Norman Hay plc

Report and Financial Statements

Year ended

31 December 2014

Company number: 00405025

Norman Hay plc

Report and Financial Statements
for the year ended 31 December 2014

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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, 125 Colmore Row, Birmingham, B3 3SD

Norman Hay plc

Chairman's Statement
for the year ended 31 December 2014

Chairman's statement

The Group produced record operating profits in 2014 up 30% on the preceding year.

We now operate from 23 sites across the world with annual sales approaching £50m and facilities in England, Scotland, Sweden, France, Germany, India, China, Japan, Australia and the USA.

This enlarged footprint of our operations has necessarily required us to invest significantly in new people and systems, as reported in my last two annual Statements. At that time I said that whilst this would be costly in the short term it was with the aim of increasing Group profits in the medium and long term.

However, I am delighted that, during this period of investment, we have not only been able to maintain profits but actually to increase them year on year.

All this, combined with a careful restructuring of the Group's organisation, has enabled us to develop clear succession paths at all levels in the business.

Current trading conditions are quite variable across the Group and it is well known that the reduction in the world oil price has had a marked effect on Oil & Gas exploration and extraction companies, a number of whom are significant customers of the Group.

On the other hand, trading in the automotive sector in both Europe and Asia remains robust. This spread of business across different sectors and locations is one of our strengths, giving a level of stability to the Group overall.

Whilst there is currently a degree of unpredictability in trading in some areas, your Directors are able to maintain the payment of a healthy dividend for the year whilst maintaining a prudent level of resources within the business for the Group's future development.

Accordingly, and if approved at the Annual General Meeting to be held on 25 June 2015, a final dividend for the year of 3.2p will be paid on 23 July 2015 to shareholders on the register on 23 June 2015, making the total dividend for the year 6.1p (2013: 6.0p).

As always, I would like to conclude by thanking all my colleagues at all levels within the Group, for all their dedication and hard work in achieving the year's excellent results.

Peter L Hay
Chairman
Date: 22 May 2015

Norman Hay plc

Strategic report
for the year ended 31 December 2014

The Directors present their strategic report together with the audited financial statements for the year ended 31 December 2014.

Financial review

Revenue in 2014 was £46.5m (2013 - £44.8m), which represents an increase of 4%.

Gross margin levels improved slightly compared to the previous year, aided by the spread of our product range across several sectors and geographical areas.

The average number of Group employees increased to 496 (2013 - 474) as the Group continues to invest in its staff and its facilities to ensure that prospects for future sales and profit growth are based on strong foundations.

Distribution and administrative expenses rose slightly to £14.9m (2013 - £14.4m), in line with the increase in sales and headcount.

Profit from operations before exceptional items was £3.6m (2013 - £2.8m).

The effective tax rate for the year has decreased to 29% (2013 – 41%). Further details of the current year tax charge can be found in note 9 of the financial statements.

The Group continues to maintain a strong balance sheet, with net assets increasing to £18.9m (2013 - £17.3m). Norman Hay plc monitors cash management closely both to safeguard its finances and to facilitate strategic investments should the opportunity arise.

Financial key performance indicators

	2014 £'000	2013 £'000
Revenue	46,532	44,844
Profit before exceptional items	3,597	2,771
Cash and Bank/(Net Borrowings)	(494)	(2,093)
Net assets	18,877	17,307

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 to ensure that they are progressing as planned in a timely manner. At this stage the Board is confident that these targets are being met.

Principal risks and uncertainties

During the last year, the Group has continued to execute strategies to optimise business opportunities and minimise exposure to 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. The Group manages these potential risks through appropriate controls and loss mitigation actions.

Examples 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 minimised through prompt payment of inter Group current accounts, and forward contracting where applicable.

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 22 May 2015

NAOgden

N A Ogden
Secretary

Norman Hay plc

Report of the Directors
for the year ended 31 December 2014

The Directors present their report together with the audited financial statements for the year ended 31 December 2014.

Results and dividends

The Consolidated Statement of Comprehensive Income is set out on page 9 showing revenue for the year of £46.5m (2013 - £44.8m) and profit before tax of £3.4m (2013 - £2.4m).

Dividends

Dividends paid in the year are shown in note 10 of the Financial Statements.

Your Directors are pleased to recommend a final dividend for the year of 3.2p (2013: 3.2p). If approved at the Annual General Meeting to be held on 25 June 2015, the dividend will be paid on 23 July 2015 to shareholders on the register on 23 June 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

Interest in shares

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

	1 January 2014 Beneficial	31 December 2014 Beneficial
P L Hay	2,210,870	2,210,870
V P Bellanti	165,000	197,000
N A Ogden	-	-
A R Steedman	-	-
Mrs B M Cattle	5,000	5,000

Directors' interests *(continued)*

Interest in shares *(continued)*

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

	1 January 2014 Beneficial	31 December 2014 Beneficial
P L Hay Approved (a)	32,000	-
V P Bellanti Approved (a)	32,000	-
P L Hay Unapproved (b)	388,075	388,075
V P Bellanti Unapproved (b)	588,075	588,075
N A Ogden Approved (c)	50,000	-
Mrs B M Cattle Approved (c)	25,000	-

(a) The approved options were exercisable between 1 December 2012 and 30 November 2019 at 62.5p per share and were exercised during the year.

(b) 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.

(c) The approved options were exercisable between 12 January 2012 and 11 January 2019 at 79.5p per share and were exercised during the year.

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.

Financial instruments

Details of the use of Financial Instruments and Financial Instruments Risk Management are contained in Note 31 of the Financial Statements.

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.

Directors' responsibilities

The Directors are responsible for preparing the annual 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors have elected to prepare the 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;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- For the Company financial statements, 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.

By order of the Board

NA Ogden

N A Ogden
Company Secretary

Date: 22 May 2015

TO THE MEMBERS OF NORMAN HAY plc

We have audited the financial statements of Norman Hay plc for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Balance Sheet and related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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: 22 May 2015

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 2014

	Note	2014 £'000	2013 £'000
Revenue	2	**46,532**	44,844
Cost of sales		**(28,160)**	(27,662)
Gross profit		**18,372**	17,182
Distribution expenses		**(709)**	(633)
Administrative expense		**(14,231)**	(13,789)
Other operating income		**165**	11
Profit from operations before exceptional items	3	**3,597**	2,771
Exceptional items	4	**-**	(203)
Profit from operations after exceptional items		**3,597**	2,568
Finance income	7	**56**	9
Finance expense	8	**(242)**	(162)
Profit before tax		**3,411**	2,415
Tax expense	9	**(984)**	(996)
Profit for the year from continuing operations		**2,427**	1,419
Other comprehensive income			
Exchange differences on translation of foreign operations		**6**	(177)
Total comprehensive income		**2,433**	1,242

The notes on pages 15 to 43 form part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2014 *(continued)*

	2014 £'000	2013 £'000
Profit attributable to:		
Owners of the parent	**2,285**	1,308
Non-controlling interest	**142**	111
	2,427	1,419
Total comprehensive income attributable to:		
Owners of the parent	**2,291**	1,131
Non-controlling interest	**142**	111
	2,433	1,242

The notes shown on pages 15 to 43 form part of these financial statements.

