

**Norman Hay plc**

Report and Financial Statements

Year Ended

31 December 2015

Company Number 00405025

# Norman Hay plc

## Report and financial statements for the year ended 31 December 2015

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### Contents

#### Page:

|    |                                                |
|----|------------------------------------------------|
| 1  | Chairman's statement                           |
| 3  | Strategic report                               |
| 5  | Report of the directors                        |
| 9  | Independent auditor's report                   |
| 11 | Consolidated statement of comprehensive income |
| 12 | Consolidated balance sheet                     |
| 13 | Consolidated statement of changes in equity    |
| 15 | Consolidated statement of cash flows           |
| 16 | Company balance sheet                          |
| 17 | Company statement of changes in equity         |
| 19 | Notes forming part of the financial statements |

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### Directors

#### Executive directors

P L Hay  
V P Bellanti  
N A Ogden  
Mrs B M Cattle

#### Non-executive director

A R Steedman

#### Secretary and registered office

N A Ogden, Godiva Place, Coventry, CV1 5PN

#### Company number

00405025

#### Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

# Norman Hay plc

## Chairman's statement for the year ended 31 December 2015

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### Chairman's statement

2015 was an uncomfortable year for many companies and enterprises around the world as rapidly falling oil prices, political instability and concerns over the Chinese economy took their toll on global trading levels.

The Norman Hay Group was not immune to this and whilst we remained profitable, it was at about half the level that we had expected and planned for at the beginning of the year.

### Dividends

A second interim dividend for the year of 3.2p, announced on 7 March 2016, was paid to Shareholders on 24 March 2016 in place of a final dividend for the year, making the total for the full year 6.1p (2014: 6.1p).

### Overview

A number of our major oil & gas industry customers suffered badly and, regrettably, we in turn have had to reduce our workforce in a number of locations to adapt to reduced global demand. These decisions are not easily taken as they affect people's lives and livelihoods, and I would like to thank those departing the Group for their past service and wish them well in the future.

Predictions abound regarding a recovering oil price and in due course that will bring its own opportunities but, in the meantime, trading in our traditional surface coatings businesses is extremely challenging.

Elsewhere in the Group, in the automotive sector in both Europe and Asia, we have experienced much more stable trading conditions which have enabled us to grow Ultraseal International, our impregnation sealants business.

In July 2015 we acquired the assets of Liquid Development Company (LDC), a competitor of SIFCO ASC also headquartered in Cleveland, Ohio. LDC supplies selective plating chemicals and equipment throughout the world and is a natural fit with ASC.

### Going Forward

In 2016 we will continue to manage our businesses prudently as we seek out new opportunities for the Group.

Over the years we have gradually outgrown our Godiva Place site in central Coventry which houses the Group's head offices, Ultraseal International and our engineering division NHE. Therefore, we were delighted to gain planning permission post year-end for the development of student accommodation on the site.

We have now sold the site with the benefit of this planning permission and in June this year will move to a brand new facility a few miles away which is much better suited to our future requirements.

At the same time we are moving Sterr & Eder, a fast expanding part of Ultraseal International, to a new purpose built factory next to its major automotive customer in Landshut, Germany. We have also moved to a new, larger facility in Shanghai, where we outgrew our previous manufacturing facility.

### New Financial Reporting Framework

Following the new financial reporting framework which came into force in the UK from 1 January 2015, we have taken the opportunity to reduce the reporting burden by moving from IFRS to FRS102. Whilst maintaining full transparency and detail in our accounts for our shareholders, this has reduced the Annual Report by about 10 pages and therefore cut the internal and external costs of its production.

One of the requirements of this FRS102 is that we amortise goodwill over a period of 10 years. Whilst this amortisation has no cash effect it will reduce the Group's annual profits, as shown on page 11. The comparatives in the financial statements reflect the change of accounting framework and full details of the conversion are given in note 29 of the financial statements.

# Norman Hay plc

## Chairman's statement (continued) for the year ended 31 December 2015

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### **Staff**

On behalf of the Board and our Shareholders, I would like to thank all of our employees for their consistent hard work, loyalty and commitment to the Group during these challenging times.

Seventy years ago my late father Norman Leslie Stephen Hay founded this company. Whilst it is difficult to predict exactly how trading conditions will change during the next couple of years, I feel that he would be particularly delighted to see how the Group bearing his name has expanded overseas.

Peter L Hay

**Chairman**

Date: 27 May 2016

# Norman Hay plc

## Strategic report for the year ended 31 December 2015

The Directors present their strategic report together with the audited financial statements for the year ended 31 December 2015.

### Financial review

Revenue in 2015 was £44.7m (2014: £46.5m), which represents a decrease of 4%.

Gross margin levels have declined due to the mix of sales across our various divisions differing from the previous year.

The average number of Group employees decreased to 471 (2014: 496) as the Group took steps to reduce its cost base in line with falling expectations mainly within the oil and gas sector.

Distribution and administrative expenses fell to £15.2m (2014: £15.4m), mainly as a result of cost-reduction measures.

Profit on ordinary activities before tax was £1.3m (2014: £2.9m).

The effective tax rate for the year has increased to 47% (2014: 34%). Further details of the current year tax charge can be found in note 8 of the financial statements.

The Group continues to maintain a strong balance sheet, with net assets of £16.7m (2014: £16.9m). As mentioned in the Chairman's statement, the Group has decided to adopt FRS102 which has resulted in increased goodwill amortisation charges, and which in turn has reduced reported net assets.

### Financial key performance indicators

|                                                                                                  | 2015<br>£'000 | 2014<br>£'000 |
|--------------------------------------------------------------------------------------------------|---------------|---------------|
| Revenue                                                                                          | 44,671        | 46,532        |
| Profit on ordinary activities before taxation and excluding goodwill amortisation and impairment | 2,204         | 3,411*        |
| Net Borrowings                                                                                   | (3,295)       | (494)         |
| Net assets                                                                                       | 16,679        | 16,945*       |

\* restated from those previously reported due to the adoption of FRS102.

### Key performance indicators (KPIs)

Key performance indicators are used to measure and evaluate Group performance against targets and monitor various activities throughout the Group. The main key performance indicators employed in the Group include:

- Achieving revenue and profit targets;
- Meeting agreed milestones on existing project opportunities;
- Developing the core customer base;
- Identifying and securing new customers in new markets.

The above key performance indicators are monitored by the Board. As disclosed in the Chairman's statement, mainly as a result of falling oil prices in 2015 which brought turbulence to one of our main sectors, the oil and gas market, our profit performance in 2015 fell below target levels. However we believe that the cost reduction measures already taken, together with our broad geographical spread and diversified product range, will bring about a sound basis for a return to increased future profits.

# Norman Hay plc

Strategic report (continued)  
for the year ended 31 December 2015

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## Principal risks and uncertainties

With the broad geographical spread of our operations, there is a potential risk of financial loss or damage to our reputation resulting from inadequate or failed internal processes and systems, or the actions of people or external events.

Actions taken to mitigate the above include:

- Taking sufficient insurance cover, including business interruption;
- Maintaining disaster recovery plans for all major sites;
- Maintaining rigorous data back-up procedures;
- Carrying out a regular review of the principal suppliers and customers of the Group, and how each impacts on the Group's business;
- Regularly reviewing performance against budgets and forecasts; and
- Ensuring that exposure to foreign exchange is managed through prompt payment of inter-Group current accounts and forward contracts.

The Board and management teams continue to monitor potential risk areas and adjust tactical and strategic plans accordingly to protect our businesses.

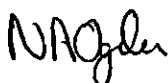
Pro-active working capital management and analysis of historic and anticipated trading patterns assist the Board in its decision making. Financial reviews are undertaken at Board and management levels to analyse and understand current and future results.

Our personnel are a major element within our business, and play a key role in managing the Group's growth and associated risk. It is important that the Group succeeds in attracting, developing and retaining qualified, experienced and motivated staff worldwide.

The Board of Directors of Norman Hay plc accepts its collective responsibility in providing health and safety leadership and regards the effective management of health and safety risks as key to the fulfilment of the Group's business objectives.

## Approval

This strategic report was approved by order of the Board on 27 May 2016



N A Ogden  
Company Secretary

# Norman Hay plc

## Report of the directors for the year ended 31 December 2015

The Directors present their report together with the audited financial statements for the year ended 31 December 2015.

### Directors

The Directors of the Company during the year were:

|                |                          |
|----------------|--------------------------|
| P L Hay        | (Executive Director)     |
| V P Bellanti   | (Executive Director)     |
| N A Ogden      | (Executive Director)     |
| Mrs B M Cattle | (Executive Director)     |
| A R Steedman   | (Non-Executive Director) |

### Directors' interests

The interests of the Directors and their immediate families in the share capital of the Company are set out below:

|                | <b>1 January<br/>2015<br/>Beneficial</b> | <b>31 December<br/>2015<br/>Beneficial</b> |
|----------------|------------------------------------------|--------------------------------------------|
| P L Hay        | 2,210,870                                | 2,210,870                                  |
| V P Bellanti   | 197,000                                  | 197,000                                    |
| N A Ogden      | -                                        | -                                          |
| A R Steedman   | -                                        | -                                          |
| Mrs B M Cattle | 5,000                                    | 5,000                                      |

The details of the Directors' interests in share options are as follows:

|                           | <b>1 January<br/>2015<br/>Beneficial</b> | <b>31 December<br/>2015<br/>Beneficial</b> |
|---------------------------|------------------------------------------|--------------------------------------------|
| P L Hay - Unapproved      | 388,075                                  | 388,075                                    |
| V P Bellanti - Unapproved | 588,075                                  | 588,075                                    |
| N A Ogden                 | -                                        | -                                          |
| A R Steedman              | -                                        | -                                          |
| Mrs B M Cattle            | -                                        | -                                          |

The unapproved options are exercisable between 1 December 2010 and 30 November 2019 at 62.5p per share upon the share price achieving 150p or a change in control.

### Indemnity cover

Third party indemnity cover for the Directors was in force during the year, up to and including the year-end date and the date of this report.

### Results and dividends

The Consolidated Statement of Comprehensive Income is set out on page 11 showing revenue for the year of £44.7m (2014: £46.5m) and profit before tax of £1.3m (2014: £2.9m).

### Post balance sheet events

Material post balance sheet events are disclosed in note 12 of the financial statements.

# Norman Hay plc

## Report of the directors (continued) for the year ended 31 December 2015

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### **Likely future developments in the business of the company**

Information on likely future developments in the business of the company has been included in the Chairman's Statement on page 1.

### **Dividends**

Dividends paid in the year are shown in note 9 of the Financial Statements.

A second interim dividend for the year of 3.2p, announced on 7 March 2016, was paid to Shareholders on 24 March 2016 in place of a final dividend for the year, making the total for the full year 6.1p (2014: 6.1p).

### **Research and development**

The Group continues to invest in research and development. Research and development costs incurred that did not meet the criteria for capitalisation and were therefore expensed in the year totalled £476,000 (2014: £177,000).

### **Financial instruments**

#### ***General objectives, policies and procedures***

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's management team. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

#### ***Foreign exchange risk***

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the Group's functional currency. Although its global market penetration reduces the Group's operational risk in that it has diversified into several markets, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains or losses on retranslation into Sterling. Foreign exchange risk also arises when individual Group entities enter into transactions denominated in a currency other than their functional currency.

The Group's policy is to ensure that all inter-Group current accounts are settled within 30 days of a sale occurring, thus minimising the effects of currency fluctuations. The Group also enters into forward contracts where applicable.

#### ***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering into contracts, by obtaining reports from external credit agencies. These credit ratings are taken into account by the Group.

