Hadley Industries Plc

Annual report and consolidated financial statements

Registered number 05740671

For the year ended 30 April 2018

Contents

Strategic Report

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, Netherlands, Turkey, UAE and Thailand.

There have been no significant changes in the Group's principal activities in the year under review. Since the year end, there have been changes as detailed in Note 29.

Business review and future developments

We have experienced challenging conditions in our key markets this year with volatility in steel prices and an uncertain economic outlook. This has seen our Gross Margin decline to 25.9% (2017: 30.1%) and our net profit reduce to £6.5m (2017: £10.4m).

The Board are confident that the quality and range of our product offering puts the company in a strong position to travel through this period of market turbulence.

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

The financial position of the Group remains strong both in the UK and overseas and the Board are confident about the challenges to be faced in the years ahead.

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. 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.

By order of the board

B. Towe

BS Towe
Company Director

PO Box 92
Downing Street
Smethwick
West Midlands
B66 2PA

3 September 2018

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
SS Heer
BS Towe
GA Towe
RG Neale
MA Castellucci
JM Jaggar

Dividends

The directors do not recommend the payment of a dividend. *(2017: £45.00 per share totalling £2.25 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 UAE, Thailand, Turkey and Netherlands.

Charitable and political donations

During the year, the company made charitable donations of £150,000 *(2017: £99,000)* to charities of various nature. The majority of donations are made to local schools. There were no political donations *(2017: £Nil).*

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

B. Towe

BS Towe
Company Director

PO Box 92
Downing Street
Smethwick
West Midlands
B66 2PA

3 September 2018

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, 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 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 company and of the profit or loss of the company 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

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

Opinion

We have audited the financial statements of Hadley Industries Plc ("the company") for the year ended 30 April 2018 which comprise the Consolidated Profit and Loss Account, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in Note 1.

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 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Hadley Industries Plc *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Xavier Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

3 September 2018

Consolidated Profit and Loss Account
for the year ended 30 April 2018

	Note	2018 £000	2017 £000
Turnover	2	**129,655**	127,681
Cost of sales		**(96,086)**	(89,251)
Gross profit		**33,569**	38,430
Distribution costs		**(1,971)**	(1,732)
Administrative expenses		**(24,585)**	(25,443)
Group operating profit		**7,013**	11,255
Group's share of profit in Associates	3	**1,273**	1,737
Interest receivable and similar income	7	**3**	3
Interest payable and similar expenses	8	**(892)**	(1,010)
Profit before taxation		**7,397**	11,985
Tax on profit	9	**(908)**	(1,611)
Profit after taxation		**6,489**	10,374
Profit attributable to:			
Shareholders of the parent company		**6,464**	10,271
Non-controlling interests		**25**	103
Profit after taxation		**6,489**	10,374

The notes on pages 15 to 38 form part of these financial statements.

Consolidated Other Comprehensive Income

for the year ended 30 April 2018

	2018 £000	2017 £000
Profit for the financial year	**6,489**	10,374
Other Comprehensive Income		
Foreign exchange differences on translation of foreign operations	**(580)**	3,153
Remeasurement of the net defined benefit liability/(asset)	**(1,082)**	(3,182)
Tax on net defined liability	**184**	543
Other comprehensive income for the year, net of income tax	**(1,478)**	514
Total comprehensive income for the year	**5,011**	10,888
Total comprehensive income attributable to:		
Shareholders of the parent company	**4,988**	10,795
Non-controlling interests	**23**	93
Total comprehensive income for the year	**5,011**	10,888

