Hadley Industries Plc

Annual report and consolidated financial statements

Registered number 05740671

For the year ended 30 April 2016

Contents

Strategic Report

The directors present their annual report and the audited consolidated financial statements of the group for the year ended 30 April 2016.

Principal activities

The principal activity of the group is cold rolling of steel products and the provision of associated services.

The group manufactures and sells products from sites in the UK, Germany, UAE, Thailand and Netherlands.

There have been no significant changes in the company's principal activities in the year under review nor are any major changes envisaged in the next year.

Business review and future developments

In line with the Hadley Group's long term growth strategy the acquisition of the Dutch profile manufacturer Overeem BV was completed during the year. The acquisition will strengthen the Group's global reach and support its growth in the automotive sector.

The Group has performed strongly during the year with turnover increasing to £110.0m (2015: £104.4m) and sales tonnage increasing by 9%. The gross margin percentage increased to 29.3% (2015: 25.6%) reflecting the ongoing volatility in global steel markets.

Where possible overheads have also been carefully controlled and the Group PBT for the year was £8.7m (2015: £6.4m).

Whilst there remains significant uncertainty as to the strength of the global economic recovery the Board are confident about the challenges to be faced in the year ahead. The financial position of the Group remains strong both in the UK and overseas.

Research and development remains a key area of focus which the Board believes will provide a strong platform for the future. The Group will continue to explore new products and markets as appropriate. With diversification and innovation being the pillars for future growth.

Principal risks and uncertainties

The financial risks the directors consider relevant to the Group are currency risk, liquidity risk, credit risk and price risk.

Currency risk arises on export sales, principally to countries within the EU, denominated in Euros. Where possible the Group mitigates its currency risk by entering into appropriate hedging arrangements.

The Group is vulnerable to liquidity risk if short term funds are not available to meet current liabilities. This risk is mitigated by detailed cash flow forecasting and short term borrowing facilities.

Credit risk arises when customers do not settle their accounts in a timely manner. The Group maintains rigorous credit control procedures and a credit control department to mitigate credit risk.

Raw material costs are a significant proportion of final selling price so volatility in steel prices can have a material effect on margins. This risk is mitigated by entering into fixed purchase deals for a proportion of the steel bought and the Group is aware of pricing trends thanks to its excellent supplier relations both in the UK and overseas.

Strategic report *(continued)*

Employees

During the year the group has continued to provide employees with information relevant to their position within the organisation. The group has continued their policy of giving disabled people full and fair consideration for all vacancies for which they offer themselves as suitable applicants, having regard to their particular aptitudes and abilities. Training and career development opportunities are available to all employees and, if necessary, the group endeavours to retain any member of staff who develops a disability during employment with us.

All employees of the company are encouraged to be involved in the group's performance through a profit sharing bonus scheme.

By order of the board

SR Towe CBE DL
Company Secretary

PO Box 92
Downing Street
Smethwick
West Midlands
B66 2PA

5 October 2016

Directors' report

Directors

The directors of the company who were in office during the year and up to date of signing the financial statements were as follows:

SR Towe CBE DL
GE Mayo (resigned 23 December 2015)
SS Heer
BS Towe
GA Towe
RG Neale
MA Castellucci
JM Jaggar (appointed 20 April 2016)

Dividends

The directors paid an interim dividend of £60.00 per share totalling £3.0 million. *(2015: £30.75 per share totalling £1.538 million).*

Research and development

The company continues to invest in research and development. Improvements in both products and processes are ongoing to ensure the continuing success of the group.

Overseas subsidiaries

The group manufactures and sells products from sites in Germany, UAE, Thailand and Netherlands. In addition the group maintains a sales representative in France.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

SR Towe

SR Towe CBE DL
Company Secretary

PO Box 92
Downing Street
Smethwick
West Midlands
B66 2PA
5 October 2016

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Hadley Industries Plc

We have audited the financial statements of Hadley Industries Plc for the year ended 30 April 2016 set out on pages 8 to 39. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Xavier Timmermans (Senior Statutory Auditor) 5 October 2016

for and on behalf of KPMG LLP, Statutory Auditor

Consolidated Profit and Loss Account

for the year ended 30 April 2016

	Note	2016 £000	2015 £000
Turnover	2,3	**109,956**	104,376
Cost of sales		**(77,693)**	(77,605)
Gross profit		**32,263**	**26,771**
Distribution costs		**(1,356)**	(1,481)
Administrative expenses		**(21,649)**	(18,711)
Group operating profit		**9,258**	6,579
Group's share of profit in Associates	4	**389**	695
Interest receivable and similar income	8	**5**	(1)
Interest payable and similar charges	9	**(956)**	(830)
Profit on ordinary activities before taxation		**8,696**	**6,443**
Tax on profit on ordinary activities	10	**(855)**	(633)
Profit on ordinary activities after taxation		**7,841**	**5,810**
Minority interests		**(10)**	(5)
Profit for the financial year		**7,831**	5,805

