

# GOODWIN PLC

IVY HOUSE FOUNDRY, HANLEY, STOKE-ON-TRENT



DIRECTORS REPORT AND ACCOUNTS

30<sup>th</sup> APRIL 2018

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# GOODWIN PLC

www.goodwin.co.uk

Registered in England and Wales, Number 305907

Established 1883

## Directors:

J. W. Goodwin (*Chairman*)

R. S. Goodwin (*Managing Director*)

J. Connolly

M. S. Goodwin

S. R. Goodwin

S. C. Birks

B. R. E. Goodwin

T. J. W. Goodwin

J. E. Kelly (*Non-Executive Director*)

## Secretary and registered office:

Mrs. P. Ashley, B.A., A.C.I.S.

Ivy House Foundry, Hanley,

Stoke-on-Trent, ST1 3NR

## Registrar and share transfer office:

Computershare Investor Services PLC,

The Pavilions, Bridgwater Road,

Bristol, BS99 6ZZ

## Auditor:

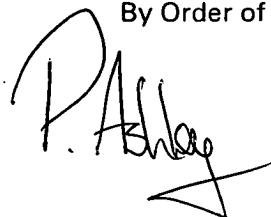
KPMG LLP,

One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH

NOTICE IS HEREBY GIVEN that the EIGHTY-THIRD ANNUAL GENERAL MEETING of the Company will be held at 10.30am on Wednesday, 3rd October, 2018 at Crewe Hall, Weston Road, Crewe, Cheshire CW1 6UZ, for the purpose of considering and, if thought fit, passing the following resolutions which are proposed as ordinary resolutions.

1. To receive the Directors' Reports and the audited financial statements for the year ended 30th April, 2018.
2. To approve the payment of the proposed ordinary dividend on the ordinary shares.
3. To re-elect Mr. M. S. Goodwin as a Director.
4. To re-elect Mr. T. J. W. Goodwin as a Director.
5. To re-elect Mrs. J. E. Kelly as a Non-Executive Director.
6. To approve the Directors' Remuneration Report (excluding the Directors Remuneration Policy) for the year ended 30th April, 2018, as stated on pages 24 to 27 of the Directors' Report.
7. To re-appoint KPMG LLP as auditor and to authorise the Directors to determine their remuneration.

By Order of the Board



P. Ashley  
Secretary

Registered Office:  
Ivy House Foundry,  
Hanley, Stoke-on-Trent  
26th July, 2018

#### NOTES TO NOTICE OF ANNUAL GENERAL MEETING:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post, by scanned copy sent to [proxies@goodwingroup.com](mailto:proxies@goodwingroup.com) or (during normal business hours only) by hand at Ivy House Foundry, Hanley, Stoke-on-Trent, ST1 3NR no later than 10.30am on 1st October, 2018.
3. The return of a completed proxy form or other such instrument will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent, who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 10.30am on 1st October, 2018 (or, in the event of any adjournment, 10.30am on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 25th July, 2018 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 7,200,000 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 26th July, 2018 are 7,200,000.
8. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.
10. None of the Directors has a service contract with the Company.
11. If approved by shareholders the ordinary dividends will be paid to shareholders on 5th October, 2018.

## GOODWIN PLC

### CHAIRMAN'S STATEMENT

We are pleased to report a 44% increase in pre-tax profits to £13.30 million (2017: £9.24 million) on revenues of £125 million (2017: £132 million). The Directors propose an increased dividend of 83.473p (2017: 42.348p) for the reasons outlined in the Group Strategic report on pages 9 and 10 of these accounts.