Consolidated Balance Sheet
at 30 April 2018

	Note	**2018**		Restated* 2017	Restated*
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*10*		**2,625**		2,854
Tangible assets	*11*		**50,393**		50,944
Investments	*12*		**4,276**		4,615
			57,294		58,413
Current assets					
Stocks	*13*	**13,529**		13,731	
Debtors	*14*	**31,925**		35,748	
Cash at bank and in hand	*15*	**8,140**		4,098	
		53,594		53,577	
Creditors: amounts falling due within one year	*16*	**(30,157)**		(33,947)	
Net current assets			**23,437**		19,630
Total assets less current liabilities			**80,731**		78,043
Creditors: amounts falling due after more than one year	*17*		**(13,605)**		(16,458)
Provisions for liabilities	*20*		**(221)**		(263)
Pensions and similar obligations	*21*		**(12,726)**		(12,154)
Net assets			**54,179**		49,168
Capital and reserves					
Called up share capital	*22*		**50**		50
Share premium account			**1,384**		1,384
Profit and loss account			**52,701**		47,713
Equity attributable to the parent's shareholders			**54,135**		49,147
Non-controlling interests			**44**		21
Shareholders' funds			**54,179**		49,168

* Refer to note 11

These financial statements were approved by the board of directors on [date] and were signed on its behalf by:

B. Towe

BS Towe
Director

Company registered number: 5740671

Company Balance Sheet
at 30 April 2018

	Note	**2018**		2017	
		£000	**£000**	£000	£000
Fixed assets					
Investments in subsidiary undertakings	*12*		**52,000**		52,000
Investments in associated undertakings	*12*		**3,385**		3,385
			55,385		55,385
Current assets					
Debtors	*14*	**4,553**		4,643	
Creditors: amounts falling due within one year	*16*	**(39,241)**		(38,737)	
Net current liabilities			**(34,688)**		(34,094)
Total assets less current liabilities			**20,697**		21,291
Creditors: amounts falling due after more than one year	*17*		**(1,670)**		(3,248)
Net assets			**19,027**		18,043
Capital and reserves					
Called up share capital	*22*		**50**		50
Share premium account			**1,384**		1,384
Profit and loss account			**17,593**		16,609
Shareholders' funds			**19,027**		18,043

These financial statements were approved by the board of directors on [date] and were signed on its behalf by:

BS Towe
Director

Company registered number: 5740671

Consolidated Statement of Changes in Equity

	Called up Share capital £000	Share Premium account £000	Profit & loss account £000	Total shareholder's equity £000	Non-controlling interest £000	Total equity £000
Balance at 1 May 2016	50	1,384	39,168	40,602	(72)	40,530
Total comprehensive income for the period						
Profit or loss	-	-	10,271	10,271	103	10,374
Other comprehensive income	-	-	524	524	(10)	514
Total comprehensive income for the period	-	-	10,795	10,795	93	10,888
Dividends	-	-	(2,250)	(2,250)	-	(2,250)
Total distributions to owners	-	-	(2,250)	(2,250)	-	(2,250)
Balance at 30 April 2017	50	1,384	47,713	49,147	21	49,168
Balance at 1 May 2017	50	1,384	47,713	49,147	21	49,168
Total comprehensive income for the period						
Profit or loss	-	-	6,464	6,464	25	6,489
Other comprehensive income	-	-	(1,476)	(1,476)	(2)	(1,478)
Total comprehensive income for the period	-	-	4,988	4,988	23	5,011
Dividends	-	-	-	-	-	-
Total distributions to owners	-	-	-	-	-	-
Balance at 30 April 2018	**50**	**1,384**	**52,701**	**54,135**	**44**	**54,179**

Company Statement of Changes in Equity

	Called up Share capital £000	Share Premium account £000	Profit & loss account £000	Total equity £000
Balance at 1 May 2016	50	1,384	18,621	20,055
Total comprehensive income for the period				
Profit or loss	-	-	238	238
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	238	238
Dividends	-	-	(2,250)	(2,250)
Balance at 30 April 2017	50	1,384	16,609	18,043
Balance at 1 May 2017	50	1,384	16,609	18,043
Total comprehensive income for the period				
Profit or loss	-	-	984	984
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	984	984
Dividends	-	-	-	-
Balance at 30 April 2018	50	1,384	17,593	19,027

