15 November 2016

Hayward Tyler Group plc

Unaudited interim results
for the six months ended 30 September 2016

Well positioned for growth-momentum building

Hayward Tyler Group plc (AIM: HAYT) ("Hayward Tyler Group", "HTG", the "Group" or the "Company"), the specialist engineering group, today announces its interim results for the six months ended 30 September 2016.

Financial Headlines:

- Revenue was £23.1 million in 1H2017 (1H2016: £21.8 million);
- Due to the previously announced 2H2017 weighting during the current financial year, trading* operating loss was £5.6 million (1H2016: profit of £2.0 million);
- Diluted trading* loss per share of 9.13 pence (1H2016: earnings per share of 3.87 pence);
- Cash used by operations of £5.0 million (1H2016: cash generated of £2.0 million);
- Net debt of £18.3 million (at 30 September 2015: £10.5 million, at 31 March 2016: £8.6 million) following extensive investment in upgrading the Group's facilities and the operating loss in 1H2017; and
- 5% increase in interim dividend to 0.58 pence per share (1H2016: 0.552 pence).

** trading represents the underlying performance of Hayward Tyler Group*

Business Headlines:

- Order intake of £25.4 million (1H2016: £26.6 million);
- Order intake highlights included a further order from FMC Technologies Inc for three subsea motors and floating vessel spares, gear boxes and long-term service agreements totalling over £2.3 million for Peter Brotherhood;
- £15.0 million investment in the development of the Centre of Excellence in Luton completed and fully operational following the official opening by the Duke and Duchess of Cambridge on 24 August 2016; and
- Hayward Tyler awarded the Queen's Award for Enterprise: International Trade.

Post-Period Highlights:

- Momentum thoughout the business has improved noticeably with a considerable number of new orders received;
- Further order intake in the period from 1 October 2016 to 13 November 2016 of £10.9 million including the first steam turbine gen-set order of around £2.0 million as the new Peter Brotherhood together with a replacement rotor of over £1.0 million for an existing customer in the Middle East;
- Winner of two categories at The Manufacturer MX Awards on 2 November 2016, namely *Smart Factory* and *Leadership & Strategy*, and short-listed in three other categories;
- £3.0 million increase of committed banking facilities and relaxation of financial covenants to support the on-going requirements of the Group; and
- Intention to increase the Company's loan note programme to match the investment in long-term assets with longer term funding.

Ewan Lloyd-Baker, Chief Executive Officer, commented:

"As previously announced we anticipated that the current financial year would be very much second half weighted and this has indeed proved to be the case. Importantly, since the end of the first half, momentum in new order wins has improved considerably with aggregate orders of £10.9 million secured since the end of the period. Hayward Tyler Group is well positioned for further growth following the substantial investment we have made in the Group's facilities.

In addition, we are further encouraged by the continuing strong support provided to the Group by our principal bank, Royal Bank of Scotland, with whom we have committed borrowing facilities out to 2020.

Reflecting the Board's confidence in the long term prospects of the Group, the interim dividend has been raised by 5%.

Furthermore, it was a great pleasure to host the Duke and Duchess of Cambridge to officially open the Centre of Excellence and also to present us with the Queen's Award for Enterprise: International Trade, an award that demonstrates the significant progress the Hayward Tyler Group has made, and will continue to make, with the help of everyone at the Company."

The information communicated in this announcement is inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No.596/2014.

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Chief Executive's Review

Overview

When Hayward Tyler Group published its results for FY2016 we set out our priorities for the current financial year, which were as follows:

- 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.

As explained below, our focus has very much been on the first three of these priorities, which puts us in a stronger position to take the Group forward.

That being said, at the time of the results for FY2016, we indicated that the performance in FY2017 would be strongly weighted to the second half of the year, presenting us with a challenge for 2H2017. However, we remain confident in meeting market expectations of revenues of around £80 million for the full year based on our strong pipeline, recent improved levels of order intake, increased order book and reduced lead times from operational improvements that shorten the revenue cycle.

Performance Review

Revenue in 1H2017 was 6% ahead of prior year at £23.1 million (1H2016: £21.8 million) as a result of the inclusion of Peter Brotherhood and driven by an opening order book[1] and order intake[2] in 1Q2017. Order intake in the first half was £25.4 million (1H2016: £26.6 million) resulting in an order book of £48.0 million as at 30 September 2016 (at 31 March 2016: £36.1 million). As a result of the lower revenue in 1H2017, the Group did not have the revenues to cover its factory overheads generating an underlying operating loss of £5.6 million, however, management is confident in the Group's ability to meet full year market expectations.

Further details of the financial performance in 1H2017 are set out in the Financial Review.

1 Order book represents contracts that had yet to be shipped to customers as at a reporting date
2 Order intake represents contracts for which purchase orders were received from customers in a reporting period

Centre of Excellence

On 24 August 2016 we were delighted to announce the official opening by the Duke and Duchess of Cambridge of our Centre of Excellence in Luton, the culmination of £15.0 million of investment in property, plant and equipment. The opening gave us an opportunity to showcase the new facility to our Royal guests, our customers and other stakeholders and see the outcome of all the hard work we have delivered over the past few years. In addition, the Duke and Duchess also made the presentation of the Queen's Award for Enterprise: International Trade.

