Norman Hay plc

Annual Report and Financial Statements

Year Ended

31 December 2017

Company Number 00405025

Norman Hay plc

Annual Report and Financial Statements
for the year ended 31 December 2017

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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 2017

2017 saw a step change in the Norman Hay Group with our strong focus on high growth markets around the world enabling us to produce record operating profits of £4.4m (2016: £2.3m) on turnover of £52.3m (2016: £44.1m) and EBITDA of £6.5m (2016: £4.3m).

OVERVIEW
Our strong digital marketing activity and continuous drive to develop the chemical technologies of Ultraseal International and SIFCO ASC, combined with targeted acquisitions to complement their global reach, is taking us ever further into international markets.

This focus has seen our sales to international markets now account for 84% (2016: 73%) of our annual revenues.

SIFCO ASC
Headquartered in Cleveland, Ohio our selective plating division continued its strong growth trajectory, which has extended into the current year.

After a number of years of research & development, we have succeeded in using robots to automate the selective plating process bringing with it the benefits of minimal operator involvement as well as delivering traceability and repeatability for original equipment manufacture.

As a result, our process has been written into many new specifications for OEM components in the aerospace, oil & gas, marine and power generation sectors. Here the automation of our process is giving customers the confidence to replace traditional tank plating lines which, as well as having environmental issues, also require considerable levels of capital expenditure.

SIFCO ASC is seeing significant growth in the Chinese and American semi-conductor markets and we are also working to develop a number of other new market sectors and territories where we see further opportunities to expand the business.

ULTRASEAL INTERNATIONAL
Ultraseal had an excellent year in its field of industrial impregnation producing record results for the division.

The addition in 2017 of Internationale Metall IMPrägnier GmbH (IMP) and Maldaner GmbH (Maldaner) to the Group has significantly enlarged and strengthened Ultraseal's presence in Germany and internationally.

Their resin sealant development and manufacturing facility in Monheim mirrors Ultraseal's plant in Coventry, thereby strengthening our industry leading position in the global supply of impregnation sealants. At the same time it adds three further service centres located in Langenfeld, Leipzig and Unterensingen to Sterr & Eder, our plant in Bavaria, which also produced record profits in the year.

This major European manufacturing hub will allow Ultraseal to supply its international customers from either the UK or from within the EU, thus safeguarding its operations through the Brexit process.

Also during the year, Ultraseal opened a new, fully managed impregnation service centre for a major customer at their facility in Portugal.

As a natural extension to the business of supplying impregnation plant and associated chemical consumables, we also act as an exclusive European distributor of the Lubrolene electrostatic spray technology for the metal die-casting industry together with its series of water-free die release products.

There is a very strong and growing order book for Ultraseal's bespoke impregnation plants designed and manufactured by our NHE division. Currently these plants are destined for the USA, Brazil, Italy, Mexico, China, Thailand and Spain and they are the gateway for future sales of our market leading specialist chemical consumables.

NHE
One of the key achievements of the year has been NHE's successful and ever closer collaboration with Ultraseal and SIFCO ASC.

This has seen them developing the next generation of automated impregnation systems as well as the highly specialised equipment required by SIFCO ASC for the automation of their selective plating technology in order to accelerate significantly the plating process.

This has now rebalanced and broadened the division's profile repositioning it into new, more profitable technologies, underpinned by new appointments in the engineering group, which have added the necessary range of expertise and disciplines to the core team.

We are also changing the emphasis of our long history in the supply of plant for the aerospace industry by moving to become an increasingly service based business. We are achieving this through a range of service & maintenance contracts coupled with system upgrade packages, which together will further improve profitability.

SURFACE TECHNOLOGY
The completion of the restructuring and consolidation of operations in our Surface Coatings division has made a marked improvement in its performance.

Along with most other businesses focused on the oil & gas industry, the division was hard hit by the slump in oil prices in 2014 and 2015 but is now beginning to see signs of a recovery in the sector, a reflection of the steady improvement in the oil price which we believe will bring about a slow but sure recovery in its fortunes.

In fact, our oil & gas after-market focused operations in Australia and Aberdeen have already returned to profitability and it is expected that new OEM component manufacture will start to increase in the fourth quarter of 2018.

This, coupled with our continued strategy of diversification into new markets, is starting to show results.

GOING FORWARD
SIFCO ASC has secured two significant new robotic workstation contracts in 2018 from aerospace and oil & gas industry customers where we are seeing a marked increase in opportunities for process automation and solution sales.

The excellent additions of IMP and Maldaner will further enhance the strengths of Ultraseal in those international markets where we have previously competed against one another, and we will see the resulting benefits in our full year numbers.

Overall trading in 2018 is showing further tangible growth and we are confident that the positive forward momentum seen across the Group will continue.

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 20 June 2018, a final dividend for the year of 3.2p will be paid on 16 July 2018 to shareholders on the register on 14 June 2018, making the total dividend for the year 6.1p (2016: 6.1p).

OUR STAFF
On behalf of the Board of Directors I would like to acknowledge the commitment and professionalism of all our employees who have worked diligently to create our excellent results by producing and delivering world class products and services to our global customers.

Peter L Hay
Chairman

Date: 21 May 2018

Norman Hay plc

Strategic report
for the year ended 31 December 2017

The Directors present their strategic report together with the audited financial statements for the year ended 31 December 2017. This report should be read in conjunction with the Chairman's Statement.

Principal activities

The principal activities of the Group are the manufacture and distribution 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 2017 was £52.3m (2016: £44.1m), which represents an increase of 19%. This was in part due to the inclusion of five months of turnover for the businesses that were acquired during the year, in addition to the growth from the existing businesses.

