

**Norman Hay plc**

Report and Financial Statements

Year Ended

31 December 2016

Company Number 00405025

# Norman Hay plc

## Report and financial statements for the year ended 31 December 2016

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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

S J Forrest, 42 Sayer Drive, Lyons Park, Coventry, CV5 9PF

#### Company number

00405025

#### Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

# Norman Hay plc

## Chairman's Statement for the year ended 31 December 2016

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2016 has been a year of transition for the Group as we adjust to take advantage of the opportunities in the changing world in which we operate.

### Overview

The broad geographical spread of our international sales provides a significant level of stability for the Group's trading, and sales to UK customers now only account for 27% (2015: 34%) of our annual revenues.

As we focus increasingly on international markets, we have reduced the footprint of our oil & gas related business in the UK with the closure of two factories in Scotland. At the same time, we undertook the sale of a non-core electroplating business in Coventry.

During the year, we successfully relocated the Group's headquarters, including the manufacturing facilities of NHE and Ultraseal International, to a new, bespoke facility at Lyons Park in Coventry.

### Going Forward

In addition to an excellent performance from Ultraseal International, SIFCO ASC has performed particularly well in the first months of 2017.

Sterr & Eder, part of Ultraseal and based in Bavaria, is also trading very successfully on the back of solid business growth and prospects following its move during the summer of 2016 to a much expanded, purpose-built facility.

Whilst, as with many businesses, the sharp change in exchange rates in the middle of the year hurt us at the time, the overall effect is positive for both currency conversion in our accounts and our exports from the UK.

In 2017 we will continue to pursue actively a policy of prudent investment in opportunities to maximise the Group's international business.

### Dividend

Your Directors recommend the payment of a final dividend for the year of 3.2p.

Accordingly, and if approved at the Annual General Meeting to be held on 21 June 2017, a final dividend for the year of 3.2p will be paid on 19 July 2017 to shareholders on the register on 19 June 2017, making the total dividend for the year 6.1p (2015: 6.1p).

### Our Staff

The Group is built and supported by the efforts and expertise of a dedicated workforce worldwide and, on behalf of all of our shareholders, I would like to thank them all.

Peter L Hay  
Chairman

24 May 2017

# Norman Hay plc

## Strategic report for the year ended 31 December 2016

The Directors present their strategic report together with the audited financial statements for the year ended 31 December 2016.

### Principal activities

The principal activities of the Group are those of impregnation sealants, surface coatings and chemical process plant. The principal activity of the Company is that of a holding company.

### Financial review

Revenue in 2016 was £44.1m (2015: £44.7m).

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

The average number of Group employees decreased to 429 (2015 - 471) as the Group took further steps to reduce its cost base in the Surface Technology division, alongside the disposal of a non-core electroplating business.

Net distribution and administrative expenses fell to £14.4m (2015 - £15.2m), mainly as a result of the profit of £3.97m on the sale of the Group's former headquarters in Coventry that was in part offset by the provision for site closure costs and related impairments. This is further explained within note 5 to the financial statements.

The devaluation of Sterling following the Brexit vote has strengthened the balance sheet of the Group with the uplift in overseas asset values and improved our competitiveness in export markets from the UK, although it has also impacted costs incurred in foreign currencies.

Despite an upturn in the oil price, demand for our services in this sector remained low, and with certain projects coming to an end, we took the decision in December 2016 to close two of our facilities in the West of Scotland. With the disposal of our electro-plating business also occurring in 2016, this has resulted in a change in the structure of the Group, that we believe is now better equipped for the future.

Profit on ordinary activities before tax was £2.1m (2015: £1.3m).

The effective tax rate for the year has decreased to 17% (2015: 47%). Full 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 £19.3m (2015 - £16.7m). Norman Hay plc continues to monitor cash management closely both to safeguard its finances and to facilitate strategic investments should the opportunity arise, with net cash generated from operating activities of £1.2m (2015: £0.5m).

### Financial key performance indicators

	2016 £'000	2015 £'000
Revenue	44,076	44,671
Profit on ordinary activities before taxation and excluding goodwill amortisation, impairments and exceptional items	1,062	2,422
Profit on ordinary activities before taxation	2,091	1,267
Net cash / (borrowings)	99	(3,295)
Net assets	19,282	16,679

# Norman Hay plc

Strategic report (continued)  
for the year ended 31 December 2016

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## 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 and actions are taken to respond to changes in the business and environment as necessary.

## Principal risks and uncertainties

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

Actions taken to mitigate the above include:

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

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 24 May 2017.



S J Forrest  
Company Secretary

# Norman Hay plc

## Report of the directors for the year ended 31 December 2016

The Directors present their report together with the audited financial statements for the year ended 31 December 2016.

### Directors

The Directors of the Company during the year were: P

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

### Directors' interests

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

	<b>1 January 2016 Beneficial</b>	<b>31 December 2016 Beneficial</b>
P L Hay	2,210,870	2,210,870
V P Bellanti	197,000	197,000
N A Ogden	-	-
A R Steedman	-	-
Mrs B M Cattle	5,000	5,000

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

	<b>1 January 2016 Beneficial</b>	<b>31 December 2016 Beneficial</b>
P L Hay - Unapproved	388,075	388,075
V P Bellanti - Unapproved	588,075	588,075
N A Ogden	-	-
A R Steedman	-	-
Mrs B M Cattle	-	-

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

### Indemnity cover

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

### Results

The Consolidated Statement of Comprehensive Income is set out on page 10 showing revenue for the year of £44.1m (2015: £44.7m) and profit before tax of £2.1m (2015: £1.3m).

### Post balance sheet events

There were no material post balance sheet events that require disclosure in the financial statements.

# Norman Hay plc

## Report of the directors *(continued)* for the year ended 31 December 2016

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

Information on likely future developments in the business has been included in the Chairman's Statement on page 1 and the Strategic Report on page 2.

### **Dividends**

Dividends paid in the year are shown in note 10 of the financial statements.

A final dividend of 3.2p is proposed to be paid to shareholders on 19 July 2017, making the total for the full year 6.1p (2015: 6.1p).

### **Research and development**

The Group continues to invest in research and development. Research and development costs incurred and expensed in the year totalled £738,000 (2015: £476,000).

### **Financial risk management**

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

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

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

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

The Group continually monitors inter-Group current accounts to ensure they are settled in a manner which minimises the effects of currency fluctuations. The Group also enters into forward contracts where applicable and continues to monitor and reassess its position on managing foreign exchange risk.

