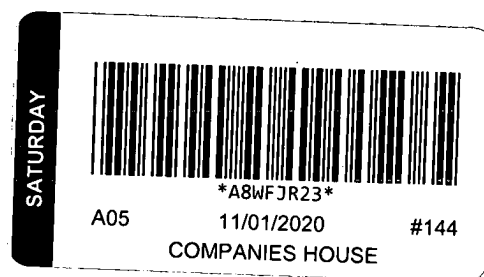


Goodwin Steel Castings Limited

Annual Report and Financial Statements

Registered number 597683

30 April 2019



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Strategic Report

PRINCIPAL ACTIVITY

The principal activity of the Company is mechanical engineering and founding.

REVIEW OF THE YEAR

In the year, the Company has achieved a pre-tax profit of £1.0 million (2018: £3.4 million loss). This has been a very difficult but triumphant year for the Company turning it around from the prior year loss making situation. The recovery was due to achieving a better mix of work that was not as reliant on the oil and gas industries, whether arising directly from end user customers or indirectly from its sister companies, Goodwin International and Noreva.

Whilst not realised, due to the scheduling of customer requirements, the confirmed sales order input was in excess of £20 million, 40% up on last year and as viewed against the average of the four prior years (the four prior having an average less than £14 million order input).

During the year, a lot of focus and effort has been spent on developing additional new customers that are non-petrochemical related, specifically focussing on long-term project based work that should allow the foundry to have a good percentage of its capacity utilised, being allocated against confirmed orders several years in advance, akin to some of the contracts it was successfully awarded this year.

All of the major facility upgrades that were ongoing have now been completed. These large, integrated facility upgrades would not have been possible to do during periods of normal business activity; however, now they have been concluded, the Company has unrivalled capability for its targeted growth areas, primarily to be a key supplier delivering castings for naval applications and nuclear reprocessing, storage and transport containers which are areas that require large, quality-assured products on a long-term basis.

Although next year will still be a difficult year for the oil and gas related castings manufactured, the Company has entered the new financial year with in excess of £17.9 million of unsold orders. The board considers that as this represents more than 121% of the April 2019 sales figure, the Company is positioned to perform well this coming financial year and is very well positioned for the future with all the site upgrades that have been completed.

The results for the year are summarised as follows:

	2019 £	2018 £
Turnover	14,759,002	14,721,684
Profit / (loss) before taxation	1,026,793	(3,370,867)
Tax on profit / (loss)	(186,125)	612,496
Profit / (loss) for the financial year	840,668	(2,758,371)

With effect from 1 May 2018 the Company has changed the way it has accounted for turnover in accordance with the requirements of IFRS 15. The nature of these changes is fully outlined within Note 1.12: Accounting Policies (subsection Turnover) and the practical impact of the changes is shown within Note 3: Changes in Significant Accounting Policies.

Strategic Report *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's operations expose it to a variety of risks and uncertainties. These risks are no different to previous years, and they are not expected to change substantially in the foreseeable future. The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The key risks are discussed below.

Market risk: The Company provides a range of products and services, and there is a risk that the demand for these products and services will vary from time to time because of competitor action or economic cycles or international trade friction or even wars. As shown in note 4 to the financial statements, the Company operates across a range of geographical regions, and its turnover is split across the UK, Europe and the rest of the world. This spread reduces risk in any one territory.

Technical risk: The Company develops and launches new products as part of its strategy to enhance the long-term value of the Company. Such development projects carry business risks, including reputational risk, abortive expenditure and potential customer claims which may have a material impact on the Company. The potential risk here is seen as manageable given that the Company is developing products in areas in which it is knowledgeable and new products are tested prior to their release into the market.

Product failure / Contractual risk: The risks that the Company supplies products that fail or are not manufactured to specification are risks that all manufacturing companies are exposed to but we try to minimise these risks through the use of highly skilled personnel operating within robust quality control system environments using third party accreditations where appropriate. With regard to the risk of failure in relation to new products coming on line, the additional risks here are minimised at the R&D stage, where prototype testing and the deployment of a robust closed loop product performance quality control system provides feed back to the design department for the products we manufacture and sell. The risk of not meeting safety expectations, or causing significant adverse impacts to customers or the environment is countered by the combination of the controls mentioned within this section. The risk of product obsolescence is countered by R&D investment.

Supply chain and equipment risk: Failure of a major supplier or essential item of equipment presents a constant risk of disruption to the manufacturing in progress. Where reasonably possible, management mitigates and controls the risk with the use of dual sourcing, continual maintenance programmes and by carrying adequate levels of stocks and spares to reduce any disruption.