Gross margin levels rose due to the mix of sales across our various divisions differing from the previous year, as there was greater concentration on our higher margin businesses.

The average number of Group employees increased to 453 (2016: 429) mainly as a result of the Group's acquisition of IMP and Maldaner, both situated in Germany.

Net distribution and administrative expenses rose to £17.8m (2016: £14.4m), partly as a result of the profit of £4.0m on the sale of the Group's former headquarters which was recorded in administrative expenses in 2016, and the addition of the new businesses has led to an increase in the cost base of the Group.

The effective tax rate for the year has increased to 33% (2016: 17%). 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 £20.8m (2016: £19.3m). Norman Hay plc continues to monitor cash management closely both to safeguard its finances and to facilitate strategic investments when appropriate, and despite having to part fund the acquisitions through our own cash reserves, overall group cash rose significantly.

Likely future developments in the business

The Group continues to seek opportunities to grow in its chosen sectors, and to take steps to safeguard and protect its core business. The Group's short-term focus will be on the integration of its recent acquisitions in Germany into the Norman Hay fold. As described in the Chairman's Statement, we anticipate that the impact of a full year's ownership of the newly acquired businesses will lead to more growth.

Financial key performance indicators ("KPIs")

	2017 **£'000**	**2016** **£'000**	**Change** **£'000**
Revenue	**52,300**	44,076	8,224
EBITDA*	**6,458**	4,269	2,189
Profit on ordinary activities before taxation	**4,107**	2,091	2,016
Net cash	**6,680**	4,379	2,301
Net assets	**20,781**	19,282	1,499

** EBITDA refers to Earnings Before Interest, Tax, Depreciation (excluding any exceptional impairment provisions) and Amortisation.*

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

Whilst the broad geographical spread and diversity of our operations provides a natural mitigating factor, there remains 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 asset 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 21 May 2018.

S J Forrest
Company Secretary

Norman Hay plc

Report of the directors
for the year ended 31 December 2017

The Directors present their report together with the audited financial statements for the year ended 31 December 2017.

Directors

The Directors of the Company during the year and up to the date of issue of the financial statements 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:

	2017 Beneficial	2016 Beneficial
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

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

	2017 Beneficial	2016 Beneficial
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 shows revenue for the year of £52.3m (2016: £44.1m) and profit before tax of £4.1m (2016: £2.1m).

Post balance sheet events

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

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 and the Strategic Report.

Dividends

Dividends paid in the year are shown in the notes to the financial statements.

A final dividend of 3.2p is proposed to be paid to shareholders on 16 July 2018, making the total for the full year 6.1p (2016: 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 £1,145,000 (2016: £738,000).

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.

***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, reviews of forward cash requirements, are undertaken on a monthly basis for a minimum of three months ahead.

The liquidity risk of the Group and each Group entity is managed centrally. Each operation has a facility; 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 requirements to be anticipated. The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the date of issue of the financial statements, these projections indicate that the Group expects to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances for the foreseeable future.

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.

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 21 May 2018.

S J Forrest
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORMAN HAY PLC

Opinion

We have audited the financial statements of Norman Hay plc ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017, which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Opinions 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.

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 and Director's report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
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.

Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom

Date: 23 May 2018

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 2017

Continuing operations	Note	2017 £'000	2016 £'000
Revenue	3	**52,300**	44,076
Cost of sales		**(30,080)**	(27,461)
Gross profit		**22,220**	16,615
Distribution costs		**(745)**	(801)
Administrative expenses		**(17,097)**	(13,572)
Other operating income		**19**	12
Operating profit	4	**4,397**	2,254
Analysed as:			
Operating profit before goodwill amortisation, impairments and exceptional items		**5,248**	1,062
Goodwill amortisation and impairments	11	**(851)**	(804)
Exceptional items	5	**-**	1,996
Operating profit		**4,397**	2,254
Other interest receivable and similar income		**40**	11
Interest payable and similar charges	8	**(330)**	(174)
Profit on ordinary activities before taxation		**4,107**	2,091
Taxation on profit on ordinary activities	9	**(1,353)**	(357)
Profit for the financial year		**2,754**	1,734
Other comprehensive income:			
Currency translation differences		**(411)**	1,713
Total comprehensive income for year		**2,343**	3,447
Profit for the financial year attributable to:			
Non-controlling interest		**294**	182
Owners of the parent company		**2,460**	1,552
		2,754	1,734
Total comprehensive income attributable to:			
Non-controlling interest		**393**	182
Owners of the parent company		**1,950**	3,265
		2,343	3,447

The notes form part of these financial statements.

Norman Hay plc

Consolidated balance sheet
at 31 December 2017

Company number 00405025	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Intangible assets	11		6,342		4,045
Tangible assets	12		9,061		8,116
Investments	13		43		26
			15,446		12,187
Current assets					
Stocks		4,135		2,791	
Debtors	14	16,324		14,271	
Cash at bank and in hand	15	6,680		4,379	
		27,139		21,441	
Creditors: amounts falling due within one year	16	(16,161)		(11,817)	
Net current assets			10,978		9,624
Total assets less current liabilities			26,424		21,811
Creditors: amounts falling due after more than one year	17		(4,501)		(1,062)
Provisions for liabilities	19		(1,142)		(1,467)
Net assets			20,781		19,282
Capital and reserves					
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)
Foreign exchange reserve			1,055		1,565
Profit and loss account			15,792		14,176
Equity attributable to owners of the parent company			19,591		18,485
Non-controlling interests			1,190		797
Total equity			20,781		19,282

The financial statements were approved by the board of directors and authorised for issue on 21 May 2018.