Consolidated Cash Flow Statement

for year ended 30 April 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit after taxation		**6,490**	10,374
Adjustments for:			
Depreciation, amortisation and impairment		**5,855**	6,083
Income from participating investments		**(1,273)**	(1,737)
Interest receivable and similar income		**(3)**	(3)
Interest payable and similar expenses		**892**	1,010
Loss on sale of tangible fixed assets		**60**	4
Taxation		**908**	1,611
Loan arrangement fee amortisation		**45**	8
		12,973	17,350
Decrease/(Increase) in trade and other debtors		**4,046**	(2,674)
(Increase) in stocks		**(1,107)**	(2,829)
(Decrease)/Increase in trade and other creditors		**(3,568)**	2,998
(Decrease) in provisions and employee benefits		**(817)**	(793)
		11,528	14,052
Dividends paid		**-**	(2,250)
Interest paid		**(585)**	(690)
Tax paid		**(1,111)**	(647)
Net cash from operating activities		**9,832**	10,465
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**126**	71
Interest received		**3**	3
Dividends received		**1,225**	190
Acquisition of tangible fixed assets	*11*	**(3,967)**	(9,805)
Net cash from investing activities		**(2,613)**	(9,541)
Cash flows from financing activities			
(Decrease)/Increase in borrowings		**(2,640)**	3,401
Repayment/(Payment) of finance lease liabilities		**87**	(3,847)
Net cash from financing activities		**(2,553)**	(446)
Net increase in cash and cash equivalents		**4,665**	478
Effect of exchange rate fluctuations		**(336)**	682
Cash and cash equivalents at 1 May		**3,120**	1,960
Cash and cash equivalents at 30 April	*15*	**7,449**	3,120

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"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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 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 1.16 below.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Tangible fixed assets (continued)

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. Tooling costs are capitalised net of any customer contributions.

1.8 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)*

1.9 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.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price in the ordinary course of business less costs of completion and selling expenses. Cost 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, cost includes an appropriate share of overheads based on normal operating capacity.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 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.

1.12 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.

Net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

1.13 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.

1.14 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)*

1.15 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 expenses include interest payable, finance expenses 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.

1.16 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 expenses 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 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:

	2018	2017
	£000	£000
United Kingdom	**86,596**	81,907
Rest of Europe	**18,813**	18,605
Middle East and Far East	**24,246**	27,169
Total turnover	**129,655**	127,681

3 Share of operating profit of associates

	2018	2017
	£000	£000
Continuing operations	**1,273**	1,737

4 Expenses and auditor's remuneration

	2018	2017
	£000	£000
Profit before taxation is stated after charging:		
(Loss) on disposal of fixed assets	**(60)**	(4)
Depreciation charge for the year:		
Tangible owned fixed assets	**5,169**	5,175
Tangible leased fixed assets	**171**	29
Amortisation of intangibles	**516**	500
Operating lease rentals:		
Land and buildings	**394**	313
Plant and machinery	**59**	52
Other	**202**	160
Research and other development expenditure	**800**	800

Auditor's remuneration:

	2018	2017
	£000	£000
Audit of these financial statements	**120**	109

Auditor's remuneration for the company was £7,000 *(2017: £7,000)* with no remuneration paid to auditors for non-audit services relating to services provided to the company *(2017: £Nil)*.

Notes *(continued)*

5 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	
	2018	2017
Production	**411**	413
Sales, distribution and administration	**195**	190
	606	603

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**20,432**	20,795
Social security costs	**2,456**	2,187
Expenses related to defined benefit plans	**813**	906
	23,701	23,888

6 Directors' remuneration

	2018	2017
	£000	£000
Directors' remuneration	**2,289**	2,097
Company contributions to money purchase pension plans	**40**	105
	2,329	2,202

Four *(2017: four)* directors participated in the defined contribution pension schemes operated by the company and none *(2017: 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 £478,000 *(2017: £478,000)*. The accrued pension at the end of the year was £Nil *(2017: £Nil)* and pension contributions of £Nil *(2017: £Nil)* were paid on his behalf in respect of his defined contribution scheme.