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

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

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

# Norman Hay plc

## Report of the directors *(continued)* for the year ended 31 December 2016

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### ***Credit risk (continued)***

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

### ***Liquidity risk***

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

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

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

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

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

### ***Market risk***

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

### ***Employees***

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

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

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



# Norman Hay plc

## Report of the directors *(continued)* for the year ended 31 December 2016

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### Directors' responsibilities

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

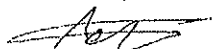
### Auditors

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 reappoint them will be proposed at the forthcoming Annual General Meeting.

### Approval

This report was approved by order of the Board on 24 May 2017.



S J Forrest  
Company Secretary

# Norman Hay plc

## Independent auditor's report

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORMAN HAY plc**

We have audited the financial statements of Norman Hay plc for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of directors and auditors**

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

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

# Norman Hay plc

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

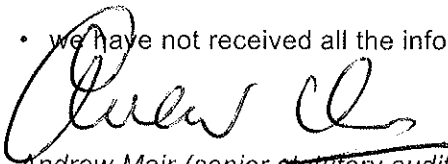
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### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.



*Andrew Mair (senior statutory auditor)*

*For and on behalf of BDO LLP, statutory auditor  
Birmingham  
United Kingdom*

Date: 24 May 2017

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 2016

Continuing operations	Note	2016 £'000	2015 £'000
<b>Revenue</b>	3	<b>44,076</b>	44,671
Cost of sales		<b>(27,461)</b>	(28,182)
<b>Gross profit</b>		<b>16,615</b>	16,489
Distribution costs		<b>(801)</b>	(720)
Administrative expenses		<b>(13,572)</b>	(14,447)
Other operating income		<b>12</b>	163
<b>Operating profit</b>	4	<b>2,254</b>	1,485
Analysed as:			
Operating profit before goodwill amortisation and impairment and exceptional items		<b>1,062</b>	2,422
Goodwill amortisation and impairment	11	<b>(804)</b>	(937)
Exceptional items	5	<b>1,996</b>	-
<b>Operating profit</b>		<b>2,254</b>	1,485
Other interest receivable and similar income		<b>11</b>	33
Interest payable and similar charges	8	<b>(174)</b>	(251)
<b>Profit on ordinary activities before taxation</b>		<b>2,091</b>	1,267
Taxation on profit on ordinary activities	9	<b>(357)</b>	(596)
<b>Profit for the financial year</b>		<b>1,734</b>	671
<b>Other comprehensive income/(expense):</b>			
Currency translation differences		<b>1,713</b>	(95)
<b>Total comprehensive income for year</b>		<b>3,447</b>	576
<b>Profit for the financial year attributable to:</b>			
Non-controlling interest		<b>182</b>	144
Owners of the parent company		<b>1,552</b>	527
		<b>1,734</b>	671
<b>Total comprehensive income attributable to:</b>			
Non-controlling interest		<b>182</b>	144
Owners of the parent company		<b>3,265</b>	432
		<b>3,447</b>	576

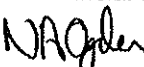
The notes form part of these financial statements.

# Norman Hay plc

## Consolidated balance sheet at 31 December 2016

<i>Company number 00405025</i>	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
<b>Fixed assets</b>					
Intangible assets	11		4,045		4,619
Tangible assets	12		8,116		8,337
Investments	13		26		26
			<u>12,187</u>		<u>12,982</u>
<b>Current assets</b>					
Stocks	14	2,791		2,831	
Debtors	15	14,271		14,849	
Cash at bank and in hand		4,379		4,349	
		<u>21,441</u>		<u>22,029</u>	
<b>Creditors: amounts falling due within one year</b>	16	(11,817)		(14,700)	
<b>Net current assets</b>			<u>9,624</u>		<u>7,329</u>
<b>Total assets less current liabilities</b>			<u>21,811</u>		<u>20,311</u>
<b>Creditors: amounts falling due after more than one year</b>	17		(1,062)		(2,859)
<b>Provisions for liabilities</b>	19		(1,467)		(773)
<b>Net assets</b>			<u>19,282</u>		<u>16,679</u>
<b>Capital and reserves</b>					
Called up share capital	21		1,482		1,482
Share premium account			1,265		1,265
Capital redemption reserve			94		94
Other non-distributable reserve			766		766
Reserve for own shares			(863)		(863)
Share scheme reserve			-		-
Foreign exchange reserve			1,565		(148)
Profit and loss account			14,176		13,468
<b>Equity attributable to owners of the parent company</b>			<u>18,485</u>		<u>16,064</u>
<b>Non-controlling interests</b>			<u>797</u>		<u>615</u>
<b>Total equity</b>			<u>19,282</u>		<u>16,679</u>

The financial statements were approved by the board of directors and authorised for issue on 24 May 2017.

  
N A OGDEN  
Director

The notes form part of these financial statements.

# Norman Hay plc

## Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other non distribut- able reserve £'000	Reserve for own shares £'000	Share scheme reserve £'000	Foreign exchange reserve £'000	Profit and loss account £'000	Equity attributable to the owners of the parent company £'000	Non-con- trolling interests £'000	Total equity £'000
<b>1 January 2016</b>	1,482	1,265	94	766	(863)	-	(148)	13,468	16,064	615	16,679
<b>Comprehensive income for the year:</b>											
Profit for the year	-	-	-	-	-	-	-	1,552	1,552	182	1,734
<b>Other comprehensive income for the year:</b>											
Currency translation differences	-	-	-	-	-	-	1,713	-	1,713	-	1,713
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,713</b>	<b>1,552</b>	<b>3,265</b>	<b>182</b>	<b>3,447</b>
<b>Contributions by and distributions to owners</b>											
Dividends	-	-	-	-	-	-	-	(844)	(844)	-	(844)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(844)</b>	<b>(844)</b>	<b>-</b>	<b>(844)</b>
<b>31 December 2016</b>	<b>1,482</b>	<b>1,265</b>	<b>94</b>	<b>766</b>	<b>(863)</b>	<b>-</b>	<b>1,565</b>	<b>14,176</b>	<b>18,485</b>	<b>797</b>	<b>19,282</b>

The notes form part of these financial statements.

# Norman Hay plc

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

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

The notes form part of these financial statements.