Other Comprehensive Income
for the year ended 30 April 2016

	2016 £000	2015 £000
Profit for the financial year	**7,831**	5,805
Other Comprehensive Income		
Foreign exchange differences on translation of foreign operations	**1,869**	1,241
Remeasurement of the net defined benefit liability/(asset)	**1,560**	(2,016)
Income tax on other comprehensive income	**(309)**	413
Other comprehensive income for the year, net of income tax	**3,120**	(362)
Total comprehensive income for the year	**10,951**	5,443

Consolidated Balance Sheet
at 30 April 2016

	Note	2016 £000	£000	2015 £000	£000
Fixed assets					
Intangible assets	*11*		**2,964**		-
Tangible assets	*12*		**42,706**		31,895
Investments	*13*		**3,606**		3,430
			49,276		35,325
Current assets					
Stocks	*14*	**12,898**		11,085	
Debtors	*15*	**31,223**		27,652	
Cash at bank and in hand	*16*	**6,136**		4,135	
		50,257		42,872	
Creditors: amounts falling due within one year	*17*	**(33,300)**		(24,518)	
Net current assets			**16,957**		18,354
Total assets less current liabilities			**66,233**		53,679
Creditors: amounts falling due after more than one year	*18*		**(11,938)**		(6,665)
Bank overdrafts	*16*		**(4,176)**		(2,868)
Provisions for liabilities	*21*		**(144)**		(148)
Pensions and similar obligations	*22*		**(9,445)**		(11,419)
Net assets			**40,530**		32,579
Capital and reserves					
Called up share capital	*23*		**50**		50
Share premium account			**1,384**		1,384
Profit and loss account			**39,168**		31,224
Equity attributable to the parent's shareholders			**40,602**		32,658
Minority Interests			**(72)**		(79)
Shareholders' funds			**40,530**		32,579

These financial statements were approved by the board of directors on 5 October 2016 and were signed on its behalf by:

SR Towe CBE DL
Director

Company registered number: 5740671

Company Balance Sheet
at 30 April 2016

	Note	2016 £000	£000	2015 £000	£000
Fixed assets					
Investments in subsidiary undertakings	13		**52,000**		52,000
Investments in associated undertakings	13		**3,385**		3,385
			55,385		55,385
Current assets					
Debtors	15	**2,509**		2,709	
Creditors: amounts falling due within one year	17	**(36,214)**		(50,496)	
Net current liabilities			(33,705)		(47,787)
Total assets less current liabilities			**21,680**		7,598
Creditors: amounts falling due after more than one year	18		**(1,625)**		(4,355)
Net assets			**20,055**		3,243
Capital and reserves					
Called up share capital	23		**50**		50
Share premium account			**1,384**		1,384
Profit and loss account			**18,621**		1,809
Shareholders' funds			**20,055**		3,243

These financial statements were approved by the board of directors on 5 October 2016 and were signed on its behalf by:

SRTowe

SR Towe CBE DL
Director

Company registered number: 5740671

Consolidated Statement of Changes in Equity

	Called up Share capital	Share Premium account	Profit & loss account	Total shareholder's equity	Minority interests	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 May 2014	50	1,384	27,316	28,750	(76)	28,674
Total comprehensive income for the period						
Profit or loss	-	-	5,810	5,810	(5)	5,805
Other comprehensive income	-	-	(364)	(364)	2	(362)
Total comprehensive income for the period	-	-	5,446	5,446	(3)	5,443
Dividends	-	-	(1,538)	(1,538)	-	(1,538)
Total distributions to owners	-	-	(1,538)	(1,538)	-	(1,538)
Balance at 30 April 2015	**50**	**1,384**	**31,224**	**32,658**	**(79)**	**32,579**
Balance at 1 May 2015	50	1,384	31,224	32,658	(79)	32,579
Total comprehensive income for the period						
Profit or loss	-	-	7,841	7,841	(10)	7,831
Other comprehensive income	-	-	3,123	3,123	(3)	3,120
Total comprehensive income for the period	-	-	10,944	10,944	7	10,951
Dividends	-	-	(3,000)	(3,000)	-	(3,000)
Total distributions to owners	-	-	(3,000)	(3,000)	-	(3,000)
Balance at 30 April 2016	**50**	**1,384**	**39,168**	**40,602**	**(72)**	**40,530**