Norman Hay plc

Consolidated Statement of Financial Position
for the year ended 31 December 2014

Company number: 00405025	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Assets					
Non-current assets					
Intangible assets	11	**6,648**		7,428	
Property, plant and equipment	12	**8,248**		7,507	
Investments	13	**26**		26	
Financial assets	14	**310**		324	
Total non-current assets			**15,232**		15,285
Current assets					
Inventories	15	**2,422**		2,752	
Trade and other receivables	16	**12,858**		12,162	
Cash and cash equivalents	17	**4,340**		3,572	
Total current assets			**19,620**		18,486
Total assets			**34,852**		33,771
Liabilities					
Non-current liabilities					
Other financial liabilities	23	**2,617**		3,354	
Deferred tax liabilities	25	**587**		401	
Other payables	24	**75**		125	
Total non-current liabilities			**3,279**		3,880
Current liabilities					
Other financial liabilities	18	**2,217**		2,311	
Trade and other payables	19	**10,186**		9,390	
Derivative financial liabilities	20	**52**		-	
Provisions	21	**241**		267	
Current tax liabilities	22	**-**		616	
Total current liabilities			**12,696**		12,584
Total liabilities			**15,975**		16,464
NET ASSETS			**18,877**		17,307

The notes shown on pages 15 to 43 form part of these financial statements.

Norman Hay plc

Consolidated Statement of Financial Position
for the year ended 31 December 2014 *(continued)*

Company number: 00405025	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Equity					
Share capital	27	**1,482**		1,482	
Share premium account		**1,265**		1,265	
Capital redemption reserve		**94**		94	
Other non-distributable reserve		**766**		766	
Reserve for own shares		**(863)**		(841)	
Share scheme reserve		**11**		43	
Foreign exchange reserve		**(53)**		(59)	
Retained earnings		**15,704**		14,228	
Equity attributable to equity holders of the parent company			**18,406**		16,978
Non-controlling interest			**471**		329
TOTAL EQUITY			**18,877**		17,307

The financial statements were approved by the Board of Directors and authorised for issue on 22 May 2015

NAOgden

N A Ogden
Director

The notes shown on pages 15 to 43 form part of these financial statements.

Norman Hay plc

Consolidated Cash Flow Statement
for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Profit from operations		**3,597**	2,568
Amortisation	11	**147**	147
Depreciation	12	**1,233**	1,306
Loss/(profit) on sale of property, plant and equipment		**557**	(35)
Decrease/(Increase) in inventories		**330**	(338)
(Increase)/decrease in receivables		**(385)**	702
Increase/(decrease) in payables		**1,391**	(1,278)
(Decrease)/increase in provisions		**(26)**	111
Cash generated from operations		**6,844**	3,183
Finance income	7	**56**	9
Finance expense	8	**(225)**	(145)
Income taxes paid		**(1,736)**	(720)
Net cash flows from operating activities		**4,939**	2,327
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**-**	(1,081)
Purchase of property, plant and equipment	12	**(2,571)**	(1,857)
Proceeds from disposal of property, plant and equipment		**-**	128
Payment of deferred consideration		**(25)**	(244)
Refund of escrow account		**150**	-
Net cash used in investing activities		**(2,446)**	(3,054)
Cash flows from financing activities			
Dividends paid to shareholders	10	**(841)**	(828)
Finance lease repayment		**(3)**	(5)
New loans raised		**-**	278
Repayment of loans		**(773)**	(695)
Cash transferred to EBT to repurchase shares		**-**	(341)
Net cash used in financing activities		**(1,617)**	(1,591)
Net increase/(decrease) in cash and cash equivalents		**876**	(2,318)
Cash and cash equivalents at the beginning of the year		**1,969**	4,287
Cash and cash equivalents at the end of the year	32	**2,845**	1,969

The notes shown on pages 15 to 43 form part of these financial statements.

Norman Hay plc

Consolidated Statement of Changes in Equity
for the year ended 31 December 2014

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other non distributable reserve £'000	Reserve for own shares £'000	Share scheme reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2013	1,482	1,265	94	766	(500)	43	118	13,748	17,016	218	17,234
Purchase of shares by EBT	-	-	-	-	(341)	-	-	-	(341)	-	(341)
Dividends paid in year	-	-	-	-	-	-	-	(828)	(828)	-	(828)
Total comprehensive income for the year	-	-	-	-	-	-	(177)	1,308	1,131	111	1,242
At 31 December 2013 and 1 January 2014	1,482	1,265	94	766	(841)	43	(59)	14,228	16,978	329	17,307
Purchase of shares by EBT	-	-	-	-	(22)	-	-	-	(22)	-	(22)
Dividends paid in year	-	-	-	-	-	-	-	(841)	(841)	-	(841)
Options exercised in the year	-	-	-	-	-	(32)	-	32	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	6	2,285	2,291	142	2,433
At 31 December 2014	**1,482**	**1,265**	**94**	**766**	**(863)**	**11**	**(53)**	**15,704**	**18,406**	**471**	**18,877**

Notes

1. Share capital represents the nominal value of shares in issue.
2. The Share premium account represents the difference between the amount paid by shareholders subscribing for new shares and the nominal value of those shares.
3. The Capital redemption reserve relates to purchases by the Company of its own shares.
4. Other non-distributable reserve arises from the elimination of share capital of acquired companies in excess of nominal value of shares issued.
5. Reserve for own shares is the sum paid for shares held by the Norman Hay plc Employee Benefit Trust.
6. The Share scheme reserve represents the fair value of share options granted.
7. The Foreign exchange reserve arises from fluctuations in the value of net assets denominated in currencies other than Sterling.
8. Retained earnings is the cumulative comprehensive income less items recognised in other equity reserves.
9. The non-controlling interest represents the interests of the minority shareholders in subsidiaries of the Group.

The notes shown on pages 15 to 43 form part of these financial statements.

1 Accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

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

Amounts are rounded to the nearest thousand, unless otherwise stated.

The Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed separately below.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis; except for the following items (refer to individual accounting policies for details):

- Financial instruments – fair value through profit or loss
- Contingent consideration
- Revalued property, plant and equipment

Standards, interpretations and amendments to published standards effective from 1 January 2014

A number of new standards, interpretations and amendments effective for the first time for periods beginning on (or after) 1 January 2014, have been adopted in these financial statements. Not all new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2014 affect the Group's annual consolidated financial statements. None of these new standards are considered to have a material impact on the Group's consolidated financial position or performance.

Standards, interpretations and amendments to published standards not yet effective

A number of new standards have been issued, but are not yet effective for the financial year ended 31 December 2014. Of these, the following standards may have a material impact on the Group's consolidated financial position or performance:

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)

The standard has been introduced to clarify the principles of revenue recognition and establish a single framework for revenue recognition. IFRS 15 supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

1 Accounting policies *(continued)*

Standards, interpretations and amendments to published standards not yet effective (continued)

IFRS 9 Financial Instruments (effective 1 January 2018)

The standard has been introduced to replace the requirements of IAS 39 and will affect the initial recognition and subsequent measurement of all financial assets and liabilities and introduces a more principles-based approach to hedge accounting. For entities applying IFRS on or after 1 January 2018 modified disclosures will be required and there will be no need to restate prior periods.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2014 and which have not been adopted early, are expected to have a material effect on the Group's future financial statements.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the Consolidated financial statements from the date that control commences until the date that control ceases.