7 Interest receivable and similar income

	2018	2017
	£000	£000
Bank interest receivable	**3**	3

Notes *(continued)*

8 Interest payable and similar expenses

	2018 £000	2017 £000
Bank loans and overdrafts	**465**	553
Finance lease interest payable	**18**	137
Net interest expense on net defined benefit liabilities	**409**	320
Total other interest payable and similar expenses	**892**	1,010

9 Taxation

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

	2018 £000	£000	2017 £000	£000
Current tax				
Current tax on income for the period		**1,177**		1,550
Adjustments in respect of prior periods		**(297)**		(231)
Total current tax		**880**		1,319
Deferred tax (see note 20)				
Origination and reversal of timing differences	**79**		179	
Change in tax rate	**(8)**		59	
Adjustment in respect of prior year	**(43)**		54	
Total deferred tax		**28**		292
Total tax		**908**		1,611

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit before taxation	**7,397**	11,985
Tax using the UK corporation tax rate of 19% *(2017: 19.92%)*	**1,405**	2,387
Effect of tax rates in foreign jurisdictions	**131**	79
Non-deductible expenses	**1,060**	209
Tax exempt revenues	**(1,494)**	(1,058)
(Over) provided in prior years	**(339)**	(177)
Transfer pricing adjustment	**7**	24
Tax losses carried forward	**138**	140
Other reliefs	**-**	7
Total tax expense included in profit or loss	**908**	1,611

Notes *(continued)*

9 Taxation *(continued)*

Factors that may affect future current and total tax expenses

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax, at 30 April 2018 has been calculated based on these rates.

10 Intangible assets and goodwill

Group	Goodwill £000	Licence £000	Customer relationships £000	Negative goodwill £000	Total £000
Cost					
Balance at 1 May	1,219	92	2,106	(2,376)	1,041
Effects of movements in foreign exchange	50	-	87	-	137
Balance at 30 April	1,269	92	2,193	(2,376)	1,178
Amortisation and impairment					
Balance at 1 May	173	92	298	(2,376)	(1,813)
Amortisation for the year	128	-	221	-	349
Effects of movements in foreign exchange	6	-	11	-	17
Balance at 30 April	307	92	530	(2,376)	(1,447)
Net book value					
At 1 May	1,046	-	1,808	-	2,854
At 30 April	962	-	1,663	-	2,625

Amortisation and impairment charge

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

	2018 **£000**	2017 £000
Administrative expenses	**349**	334

Notes *(continued)*

11 Tangible fixed assets

Group	**Land and buildings**	**Plant and Equipment**	**Motor vehicles**	**Under construction*** Restated	**Total** Restated
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
Balance at 1 May	32,626	49,910	571	2,575	85,682
Additions	232	2,065	203	3,347	5,847
Disposals	-	(2,734)	(220)	(301)	(3,255)
Exchange adjustments	(22)	(435)	(39)	-	(496)
Transfers	49	1,755	-	(1,804)	-
Balance at 30 April	32,885	50,561	515	3,817	87,418
Depreciation and impairment					
Balance at 1 May	4,343	30,191	204	-	34,738
Depreciation charge for the year	823	4,339	177	-	5,339
Disposals	-	(2,218)	(214)	-	(2,432)
Exchange adjustments	(68)	(304)	(18)	-	(390)
Impairment losses	-	-	-	130	(130)
Balance at 30 April	5,098	32,008	149	130	37,385
Net book value					
At 1 May	28,283	19,719	367	2,575	50,944
At 30 April	**27,787**	**18,553**	**366**	**3,687**	**50,393**

Leased plant and machinery

At 30 April 2018 the net carrying amount of tangible fixed assets leased under a finance lease was £668,000 *(2017: £805,000)*. The leased equipment secures lease obligations (see note 19).

* Upon review of the classification of capital work in progress it was noted that it had been incorrectly classified as Work In Progress within stocks as at 30 April 2017. This adjustment has the effect of increasing Assets under the Course of Construction within fixed assets by £2,575,000 with a corresponding decrease in Work In Progress within Stocks as at 30 April 2017. There is no impact on the profit for the year ended 30 April 2017 or net assets or equity as at that date.