Consolidated Cash Flow Statement
for year ended 30 April 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Profit on ordinary activities after taxation		**7,841**	5,810
Adjustments for:			
Depreciation, amortisation and impairment		**4,189**	3,730
Income from participating investments		**(389)**	(696)
Interest receivable and similar income		**(5)**	1
Interest payable and similar charges		**956**	830
Gain on sale of tangible fixed assets		**94**	(15)
Taxation		**855**	633
Loan arrangement fee amortisation		**37**	27
		13,578	10,320
(Increase) in trade and other debtors		**(1,212)**	(567)
Decrease in stocks		**428**	116
(Decrease) in trade and other creditors		**(215)**	(368)
(Decrease) in provisions and employee benefits		**(793)**	(787)
		11,786	8,714
Dividends paid		**(3,000)**	(1,538)
Interest paid		**(577)**	(423)
Tax paid		**(637)**	(662)
Net cash from operating activities		**7,572**	6,091
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**162**	79
Interest received		**5**	(1)
Dividends received		**-**	450
Acquisition of a business	*2*	**(9,199)**	-
Acquisition of tangible fixed assets	*12*	**(5,135)**	(5,048)
Net cash from investing activities		**(14,167)**	(4,520)
Cash flows from financing activities			
Increase/(decrease) in borrowings		**7,433**	(838)
(Payment)/repayment of finance lease liabilities		**(342)**	219
Net cash from financing activities		**7,091**	(619)
Net increase in cash and cash equivalents		**496**	952
Effect of exchange rate fluctuations		**197**	282
Cash and cash equivalents at 1 May		**1,267**	33
Cash and cash equivalents at 30 April	*16*	**1,960**	1,267

Notes
(forming part of the financial statements)

1 Accounting policies

Hadley Industries plc (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 31.

In the transition to FRS 102 from old UK GAAP,, the Company has made no measurement and recognition adjustments.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

1.2 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Group has long established relationships with customers and suppliers which, together with the Group's current financial strength, provide a solid foundation. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to settle any debts as they fall due.

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significance influence is presumed to exists when the investors holds between 20% and 50% of the equity voting rights.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries and associates are carried at cost less impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.5 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.20 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	1% - 10% straight line basis excluding land costs from the date the property comes into use.
Long leasehold property	Written off in equal instalments over the unexpired period of the lease from the date the property comes into use.
Plant and machinery, fixtures and fittings, computers and tooling	10 – 50 % on a straight line basis
Motor vehicles	25% on a straight line basis

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.9 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- goodwill 10 years
- customer lists 10 years

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Impairment, excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.13 Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.14 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.15 Turnover

Turnover represents the invoiced value of goods delivered to customers excluding value added tax. Sales between group companies have been eliminated. Turnover is recognised when the significant risks and rewards of ownership have been transferred to the buyer and the amount can be measured reliably.

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.17 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Acquisitions and disposal of businesses

Acquisitions in the current period

On 1 December 2015, the Group acquired all of the share capital of Overeem B.V. for £9.4 million. The company specialises in the development and production of roll formed metal profiles. The business contributed revenue of £5.0 million and net profit of £139,000 for the year.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Book values	Fair value adjustments	Recognised values on acquisition
	£000	£000	£000
Acquiree's net assets at the acquisition date:			
Intangible assets	-	1,763	1,763
Tangible fixed assets	6,964	1,570	8,534
Stocks	1,903	-	1,903
Trade and other debtors	2,141	-	2,141
Cash	437	-	437
Interest-bearing loans and borrowings	(3,423)	-	(3,423)
Trade and other creditors	(2,740)	-	(2,740)
Net identifiable assets and liabilities	5,282	3,333	8,615
Total cost of business combination:			
Consideration paid (including expenses)			9,636
Goodwill on acquisition			1,021

Customer relationships have been recognised as a specific intangible asset as a result of the acquisition.