# Norman Hay plc

## Consolidated statement of cash flows for the year ended 31 December 2016

	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>		
<b>Profit for the financial year</b>	1,734	671
Adjustments for:		
Depreciation, amortisation and impairment of fixed assets	2,949	2,012
Net fair value losses recognised in profit or loss	433	68
(Profit)/loss on sale of property, plant and equipment	(3,802)	59
Profit on sale of trade and assets of a non-core subsidiary	(156)	
Net interest payable	163	218
Taxation expense	357	596
Increase in stocks	(68)	(194)
Decrease/(increase) in trade and other debtors	665	(1,277)
Decrease in trade and other creditors	(1,993)	(359)
Increase/(decrease) in provisions	885	(12)
Foreign exchange	708	-
	<u>1,875</u>	<u>1,782</u>
<b>Cash from operations</b>		
Interest paid	(157)	(234)
Taxation paid	(478)	(1,045)
	<u>1,240</u>	<u>503</u>
<b>Net cash generated from operating activities</b>	<u>1,240</u>	<u>503</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(3,505)	(1,072)
Proceeds from sale of tangible fixed assets	5,763	-
Purchase of business operations	-	(1,479)
Payment of deferred consideration	-	(18)
Interest received	11	33
Proceeds from sale of a business operation in prior years	87	152
Proceeds from sale of trade and assets of a non-core subsidiary	350	-
	<u>2,706</u>	<u>(2,384)</u>
<b>Net cash generated from/(used in) investing activities</b>	<u>2,706</u>	<u>(2,384)</u>
<b>Cash flows from financing activities</b>		
Equity dividends paid	(844)	(842)
Proceeds from new loans	-	1,350
Loan repayments	(2,480)	(772)
	<u>(3,324)</u>	<u>(264)</u>
<b>Net cash used in financing activities</b>	<u>(3,324)</u>	<u>(264)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>622</u>	<u>(2,145)</u>
Cash and cash equivalents at beginning of year	605	2,845
Foreign exchange gains/(losses)	567	(95)
	<u>1,794</u>	<u>605</u>
<b>Cash and cash equivalents at end of year</b>	<u>1,794</u>	<u>605</u>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank and in hand	4,379	4,349
Bank overdrafts	(2,585)	(3,744)
	<u>1,794</u>	<u>605</u>

The notes form part of these financial statements.



# Norman Hay plc

Company balance sheet  
as at 31 December 2016

<b>Company number</b> <b>00405025</b>	<b>Note</b>	<b>2016</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
<b>Fixed assets</b>					
Tangible assets	12		2,403		2,904
Investments	13		7,233		7,661
			<u>9,636</u>		<u>10,565</u>
<b>Current assets</b>					
Debtors	15	7,447		8,349	
Cash at bank and in hand		23		22	
		<u>7,470</u>		<u>8,371</u>	
<b>Creditors: amounts falling due within one year</b>	16	(8,077)		(10,154)	
<b>Net current liabilities</b>			<u>(607)</u>		<u>(1,783)</u>
<b>Total assets less current liabilities</b>			<u>9,029</u>		<u>8,782</u>
<b>Creditors: amounts falling due after more than one year</b>	17		-		(1,678)
<b>Net assets</b>			<u>9,029</u>		<u>7,104</u>
<b>Capital and reserves</b>					
Called up share capital	21		1,482		1,482
Share premium account			1,265		1,265
Capital redemption reserve			94		94
Reserve for own shares			(863)		(863)
Share scheme reserve			-		-
Revaluation reserve			207		767
Profit and loss account			6,844		4,359
<b>Total equity</b>			<u>9,029</u>		<u>7,104</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the Company for the year was £2,769,000 (2015: loss of £316,000).

The financial statements were approved by the board of directors and authorised for issue on 24 May 2017.

  
N A OGDEN  
Director

# Norman Hay plc

## Company statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Reserve for own shares £'000	Share scheme reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
<b>1 January 2016</b>	1,482	1,265	94	(863)	-	767	4,359	7,104
<b>Comprehensive income for the year:</b>								
Profit for the year	-	-	-	-	-	-	2,769	<b>2,769</b>
Reserves transfer	-	-	-	-	-	(560)	560	-
<b>Total comprehensive income for the year</b>	-	-	-	-	-	<b>(560)</b>	<b>3,329</b>	<b>2,769</b>
<b>Contributions by and distributions to owners</b>								
Dividends	-	-	-	-	-	-	(844)	<b>(844)</b>
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	-	<b>(844)</b>	<b>(844)</b>
<b>31 December 2016</b>	<b>1,482</b>	<b>1,265</b>	<b>94</b>	<b>(863)</b>	<b>-</b>	<b>207</b>	<b>6,844</b>	<b>9,029</b>

The notes form part of these financial statements.

# Norman Hay plc

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

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

The notes form part of these financial statements.

# Norman Hay plc

## Notes forming part of the financial statements for the year ended 31 December 2016

### 1 Accounting policies

Norman Hay plc is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Group's operations and its principal activities is set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS102").

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

The functional currency of Norman Hay plc is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The financial statements are also presented in pounds sterling in round thousands.

#### *Parent Company disclosure exemptions*

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

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

The following principal accounting policies have been applied consistently:

#### *Basis of consolidation*

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

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

#### *Revenue*

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

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

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 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.

#### *Intangible assets*

##### *a) Goodwill*

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

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Taking these factors into account, goodwill is being amortised over 10 years.

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

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

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

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

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

#### *Tangible fixed assets*

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

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

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

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

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

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### 1 Accounting policies *(continued)*

#### *Investment properties*

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

#### *Investments*

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

#### *Impairment of fixed assets*

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

#### *Government grants*

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

#### *Stocks*

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

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

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

#### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within current liabilities, but included within cash and cash equivalents in the cash flow statement.

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 1 Accounting policies *(continued)*

#### *Financial assets*

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

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

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

#### *Financial liabilities and equity*

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

#### *Provisions*

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

#### *Foreign currency translation*

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

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

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

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

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

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 1 Accounting policies *(continued)*

#### *Finance costs*

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

#### *Current and deferred taxation*

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

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

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

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

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

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

#### *Share-based payments*

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

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

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



# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 1 Accounting policies *(continued)*

#### *Pension*

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

#### *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 and Parent Company 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 and Company balance sheets as if they were treasury shares.

#### *Leased assets*

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

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

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

#### *Research and development*

Expenditure on applied research and development is charged to profit or loss in the year in which it is incurred.

#### *Dividends*

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

#### *Reserves*

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- The capital redemption reserve contains the nominal value of own shares that have been acquired by the Company and cancelled.
- The other non-distributable reserve arises from the elimination of share capital of acquired companies in excess of nominal value of shares issued.
- The reserve for own shares is the sum paid for shares held by the Norman Hay plc Employee Benefit Trust.
- The share scheme reserve represents the cumulative share-based payment charge in respect of the fair value of share options granted.
- The foreign exchange reserve arises from fluctuations in the value of net assets denominated in currencies other than sterling.

