
Forward exchange contracts	(127)	-	-
Total liabilities	(127)	-	-
Net fair value	**(127)**	-	41

Measurement of fair value
The forward exchange contracts have been valued by the Group's bank using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of the unobservable inputs are not significant for forward exchange contracts.