Health and safety: The Company's operations involve the typical health and safety hazards inherent in manufacturing and business operations. The Company is subject to numerous laws and regulations relating to health and safety around the world. Hazards are managed by carrying out risk assessments and introducing appropriate controls, as well as attending safety training courses.

Financial risk: The principal financial risks faced by the Company are changes in market prices (interest rates, foreign exchange rates and commodity prices). The Company participates in the centralised treasury arrangements of its parent company, Goodwin PLC, and shares banking arrangements with its parent and fellow subsidiaries. Having made enquiries of the Directors of its parent company, the Directors are satisfied that the Company should be able to continue with its existing Goodwin PLC funded treasury arrangements. The Company has in place risk management policies that seek to limit the adverse effects on the financial performance of the Company by using various instruments and techniques, including credit insurance, stage payments and forward foreign exchange contracts.

Regulatory compliance: The Company's operations are subject to a wide range of laws and regulations. The Directors and Senior Managers within the Company make best endeavours to comply with the relevant laws and regulations.

Strategic Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The Directors' assessment of the impact of Brexit

Brexit is not seen as a significant issue to the Company. Our UK imports are not required on a just in time basis nor are they reliant on EU suppliers. Raw materials are primarily sourced from vendors outside of the EU due to cost-effectiveness, with EU suppliers being a dual source for the supply of critical items.

Furthermore, a growing proportion of the Company's workload consists of the supply of niche UK-based capabilities into long-term, strategically critical programmes located in the UK and the US where, regardless of the Brexit outcome, both countries remain committed to playing a key role in domestic and global security. Nonetheless, the Directors continually monitor and assess the potential risks of Brexit, by regularly consulting on the matter with the Company's management, suppliers and customers, and reviewing and considering the diverse opinions, written by many commentators, be they either for or against Brexit.

ENVIRONMENTAL POLICY

The Company is committed to adopting a responsible approach to environmental matters and is acutely aware of its CO₂ emissions, which are kept as low as possible.

EMPLOYEE CONSULTATION

The Company takes seriously its responsibilities to employees, and, as a policy, provides employees systematically with information on matters of concern to them. It is also the policy of the Company to consult where appropriate, on an annual basis, with employees or their representatives so that their views may be taken into account in making decisions likely to affect their interests.

EMPLOYMENT OF DISABLED PERSONS

The policy of the Company is to offer the same opportunity to disabled people, and those who become disabled, as to all others in respect of recruitment and career advancement, provided their disability does not prevent them from carrying out the duties required of them in accordance with the requirements of the Equality Act 2010.

Approved by the Board of Directors and signed on its behalf by:

S.C. Birks
Chairman



Ivy House Foundry
Hanley
Stoke-on-Trent
ST1 3NR

18 November 2019

Directors' Report

Proposed dividend

During the year, the Company paid an interim dividend of £Nil (2018: £Nil). The Directors do not recommend the payment of a final dividend (2018: £Nil).

Directors

The Directors who held office during the year were as follows:

S.C. Birks	(Chairman)
B.R.E. Goodwin	(Managing Director)
A.K. Lowe	(Director and General Manager, appointed 20 July 2018)
J.W. Goodwin	
P. F. Tindall	(appointed 14 May 2018)

Political contributions

The Company made no political donations nor incurred any political expenditure during the current or prior year.

Disclosure of information to auditor

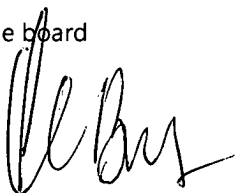
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself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

S.C. Birks
Chairman



Ivy House Foundry
Hanley
Stoke-on-Trent
ST1 3NR

18 November 2019

Statement of Directors' responsibilities in respect of the Strategic Report, the 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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Independent Auditor's Report to the Members of Goodwin Steel Castings Limited

Opinion

We have audited the financial statements of Goodwin Steel Castings Limited for the year ended 30 April 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the 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 Company's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 Company 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

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

Independent Auditor's Report to the Members of Goodwin Steel Castings Limited

(continued)

Strategic report and Directors' report *(continued)*

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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 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 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.