The management of each operating business has established credit policies under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Their review includes external ratings, when available and, in some cases, bank references. Purchase limits are established for each customer, which represent the maximum open amount permitted without requiring approval from senior management or the Group Chief Executive if appropriate. These limits are reviewed regularly and customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. All such deposits are made with reputable banks.



# Norman Hay plc

## Report of the directors (continued) for the year ended 31 December 2015

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### ***Liquidity risk***

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it reviews its forward cash requirement on a monthly basis for a minimum of three months ahead.

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the year-end date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The liquidity risk of each Group entity is managed centrally by the Group treasury function. Each operation has a facility with Group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the Board in advance, enabling the Group's cash requirement to be anticipated.

### ***Cash flow interest rate risk***

The Group is exposed to cash flow interest rate risk from long-term borrowings at variable rates. Local operations are not permitted to borrow long-term from external sources without permission from the Group.

### ***Market risk***

Market risk arises from the Group's use of interest-bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

### **Employees**

The Directors place considerable value on the involvement of employees and recognise the importance of communicating effectively on matters which affect their current and future interests. This communication is achieved through regular meetings at local operating level and through informal briefing sessions.

The Group's policy is to ensure that, as far as is reasonably practicable, there is a working environment which will minimise the risk to health and safety of its employees and those persons who are authorised to be on its premises.

The Group continues to give full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. If an employee becomes disabled, the Group endeavours to continue his or her employment if this is practicable and, in appropriate cases, special training may be given.

# Norman Hay plc

## Report of the directors (continued) for the year ended 31 December 2015

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### Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

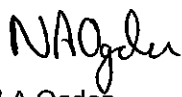
### Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

### Approval

This report was approved by order of the Board on 27 May 2016



N A Ogden  
Company Secretary

# Norman Hay plc

## Independent auditor's report

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### TO THE MEMBERS OF NORMAN HAY PLC

We have audited the financial statements of Norman Hay plc for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Norman Hay plc

## Independent auditor's report (*continued*)

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### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*BDO LLP*

*Tobias Stephenson (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Birmingham  
United Kingdom*

Date: 27 May 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Norman Hay plc

## Consolidated statement of comprehensive income for the year ended 31 December 2015

|                                                              | Note | 2015<br>£'000 | 2014<br>£'000 |
|--------------------------------------------------------------|------|---------------|---------------|
| Revenue                                                      | 3    | 44,671        | 46,532        |
| Cost of sales                                                |      | (28,182)      | (28,160)      |
| <b>Gross profit</b>                                          |      | <b>16,489</b> | <b>18,372</b> |
| Distribution costs                                           |      | (720)         | (709)         |
| Administrative expenses                                      |      | (14,447)      | (14,733)      |
| Other operating income                                       |      | 163           | 165           |
| <b>Operating profit</b>                                      | 4    | <b>1,485</b>  | <b>3,095</b>  |
| <b>Analysed as:</b>                                          |      |               |               |
| Operating profit before goodwill amortisation and impairment |      | 2,422         | 3,597         |
| Goodwill amortisation and impairment                         |      | (937)         | (502)         |
| <b>Operating profit</b>                                      |      | <b>1,485</b>  | <b>3,095</b>  |
| Other interest receivable and similar income                 |      | 33            | 56            |
| Interest payable and similar charges                         | 7    | (251)         | (242)         |
| <b>Profit on ordinary activities before taxation</b>         |      | <b>1,267</b>  | <b>2,909</b>  |
| Taxation on profit on ordinary activities                    | 8    | (596)         | (984)         |
| <b>Profit for the financial year</b>                         |      | <b>671</b>    | <b>1,925</b>  |
| <b>Other comprehensive income:</b>                           |      |               |               |
| Currency translation differences                             |      | (95)          | 6             |
| <b>Total comprehensive income for year</b>                   |      | <b>576</b>    | <b>1,931</b>  |
| <b>Profit for the financial year attributable to:</b>        |      |               |               |
| Non-controlling interest                                     |      | 144           | 142           |
| Owners of the parent company                                 |      | 527           | 1,783         |
|                                                              |      | <b>671</b>    | <b>1,925</b>  |
| <b>Total comprehensive income attributable to:</b>           |      |               |               |
| Non-controlling interest                                     |      | 144           | 142           |
| Owners of the parent company                                 |      | 432           | 1,789         |
|                                                              |      | <b>576</b>    | <b>1,931</b>  |

All amounts relate to continuing activities. Operations acquired in the year are not significant to the current year results – see note 28.


The notes form part of these financial statements.

# Norman Hay plc

## Consolidated balance sheet at 31 December 2015

| <i>Company number 00405025</i>                                 | Note | 2015<br>£'000 | 2015<br>£'000 | 2014<br>£'000 | 2014<br>£'000 |
|----------------------------------------------------------------|------|---------------|---------------|---------------|---------------|
| <b>Fixed assets</b>                                            |      |               |               |               |               |
| Intangible assets                                              | 11   |               | 4,619         |               | 4,474         |
| Tangible assets                                                | 12   |               | 8,337         |               | 8,248         |
| Investments                                                    | 13   |               | 26            |               | 26            |
|                                                                |      |               | 12,982        |               | 12,748        |
| <b>Current assets</b>                                          |      |               |               |               |               |
| Stocks                                                         | 14   | 2,831         |               | 2,422         |               |
| Debtors                                                        | 15   | 14,849        |               | 13,168        |               |
| Cash at bank and in hand                                       |      | 4,349         |               | 4,340         |               |
|                                                                |      | 22,029        |               | 19,930        |               |
| <b>Creditors: amounts falling due within one year</b>          | 16   | 14,700        |               | 12,213        |               |
| <b>Net current assets</b>                                      |      |               | 7,329         |               | 7,717         |
| <b>Total assets less current liabilities</b>                   |      |               | 20,311        |               | 20,465        |
| <b>Creditors: amounts falling due after more than one year</b> | 17   |               | 2,859         |               | 2,692         |
| <b>Provisions for liabilities</b>                              | 19   |               | 773           |               | 828           |
| <b>Net assets</b>                                              |      |               | 16,679        |               | 16,945        |
| <b>Capital and reserves</b>                                    |      |               |               |               |               |
| Called up share capital                                        | 21   |               | 1,482         |               | 1,482         |
| Share premium account                                          |      |               | 1,265         |               | 1,265         |
| Capital redemption reserve                                     |      |               | 94            |               | 94            |
| Other non-distributable reserves                               |      |               | 766           |               | 766           |
| Reserve for own shares                                         |      |               | (863)         |               | (863)         |
| Share scheme reserve                                           |      |               | -             |               | 11            |
| Foreign exchange reserve                                       |      |               | (148)         |               | (53)          |
| Profit and loss account                                        |      |               | 13,468        |               | 13,772        |
| <b>Equity attributable to owners of the parent company</b>     |      |               | 16,064        |               | 16,474        |
| <b>Non-controlling interests</b>                               |      |               | 615           |               | 471           |
|                                                                |      |               | 16,679        |               | 16,945        |

The financial statements were approved by the board of directors and authorised for issue on 27 May 2016



N A OGDEN  
Director

The notes form part of these financial statements.

# Norman Hay plc

## Consolidated statement of changes in equity for the year ended 31 December 2015

|                                                           | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Other<br>non<br>distributable<br>reserve<br>£'000 | Reserve<br>for own<br>shares<br>£'000 | Share<br>scheme<br>reserve<br>£'000 | Foreign<br>exchange<br>reserve<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Equity<br>attributable<br>to owners<br>of the<br>parent<br>company<br>£'000 | Non-<br>controlling<br>interests<br>£'000 | Total<br>equity<br>£'000 |
|-----------------------------------------------------------|---------------------------|---------------------------|-------------------------------------------|---------------------------------------------------|---------------------------------------|-------------------------------------|-----------------------------------------|----------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------|--------------------------|
| <b>1 January 2015</b>                                     | 1,482                     | 1,265                     | 94                                        | 766                                               | (863)                                 | 11                                  | (53)                                    | 13,772                                 | 16,474                                                                      | 471                                       | 16,945                   |
| <b>Comprehensive income for the year:</b>                 |                           |                           |                                           |                                                   |                                       |                                     |                                         |                                        |                                                                             |                                           |                          |
| Profit for the year                                       | -                         | -                         | -                                         | -                                                 | -                                     | -                                   | -                                       | 527                                    | 527                                                                         | 144                                       | 671                      |
| <b>Other comprehensive income for the year:</b>           |                           |                           |                                           |                                                   |                                       |                                     |                                         |                                        |                                                                             |                                           |                          |
| Currency translation differences                          | -                         | -                         | -                                         | -                                                 | -                                     | -                                   | (95)                                    | -                                      | (95)                                                                        | -                                         | (95)                     |
| <b>Total comprehensive income for the year</b>            | -                         | -                         | -                                         | -                                                 | -                                     | -                                   | (95)                                    | 527                                    | 432                                                                         | 144                                       | 576                      |
| <b>Contributions by and distributions to owners</b>       |                           |                           |                                           |                                                   |                                       |                                     |                                         |                                        |                                                                             |                                           |                          |
| Dividends                                                 | -                         | -                         | -                                         | -                                                 | -                                     | -                                   | -                                       | (842)                                  | (842)                                                                       | -                                         | (842)                    |
| Exercise of share options                                 | -                         | -                         | -                                         | -                                                 | -                                     | (11)                                | -                                       | 11                                     | -                                                                           | -                                         | -                        |
| <b>Total contributions by and distributions to owners</b> | -                         | -                         | -                                         | -                                                 | -                                     | (11)                                | -                                       | (831)                                  | (842)                                                                       | -                                         | (842)                    |
| <b>31 December 2015</b>                                   | 1,482                     | 1,265                     | 94                                        | 766                                               | (863)                                 | -                                   | (148)                                   | 13,468                                 | 16,064                                                                      | 615                                       | 16,679                   |

The notes form part of these financial statements.

# Norman Hay plc

## Consolidated statement of changes in equity for the year ended 31 December 2014

|                                                           | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Other<br>non<br>distributable<br>reserve<br>£'000 | Reserve<br>for own<br>shares<br>£'000 | Share<br>scheme<br>reserve<br>£'000 | Foreign<br>exchange<br>reserve<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Equity<br>attributable<br>to owners<br>of the<br>parent<br>company<br>£'000 | Non-<br>controlling<br>interests<br>£'000 | Total<br>equity<br>£'000 |
|-----------------------------------------------------------|---------------------------|---------------------------|-------------------------------------------|---------------------------------------------------|---------------------------------------|-------------------------------------|-----------------------------------------|----------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------|--------------------------|
| <b>1 January 2014</b>                                     | 1,482                     | 1,265                     | 94                                        | 766                                               | (841)                                 | 43                                  | (59)                                    | 12,798                                 | 15,548                                                                      | 329                                       | 15,877                   |
| <b>Comprehensive income for the year:</b>                 |                           |                           |                                           |                                                   |                                       |                                     |                                         |                                        |                                                                             |                                           |                          |
| Profit for the year                                       | -                         | -                         | -                                         | -                                                 | -                                     | -                                   | -                                       | 1,783                                  | 1,783                                                                       | 142                                       | 1,925                    |
| <b>Other comprehensive income for the year:</b>           |                           |                           |                                           |                                                   |                                       |                                     |                                         |                                        |                                                                             |                                           |                          |
| Currency translation differences                          | -                         | -                         | -                                         | -                                                 | -                                     | -                                   | 6                                       | -                                      | 6                                                                           | -                                         | 6                        |
| <b>Total comprehensive income for the year</b>            |                           |                           |                                           |                                                   |                                       |                                     |                                         |                                        |                                                                             |                                           |                          |
|                                                           | -                         | -                         | -                                         | -                                                 | -                                     | -                                   | 6                                       | 1,783                                  | 1,789                                                                       | 142                                       | 1,931                    |
| <b>Contributions by and distributions to owners</b>       |                           |                           |                                           |                                                   |                                       |                                     |                                         |                                        |                                                                             |                                           |                          |
| Dividends                                                 | -                         | -                         | -                                         | -                                                 | -                                     | -                                   | -                                       | (841)                                  | (841)                                                                       | -                                         | (841)                    |
| Purchase of shares by EBT                                 | -                         | -                         | -                                         | -                                                 | (22)                                  | (32)                                | -                                       | -                                      | (22)                                                                        | -                                         | (22)                     |
| Exercise of share options                                 | -                         | -                         | -                                         | -                                                 | -                                     | -                                   | -                                       | 32                                     | -                                                                           | -                                         | -                        |
| <b>Total contributions by and distributions to owners</b> |                           |                           |                                           |                                                   |                                       |                                     |                                         |                                        |                                                                             |                                           |                          |
|                                                           | -                         | -                         | -                                         | -                                                 | (22)                                  | (32)                                | -                                       | (809)                                  | (863)                                                                       | -                                         | (863)                    |
| <b>31 December 2014</b>                                   | 1,482                     | 1,265                     | 94                                        | 766                                               | (863)                                 | 11                                  | (53)                                    | 13,772                                 | 16,474                                                                      | 471                                       | 16,945                   |

The notes form part of these financial statements.