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 1 Accounting policies *(continued)*

#### *Reserves (continued)*

- The revaluation reserve represents the cumulative unrealised gains on the revaluation of certain assets.
- The profit and loss account represents cumulative profits or losses and other comprehensive income, net of dividends paid.
- The non-controlling interest represents the interest of the minority shareholders in the net assets of subsidiaries of the Group.

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

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

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

#### *Key sources of estimation uncertainty:*

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

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

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

- *Intangible assets and amortisation (note 11)*

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

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

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

- *Investments (note 13)*

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

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

In applying the Group's accounting policy, where the outcome of a long-term contract can be estimated reliably, contract revenue is recognised by reference to the stage of completion and expected outcome of the contract activity. The stage of completion and expected outcome is regularly reviewed and updated although the actual result could differ from the value used in determining the revenue and profits recognised.

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

Included within assets is an amount of £346,000 (2015: £433,000) receivable in respect of the disposal of a business in prior years. This consideration receivable has been calculated as the total expected annual amounts receivable from the purchaser discounted at an appropriate rate. The expected annual amount receivable is based on a percentage of the sales of the purchaser. There is no set termination date for the agreement.

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

- *Closure costs provision (notes 5 & 19)*

The Group took the decision to close certain sites pre year-end and has made provision for associated closure costs, including dilapidations, redundancies and onerous leases. Management have made a provision based on all known facts at the date of signing the financial statements, but there is inherent uncertainty over the exact amount of the costs that will be required to settle all obligations in respect of the closure of these sites.

### 3 Analysis of revenue

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Analysis by class of business:		
Sale of goods	<b>16,912</b>	15,004
Rendering of services	<b>23,948</b>	25,928
Long-term contracts	<b>3,216</b>	3,739
	<b>44,076</b>	44,671
Analysis of turnover by country of destination:		
United Kingdom	<b>12,027</b>	15,294
Rest of Europe	<b>9,201</b>	8,769
Rest of the world	<b>22,848</b>	20,608
	<b>44,076</b>	44,671

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2016

### 4 Operating profit

	2016 £'000	2015 £'000
This is arrived at after charging/(crediting):		
Research and development	738	476
Inventory recognised as an expense	13,566	12,959
Depreciation of tangible fixed assets	1,211	903
Impairment of tangible fixed assets (see note 5)	934	-
(Profit) / loss on disposal of property (see note 5)	(3,970)	-
Profit on sale of trade and assets of small, non-core entities	(156)	-
Loss on disposal of other tangible fixed assets	168	59
Amortisation of intangible fixed assets:		
- Goodwill	488	537
- Other intangibles	216	172
Impairment of goodwill	100	400
Exchange differences	706	459
Staff costs (note 6)	15,530	16,061
Operating leases	1,818	1,236
Government grants	(24)	(12)
Financial asset held at fair value (note 18)	-	(150)
Derivative financial instruments held at fair value (note 18)	433	218
Provision for closure costs and stock write offs (see note 5)	1,040	-
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	9	9
Fees payable to the Company's auditor and its associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	111	121
Audit related services	1	3
Taxation compliance services	40	24
Tax advisory and restructuring services	6	19
Other services	8	32

### 5 Exceptional items

	2016 £'000	2015 £'000
Profit on sale of freehold property	3,970	-
Site closure and related costs:		
Tangible fixed asset impairments (see note 12)	(934)	-
Stock write offs	(34)	-
Provision for closure costs (see note 19)	(1,006)	-
	1,996	-

At the prior year-end there was a conditional sale agreement for the Group's and Company's headquarters which had a book value as at 31 December 2015 in the Group's financial statements of £1.79m and a book value in the Company's financial statements of £2m. The principal conditions of the sale were for planning permission to be granted for student accommodation and for the covenants on the property to be lifted. In early 2016, the conditions of the offer for the property were satisfied and the sale was completed. The gain on the sale has been recognised in the financial statements of both the Group and the Company in the financial year ending 31 December 2016.

The site closure costs and asset impairments arose from the decision to close certain sites together with the associated impairment reviews of the assets affected – see notes 12 and 19.

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 6 Employees

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Staff costs (including directors) consist of:				
Wages and salaries	13,367	13,716	1,028	975
Social security costs	1,505	1,572	139	131
Defined contribution pension costs	658	773	129	186
	<u>15,530</u>	<u>16,061</u>	<u>1,296</u>	<u>1,292</u>

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

	Group 2016 Number	Group 2015 Number	Company 2016 Number	Company 2015 Number
Manufacturing	245	255	-	-
Office and management	184	216	15	15
	<u>429</u>	<u>471</u>	<u>15</u>	<u>15</u>

The Group and Company operate a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the Group and Company, in independently administered funds. The amount of pension contributions outstanding at the year-end for the Group was £60,000 (2015: £10,000) and for the Company was £12,000 (2015: £10,000).

### 7 Directors' remuneration

	2016 £'000	2015 £'000
Directors' emoluments	748	763
Amounts allocated under long-term incentive plan	321	-
Company contributions to money purchase pension schemes	116	121
Amounts paid to third parties in respect of directors' services	37	36
	<u>1,222</u>	<u>920</u>

There were 4 directors in the Group's and Company's defined contribution pension scheme (2015: 4).

Emoluments of the highest paid director were £383,000 (2015: £274,000). Pension contributions of £10,000 (2015: £40,000) were made to a money purchase scheme on his behalf.

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Those persons are considered to be the directors of the Company and Group. The total compensation paid to key management personnel for services provided to the group was £1,369,000 (2015: £1,025,000).

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 7 Directors' remuneration *(continued)*

In 2011 the company introduced a long-term incentive scheme for the Norman Hay senior team, which all current directors are part of. Its purpose is to create a long-term bonus pool to reward the achievement of sustained growth in post-tax annual profits. During the year, £nil (2015: £nil) has been accrued under the scheme and amounts totalling £373,000 (2015: £nil) have been utilised. The total amount remaining accrued under the long-term incentive scheme at 31 December 2016, inclusive of employer's NI due on payment or allocation, and which is disclosed within accruals and deferred income due within one year, as the timing of payment is at the discretion of the directors, was £762,000 (2015: £1,135,000). Amounts paid or allocated during the year included in the directors' costs detailed above amounted to £321,000 (2015: £nil).