Anna Barrell (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

26 November 2019

One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Profit and Loss Account
for the year ended 30 April 2019

	Note	2019 £	2018 £
Turnover	3,4	14,759,002	14,721,684
Cost of sales		(12,837,246)	(17,196,308)
Gross profit / (loss)		1,921,756	(2,474,624)
Distribution costs		(118,250)	(104,298)
Administrative expenses		(775,950)	(793,420)
Operating profit / (loss)		1,027,556	(3,372,342)
Interest receivable and similar income	8	-	1,475
Interest payable and similar expenses	8	(763)	-
Profit / (loss) before taxation	5	1,026,793	(3,370,867)
Tax on profit / (loss)	9	(186,125)	612,496
Profit / (loss) for the financial year		840,668	(2,758,371)

The notes on pages 12 to 28 form part of these financial statements.

**Statement of Comprehensive Income / (Expense)
for the year ended 30 April 2019**

	2019 £	2018 £
Profit / (loss) for the year	840,668	(2,758,371)
Other comprehensive (expense) / income		
Items that may be reclassified subsequently to the profit and loss account:		
Effective portion of changes in fair value of cash flow hedges	(251,047)	(32,372)
Change in fair value of cash flow hedges transferred to the profit and loss account	19,781	2,092,303
Effective portion of changes in fair value cost of hedging	(152,120)	-
Change in fair value cost of hedging transferred to the profit and loss account	6,633	-
Tax charge on items that may be reclassified subsequently to the profit and loss account	64,048	(350,188)
Other comprehensive (expense) / income for the year, net of income tax	(312,705)	1,709,743
Total comprehensive income / (expense) for the year	527,963	(1,048,628)

The notes on pages 12 to 28 form part of these financial statements.

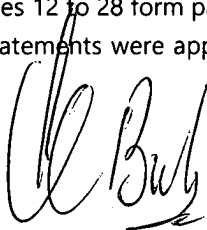
Balance Sheet
at 30 April 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	10	7,437	13,016
Tangible assets	11	1,783,287	1,861,392
		<u>1,790,724</u>	<u>1,874,408</u>
Current assets			
Stocks	12	2,955,348	1,776,036
Debtors	13	6,407,569	4,820,274
		<u>9,362,917</u>	<u>6,596,310</u>
Creditors: amounts falling due within one year	14	(8,803,313)	(6,608,587)
Net current assets / (liabilities)		<u>559,604</u>	<u>(12,277)</u>
Total assets less current liabilities		<u>2,350,328</u>	<u>1,862,131</u>
Creditors: amounts falling due after more than one year	15	(175,885)	(206,925)
Provisions for liabilities and charges	16	-	(8,726)
Net assets		<u>2,174,443</u>	<u>1,646,480</u>
Capital and reserves			
Called up share capital	18	25,000	25,000
Share premium		142,339	142,339
Capital contribution	24	4,000,000	4,000,000
Cash flow hedge reserve		(211,514)	(26,869)
Cost of hedging reserve		(128,060)	-
Profit and loss account		(1,653,322)	(2,493,990)
Shareholders' funds		<u>2,174,443</u>	<u>1,646,480</u>

The notes on pages 12 to 28 form part of these financial statements.

These financial statements were approved by the Board of Directors on 18 November 2019 and were signed on its behalf by:

S.C. Birks
Chairman



B.R.E. Goodwin
Managing Director



Company registered number: 597683

Statement of Changes in Equity

	Called up share capital £	Share premium £	Capital contribution £	Cash flow hedge reserve £	Cost of hedging reserve £	Profit and loss account £	Total equity £
Balance at 1 May 2017	25,000	142,339	-	(1,736,612)	-	264,381	(1,304,892)
Loss for the period	-	-	-	-	-	(2,758,371)	(2,758,371)
Other comprehensive income	-	-	-	1,709,743	-	-	1,709,743
Capital contribution	-	-	4,000,000	-	-	-	4,000,000
Balance at 30 April 2018	25,000	142,339	4,000,000	(26,869)	-	(2,493,990)	1,646,480
Balance at 30 April 2018	25,000	142,339	4,000,000	(26,869)	-	(2,493,990)	1,646,480
Adjustment on initial application of IFRS 9	-	-	-	6,244	(6,244)	-	-
Adjusted balance at 1 May 2018	25,000	142,339	4,000,000	(20,625)	(6,244)	(2,493,990)	1,646,480
Profit for the period	-	-	-	-	-	840,668	840,668
Other comprehensive income	-	-	-	(190,889)	(121,816)	-	(312,705)
Balance at 30 April 2019	25,000	142,339	4,000,000	(211,514)	(128,060)	(1,653,322)	2,174,443

The notes on pages 12 to 28 form part of these financial statements.