The property acquired has an option to buy and as such has been fair valued on acquisition.

Notes *(continued)*

3 Turnover

The directors consider that the group's activities represent one class of business, being the manufacture of cold rolled sections and profiled sheets. A geographical analysis of turnover by origin is given below:

	2016 £000	2015 £000
United Kingdom	**81,394**	77,989
Rest of Europe	**3,054**	4,080
Middle East and Far East	**25,508**	22,307
Total turnover	**109,956**	104,376

4 Share of operating profit of associates

	2016 £000	2015 £000
Continuing operations	**389**	695

5 Expenses and auditor's remuneration

	2016 £000	2015 £000
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Profit/(loss) on disposal of fixed assets	**94**	(15)
Depreciation charge for the year:		
Tangible owned fixed assets	**3,772**	3,433
Tangible leased fixed assets	**124**	132
Amortisation of intangibles	**126**	166
Operating lease rentals:		
Land and buildings	**269**	276
Plant and machinery	**66**	39
Other	**93**	79
Research and other development expenditure	**807**	722

Auditor's remuneration:

	2016 £000	2015 £000
Audit of these financial statements	**97**	85

Auditor's remuneration for the company was £7,000 *(2015: £7,000)* with no remuneration paid to auditors for non-audit services relating to services provided to the company *(2015: £Nil)*.

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Production	**366**	325
Sales, distribution and administration	**177**	170
	543	495

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**16,424**	13,968
Social security costs	**1,546**	1,372
Expenses related to defined benefit plans	**636**	541
	18,606	15,881

7 Directors' remuneration

	2016	2015
	£000	£000
Directors' remuneration	**1,711**	1,418
Company contributions to money purchase pension plans	**136**	109
	1,847	1,527

Four *(2015: three)* directors participated in the defined contribution pension schemes operated by the company and none *(2015: none)* of the directors participated in the Hadley Pension Fund. All pension contributions disclosed above are to these schemes.

The aggregate emoluments of the highest paid director were £330,000 *(2015: £310,000)*. The accrued pension at the end of the year was £Nil *(2015: £Nil)* and pension contributions of £Nil *(2015: £Nil)* were paid on his behalf in respect of his defined contribution scheme.

Notes *(continued)*

8 Interest receivable and similar income

	2016 £000	2015 £000
Interest receivable from related parties	**5**	1

9 Interest payable and similar charges

	2016 £000	2015 £000
Bank loans and overdrafts	**443**	391
Finance lease interest payable	**134**	32
Net interest expense on net defined benefit liabilities	**379**	407
Total other interest payable and similar charges	**956**	830

10 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £000	£000	2015 £000	£000
Current tax				
Current tax on income for the period		**759**		622
Adjustments in respect of prior periods		**(177)**		(59)
Total current tax		**582**		563
Deferred tax (see note 21)				
Origination and reversal of timing differences	**96**		114	
Change in tax rate	**177**		(44)	
Total deferred tax		**273**		70
Total tax		**855**		633

Notes *(continued)*

10 Taxation *(continued)*

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit on ordinary activities before taxation	**8,696**	6,443
Tax using the UK corporation tax rate of 20.00% (2015: 20.92%)	**1,739**	1,347
Effect of tax rates in foreign jurisdictions	**28**	-
Non-deductible expenses	**179**	1075
Tax exempt revenues	**(1268)**	(1730)
Under / (over) provided in prior years	**177**	(59)
Total tax expense included in profit or loss	**855**	633

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016.

Notes *(continued)*

11 Intangible assets and goodwill

Group

	Goodwill £000	License £000	Customer relationships £000	Negative goodwill £000	Total £000
Cost					
Balance at 1 May	-	92	-	(2,376)	(2,284)
Acquisitions through business combinations	1,021	-	1,763	-	2,784
Effects of movements in foreign exchange	113	-	196	-	309
Balance at 30 April	1,134	92	1,959	(2,376)	809
Amortisation and impairment					
Balance at 1 May	-	92	-	(2,376)	(2,284)
Amortisation for the year	46	-	80	-	126
Effects of movements in foreign exchange	1	-	2		3
Balance at 30 April	47	92	82	(2,376)	(2,155)
Net book value					
At 1 May	-	-	-	-	-
At 30 April	**1,087**	-	**1,877**	-	**2,964**