The Centre of Excellence adds world-class capabilities to create the world's most advanced facility for specialist motor manufacture, which is also "Fit for Nuclear". It provides single process flow lines that increase the pace of production and thereby reduce lead times, which provide us with the opportunity to double capacity from the Luton facility whilst reducing working capital levels by reducing order fulfilment periods. The Centre of Excellence now features particulate control systems and specialist test capabilities, key value-adds for all our customers but particularly critical for the nuclear and subsea oil and gas sectors. Furthermore, the new facility has enabled us to reduce our environmental footprint.

The £15.0 million investment, the largest in Hayward Tyler's history, supports the long-term growth plans across our international markets. The refurbishment included:

- Adding a further 40% to create an overall facility with c.11,000 square metres including designated test pits for power, oil and gas, and nuclear;
- Re-furbishing the existing facility;
- Improving and upgrading the electrical supply;
- Revising the production layout;
- Installing specialist test and particulate controls systems; and
- Spending £5.0 million on new process capable plant and machinery.

The total cost of £15.0 million was funded from a 3-year loan note (£3.0 million), equipment finance leases (£3.1 million), equity (£3.1 million), Regional Growth Fund grant (£2.3 million) and short-term borrowings (£3.5 million).

The Centre of Excellence became fully operational in August 2016 and its contribution is critical to delivering orders that are scheduled to ship in 2H2017.

Peter Brotherhood
On 30 October 2015 we completed the acquisition of the trade and assets of the Peterborough operations of Dresser-Rand. This acquisition provided us with a great opportunity to resurrect the Peter Brotherhood brand and re-invigorate the Peter Brotherhood business that has existed for almost 150 years. In more recent times 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. Whereas Hayward Tyler operates in the +300MW part of the power market, Peter Brotherhood provides us with process capability in the range 1MW to 40MW, ideal for de-centralised power supply, a key feature for growth in energy supply.

The acquisition provided us with a process capable, motivated work force and a 14,700 square metres modern facility, demonstrated by the design, build, test and completion of the £3.6 million S-Oil steam turbine gen-set. Additionally, the business had a small order book and a significant installed base of equipment. Our challenge has been to re-establish the sales and marketing function of the business completely, which included *inter alia*:

- Restoring the Peter Brotherhood name that had remained unused for eight years but is still widely recognised in the industry;
- Creating a whole sales and marketing team, which included transferring some members of the engineering team into sales, together with recruiting Non-TUPE Dresser-Rand staff and external hires including some former employees of the old Peter Brotherhood;
- Re-establishing key customer and agency relationships across the world;
- Developing promotional materials and attending key industry events to re-promote the Peter Brotherhood name and its capabilities;
- Implementing a 5D customer services model to serve the aftermarket through customer care agreements that cover technical support, parts supply and management, repair services, upgrades and revamps, and customer training; and
- Implementing marketing, sales and operational planning together with the Lanner Witness simulation modelling that has been so successful in Hayward Tyler.

This challenge has been significant, which is reflected in the low order intake achieved in 1H2017 of £6.0 million. However, we are encouraged by the significant pipeline of potential orders and recent contract wins since the period end that suggest that the win-order process is gathering momentum post the period end. Notable achievements in the period since 31 March 2016 include:

- Growing the pipeline to over £200 million;
- Re-establishing a key customer relationship with a global supplier to the marine and energy markets and securing a £1.9 million order for a steam turbine gen-set as well as multiple future opportunities and potential global framework agreement;
- Doubling aftermarket order intake to a current average of over £0.8 million per month; and
- Winning £1.5 million of gearbox orders (for use in radar towers) from Siemens.

Key Growth Drivers
There are two aspects to the key growth drivers for the Group – the market or external growth drivers and the investment or internally generated growth drivers.

Market Drivers
The underlying market fundamentals remain positive for the Group. We summarise the key market drivers as follows:

- Growth in demand for energy driven by the world's population being projected to exceed 9.5 billion people by 2050;
- Energy policy is pushing change within energy markets. For example, the drive for lower emissions, increased efficiency and cost savings is leading to the replacement of older plant and facilities. In addition, the promotion of decentralised power supply and sourcing of energy from multiple sources (e.g. fossil fired, oil and gas, nuclear and renewables) to spread risk provides opportunities to our diversified businesses;
- Optimising the use of energy resources such as dwindling oil reserves means that capital equipment has to be able to operate in ever more extreme conditions. Our robust products, like the subsea motor, provide customers with the opportunity to maximise the returns from their multi-million pound investments; and
- Aftermarket services, whether it's benefiting from our significant installed base or extending the life of facilities, provide significant growth opportunities to our businesses.