Acquisitions are accounted for by the purchase method. The cost of an acquisition is measured as the fair value at the date of exchange of the consideration provided. Identifiable assets and liabilities of the acquired business that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the date of acquisition. To the extent that the cost of an acquisition exceeds the fair value of the net assets acquired, the difference is recorded as goodwill and, where the fair value of the net assets exceeds the cost of acquisition, the difference is recorded as negative goodwill.

Transactions between, and balances with, Group companies are eliminated together with unrealised gains on inter-company transactions. Accounting policies of acquired companies are changed where necessary to be consistent with those of the Group.

Business combinations

The Consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, 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.

Principal subsidiary undertakings included in these financial statements are shown in note 6 of the parent company financial statements on page 49.

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.

1 Accounting policies *(continued)*

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.

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. No development projects met the criteria for capitalisation.

Dividends

The final dividend is only recognised at the point it is declared and approved by the shareholders at the Annual General Meeting. Interim dividends are recognised on payment.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the acquisition date.

For business combinations completed prior to 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date are treated as an adjustment to cost and, in consequence, result in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquired entity.

Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, it is re-measured subsequently through profit or loss. For combinations completed on or after 1 January 2010, direct costs of acquisition are taken immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the Consolidated Statement of Comprehensive Income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to profit or loss.

Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

1 Accounting policies *(continued)*

Goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs (1 January 2007) has been retained at the previous UK GAAP amounts subject to being tested for impairment as noted. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Externally acquired intangible assets

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 section related to critical estimates and judgements).

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.

Property, plant and equipment

Property, plant and equipment is 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 property, plant and equipment, 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 property, plant and equipment are undertaken at the end of each year if events or changes in circumstances indicate that the carrying value may not be recoverable.

1 Accounting policies *(continued)*

Inventories

Inventories 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.

Financial assets - other receivables

Where a long-term receivable arises as a result of a disposal, there is an annual estimation of the factors that affect this deferred consideration, and a re-evaluation made if required.

Trade receivables

Trade receivables are stated initially at fair value, 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 receivables, 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.

Trade payables

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

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 of the lease.

1 Accounting policies *(continued)*

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.

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 Borrowings as current liabilities, but included within Cash and cash equivalents in the Cash Flow Statement.

Foreign currency translation

Functional currency

The Consolidated financial statements are presented in Sterling, which is the Company's functional 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).

Transactions and balances

Transactions in foreign currencies are translated into the functional currency of the transacting entity at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising are recognised in profit or loss. Foreign currency monetary assets and liabilities are translated at the exchange rates ruling at the year-end date.

Group companies

The results of foreign operations are translated into Sterling at the average rate of exchange in the accounting period, and the assets and liabilities are translated into Sterling at the closing rate at the year-end date. On consolidation the effect of variances in exchange rates between the beginning and end of the financial year on the opening net investment in foreign undertakings is recorded in other comprehensive income and is shown in the foreign exchange reserve, as are any exchange differences arising through the translation of results using the average monthly exchange rate. Where long-term Group loans exist that arise as a result of acquisition, the movement on the loans that arises through fluctuations in the exchange rate is taken to the foreign exchange reserve. On disposal of the foreign operation, the amounts reflected in the Foreign Exchange Reserve are recycled to profit or loss.

Borrowings

Borrowings are recognised initially at their fair value, net of the associated finance costs, and thereafter at amortised cost. The associated finance costs are amortised to profit or loss over the life of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the year-end date.

1 Accounting policies *(continued)*

Current and deferred taxation

The tax expense represents the sum of the tax currently payable on the profit for the year, and the deferred tax. Provision for taxation is made using tax rates that have been enacted or substantively enacted at the year-end date.

Deferred tax is provided in full in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the Consolidated financial statements except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxation is calculated using tax rates that are expected to apply when the related deferred taxation asset is realised or the related deferred taxation liability is settled.

The carrying amount of deferred tax assets is reviewed at each year-end date and reduced to the extent that it is no longer probable that sufficient taxable profits are available to allow all or part of the asset to be recovered.

Employee benefit costs

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.

Pensions

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.

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 Statement of Financial Position as if they were treasury shares.

1 Accounting policies *(continued)*

Critical accounting estimates and judgements

In applying the Group's accounting policies set out above management is required to make certain estimates and judgements concerning the future. These judgements are regularly reviewed and updated as necessary. The estimates and judgements that have the most significant effect on the amounts included in these Consolidated financial statements are as follows:

Intangible assets and impairment

The Group is required to test whether goodwill and brands have suffered any impairment. The recoverable amounts of cash generating units connected to the recorded goodwill and brands have been determined based on value-in-use estimations.

The value-in-use calculation requires the entity to estimate future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

Determination of fair values of intangible assets acquired in business combinations

The fair value of brands acquired in a business combination is based on the discounted estimated royalty payments that would be receivable if the company were to allow others to trade under this brand.

Inventory provisions

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

Revenue recognition – long-term contracts

In applying the Group's accounting policy set out above, if 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.

Deferred consideration payable

Included within liabilities is an amount of £95,000 (2013 - £150,000) payable in respect of the acquisition of one of the subsidiary companies. The deferred consideration is calculated based on an estimate of future profits of the subsidiary, and therefore cannot be estimated with absolute certainty. The amount recognised in the financial statements is based on the discounted value of future estimated profits.

Available for sale financial asset

Included within assets is an amount of £435,000 (2013 - £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 amounts receivable are based on a percentage of the sales of the purchaser. There is no set termination date for this agreement.

The calculation of the amount will be reviewed in following years if there is a change in circumstances 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.