Notes

(forming part of the financial statements)

1. Accounting policies

Goodwin Steel Castings Limited (the "Company") is a company incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Goodwin PLC, includes the Company in its consolidated financial statements. The consolidated financial statements of Goodwin PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Company's website: www.goodwin.co.uk and from the Company's Registered Office: Ivy House Foundry, Hanley, Stoke-on-Trent, ST1 3NR.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, and intangible assets;
- Disclosures in respect of transactions with wholly-owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Goodwin PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis, except where the measurement of balances is required at fair value.

1.2 Going concern

The Company has generated a profit for the year of £840,668 (2018: incurred a loss of £2,758,371). During the previous year, Goodwin PLC, the parent company, as an indication of its confidence in the Company's future, restructured the balance sheet by writing off £4,000,000 of parent company debt such that the net worth of the company is now £2,174,443 (2018: £1,646,480). The Company has net current assets of £559,604 (2018: net current liabilities of £12,277). The Company, over the long term, is expected to generate positive cash flows, and the Directors confirm that there is no intention to cease operations. The Company participates in the Group's centralised treasury arrangements and so, where appropriate, shares banking arrangements with its parent and fellow subsidiaries.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

The Directors, having assessed the responses of the Directors of the Company's parent, Goodwin PLC, to their enquiries, have no reason to believe that a material uncertainty exists, which may cast significant doubt about the ability of the Goodwin PLC Group to continue as a going concern or its ability to continue with the current banking arrangements. The group accounts of Goodwin PLC were approved on 22 August 2019. Since that date, there have been no major changes in the group's circumstances which would affect its capacity to continue to support the Company.

For these reasons, the Directors continue to adopt the going concern basis in preparing the Directors' Report and financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's 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 translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account within operating profit.

1.4 Non-derivative financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company are as follows:

Trade debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. They are recognised initially at the amount of consideration that is unconditional. Trade debtors are held with the intention of collecting the contractual cash flows and are measured subsequently, therefore, at amortised cost.

Other debtors

After being recognised initially at fair value, other debtors are measured, subsequently, at amortised cost. The carrying amount of other debtors is considered to be a reasonable approximation of their fair value.

Trade and other payables

Trade and other payables are recognised initially at fair value, and are subsequently reported at amortised cost.

Recognition and valuation of equity instruments

Equity instruments are stated at par value. For ordinary share capital, the par value is recognised in share capital.

Impairment

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECLs). Specific impairments are made when there is a known impairment need against trade receivables. When estimating ECLs, the Company assesses reasonable, relevant and supportable information, which does not require undue cost or effort to produce. This includes quantitative and qualitative information and analysis, incorporating historical experience, informed credit assessments and forward-looking information. Loss allowances are deducted from the gross carrying amount of the assets. Where material, impairment losses related to trade and other debtors are disclosed separately in the statement of profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.5 Derivative financial instruments and hedging

Derivative financial instruments

The derivative financial instruments are held by fellow group companies, where they are recognised at fair value. The fair value of forward exchange contracts is equal to the present value of the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Under the new general hedge accounting model in IFRS 9, the Company's hedge relationships are aligned with its risk management objectives and strategy, resulting in a more qualitative and forward-looking approach in ensuring hedge effectiveness.

For cash flow hedges, the associated cumulative gain or loss on the relevant derivative financial instrument is removed from equity and recognised in the profit and loss account in the same period or periods during which the hedged forecast transaction affects the profit and loss account. Any identified ineffective portion of the hedge is recognised immediately in the profit and loss account. Only the change in spot rate is designated as the hedging instrument, with the change in fair value relating to forward points being reported separately as deferred costs of hedging within other comprehensive income as permitted by IFRS 9. Given under IAS39 the cash flow hedge accounting utilised the forward point inclusive rate, there is no significant impact on the accounts resulting from adopting the IFRS 9 general hedge accounting model.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the cash flow hedge transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit and loss account immediately.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a reducing balance basis over the estimated useful lives of each part of an item of tangible fixed assets. The depreciation rates are 15-25% for both plant and machinery and fixtures and fittings.

1.7 Intangible assets

Research and development

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

Expenditure on development activities is 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 a plan or design for 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

Notes (continued)

1 Accounting policies (continued)

1.7 Intangible assets (continued)

Research and development (continued)

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

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

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets, from the date they are available for use. The estimated useful life for software and licences is three years.

1.8 Government grants

Government grants relating to income are recognised in the profit and loss account as a deduction from the expenses that they are intended to compensate.