Investment Drivers
We summarise the key investment drivers as follows:

- As mentioned above, the Centre of Excellence provides us with a unique process capable facility that increases the pace of production, reduces lead times and has the potential to double capacity. The Centre of Excellence became fully operational at the end of August 2016;
- Research and development is a key tenet of our strategy for growth, which includes transforming existing technologies, for example by finding new applications for existing products in new markets, and innovating new technologies for existing markets. Ultimately we expect to further diversify our product offering by developing new products for new markets;
- We have made, and continue to make, a significant investment in our people. This is demonstrated by the very significant amount of training and development we have deployed in the last two years, the continuing graduate and apprentice schemes employed in Hayward Tyler Luton and now Peter Brotherhood too, and our focus on the front-end of the business;
- As previously discussed, the acquisition of Peter Brotherhood provides us with the opportunity to re-establish this company including building-up its aftermarket business based on its significant installed base;
- We have increased our investment in marketing from £0.1 million in 1H2016 to £0.3 million in 1H2017. This marketing covers a wide range of initiatives, which include adopting account based marketing plans across the Group. For example, actively investing and resourcing marketing and sales programmes geared to key growth accounts and opportunities and launching specific programmes targeted around specific customer opportunities including tactical programmes to support the sales process to increase the conversion rate or to convert faster or to open new doors. This approach is in addition to, and complementary to, the existing sales programmes and is geared to support our focus on the win-order process; and
- The first half of the year benefitted from revenue and order intake generated from our strategic alliances with FMC Technologies and Ebara Corporation. These alliances, together with other potential alliances that we are seeking to develop, offer significant scope for growth.

Outlook
The outlook for the 2H2017 and beyond is positive based on the key growth drivers for the Group, discussed above, the pipeline of new opportunities and recent levels of order intake, which as previously explained, will be very much weighted to the second half of the current financial year.

Our businesses have a pipeline of opportunities that exceed £500 million. Over the last nine months we have established a universal and consistent approach to determining the pipeline of opportunities across all our businesses, which includes identifying, recording and analysing each potential contract. This enhanced understanding helps us to target and prioritise our resources to maximise the chance of converting the pipeline into orders. The rate of this conversion, particularly of aftermarket orders with their shorter lead times and higher profit margins, is key to the recovery of the Group's results in 2H2017.

The rate of order intake has improved during the course of the year to date and continues to improve further. Order intake in 1Q2017 was £8.2 million (1Q2016: £13.4 million). This rose to £17.3 million in 2Q2017 (2Q2016: £13.2 million) and in the period from 1 October 2016 to 13 November we received further orders of £10.9 million. This increased rate reflects the greater focus placed by the Company on the whole win-order process across the Group. Furthermore the sales teams are now fully integrated into the sales and operational planning process, which provides better understanding of load gaps for the operations and management of opportunities. For example, this enables a member of the sales team to identify a capacity gap and to offer a customer a strategic price that fills that gap, maximising the utilisation of our facilities. Of the £48.0 million order book at 30 September 2016, £21.3 million is expected to be recognised as revenue in 2H2017. That leaves the Group with a requirement to "book and fill"[1] orders of £35.8 million in 2H2017, which is expected to be drawn from opportunities currently under negotiation plus regular aftermarket orders of over £60 million.

1 Book and fill represents order intake to secure and recognise as revenue in 2H2017 to meet market expectation of around £80 million revenue in FY2017

Separately I'd like to thank all of our employees for their continuing dedication, focus, determination and patience as we develop and grow the overall Group and continue to seek out the opportunities to work better together as Hayward Tyler and Peter Brotherhood. With the greater uncertainty created as a result of the Brexit vote and unexpected result of the US election, it is reassuring to know that in HTG we have a group with over 350 years of combined engineering heritage and pedigree, a reassuring track record in uncertain times.

E Lloyd-Baker
Chief Executive Officer
15 November 2016

Financial Review

Basis of Reporting
The Group financial statements in this report have been prepared in accordance with International Financial Reporting Standards.

Operating Results
Revenue in 1H2017 was 6% ahead of prior year at £23.1 million (1H2016: £21.8 million) helped by the inclusion of Peter Brotherhood revenue of £6.7 million (1H2016: £nil). On a like-for-like basis Hayward Tyler revenue was £16.4 million (1H2016: £21.8 million). The mix of revenue from Original Equipment (OE) and Aftermarket (AM) remained constant year-on-year at 34%:66%. Gross profit margin was lower at 14% (1H2016: 34%), which was entirely due to revenue being too low to cover factory overheads including labour, rent and utilities of £5.5 million. Excluding these overheads the underlying gross profit margin was 38% as set out in the analysis below:

£m	Underlying	Unrecovered fixed cost	Reported
Revenue	**23.1**	**-**	**23.1**
Cost of sales	(14.3)	(5.5)	(19.9)
Gross profit	**8.8**	**(5.5)**	**3.3**
Gross profit%	*38%*	-	*14%*

This underlying gross profit, analysed between OE and AM and set out in the table below, shows a gross loss in Peter Brotherhood resulting from cost overruns, and a strong performance in all other segments reflecting normal aftermarket profit margins and the continuing upward trend on Hayward Tyler's OE business.