2 Revenue

	2014 £'000	2013 £'000
Revenue arises from:		
Sale of goods	**12,991**	11,797
Rendering of services	**29,241**	27,033
Long term contracts	**4,300**	6,014
	46,532	44,844

	2014 £'000	2013 £'000
Analysis by geographical market:		
United Kingdom	**18,918**	17,754
Europe	**10,367**	9,093
North America	**7,796**	7,382
Asia	**7,891**	8,550
Australia	**1,189**	1,201
Rest of the world	**371**	864
	46,532	44,844

3 Profit from operations before exceptional items

	2014 £'000	2013 £'000
Profit from operations before exceptional items is stated after charging and (crediting) the following:		
Amortisation of intangible assets (included in administration expenses)	**147**	147
Depreciation of property, plant and equipment	**1,233**	1,306
Loss/(profit) on disposal of property, plant and equipment	**557**	(35)
Cost of inventories recognised as an expense	**12,373**	15,666
Research and development	**177**	323
Operating lease rentals:		
- plant and machinery	**416**	511
- properties	**884**	713
Foreign exchange losses	**440**	293
Increase in fair value of available for sale financial asset	**(125)**	-
Repayment of escrow account on prior acquisitions	**(40)**	-
Employee benefit expenses (note 5)	**17,090**	16,143

Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**10**	10
Fees payable to the Company's auditor for other services:		
- The audit of the Company's subsidiaries, pursuant to legislation	**84**	79
- Taxation services	**31**	29
- Other	**5**	99
	130	217

4 Exceptional items

	2014 £'000	2013 £'000
Exceptional costs comprise:		
Closure costs relating to the disposal of certain subsidiaries	-	520
Reassessment of deferred consideration payable	-	(317)
	-	203

5 Staff costs

	2014 £'000	2013 £'000
Staff costs (including Directors) consist of:		
Wages and salaries	**14,721**	13,906
Social security costs	**1,642**	1,593
Other pension costs – defined contribution plans	**727**	644
	17,090	16,143

The average monthly number of persons employed by the Group (including Directors) during the year was:	Number	Number
Manufacturing	**229**	219
Office and management	**267**	255
	496	474

6 Directors' remuneration

	2014 £'000	2013 £'000
Directors' remuneration and key management compensation		
Directors' remuneration consists of:		
Aggregate emoluments	**866**	632
Pension contributions	**131**	105
Fees	**31**	32
	1,028	769

6 Directors' remuneration *(continued)*

The Group contributed towards the personal pension plans of 4 Directors (2013 - 4) during the year.

The highest paid Director had a salary of £329,000 (2013 - £198,000) including performance related pay and benefits in kind, and had a pension contribution of £33,000 (2013 - £32,000).

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.

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. £387,000 (2013 - £235,000) 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 2014 was £1,135,000 (2013 - £748,000). Amounts accrued are in addition to the Directors' and staff costs detailed above paid during the year.

7 Finance income

	2014 £'000	**2013 £'000**
Interest on bank deposits	**56**	9

8 Finance expense

	2014 £'000	**2013 £'000**
Interest on bank loans and overdrafts	**242**	162

9 Taxation

	2014 £'000	2013 £'000
Corporation tax charge		
Charge for the year	**413**	581
Adjustment in respect of previous periods	**(52)**	152
Current tax on foreign income for the year	**587**	497
	948	1,230
Deferred tax		
Origination and reversal of timing differences	**100**	(102)
Adjustment in respect of previous periods	**86**	(69)
Other movements	**(150)**	-
Changes in tax rates	**-**	(63)
Total tax charge	**984**	996

Factors affecting the tax charge for the period:

	2014 £'000	2013 £'000
Tax reconciliation		
Profit on ordinary activities before taxation	**3,411**	2,415
Profit on ordinary activities multiplied by standard rate of 21% (2013 – 23%)	**716**	555
Adjustment in respect of previous periods:		
- corporation tax	**(52)**	152
- deferred tax	**86**	(69)
Expenditure not tax deductible	**214**	381
Enhanced relief	**(47)**	(38)
Effect of different tax rates of subsidiaries in other jurisdictions	**203**	71
Impact of change in tax rates	**14**	(56)
Other movements	**(150)**	-
Total tax charge	**984**	996

The change in applicable tax rate applied in the above tax reconciliation is due to a change in UK corporation tax rates.

The Budget on 18 March 2015 announced that the main rate of UK corporation tax will reduce to 20% from 1 April 2015. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2014 has been calculated at 20% being the rate substantively enacted at this date.

10 Dividends

	2014 £'000	2013 £'000
Final dividend paid of 3.2p (2013 – 3.2p) per share	**441**	441
Interim dividend paid of 2.9p (2013 - 2.8p) per share	**400**	387
	841	828
Dividends declared after the balance sheet date but before approval of financial statements of 3.2p (2013 – 3.2p) per share	**443**	441

Dividends are recognised in the financial statements when they are paid and not declared. The 2014 financial statements recognised the interim dividend that was both paid and declared in 2014, and also the final dividend that was paid in 2014 but declared in the prior year financial statements for the year ended 31 December 2013.

11 Intangible assets

Group	Brands £'000	Goodwill £'000	Total £'000
Cost or valuation			
At 1 January 2013	1,032	5,000	6,032
Acquired through business combinations	-	1,630	1,630
Foreign exchange differences	-	(16)	(16)
At 1 January 2014	1,032	6,614	7,646
Foreign exchange differences	-	(2)	(2)
Adjustment to cost	-	(633)	(633)
At 31 December 2014	**1,032**	**5,979**	**7,011**
Amortisation			
At 1 January 2013 and 1 January 2014	147	71	218
Provided for the year	147	-	147
Foreign exchange differences	-	(2)	(2)
At 31 December 2014	**294**	**69**	**363**
Net book value			
At 31 December 2014	**738**	**5,910**	**6,648**
At 31 December 2013	885	6,543	7,428

11 Intangible assets *(continued)*

The carrying amount of goodwill allocated to the cash generating units (CGUs) and discount rates used in considering impairment are as follows:

	2014 Discount rate	2014 £'000	2013 Discount rate	2013 £'000
Applied Surface Concepts	**14%**	**2,262**	14%	2,262
Advanced Coating Initiative	**14%**	**1,288**	14%	1,288
MX Systems International	**14%**	**475**	14%	475
Applied Precision Coatings	**14%**	**315**	14%	315
Surface Technology (Australia)	**14%**	**510**	14%	510
Sterr & Eder	**14%**	**997**	14%	1,630
Others	**14%**	**63**	14%	63
		5,910		6,543

Impairment of goodwill

The recoverable amount of each Cash Generating Unit (CGU) connected to the intangible asset's value has been determined from value-in-use calculations based on cash flow assumptions for a five year period to 31 December 2019, extrapolated with no growth to 31 December 2024.

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates detailed above are based on the Group's current conservative assessment of specific risks related to the CGU.

The recoverable amount of CGUs that hold a significant proportion of the Group's overall goodwill balance include:

	2014 £'000	2013 £'000
Applied Surface Concepts	**5,284**	5,284
Advanced Coating Initiative	**1,257**	1,565
Sterr & Eder	**3,599**	1,768

If any one of the following changes were made to the above key assumptions, the carrying amount and recoverable amount would be equal.

	Discount rate	Operating margin
Applied Surface Concepts	increase of 9%	decrease 27%
Advanced Coating Initiative	decrease of 4%	increase 18%
Sterr & Eder	increase of 24%	decrease 52%

The Directors do not believe that there is a material difference between the recoverable amounts and the carrying value of goodwill; as a result there has been no provision for impairment. All assumptions in the current and prior year remain the same.