# Norman Hay plc

## Consolidated statement of cash flows for the year ended 31 December 2015

|                                                             | 2015<br>£'000  | 2014<br>£'000  |
|-------------------------------------------------------------|----------------|----------------|
| <b>Cash flows from operating activities</b>                 |                |                |
| <b>Profit for the financial year</b>                        | 671            | 1,925          |
| Adjustments for:                                            |                |                |
| Depreciation, amortisation and impairment of fixed assets   | 2,012          | 1,882          |
| Net fair value losses/(gains) recognised in profit or loss  | 68             | (73)           |
| Loss on sale of property, plant and equipment               | 59             | 557            |
| Net interest payable                                        | 218            | 186            |
| Taxation expense                                            | 596            | 984            |
| Increase in trade and other debtors                         | (1,277)        | (509)          |
| (Increase)/decrease in stocks                               | (194)          | 330            |
| (Decrease)/increase in trade creditors                      | (359)          | 1,405          |
| Decrease in provisions                                      | (12)           | (26)           |
|                                                             | <u>1,782</u>   | <u>6,661</u>   |
| <b>Cash from operations</b>                                 |                |                |
| Interest paid                                               | (234)          | (225)          |
| Taxation paid                                               | (1,045)        | (1,737)        |
|                                                             | <u>503</u>     | <u>4,699</u>   |
| <b>Net cash generated from operating activities</b>         |                |                |
| <b>Cash flows from investing activities</b>                 |                |                |
| Purchases of tangible fixed assets                          | (1,072)        | (2,571)        |
| Purchase of business operations                             | (1,479)        | -              |
| Payment of deferred consideration                           | (18)           | (25)           |
| Interest received                                           | 33             | 56             |
| Proceeds from sale of a business operation in prior years   | 152            | 125            |
| Refund of escrow account on prior acquisitions              | -              | 150            |
|                                                             | <u>(2,384)</u> | <u>(2,265)</u> |
| <b>Net cash used in investing activities</b>                |                |                |
| <b>Cash flows from financing activities</b>                 |                |                |
| Capital element of lease repaid                             | -              | (3)            |
| Equity dividends paid                                       | (842)          | (841)          |
| Proceeds from new loans                                     | 1,350          | -              |
| Loan repayments                                             | (772)          | (767)          |
|                                                             | <u>(264)</u>   | <u>(1,611)</u> |
| <b>Net cash used in financing activities</b>                |                |                |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | (2,145)        | 823            |
| Cash and cash equivalents at beginning of year              | 2,845          | 2,016          |
| Foreign exchange gains and losses                           | (95)           | 6              |
|                                                             | <u>605</u>     | <u>2,845</u>   |
| <b>Cash and cash equivalents at end of year</b>             |                |                |
| <b>Cash and cash equivalents comprise:</b>                  |                |                |
| Cash at bank and in hand                                    | 4,349          | 4,340          |
| Bank overdrafts                                             | (3,744)        | (1,495)        |
|                                                             | <u>605</u>     | <u>2,845</u>   |

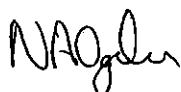
The notes form part of these financial statements.

# Norman Hay plc

## Company balance sheet at 31 December 2015

| <i>Company number 00405025</i>                                 | Note | 2015<br>£'000   | 2015<br>£'000  | 2014<br>£'000  | 2014<br>£'000  |
|----------------------------------------------------------------|------|-----------------|----------------|----------------|----------------|
| <b>Fixed assets</b>                                            |      |                 |                |                |                |
| Tangible assets                                                | 12   |                 | 2,904          |                | 2,813          |
| Investments                                                    | 13   |                 | 7,661          |                | 14,758         |
|                                                                |      |                 | <u>10,565</u>  |                | <u>17,571</u>  |
| <b>Current assets</b>                                          |      |                 |                |                |                |
| Debtors                                                        | 15   | 8,349           |                | 8,036          |                |
| Cash at bank and in hand                                       |      | 22              |                | 22             |                |
|                                                                |      | <u>8,371</u>    |                | <u>8,058</u>   |                |
| <b>Creditors: amounts falling due within one year</b>          | 16   | <b>(10,154)</b> |                | <b>(7,902)</b> |                |
| <b>Net current (liabilities) / assets</b>                      |      |                 | <b>(1,783)</b> |                | <b>156</b>     |
| <b>Total assets less current liabilities</b>                   |      |                 |                |                |                |
|                                                                |      |                 | <b>8,782</b>   |                | <b>17,727</b>  |
| <b>Creditors: amounts falling due after more than one year</b> | 17   |                 | <b>(1,678)</b> |                | <b>(9,465)</b> |
| <b>Net assets</b>                                              |      |                 | <b>7,104</b>   |                | <b>8,262</b>   |
| <b>Capital and reserves</b>                                    |      |                 |                |                |                |
| Called up share capital                                        | 21   |                 | 1,482          |                | 1,482          |
| Share premium account                                          |      |                 | 1,265          |                | 1,265          |
| Capital redemption reserve                                     |      |                 | 94             |                | 94             |
| Reserve for own shares                                         |      |                 | (863)          |                | (863)          |
| Share scheme reserve                                           |      |                 | -              |                | 11             |
| Revaluation reserve                                            |      |                 | 767            |                | 688            |
| Profit and loss account                                        |      |                 | 4,359          |                | 5,585          |
|                                                                |      |                 | <u>7,104</u>   |                | <u>8,262</u>   |

The financial statements were approved by the board of directors and authorised for issue on 27 May 2016



N A OGDEN  
Director

The notes form part of these financial statements.

# Norman Hay plc

## Company statement of changes in equity for the year ended 31 December 2015

|                                                           | Share capital<br>£'000 | Share premium<br>£'000 | Capital redemption reserve<br>£'000 | Reserve for own shares<br>£'000 | Share scheme reserve<br>£'000 | Revaluation reserve<br>£'000 | Profit and loss account<br>£'000 | Total equity<br>£'000 |
|-----------------------------------------------------------|------------------------|------------------------|-------------------------------------|---------------------------------|-------------------------------|------------------------------|----------------------------------|-----------------------|
| <b>1 January 2015</b>                                     | 1,482                  | 1,265                  | 94                                  | (863)                           | 11                            | 688                          | 5,585                            | 8,262                 |
| <b>Comprehensive income for the year:</b>                 |                        |                        |                                     |                                 |                               |                              |                                  |                       |
| Loss for the year                                         | -                      | -                      | -                                   | -                               | -                             | 87                           | (403)                            | (316)                 |
| Reserves transfer                                         | -                      | -                      | -                                   | -                               | -                             | (8)                          | 8                                | -                     |
| <b>Total comprehensive income for the year</b>            |                        |                        |                                     |                                 |                               | <b>79</b>                    | <b>(395)</b>                     |                       |
| <b>Contributions by and distributions to owners</b>       |                        |                        |                                     |                                 |                               |                              |                                  |                       |
| Dividends                                                 | -                      | -                      | -                                   | -                               | -                             | -                            | (842)                            | (842)                 |
| Exercise of share options                                 | -                      | -                      | -                                   | -                               | (11)                          | -                            | 11                               | -                     |
| <b>Total contributions by and distributions to owners</b> |                        |                        |                                     |                                 | <b>(11)</b>                   |                              | <b>(831)</b>                     |                       |
| <b>31 December 2015</b>                                   | 1,482                  | 1,265                  | 94                                  | (863)                           | -                             | 767                          | 4,359                            | 7,104                 |

The notes form part of these financial statements.

## Norman Hay plc

### Company statement of changes in equity for the year ended 31 December 2014

|                                                           | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Reserve<br>for own<br>shares<br>£'000 | Share<br>scheme<br>reserve<br>£'000 | Revaluation<br>reserve<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>equity<br>£'000 |
|-----------------------------------------------------------|---------------------------|---------------------------|-------------------------------------------|---------------------------------------|-------------------------------------|---------------------------------|----------------------------------------|--------------------------|
| <b>1 January 2014</b>                                     | 1,482                     | 1,265                     | 94                                        | (841)                                 | 43                                  | 696                             | 5,678                                  | 8,417                    |
| <b>Comprehensive income for the year:</b>                 |                           |                           |                                           |                                       |                                     |                                 |                                        |                          |
| Profit for the year                                       | -                         | -                         | -                                         | -                                     | -                                   | -                               | 708                                    | 708                      |
| Reserves transfer                                         | -                         | -                         | -                                         | -                                     | -                                   | (8)                             | 8                                      | -                        |
| <b>Total comprehensive income for the year</b>            | -                         | -                         | -                                         | -                                     | -                                   | (8)                             | 716                                    | 708                      |
| <b>Contributions by and distributions to owners:</b>      |                           |                           |                                           |                                       |                                     |                                 |                                        |                          |
| Dividends                                                 | -                         | -                         | -                                         | -                                     | -                                   | -                               | (841)                                  | (841)                    |
| Purchase of shares by EBT                                 | -                         | -                         | -                                         | (22)                                  | -                                   | -                               | -                                      | (22)                     |
| Exercise of share options                                 | -                         | -                         | -                                         | -                                     | (32)                                | -                               | 32                                     | -                        |
| <b>Total contributions by and distributions to owners</b> | -                         | -                         | -                                         | (22)                                  | (32)                                | -                               | (809)                                  | (863)                    |
| <b>31 December 2014</b>                                   | 1,482                     | 1,265                     | 94                                        | (863)                                 | 11                                  | 688                             | 5,585                                  | 8,262                    |

The notes form part of these financial statements.

# Norman Hay plc

## Notes forming part of the financial statements for the year ended 31 December 2015

### 1 Accounting policies

Norman Hay plc is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 29.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 2).

#### *Parent company disclosure exemptions*

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- Disclosures in respect of the parent company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

#### *Basis of consolidation*

The consolidated financial statements present the results of Norman Hay plc and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

#### *Revenue*

Revenue is recognised when performance has occurred and a right to consideration has been obtained. This is normally when goods have been delivered or services provided to the customer, title and risk of loss have been transferred and collection of related receivables is probable. Revenue excludes value added and other sales taxes, trade discounts and intra-group sales.