Amortisation and impairment charge

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

	2016 £000	2015 £000
Administrative expenses	**126**	-

Notes *(continued)*

12 Tangible fixed assets

Group	Land and buildings £000	Plant and Equipment £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 May	22,136	35,755	796	58,687
Acquisitions through business combinations	6,296	2,238	-	8,534
Other acquisitions	60	4,966	109	5,135
Disposals	-	(1,928)	(430)	(2,358)
Exchange adjustments	956	824	18	1,798
Balance at 30 April	29,448	41,855	493	71,796
Depreciation and impairment				
Balance at 1 May	3,119	23,192	481	26,792
Depreciation charge for the year	527	3,187	182	3,896
Disposals	-	(1,692)	(409)	(2,101)
Exchange adjustments	82	409	12	503
Balance at 30 April	3,728	25,096	266	29,090
Net book value				
At 1 May	19,017	12,563	315	31,895
At 30 April	**25,720**	**16,759**	**227**	**42,706**

Leased plant and machinery

At 30 April 2016 the net carrying amount of tangible fixed assets leased under a finance lease was £5,807,000 *(2015: £1,221,000)*. The leased equipment secures lease obligations (see note 20).

Notes *(continued)*

13 Fixed asset investments

Fixed asset investments – Group

	Interests in associated undertakings
	£000
Group	
Cost	
At beginning of year	4,134
Additions	342
At end of year	4,476
Accumulated amortisation of goodwill	
At beginning of year	704
Charge for the year	166
At end of year	870
Net book value	
At 30 April 2016	**3,606**
At 1 May 2015	3,430

Fixed asset investments in associated undertakings – Company

	£000
Net book value	
At the beginning and end of year	3,385

The associated undertakings of the Group are as follows:

	Country of incorporation	Principal activity	Percentage of ordinary shares held
Associated undertakings			
George Green Transport Limited*	England and Wales	Road Haulage	50
Hadley Steel Framing Limited	England and Wales	Design and fitting of steel framing solutions	50

All of the above associates are held directly by Hadley Industries plc unless marked by an asterisk.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Fixed asset investments in subsidiary undertakings – Company

	£000
Net book value	
At the beginning and end of year	52,000

Notes *(continued)*

13 Fixed asset investments *(continued)*

The undertakings in which the Group's and Company's interest at the year-end is more than 20% are as follows.

	Country of incorporation	Principal activity	Percentage of ordinary shares held
Subsidiary undertakings			
Hadley Industries Overseas Holdings Limited	England and Wales	Holding Company	100
Hadley Industries Holdings Limited	England and Wales	Rolling of metal sections	100
Overeem BV *	Netherlands	Rolling of metal sections	100
Hadley Industries (Middle East) FZE *	UAE	Rolling of metal sections	100
Hadley Industries (Thailand) Limited *	Thailand	Rolling of metal sections	100
William Sharp (Steel) Limited *	England and Wales	Dormant	100
Hadley Profiltechnik GmbH *	Germany	Rolling of metal sections	100
Hadley Steel Framing FZCO *	UAE	Design and fitting of steel framing solutions	75
Hadley Rolled Products Limited.*	England and Wales	Dormant	100
Hadsec Limited *	England and Wales	Dormant	100
Bridge Steel Sections Limited *	England and Wales	Dormant	100
Corrugated Sheets & Cladding Limited *	England and Wales	Dormant	100
Rollform Sections Limited *	England and Wales	Dormant	100
Precision Sections Limited *	England and Wales	Dormant	100
Ultrasteel Products Limited *	England and Wales	Dormant	100
Cladding Sheets and Profiles Limited *	England and Wales	Dormant	100
Sections & Profiles Limited *	England and Wales	Dormant	100
Hadley Sections Limited *	England and Wales	Dormant	100
Corrugated Steel Sheets Limited *	England and Wales	Dormant	100
Steel Fence Suppliers Limited *	England and Wales	Dormant	100
Structural Sections Limited *	England and Wales	Dormant	100
Hill Top Sections Limited *	England and Wales	Dormant	100

All of the above subsidiaries owned directly by Hadley Industries plc unless marked by an asterisk.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

14 Stocks

	2016 £000	2015 £000
Raw materials and consumables	**6,034**	5,393
Work in progress and finished goods	**6,864**	5,692
	12,898	11,085

The replacement cost of the above stocks would not be significantly different from the values stated above.