12 Property, plant and equipment

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant, vehicles and fixtures £'000	Computer equipment £'000	Total £'000
Cost					
At 1 January 2013	3,881	760	6,104	646	11,391
Additions	289	174	1,334	60	1,857
Disposals	-	(92)	(413)	(32)	(537)
Exchange differences	(57)	(21)	(222)	(6)	(306)
Acquisition of subsidiary	-	-	478	-	478
At 31 December 2013	4,113	821	7,281	668	12,883
Additions	119	66	2,101	285	2,571
Disposals	(43)	(43)	(1,084)	(63)	(1,233)
Exchange differences	47	-	(106)	12	(47)
At 31 December 2014	**4,236**	**844**	**8,192**	**902**	**14,174**
Accumulated depreciation					
At 1 January 2013	690	241	3,325	419	4,675
Provided during the year	95	93	984	134	1,306
Disposals	-	(44)	(369)	(31)	(444)
Exchange differences	(35)	(6)	(115)	(5)	(161)
At 31 December 2013	750	284	3,825	517	5,376
Provided during the year	94	57	936	146	1,233
Disposals	(43)	(43)	(530)	(60)	(676)
Exchange differences	47	5	(67)	8	(7)
At 31 December 2014	**848**	**303**	**4,164**	**611**	**5,926**
Net book value					
At 31 December 2014	**3,388**	**541**	**4,028**	**291**	**8,248**
At 31 December 2013	3,363	537	3,456	151	7,507
At 1 January 2013	3,191	519	2,779	227	6,716

The net book value of plant, vehicles and fixtures includes £Nil (2013 - £11,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged on these assets amounted to £Nil (2013 - £4,000).

13 Investments

	£'000
Cost	
At 1 January 2014 and 31 December 2014	**26**

The investment relates to Ultraseal India (PVT) Limited. 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.

14 Financial assets

	2014 £'000	2013 £'000
Amounts receivable from sale of an operation	**310**	324

The accounting treatment for the above asset is covered in note 1. An amount of £125,000 (2013 - £111,000) in respect of this disposal is due in less than one year and is included in other receivables.

The difference between the book and fair value of the asset is not considered material.

15 Inventories

	2014 £'000	2013 £'000
Raw materials and consumables	**1,764**	1,229
Work in progress	**52**	570
Finished goods	**606**	953
	2,422	2,752

There is no material difference between the carrying value of finished goods and their fair value less costs to sell.

16 Trade and other receivables

	2014 £'000	2013 £'000
Amounts receivable for sale of goods	**10,007**	9,177
Allowance for doubtful debts	**(89)**	(163)
Trade receivables	**9,918**	9,014
Amounts due from contract customers	**1,334**	1,696
Other receivables	**425**	339
Prepayments and accrued income	**1,008**	1,113
UK corporation tax	**140**	-
Foreign tax	**33**	-
Current assets	**12,858**	12,162

The carrying values of the Group's trade and other receivables (including long term receivables and excluding taxation), classified as loans and receivables, approximate fair value, and are denominated in the following currencies:

	2014 £'000	2013 £'000
Sterling	**7,737**	8,403
Euros	**1,797**	663
US Dollars	**1,037**	1,101
Australian Dollars	**259**	375
Chinese RMB	**1,521**	1,166
Other currencies	**644**	778
	12,995	12,486

At 31 December 2014 trade and contract receivables of £862,000 (2013 - £566,000) were past due but not impaired. The ageing of these receivables from invoice date is as follows:

	2014 £'000	2013 £'000
Up to 3 months	**541**	276
3 to 6 months	**313**	286
6 to 12 months	**8**	4
	862	566

At 31 December 2014 trade receivables of £89,000 (2013 - £163,000) were past due and impaired. The basis for these impairments was default on repayments, financial difficulties of customers and specific invoices under dispute. All other trade receivables are considered recoverable; no objective evidence has arisen post year-end to indicate otherwise.

16 Trade and other receivables *(continued)*

The receivables relate to various trading activities of the Group. The ageing of these receivables is as follows:

	2014 £'000	2013 £'000
Up to 3 months	**14**	123
3 to 6 months	**7**	22
6 to 12 months	**68**	18
	89	163

The Group records impairment losses on its trade receivables separately from gross receivables. The movements on this allowance account during the year are as follows:

	2014 £'000	2013 £'000
Opening balance	**163**	79
(Decrease)/Increase in provisions	**(73)**	83
Amounts utilised	**(10)**	(5)
Amounts recovered	**9**	6
	89	163

17 Cash and cash equivalents

	2014 £'000	2013 £'000
Cash	**4,340**	3,572

Within the Consolidated Cash Flow Statement, the Cash and cash equivalents line includes bank overdrafts of £1,495,000 (2013 - £1,603,000). The currency distribution of Cash and cash equivalents at 31 December was as follows:

	2014 £'000	2013 £'000
Sterling	**23**	74
Euros	**966**	905
US Dollars	**594**	664
Australian Dollars	**175**	182
Chinese RMB	**2,130**	1,446
Other currencies	**452**	301
	4,340	3,572

18 Current other financial liabilities

	2014 £'000	2013 £'000
Bank overdraft (secured)	**1,495**	1,556
Bank loans (secured)	**722**	752
Finance leases and hire purchase agreements (secured)	**-**	3
	2,217	2,311

The bank overdraft and loans are secured over certain of the Group's assets and undertakings and are denominated in Sterling and Swedish Krona (2013 – Sterling and Swedish Krona).

The finance leases and hire purchase agreements were secured on the assets to which they related.

The currency distribution of current financial liabilities at 31 December was as follows:

	2014 £'000	2013 £'000
Sterling	**2,207**	2,261
Australian Dollars	**-**	3
Swedish Krona	**10**	47
	2,217	2,311

19 Current trade and other payables

	2014 £'000	2013 £'000
Trade payables	**2,823**	2,558
Other taxation and social security costs	**1,494**	1,159
Other payables	**460**	1,022
Accruals and deferred income	**3,798**	3,061
Payments on account	**1,611**	1,590
	10,186	9,390

20 Derivative financial instruments

Derivative financial liabilities	**2014 £'000**	**2013 £'000**
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	**52**	-

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 matching forward foreign exchange contract with a reputable financial institution.

The notional principal amounts of outstanding forward foreign exchange contracts at 31 December 2014 was £12,400,000 (2013 - £Nil). The fair value of the outstanding contracts is £52,000 (2013 - £Nil).

21 Provisions

	Warranty £'000	**Dilapidations £'000**	**Total £'000**
At 1 January 2013	156	-	156
Additional provision in the year	29	200	229
Release of provision in the year	(81)	-	(81)
Utilisation of provision	(37)	-	(37)
At 31 December 2013	67	200	267
Additional provision in the year	27	-	27
Release of provision in the year	(31)	-	(31)
Utilisation of provision	(11)	(11)	(22)
At 31 December 2014	**52**	**189**	**241**

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.

22 Current tax liabilities

	2014 £'000	**2013 £'000**
UK corporation tax	-	497
Foreign tax	-	119
	-	616

23 Non-current other financial liabilities

	2014 £'000	2013 £'000
Bank loans (secured)	**2,521**	3,264
Other loans	**96**	90
	2,617	3,354

The bank overdraft and loans are secured over certain of the Group's assets and undertakings and are denominated in Sterling and Swedish Krona (2013 – Sterling and Swedish Krona). Other loans are denominated in US Dollars (2013 – US Dollars).