Long-term contracts are assessed on a contract-by-contract basis. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 1 Accounting policies

#### *Revenue (continued)*

When the outcome of a long-term contract cannot be measured reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

The group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

#### *Intangible assets*

##### *a) Goodwill*

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. Goodwill is amortised over 10 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

##### *(b) Other intangible fixed assets (externally acquired)*

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangible assets are arrived at by using appropriate valuation techniques (see note 2).

Brands are amortised over their useful economic lives of 7 years. The valuation method uses estimated discounted cash flows to determine the cost of brands acquired.

Customer relationships are amortised over their useful economic lives of 10 years. The valuation method takes account of the historic customer relationship and uses discounted cash flows to determine the cost of customer relationships acquired.

#### *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are held at cost less accumulated depreciation, although some assets are carried at deemed cost, being the carrying value of freehold land and buildings as at 31 December 1999. All additions since this date are stated at cost.

Depreciation is provided on tangible fixed assets, other than freehold land and plant in the course of construction, at rates calculated to write off the cost or deemed cost, less estimated residual value of each asset, evenly over its expected useful life as follows:

|                              |   |                    |
|------------------------------|---|--------------------|
| Freehold buildings           | - | 45 years           |
| Long leasehold buildings     | - | Over term of lease |
| Plant, vehicles and fixtures | - | 3 to 10 years      |
| Computer equipment           | - | 2 to 5 years       |

Impairment tests on the carrying value of tangible fixed assets are undertaken at the end of each year if events or changes in circumstances indicate that the carrying value may not be recoverable.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

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### 1 Accounting policies (continued)

#### *Investment properties*

Investment property is carried at fair value determined periodically by external valuers and updated annually by the directors. Fair value is derived from open market value, the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

#### *Investments*

Investments held as fixed assets are stated at cost less any provision for impairment.

#### *Impairment of fixed assets and goodwill*

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is an indication that the assets are impaired. Where there is an indication that an asset may be impaired, the carrying value of the Cash-Generating Unit (CGU) to which the asset has been allocated is tested for impairment. An impairment loss is recognised equal to the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### *Government grants*

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. Grants of a revenue nature are recognised within the profit or loss account in the same period as the related expenditure. The group has not directly benefited from any other forms of government assistance.

#### *Stocks*

Stocks are valued at the lower of cost on a first-in, first-out basis, and net realisable value. Costs incurred in bringing each product to its present location and condition comprise:

- Raw materials - cost of purchase on a first-in, first-out basis.
- Work in progress and finished goods - cost of raw materials and labour plus attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs to completion and disposal. Provision is made for obsolete and slow moving items.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are considered to be subject to insignificant risk of changes in value. Bank overdrafts are shown within current liabilities, but included within cash and cash equivalents in the cash flow statement.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 1 Accounting policies (continued)

#### *Financial assets*

Where a long-term receivable arises as a result of a disposal, the receivable is initially recognised at fair value based on an assessment of the factors that affect the deferred consideration foreseeable at that point. Subsequently, the asset is re-evaluated, using expected cash flows discounted at current market rates at each reporting date, with any resultant gain or loss taken to profit or loss.

Other financial assets are stated initially at transaction price (including transaction costs), then measured at amortised cost less allowances for provisions.

Provisions for impairment are recognised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade debtors, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in profit or loss. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

#### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

#### *Provisions*

Provision is made for onerous contracts, product warranty claims and for dilapidations when the group has a present obligation as a result of past events, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. Provisions are discounted to present value where the impact is significant, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

#### *Foreign currency translation*

##### *(a) Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the company's functional and the group's presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

##### *(b) Transactions and balances*

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income or expense'.



# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 1 Accounting policies (continued)

#### *Finance costs*

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### *Current and deferred taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries and associates and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### *Share-based payments*

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each year-end date so that ultimately the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

#### *Pension*

Contributions to the group's defined contribution scheme and to state-managed retirement benefit schemes are charged to profit or loss in the year in which they become payable.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 1 Accounting policies (continued)

#### *Employee Benefit Trust (EBT)*

As the company is deemed to have control of its EBT, it is treated as a subsidiary and consolidated for the purposes of the consolidated financial statements. The EBT's assets (other than investments in the company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The EBT's investment in the company's shares is deducted from equity in the consolidated balance sheet as if they were treasury shares.

#### *Leased assets*

Assets held under leasing agreements and hire purchase contracts, where the group has substantially all the risks and rewards of ownership ("finance leases"), are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as borrowings. Depreciation over the shorter of the assets' useful life and the lease term on the relevant assets is charged to profit or loss.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amount payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term on the lease.

#### *Research and development*

Expenditure on applied research and development is charged to profit or loss in the year in which it is incurred, unless such costs should be capitalised under the requirements of the applicable standard.

#### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### *Reserves*

The group and company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.
- The other non-distributable reserve arises from the elimination of share capital of acquired companies in excess of nominal value of shares issued.
- The reserve for own shares is the sum paid for shares held by the Norman Hay plc Employee Benefit Trust.
- The share scheme reserve represents the fair value of share options granted.
- The foreign exchange reserve arises from fluctuations in the value of net assets denominated in currencies other than sterling.
- The revaluation reserve represents the cumulative unrealised gain on the revaluation of certain assets.
- The profit and loss account represents cumulative profits or losses and other comprehensive income, net of dividends paid and other adjustments.
- The non-controlling interest represents the interest of the minority shareholders in the subsidiaries of the group.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 2 Judgements used in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Considered whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill, and the company's investments in subsidiary undertakings. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset, and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determined whether the Employee Benefit Trust (EBT) should be considered to be under the control or de facto control of the parent company. The judgement that the parent company does exert de facto control has resulted in the EBT's assets and liabilities being recognised on the parent company and consolidated balance sheets.
- Assessed whether or not a property should be classified as an investment property in the parent company's financial statements. The property held in the parent company is used by group companies and as such it has been determined that for the parent company's own financial statements these properties should be treated as investment property, and accordingly they are held at fair value on the parent company's balance sheet but this treatment is reversed on consolidation and the property is treated as the group's own property and held at depreciated cost on the consolidated balance sheet.

*Key sources of estimation uncertainty:*

- *Tangible fixed assets and depreciation (note 12)*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, all relevant known factors are taken into account but there is inherent uncertainty present in making this assessment.

The valuation of investment properties is a significant estimate. In order to arrive at a reliable estimate, the directors make use of professional valuation experts. However, significant changes to assumptions underlying the experts' calculations over the next financial year, or significant changes in market conditions, could result in significant changes to the carrying value of property over the next financial year.

- *Intangible assets and amortisation (note 11)*

The group is required to determine the fair value of intangible assets acquired as part of a business combination and estimate the useful economic life of those assets in order to determine appropriate amortisation rates. Both the initial valuation and the assessment of the assets' useful economic life require significant assumptions to be made. Changes in these underlying assumptions could have a significant impact on the carrying value of these assets.

- *Investments (note 13)*

The parent company carries its investments in subsidiaries at cost less any provision for impairment and so there are significant estimates, assumptions and judgements in determining the carrying value of these investments. The group considers the nature, facts and circumstance of each investment to determine the recoverable amount of each investment. Changes in these underlying assumptions and events occurring after the year-end could have a significant impact on the carrying value of these assets.

- *Inventory provisions (note 14)*

Group inventory levels are constantly reviewed and, should there be an indication of obsolescence, the inventory is written down to its assessed net realisable value.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 2 Judgements used in applying accounting policies and key sources of estimation uncertainty (continued)

- *Trade debtors provisions (note 15)*

Provisions for impairment are recognised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

- *Long-term contract revenue and amounts owed by contract customers (notes 3 & 15)*

In applying the group's accounting policy, where the outcome of a long-term contract can be estimated reliably, contract revenue is recognised by reference to the stage of completion of the contract activity. The stage of completion is regularly reviewed and updated: the actual result could vary from the value used in profit or loss. However, as these are reviewed on a monthly basis any difference is not expected to be significant.

- *Financial assets measured at fair value through profit or loss (note 15)*

Included within assets is an amount of £433,000 (2014: £435,000) receivable in respect of the disposal of a business in prior years. This consideration receivable has been calculated as the total of the expected annual amounts receivable from the purchaser discounted at an appropriate rate. The expected annual amount receivable is based on a percentage of the sales of the purchaser. There is no set termination date for the agreement.

The calculation of the amount will be reviewed in following years if there is a change in circumstance indicating that the underlying value of the asset has changed to a significant extent. Changes in the expected annual amounts receivable or the appropriate discount rate will change the value of the recorded asset.

### 3 Analysis of revenue

|                                                 | <b>2015</b>   | <b>2014</b>  |
|-------------------------------------------------|---------------|--------------|
|                                                 | <b>£'000</b>  | <b>£'000</b> |
| Analysis by class of business:                  |               |              |
| Sale of goods                                   | <b>15,004</b> | 12,991       |
| Rendering of services                           | <b>25,928</b> | 29,241       |
| Long-term contracts                             | <b>3,739</b>  | 4,300        |
|                                                 | <b>44,671</b> | 46,532       |
| Analysis of turnover by country of destination: |               |              |
| United Kingdom                                  | <b>15,294</b> | 18,918       |
| Rest of Europe                                  | <b>8,769</b>  | 10,367       |
| Rest of the world                               | <b>20,608</b> | 17,247       |
|                                                 | <b>44,671</b> | 46,532       |

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 4 Operating profit

|                                                                                           | 2015<br>£'000 | 2014<br>£'000 |
|-------------------------------------------------------------------------------------------|---------------|---------------|
| This is arrived at after charging/(crediting):                                            |               |               |
| Research and development                                                                  | 476           | 177           |
| Inventory recognised as an expense                                                        | 12,959        | 12,373        |
| Depreciation of tangible fixed assets                                                     | 903           | 1,233         |
| Amortisation of intangible fixed assets:                                                  |               |               |
| - Brands                                                                                  | 147           | 147           |
| - Goodwill                                                                                | 537           | 502           |
| - Customer relationships                                                                  | 25            | -             |
| Impairment of goodwill                                                                    | 400           | -             |
| Exchange differences                                                                      | 459           | 440           |
| Defined contribution pension cost                                                         | 773           | 727           |
| Operating lease rentals:                                                                  |               |               |
| Plant, machinery & equipment                                                              | 393           | 416           |
| Properties                                                                                | 843           | 884           |
| Government grants                                                                         | (12)          | -             |
| Repayment of escrow account on prior acquisitions                                         | -             | (40)          |
| Movement on financial asset held at fair value through profit or loss                     | (150)         | (125)         |
|                                                                                           | <hr/>         | <hr/>         |
| Auditor's remuneration:                                                                   |               |               |
| Fees payable to the company's auditor for the audit of the company's annual accounts      | 9             | 10            |
| Fees payable to the company's auditor and its associates for other services to the group: |               |               |
| The audit of the company's subsidiaries pursuant to legislation                           | 121           | 84            |
| Audit related services                                                                    | 3             | -             |
| Taxation compliance services                                                              | 24            | 31            |
| Tax advisory and restructuring services                                                   | 19            | -             |
| Other services                                                                            | 32            | 5             |
|                                                                                           | <hr/>         | <hr/>         |

### 5 Employees

|                                               | 2015<br>£'000 | 2014<br>£'000 |
|-----------------------------------------------|---------------|---------------|
| Staff costs (including directors) consist of: |               |               |
| Wages and salaries                            | 13,716        | 14,721        |
| Social security costs                         | 1,572         | 1,642         |
| Cost of defined contribution pension schemes  | 773           | 727           |
|                                               | <hr/>         | <hr/>         |
|                                               | 16,061        | 17,090        |
|                                               | <hr/>         | <hr/>         |

The average number of employees (including directors) during the year was as follows:

|                       | 2015<br>Number | 2014<br>Number |
|-----------------------|----------------|----------------|
| Manufacturing         | 216            | 229            |
| Office and management | 255            | 267            |
|                       | <hr/>          | <hr/>          |
|                       | 471            | 496            |
|                       | <hr/>          | <hr/>          |

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 5 Employees (continued)

The group operates a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the group, in independently administered funds. A pension charge of £773,000 (2014: £727,000) represents the contribution payable by the group to those schemes. The amount of pension contributions outstanding at the year-end was £nil (2014: £nil).