### 8 Interest payable and similar charges

	2016 £'000	2015 £'000
Bank loans and overdrafts	156	223
Amortisation of issue costs	17	17
Other	1	11
	<u>174</u>	<u>251</u>

### 9 Taxation on profit on ordinary activities

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
<i>UK corporation tax</i>				
Current tax on profits of the year		-		-
Adjustment in respect of previous periods		53		57
		<u>53</u>		<u>57</u>
<i>Foreign tax</i>				
Current tax on foreign income for the year		777		582
Total current tax		<u>830</u>		<u>639</u>
<i>Deferred tax</i>				
Origination and reversal of timing differences	(416)		15	
Adjustment in respect of previous periods	-		(77)	
Changes to tax rates	(57)		19	
	<u>(473)</u>		<u>(43)</u>	
Taxation on profit on ordinary activities		<u>357</u>		<u>596</u>

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 9 Taxation on profit on ordinary activities *(continued)*

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

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Profit on ordinary activities before tax	<b>2,091</b>	1,267
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015: 20%)	<b>418</b>	253
Effects of:		
Expenses not deductible for tax purposes	<b>168</b>	13
Amortisation of goodwill not deductible for tax purposes	<b>92</b>	184
Enhanced tax relief	-	(19)
Higher tax rates on overseas earnings	<b>264</b>	166
Adjustment in respect of previous periods	<b>53</b>	(20)
Changes to tax rates	<b>(57)</b>	19
Indexation and unrecognised capital losses utilised on sale of property	<b>(620)</b>	-
Unrecognised deferred tax asset on trading losses carried forward	<b>39</b>	-
Total tax charge for period	<b>357</b>	596

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £nil (2015: £nil).

The main rate of UK corporation tax for the year commencing 1 April 2015 was 20%. Further reductions in the main rate of UK corporation tax were enacted in the Finance Act 2015 on the 26 October 2015, taking the main rate of UK corporation tax to 19% for the year commencing 1 April 2017. The Finance Act 2016, enacted on 15 September 2016, reduced the main rate of Corporation tax to 17% for the year commencing 1 April 2020. These changes have been reflected in the carrying value of the deferred tax liability at the balance sheet date.

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

# Norman Hay plc

Notes forming part of the financial statements *(continued)*  
for the year ended 31 December 2016

## 10 Dividends

	2016 £'000	2015 £'000
<b>Paid during the year</b>		
Ordinary shares:		
2 <sup>nd</sup> interim for the prior year of 3.2p (2015: nil) per share	443	-
Final proposed for the prior year of nil (2015: 3.2p) per share	-	441
1 <sup>st</sup> interim paid of 2.9p (2015: 2.9p) per share	401	401
	<u>844</u>	<u>842</u>
<b>Dividends declared after the balance sheet date</b>		
Ordinary shares:		
2 <sup>nd</sup> interim dividend paid post year-end of nil (2015: 3.2p) per share	-	442
Final dividend proposed for the year of 3.2p per share (2015: nil)	443	-
	<u>443</u>	<u>-</u>

Dividends paid post year-end have not been accrued for, as these were declared after the year-end.

## 11 Intangible assets

Group	Brands £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2016	1,032	611	6,311	7,954
Foreign exchange differences	-	-	421	421
<b>At 31 December 2016</b>	<b>1,032</b>	<b>611</b>	<b>6,732</b>	<b>8,375</b>
<i>Amortisation and impairment</i>				
At 1 January 2016	441	25	2,869	3,335
Charge for year	147	69	488	704
Impairment provision in year	-	-	100	100
Foreign exchange differences	-	-	191	191
<b>At 31 December 2016</b>	<b>588</b>	<b>94</b>	<b>3,648</b>	<b>4,330</b>
<i>Net book value</i>				
<b>At 31 December 2016</b>	<b>444</b>	<b>517</b>	<b>3,084</b>	<b>4,045</b>
At 31 December 2015	591	586	3,442	4,619



# Norman Hay plc

Notes forming part of the financial statements *(continued)*  
for the year ended 31 December 2016

## 11 Intangible assets *(continued)*

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

	2016 Years	2016 £'000
Applied Surface Concepts	6	2,199
Advanced Coating Initiative	5	144
Applied Precision Coatings	4	126
Sterr & Eder	6	453
Liquid Development Company	8.5	1,123
		<u>4,045</u>

During the year, the Group determined that the goodwill attributable to one of its subsidiaries had become impaired due to the adverse trading conditions that entity was now facing, mainly as a result of the continued low price of oil. This had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to intangible fixed assets of £100,000 (2015: £400,000). The pre-tax discount rate used to measure the asset's value in use was 20% (2015: 12%).

## 12 Tangible fixed assets

Group	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant, vehicles and fittings £'000	Computer equipment £'000	Total £'000
<i>Cost or deemed cost</i>					
At 1 January 2016	4,344	830	8,706	1,029	14,909
Additions	35	1,502	1,673	295	3,505
Disposals	(2,349)	-	(1,110)	(198)	(3,657)
Exchange adjustments	399	89	748	80	1,316
<b>At 31 December 2016</b>	<b>2,429</b>	<b>2,421</b>	<b>10,017</b>	<b>1,206</b>	<b>16,073</b>
<i>Depreciation</i>					
At 1 January 2016	907	325	4,753	587	6,572
Charge for year	93	55	915	148	1,211
Impairment provision	-	27	901	6	934
Disposals	(571)	-	(982)	(57)	(1,610)
Exchange adjustments	241	68	495	46	850
<b>At 31 December 2016</b>	<b>670</b>	<b>475</b>	<b>6,082</b>	<b>730</b>	<b>7,957</b>
<i>Net book value</i>					
<b>At 31 December 2016</b>	<b>1,759</b>	<b>1,946</b>	<b>3,935</b>	<b>476</b>	<b>8,116</b>
At 31 December 2015	3,437	505	3,953	442	8,337

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2016

### 12 Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2016 £'000	2015 £'000
Long-term leasehold property	383	390
Short-term leasehold property and improvements	1,563	115
	<u>1,946</u>	<u>505</u>

The total impairment loss recognised on tangible fixed assets in the year was £934,000 (2015: £nil) and is included in administrative expenses in the consolidated income statement. £647,000 of the impairment loss arose as a result of the closure of certain sites – see note 19. A further £287,000 was recognised based on value in use calculations undertaken to assess the recoverable amount for assets held at the remaining sites. The pre-tax discount rate used to measure the assets' value in use was 15% (2015: 12%).