The Refractory Division's trading profits have risen from £4.2 million at April 2016 to £7.5 million at April 2018, excluding its sale of land in India which realised an additional £1.6 million of pre-tax profit. The success of our Indian operations has meant that for some time we have been operating out of much larger, bespoke built, freehold premises and during the year the right opportunity arose for us to dispose of our redundant original freehold investment in the country. Without the land sale, the Group pre-tax profits have risen 26% year on year and with the land sale included there has been a 44% increase in the reported Group pre-tax profits. Again excluding the land sale, the Refractory Division's growth in pre-tax profits over the past two years equates to a compound growth rate of 34% per annum and has been most welcome at a time when capital expenditure in the oil and gas industry has been so constricted. The ten refractory engineering companies of which seven are overseas in India, China, Thailand and Brazil have the benefit of seeing much higher in-country GDP growth each year than is experienced in Europe and the USA.

Our Refractory Engineering Division increased its contribution to Group performance by achieving an average increase in turnover last financial year of 12% and an increase in trading profitability of 27%. This was assisted by the demise of our historic investment casting moulding powder competitor Kerr who had been the global leader in the period 1960 to 2000 but last year ceased trading jewellery investment casting powders. Whilst the diversification of the Group makes it harder to manage, it does permit the Group to avoid massive performance troughs such as could have been caused by the oil and gas industry decline over the past three and a half years.

In the Mechanical Engineering Division we are pleased to report that our three largest engineering companies - Goodwin International Ltd., Noreva GmbH and Goodwin Steel Castings Ltd. - through their focussed efforts over the past four years are now being rewarded with substantial orders that are coming from areas other than oil and gas, which will improve the Group's profitability in this new financial year.

When the oil and gas industry starts re-investing and the mining industry does likewise especially in copper production due to the need for the installation of electric car charging points worldwide, we would expect the profit generation of the Mechanical Engineering Division and the Refractory Division to remain around 50%/50% over the next two years with growth in profitability in both divisions.

A further point of interest is that for the first time ever the pre-tax profits from our overseas companies (excluding the land sale) equalled those from our UK companies. Going forward as the oil and gas markets recover, we would expect this to move towards 60% of profits arising from our UK trading companies and 40% coming from our overseas companies.

It would be inappropriate not to make mention of how very difficult the last two financial years have been for the foundry, Goodwin Steel Castings. Indeed for all foundries worldwide other than those addressing the automotive industry and the aerospace industry, it has been a very challenging three years. Many foundries worldwide have either closed or merged in this period.

At Goodwin we have taken the opportunity over the past eighteen months to reposition the foundry such that we can address more efficiently very large high integrity castings for nuclear fuel reprocessing and for military boat building programmes in the USA, the UK and other overseas countries.

This investment in larger and more sophisticated plant combined with the design and manufacture of high performance materials during this very quiet period simply would not have been possible if the foundry had been as busy as it had been for the prior profitable twenty years.

As an indication that this decision to invest in the foundry was justified, we are pleased to announce that in June, 2018 Goodwin Steel Castings won a contract for castings to be cast over the next four years for the US Navy at a value of \$19.5 million. We expect this contract to be

## CHAIRMAN'S STATEMENT *(continued)*

the first of many going forward for the specialized steel that is required and that Goodwin over a four year period obtained US Navy approval to manufacture last financial year.

Easat Radar Systems similarly had a very difficult year last financial year with project delays associated with contract changes to the scope of work, but again Easat has won a major programme for sixteen primary radar antennas for civilian airports. There is also another significant military programme that will likely be won in the next twelve months.

The Company's business metabolism is divided between growth, maintenance and investment in innovation.

Growth this year, compared to last, is 44% on profit, gross profit margin from 25.6% to 28.6%, return on capital employed from 8.4% to 12.3%, cash generation as net cash flow from operating activities from £5.285 million to £31.099 million and order input to individual companies from £138 million to £150 million.

Maintenance can be described as a decrease in gearing from 31% to 11%, intangible fixed assets increased from £18.2 million to £21.1 million, fixed assets additions per year up from £7.6 million to £9.4 million, net debt down from £28 million to £11 million, return on investment up from 6.8% to 8.5%.