### 6 Directors' remuneration

|                                                                 | 2015<br>£'000     | 2014<br>£'000     |
|-----------------------------------------------------------------|-------------------|-------------------|
| Directors' emoluments                                           | 763               | 866               |
| Company contributions to money purchase pension schemes         | 121               | 131               |
| Amounts paid to third parties in respect of directors' services | 36                | 31                |
|                                                                 | <u>          </u> | <u>          </u> |

There were 4 directors in the group's defined contribution pension scheme (2014: 4).

Emoluments of the highest paid director were £274,000 (2014: £329,000). Company pension contributions of £40,000 (2014: £33,000) were made to a money purchase scheme on their behalf.

The directors received dividends on the same terms as the other shareholders. The directors' shareholdings, and directors' interests in share options, are detailed in the directors' report.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group. Those persons are considered to be the directors of the company and group.

In 2011 the company introduced a long-term incentive scheme for the Norman Hay senior team. Its purpose is to create a long-term bonus pool to reward the achievement of sustained growth in post-tax annual profits. £nil (2014: £387,000) has been accrued under the scheme during the year. The total amount accrued under the long-term incentive scheme, which is disclosed within accruals and deferred income due within one year as the timing of payment is at the discretion of the directors, at 31 December 2015 was £1,135,000 (2014: £1,135,000). Amounts accrued are in addition to the directors' and staff costs detailed above paid during the year.

### 7 Interest payable and similar charges

|                             | 2015<br>£'000     | 2014<br>£'000     |
|-----------------------------|-------------------|-------------------|
| Bank loans and overdrafts   | 223               | 225               |
| Amortisation of issue costs | 17                | 17                |
| Other                       | 11                | -                 |
|                             | <u>          </u> | <u>          </u> |
|                             | <u>251</u>        | <u>242</u>        |

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 8 Taxation on profit on ordinary activities

|                                                | 2015<br>£'000 | 2015<br>£'000 | 2014<br>£'000 | 2014<br>£'000 |
|------------------------------------------------|---------------|---------------|---------------|---------------|
| <i>UK corporation tax</i>                      |               |               |               |               |
| Current tax on profits of the year             |               | -             |               | 413           |
| Adjustment in respect of previous periods      |               | 57            |               | (52)          |
|                                                |               | <u>57</u>     |               | <u>361</u>    |
| <i>Foreign tax</i>                             |               |               |               |               |
| Current tax on foreign income for the year     |               | 582           |               | 587           |
| Total current tax                              |               | <u>639</u>    |               | <u>948</u>    |
| <i>Deferred tax</i>                            |               |               |               |               |
| Origination and reversal of timing differences | 15            |               | 100           |               |
| Adjustment in respect of previous periods      | (77)          |               | (64)          |               |
| Changes to tax rates                           | 19            |               | -             |               |
|                                                |               | <u>(43)</u>   |               | <u>36</u>     |
| Taxation on profit on ordinary activities      |               | <u>596</u>    |               | <u>984</u>    |

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

|                                                                                                    | 2015<br>£'000 | 2014<br>£'000 |
|----------------------------------------------------------------------------------------------------|---------------|---------------|
| Profit on ordinary activities before tax                                                           | 1,267         | 2,909         |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2014: 21%) | 253           | 611           |
| Effects of:                                                                                        |               |               |
| Expenses not deductible for tax purposes                                                           | 13            | 214           |
| Amortisation of goodwill not deductible for tax purposes                                           | 184           | 105           |
| Enhanced tax relief                                                                                | (19)          | (47)          |
| Higher tax rates on overseas earnings                                                              | 166           | 203           |
| Adjustment in respect of previous periods                                                          | (20)          | (116)         |
| Changes to tax rates                                                                               | 19            | 14            |
| Total tax charge for period                                                                        | <u>596</u>    | <u>984</u>    |

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 8 Taxation on profit on ordinary activities (continued)

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £nil (2014: £nil).

The corporation tax rate reduced to 20% on 1 April 2015. The summer budget on 15 July 2015 announced that the rate will reduce to 19% as of 1 April 2017 and 18% as of 1 April 2020. During the budget on 16 March 2016 the Chancellor announced that the rate from 1 April 2020 will instead be 17%. This will reduce the group's future current tax accordingly. Deferred tax has been calculated at 18% being the rate substantively enacted at the year-end.

The group's overseas tax rates are higher than those in the UK primarily because profits earned in Germany, USA and China are taxed at rates between 25% - 40% compared to a tax rate of 20% in the UK. There is no indication that these rates are likely to change in the near future.

For further information on deferred tax balances see note 20.

### 9 Dividends

|                                                                                                                   | 2015<br>£'000 | 2014<br>£'000 |
|-------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Paid during the year</b>                                                                                       |               |               |
| Ordinary shares:                                                                                                  |               |               |
| Final proposed for the prior year of 3.2p (2014: 3.2p) per share                                                  | 441           | 441           |
| 1 <sup>st</sup> interim paid of 2.9p (2014: 2.9p) per share                                                       | 401           | 400           |
|                                                                                                                   | <hr/>         | <hr/>         |
|                                                                                                                   | 842           | 841           |
|                                                                                                                   | <hr/>         | <hr/>         |
| <b>Dividends declared after the balance sheet date</b>                                                            |               |               |
| Ordinary shares:                                                                                                  |               |               |
| 2 <sup>nd</sup> interim dividend paid post year-end of 3.2p per share (2014: no 2 <sup>nd</sup> interim dividend) | 442           | -             |
| No final dividend proposed for the year (2014: 3.2p per share)                                                    | -             | 443           |
|                                                                                                                   | <hr/>         | <hr/>         |

The second interim dividend was paid in March 2016 in place of the final dividend for the year. The dividends paid after the year-end have not been accrued for, as the dividends were declared after the balance sheet date.

### 10 Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company for the year was £316,000 (2014: profit £708,000).



# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 11 Intangible assets

| Group                              | Brands<br>£'000 | Customer<br>relationships<br>£'000 | Goodwill<br>£'000 | Total<br>£'000 |
|------------------------------------|-----------------|------------------------------------|-------------------|----------------|
| <i>Cost or valuation</i>           |                 |                                    |                   |                |
| At 1 January 2015                  | 1,032           | -                                  | 5,668             | 6,700          |
| Acquisitions (Note 28)             | -               | 611                                | 612               | 1,223          |
| Foreign exchange differences       | -               | -                                  | 31                | 31             |
| At 31 December 2015                | <b>1,032</b>    | <b>611</b>                         | <b>6,311</b>      | <b>7,954</b>   |
| <i>Amortisation and impairment</i> |                 |                                    |                   |                |
| At 1 January 2015                  | 294             | -                                  | 1,932             | 2,226          |
| Provision for year                 | 147             | 25                                 | 537               | 709            |
| Impairment charge                  | -               | -                                  | 400               | 400            |
| At 31 December 2015                | <b>441</b>      | <b>25</b>                          | <b>2,869</b>      | <b>3,335</b>   |
| <i>Net book value</i>              |                 |                                    |                   |                |
| At 31 December 2015                | <b>591</b>      | <b>586</b>                         | <b>3,442</b>      | <b>4,619</b>   |
| At 31 December 2014                | 738             | -                                  | 3,736             | 4,474          |

An analysis of the carrying amount of intangible assets, including goodwill, allocated to the cash generating units (CGUs) and the remaining amortisation period is as follows:

|                             | 2015<br>Years | 2015<br>£'000 |
|-----------------------------|---------------|---------------|
| Applied Surface Concepts    | 7             | 2,362         |
| Advanced Coating Initiative | 6             | 372           |
| Applied Precision Coatings  | 5             | 155           |
| Sterr & Eder                | 7             | 527           |
| Liquid Development Company  | 9.5           | 1,203         |
|                             |               | <b>4,619</b>  |

The group is required to test whether there are any indicators of impairment of the intangible fixed assets it holds. Where there are impairment indicators the group assesses whether there is any impairment of that asset by comparing the recoverable amount of the asset against its book value. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

During the year, the group determined that the goodwill attributable to one of the group's subsidiaries had become impaired due to the adverse trading conditions that company was now facing, mainly as a result of the fall in the world oil price. This had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to intangible fixed assets of £400,000. The (pre-tax) discount rate used to measure the asset's value in use was 12%.

# Norman Hay plc

Notes forming part of the financial statements (continued)  
for the year ended 31 December 2015

## 12 Tangible fixed assets

| Group                      | Freehold<br>land and<br>buildings<br>£'000 | Long<br>leasehold<br>land and<br>buildings<br>£'000 | Plant,<br>vehicles<br>and fittings<br>£'000           | Computer<br>equipment<br>£'000          | Total<br>£'000         |
|----------------------------|--------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|-----------------------------------------|------------------------|
| <i>Cost or deemed cost</i> |                                            |                                                     |                                                       |                                         |                        |
| At 1 January 2015          | 4,236                                      | 844                                                 | 8,192                                                 | 902                                     | 14,174                 |
| Additions                  | 32                                         | 30                                                  | 788                                                   | 222                                     | 1,072                  |
| Acquisitions (Note 28)     | -                                          | -                                                   | 41                                                    | -                                       | 41                     |
| Disposals                  | (2)                                        | (36)                                                | (227)                                                 | (106)                                   | (371)                  |
| Exchange adjustments       | 78                                         | (8)                                                 | (88)                                                  | 11                                      | (7)                    |
| <b>At 31 December 2015</b> | <b>4,344</b>                               | <b>830</b>                                          | <b>8,706</b>                                          | <b>1,029</b>                            | <b>14,909</b>          |
| <i>Depreciation</i>        |                                            |                                                     |                                                       |                                         |                        |
| At 1 January 2015          | 848                                        | 303                                                 | 4,164                                                 | 611                                     | 5,926                  |
| Provision for year         | 103                                        | 57                                                  | 667                                                   | 76                                      | 903                    |
| Disposals                  | (2)                                        | (36)                                                | (169)                                                 | (105)                                   | (312)                  |
| Exchange adjustments       | (42)                                       | 1                                                   | 91                                                    | 5                                       | 55                     |
| <b>At 31 December 2015</b> | <b>907</b>                                 | <b>325</b>                                          | <b>4,753</b>                                          | <b>587</b>                              | <b>6,572</b>           |
| <i>Net book value</i>      |                                            |                                                     |                                                       |                                         |                        |
| <b>At 31 December 2015</b> | <b>3,437</b>                               | <b>505</b>                                          | <b>3,953</b>                                          | <b>442</b>                              | <b>8,337</b>           |
| At 31 December 2014        | 3,388                                      | 541                                                 | 4,028                                                 | 291                                     | 8,248                  |
| <b>Company</b>             |                                            | <b>Investment<br/>properties<br/>£'000</b>          | <b>Plant,<br/>vehicles<br/>and fittings<br/>£'000</b> | <b>Computer<br/>equipment<br/>£'000</b> | <b>Total<br/>£'000</b> |
| <i>Cost or valuation</i>   |                                            |                                                     |                                                       |                                         |                        |
| At 1 January 2015          |                                            | 2,800                                               | 29                                                    | 37                                      | 2,866                  |
| Revaluation                |                                            | 100                                                 | -                                                     | -                                       | 100                    |
| <b>At 31 December 2015</b> |                                            | <b>2,900</b>                                        | <b>29</b>                                             | <b>37</b>                               | <b>2,966</b>           |
| <i>Depreciation</i>        |                                            |                                                     |                                                       |                                         |                        |
| At 1 January 2015          |                                            | -                                                   | 22                                                    | 31                                      | 53                     |
| Provision for year         |                                            | -                                                   | 3                                                     | 6                                       | 9                      |
| <b>At 31 December 2015</b> |                                            | <b>-</b>                                            | <b>25</b>                                             | <b>37</b>                               | <b>62</b>              |
| <i>Net book value</i>      |                                            |                                                     |                                                       |                                         |                        |
| <b>At 31 December 2015</b> |                                            | <b>2,900</b>                                        | <b>4</b>                                              | <b>-</b>                                | <b>2,904</b>           |
| At 31 December 2014        |                                            | 2,800                                               | 7                                                     | 6                                       | 2,813                  |