Company	Investment properties £'000	Leasehold alterations £'000	Plant, vehicles and fittings £'000	Computer equipment £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 2016	2,900	-	29	37	2,966
Additions	-	1,501	-	3	1,504
Disposals	(2,000)	-	(7)	-	(2,007)
<b>At 31 December 2016</b>	<b>900</b>	<b>1,501</b>	<b>22</b>	<b>40</b>	<b>2,463</b>
<i>Depreciation</i>					
At 1 January 2016	-	-	25	37	62
Charge for year	-	-	3	1	4
Disposals	-	-	(6)	-	(6)
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>38</b>	<b>60</b>
<i>Net book value</i>					
<b>At 31 December 2016</b>	<b>900</b>	<b>1,501</b>	<b>-</b>	<b>2</b>	<b>2,403</b>
At 31 December 2015	2,900	-	4	-	2,904

#### Investment properties

The Company's investment properties are valued annually on 31 December at fair value by the directors. The directors' valuation is determined by taking account of periodic external valuations and considering any changes in assumptions, circumstances and market trends since the valuation date. The external valuations are carried out by an independent, professionally qualified valuer and were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. The latest external valuation of the remaining investment property was £900,000 by Knight Frank on 7 March 2016.

The directors are of the opinion that there has been no significant change in value of the property held at 31 December 2016 since the date of the last external valuation.

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 12 Tangible fixed assets *(continued)*

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

	2016 £'000	2015 £'000
Historical cost:		
Deemed cost – open market value at 16 November 1992	765	2,850
Subsequent cost	-	255
	<u>765</u>	<u>3,105</u>
Accumulated depreciation	(107)	(640)
	<u>658</u>	<u>2,465</u>
Excess of net book value over historical cost basis	<u>242</u>	<u>435</u>

### 13 Investments

Group	£'000
<i>Cost</i>	
<b>At 1 January 2016 and 31 December 2016</b>	<b>26</b>

The investment relates to Ultraseal India (PVT) Limited and the Group holds 30% of the ordinary share capital of the company. There is no material difference between the cost of the investment and the carrying amount adjusted to recognise the Group's share of the profit or loss of the investee at 31 December 2016.

Company	£'000
<i>Cost</i>	
At 1 January 2016	14,758
Additions	9
<b>At 31 December 2016</b>	<b>14,767</b>
<i>Impairment provision</i>	
At 1 January 2016	7,097
Charge for the year	437
<b>At 31 December 2016</b>	<b>7,534</b>
<i>Net book value</i>	
<b>At 31 December 2016</b>	<b>7,233</b>
At 31 December 2015	7,661

# Norman Hay plc

## Notes forming part of the financial statements (continued) for the year ended 31 December 2016

### 13 Investments (continued)

The investment relates to shares in subsidiaries.

During the year, the Company determined that its investment in one of its trading subsidiaries had become impaired due to the adverse trading conditions it was now facing, mainly as a result of the continued low price of oil. This had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to fixed asset investments of £437,000 (2015: £1,100,000). The pre-tax discount rate used to measure the asset's value in use was 20% (2015: 12%).

Subsidiary undertaking	Percentage shareholding	Location	Registered office
Surface Technology plc	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
Ultraseal USA Inc*	100%	USA	4343 Concourse Drive, Suite 340, Ann Arbor, MI, 48108.
Lancy Technology Limited	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
Ultraseal Asia Limited*	75%	BVI	Rm 11, 21/F, BLK B, New Trade Plaza, 6 On Ping Street, Shatin Nt, Hong Kong.
Ultraseal Shanghai Limited*	75%	China	No.235 Baian Road, Jiading District, Shanghai.
Ultraseal Chongqing Limited*	75%	China	No.6, FengDian Road, Jiading District, Chongqing.
Surface Technology (Australia) Pty Limited *	100%	Australia	BDO (WA) Pty Ltd, 38 Station Street, Subiaco, WA 6008.
MX Systems International Limited	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
Surface Technology (Coventry) Limited*	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
Armourcote Malaysia Sdn Bhd*	100%	Malaysia	18th Floor, Wisma Zelan, No.1 Jalan Tasik Permaisuri 2, Bandar Tun Razak, 56000 Kuala Lumpur.
Surface Technology (Dalian) Co Limited*	100%	China	67-A Tieshan Middle Road, Development Zone, Dalian.
Advanced Coating Initiative Limited	100%	UK	14 Greenbank Road, East Tullos Industrial Estate, Aberdeen, Scotland, AB12 3BQ.
Applied Surface Concepts Holdings Limited	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
SIFCO Applied Surface Concepts (UK) Limited*	100%	UK	United 12-14, Aston Field Trading Estate, Aston Road, Bromsgrove, Worcestershire, B60 3EX.
SIFCO Applied Surface Concepts Sweden AB*	100%	Sweden	Furudalsvagen 9, 79532 Rattvik.
SIFCO Applied Surface Concepts SARL*	100%	France	2, rue de la Noue Guimante – PA de la Courthillière, 77400 Saint -Thibault-des-Vignes.
SIFCO Applied Surface Concepts LLC*	100%	USA	5708, E. Schaaf Rd., Independence, OH, 44131.
Sterr & Eder Industrieservice GmbH	100%	Germany	Waldstrasse 5, 84149 Velden/Vils.
Plasticraft Limited	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
Applied Precision Coatings Limited *	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
Armourcote Surface Treatments Limited	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
Armourcote East Kilbride Limited	100%	UK	15-17 Colvilles Place, Kelvin Industrial Estate, East Kilbride, Glasgow, G75 0PZ.
Norman Hay International Limited*	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
Ultraseal Limited*	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.

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

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

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 13 Investments *(continued)*

Surface Technology plc's nature of business is surface engineering, impregnation and finishing of metals, and the supply of impregnation equipment and chemicals and NDT equipment. Ultraseal USA Inc is a distributor of impregnation equipment and chemicals.

Lancy Technology Limited, Surface Technology (Coventry) Limited and Armourcote Malaysia Sdn Bhd are non-trading entities.

Ultraseal Asia Limited and Applied Surface Concepts Holdings Limited are holding companies.

Ultraseal Shanghai Limited and Ultraseal Chongqing Limited are engaged in processing and are distribution centres for impregnation chemicals and equipment.