Unamortised government grants relating to assets are recognised in the balance sheet as a deferred creditor. Amortisation of such grants is credited to profit and loss in accordance with the useful lives of the assets to which they relate.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the stocks 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.

1.10 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of an asset's fair value less costs to sell or value in use.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Reversals of impairment

In respect of assets other than goodwill, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

1 Accounting policies (continued)

1.11 Pension costs

The Company contributes to a defined contribution pension scheme for employees under an Auto Enrolment Pension arrangement as required by Government legislation. The assets of the scheme are held in independently administered funds. Company pension costs are charged to the profit and loss account in the year for which contributions are payable.

Contributions to the schemes are made on a monthly basis, and at the end of the financial year one month's contributions were outstanding, which were paid in the following month.

1.12 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Turnover is reduced for customer returns, rebates and other similar allowances. Turnover from the sale of goods is recognised in the profit and loss account when a customer obtains control of the goods or services i.e. upon the satisfaction of a performance obligation.

Judgement is required to determine the timing of the transfer of control, and whether it is at a point in time or over time. The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's various goods and services are set out below.

Engineered bespoke products – performance obligations satisfied over time

This policy applies to sales orders which are customer bespoke, but permit the Company to claim profit earned to date if the customer were to trigger the cancel for convenience clause within the contract. In such cases, the performance obligations are treated as satisfied over time (i.e. as the contract progresses) and revenue is taken based on the percentage completion of the contract by the creation of a contract asset. Under IAS 18 revenue was not taken until the goods were despatched and until then were accounted for as work in progress (cost and production overhead recovery only) and so work in progress under IFRS 15 is eliminated and replaced by a contract asset which includes profit, where applicable. Measuring progress requires judgement as to the stage of completion of each job, and the production of forecasts, which contain allowances for technical risks and inherent uncertainties.

Engineered bespoke products – performance obligations satisfied at a point in time

This policy covers sales orders which are customer bespoke, but permit the Company to claim only for costs in the event the customer triggers the cancel for convenience clause within the contract. In such cases, the performance obligation is deemed to be met and revenue taken as order lines are shipped in accordance with the relevant shipping terms or via a bill and hold arrangement. For this revenue stream the treatment under IAS 18 and IFRS 15 is essentially the same.

Contract assets represent the Company's rights to consideration for work completed but not invoiced at the reporting date for bespoke products contracts. Contract assets are transferred to receivables when the rights to consideration become unconditional, which is generally when the Company invoices the customer. Where payments are received in advance and exceed the costs incurred in constructing the asset together with forecast margin earned, the balances are disclosed as contract liabilities.

1.13 Leases

Operating lease payments

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Notes (continued)

1 Accounting policies (continued)

1.14 Financial expenses

Interest income and interest payable is recognised in the profit and loss account as it accrues.

1.15 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, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income 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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilised.

2. Accounting estimates and judgements

The Directors make judgements and estimates in applying the Company's accounting policies, to prepare the financial statements.

Key estimate / judgement

IFRS 15 Revenue Recognition

The Directors consider that a key estimate, which may have a material impact on the financial statements, is in relation to IFRS 15 and, in particular, where we are mandated to account on a revenue over time basis on some of our mechanical engineering work in progress contracts. When reviewing the terms of contracts with customers, judgement is required to assess the number of performance obligations within the contracts and when to recognise contract provisions.

For contracts where revenue is recognised over time, there is a need to estimate the costs to complete on these contracts. The costs to complete estimates can be complex, as they need to consider several variable factors such as the impact of delays, cost overruns and also any variations to contract. Once complete, these estimates then drive the amount of revenue recognised. The estimates are prepared and reviewed by management with suitable experience and qualifications, and who endeavour to ensure the revenue mandated to be recognised prior to the completion of the contract is not overstated, based on possible technical risks and inherent uncertainties.

Whilst any estimates are based on management's best knowledge at the time, it is clear, due to the very nature of an estimate, that the eventual outcomes may differ from the estimates, due to unforeseen events. Any revisions arising from deviations in estimates are recognised in the period during which the revision arises or future periods, as appropriate.

Other estimates / judgements

Other than as reported above, the Directors do not consider there to be any key estimates or judgements in preparing the financial statements. The estimates and judgements outlined below formed the main areas of focus for the Directors throughout the year.