Notes *(continued)*

12 Fixed asset investments

Fixed asset investments – Group

	Interests in associated undertakings
	£000
Group	
Cost	
At beginning of year	5,651
Additions	(172)
At end of year	5,479
Accumulated amortisation of goodwill	
At beginning of year	1,036
Charge for the year	167
At end of year	1,203
Net book value	
At 30 April 2018	**4,276**
At 1 May 2017	4,615

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:

Associated undertakings	**Country of incorporation**	**Principal activity**	**Percentage of ordinary shares held**
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. The registered address of George Green Transport Limited is PO Box 92 Downing Street, Smethwick, West Midlands, B66 2PA and the registered address of Hadley Steel Framing Limited is 123 West Bromwich Street, Oldbury, West Midlands, B69 3AZ.

Fixed asset investments in subsidiary undertakings – Company

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

Notes *(continued)*

12 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	Key
Subsidiary undertakings				
Hadley Industries Overseas Holdings Limited	England and Wales	Holding Company	**100**	A
Hadley Industries Holdings Limited	England and Wales	Rolling of metal sections	**100**	A
Overeem BV *	Netherlands	Rolling of metal sections	**100**	F
Hadley Industries (Middle East) FZE *	UAE	Rolling of metal sections	**100**	B
Hadley Industries (Thailand) Limited *	Thailand	Rolling of metal sections	**100**	C
William Sharp (Steel) Limited *	England and Wales	Dormant	**100**	A
Hadley Profiltechnik GmbH *	Germany	Rolling of metal sections	**100**	D
Hadley Steel Framing FZCO *	UAE	Steel framing solutions	**75**	E
Hadley Rolled Products Limited *	England and Wales	Dormant	**100**	A
Hadley Rollform Celik Profit Satici Uretimi A.S	Turkey	Rolling of metal sections	**100**	G
Hadsec Limited *	England and Wales	Dormant	**100**	A
Bridge Steel Sections Limited *	England and Wales	Dormant	**100**	A
Corrugated Sheets & Cladding Limited *	England and Wales	Dormant	**100**	A
Rollform Sections Limited *	England and Wales	Dormant	**100**	A
Precision Sections Limited *	England and Wales	Dormant	**100**	A
Ultrasteel Products Limited *	England and Wales	Dormant	**100**	A
Cladding Sheets and Profiles Limited *	England and Wales	Dormant	**100**	A
Sections & Profiles Limited *	England and Wales	Dormant	**100**	A
Hadley Sections Limited *	England and Wales	Dormant	**100**	A
Corrugated Steel Sheets Limited *	England and Wales	Dormant	**100**	A
Steel Fence Suppliers Limited *	England and Wales	Dormant	**100**	A
Structural Sections Limited *	England and Wales	Dormant	**100**	A
Hill Top Sections Limited *	England and Wales	Dormant	**100**	A

Key	**Registered Office**
A	PO Box 92 Downing Street, Smethwick, West Midlands, B66 2PA
B	P Box 61322, Jebel Ali Free Zone, Dubai, UAE
C	Laem Chabang Industrial Estate, Si Racha, Chonburi 20230, Thailand
D	Buemnerhelf straße 9, D-44379, Germany
E	P Box 61322, Jebel Ali Free Zone, Dubai
F	Randon Straat 16, 6718 WS Eile, Netherlands
G	Tuzla Deri OSB, Gergef Sokak No 7, Tuzla Istanbul, Turkey

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.

Notes *(continued)*

13 Stocks

	2018 £000	Restated* 2017 £000
Raw materials and consumables	**7,246**	8,110
Finished goods	**6,283**	5,621
	13,529	13,731

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 *(2017: £Nil)*.

* See Note 11 for details of the restatement.