Our investment in innovation can be described in terms of people, products and markets. Sales per employee increased from £114,000 to £120,000 and we have a high percentage of employees (45%) in the 22 to 40 age range reflecting more apprentices having graduated and continuing to do so. We have travelled to 26 countries to obtain new business mostly outside of Europe. Much effort has been put into gaining new approvals for products, the manufacturing of which has started thanks to the past years' research and development and capital investment. Investor valuation of these new products will in time be determined by the financial results but assessing the potential market size and competitiveness combined with their intellectual property rights and the employee skill base shown on our websites gives a current view of the potential. US Energy Information Administration has forecast world energy demand will increase from 2015 to 2040 by 28%. Our axial valve and radar developments, our high integrity alloy castings for defence and civil nuclear together with refractories to tackle lithium battery fires remain works in progress that are part of our investment for the future.

The capital expenditure within the oil and gas industry in the financial year just completed has remained low as the major oil and gas companies have been rebuilding their balance sheets with the price of oil now between US\$70 and US\$80 per barrel. With energy consumption rising at 2.3% per year and the oil surpluses having virtually disappeared, it is now possible that the activity in the oil, gas and LNG markets will start increasing in early 2019 rather than 2020 as we had earlier thought. We are well placed to take advantage of any increase in demand from these markets.

In our last year's Annual Report Statement and at the interim half year report, mention was made of substantial effort being made to improve the cash flow. We are pleased to say that as at the 30th April, 2018, the Group cash flow has improved by £17 million over the past twelve months and this is after paying the dividend, corporation tax and some £9 million of capital investment.

Whilst all companies have focused on improving their cash flow, one must remember that the pre-tax profit reported of £13.30 million is after having deducted non cash charges of £6.4 million for depreciation / amortisation adjustments. The Group gearing as at the 30th April, 2018 was just 11%. It is for this reason and with our vision for the future that the Board feels confident that the alteration of the dividend policy is safe and viable now and going forward.

We would like to take the opportunity of thanking all our employees, managers and Directors both in the UK and overseas for working so hard to achieve these improved trading results which it is likely will improve again in the new financial year, especially so as the order intake as we write is 16% increased as compared to the same time last year.

26th July, 2018

 J. W. Goodwin  
Chairman

Alternative performance measures mentioned above are defined in note 29 on page 68.

## GOODWIN PLC

### CONSOLIDATED INCOME STATEMENT

for the year ended 30th April, 2018

	2018 £'000	2017 £'000
<b>CONTINUING OPERATIONS</b>		
Revenue ... ..	124,811	131,587
Cost of sales ... ..	(89,143)	(97,836)
<b>GROSS PROFIT...</b>	<b>35,668</b>	<b>33,751</b>
Distribution expenses ... ..	(3,359)	(3,486)
Administrative expenses ... ..	(18,729)	(20,317)
<b>OPERATING PROFIT ...</b>	<b>13,580</b>	<b>9,948</b>
Financial expenses ... ..	(590)	(873)
Share of profit of associate companies ... ..	310	169
<b>PROFIT BEFORE TAXATION</b>	<b>13,300</b>	<b>9,244</b>
Tax on profit ... ..	(3,865)	(2,487)
<b>PROFIT AFTER TAXATION...</b>	<b>9,435</b>	<b>6,757</b>
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the parent ... ..	8,504	6,082
Non-controlling interests ... ..	931	675
<b>PROFIT FOR THE YEAR</b>	<b>9,435</b>	<b>6,757</b>
<b>BASIC AND DILUTED EARNINGS PER ORDINARY SHARE ...</b>	<b>118.11p</b>	<b>84.47p</b>