Stock provisions

The Company's Directors regularly review the recoverability of their stated raw material and work in progress balances, paying particular attention to net realisable value and stock obsolescence issues. The estimates are in relation to costs

Notes (continued)

2 Accounting estimates and judgements (continued)

to complete and the expected level of future sales orders for slow moving stocks. Where it is judged that a provision is deemed necessary the appropriate adjustments are made at the time a shortfall is identified.

Trade debtor provisions

Whilst trade debtors are insured wherever possible, the Directors are able to exercise judgement in relation to non credit insured contracts. The Directors, in conjunction with the credit controllers, closely monitor the adherence to payment terms across all accounts (whether insured or not) and make provision for any losses that are likely to materialise. There is a requirement under IFRS 9 to consider the statistical likelihood of a bad debt based off previous experience. Historically, the Company's bad debt write offs have been negligible and the Company's results are not impacted by this requirement for a statistically based provision.

3. Changes in significant accounting policies

IFRS 15 Revenue from contracts with customers

With effect from the 1st May, 2018, the Company, as is required by law, has adopted the revised revenue accounting standard, IFRS 15 Revenue from Contracts with Customers that has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 in certain instances, and as outlined within the revenue section of note 1, departs materially from the way revenue and profits have previously been recognised by the Company.

In terms of the current year, the impact of the new Standard has been to increase the reported revenue by £4.8 million and profit before taxation by £267,000, and therefore, if the Company were still reporting under IAS 18 and IAS 11, the reported revenue would have been £10.0 million.

The following tables summarise the impacts of adopting IFRS 15 on the Company's balance sheet as at 30th April, 2019 and its statement of profit or loss for the year then ended for each of the line items affected.

Impact on the profit and loss account

	As reported £	Adjustments £	Without the adoption of IFRS 15 £
Turnover	14,759,002	(4,780,199)	9,978,803
Cost of sales	(12,837,246)	4,513,459	(8,323,787)
Gross profit	1,921,756	(266,740)	1,655,016
Distribution costs	(118,250)	-	(118,250)
Administrative expenses	(775,950)	-	(775,950)
Operating profit	1,027,556	(266,740)	760,816
Interest payable and similar expenses	(763)	-	(763)
Profit before taxation	1,026,793	(266,740)	760,053
Tax on profit	(186,125)	50,681	(135,444)
Profit for the financial year	840,668	(216,059)	624,609

Notes (continued)

3 Changes in significant accounting policies (continued)

Impact on the balance sheet

	As reported £	Adjustments £	Without the adoption of IFRS 15 £
Corporation tax receivable	-	50,681	50,681
Contract liabilities	(4,659,091)	(266,740)	(4,925,831)
Retained earnings	(1,653,322)	(216,059)	(1,869,381)

The Company adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard initially being recognised at the date of initial application, 1 May 2018. Accordingly, the information presented for the year ended 30 April 2018 has not been restated, but it presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The adoption of IFRS 9 has not had a significant impact on the Company's accounting policies for non-derivative financial liabilities. The carrying values of financial assets have not changed, because the impairment, calculated in accordance with the expected credit loss requirements, is insignificant.

Only the change in spot rate is designated as the hedging instrument, with the change in fair value relating to forward points being reported separately as deferred costs of hedging within other comprehensive income as permitted by IFRS 9. The impact of the transition to IFRS 9 on reserves is shown in the statement of changes in equity. Since the impact is immaterial, the previous year's balance sheet has not been re-stated.

4. Turnover

Turnover represents the total sales for the year, from mechanical engineering and founding, including sales to group undertakings. The geographical analysis of turnover by destination is as follows:

	2019 £	2018 £
UK	8,720,496	5,013,924
Rest of Europe	1,976,828	4,695,322
Rest of World	4,061,678	5,012,438
	14,759,002	14,721,684

Of the contract liabilities recognised at the beginning of the period, revenue of £4,124,000 has been recognised in the year ended 30th April, 2019.

Notes (continued)

5. Expenses and auditor's remuneration

Included in profit before taxation are the following expenses / (income):

	2019 £	2018 £
Depreciation of tangible fixed assets	332,908	332,490
Amortisation of intangible fixed assets	5,579	5,578
Research and development expenses	418,477	59,958
Hedge ineffectiveness transferred to the profit and loss account	-	(638,807)
Receipt of government grants related to income, received against associated costs	(1,343,985)	(117,800)

Auditor's remuneration:

	2019 £	2018 £
Audit of these financial statements	41,540	20,770

Amounts receivable by the Company's auditor and its associates, in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Goodwin PLC.