The currency distribution of non-current financial liabilities at 31 December was as follows:

	2014 £'000	2013 £'000
Sterling	**2,339**	3,032
Swedish Krona	**182**	232
US Dollars	**96**	90
	2,617	3,354

Maturity of debts

	Loans and overdrafts		Finance leases	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
In one year or less	**2,217**	2,308	-	3
In more than one year but not more than two years	**885**	759	-	-
In more than two years but not more than five years	**1,546**	2,461	-	-
In more than five years	**186**	134	-	-
	4,834	5,662	-	3

There are currently 4 bank loans outstanding. At 31 December 2014 the balance on Loan A was £1,440,000 (2013 - £1,597,000) and is repayable by 11 equal quarterly instalments plus one final payment, with a floating interest rate of 1.75% above LIBOR. At 31 December 2014 the balance on Loan B was £463,000 (2013 - £608,000) and is repayable by 12 equal quarterly instalments, with a fixed interest rate of 2.82%. At 31 December 2014 the balance on Loan C was £1,200,000 (2013 - £1,600,000) and is repayable by 12 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 2014 was £192,000 (2013 - £279,000). The loan is payable in equal quarterly instalments over a 20 year term and attracts interest at 2.95%.

24 Non-current other payables

	2014 £'000	2013 £'000
Deferred contingent consideration	**75**	125

Deferred contingent consideration was recognised on the acquisition of Advanced Coating Initiative Limited.

25 Non-current deferred tax liabilities

The amount of deferred taxation provided, which relates to accumulated depreciation being lower than accumulated capital allowances and other temporary differences, is as follows:

	Accelerated capital allowances £'000	Temporary differences £'000	Total £'000
At 1 January 2014	138	263	401
Debit to profit or loss	12	174	186
At 31 December 2014	**150**	**437**	**587**

	Accelerated capital allowances £'000	Temporary differences £'000	Total £'000
At 1 January 2013	365	270	635
Credit to profit or loss	(227)	(7)	(234)
At 31 December 2013	138	263	401

Deferred tax assets have been recognised in respect of all such tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that the assets will be recovered.

26 Total commitments under operating leases

	Land and buildings		Plant and machinery	
	2014	**2013**	**2014**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
Payable in one year	**611**	713	**227**	274
Payable in two to five years	**1,146**	1,632	**402**	511
Payable after five years	**1,573**	1,775	**110**	119
	3,330	4,120	**739**	904

27 Share capital

	2014 Number '000	2014 Value £'000	2013 Number '000	2013 Value £'000
Authorised - ordinary shares of 10p each	**18,000**	**1,800**	18,000	1,800
Allotted and fully paid - ordinary shares of 10p each	**14,812**	**1,482**	14,812	1,482

979,510 shares were held by the Norman Hay plc Employee Benefit Trust at 31 December 2014 (2013 - 1,011,510).

At 31 December 2014 the following options were outstanding, including those relating to Directors, as detailed in the Report of the Directors:

a) 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.

b) On 50,000 ordinary shares, these approved options are exercisable between 12 January 2013 and 11 January 2019 at 79.5p per share. These options have all been exercised after the year-end.

28 Pension costs

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 £727,000 (2013 - £644,000) represents the contribution payable by the Group to those schemes. The amount of pension contributions outstanding at the year-end was £Nil (2013 - £Nil).

29 Related party transactions

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

There were no other related party transactions identified during the year.

30 Share-based payments

Norman Hay plc operates two equity-settled share-based remuneration schemes for employees: a long-term incentive scheme and an unapproved scheme for Executive Directors and senior management. All UK employees are eligible to participate in the long-term incentive 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.

	2014 Weighted average exercise (pence)	**2014 Number**	**2013 Weighted average exercise (pence)**	**2013 Number**
Outstanding at the beginning	**64**	**1,165,150**	64	1,165,150
Exercised during the year	**72**	**(139,000)**	-	-
Outstanding at the end of the year	**63**	**1,026,150**	64	1,165,150

The weighted average exercise price of options outstanding at the end of the year was 63p (2013 - 64p).

During 2014 certain Directors exercised 139,000 of the approved share options and on the same date the Norman Hay plc Employee Benefit Trust repurchased 107,000 shares at a value of £1.20 per share. Details of the individual Directors' beneficial interests in share options can be found in the Directors' report on page 5. At the year end 50,000 options (2013 - 189,000 options) were exercisable. These options were exercised after the year-end.

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 27 of the Financial Statements, including periods during which they are exercisable.

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

31 Financial instruments - Risk Management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing these risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing the risks or the methods used to measure them from previous periods unless otherwise stated in this note.

31 Financial instruments - Risk Management *(continued)*

Principal Financial Instruments

For all financial assets and liabilities the book value is an approximation of fair value.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Financial assets

Loans and receivables - these comprise trade and other receivables, and positive cash balances held at financial institutions.

	Loans and receivables	
	2014	**2013**
	£'000	**£'000**
Cash and cash equivalents	**4,340**	3,572
Trade and other receivables	**11,677**	11,049
Long term receivables	**310**	324
	16,327	14,945

Financial Liabilities

	Financial liabilities at fair value through profit and loss		Loans and payables	
	2014	**2013**	**2014**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
Trade and other payables	-	-	**10,502**	9,782
Bank borrowings and other loans	-	-	**4,834**	5,662
Finance leases and hire purchase contracts	-	-	-	3
Derivative financial liabilities	**52**	-	-	-
	52	-	**15,336**	15,447

All financial instruments have been valued with reference to level two of the fair value hierarchy as set out in IFRS 7: Financial Instruments: Disclosures. Fair values are determined based on prices that are observable for the asset or liability, either directly or indirectly. The loss on financial liabilities measured at fair value through profit and loss is £52,000 (2013 - £Nil).

The Group is exposed through its operations to the following financial risks:

- Foreign exchange risk
- Credit risk
- Liquidity risk
- Cash flow interest rate risk
- Market price risk

31 Financial instruments - Risk Management *(continued)*

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. Further details regarding these policies are set out on the following pages.

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 effect of a strengthening of 10% in the rate of exchange in the currencies against Sterling at the year-end date would have resulted in an estimated net decrease in pre-tax profit and a decrease in net assets of £116,000 (2013 - £47,000), and the effect of a weakening of 10% in the rate of exchange in the currencies against Sterling at the year-end date would have resulted in an estimated net increase in pre-tax profit and an increase in net assets of approximately £128,000 (2013 - £51,000).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a 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. Quantitative disclosures of the credit risk exposure in relation to trade and other receivables are disclosed in Note 16.

The maximum exposure to credit risk at 31 December 2014 is £15,592,000 (2013 - £14,282,000).

31 Financial instruments - Risk Management *(continued)*

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.

At 31 December 2014 the Group had unused working capital facilities of £1,877,000 (2013 - £1,840,000).