	Peter Brotherhood		Hayward Tyler		Group	Group
£m	Original Equipment	Aftermarket	Original Equipment	Aftermarket	1H2017 Total	1H2016 Total
Revenue	**2.3**	**4.4**	**5.5**	**10.9**	**23.1**	**21.8**
Cost of sales	(2.6)	(2.1)	(4.0)	(5.6)	(14.3)	(14.4)
Underlying Gross profit	**(0.3)**	**2.3**	**1.5**	**5.3**	**8.8**	**7.5**
Underlying Gross profit%	*(13)%*	*51%*	*28%*	*49%*	*38%*	*34%*

Overall the revenue and margin delivered a trading[1] operating loss for the period of £5.6 million (1H2016: profit of £2.0 million) after year-on-year increased net operating charges relating to Peter Brotherhood business (£2.1 million) together with increased sales and marketing (£0.8 million). The trading loss before tax was £6.6 million (1H2016: profit of £1.8 million). There were non-trading operating charges in the period of £0.1 million (1H2016: £0.3 million), which relate to costs incurred on the acquisition of Peter Brotherhood.

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 trading profit before tax in 1H2016 would have been higher by £1.4 million and £0.5 million respectively.

1 trading represents the underlying performance of HTG
2 constant exchange rate is calculated by rebasing prior year figures at current year average rate of GBP1:USD1.3758

Finance Charges
Finance costs in the period, which mainly represent interest payable, were £0.4 million (1H2016: £0.3 million). In addition, there was a loss on the fair value of derivatives of £0.6 million (1H2016: gain of £0.1 million) that arose on the revaluation of foreign exchange hedge contracts to 30 September 2016 exchange. These hedges were established prior to the Brexit vote and the subsequent fall in the value of Sterling.

Tax
The tax credit for the period was £1.5 million (1H2016: charge of £0.1 million). The trading tax credit relates to an effective tax credit rate of 23%, which reflects that more than 80% of the losses in 1H2017 occurred in the UK. In addition, there was a non-trading tax charge of £0.1 million (1H2016: £10,000) that mainly represents a reduction in the deferred tax asset following the change in UK corporation tax rate from 20% to 18%.

Loss After Tax
The trading loss after tax for the period was £5.1 million (1H2016: profit £1.8 million), which delivered a trading basic loss per share (LPS) of 9.25 pence (1H2016: earnings per share (EPS) of 3.91 pence) and a trading diluted LPS of 9.13 pence (1H2016: diluted EPS of 3.87 pence). Basic LPS was 9.65 pence (1H2016: EPS of 3.33 pence) and diluted LPS was 9.53 pence (1H2016: diluted EPS of 3.30 pence).

Dividend
The Group paid its final dividend of 0.83 pence per share in respect of the year to 31 March 2016 in August 2016. An interim dividend in respect of the current year of 0.58 pence per share will be paid on 23 February 2017 to all shareholders on the register on 13 January 2017, the ex-dividend date being 12 January 2017.

Capital Expenditure
Purchase of fixed assets was £4.1 million in the period (1H2016: £5.0 million). £2.4 million of these purchases relate to investment in the Centre of Excellence including expenditure on the building works, fitting-out the building and new plant and machinery. £1.4 million relates to expenditure in HT Colchester on new plant and equipment together with a revised layout of the shop floor to increase capacity.

Working Capital
Management of working capital continues to be a key focus of the Group. This focus enabled the Group to generate £0.4 million from working capital (1H2016: £0.1 million). Following a temporary increase in revolving credit facilities, undrawn borrowing facilities at 30 September 2016 were £4.2 million (at 31 March 2016: £5.1 million).

Borrowings, Banking & Finance
Net debt at 30 September 2016 was £18.3 million (at 31 March 2016: £8.6 million) driven by the trading operating loss in the period of £5.6 million (1H2016: profit £2.0 million) and continued investment in fixed assets of £4.1 million (1H2016: £5.0 million) of which £2.0 million has been funded by finance leases. Net debt comprised term borrowings of £5.8 million (at 31 March 2016: £5.9 million), finance leases of £3.3 million (at 31 March 2016: £1.6 million) and drawings under revolving credit facilities of £10.0 million (at 31 March 2016: £6.2 million) offset by cash of £0.8 million (at 31 March 2016: £5.1 million).

As announced on 14 November 2016, the Company reached agreement with its principal bank, Royal Bank of Scotland, to amend and restate the Company's multicurrency committed borrowing facilities agreement (the "Agreement"). The main changes to the Agreement are a short-term increase in the revolving credit facility ("RCF") of £3.0 million, which matures on 31 January 2017, to £11.9 million and a relaxation of quarterly financial covenants, which will now be measured from 31 March 2017 onwards, to give the Group the financial flexibility to deliver the expected improvement in trading of the business in 2H2017. The new repayment schedule under both facilities is detailed below, and the maturity dates of the committed facilities remain unchanged as follows:

- £2.9 million term facility[1] matures on 30 September 2020; and
- £11.9 million revolving credit facility[2] on 30 November 2018.

1 repayments of £216,000 on 30 June and 31 December of each year with a final repayment of £1,176,000 on 30 September 2020
2 limit reduces by £600,000 on 31 December 2016, £3,000,000 on 31 January 2017, £300,000 on 31 March 2017 and a final maturity on 30 November 2018

The Group established a secured loan note programme of £3.0 million in 2015 ("Loan Note Programme") to provide a diversified source of funding. The Company is seeking to increase the Loan Note Programme, initially by £3.0 million, in order to maintain a more appropriate maturity profile on the Company's borrowings and to repay £3.0 million of short-term borrowings under the RCF by 31 January 2017. The RCF was used to purchase fixed assets for the Centre of Excellence and, accordingly, the new issue under the Loan Note Programme will enable the Group to match long-term assets with medium to long-term debt. The Group intends to increase the overall Loan Note Programme from £3.0 million to £10.0 million, leaving £4.0 million already authorised, but not issued, available for further growth opportunities.