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 12 Tangible fixed assets (continued)

#### Investment properties

The company's investment properties are valued annually on 31 December at fair value by the directors. The directors' valuation is determined by taking account of periodic external valuations and considering any changes in assumptions, circumstances and market trends since the valuation date. The external valuations are carried out by an independent, professionally qualified valuer and were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. The latest external valuations were as follows:

|                                                                                 | 2015<br>£'000 |
|---------------------------------------------------------------------------------|---------------|
| Valued by Knight Frank on 7 March 2016                                          | 900           |
| Valued by Knight Frank on 31 August 2012 – see 'Post balance sheet event' below | 1,750         |
|                                                                                 | <u>2,650</u>  |
| Directors' valuation uplift on transition to FRS102                             | 250           |
|                                                                                 | <u>2,900</u>  |

The surplus arising on revaluation of investment property of £100,000 has been credited to the profit and loss for the year. All other tangible assets are stated at historical cost less depreciation.

If investment property had been accounted for under the historical cost accounting rules, the property would have been measured as follows:

|                                                     | 2015<br>£'000 | 2014<br>£'000 |
|-----------------------------------------------------|---------------|---------------|
| Historical cost:                                    |               |               |
| Deemed cost – open market value at 16 November 1992 | 2,850         | 2,850         |
| Subsequent cost                                     | 255           | 255           |
|                                                     | <u>3,105</u>  | <u>3,105</u>  |
| Accumulated depreciation                            | (640)         | (601)         |
|                                                     | <u>2,465</u>  | <u>2,504</u>  |
| Excess of net book value over historical cost basis | <u>435</u>    | <u>296</u>    |

#### Post balance sheet event

At the year-end there was a conditional sale agreement for the group's and company's headquarters which had a book value as at 31 December 2015 in the group's financial statements of £1.79m and a book value in the company's financial statements of £2m. The principal conditions of the sale were for planning permission to be granted for student accommodation and for the covenants on the property to be lifted. Post year-end, the conditions of the offer for the property were satisfied and the sale has been made. The minimum sales proceeds, excluding selling costs, will be £5.25m. The final amount is yet to be agreed. The gain on the sale will be recognised in the financial statements of both the group and the company in the financial year ending 31 December 2016 due to there being no existing condition to recognise the sale at the balance sheet date.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 13 Investments

| <b>Group</b>                                                                                                                                                                                                                                                                                                                          | <b>£'000</b>  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| <i>Cost</i>                                                                                                                                                                                                                                                                                                                           |               |
| At 1 January 2015 and 31 December 2015                                                                                                                                                                                                                                                                                                | 26            |
| <hr/>                                                                                                                                                                                                                                                                                                                                 |               |
| The investment relates to Ultraseal India (PVT) Limited and the group holds 30% of the ordinary share capital of the company. There is no material difference between the cost of the investment and the carrying amount adjusted to recognise the group's share of the profit or loss of the investee after the date of acquisition. |               |
| <b>Company</b>                                                                                                                                                                                                                                                                                                                        | <b>£'000</b>  |
| <i>Cost</i>                                                                                                                                                                                                                                                                                                                           |               |
| <b>At 1 January 2015 and 31 December 2015</b>                                                                                                                                                                                                                                                                                         | <b>14,758</b> |
| <hr/>                                                                                                                                                                                                                                                                                                                                 |               |
| <i>Impairment provision</i>                                                                                                                                                                                                                                                                                                           |               |
| At 1 January 2015                                                                                                                                                                                                                                                                                                                     | -             |
| Charge for the year                                                                                                                                                                                                                                                                                                                   | 7,097         |
| <hr/>                                                                                                                                                                                                                                                                                                                                 |               |
| <b>At 31 December 2015</b>                                                                                                                                                                                                                                                                                                            | <b>7,097</b>  |
| <hr/>                                                                                                                                                                                                                                                                                                                                 |               |
| <i>Net book value</i>                                                                                                                                                                                                                                                                                                                 |               |
| At 31 December 2015                                                                                                                                                                                                                                                                                                                   | 7,661         |
| <hr/>                                                                                                                                                                                                                                                                                                                                 |               |
| At 31 December 2014                                                                                                                                                                                                                                                                                                                   | 14,758        |
| <hr/>                                                                                                                                                                                                                                                                                                                                 |               |

The investment relates to shares in subsidiaries.

The company is required to test whether there are any indicators of impairment of the assets it holds. Where there are impairment indicators the company assesses whether there is any impairment of that asset by comparing the recoverable amount of the asset against its book value. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

During the year, capital reductions were carried out on certain non-trading subsidiaries and consequently an impairment of £5,997,000 was booked to match the reduction of the net assets of those companies. Dividends of £6,993,000 were received from this exercise and so the impact on the company's profit and loss account for the year was a gain of £996,000.

In addition to the above, the company determined that its investment in one of the company's trading subsidiaries had become impaired due to the adverse trading conditions it was now facing, mainly as a result of the fall in the world oil price. This had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to fixed asset investments of £1,100,000. The (pre-tax) discount rate used to measure the asset's value in use was 12%.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 13 Investments (continued)

The subsidiary undertakings of the company are as follows:

| Subsidiary undertaking                          | Location  | Proportion of ordinary share capital held | Nature of business                                                                                                           |
|-------------------------------------------------|-----------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Surface Technology plc                          | England   | 100%                                      | Surface engineering, impregnation and finishing of metals. Supply of impregnation equipment and chemicals and NDT equipment. |
| Ultraseal USA Inc*                              | USA       | 100%                                      | Distributors of impregnation equipment and chemicals.                                                                        |
| Lancy Technology Limited                        | England   | 88%                                       | Effluent treatment systems.                                                                                                  |
| Ultraseal Asia Limited*                         | BVI       | 75%                                       | Holding company for Ultraseal Shanghai Ltd.                                                                                  |
| Ultraseal Shanghai Limited*                     | China     | 75%                                       | Processing and distribution centre for impregnation chemicals and equipment.                                                 |
| Ultraseal Chongqing Limited*                    | China     | 75%                                       | Processing and distribution centre for impregnation chemicals and equipment.                                                 |
| Surface Technology (Australia) Pty Limited *    | Australia | 100%                                      | Surface engineering and finishing of metals.                                                                                 |
| MX Systems International Ltd                    | England   | 100%                                      | Supply of impregnation equipment and chemistry.                                                                              |
| Advanced Surface Treatments Limited*            | England   | 100%                                      | Surface engineering and finishing of metals.                                                                                 |
| Armourcote Malaysia Sdn Bhd*                    | Malaysia  | 100%                                      | Non-trading.                                                                                                                 |
| Surface Technology (Dalian) Co Ltd*             | China     | 100%                                      | Surface engineering and finishing of metals.                                                                                 |
| Advanced Coating Initiative Ltd                 | Scotland  | 100%                                      | Specialised coating and surface engineering.                                                                                 |
| Applied Surface Concepts Holdings Ltd           | England   | 100%                                      | Holding company for the ASC Group.                                                                                           |
| SIFCO Applied Surface Concepts (UK) Ltd*        | England   | 100%                                      | Surface engineering and finishing of metals.                                                                                 |
| SIFCO Applied Surface Concepts Sweden AB*       | Sweden    | 100%                                      | Surface engineering and finishing of metals.                                                                                 |
| SIFCO Applied Surface Concepts SARL*            | France    | 100%                                      | Surface engineering and finishing of metals.                                                                                 |
| SIFCO Applied Surface Concepts LLC*             | USA       | 100%                                      | Surface engineering and finishing of metals.                                                                                 |
| Sterr & Eder Industrieservice GmbH              | Germany   | 100%                                      | Impregnation and finishing of metals.                                                                                        |
| Plasticraft Limited                             | England   | 100%                                      | Dormant company.                                                                                                             |
| Pollshare Limited (previously Pollshare plc) ** | England   | 100%                                      | Dormant company.                                                                                                             |
| Applied Precision Coatings Limited *            | England   | 100%                                      | Dormant company.                                                                                                             |
| Armourcote Surface Treatments Limited           | England   | 100%                                      | Dormant company.                                                                                                             |
| Armourcote East Kilbride Limited                | Scotland  | 100%                                      | Dormant company.                                                                                                             |
| Norman Hay International Limited*               | England   | 100%                                      | Dormant company.                                                                                                             |
| Ultraseal Limited*                              | England   | 100%                                      | Dormant company.                                                                                                             |

For all undertakings listed above, the country of operation is the same as the country of incorporation or registration.

\* These undertakings are indirectly held by Norman Hay plc.

\*\* Company dissolved on 19 April 2016.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 14 Stocks

|                               | Group<br>2015<br>£'000 | Group<br>2014<br>£'000 |
|-------------------------------|------------------------|------------------------|
| Raw materials and consumables | 1,909                  | 1,764                  |
| Work in progress              | 140                    | 52                     |
| Finished goods                | 782                    | 606                    |
|                               | <u>2,831</u>           | <u>2,422</u>           |

#### *Replacement cost*

Included in the amount shown above for stocks of raw materials and consumables are items valued at cost calculated on a first-in, first-out basis. The replacement cost of these items at 31 December 2015 and 31 December 2014 is not materially different to the amount at which they are included in the accounts.

There were no significant stock provision write downs in either the current or prior period.

### 15 Debtors

|                                    | Group<br>2015<br>£'000 | Group<br>2014<br>£'000 | Company<br>2015<br>£'000 | Company<br>2014<br>£'000 |
|------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Trade debtors                      | 9,700                  | 9,918                  | -                        | -                        |
| Amounts owed by group undertakings | -                      | -                      | 7,621                    | 7,742                    |
| Amounts owed by contract customers | 2,632                  | 1,334                  | -                        | -                        |
| Other debtors                      | 1,052                  | 735                    | 22                       | 24                       |
| Prepayments and accrued income     | 886                    | 1,008                  | 29                       | -                        |
| UK corporation tax                 | 570                    | 140                    | 490                      | 196                      |
| Foreign tax                        | 9                      | 33                     | -                        | -                        |
| Deferred tax                       | -                      | -                      | 187                      | 74                       |
|                                    | <u>14,849</u>          | <u>13,168</u>          | <u>8,349</u>             | <u>8,036</u>             |

All amounts shown under debtors fall due for payment within one year except:

- amounts receivable from sale of an operation of £283,000 (2014: £310,000) included within other debtors.