NAOgden

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 2017

	Share capital £'000	Share premium £'000	Capital redemp-tion reserve £'000	Other non distribut-able reserve £'000	Reserve for own shares £'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
1 January 2017	1,482	1,265	94	766	(863)	1,565	14,176	18,485	797	19,282
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	**2,460**	**2,460**	**294**	**2,754**
Other comprehensive income for the year:										
Currency translation differences	-	-	-	-	-	**(510)**	-	**(510)**	**99**	**(411)**
Total comprehensive income for the year	-	-	-	-	-	**(510)**	**2,460**	**1,950**	**393**	**2,343**
Contributions by and distributions to owners										
Dividends	-	-	-	-	-	-	**(844)**	**(844)**	-	**(844)**
Total contributions by and distributions to owners	-	-	-	-	-	-	**(844)**	**(844)**	-	**(844)**
31 December 2017	**1,482**	**1,265**	**94**	**766**	**(863)**	**1,055**	**15,792**	**19,591**	**1,190**	**20,781**

The notes form part of these financial statements.

Norman Hay plc

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Capital redemp-tion reserve £'000	Other non distribut-able reserve £'000	Reserve for own shares £'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
1 January 2016	1,482	1,265	94	766	(863)	(148)	13,468	16,064	615	16,679
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	1,552	1,552	182	1,734
Other comprehensive income for the year:										
Currency translation differences	-	-	-	-	-	1,713	-	1,713	-	1,713
Total comprehensive income for the year	-	-	-	-	-	1,713	1,552	3,265	182	3,447
Contributions by and distributions to owners										
Dividends	-	-	-	-	-	-	(844)	(844)	-	(844)
Total contributions by and distributions to owners	-	-	-	-	-	-	(844)	(844)	-	(844)
31 December 2016	1,482	1,265	94	766	(863)	1,565	14,176	18,485	797	19,282

The notes form part of these financial statements.

Norman Hay plc

Consolidated statement of cash flows for the year ended 31 December 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit for the financial year	**2,754**	1,734
Adjustments for:		
Depreciation, amortisation and impairment of fixed assets	**2,061**	2,949
Net fair value (gains) / losses recognised in profit or loss	**(291)**	433
Loss / (profit) on sale of property, plant and equipment	**4**	(3,802)
Profit on sale of trade and assets of a non-core subsidiary	**-**	(156)
Net interest payable	**290**	163
Taxation expense	**1,353**	357
Increase in stocks	**(399)**	(68)
(Increase) / decrease in trade and other debtors	**(724)**	665
Increase / (decrease) in trade and other creditors	**3,913**	(1,993)
(Decrease) / increase in provisions	**(287)**	885
Foreign exchange (losses) / gains	**(180)**	708
Cash from operations	**8,494**	1,875
Interest paid	**(209)**	(157)
Taxation paid	**(1,717)**	(478)
Net cash generated from operating activities	**6,568**	1,240
Cash flows from investing activities		
Purchase of tangible fixed assets	**(1,283)**	(3,505)
Proceeds from sale of tangible fixed assets	**244**	5,763
Purchase of business operations (note 28)	**(4,835)**	-
Interest received	**40**	11
Proceeds from sale of a business operation in prior years	**354**	87
Proceeds from sale of trade and assets of a non-core subsidiary	**-**	350
Net cash (used in) / generated from investing activities	**(5,480)**	2,706
Cash flows from financing activities		
Equity dividends paid	**(844)**	(844)
Proceeds from new loans	**4,000**	-
Debt issue costs incurred	**(228)**	-
Loan repayments	**(1,173)**	(2,480)
Net cash generated from / (used in) financing activities	**1,755**	(3,324)
Net increase in cash and cash equivalents	**2,843**	622
Cash and cash equivalents at beginning of year	**1,794**	605
Foreign exchange (losses) / gains	**(164)**	567
Cash and cash equivalents at end of year	**4,473**	1,794
Cash and cash equivalents comprise:		
Cash at bank and in hand	**6,680**	4,379
Bank overdrafts	**(2,207)**	(2,585)
	4,473	1,794

The notes form part of these financial statements.

Norman Hay plc

Company balance sheet
as at 31 December 2017

Company number 00405025	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
				(as restated – see note 1)	
Fixed assets					
Tangible assets	12		**2,073**		2,161
Investments	13		**7,436**		7,233
			9,509		9,394
Current assets					
Debtors	15	**12,458**		7,447	
Cash at bank and in hand		**20**		23	
		12,478		7,470	
Creditors: amounts falling due within one year	16	**(10,936)**		(8,077)	
Net current assets / (liabilities)			**1,542**		(607)
Total assets less current liabilities			**11,051**		8,787
Creditors: amounts falling due after more than one year	17		**(2,778)**		-
Net assets			**8,273**		8,787
Capital and reserves					
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)
Profit and loss account			**6,295**		6,809
Total equity			**8,273**		8,787

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 £330,000 (2016: profit of £2,979,000).

The financial statements were approved by the board of directors and authorised for issue on 21 May 2018.

NAOgden

N A Ogden
Director

The notes form part of these financial statements.

Norman Hay plc

Company statement of changes in equity
for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Reserve for own shares £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
1 January 2017 – as previously reported	1,482	1,265	94	(863)	207	6,844	9,029
Restatement – see note 1	-	-	-	-	**(207)**	**(35)**	**(242)**
1 January 2017 – as restated	**1,482**	**1,265**	**94**	**(863)**	-	**6,809**	**8,787**
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	**330**	**330**
Total comprehensive income for the year	-	-	-	-	-	**330**	**330**
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	**(844)**	**(844)**
Total contributions by and distributions to owners	-	-	-	-	-	**(844)**	**(844)**
31 December 2017	**1,482**	**1,265**	**94**	**(863)**	-	**6,295**	**8,273**

The notes form part of these financial statements.