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 2014), however, a valuation is prepared at each period end for the purposes of the report and accounts by independent qualified actuaries. The net surplus at 31 March 2016 was £0.2 million and this has been maintained at 30 September 2016.

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 2016, we use various internal and external measures to assess our performance against our strategy to strengthen the business, increase profitability and generate a positive shareholder return. 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	Ahead of target at 1.2x. On a like-for-like basis the KPI was below target at 0.9x
Cash conversion	Convert >85% of EBITDA to cash	Ahead of target at 87% reflecting the improvement in working capital, however, operating loss led to increased net debt
Net debt to EBITDA	Achieve a ratio of 2:1 or lower	Adverse to target at (554.9):1 as a result of the operating loss in 1H2017
Strategic Objective – to increase profitability		
Gross Profit %	Generate a gross profit margin of >35%	Adverse to target at 14% reflecting the high level of unrecovered factory overheads as a result of low revenue. Excluding these overheads the underlying gross profit % was 38%
Trading EBIT %	Generate EBIT which is 10-15% of revenue for the period	Adverse to target at loss of (24)% driven by lower gross profit % and increased operating charges from addition of Peter Brotherhood and increased sales and marketing costs
Strategic Objective – to generate positive shareholder return		
Trading EPS Growth	Generate year on year growth of >10%	Adverse to target as a result of the diluted loss per share of (9.13) pence

Statement of Financial Position
Total equity decreased by £5.2 million from 31 March 2016 to £20.6 million as a result of the net loss in 1H2017 (£5.3 million) and the final dividend in respect of the prior year (£0.4 million) offset by the gain on the translation of overseas subsidiaries (£0.5 million).

N Flanagan
Chief Financial Officer
15 November 2016

Consolidated interim income statement

		Unaudited Six months to 30 September 2016			Unaudited Six months to 30 September 2015			Audited Year to 31 March 2016		
		£000	£000	£000	£000	£000	£000	£000	£000	£000
	Notes	Trading	Non-Trading	Total	Trading	Non-Trading	Total	Trading	Non-Trading	Total
Revenue		23,127	-	23,127	21,835	-	21,835	61,648	-	61,648
Cost of sales		(19,855)	-	(19,855)	(14,352)	-	(14,352)	(41,223)	-	(41,223)
Gross profit		**3,272**	-	**3,272**	**7,483**	**-**	**7,483**	**20,425**	**-**	**20,425**
Gross profit margin		14%			34%			33%		
Operating charges		(8,914)	(117)	(9,031)	(5,477)	(270)	(5,747)	(14,659)	(1,777)	(16,436)
Operating (loss)/profit		**(5,642)**	**(117)**	**(5,759)**	**2,006**	**(270)**	**1,736**	**5,766**	**(1,777)**	**3,989**
Finance costs	6	(386)	-	(386)	(297)	-	(297)	(579)	(382)	(961)
Gain/(loss) on fair value of derivatives		(557)	-	(557)	136	-	136	(40)	-	(40)
(Loss)/profit before tax		**(6,585)**	**(117)**	**(6,702)**	**1,845**	**(270)**	**1,575**	**5,147**	**(2,159)**	**2,988**
Taxation	9	1,533	(102)	1,431	(77)	10	(67)	(597)	(41)	(638)
(Loss)/profit for the period		**(5,052)**	**(219)**	**(5,271)**	**1,768**	**(260)**	**1,508**	**4,550**	**(2,200)**	**2,350**
Basic earnings per share (pence)	7	**(9.25)**	**(0.40)**	**(9.65)**	**3.91**	**(0.58)**	**3.33**	**9.47**	**(4.58)**	**4.89**
Diluted earnings per share (pence)	7	**(9.13)**	**(0.40)**	**(9.53)**	**3.87**	**(0.57)**	**3.30**	**9.47**	**(4.58)**	**4.89**

Consolidated interim statement of financial position

	Notes	Unaudited At 30 September 2016 £000	Unaudited At 30 September 2015 £000	Audited At 31 March 2016 £000
Non-current assets				
Goodwill		2,573	2,219	2,573
Other intangible assets		1,416	981	1,586
Property, plant and equipment		28,472	15,284	25,302
Deferred tax assets		3,758	2,472	2,726
Other debtors		-	521	180
Pension and other employee obligations		167	-	167
		36,386	22,017	32,534
Current assets				
Inventories		8,532	5,759	6,626
Trade and other receivables		16,287	15,072	20,414
Other current assets		2,156	1,305	2,308
Current tax assets		780	716	207
Cash and cash equivalents		794	3,197	5,135
		28,549	26,049	34,690
Total assets		**64,935**	**48,066**	**67,224**
Current liabilities				
Trade and other payables		13,637	10,925	15,178
Borrowings		11,145	6,927	7,418
Provisions		3,265	838	3,542
Current tax liabilities		316	712	755
Other liabilities		2,789	2,368	3,426
Financial liabilities - derivatives	12	849	117	292
Current liabilities		**32,001**	**21,887**	**30,611**
Net current (liabilities)/assets		(3,452)	4,162	4,079
Total assets less current liabilities		32,934	26,179	36,613
Non-current liabilities				
Borrowings		7,961	6,752	6,356
Pension and other employee obligations	10	-	179	-
Other creditors		4,385	2,642	4,449
		12,346	9,573	10,805
Net assets		**20,588**	**16,606**	**25,808**
Equity				
Called-up share capital	11	554	458	554
Share premium account		36,677	28,705	36,677
Merger reserve		14,502	14,502	14,502
Reverse acquisition reserve		(19,973)	(19,973)	(19,973)
Share based payment reserve		93	-	93
Other equity		18	52	18
Foreign currency translation reserve		886	(54)	375
Retained earnings		(12,169)	(7,084)	(6,438)
Total equity		**20,588**	**16,606**	**25,808**