Surface Technology (Australia) Pty Limited, Surface Technology (Dalian) Co Limited, SIFCO Applied Surface Concepts (UK) Ltd, SIFCO Applied Surface Concepts Sweden AB, SIFCO Applied Surface Concepts SARL and SIFCO Applied Surface Concepts LLC are all engaged in surface engineering and finishing of metals. Advanced Coating Initiative Limited's business is specialised coating and surface engineering.

MX Systems International Limited's business is the supply of impregnation equipment and chemistry.

Sterr & Eder Industrieservice GmbH's business is the impregnation and finishing of metals.

Plasticraft Limited, Applied Precision Coatings Limited, Armourcote Surface Treatments Limited, Armourcote East Kilbride Limited, Norman Hay International Limited and Ultraseal Limited are dormant companies.

### 14 Stocks

	<b>Group 2016 £'000</b>	<b>Group 2015 £'000</b>
Raw materials and consumables	1,838	1,909
Work in progress	4	140
Finished goods	949	782
	<hr/>	<hr/>
	<b>2,791</b>	<b>2,831</b>
	<hr/> <hr/>	<hr/> <hr/>

Included in the amount shown above for stocks of raw materials and consumables are items valued at cost calculated on a first-in, first-out basis. The replacement cost of these items at 31 December 2016 and 31 December 2015 is not materially different to the amount at which they are included in the accounts.

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

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 15 Debtors

	<b>Group 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>Company 2016 £'000</b>	<b>Company 2015 £'000</b>
Trade debtors	<b>10,395</b>	9,700	-	-
Amounts recoverable on contracts	<b>546</b>	2,632	-	-
Amounts recoverable from Group undertakings	-	-	<b>7,172</b>	7,621
Other debtors	<b>1,605</b>	1,052	<b>83</b>	22
Prepayments and accrued income	<b>972</b>	886	<b>24</b>	29
UK corporation tax	<b>359</b>	570	-	490
Foreign tax	<b>112</b>	9	-	-
Deferred tax (note 20)	<b>282</b>	-	<b>168</b>	187
	<b>14,271</b>	14,849	<b>7,447</b>	8,349

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

- Group amounts receivable from sale of an operation of £246,000 (2015: £283,000) included within other debtors
- Group and Company deferred tax assets recognised primarily in respect of timing differences and un-utilised trading tax losses will be reversed over the years those timing differences unwind and the tax losses are utilised against taxable profits

The amount recognised in the Group profit or loss for the period in respect of bad and doubtful trade debtors was a credit of £10,000 (2015: credit £4,000). The impairment loss recognised in the Company profit or loss for the period in respect of bad and doubtful trade debts was £nil (2015: £nil).

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 16 Creditors: amounts falling due within one year

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Bank overdrafts (secured)	2,585	3,744	707	4,461
Bank loans (secured)	737	1,031	423	719
Other loans	-	10	-	-
Derivative financial liabilities (note 18)	703	270	-	-
Payments received on account	-	2,019	-	-
Trade creditors	2,405	2,785	186	144
Amounts owed to Group undertakings	-	-	5,193	3,513
Foreign corporation tax	244	-	-	-
Other taxation and social security	788	1,150	43	39
Other creditors	586	493	-	-
Accruals and deferred income	3,769	3,198	1,525	1,278
	<u>11,817</u>	<u>14,700</u>	<u>8,077</u>	<u>10,154</u>

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

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

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Bank loans (secured)	945	2,758	-	1,671
Other loans	13	101	-	-
Amounts owed to Group undertakings	-	-	-	7
Other creditors	104	-	-	-
	<u>1,062</u>	<u>2,859</u>	<u>-</u>	<u>1,678</u>

The bank loans are secured over certain assets of the Group and the Company.

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

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

The maturities of sources of debt finance are as follows:

Group	Loans and overdrafts	Loans and overdrafts
	2016	2015
	£'000	£'000
In one year or less, or on demand	3,322	4,785
In more than one year but not more than two years	314	1,021
In more than two years but not more than five years	496	1,627
In more than five years	148	211
	4,280	7,644
	4,280	7,644

There are currently 4 principal bank loans outstanding.

Loans A and B are denominated in Sterling and the total balance as at 31 December 2016 was £423,000 (2015: £2,390,000). The loans are repayable by 4 equal quarterly instalments, with a fixed interest rate of 2.82% on £158,000 of the balance and a floating interest rate, which is currently 2.12%, on the remainder.

Loan C is denominated in Swedish Krona and the balance as at 31 December 2016 was £186,000 (2015: £178,000). The loan is payable in equal quarterly instalments over an 18 year term, with a floating interest rate which is currently 1.55%.

Loan D is denominated in US Dollars and the balance outstanding as at 31 December 2016 was £1,049,000 (2015: £1,102,000) and is repayable in 42 equal monthly instalments, with a floating interest rate which is currently 4.41%.

Company	Loans and overdrafts	Loans and overdrafts
	2016	2015
	£'000	£'000
In one year or less, or on demand	1,130	5,180
In more than one year but not more than two years	-	729
In more than two years but not more than five years	-	942
	1,130	6,851
	1,130	6,851

Bank loans A and B detailed above for the Group are also held in the Company as at the year-end.



# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 18 Financial instruments

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

	<b>Group 2016 £'000</b>	<b>Group 2015 £'000</b>
<b>Financial assets</b>		
Financial asset measured at fair value through profit or loss	346	433
Financial assets measured at amortised cost	<b>16,579</b>	17,300
	<u><u>          </u></u>	<u><u>          </u></u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>11,144</b>	14,120
Derivative financial instruments at fair value through profit or loss	<b>703</b>	270
	<u><u>          </u></u>	<u><u>          </u></u>

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

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

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

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

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

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

The notional principal amounts of outstanding forward foreign exchange contracts at 31 December 2016 were £8,906,000 (2015: £12,900,000). The fair value of the outstanding contracts at the year-end was a liability of £703,000 (2015: liability £270,000).

# Norman Hay plc

Notes forming part of the financial statements *(continued)*  
for the year ended 31 December 2016

## 19 Provisions for liabilities

Group	Deferred taxation (note 20) £'000	Warranty £'000	Dilapidations £'000	Site closure costs £'000	Total £'000
At 1 January 2016	544	51	178	-	773
(Credited)/charged to profit or loss	(473)	3	-	1,006	536
Utilised in year	-	(2)	(122)	-	(124)
Transfer to debtors (note 15)	282	-	-	-	282
<b>At 31 December 2016</b>	<b>353</b>	<b>52</b>	<b>56</b>	<b>1,006</b>	<b>1,467</b>

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.