Norman Hay plc

Company statement of changes in equity
for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Reserve for own shares £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
1 January 2016 – as previously reported	1,482	1,265	94	(863)	767	4,359	7,104
Restatement – see note 1	-	-	-	-	(767)	315	(452)
1 January 2016 – as restated	**1,482**	**1,265**	**94**	**(863)**	**-**	**4,674**	**6,652**
Comprehensive income for the year:							
Loss for the year – as restated (see note 1)	-	-	-	-	-	2,979	2,979
Total comprehensive income for the year	-	-	-	-	-	2,979	2,979
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	(844)	(844)
Total contributions by and distributions to owners	-	-	-	-	-	(844)	(844)
31 December 2016	**1,482**	**1,265**	**94**	**(863)**	**-**	**6,809**	**8,787**

The notes form part of these financial statements.

1 Accounting policies

Norman Hay plc is a company incorporated in England & Wales under the Companies Act 2006. 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 ("FRS 102").

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 Sterling because that is the currency of the primary economic environment in which the Group operates. The financial statements are also presented in Sterling in round thousands.

Amendments to FRS 102 – restatement

In December 2017 the FRC published the "Amendments to FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland – Triennial review 2017: Incremental improvements and clarifications (2017)". As Norman Hay plc, both the Group and Parent Company, report under FRS102, the impact of these improvements on the financial statements for the year ended 31 December 2017 was considered.

The principal effective date for these amendments is accounting periods beginning on or after 1 January 2019, with early application permitted provided all amendments are applied at the same time. Norman Hay plc, both the Group and Parent Company, has opted to apply the amendments, in full, for the year ended 31 December 2017. The key impacts of adopting these amendments were:

- For the Group financial statements, management opted not to separately identify and measure non-contractual intangible assets, such as customer relationships, on the acquisitions in the year. See note 2 for further consideration of key judgements and estimates within acquisition accounting.

- For the Parent Company financial statements, management have opted to measure property rented to entities within the Group at cost (less depreciation and impairment) rather than at fair value in the individual financial statements of the Parent Company. The accounting policy change has been applied retrospectively. The impact of this was to remove valuation uplifts previously recognised (revaluation reserve of £207,000 as at 31 December 2016 and £767,000 as at 31 December 2015 have been reversed) and charge depreciation (accumulated depreciation of £107,000 as at 31 December 2015 and £17,000 charge for year ended 31 December 2016). Profit for the year ended 31 December 2016 was previously reported as £2,769,000 and is restated as £2,979,000 as a result of these changes. The impact of indexation on the asset values resulted in no deferred tax being previously provided and therefore no restatement is required.

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.

1 Accounting policies *(continued)*

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.

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.

1 Accounting policies *(continued)*

Intangible assets (continued)

(b) Other intangible fixed assets (externally acquired)
All externally acquired intangible assets were initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

From 1 January 2016, intangible assets are only recognised on business combinations if they are separable from the acquired entity and give rise to contractual/legal rights. Previous acquisitions recognised separately identifiable assets for non-contractual/legal rights.

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.

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.

1 Accounting policies *(continued)*

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.

Financial assets

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.

'Out-of-the-money' derivatives are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

1 Accounting policies *(continued)*

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'.

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.

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.

Share-based payments

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

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

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

Pension

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

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.

1 Accounting policies *(continued)*

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 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 foreign exchange reserve arises from fluctuations in the value of net assets held in entities where the functional currency is not denominated in Sterling.
- 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:

a. 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.
b. 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.
c. Assessed whether or not there are separately identifiable intangible assets arising from contractual or other legal rights that should be separately measured on acquisition of businesses during the year.

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

Key sources of estimation uncertainty:

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

Tangible fixed assets 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.

Determining whether tangible assets are impaired requires an estimation of the value-in-use of the cash-generating units in which the tangible assets are utilised. 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.

- *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.

- *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.

- *Provisions (note 19)*

The Group has a number of provisions as at the year-end. Management have re-assessed these provisions 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 such obligations.

- *Acquisition accounting (note 28)*

The Group acquired business during the year. As required under acquisition accounting, an estimate has been made in respect of the value of deferred consideration that will ultimately become payable.

3 Analysis of revenue

	2017 £'000	2016 £'000
Analysis by class of business:		
Sale of goods	**19,598**	16,912
Rendering of services	**29,557**	23,948
Long-term contracts	**3,145**	3,216
	52,300	44,076
Analysis of turnover by country of destination:		
United Kingdom	**8,380**	12,027
Rest of Europe	**15,852**	9,201
Rest of the world	**28,068**	22,848
	52,300	44,076

Long-term contracts

Balances on long-term contracts are shown in notes 15 and 16.

The aggregate amount of costs incurred plus recognised profits less recognised losses for all contracts in progress at the balance sheet date was £7,619,000 (2016: £5,940,000).

4 Operating profit

	2017 £'000	2016 £'000
This is arrived at after charging/(crediting):		
Research and development	**1,145**	738
Inventory recognised as an expense	**16,043**	13,566
Depreciation of tangible fixed assets	**1,210**	1,211
Impairment of tangible fixed assets (see note 5)	**-**	934
Profit 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	**4**	168
Amortisation of intangible fixed assets:		
– Goodwill	**635**	488
– Other intangibles	**216**	216
Impairment of goodwill	**-**	100
Exchange differences	**63**	706
Staff costs (note 6)	**17,965**	16,030
Operating leases	**1,614**	1,818
Government grants	**-**	(24)
Financial asset held at fair value	**(8)**	-
Derivative financial instruments held at fair value (note 18)	**(283)**	433
Provision for closure costs and stock write offs (see note 5)	**-**	1,040

	2017 £'000	2016 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's and Group's annual accounts	**43**	30
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	**90**	105
– Audit related services	**7**	1
– Taxation compliance services	**51**	40
– Tax advisory and restructuring services	**47**	6
– Corporate finance services	**28**	-
– Other services	**24**	8

5 Exceptional items

	2017 £'000	2016 £'000
Profit on sale of freehold property	-	3,970
Site closure and related costs:		
– Tangible fixed asset impairments	-	(934)
– Stock write offs	-	(34)
– Provision for closure costs	-	(1,006)
	-	1,996

In early 2016, the Group's head office property was sold, with the gain on sale recognised in the financial statements of both the Group and the Company in the financial year ending 31 December 2016.