14 Debtors

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Trade debtors	**25,356**	30,655	**-**	-
Amounts owed by group undertakings	**-**	-	**4,565**	4,465
Amounts owed by group undertakings in which the entity has a participating interest	**906**	1,164	**-**	-
Other debtors	**2,221**	761	**(12)**	178
Prepayments and accrued income	**1,030**	1,099	**-**	-
Corporation tax receivable	**228**	-	**-**	-
Deferred tax assets (see note 20)	**2,184**	2,069	**-**	-
	31,925	35,748	**4,553**	4,643

15 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	**8,140**	4,098
Bank overdrafts	**(691)**	(978)
Cash and cash equivalents per cash flow statement	**7,449**	3,120

Notes *(continued)*

16 Creditors: amounts falling due within one year

	Group		**Company**	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Bank loans (see note 18)	**3,467**	3,039	**1,577**	27,622
Obligations under finance leases (see note 19)	**153**	219	**-**	-
Trade creditors	**20,828**	23,537	**-**	-
Amounts owed to shareholders	**579**	278	**579**	278
Amounts owed to group undertakings	**-**	-	**20,911**	10,911
Amounts owed to undertakings in which the entity has a participating interest	**368**	483	**-**	-
Corporation tax payable	**123**	465	**-**	(74)
Taxation and social security	**594**	1,020	**-**	-
Other creditors	**3,126**	3,273	**13**	-
Accruals and deferred income	**228**	655	**-**	-
Bank overdraft	**691**	978	**16,161**	-
	30,157	33,947	**39,241**	38,737

17 Creditors: amounts falling after more than one year

	Group		**Company**	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Bank loans (see note 18)	**12,571**	15,594	**1,670**	3,248
Obligations under finance leases (see note 19)	**502**	345	**-**	-
Other creditors	**532**	519	**-**	-
	13,605	16,458	**1,670**	3,248

Notes *(continued)*

18 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 2018 £000	2017 £000	Company 2018 £000	2017 £000
Creditors falling due within less than one year				
Secured bank loans	**3,467**	3,039	**1,577**	27,622
Finance lease liabilities	**153**	219	**-**	-
	3,620	3,258	**1,577**	27,622
Creditors falling due more than one year				
Secured bank loans	**12,571**	15,594	**1,670**	3,248
Finance lease liabilities	**502**	345	**-**	-
	13,073	15,939	**1,670**	3,248

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 3.21% and 3.35% *(2017: 2.83% and 3.4%).*

Bank loans analysis:

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Less than one year	**3,467**	3,039	1,577	27,622
Between one and five years	**11,011**	15,572	1,670	3,248
More than five years	**1,560**	23	-	-
	16,038	18,634	3,247	30,870

Notes *(continued)*

19 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	**Minimum lease payments 2018 £000**	Minimum Lease payments 2017 £000
Less than one year	**153**	219
Between one and five years	**502**	345
More than five years	**-**	-
	655	564

20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets 2018 £000**	2017 £000	**Liabilities 2018 £000**	2017 £000	**Net 2018 £000**	2017 £000
Accelerated capital allowances	**-**	-	**(221)**	(263)	**(221)**	(263)
Employee benefits	**2,184**	2,069	**-**	-	**2,184**	2,069
Net tax (assets) / liabilities	**2,184**	2,069	**(221)**	(263)	**1,963**	1,806

21 Employee benefits

The last full actuarial valuation of this scheme was carried out by an independent qualified actuary as at 30 April 2016 and updated to 30 April 2018.

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 £817,000 *(2017: £793,000)*. The scheme became paid up with effect from 30 April 2005. Expected contributions for the coming year are £841,000 *(2017: £793,000)* and the directors made contributions by deductions from earnings of £Nil *(2017: £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.