The company had no stocks at any time during the financial year *(2015: £Nil)*.

Notes *(continued)*

15 Debtors

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Trade debtors	**25,508**	21,571	**-**	-
Amounts owed by group undertakings	**-**	-	**2,259**	2,259
Amounts owed by group undertakings in which the entity has a participating interest	**658**	925	**-**	-
Other debtors	**1,792**	2,646	**250**	450
Prepayments and accrued income	**1,362**	-	**-**	-
Fair value derivatives	**203**	226	**-**	-
Deferred tax assets (see note 21)	**1,700**	2,284	**-**	-
	31,223	27,652	**2,509**	2,709

16 Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	**6,136**	4,135
Bank overdrafts	**(4,176)**	(2,868)
Cash and cash equivalents per cash flow statement	**1,960**	1,267

17 Creditors: amounts falling due within one year

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Bank loans (see note 19)	**4,075**	1,932	**23,972**	18,354
Obligations under finance leases (see note 20)	**3,840**	248	**-**	-
Trade creditors	**18,447**	17,802	**-**	-
Amounts owed to shareholders	**923**	808	**923**	808
Amounts owed to group undertakings	**-**	-	**11,393**	31,408
Amounts owed to undertakings in which the entity has a participating interest	**476**	445	**-**	-
Corporation tax payable	**228**	157	**(74)**	(74)
Taxation and social security	**1,014**	771	**-**	-
Other creditors	**3,552**	1,705	**-**	-
Accruals and deferred income	**745**	650	**-**	-
	33,300	24,518	**36,214**	50,496

Notes *(continued)*

18 Creditors: amounts falling after more than one year

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Bank loans (see note 19)	**11,149**	5,811	**1,625**	4,355
Obligations under finance leases (see note 20)	**279**	414	**-**	-
Other creditors	**510**	440	**-**	-
	11,938	6,665	**1,625**	4,355

19 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Creditors falling due within less than one year				
Secured bank loans	**4,075**	1,932	**23,972**	18,354
Finance lease liabilities	**3,840**	248	**-**	-
	7,915	2,180	**23,792**	18,354
Creditors falling due more than one year				
Secured bank loans	**11,149**	5,811	**1,625**	4,355
Finance lease liabilities	**279**	414	**-**	-
	11,428	6,225	**1,625**	4,355

The bank loans and overdraft are secured by a first mortgage over land and buildings, a fixed charge over book debts and a floating charge over all other group assets. The bank loans incur interest at rates between 2.94% and 4.52% (2015: 3.06% and 5.61%).

Bank loans analysis:

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Less than one year	4,075	1,932	23,972	18,354
Between one and five years	**11,086**	1,845	1,625	4,355
More than five years	**63**	3,966	-	-
	15,224	7,743	25,597	22,709

Notes *(continued)*

20 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2016 £000	Minimum lease payments 2015 £000
Less than one year	3,840	248
Between one and five years	279	414
More than five years	-	-
	4,119	662

21 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2016 £000	2015 £000	Liabilities 2016 £000	2015 £000	Net 2016 £000	2015 £000
Accelerated capital allowances	-	-	(144)	(148)	(144)	(148)
Employee benefits	1,700	2,284	-	-	1,700	2,284
Net tax (assets) / liabilities	1,700	2,284	(144)	(148)	1,556	2,136

Notes *(continued)*

22 *Employee benefits*

During the year Hadley Plc Pension and Life Assurance Scheme (a defined benefit arrangement) merged with the Hadley Pension Fund (Small Self-Administered Scheme (SSAS) for directors).

The last full actuarial valuation of this scheme was carried out by an independent qualified actuary as at 30 April 2013 and updated to 30 April 2016.

The company began sponsoring the scheme following a group reorganisation on 30 April 2008.

The total contributions made over the financial year to the merged schemes have been £793,000 *(2015: £787,000)*. The scheme became paid up with effect from 30 April 2005. Expected contributions for the coming year are £793,000 *(2015: £793,000)* and the directors made contributions by deductions from earnings of £Nil *(2054: £Nil)*.