6. Staff numbers and costs

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

	Number of employees	
	2019	2018
Works personnel	144	141
Administrative staff	17	16
	161	157

The aggregate payroll costs of these persons were as follows:

	2019 £	2018 £
Wages and salaries	5,380,767	4,660,044
Social security costs	479,620	396,023
Pension costs	146,633	131,712
	6,007,020	5,187,779

Included in the payroll costs above are redundancy costs of £Nil (2018: £100,057).

Notes (continued)

7. Directors' remuneration

	2019 £	2018 £
Aggregate Directors' remuneration:		
Emoluments	316,003	260,381
Company contributions to defined contribution pension schemes	8,760	7,041
	<u>324,763</u>	<u>267,422</u>
	2019	2018
Number of Directors who are:		
Members of defined contribution pension schemes	3	3
	£	£
Highest paid Director:		
Emoluments and benefits in kind	139,436	131,884
Company contributions to defined contribution pension schemes	3,492	3,289
	<u>142,928</u>	<u>135,173</u>

8. Interest payable and similar expenses

	2019 £	2018 £
Bank interest income	-	1,475
	<u>763</u>	<u>-</u>

Notes (continued)

9. Taxation

Recognised in the profit and loss account

	£	2019 £	£	2018 £
<i>Current tax</i>				
Current tax on profit / (loss) for the year	147,373		(504,970)	
Adjustment in respect of prior years	(6,613)		(21,437)	
Total current tax		140,760		(526,407)
<i>Deferred taxation (see note 15)</i>				
Origination and reversal of timing differences	44,674		(119,261)	
Adjustment in respect of prior years	691		33,172	
Total deferred tax		45,365		(86,089)
Tax charge / (credit)		186,125		(612,496)

Reconciliation of effective tax rate

	2019 £	2018 £
Profit / (loss) for the year	840,668	(2,758,371)
Total tax charge / (credit)	186,125	(612,496)
Profit / (loss) excluding taxation	1,026,793	(3,370,867)
Tax using the UK corporation tax rate of 19% (2018: 19%)	195,091	(640,465)
Non-deductible expenses	2,672	2,203
(Over) / under provided in previous years	(5,922)	11,735
Difference in corporation tax and deferred tax rates	(5,716)	14,031
Total tax charge / (credit)	186,125	(612,496)

The Finance Act 2016, which included legislation reducing the main rate of corporation tax from 20% to 19% from 1 April 2018 and to 17% from 1 April 2020 was enacted fully on 15 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 April 2019 has been calculated based on these rates.

Notes (continued)

10. Intangible assets

	Software and licences £	Manufact- uring rights £	Total £
Cost			
At the beginning and end of the year	22,313	16,626	38,939
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 May 2018	9,297	16,626	25,923
Charged in the year	5,579	-	5,579
	<hr/>	<hr/>	<hr/>
At 30 April 2019	14,876	16,626	31,502
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 April 2018	13,016	-	13,016
	<hr/>	<hr/>	<hr/>
At 30 April 2019	7,437	-	7,437
	<hr/>	<hr/>	<hr/>

The software and licences amortisation charge is recognised in cost of sales in the profit and loss account.

Notes (continued)

11. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At 1 May 2018	5,615,615	127,689	5,743,304
Additions	244,422	14,981	259,403
Disposals	(43,185)	-	(43,185)
	<hr/>	<hr/>	<hr/>
At 30 April 2019	5,816,852	142,670	5,959,522
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 May 2018	3,799,807	82,105	3,881,912
Charged in the year	320,401	12,507	332,908
Disposals	(38,585)	-	(38,585)
	<hr/>	<hr/>	<hr/>
At 30 April 2019	4,081,623	94,612	4,176,235
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 April 2018	1,815,808	45,584	1,861,392
	<hr/>	<hr/>	<hr/>
At 30 April 2019	1,735,229	48,058	1,783,287
	<hr/>	<hr/>	<hr/>

12. Stocks

	2019 £	2018 £
Raw materials and consumables	1,318,665	646,289
Work in progress	1,636,683	1,129,747
	<hr/>	<hr/>
	2,955,348	1,776,036
	<hr/>	<hr/>

The value of stocks impaired in the year was £439,953 (2018: £125,562).