In the prior year, the decision was made, and communicated to those affected, to close certain sites. Closure costs and asset impairments arose from this decision, the costs of which were recorded in the Group's financial statements for the financial year ended 31 December 2016. See note 19 for the utilisation of these provisions.

6 Employees

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Staff costs (including directors) consist of:				
Wages and salaries	**15,490**	13,813	**1,513**	1,028
Social security costs	**1,724**	1,517	**209**	139
Defined contribution pension costs	**751**	700	**142**	129
	17,965	16,030	**1,864**	1,296

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

	Group 2017 Number	Group 2016 Number	Company 2017 Number	Company 2016 Number
Manufacturing	**263**	245	**-**	-
Office and management	**190**	184	**14**	15
	453	429	**14**	15

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 £46,000 (2016: £60,000) and for the Company was £11,000 (2016: £12,000).

7 Directors' remuneration

	2017 £'000	2016 £'000
Directors' emoluments	**1,106**	748
Amounts allocated under long-term incentive plan	**315**	321
Company contributions to money purchase pension schemes	**54**	116
Amounts paid to third parties in respect of directors' services	**36**	37

There were 2 directors in the Group's and Company's defined contribution pension scheme (2016: 4).

Emoluments of the highest paid director were £490,000 (2016: £383,000). Pension contributions of £nil (2016: £10,000) 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. The total compensation paid to key management personnel for services provided to the group was £1,707,000 (2016: £1,369,000).

7 Directors' remuneration *(continued)*

In 2011, the company introduced a five year 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, amounts totalling £375,000 (2016: £373,000) have been utilised.

The total amount remaining accrued under the long-term incentive scheme at 31 December 2017, 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 £387,000 (2016: £762,000). Amounts paid or allocated during the year included in the directors' costs detailed above amounted to £315,000 (2016: £321,000).

8 Interest payable and similar charges

	2017 £'000	**2016 £'000**
Bank loans and overdrafts	**188**	156
Amortisation of issue costs	**122**	17
Other	**20**	1
	330	174

9 Taxation on profit on ordinary activities

	2017 £'000	**2017 £'000**	**2016 £'000**	**2016 £'000**
UK corporation tax				
Current tax on profits of the year		**324**		-
Adjustment in respect of previous periods		**-**		53
Foreign tax		**324**		53
Current tax on foreign income for the year		**1,216**		777
Total current tax		**1,540**		830
Deferred tax				
Origination and reversal of timing differences	**(187)**		(416)	
Changes to tax rates	**-**		(57)	
		(187)		(473)
Taxation on profit on ordinary activities		**1,353**		357

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:

	2017	**2016**
	£'000	**£'000**
Profit on ordinary activities before tax	**4,107**	2,091
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	**791**	418
Effects of:		
Expenses not deductible for tax purposes	**53**	168
Amortisation of goodwill not deductible for tax purposes	**122**	92
Enhanced tax relief on research and development expenditure	**(154)**	-
Higher tax rates on overseas earnings	**400**	264
Adjustment in respect of previous periods	**-**	53
Changes to tax rates	**-**	(57)
Indexation and unrecognised capital losses utilised on sale of property	**-**	(620)
Unrecognised deferred tax asset on trading losses carried forward	**141**	39
Total tax charge for period	**1,353**	357

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £nil (2016: £nil).

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. This rate is reflected in the carrying value of the deferred tax assets and liabilities at the year-end 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 19.25% in the UK. There is no indication that these rates are likely to change in the near future.

10 Dividends

	2017 £'000	2016 £'000
Paid during the year		
Ordinary shares:		
Final dividend for the prior year of 3.2p (2016: 3.2p) per share	**443**	443
Interim paid of 2.9p (2016: 2.9p) per share	**401**	401
	844	844

Dividends declared after the balance sheet date

	2017 £'000	2016 £'000
Ordinary shares:		
Final dividend paid post year-end of 3.2p (2016: 3.2p) per share	**443**	443

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 2017	1,032	611	6,732	8,375
Acquisitions (note 28)	-	-	3,253	3,253
Foreign exchange differences	-	-	(105)	(105)
At 31 December 2017	**1,032**	**611**	**9,880**	**11,523**
Amortisation and impairment				
At 1 January 2017	588	94	3,648	4,330
Charge for year	147	69	635	851
At 31 December 2017	**735**	**163**	**4,283**	**5,181**
Net book value				
At 31 December 2017	**297**	**448**	**5,597**	**6,342**
At 31 December 2016	444	517	3,084	4,045

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:

	2017 Years	2017 £'000
Applied Surface Concepts	5	1,748
Advanced Coating Initiative	4	48
Applied Precision Coatings	3	95
Sterr & Eder	5	378
Liquid Development Company	7.5	957
IMP	9.5	3,116
		6,342