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. Where facilities of Group entities need to be increased, approval must be sought from the Group Chief Executive and where the amount of the facility is above a certain level, agreement of the Board is needed.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

Liquidity risk	**Up to 3 months £'000**	**Between 3 to 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
At 31 December 2014					
Trade and other payables	10,186	241	75	-	-
Loans and borrowings	1,521	744	911	1,626	242
Finance leases	-	-	-	-	-
Total	**11,707**	**985**	**986**	**1,626**	**242**

	Up to 3 months £'000	**Between 3 to 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
At 31 December 2013					
Trade and other payables	9,365	292	125	-	-
Loans and borrowings	1,779	669	872	2,528	67
Finance leases	-	3	-	-	-
Total	11,144	964	997	2,528	67

31 Financial instruments - Risk Management *(continued)*

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. During 2014 and 2013, the Group's borrowings at a variable rate were denominated in Sterling. On the Sterling borrowings interest is payable at 1.75% above LIBOR.

At 31 December 2014, if interest rates on the Group's borrowings had been 100 basis points higher with all other variables held constant, the effect on profit before taxation would have been an increase in the charge of £80,000 (2013 - £56,000).

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).

Capital Management

The Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings. In managing its capital the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions.

In order to achieve this objective, the Group monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new shares issues, the reduction of debt, and the management of loans between Group companies, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

Capital management	**2014 £'000**	**2013 £'000**
Loans and borrowings	**4,834**	5,665
Less: cash and cash equivalents	**(4,340)**	(3,572)
Net debt	**494**	2,093
Total equity	**18,877**	17,307
Total debt to equity	**2.62%**	12.1%

32 Notes supporting the consolidated cash flow statement

Cash and cash equivalents for purposes of the Consolidated Cash Flow Statement comprise:

	2014 £'000	2013 £'000
Cash available on demand	**4,340**	3,572
Overdrafts	**(1,495)**	(1,603)
	2,845	1,969

Significant non-cash transactions are as follows:

Investing activities

	2014 £'000	2013 £'000
Deferred consideration for acquisition of subsidiary	**-**	(317)
Adjustment to cost of goodwill	**(633)**	-

Norman Hay plc

Parent Company Balance Sheet
for the year ended 31 December 2014

Prepared in accordance with UK GAAP

Company no: 00405025	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Tangible assets	5	**2,515**		2,561	
Investments	6	**15,000**		15,633	
			17,515		18,194
Current assets					
Debtors	7	**8,088**		8,693	
Cash at bank and in hand		**22**		-	
		8,110		8,693	
Creditors due within one year	8	**8,144**		7,397	
Net current (liabilities)/assets			**(34)**		1,296
Total assets less current liabilities			**17,481**		19,490
Creditors due after one year	9	**9,465**		11,282	
			9,465		11,282
Net assets			**8,016**		8,208
Capital and reserves					
Equity share capital	10		**1,482**		1,482
Share premium account	11		**1,265**		1,265
Revaluation reserve	11		**479**		487
Capital redemption reserve	11		**94**		94
Share scheme reserve	11		**11**		43
EBT share scheme reserve	11		**(863)**		(841)
Profit and loss account	11		**5,548**		5,678
Shareholders' funds			**8,016**		8,208

The financial statements were approved and authorised for issue by the Board of Directors on 22 May 2015

NAOgden

N A Ogden
Director

The notes shown on pages 45 to 54 form part of these financial statements.

1 Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention, as modified to include the revaluation of certain assets, and in accordance with applicable United Kingdom Accounting Standards and the Companies Act 2006.

Cash flow statement

The Company has taken the exemption from the requirement to prepare a cash flow statement on the basis that its cash flows are included in the Consolidated Cash Flow Statement (Page 13).

Land and buildings

The Company has continued to follow the transitional arrangements of FRS 15 'Tangible Fixed Assets' to retain the carrying value of freehold land and buildings as at 31 December 1999 as deemed cost. All additions since this date are stated at cost. Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss reserve.

Depreciation and amortisation

Depreciation and amortisation are provided at rates calculated to write off the cost or valuation, less the estimated residual value of each asset, except for freehold land, evenly over its expected useful life as follows:

Freehold buildings	-	45 years
Plant, vehicles and fixtures	-	3 to 10 years
Computer equipment	-	2 to 5 years

Investments

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

Foreign currency translation

Where transactions are entered into by an operation, in a currency other than the operation's functional currency, the transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the Balance Sheet date. Any differences are taken to the profit and loss account for the year.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the Group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief;
- the recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Financial Instruments

Financial Instruments are measured initially and subsequently at cost.

1 Accounting policies *(continued)*

Employee benefit trust (EBT)

The cost of the company's shares held by the EBT is deducted from shareholders' funds in the company balance sheet. Any cash received by the EBT on disposal of the shares it holds is also recognised directly in shareholders' funds. Other assets and liabilities of the EBT are recognised as assets and liabilities of the company.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet 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 cumulative expense is not adjusted for failure to achieve a market vesting condition.

2 Directors' emoluments

	2014 £'000	2013 £'000
Directors' remuneration consists of:		
Aggregate emoluments	**866**	632
Pension contributions	**131**	105
Fees	**31**	32
	1,028	769

The highest paid Director had a salary of £329,000 (2013 - £198,000) including performance related pay and benefits in kind, and had a pension contribution of £33,000 (2013 - £32,000).

The Company contributed towards the personal pension plans of 4 Directors (2013 - 4) during the year.

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. £387,000 (2013 - £235,000) 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 2014 was £1,135,000 (2013 - £748,000). Amounts accrued are in addition to the Directors' and staff costs detailed above paid during the year.

3 Dividends

	2014 £'000	2013 £'000
Final dividend paid of 3.2p (2013 - 3.2p) per share	**441**	441
Interim dividend paid of 2.9p (2013 - 2.8p) per share	**400**	387
	841	828
Dividends declared after the balance sheet date but before approval of financial statements of 3.2p (2013 - 3.2p) per share	**443**	441

Dividends are recognised in the financial statements when they are paid and not declared. The 2014 financial statements recognised the interim dividend that was both paid and declared in 2014, and also the final dividend that was paid in 2014 but declared in the prior year financial statements for the year ended 31 December 2013.

4 Company profit for the financial year

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group profit for the period includes a profit after tax of £671,000 (2013 - £430,000) which is dealt with in the financial statements of the parent Company.

5 Tangible assets

	Freehold land and buildings £'000	Plant, vehicles and fixtures £'000	Computers £'000	Total £'000
Cost				
At 1 January	3,105	23	64	3,192
Addition	-	8	-	8
Disposals	-	(2)	(27)	(29)
At 31 December 2014	**3,105**	**29**	**37**	**3,171**
Depreciation				
At 1 January 2014	565	18	48	631
Provided during the year	36	6	12	54
Disposals	-	(2)	(27)	(29)
At 31 December 2014	**601**	**22**	**33**	**656**
Net book value				
At 31 December 2014	**2,504**	**7**	**4**	**2,515**
At 31 December 2013	2,540	5	16	2,561

No assets are held under finance leases or hire purchase contracts.