The information disclosed below is in respect of the whole of the plans for which the Company is either legally responsible or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Net pension (liability)

	2016 £000
Defined benefit obligation	**(22,658)**
Plan assets	**13,213**
Net pension (liability)	**(9,445)**

Movements in present value of defined benefit obligation	**2016 £000**
At 1 May	**24,792**
Interest expense	**826**
Remeasurement: actuarial (losses)	**(1,969)**
Benefits paid	**(991)**
At 30 April	**22,658**

Movements in fair value of plan assets	**2016 £000**
At 1 May	**13,373**
Interest income	**447**
Remeasurement: return on plan assets less interest income	**(409)**
Contributions by employer	**793**
Benefits paid	**(991)**
At 30 April	**13,213**

Expense recognised in the profit and loss account	**2016 £000**	2015 £000
Net interest on net defined benefit liability	**379**	407
Total expense recognised in profit or loss	**379**	407

Notes *(continued)*

22 Employee benefits *(continued)*

The fair value of the plan assets and the return on those assets were as follows:

	2016 Fair value £000/%	2015 Fair value £000/%
Equities	**1,678 / 13**	1,877 / 14
Gilt	**1,839 / 14**	1,722 / 13
Corporate bonds	**801 / 6**	958 / 7
Property	**3,459 / 26**	3,086 / 23
Other	**5,436 / 41**	5,730 / 43
	13,213	13,373

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2016 %	2015 %
Discount rate	**3.5**	2.4
Inflation (RPI)	**3.25**	3.45
Inflation (CPI)	**2.25**	2.45
Allowance for pension in payment increase of CPI or 5% pa if less	**2.25**	2.45
Allowance for revaluation of deferred pensions of CPI or 5% pa if less	**2.25**	2.45
Allowance for pension in payment increase of RPI or 2.5% pa if less	**2.15**	2.15

In valuing the liabilities of the pension fund at 30 April 2016, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.1 years (male), 24.4 years (female).
- Future retiree upon reaching 65: 23.8 years (male), 26.3 years (female).

23 Capital and reserves

Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	**50**	50
	50	50

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

24 Financial instruments

24 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016 £000	2015 £000
(Liability)/asset measured at fair value through profit or loss	**(203)**	226

24 (b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

25 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Less than one year	**783**	846	-	-
Between one and five years	**617**	636	-	-
More than five years	**300**	35	-	-
	1,700	1517	-	-

During the year £386,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2015: £394,000)*.

26 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £Nil *(2015: £908,000)*.

The company has a fixed charge over book and other debts and a floating charge placed over all other assets of the company and its subsidiary undertakings in order to guarantee the bank loans and overdrafts of its subsidiary undertakings.

27 Contingencies

The company has guaranteed the bank overdrafts of all subsidiary companies listed in note 13.

The bank holds a fixed charge over book and other debts and a floating charge over all other assets.

Certain of the borrowings have been secured by a first legal charge over some of the group properties.

Notes *(continued)*

28 Related parties

Group

Identity of related parties with which the Group has transacted

The group's transactions and balances with George Green Transport Limited, its associated undertaking, are summarised as follows:

	Transactions with Group 2016 £000	2015 £000	Transactions with Company 2016 £000	2015 £000
Sales	**109**	102	**-**	-
Purchases	**2,315**	2,160	**-**	-
Dividend received	**-**	-	**-**	-
Debtors	**12**	12	**-**	-
Creditors	**506**	417	**-**	-

The group's transactions and balances with Hadley Steel Framing Limited, its associated undertaking, are summarised as follows:

	Transactions with Group 2016 £000	2015 £000	Transactions with Company 2016 £000	2015 £000
Sales	**3,399**	4,060	**-**	-
Purchases	**-**	-	**-**	-
Dividend received	**-**	450	**-**	450
Debtors	**640**	900	**-**	-
Creditors	**22**	1	**-**	-

The group's transactions and balances with Hadley Steel Framing FZCO, its 75% owned subsidiary, are summarised as follows:

	Transactions with Group 2016 £000	2015 £000	Transactions with Company 2016 £000	2015 £000
Sales	**498**	409	**-**	-
Purchases	**-**	-	**-**	-
Dividend received	**-**	-	**-**	-
Debtors	**292**	366	**-**	-
Creditors	**-**	-	**-**	-

Unsecured loans, repayable on demand, were made to directors and were outstanding during the year. The amount of debt including interest due to the company at the beginning of the year was £255,000 (2015: £256,000), the maximum during the year was £255,000 (2015: £256,000) and at the end of the year was £180,000 (2015: £255,000). Interest charged during the year amounted to £Nil (2015: £Nil).