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**
Cost or deemed cost					
At 1 January 2017	2,429	2,421	10,017	1,206	16,073
Additions	6	45	1,103	129	1,283
Acquisitions (note 28)	784	-	396	1	1,181
Disposals	-	(134)	(224)	(79)	(437)
Exchange adjustments	(168)	(18)	(38)	(28)	(252)
At 31 December 2017	**3,051**	**2,314**	**11,254**	**1,229**	**17,848**
Depreciation					
At 1 January 2017	670	475	6,082	730	7,957
Charge for year	124	164	795	127	1,210
Disposals	-	(126)	-	(70)	(196)
Exchange adjustments	(124)	(17)	(27)	(16)	(184)
At 31 December 2017	**670**	**496**	**6,850**	**771**	**8,787**
Net book value					
At 31 December 2017	**2,381**	**1,818**	**4,404**	**458**	**9,061**
At 31 December 2016	1,759	1,946	3,935	476	8,116

12 Tangible fixed assets *(continued)*

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

	2017 £'000	2016 £'000
Long-term leasehold property	**383**	383
Short-term leasehold property and improvements	**1,435**	1,563
	1,818	1,946

Company	**Freehold land and buildings £'000 (as restated – see note 1)**	**Leasehold land and buildings £'000**	**Plant, vehicles and fittings £'000**	**Computer equipment £'000**	**Total £'000**
Cost					
At 1 January 2017	765	1,501	22	40	2,328
Additions	-	41	-	4	45
At 31 December 2017	**765**	**1,542**	**22**	**44**	**2,373**
Depreciation					
At 1 January 2017	107	-	22	38	167
Charge for year	17	115	-	1	133
At 31 December 2017	**124**	**115**	**22**	**39**	**300**
Net book value					
At 31 December 2017	**641**	**1,427**	**-**	**5**	**2,073**
At 31 December 2016	658	1,501	-	2	2,161

13 Investments

Group	**£'000**
Cost	
At 1 January 2017	26
Acquisitions (note 28)	17
At 31 December 2017	**43**

The investments relate to Ultraseal India (PVT) Limited and Metal Impregnations (India) Pvt Limited. The Group holds 30% and 24%, respectively, of the ordinary share capital of these companies.

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 investees at 31 December 2017.

Company	**£'000**
Cost	
At 1 January 2017	14,767
Additions	203
At 31 December 2017	**14,970**
Impairment provision	
At 1 January 2017 and 31 December 2017	**7,534**
Net book value	
At 31 December 2017	**7,436**
At 31 December 2016	7,233

The investment relates to shares in subsidiaries. The addition in the year is the new holding company, Norman Hay GmbH, set up to acquire and hold the acquisitions in the year – see note 28.

13 Investments *(continued)*

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	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, The British Virgin Islands.
Ultraseal Shanghai Limited*	75%	China	1999 Jia An Gong Lu, Jiading District, Shanghai 201821.
Ultraseal Chongqing Limited*	75%	China	6 Feng Dian Road, Degan Industrial Road, Jiang Jin 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 Tieshan Middle Road, Development Zone, Dalian 116600.
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	Unit 12-14, Aston Fields 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 Courtillière, 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	Waldkirchener Str. 12, 84030 Landshut.
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.
Maldaner GmbH*	100%	Germany	Max-Planck-Ring 3, 40764 Langenfeld.
Internationale Metall IMPrägnier GmbH*	100%	Germany	Daimlerstrasse 12, 40789 Monheim am Rhein.
Norman Hay GmbH	100%	Germany	Daimlerstrasse 12, 40789 Monheim am Rhein.
Surface Technology (Holdings) Limited	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
Surface Technology Slough Limited*	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
Surface Technology Coatings Limited*	100%	UK	42 Sayer Drive, Lyons Park, Coventry, CV5 9PF.
Surface One 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.

13 Investments *(continued)*

The Group agrees to guarantee the liabilities of MX Systems International Limited, Surface Technology (Coventry) Limited, Advanced Coating Initiative Limited and Applied Surface Concepts Holdings Limited, thereby allowing these Companies to take exemption from an audit under Section 479A of the Companies Act 2006.

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.

Ultraseal Asia Limited, Applied Surface Concepts Holdings Limited and Norman Hay GmbH 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.

Maldaner GmbH is engaged in the processing of impregnation chemicals and equipment. Internationale Metall IMPrägnier GmbH is a manufacturer and distributor of impregnation chemicals.

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

	Group 2017 £'000	**Group 2016 £'000**
Raw materials and consumables	**2,274**	1,838
Work in progress	**192**	4
Finished goods	**1,669**	949
	4,135	2,791

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

15 Debtors

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade debtors	**12,441**	10,395	**-**	-
Amounts recoverable on contracts	**525**	546	**-**	-
Amounts receivable from Group undertakings	**-**	-	**11,894**	7,172
UK corporation tax	**440**	359	**224**	-
Foreign tax	**308**	112	**-**	-
Deferred tax (note 20)	**431**	282	**184**	168
Other debtors	**1,252**	1,605	**129**	83
Prepayments and accrued income	**927**	972	**27**	24
	16,324	14,271	**12,458**	7,447

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

- Group amounts receivable from sale of an operation of £nil (2016: £246,000) 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 debit of £32,000 (2016: credit £10,000).