5 Tangible assets *(continued)*

	2104 £'000	2013 £'000
Freehold land and buildings included at:		
Open market value at 16 November 1992	**2,850**	2,850
Cost	**255**	255
	3,105	3,105
The historical balances of freehold land and buildings are:		
Cost	**2,435**	2,435
Accumulated depreciation	**(524)**	(487)
	1,911	1,948

6 Investments

	£'000
Cost	
At 1 January 2014	15,633
Repayment of long-term investment loan	(633)
At 31 December 2014	**15,000**

In the opinion of the Directors, the aggregate value of the Company's investment in its remaining subsidiary undertakings is not less than the amount included in the Balance Sheet.

6 Investments *(continued)*

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the Company's interest at the period end is 20% or more 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 Ltd	England	88%	Effluent treatment systems.
Ultraseal Asia Ltd*	BVI	75%	Holding company for Ultraseal Shanghai Ltd.
Ultraseal Shanghai Ltd*	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%	Surface engineering and finishing of metals.
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.
Advanced Coating Initiative F.Z.E *	Dubai	100%	Specialised coating and surface engineering.

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.

7 Debtors

	2014 £'000	2013 £'000
Amounts owed by subsidiaries	**7,742**	8,512
Other debtors	**24**	18
Prepayments and accrued income	**-**	37
Deferred tax	**126**	126
Corporation tax	**196**	-
	8,088	8,693

Deferred tax:

The deferred tax asset movement is as follows:

	£'000
At 1 January 2014 and as 31 December 2014	126

The deferred tax asset relates to other timing differences of £154,000 less a deferred tax liability of £28,000 in respect of accumulated depreciation being lower than accumulated capital allowances.

8 Creditors due within one year

	2014 £'000	2013 £'000
Bank loans and overdrafts (secured)	**5,531**	5,701
Trade creditors	**144**	86
Amounts owed to subsidiaries	**593**	583
Taxation and social security costs	**99**	70
Accruals and deferred income	**1,757**	894
Corporation tax	**-**	38
Other creditors	**20**	25
	8,144	7,397

The bank loans and overdrafts are secured over certain of the Group's assets and undertakings.

9 Creditors due after one year

	2014 £'000	2013 £'000
Bank loans (secured)	**2,390**	3,102
Amounts owed to subsidiaries	**7,000**	8,055
Other creditors	**75**	125
	9,465	11,282

The other creditor is in respect of deferred consideration payable relating to acquisitions in a prior year. The decrease in the year is due to a reassessment of the amount payable.

Loans and overdrafts are repayable as follows:	2014 £'000	2013 £'000
In one year or less	**5,531**	5,701
In more than one year but not more than two years	**703**	703
In more than two years but not more than five years	**1,687**	2,399
	7,921	8,803

The bank loans and overdrafts are secured over certain of the Group's assets and undertakings.

10 Share capital

	2014 Number '000	2014 Value £'000	2013 Number '000	2013 Value £'000
Authorised - ordinary shares of 10p each	**18,000**	**1,800**	18,000	1,800
Allotted and fully paid - ordinary shares of 10p each	**14,812**	**1,482**	14,812	1,482

Details of movement in share capital can be found in Note 27 to the Group Financial Statements.

11 Reserves

	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Share scheme reserve £'000	EBT share scheme reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2014	1,482	1,265	487	94	43	(841)	5,678	8,208
Retained profit	-	-	-	-	-	-	671	671
Movement in reserves	-	-	(8)	-	-	-	8	-
Purchase of shares by EBT	-	-	-	-	-	(22)	-	(22)
Exercise of share options	-	-	-	-	(32)	-	32	-
Dividends paid in year	-	-	-	-	-	-	(841)	(841)
At 31 December 2014	**1,482**	**1,265**	**479**	**94**	**11**	**(863)**	**5,548**	**8,016**

The Company has recognised an Employee Benefit Trust (EBT) share scheme reserve on the balance sheet which represents the Trust's holding in the Company's own shares. The Company has accounted for the share ownership as a deduction from its own equity as required under UITF 38.

12 Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 8 'Related party disclosures' from disclosing related party transactions with wholly owned subsidiaries.

The following table summarises the transactions with other related parties during the year:

2014	**At 1 January 2014**	**Loan repayments**	**At 31 December 2014**
Loans from:	**£'000**	**£'000**	**£'000**
Lancy Technology Ltd	**(55)**	**2**	**(53)**

2013	**At 1 January 2013**	**Loan repayments**	**At 31 December 2013**
Loans to/(from):	**£'000**	**£'000**	**£'000**
Lancy Technology Ltd	21	(76)	(55)

13 Contingent liabilities

There are cross-guarantees in respect of bank borrowings of other Group companies. At 31 December 2014 the amount of bank loans and overdrafts outstanding in respect thereof was £1,341,000 (2013 - £1,082,000).

The Company is part of a VAT Group. At December the VAT liability of other companies in that VAT Group was £440,000 (2013 - £254,000).

14 Share-based payment

Norman Hay plc operates two equity-settled share-based remuneration schemes for employees: a long term incentive scheme and an unapproved scheme for Executive Directors and senior management. All UK employees are eligible to participate in the long term incentive 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.

	2014 Weighted average exercise (pence)	2014 Number	2013 Weighted average exercise (pence)	2013 Number
Outstanding at the beginning	**64**	**1,165,150**	64	1,165,150
Exercised during the year	**72**	**(139,000)**	-	-
Outstanding at the end of the year	**63**	**1,026,150**	64	1,165,150

The weighted average exercise price of options outstanding at the end of the year was 63p (2013 - 64p).

During 2014 certain Directors exercised 139,000 of the approved share options and on the same date the Norman Hay plc Employee Benefit Trust repurchased 107,000 shares at a value of £1.20 per share. Details of the individual Directors' beneficial interests in share options can be found in the Directors' report on page 5. At the year end 50,000 options (2013 - 189,000 options) were exercisable. These options were exercised after the year end.

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 27 of the Group Financial Statements, including periods during which they are exercisable.

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

15 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 2014, shares held by the EBT under option to employees are as follows:

	2014	2013
Number of Norman Hay plc shares held	**979,510**	1,011,510

Notice of Meeting

Notice is hereby given that the sixty-ninth Annual General Meeting of the Company will be held at Royal Holloway University of London, Egham, Surrey, TW20 OEX on 25 June 2015 at 11 a.m. for the following purposes:

1 To receive and adopt the audited financial statements for the year ended 31 December 2014, together with the Reports of the Directors and the Auditors thereon.

2 To re-elect as a Director Mr Victor Bellanti, 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 declare a final dividend for the year ended 31 December 2014 of 3.2p per ordinary share, to be paid on 23 July 2015 to members whose names appear on the register of members as at the close of business on 23 June 2015.

5 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 2016 or 15 months from the date of this meeting 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.

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

That, subject to the passing of resolution 5 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 5 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 2016 or 15 months from the date of this meeting, whichever comes first, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or arrangement as if the power conferred by this resolution had not expired, 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 any aggregate nominal amount of £74,000.

Registered office:	By order of the board
Godiva Place	N A Ogden
Coventry	22 May 2015
CV1 5PN	

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 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 6pm on 23 June 2015 or, in the event that the Meeting is adjourned, on the register of members as at 6pm 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.