The site closure costs provision relates to the obligation created by management when the staff at certain sites were informed pre year-end that these sites would be closing. The provision comprises redundancy payments, onerous lease obligations and other costs associated with closing sites and relocating certain assets and equipment. In addition to the provision above, impairment provisions have been booked against tangible fixed assets, as detailed in note 12.

## 20 Deferred tax (assets)/liabilities

Group	(Assets)		Liabilities	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Fixed asset timing differences	141	-	163	262
Other timing differences	(207)	-	190	350
Unutilised tax losses	(216)	-	-	(68)
	<b>(282)</b>	<b>-</b>	<b>353</b>	<b>544</b>

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 20 Deferred tax (assets)/liabilities *(continued)*

Company	(Assets)	
	2016 £'000	2015 £'000
Fixed asset timing differences	26	26
Other timing differences	(194)	(210)
Unutilised tax losses	-	(68)
Property revaluations	-	65
	<u>(168)</u>	<u>(187)</u>

For both the Group and the Company, there are unrecognised deferred tax assets of £39,000 (2015: £nil) in respect of trading losses for which recovery is uncertain.

### 21 Share capital

	2016 £'000	2015 £'000
<i>Allotted and fully paid</i>		
14,815,318 (2015: 14,815,318) ordinary shares of 10p each	<u>1,482</u>	<u>1,482</u>

979,510 shares are held by the Norman Hay plc Employee Benefit Trust at 31 December 2016 (2015: 979,510). The trustees have waived any entitlement to dividends on the shares held by the trust.

At 31 December 2016 there were directors' options outstanding, as detailed in the directors' report, on 976,150 ordinary shares. These unapproved share options are exercisable between 1 December 2010 and 30 November 2019 at 62.5p per share upon the share price achieving 150p or a change in control.

### 22 EBT share scheme

The Employee Benefit Trust (EBT) was established in 2007 to provide for the future obligations of the company for shares awarded under the company share schemes. At 31 December 2016, shares held by the EBT under option to employees are as follows:

	2016	2015
Number of Norman Hay plc shares held	<u>979,510</u>	<u>979,510</u>

### 23 Contingent liabilities

#### Company

There are cross-guarantees in respect of bank borrowings of other Group companies. At 31 December 2016 the amount of bank loans and overdrafts outstanding in respect thereof was £1,927,000 (2015: £1,000).

The Company is part of a VAT Group. At December the VAT liability of other companies in that VAT Group was £nil (2015: £197,000).

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 24 Capital commitments

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

### 25 Share-based payments

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

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.

	<b>2016 Weighted average exercise price (pence)</b>	<b>2016 Number</b>	<b>2015 Weighted average exercise price (pence)</b>	<b>2015 Number</b>
Outstanding at the beginning	62.5	976,150	62.5	1,026,150
Exercised during the year	-	-	72.0	(50,000)
Outstanding at the end of the year	<u>62.5</u>	<u>976,150</u>	<u>62.5</u>	<u>976,150</u>

The weighted average exercise price of options outstanding at the end of the year was 62.5p (2015: 62.5p).

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

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

There was no share option charge during the year as the directors believe that it is not possible to determine the likely timing for exercise of the options.

### 26 Commitments under operating leases

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

	<b>Land and buildings</b>		<b>Plant and machinery</b>	
	<b>2016 £'000</b>	<b>2015 £'000</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Not later than 1 year	1,469	484	431	260
Later than 1 year and not later than 5 years	3,837	1,025	800	346
Later than 5 years	5,984	1,726	-	10
Total	<u>11,290</u>	<u>3,235</u>	<u>1,231</u>	<u>616</u>

# Norman Hay plc

## Notes forming part of the financial statements *(continued)* for the year ended 31 December 2016

### 26 Commitments under operating leases *(continued)*

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

	Land and buildings		Plant and machinery	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Not later than 1 year	222	-	47	-
Later than 1 year and not later than 5 years	886	-	55	-
Later than 5 years	2,037	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,145	-	102	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 27 Related party disclosures

There is no ultimate controlling party of Norman Hay plc.

The remuneration of key management personnel is included in note 7.

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

	2016 £'000	2015 £'000
Sales of goods	629	661
	<hr/>	<hr/>

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

	2016 £'000	2015 £'000
Trading balances	159	182
	<hr/>	<hr/>

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

	2016 £'000	2015 £'000
Short-term payable loans	-	49
	<hr/>	<hr/>

# Norman Hay plc

## Notice of Meeting

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Notice is hereby given that the seventy first Annual General Meeting of the Company will be held at Norman Hay plc, 42 Sayer Drive, Lyons Park, Coventry CV5 9PF on 21 June 2017 at 11:30 a.m. You will be asked to consider and vote on the resolutions set out below.

1. To receive and adopt the audited financial statements for the year ended 31 December 2016, together with the Reports of the Directors and the Auditors thereon.
2. To re-elect as a Director Mrs Brigid Cattle, who retires by rotation, in accordance with Article 21.1 of the Articles of Association of the Company.
3. To re-elect as a Director Mr Nicholas Ogden, who retires by rotation, in accordance with Article 21.1 of the Articles of Association of the Company.
4. To re-elect as a Director Mr Ronald Steedman, who retires by rotation, in accordance with Article 21.1 of the Articles of Association of the Company.
5. 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.
6. To declare a final dividend for the year ended 31 December 2016 of 3.2p per ordinary share, to be paid on 19 July 2017 to members whose names appear on the register of members as at the close of business on 19 June 2017.
7. 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 £318,468.20 provided that such authority shall expire on the conclusion of the next Annual General Meeting to be held in 2018 or 15 months whichever comes first after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry, and the Board may allot shares and grant rights to subscribe or convert securities into shares in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

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

That, subject to the passing of resolution 7 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 7 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.

Registered office:  
42 Sayer Drive  
Lyons Park  
Coventry  
CV5 9PF

By order of the board  
S J Forrest  
24 May 2017

# Norman Hay plc

## Notice of Meeting

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### Notes

1. A member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies to attend, speak 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, 42 Sayer Drive, Lyons Park, Coventry CV5 9PF 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 6 p.m. on 19 June 2017 or, in the event that the Meeting is adjourned, on the register of members as at 6 p.m. two days prior to the time of any adjourned meeting (provided such time is not more than 48 hours prior to the time of any adjourned meeting), in order to be entitled to attend and/or vote at the Meeting in respect of the number of shares registered in their name at such time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the Meeting.

# Norman Hay plc

## Shareholder Notes

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