Notes *(continued)*

29 Ultimate parent company and parent company of larger group

SR Towe CBE DL, a director of Hadley Industries Plc, controls the company as a result of holding over 50% of the issued ordinary share capital of Hadley Industries Plc.

30 Accounting estimates and judgements

Key sources of estimation uncertainty

Actuarial assumptions on pension obligations

In determining the valuation of the defined benefit pension liability, certain assumptions about the scheme have been made, notably the expected return on assets, inflation, discount rates, mortality and pension increases. The factors affecting these assumptions are largely outside the Group's control.

Valuation of intangible assets

Where an acquisition is of a significant size, it is reviewed by independent experts to assess the specific intangibles arising from the acquisition. Intangible assets have been identified as part of this process. The reasons for the residual excess of consideration over net asset value are then identified to identify the reasons for goodwill arising, which in the case of recent acquisitions, has resulted mainly from assembled workforce, technical expertise, know-how, market share and geographical advantages.

Notes *(continued)*

31 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 April 2015 and the comparative information presented in these financial statements for the year ended 30 April 2014.

Group

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

Group			1 May 2014			30 April 2015	
		UK GAAP	Effect of transition to FRS 102	FRS 102	**UK GAAP**	**Effect of transition to FRS 102**	**FRS 102**
	Note	£000	£000	£000	**£000**	**£000**	**£000**
Fixed assets							
Tangible fixed assets		30,015	-	30,015	**31,895**	-	**31,895**
Investments		3,490	-	3,490	**3,430**	-	**3,430**
		33,505	-	33,505	**35,325**	-	**35,325**
Current assets							
Stocks		10,994	-	10,994	**11,085**	-	**11,085**
Debtors	*a*	25,991	58	26,049	**27,426**	**226**	**27,652**
Cash at bank and in hand		2,045	-	2,045	**4,135**	-	**4,135**
		39,030	58	39,088	**42,646**	**226**	**42,872**
Creditors: amounts due within one year		(26,878)	-	(26,878)	**(27,386)**	-	**(27,386)**
Net current assets		12,152	58	12,210	**15,260**	**226**	**15,486**
Creditors: amounts falling due after more than one year		(7,111)	-	(7,111)	**(6,665)**	-	**(6,665)**
Provisions for liabilities		(147)	-	(147)	**(148)**	-	**(148)**
Pension liability		(9,783)	-	(9,783)	**(11,419)**	-	**(11,419)**
Net assets		26,616	58	28,674	**32,353**	**226**	**32,579**
Capital and reserves							
Called up share capital		50	-	50	**50**	-	**50**
Share premium account		1,384	-	1,384	**1,384**	-	**1,384**
Profit and loss account		27,258	58	27,316	**30,998**	**226**	**31,224**
Minority Interests		(76)	-	(76)	**(79)**	-	**(79)**
Shareholders' equity		28,616	58	28,674	**32,353**	**226**	**32,579**

Notes *(continued)*

31 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Reconciliation of profit for 30 April 2015

	Note	UK GAAP £000	20 Effect of transition to FRS 102 £000	FRS 102 £000
Turnover		104,376	-	104,376
Cost of sales		(77,605)	-	(77,605)
Gross profit		26,771	-	26,771
Distribution costs		(1,481)	-	(1,481)
Administrative expenses	a	(18,879)	168	(18,711)
Group Operating profit		6,411	168	6,579
Group's share of profits in Associates		695	-	695
Total operating profit		7,106	168	7,274
Interest receivable and similar income		(1)	-	(1)
Interest payable and similar charges		(946)	(116)	(830)
Profit on ordinary activities before taxation		6,159	284	6,443
Taxation		(610)	(23)	(633)
Minority Interests' share of profit or loss		(5)	-	(5)
Profit for the year		5,544	261	5,805

Notes to the reconciliation of equity and profit

a) The adjustments shown above relate to the change of accounting treatment for forward currency commitments. Under old UK GAAP such commitments were not required to be disclosed on the balance sheet in the Company's accounts and instead were disclosed as a commitment. Under FRS 102 these forward currency derivatives are now recognised on the balance sheet at fair value.

Company

In the transition to FRS102 from old UK GAAP, the company has made no measurement and recognition adjustments.