Consolidated interim statement of comprehensive income

	Unaudited Six months to 30 September 2016	**Unaudited Six months to 30 September 2015 £000**	**Audited Year to 31 March 2016 £000**
(Loss)/profit for the period	**(5,271)**	**1,508**	2,350
Other comprehensive income/loss:			
Items that will not be reclassified subsequently to profit and loss			
Remeasurement of net defined benefit liability	**-**	**-**	138
Income tax relating to items not reclassified	**-**	**-**	(28)
Items that will be reclassified subsequently to profit and loss			
(Loss)/gain on translation of overseas subsidiaries	**511**	**(292)**	137
Other comprehensive income/(charge) for the period net of tax	**511**	**(292)**	247
Total comprehensive (loss)/profit for the period	**(4,760)**	**1,216**	**2,597**

Consolidated interim statement of changes in equity

Unaudited	**Share Capital £000**	**Share Premium £000**	**Merger Reserve £000**	**Reverse Acquisition Reserve £000**	**Share Based Payment Reserve £000**	**Other Equity £000**	**Foreign Currency Translation Reserve £000**	**Retained Earnings £000**	**Total £000**
Balance at 1 April 2016	**554**	**36,677**	**14,502**	**(19,973)**	**93**	**18**	**375**	**(6,438)**	**25,808**
Dividends	-	-	-	-	-	-	-	(460)	**(460)**
Transactions with owners	-	-	-	-	-	-	-	(460)	**(460)**
Loss for the period	-	-	-	-	-	-	-	(5,271)	**(5,271)**
Other comprehensive income/(loss):									
Gain on translation of overseas subsidiaries	-	-	-	-	-	-	511	-	**511**
Total comprehensive income/(loss)	-	-	-	-	-	-	511	(5,271)	(4,760)
Balance at 30 September 2016	**554**	**36,677**	**14,502**	**(19,973)**	**93**	**18**	**886**	**(12,169)**	**20,588**

Consolidated interim statement of changes in equity (continued)

Unaudited	**Share Capital £000**	**Share Premium £000**	**Merger Reserve £000**	**Reverse Acquisition Reserve £000**	**Treasury Stock Reserve £000**	**Other Equity £000**	**Foreign Currency Translation Reserve £000**	**Retained Earnings £000**	**Total £000**
Balance at 1 April 2015	**455**	**28,705**	**14,502**	**(19,973)**	**(274)**	**18**	**238**	**(8,230)**	**15,441**
Dividends	-	-	-	-	-	-	-	(362)	**(362)**
Sale of shares	-	-	-	-	274	-	-	-	**274**
Share based compensation	3	-	-	-	-	34	-	-	**37**
Transactions with owners	458	-	-	-	274	34	-	(362)	**(51)**
Profit for the period	-	-	-	-	-	-	-	1,508	**1,508**
Other comprehensive income/(loss):									
Loss on translation of overseas subsidiaries	-	-	-	-	-	-	(292)	-	**(292)**
Total comprehensive income/(loss)	-	-	-	-	-	-	(292)	1,508	1,216
Balance at 30 September 2015	**458**	**28,705**	**14,502**	**(19,973)**	**-**	**52**	**(54)**	**(7,084)**	**16,606**

Consolidated interim statement of changes in equity (continued)

Audited	Share Capital	Share Premium	Merger Reserve	Reverse Acquisition Reserve	Treasury Stock Reserve	Share Based Payment Reserve	Other Equity	Foreign Currency Translation Reserve	Retained Earnings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 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	-	-	-	93	-	-	(668)	**7,770**
Profit for the period	-	-	-	-	-	-	-	-	2,350	**2,350**
Actuarial gain for the period on pension scheme	-	-	-	-	-	-	-	-	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)**	**(274)**	**93**	**18**	**375**	**(6,438)**	**25,808**