16 Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Bank overdrafts (secured)	**2,207**	2,585	**1,920**	707
Bank loans (secured)	**1,025**	737	**670**	423
Derivative financial liabilities (note 18)	**420**	703	**-**	-
Long-term contract payments on account	**1,014**	-	**-**	-
Trade creditors	**3,677**	2,405	**255**	186
Amounts owed to Group undertakings	**-**	-	**6,536**	5,193
UK corporation tax	**42**	-	**-**	-
Foreign taxes	**302**	244	**-**	-
Other taxation and social security	**1,691**	788	**47**	43
Other creditors	**1,573**	586	**-**	-
Accruals and deferred income	**4,210**	3,769	**1,508**	1,525
	16,161	11,817	**10,936**	8,077

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 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Bank loans (secured)	**3,416**	945	**2,778**	-
Other loans	**10**	13	**-**	-
Other creditors	**1,075**	104	**-**	-
	4,501	1,062	**2,778**	-

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

The maturities of debt finance are as follows:

	Group Loans and overdrafts 2017 £'000	Group Loans and overdrafts 2016 £'000	Company Loans and overdrafts 2017 £'000	Company Loans and overdrafts 2016 £'000
In one year or less, or on demand	**3,232**	3,322	**2,590**	1,130
Between one and two years	**1,111**	314	**794**	-
Between two and five years	**2,183**	496	**1,984**	-
In more than five years	**122**	148	**-**	-
	6,648	4,280	**5,368**	1,130

Bank loans within one year are shown after deducting debt issue costs of £124,000 (2016: £17,000).

There are currently 4 principal bank loans outstanding:

Loan A is denominated in Swedish Krona and the balance as at 31 December 2017 was £178,000 (2016: £186,000). The loan is payable in equal quarterly instalments over an 18 year term, with a floating interest rate which is currently 1.55%.

Loan B is denominated in US Dollars and the balance outstanding as at 31 December 2017 was £695,000 (2016: £1,049,000) and is repayable in 42 equal monthly instalments, with a floating interest rate, which is currently 4.41%.

Loan C is denominated in Euros and was taken out in July 2017. The balance as at 31 December 2017 was £3,572,000. The loan is repayable in 15 equal quarterly instalments with a floating interest rate, which is currently 2.56%.

Loan D is denominated in Euros and the balance as at 31 December 2017 was £120,000 (2016: £nil). The loan is fully repayable in 2019, and has a floating interest rate of 4.3%.

18 Financial instruments

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

	Group 2017 £'000	Group 2016 £'000
Financial assets		
Financial asset measured at fair value through profit or loss	-	346
Financial assets measured at amortised cost	**20,373**	16,579
Financial liabilities		
Financial liabilities measured at amortised cost	**18,207**	11,144
Derivative financial instruments at fair value through profit or loss	**420**	703

The financial asset measured at fair value through profit or loss in 2016 was an amount receivable from a sale of an operation.

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, amounts recoverable on contracts 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. The fair value measurement of these liabilities utilises market observable inputs and data as far as possible.

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 2017 were £6,791,000 (2016: £8,906,000). The fair value of the outstanding contracts at the year-end was a liability of £420,000 (2016: £703,000).

19 Provisions for liabilities

Group	Deferred taxation (note 20) £'000	Other provisions £'000	Total £'000
At 1 January 2017	353	1,114	1,467
Amounts (credited) / charged to P&L account	(38)	132	94
Charged against provision	-	(419)	(419)
At 31 December 2017	**315**	**827**	**1,142**

Other provisions include:

- Warranty provisions, which relate to the Chemical Process Plant Manufacturing operation. Standard warranty terms are one to two years.
- Dilapidation provisions, which relate to the costs expected to be incurred to repair premises at the termination of certain leases.
- Site closure costs provisions, which relate to the obligations created by management when the staff at certain sites were informed that these sites would be closing during the prior year. Closure costs include provision for redundancy payments, onerous lease obligations and other costs associated with closing sites and relocating certain assets and equipment, which remain as at the current year-end.

Management have not separately identified the amounts related to each of the other provisions noted above due to ongoing negotiations over elements of these provisions whereby providing further information may be prejudicial to the Group's interests. Management have re-assessed these provisions based on all known facts at the date of signing the financial statements and have made their best estimate of the amount of the costs that will be required to settle all such obligations.

20 Deferred tax balances

	Assets		**(Liabilities)**	
Group	**2017 £'000**	**2016 £'000**	**2017 £'000**	**2016 £'000**
Fixed asset timing differences	**116**	(141)	**(127)**	(163)
Other timing differences	**151**	207	**(188)**	(190)
Unutilised tax losses	**164**	216	**-**	-
	431	282	**(315)**	(353)

There are unrecognised deferred tax assets of £180,000 (2016: £39,000) in respect of trading losses for which recovery is uncertain.

20 Deferred tax balances *(continued)*

	Assets	
	2017	**2016**
Company	**£'000**	**£'000**
Fixed asset timing differences	**(26)**	(26)
Other timing differences	**132**	194
Unutilised tax losses	**78**	-
	184	168

21 Share capital

	2017	**2016**
	£'000	**£'000**
Allotted and fully paid		
14,815,318 (2016: 14,815,318) ordinary shares of 10p each	**1,482**	1,482

979,510 shares are held by the Norman Hay plc Employee Benefit Trust at 31 December 2017 (2016: 979,510). The trustees have waived any entitlement to dividends on the shares held by the trust.

At 31 December 2017 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 2017, shares held by the EBT under option to employees are as follows:

	2017	**2016**
Number of Norman Hay plc shares held	**979,510**	979,510

23 Contingent liabilities

Company

There are cross-guarantees in respect of bank borrowings of other Group companies. At 31 December 2017, the bank loans and overdrafts outstanding in respect of these facilities was £256,000 (2016: £1,927,000).

24 Capital commitments

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

25 Share-based payments

Norman Hay plc operates an unapproved scheme for Executive Directors and senior management.

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.