The impairment loss recognised in the group profit or loss for the period in respect of bad and doubtful trade debtors was a credit of £3,822 (2014: charge of £50,875). The impairment loss recognised in the company profit or loss for the period in respect of bad and doubtful trade debts was £nil (2014: £nil).

# Norman Hay plc

Notes forming part of the financial statements (continued)  
for the year ended 31 December 2015

## 16 Creditors: amounts falling due within one year

|                                            | Group<br>2015<br>£'000 | Group<br>2014<br>£'000 | Company<br>2015<br>£'000 | Company<br>2014<br>£'000 |
|--------------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Bank overdrafts (secured)                  | 3,744                  | 1,495                  | 4,461                    | 4,819                    |
| Bank loans (secured)                       | 1,031                  | 722                    | 719                      | 712                      |
| Other loans                                | 10                     | -                      | -                        | -                        |
| Derivative financial liabilities (Note 18) | 270                    | 52                     | -                        | -                        |
| Payments received on account               | 2,019                  | 1,611                  | -                        | -                        |
| Trade creditors                            | 2,785                  | 2,823                  | 144                      | 144                      |
| Amounts owed to group undertakings         | -                      | -                      | 3,513                    | 593                      |
| Other taxation and social security         | 1,150                  | 1,494                  | 39                       | 99                       |
| Other creditors                            | 493                    | 460                    | -                        | 20                       |
| Accruals and deferred income               | 3,198                  | 3,556                  | 1,278                    | 1,515                    |
|                                            | <u>14,700</u>          | <u>12,213</u>          | <u>10,154</u>            | <u>7,902</u>             |

The bank overdrafts and loans are secured over certain assets of the group and the company. Group banking arrangements include a cross guarantee for UK bank accounts and as such the positive bank accounts and the bank overdrafts within this arrangement are off-set in the financial statements.

## 17 Creditors: amounts falling due after more than one year

|                                    | Group<br>2015<br>£'000 | Group<br>2014<br>£'000 | Company<br>2015<br>£'000 | Company<br>2014<br>£'000 |
|------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Bank loans (secured)               | 2,758                  | 2,521                  | 1,671                    | 2,390                    |
| Other loans                        | 101                    | 96                     | -                        | -                        |
| Amounts owed to group undertakings | -                      | -                      | 7                        | 7,000                    |
| Other creditors                    | -                      | 75                     | -                        | 75                       |
|                                    | <u>2,859</u>           | <u>2,692</u>           | <u>1,678</u>             | <u>9,465</u>             |

The bank loans are secured over certain assets of the group and the company.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 17 Creditors: amounts falling due after more than one year (continued)

The maturities of sources of debt finance are as follows:

| Group                                               | Loans and overdrafts | Loans and overdrafts |
|-----------------------------------------------------|----------------------|----------------------|
|                                                     | 2015<br>£'000        | 2014<br>£'000        |
| In one year or less, or on demand                   | 4,785                | 2,217                |
| In more than one year but not more than two years   | 1,021                | 885                  |
| In more than two years but not more than five years | 1,627                | 1,546                |
| In more than five years                             | 211                  | 186                  |
|                                                     | 7,644                | 4,834                |

There are currently 5 principal bank loans outstanding. At 31 December 2015 the balance on Loan A was £1,278,000 (2014: £1,440,000) and is repayable by 7 equal quarterly instalments plus one final payment, with a floating interest rate of 1.75% above LIBOR. At 31 December 2015 the balance on Loan B was £312,000 (2014: £463,000) and is repayable by 8 equal quarterly instalments, with a fixed interest rate of 2.82%. At 31 December 2015 the balance on Loan C was £800,000 (2014: £1,200,000) and is repayable by 8 equal quarterly instalments, with a floating interest rate of 1.75% above LIBOR. Loans A, B & C are denominated in sterling. Loan D is denominated in Swedish Krona and the balance as at 31 December 2015 was £178,000 (2014: £192,000). The loan is payable in equal quarterly instalments over a 19 year term, with a floating interest rate which is currently 2.95%. Loan E is denominated in US Dollars and the balance outstanding as at 31 December 2015 was £1,102,000 (2014: £nil) and is repayable in 54 monthly instalments, with a floating interest rate which is currently 4.41%.

| Company                                             | Loans and overdrafts | Loans and overdrafts |
|-----------------------------------------------------|----------------------|----------------------|
|                                                     | 2015<br>£'000        | 2014<br>£'000        |
| In one year or less, or on demand                   | 5,180                | 5,531                |
| In more than one year but not more than two years   | 729                  | 703                  |
| In more than two years but not more than five years | 942                  | 1,687                |
|                                                     | 6,851                | 7,921                |

Bank loans A, B and C detailed above for the group are also held in the company as at the year-end.



# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 18 Financial instruments

The group's financial instruments may be analysed as follows:

|                                                                       | <b>Group<br/>2015<br/>£'000</b> | <b>Group<br/>2014<br/>£'000</b> |
|-----------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>Financial assets</b>                                               |                                 |                                 |
| Financial asset measured at fair value through profit or loss         | 433                             | 435                             |
| Financial assets measured at amortised cost                           | <b>17,300</b>                   | 15,892                          |
|                                                                       | <hr/>                           | <hr/>                           |
| <b>Financial liabilities</b>                                          |                                 |                                 |
| Financial liabilities measured at amortised cost                      | <b>14,120</b>                   | 11,748                          |
| Derivative financial instruments at fair value through profit or loss | <b>270</b>                      | 52                              |
|                                                                       | <hr/>                           | <hr/>                           |

The financial asset measured at fair value through profit or loss is an amount receivable from a sale of an operation. The accounting treatment for this asset is detailed in the accounting policies and the amount was included within other debtors.

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, amounts due from contract customers and other debtors, excluding financial assets available for sale detailed above.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, other loans, trade creditors, other creditors and accruals.

Derivative financial instruments not designated as hedges comprise cash flow forward foreign exchange contracts.

#### **Cash flow forward foreign exchange contracts**

Foreign exchange risk arises when individual group operations enter into transactions denominated in a currency other than their functional currency. Where the risk to the group is considered to be significant, group treasury will enter into a forward foreign exchange contracts.

The notional principal amounts of outstanding forward foreign exchange contracts at 31 December 2015 were £12,900,000 (2014: £12,400,000). The fair value of the outstanding contracts at the year-end was a liability of £270,000 (2014: liability £52,000).

# Norman Hay plc

Notes forming part of the financial statements (continued)  
for the year ended 31 December 2015

## 19 Provisions for liabilities

| Group                                | Deferred<br>taxation<br>(Note 20)<br>£'000 | Warranty<br>£'000 | Dilapidations<br>£'000 | Total<br>£'000 |
|--------------------------------------|--------------------------------------------|-------------------|------------------------|----------------|
| At 1 January 2015                    | 587                                        | 52                | 189                    | 828            |
| (Credited)/charged to profit or loss | (43)                                       | 27                | -                      | (16)           |
| Released in year                     | -                                          | (5)               | -                      | (5)            |
| Utilised in year                     | -                                          | (23)              | (11)                   | (34)           |
|                                      | <u>544</u>                                 | <u>51</u>         | <u>178</u>             | <u>773</u>     |

The warranty provisions relate to the Chemical Process Plant Manufacturing operation. Standard warranty terms are one to two years.

The dilapidation provision relates to the costs expected to be incurred to repair premises at the termination of certain leases.

| Company                    | Deferred<br>taxation<br>(Note 20)<br>£'000 |
|----------------------------|--------------------------------------------|
| At 1 January 2015          | (74)                                       |
| Credited to profit or loss | (113)                                      |
|                            | <u>(187)</u>                               |
| At 31 December 2015        | <u>(187)</u>                               |

## 20 Deferred tax (assets) / liabilities

|                                | Group<br>2015<br>£'000 | Group<br>2014<br>£'000 | Company<br>2015<br>£'000 | Company<br>2014<br>£'000 |
|--------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Fixed asset timing differences | 262                    | 150                    | 26                       | 28                       |
| Short-term timing differences  | 350                    | 437                    | (210)                    | (154)                    |
| Unutilised tax losses          | (68)                   | -                      | (68)                     | -                        |
| Property revaluations          | -                      | -                      | 65                       | 52                       |
|                                | <u>544</u>             | <u>587</u>             | <u>(187)</u>             | <u>(74)</u>              |

Deferred tax assets and liabilities have been offset in both the company and group financial statements as they relate to income taxes levied by the same taxation authority which the company and group intends to either settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 21 Share capital

|                                                                                             | 2015<br>£'000 | 2014<br>£'000 |
|---------------------------------------------------------------------------------------------|---------------|---------------|
| <i>Allotted and fully paid</i><br>14,815,318 (2014: 14,815,318) ordinary shares of 10p each | 1,482         | 1,482         |

979,510 shares were held by the Norman Hay plc Employee Benefit Trust at 31 December 2015 (2014: 979,510).

At 31 December 2015 there were directors' options outstanding, as detailed in the directors' report, on 976,150 ordinary shares. These unapproved share options are exercisable between 1 December 2010 and 30 November 2019 at 62.5p per share upon the share price achieving 150p or a change in control.

### 22 EBT share scheme

The Employee Benefit Trust (EBT) was established in 2007 to provide for the future obligations of the company for shares awarded under the company share schemes. At 31 December 2015, shares held by the EBT under option to employees are as follows:

|                                      | 2015    | 2014    |
|--------------------------------------|---------|---------|
| Number of Norman Hay plc shares held | 979,510 | 979,510 |

### 23 Contingent liabilities

#### Company

There are cross-guarantees in respect of bank borrowings of other group companies. At 31 December 2015 the amount of bank loans and overdrafts outstanding in respect thereof was £1,000 (2014: £30,000).

The company is part of a VAT Group. At December the VAT liability of other companies in that VAT group was £197,000 (2014: £440,000).

### 24 Capital commitments

There were no material capital commitments contracted but not provided for as at the balance sheet date for either the group or the company.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 25 Share based payments

Norman Hay plc operates two equity-settled share-based remuneration schemes for employees: an approved scheme for employees and an unapproved scheme for Executive Directors and senior management. All UK employees are eligible to participate in the approved scheme; the only vesting condition is that the employee remains an employee of the Group over the service period.

Under the unapproved scheme, the shares are only exercisable at a share price of 150p or a change in control.

|                                    | 2015<br>Weighted<br>average<br>exercise<br>price<br>(pence) | 2015<br>Number | 2014<br>Weighted<br>average<br>exercise<br>price<br>(pence) | 2014<br>Number |
|------------------------------------|-------------------------------------------------------------|----------------|-------------------------------------------------------------|----------------|
| Outstanding at the beginning       | 63                                                          | 1,026,150      | 64                                                          | 1,165,150      |
| Exercised during the year          | 72                                                          | (50,000)       | 72                                                          | (139,000)      |
| Outstanding at the end of the year | 63                                                          | 976,150        | 63                                                          | 1,026,150      |

The weighted average exercise price of options outstanding at the end of the year was 63p (2014: 63p).

The group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

Details of all outstanding share options are disclosed in Note 21, including periods during which they are exercisable. All outstanding options are in connection with the unapproved scheme.

There was no share options charge during the year. The impact of not recognising a provision is considered to be immaterial.

### 26 Commitments under operating leases

The group had minimum lease payment commitments under non-cancellable operating leases as set out below:

|                                              | Land and buildings |               | Plant and machinery |               |
|----------------------------------------------|--------------------|---------------|---------------------|---------------|
|                                              | 2015<br>£'000      | 2014<br>£'000 | 2015<br>£'000       | 2014<br>£'000 |
| Not later than 1 year                        | 484                | 611           | 260                 | 227           |
| Later than 1 year and not later than 5 years | 1,025              | 1,146         | 346                 | 402           |
| Later than 5 years                           | 1,726              | 1,573         | 10                  | 110           |
| Total                                        | 3,235              | 3,330         | 616                 | 739           |

The company had no commitments under non-cancellable operating leases as at the balance sheet date.