Notes *(continued)*

21 Employee benefits *(continued)*

Net pension (liability)

	2018 £000
Defined benefit obligation	(26,107)
Plan assets	13,381
Net pension (liability)	(12,726)

Movements in present value of defined benefit obligation

At 1 May	25,864
Interest expense	657
Remeasurement: actuarial losses	787
Benefits paid	(1,201)
At 30 April	26,107

Movements in fair value of plan assets

At 1 May	13,710
Interest income	350
Remeasurement: return on plan assets less interest income	(295)
Contributions by employer	817
Benefits paid	(1,201)
At 30 April	13,381

Expense recognised in the profit and loss account

Net interest on net defined benefit liability	307	320
Total expense recognised in profit or loss	307	320

Notes *(continued)*

21 Employee benefits *(continued)*

The fair value of the plan assets and percentage held of those assets were as follows:

	2018 Fair value £000/%	2017 Fair value £000/%
Equities	**803/6**	493 / 4
Gilt	**462/3**	298 / 2
Property	**2,499/19**	1,574 / 11
Other	**9,617/72**	11,354 / 83
	13,381	13,719

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

	2018 %	2017 %
Discount rate	**2.6**	2.6
Inflation (RPI)	**3.35**	3.6
Inflation (CPI)	**2.35**	2.6
Allowance for pension in payment increase of CPI or 5% pa if less	**2.37**	2.6
Allowance for revaluation of deferred pensions of CPI or 5% pa if less	**2.35**	2.6
Allowance for pension in payment increase of RPI or 2.5% pa if less	**2.15**	2.2

In valuing the liabilities of the pension fund at 30 April 2018, 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: 21.9 years (male), 23.8 years (female).
- Future retiree upon reaching 65: 23.3 years (male), 25.4 years (female).

22 Capital and reserves

Share capital

	2018 £000	2017 £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)*

23 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Less than one year	**711**	692	**-**	-
Between one and five years	**1,479**	1,378	**-**	-
More than five years	**2,973**	3,267	**-**	-
	5,163	5,337	**-**	-

During the year £655,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £525,000)*.

24 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £1,078,000 *(2017: £Nil)*.

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.

25 Contingencies

The company has guaranteed the bank overdrafts of all subsidiary companies listed in note 12.

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.

The Company has entered into a financial guarantee to guarantee the indebtedness of Overeem BV. The company treats the guarantee as a contingent liability until such time as it becomes probable that Overeem BV will be required to make a payment under the guarantee.

Notes *(continued)*

26 Related parties

Group

Identity of related parties with which the Group has transacted

The Group exerts significant influence over Spacious Place Developments Limited, an entity under common control. The transactions with this entity are summarised as follows. The loans are interest free and repayable on demand:

	Transactions with Group 2018 £000	2017 £000	**Transactions with Company 2018 £000**	2017 £000
Sales	-	-	-	-
Purchases	-	-	-	-
Dividend received	-	-	-	-
Debtors	**380**	-	-	-
Creditors	-	-	-	-

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

	Transactions with Group 2018 £000	2017 £000	**Transactions with Company 2018 £000**	2017 £000
Sales	**115**	129	-	-
Purchases	**2,041**	2,337	-	-
Dividend received	**125**	-	-	-
Debtors	-	12	-	-
Creditors	**309**	483	-	-

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

	Transactions with Group 2018 £000	2017 £000	**Transactions with Company 2018 £000**	2017 £000
Sales	**3,296**	4,182	-	-
Purchases	-	-	-	-
Dividend received	**1,100**	190	**1,100**	-
Debtors	**886**	955	-	-
Creditors	-	-	-	-

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

	Transactions with Group 2018 £000	2017 £000	**Transactions with Company 2018 £000**	2017 £000
Sales	**885**	1,504	-	-
Purchases	-	-	-	-
Dividend received	-	-	-	-
Debtors	**102**	323	-	-
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 £290,000 *(2017: £149,000)*, the maximum during the year was £301,000 *(2017: £340,000)* and at the end of the year was £301,000 *(2017: £286,000)*. Interest charged during the year amounted to £11,000 *(2017: £4,000)*.

Notes *(continued)*

27 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.

28 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.

29 Subsequent events

Subsequent to the balance sheet date, on the 29 June 2018, the Group purchased the entire share capital of EWS (Manufacturing) Ltd, funded by cash reserves and additional loans.

On 21 June 2018, the decision was made to sell the trade and assets of the Group's Turkish subsidiary, Hadley Rollform Celik Profil Satici Uretimi AS. No material profit or loss on disposal is anticipated.