Consolidated cash flow statement

	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
Operating activities			
Trading (loss)/profit before tax	**(6,585)**	1,845	5,147
Non-cash adjustment	**891**	772	1,995
Net changes in working capital	**381**	50	116
Contributions to defined benefit plan	**-**	-	(210)
Payment of non-trading items	**(117)**	(270)	(1,359)
Taxes repaid/(paid)	**464**	(440)	(548)
Net cash (used)/ generated from operating activities	**(4,966)**	**1,957**	**5,141**
Investing activities			
Purchase of property, plant and equipment	**(4,010)**	(4,998)	(10,803)
Proceeds from finance leases to purchase property, plant and equipment	**2,031**	1,091	1,578
Purchase of intangible assets	**(89)**	(61)	(765)
Acquisition of trade and assets	**-**	-	(10,132)
Disposal of property, plant and equipment	**49**	-	7,460
Net cash used in investing activities	**(2,019)**	**(3,968)**	**(12,662)**
Financing activities			
Proceeds from borrowings	**4,127**	3,915	15,665
Repayment of borrowings	**(516)**	(660)	(12,760)
Re-banking costs	**-**	-	(258)
Dividends paid	**(460)**	(362)	(668)
Proceeds from issue of share capital	**-**	-	8,001
Sale of treasury shares	**-**	274	344
Grant income received	**140**	962	1,605
Repayment of finance leases	**(356)**	(397)	(631)
Interest paid	**(291)**	(293)	(411)
Net cash generated from/(used in) financing activities	**2,644**	**3,439**	**10,887**
Net (decrease)/increase in cash and cash equivalents	**(4,341)**	1,428	3,366
Cash and cash equivalents at beginning of period	**5,135**	1,769	1,769
Cash and cash equivalents at end of period	**794**	3,197	5,135

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.

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 industrial sectors, the marine market and 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. Basis of preparation

These unaudited condensed consolidated interim financial statements of Hayward Tyler Group plc are for the six months ended 30 September 2016. 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 2016. The financial information for the year ended 31 March 2016 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 2016 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 2016.

Trading and non-trading

The consolidated income statement reports the results for the period under the headings Trading and Non-trading. Trading represents the underlying performance of Hayward Tyler Group. Non-trading represents non-recurring items, which in the period relate to costs incurred on the acquisition of Peter Brotherhood.

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 2016.

Notes to the interim financial statements (continued)

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 design and manufacture of motors, pumps and steam turbine generators. The AM segment 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.

The measurement policies the Group uses for segment reporting 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 changes from prior periods in the measurement methods used to determine reported segment profit of loss.

Notes to the interim financial statements (continued)

4. Segmental reporting (continued)
The acquisition of Peter Brotherhood took place in October 2015 and is therefore not included in the prior period below.

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

	OE	AM	Total
	£000	£000	£000
Six months to 30 September 2016			
Segment revenues from:			
External customers	7,777	15,350	23,127
Other segments	-	-	-
Segment revenues	7,777	15,350	23,127
Cost and expenses	(12,110)	(14,863)	(26,974)
Segment operating loss	(4,333)	487	(3,846)
Segment assets	27,800	37,308	65,108

	OE	AM	Total
	£000	£000	£000
Six months to 30 September 2015			
Segment revenues from:			
External customers	7,355	14,480	21,835
Other segments	-	-	-
Segment revenues	7,355	14,480	21,835
Cost and expenses	(7,462)	(11,237)	18,699)
Segment operating (loss)/profit	(107)	3,243	3,136
Segment assets	19,663	17,031	36,693

	OE	AM	Total
	£000	£000	£000
Year to 31 March 2016			
Segment revenues from:			
External customers	27,274	34,374	61,648
Other segments	-	-	-
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

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 2016 £000	Six months to 30 September 2015 £000	Year to 31 March 2016 £000
Segment revenues			
Segment revenues	23,127	21,835	61,648
Elimination of inter-segmental revenues	-	-	-
	23,127	21,835	61,648
Segment profit			
Segment operating (loss)/profit	(3,846)	3,136	8,492
Centre of Excellence expenses net of grant income	(478)	(532)	(896)
Other operating costs not allocated	(1,041)	(496)	(1,503)
Foreign currency exchange differences	(277)	(102)	(327)
Recurring operating (loss)/profit	**(5,642)**	**2,006**	**5,766**
Non-recurring expenses	(117)	(270)	(1,777)
Operating (loss)/profit	**(5,759)**	**1,736**	**3,989**
Finance costs	(386)	(297)	(961)
Gain/(loss) on fair value of derivatives	(557)	136	(40)
Group (loss)/profit before tax	**(6,702)**	**1,575**	**2,988**
Segment total assets			
Total segment assets	65,108	36,693	47,084
Group	38,723	49,623	59,643
Consolidation	(38,896)	(38,250)	(39,503)
Group total assets	64,935	48,066	67,224

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 2016		Six months to 30 September 2015		Year to 31 March 2016	
	£000 Revenue	£000 Non-current assets	£000 Revenue	£000 Non-current assets	£000 Revenue	£000 Non-current assets
Africa & Middle East	956	-	201	-	3,212	-
Americas & Caribbean (excl USA)	2,010	-	1,567	-	4,170	-
Asia Pacific (excl China)	6,984	5	5,494	5	15,326	5
China	1,415	191	3,215	159	7,762	144
Europe (excl UK)	2,898	-	2,877	-	6,008	-
United Kingdom	3,143	26,822	3,343	15,383	11,628	24,923
United States of America	5,722	2,870	5,139	1,258	13,542	1,816
	23,127	29,888	21,835	16,805	61,648	26,888

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.