Group	2017 Weighted average exercise price (pence)	2017 Number	2016 Weighted average exercise price (pence)	2016 Number
Outstanding at the beginning	**62.5**	**976,150**	62.5	976,150
Exercised during the year	-	-	-	-
Outstanding at the end of the year	**62.5**	**976,150**	62.5	976,150

The weighted average exercise price of options outstanding at the end of the year was 62.5p (2016: 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:

	Land and buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Not later than 1 year	**1,325**	1,469	**387**	431
Later than 1 year and not later than 5 years	**4,403**	3,837	**659**	800
Later than 5 years	**6,039**	5,984	**1**	-
Total	**11,767**	11,290	**1,047**	1,231

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		Other	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Not later than 1 year	**222**	222	**50**	47
Later than 1 year and not later than 5 years	**886**	886	**60**	55
Later than 5 years	**1,993**	2,037	**-**	-
Total	**3,101**	3,145	**110**	102

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 during the year between the Group and its investment entities, Ultraseal India (PVT) Limited and Metal Impregnations (India) Private Limited:

	2017	**2016**
	£'000	**£'000**
Sales of goods	**715**	629

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

	2017	**2016**
	£'000	**£'000**
Trading balances	**321**	159

28 Acquisitions

On 27 July 2017, the Group acquired 100% of the share capital of Internationale Metall IMPrägnier GmbH ("IMP") and purchased the trade and assets of Ing. Hubert Maldaner GmbH, now Maldaner GmbH ("Maldaner"). The two businesses were connected and purchased simultaneously. As such, management consider that this was in effect one acquisition.

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

	Book value £'000	Adjust-ments £'000	Fair value £'000
Tangible fixed assets	1,386	(205)	1,181
Investments	17	-	17
Stocks	945	-	945
Debtors	1,312	(63)	1,249
Bank	850	-	850
Creditors due within one year	(678)	-	(678)
Creditors due after more than one year	(154)	-	(154)
Net assets	**3,678**	**(268)**	**3,410**

	£'000
Cash	**5,508**
Expenses	**177**
Purchase consideration settled in cash	**5,685**
Deferred consideration	**978**
Total purchase consideration	**6,663**
Goodwill arising on acquisition	**3,253**
Purchase consideration settled in cash, as above	**5,685**
Cash and cash equivalents in businesses acquired	**(850)**
Cash outflow on acquisition	**4,835**

The useful economic life of goodwill has been estimated to be 10 years.

There were no acquisitions in the year ended 31 December 2016.

28 Acquisitions *(continued)*

The results of IMP and Maldaner since acquisition up to 31 December 2017 are as follows:

	£'000
Turnover	3,051
Loss for the period	(410)

The loss for the period shown above is after taxation, central charges and certain restructuring costs that were incurred post-acquisition. Both businesses have traded profitably during the early part of 2018.

Norman Hay plc

Notice of Meeting

Notice is hereby given that the seventy second Annual General Meeting of the Company will be held at Norman Hay plc, Lyons Park, 42 Sayer Drive, Coventry CV5 9PF on 20 June 2018 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 2017, together with the Reports of the Directors and the Auditors thereon.

2. To re-elect as a Director Mr Victor Bellanti, who retires by rotation, in accordance with Article 21.1 of the Articles of Association of the Company.

3. To re-appoint BDO LLP as auditors to the Company, to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company, and to authorise the Directors to determine their remuneration.

4. To declare a final dividend for the year ended 31 December 2017 of 3.2p per ordinary share, to be paid on 16 July 2018 to members whose names appear on the register of members as at the close of business on 14 June 2018.

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

   That, new articles of association, which create a new class of A1 ordinary shares and a new class of A2 ordinary shares, be adopted as the articles of association of the Company in substitution for and in exclusion of the existing Articles of Association of the Company. A copy of the proposed new articles of association of the Company shall be available for inspection for a period of seven days prior to the Annual General Meeting: (i) at Norman Hay plc, Lyons Park, Sayer Drive, Coventry CV5 9PF; and (ii) by post on request from the Company Secretary. The proposed new articles of association shall also be available for inspection at Norman Hay plc, Lyons Park, Sayer Drive, Coventry CV5 9PF for two hours before and throughout the Annual General Meeting.

6. To consider and, if thought fit, approve as an Ordinary Resolution:

   That, subject to the passing of resolution 5 above and 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 of ordinary shares provided that such authority shall expire on the conclusion of the next Annual General Meeting to be held in 2019 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.

7. To consider and, if thought fit, approve as an Ordinary Resolution:

   That, subject to the passing of resolution 5 above and 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 £4,000 of A1 ordinary shares provided that such authority shall expire on the conclusion of the next Annual General Meeting to be held in 2019 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 an Ordinary Resolution:

   That, subject to the passing of resolution 5 above and 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 £1,000 of A2 ordinary shares provided that such authority shall expire on the conclusion of the next Annual General Meeting to be held in 2019 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.

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

   That, subject to the passing of resolutions 6, 7 and 8 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 resolutions 6, 7 and 8 above 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:
Lyons Park
42 Sayer Drive
Coventry
CV5 9PF

By order of the board

Samantha Forrest
21 May 2018

Norman Hay plc

Notice of Meeting

Notes

1 A member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies to attend, 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, Lyons Park, Sayer Drive, Coventry CV5 9PF from the date of this notice until 20 June 2018, and thereafter at Norman Hay plc, Lyons Park, Sayer Drive, Coventry CV5 9PF until the close of the Meeting.

3 The right of the members to vote at the Meeting is determined by reference to the register of members. Shareholders must be enrolled on the Company's register of members at 6 p.m. on 14 June 2018 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.

4 In relation to resolution 5, a summary of the rights attaching to the new classes of A1 ordinary shares and A2 ordinary shares is set out the Shareholder Letter which is included with this Notice of AGM.

5 In relation to resolution 5, if you would like to request to receive a copy of the new articles of association of the Company by post, you should contact Samantha Forrest on 024 762 53015, samantha.forrest@normanhay.com or at Norman Hay plc, Lyons Park, Sayer Drive, Coventry CV5 9PF.