Notes (continued)

13. Debtors

	2019 £	2018 £
Contract assets	324,589	-
Trade debtors	856,729	768,105
Amounts owed by group undertakings – parent company	3,424,836	3,083,914
Amounts owed by group undertakings – fellow subsidiaries	1,319,299	857,971
Derivative financial assets held by group undertakings (note 17)	5,937	45,558
Other debtors	449,562	25,466
Deferred tax asset (note 16)	9,957	-
Prepayments and accrued income	16,660	39,260
	<hr/> 6,407,569 <hr/>	<hr/> 4,820,274 <hr/>

14. Creditors: amounts falling due within one year

	2019 £	2018 £
Bank overdraft	1,437	1,527
Contract liabilities	4,659,091	2,503,661
Payments received on account	-	159,635
Trade creditors	3,000,205	3,005,603
Amounts owed to group undertakings – fellow subsidiaries	80,561	14,225
Derivative financial liabilities held by group undertakings (note 17)	491,066	479,273
Other taxation and social security	273,201	216,719
Other creditors	92,368	73,632
Accruals and deferred income	205,384	154,312
	<hr/> 8,803,313 <hr/>	<hr/> 6,608,587 <hr/>

15. Creditors: amounts falling after more than one year

	2019 £	2018 £
Deferred income – capital grants	175,885	206,925
	<hr/>	<hr/>

Notes (continued)

16. Deferred tax (assets) / liabilities

	Tangible fixed assets £	Intangible fixed assets £	Derivative financial assets £	Other temporary differences £	Total £
At 1 May 2017	88,282	50	(336,304)	(3,178)	(251,150)
Movement in the year – recognised in profit and loss account	(1,901)	4,173	(87,618)	(743)	(86,089)
Movement in the year – recognised in equity	-		350,188	-	350,188
Transferred to other group companies	-	(4,223)		-	(4,223)
At 30 April 2018	86,381	-	(73,734)	(3,921)	8,726
At 1 May 2018	86,381	-	(73,734)	(3,921)	8,726
Movement in the year – recognised in profit and loss account	(8,600)	-	55,308	(1,343)	45,365
Movement in the year – recognised in equity	-	-	(64,048)	-	(64,048)
At 30 April 2019	77,781	-	(82,474)	(5,264)	(9,957)

17. Derivative financial assets and liabilities

The table sets out the fair values of derivative financial assets and liabilities.

	2019 £	2018 £
Derivative financial assets at fair value through the profit and loss account	-	45,558
Derivative financial assets designated as effective cash flow hedges	5,937	-
	5,937	45,558
Derivative financial liabilities at fair value through the profit and loss account	76,003	446,901
Derivative financial liabilities designated as effective cash flow hedges	415,063	32,372
	491,066	479,273

The Company does not have the capacity to take out forward contracts in its own name and so other group companies have taken out forward contracts on its behalf. An agreement is in place, whereby it is accepted that any mark to market positions, arising from placing these forward contracts, are to the account of the Company.

Notes (continued)

18. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
25,000 ordinary shares of £1 each	25,000	25,000
	<hr/>	<hr/>
Shares classified in shareholders' funds	25,000	25,000
	<hr/>	<hr/>

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.

19. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £	2018 £
Less than one year	16,796	16,800
Between one and five years	17,856	18,200
	<hr/>	<hr/>
	34,652	35,000
	<hr/>	<hr/>

Operating lease charges recognised as an expense in the profit and loss account were short-term plant hire of £20,879 (2018: £17,351).

20. Contingencies

On 30 April 2019, the Company had entered into performance bonds in the normal course of business, amounting to £330,776 (2018: £313,760), in respect of 2 contracts (2018: 4 contracts).

21. Commitments

Capital commitments contracted for at 30 April 2019 were £Nil (2018: £Nil).

22. Related parties

As a wholly owned subsidiary, the Company has applied the exemptions available under FRS 101 in respect of the disclosure of transactions with its parent company, Goodwin PLC, and fellow wholly-owned subsidiary companies.

The Company has transacted with Internet Central Limited, a fellow non wholly-owned subsidiary company.

	2019 £	2018 £
Purchases of goods and services		
Fellow non wholly-owned subsidiaries	1,100	1,659
	<hr/>	<hr/>

23. Ultimate parent company

The Company is a subsidiary undertaking of Goodwin PLC, which is the ultimate parent company. Goodwin PLC is incorporated in England and Wales and its registered address is Ivy House Foundry, Hanley, Stoke-on-Trent, ST1 3NR.

Notes *(continued)*

24. Loan Waiver

During the previous year, Goodwin PLC, the Company's parent, agreed to formally write off £4,000,000 of debt owed by the Company. The profit arising from this write off has been accounted for as a Capital Contribution.

25. Subsequent events

There have been no significant events occurring after the reporting period.