5. Trading EBITDA

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

	Six months to 30 September 2016 £000	Six months to 30 September 2015 £000	Year to 31 March 2016 £000
Trading EBITDA			
Operating (loss)/profit	(5,642)	2,006	5,766
Depreciation and amortisation	1,025	577	1,401
	(4,617)	2,583	7,167

Notes to the interim financial statements (continued)

6. Finance costs

	Six months to 30 September 2016	Six months to 30 September 2015	Year to 31 March 2016
	£000	£000	£000
Trading			
Interest payable on bank borrowing	337	203	371
Finance costs of pensions	-	31	2
(Gain)/loss arising on fair value of derivative contracts	557	(136)	40
Unwinding of discount on provisions	39	-	-
Finance charges - re-banking	10	63	206
	943	161	619
Non - trading			
Finance charges – prepayment	-	-	382
	943	161	1,001

7. 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 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.

Adjusted Earnings per share calculations based Trading (Loss)/Profit	**Six months to 30 September 2016**	**Six months to 30 September 2015**	**Year to 31 March 2016**
Trading (Loss)/Profit for the period (£000)	(5,052)	1,768	4,550
Weighted average number of shares (used for basic earnings per share)	54,608,885	45,266,877	48,047,956
Shares deemed to be issued for no consideration in respect of share-based payments	713,935	385,042	8,017
Weighted average number of shares used in diluted earnings per share	**55,322,820**	**45,651,919**	**48,055,973**
Basic earnings per share (pence)	**(9.25)**	**3.91**	**9.47**
Diluted earnings per share (pence)	**(9.13)**	**3.87**	**9.47**

Notes to the interim financial statements (continued)

7. Earnings per share (continued)

Earnings per share calculations Based on Total (Loss)/ Profit	**Six months to 30 September 2016**	**Six months to 30 September 2015**	**Year to 31 March 2016**
(Loss)/Profit for the period (£000)	(5,271)	1,508	2,350
Weighted average number of shares (used for basic earnings per share)	54,608,885	45,266,877	48,047,956
Shares deemed to be issued for no consideration in respect of share-based payments	713,935	385,042	8,017
Weighted average number of shares used in diluted earnings per share	**55,322,820**	**45,651,919**	**48,055,973**
Basic earnings per share (pence)	**(9.65)**	**3.33**	**4.89**
Diluted earnings per share (pence)	**(9.53)**	**3.30**	**4.89**

8. Dividends

A final dividend of 0.83 pence per ordinary share was declared during the period representing a total of £459,693 (1H2016: £361,831). An interim dividend in respect of the current year of 0.58 pence per ordinary share will be paid in February 2017.

Notes to the interim financial statements (continued)

9. Tax

	Six months to 30 September 2016 £000	Six months to 30 September 2015 £000	Year to 31 March 2016 £000
Current tax			
UK tax corporation tax at 20% (H1 2016: 20%)	-	74	-
Amounts under provided in prior years	-	15	-
Overseas taxation	(401)	59	840
Adjustment in respect of prior years	12	(163)	(110)
Total current tax (credit)/charge	(399)	(15)	730
Deferred tax			
Acceleration of capital allowances	122	(56)	238
(Gains)/losses available for offset against future taxable income	(1,228)	140	(311)
Retirement benefit obligations	-	-	69
Less movement recorded in other comprehensive income	-	-	(28)
Other temporary differences	(4)	(19)	(103)
Derivatives	(111)	27	(8)
Effect of change in tax rate	127	-	253
Amounts (over)/under provided in prior years	62	(100	(202)
Deferred tax charge	(1,032)	82	(92)
Tax charge reported in the income statement	(1,431)	67	638

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. Pensions
No interim valuation of the pension liability has been carried out at 30 September 2016. 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 2016. 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 2017.

The net defined benefit surplus for pensions recognised in the statement of financial position as at 31 March 2016 was £0.2 million. This surplus 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 3.35%, which was based on prevailing relevant bond yields at the time, and inflation rates of 2.0% per annum in respect of CPI and 2.8% per annum in respect of RPI, based on the market's expectation of future inflation at that time.

Taking together the value of the scheme assets, the discount rate and the expectations for inflation at 30 September 2016, the value of the pension asset is not expected to have changed materially from that at 31 March 2016 of £0.2 million.

11. Share capital

	At 30 September 2016 No.	At 30 September 2015 No.	At 31 March 2016 No.
Shares issued and fully paid:			
Beginning of the period	55,384,856	45,507,404	45,507,404
Issued in the period	-	-	9,333,334
Issued under share-based payment plans	-	294,118	544,118
Total shares authorised at the end of the period	55,384,856	45,801,522	55,384,856

Shares issued under share based payment plans represent those shares awarded under the LTIP scheme. These shares have been awarded to senior management and are subject to recall if vesting conditions associated with the share options are not met.

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 liabilities measured at fair value at each reporting date:

Level 2	**At 30 September 2016**	At 30 September 2015	At 31 March 2016
Financial liabilities			
Forward exchange contracts	(849)	(117)	(292)
Total liabilities	(849)	(117)	(292)
Net fair value	**(849)**	(117)	(292)

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.