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 27 Related party disclosures

There is no ultimate controlling party of Norman Hay plc.

The remuneration of key management personnel is included in note 6.

The following transactions took place between the group and Ultraseal India (PVT) Limited during the year:

|                | 2015<br>£'000 | 2014<br>£'000 |
|----------------|---------------|---------------|
| Sales of goods | 661           | 495           |

The following receivable balances relating to Ultraseal India (PVT) Limited were included in the consolidated balance sheet:

|                  | 2015<br>£'000 | 2014<br>£'000 |
|------------------|---------------|---------------|
| Trading balances | 182           | 151           |

The following balances relating to its less than wholly owned subsidiaries were included in the parent company's balance sheet:

|                          | 2015<br>£'000 | 2014<br>£'000 |
|--------------------------|---------------|---------------|
| Short-term payable loans | 49            | 53            |

### 28 Business combinations

On 7 July 2015 the group acquired all of the trade and assets of Liquid Development Company for £1,479,000 paid in cash. Liquid Development Company is based in the United States of America and supplies selective (brush) plating chemicals and equipment throughout the US, Europe, Africa, Asia, Canada, China, the Middle East and South America.

In calculating the goodwill arising on acquisition, the fair value of assets acquired has been assessed and adjustments from book value have been made where necessary.

|                        | Book value<br>£'000 | Intangible<br>Assets<br>recognised<br>£'000 | Fair value<br>£'000 |
|------------------------|---------------------|---------------------------------------------|---------------------|
| Fixed assets:          |                     |                                             |                     |
| Tangible               | 41                  | -                                           | 41                  |
| Intangible             | -                   | 611                                         | 611                 |
| Current assets:        |                     |                                             |                     |
| Stocks                 | 215                 | -                                           | 215                 |
| <b>Assets acquired</b> | <b>256</b>          | <b>611</b>                                  | <b>867</b>          |

# Norman Hay plc

Notes forming part of the financial statements (continued)  
for the year ended 31 December 2015

## 28 Business combinations (continued)

|                                                  | £'000        |
|--------------------------------------------------|--------------|
| <b>Assets acquired</b>                           | <b>867</b>   |
| Goodwill (Note 11)                               | 612          |
|                                                  | <hr/>        |
| <b>Total purchase consideration</b>              | <b>1,479</b> |
|                                                  | <hr/>        |
| Purchase consideration settled in cash, as above | 1,479        |
|                                                  | <hr/>        |
| <b>Cash outflow on acquisition</b>               | <b>1,479</b> |
|                                                  | <hr/> <hr/>  |

The useful economic life of goodwill has been estimated to be 10 years, based on estimates of future cash flows using an appropriate discount rate.

There were no acquisitions in the year ended 31 December 2014.

The results of the business of Liquid Development Company since its acquisition are as follows:

|                                | Current<br>period since<br>acquisition<br>£'000 |
|--------------------------------|-------------------------------------------------|
| Turnover                       | 641                                             |
|                                | <hr/>                                           |
| Profit for the year before tax | 157                                             |
|                                | <hr/> <hr/>                                     |

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2015

### 29 First time adoption of FRS 102

| Group                                       | Note | Equity as at<br>1 January<br>2014<br>£'000 | Profit for the<br>year ended<br>31 December<br>2014<br>£'000 | Equity as at<br>31 December<br>2014<br>£'000 |
|---------------------------------------------|------|--------------------------------------------|--------------------------------------------------------------|----------------------------------------------|
| <b>As previously stated under IFRS</b>      |      | 17,307                                     | 2,427                                                        | 18,877                                       |
| <b>Transitional adjustments</b>             |      |                                            |                                                              |                                              |
| Amortisation of goodwill                    | a    | (1,430)                                    | (502)                                                        | (1,932)                                      |
| <b>As stated in accordance with FRS 102</b> |      | <b>15,877</b>                              | <b>1,925</b>                                                 | <b>16,945</b>                                |

Explanation of changes to previously reported profit and equity

- a. FRS 102 requires that goodwill is amortised on a systematic basis over its finite useful life whereas under IFRS goodwill is not amortised but instead held at cost and tested annually for impairment. The group has opted not to take advantage of the additional transitional exemption available for business combinations under FRS 102. The group has therefore restated its business combinations and retrospectively charged amortisation to goodwill since the date of acquisition.

| Company                                            | Note | Equity as at<br>1 January<br>2014<br>£'000 | Profit for the<br>year ended<br>31 December<br>2014<br>£'000 | Equity as at<br>31 December<br>2014<br>£'000 |
|----------------------------------------------------|------|--------------------------------------------|--------------------------------------------------------------|----------------------------------------------|
| <b>As previously stated under former UK GAAP</b>   |      | 8,208                                      | 671                                                          | 8,016                                        |
| <b>Transitional adjustments</b>                    |      |                                            |                                                              |                                              |
| Revaluation to fair value of investment properties | a    | 261                                        | 37                                                           | 298                                          |
| Deferred tax on property revaluations              | b    | (52)                                       | -                                                            | (52)                                         |
| <b>As stated in accordance with FRS 102</b>        |      | <b>8,417</b>                               | <b>708</b>                                                   | <b>8,262</b>                                 |

Explanation of changes to previously reported profit and equity

- a. Under former UK GAAP the definition of investment property specifically excluded properties rented by one group company to another, and as such properties were accounted for at cost. The definition of investment property contained in FRS 102, by contrast, does not include any such exclusion. Under FRS 102, the company whose property is used by subsidiary companies is required to account for its property as investment property in its own financial statements. FRS 102 requires investment property to be accounted for at fair value with changes in the fair value of investment property being reflected in profit or loss.
- b. In accordance with former UK GAAP a deferred tax liability on a property revaluation is recognised only when there is a legally binding agreement to sell that property. However, under FRS 102 the deferred tax liability is recognised as it arises to match the revaluation.

## Notice of Meeting

Notice is hereby given that the seventieth Annual General Meeting of the Company will be held at Norman Hay plc, Lyons Park, Sayer Drive, Coventry CV5 9PF on 29 June 2016 at 11:30 a.m. for the following purposes:

- 1 To receive and adopt the audited financial statements for the year ended 31 December 2015, together with the Reports of the Directors and the Auditors thereon.
- 2 To re-elect as a Director Mr. Peter L. Hay, who retires by rotation, in accordance with Article 21.1 of the Articles of Association of the Company.
- 3 To re-appoint BDO LLP as auditors to the Company, to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company, and to authorise the Directors to determine their remuneration.
- 4 To consider and, if thought fit, approve as an Ordinary Resolution:

That, subject to and in accordance with Article 5.1 of the Articles of Association of the Company, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the Act) (in substitution for any existing authority to allot shares) to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £494,000 provided that such authority shall expire on the conclusion of the next Annual General Meeting to be held in 2017 or 15 months whichever comes first after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry, and the Board may allot shares and grant rights to subscribe or convert securities into shares in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

- 5 To consider and, if thought fit, approve as a Special Resolution:

That, subject to the passing of resolution 4 above, the Directors be and are hereby empowered pursuant to Section 570 of the Act to allot equity securities (as defined in that Act) for cash pursuant to the general authority confirmed by resolution 4 as set out in the notice of this meeting as if the provisions of Section 561 (1) of the Act did not apply to any such allotment until the conclusion of the Annual General Meeting to be held in 2017 or 15 months, whichever comes first, provided that this power shall be limited to allotments of equity securities in respect of:

- i) allotments in connection with rights issues (subject only to such exclusions as the Directors may feel necessary or expedient to deal with fractional entitlements or legal or practical requirements of a recognised a regulatory body in any territory); and
- ii) the allotment for cash (otherwise than pursuant to (i)) of equity securities up to an aggregate nominal amount of £74,000.

Registered office:  
Godiva Place  
Coventry  
CV1 5PN

By order of the board  
N A Ogden  
27 May 2016



## Notice of Meeting

### Notes

- 1 A member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company, but must attend the Meeting. A form of proxy is attached for use at the Meeting. Members should complete, sign and return this so as to reach the office of the Company's Registrars not less than 48 hours (excluding any part of a non-working day) before the time appointed for the holding of the Meeting. By so doing they will not be precluded from attending and voting at the Meeting in person should they be able to do so.
- 2 A register of Directors' interests and those of their families in the shares of the Company and copies of relevant Directors' service contracts will be available for inspection at Norman Hay plc, Godiva Place, Coventry from the date of this notice until 17 June 2016, and thereafter at Norman Hay plc, Lyons Park, Sayer Drive, Coventry CV5 9PF until the close of the Meeting.
- 3 The right of the members to vote at the Meeting is determined by reference to the register of members. Shareholders must be enrolled on the Company's register of members at 6 p.m. on 27 June 2016 or, in the event that the Meeting is adjourned, on the register of members as at 6 p.m. two days prior to the time of any adjourned meeting (provided such time is not more than 48 hours prior to the time of any adjourned meeting), in order to be entitled to attend and/or vote at the Meeting in respect of the number of shares registered in their name at such time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the Meeting.

# FORM OF PROXY

**For use at the Annual General Meeting to be held on 29 June 2016**

I/We .....

of .....

being a member / members of Norman Hay plc, hereby appoint the Chairman of the meeting

OR\* .....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 11:30 a.m. on 29 June 2016 and at any adjournment thereof.

Number of shares (if not full voting entitlement).

Please tick here if this proxy appointment is one of multiple proxies being made (and refer to note 6).

Dated this .....day of .....2016

Signature .....

Please indicate, by inserting a cross in the appropriate space, how you wish your vote to be cast on all the resolutions mentioned. If you sign this form and return it without specific directions, your proxy will vote or abstain at his discretion. This proxy will be used in the event of a poll being directed or demanded.

| RESOLUTIONS                                                                                                             | FOR | AGAINST | VOTE WITHHELD |
|-------------------------------------------------------------------------------------------------------------------------|-----|---------|---------------|
| 1 To receive and adopt the financial statements and Directors' and Auditors' Report for the year ended 31 December 2015 |     |         |               |
| 2. To re-elect Mr Peter L. Hay as a Director                                                                            |     |         |               |
| 3. To re-appoint the auditors and authorise the Directors to fix the auditors' remuneration                             |     |         |               |
| 4. To authorise the issue and allotment of shares                                                                       |     |         |               |
| 5. To disapply Section 561(1) of the Companies Act 2006 to share issues                                                 |     |         |               |

**Notes**

- 1 To be effective this form must be lodged with the Registrars, Neville Registrars Ltd., Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, no later than forty-eight hours (excluding any part of a non-working day) before the Meeting.
- 2 Any alteration in this form should be initialled.
- 3 In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the other joint holders and for this purpose seniority shall be determined by the order the names appear in the Register of Members.
- 4 In the case of a corporation, this form should be executed either under its common seal or under the hand of an officer or attorney duly authorised. In the case of an individual, this form should be executed either by the individual or his attorney.
- 5 The 'Vote withheld' option is to enable you to abstain on any particular resolution. Please note that a 'Vote withheld' has no legal effect and will not be counted in the votes 'For' or 'Against' a resolution.
- 6 A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him / her. To appoint more than one proxy, an additional form(s) may be obtained by contacting the Registrars, Neville Registrars Ltd., Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA or you may photocopy this form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

\* If it is desired to appoint any other person (who need not be a member of the Company) to act as proxy, insert the name in the space provided above and strike out the reference to the Chairman.