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th April, 2018

	2018 £'000	2017 £'000
<b>PROFIT FOR THE YEAR</b>	<b>9,435</b>	<b>6,757</b>
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE)</b>		
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:</b>		
Foreign exchange translation differences ... ..	(152)	3,619
Effective portion of changes in fair value of cash flow hedges ... ..	(294)	(6,526)
Change in fair value of cash flow hedges transferred to the income statement	5,108	2,142
Tax charge on items that may be reclassified subsequently to the income statement ... ..	(818)	738
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR, NET OF INCOME TAX</b>	<b>3,844</b>	<b>(27)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>13,279</b>	<b>6,730</b>
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the parent ... ..	12,245	5,654
Non-controlling interests ... ..	1,034	1,076
	<b>13,279</b>	<b>6,730</b>

The full financial statements and accompanying notes are on pages 34 to 68.

## OBJECTIVES, STRATEGY AND BUSINESS MODEL

The Group's main **OBJECTIVE** is to have a sustainable long-term engineering based business with good potential for profitable growth while providing a fair return to our shareholders.

The Board's **STRATEGY** to achieve this is:

- to supply a range of technically advanced products to growth markets in the mechanical engineering and refractory engineering segments in which we have built up a global reputation for engineering excellence, quality, efficiency, reliability, price and delivery;
- to manufacture advanced technical products profitably, efficiently and economically;
- to maintain an ongoing programme of investment in plant, facilities, sales and marketing, research and development with a view to increasing efficiency, reducing costs, increasing performance, delivering better products for our customers, expanding our global customer base and keeping us at the forefront of technology within our markets, whilst at all times taking appropriate steps to ensure the health and safety of our employees and customers;
- to control our working capital and investment programme to ensure a safe level of gearing;
- to maintain a strong capital base to retain investor, customer, creditor and market confidence and so help sustain future development of the business;
- to support a local presence and a local workforce in order to stay close to our customers;
- to invest in training and development of skills for the Group's future.

## BUSINESS MODEL

The Group's focus is on manufacturing within two sectors, mechanical engineering and refractory engineering, and through this division of our manufacturing activities, the Group benefits from market diversity. Further details of our business and products are shown on our website [www.goodwin.co.uk/2018](http://www.goodwin.co.uk/2018).

### Mechanical Engineering

The Group designs, manufactures and sells a wide range of dual plate check valves, axial nozzle check valves and axial piston control and isolation valves to serve the oil, petrochemical, gas, LNG and water markets. We generate value by creating leading edge technology designs, globally sourcing the best quality raw material at good prices, manufacturing in highly efficient facilities using up to date technology to provide very reliable products to the required specification, at competitive prices and with timely deliveries.

Our mechanical engineering markets also include high alloy castings, machining and general engineering products which typically form part of large construction projects such as power generation plants, oil refineries, high integrity offshore structural components and bridges. The Group through its foundry, Goodwin Steel Castings, has the capability to pour high performance alloy castings up to 35 tonnes, radiograph and also finish CNC machine and fabricate them at the foundry's sister company, Goodwin International. This capability is targeting the defence industry and nuclear fuel processing as well as the oil and gas industry.

Goodwin International, the largest company in the mechanical engineering division, designs and manufactures dual plate check valves, axial nozzle check valves and axial piston control and isolation valves and also undertakes specialised CNC machining and fabrication work. Goodwin International also has a division that is focussed on manufacturing / machining high precision, high integrity components that are utilised in nuclear propulsion systems and nuclear fuel reprocessing and handling systems. Noreva GmbH also designs, manufactures and sells axial nozzle check valves. Both Goodwin International and Noreva purchase the majority of the value of their sand mould castings from Goodwin Steel Castings and this vertical integration gives rise to competitive benefits, increased efficiencies and timely deliveries.

At Goodwin Pumps India we manufacture a superior range of submersible slurry pumps for end users in India, China, Brazil, Australia and Africa. Easat Radar Systems designs and builds bespoke high-performance radar antenna systems for the global market of major defence contractors, civil aviation authorities and border security agencies. We create value on these by innovative design, assembly and testing in our own facilities using bought in or engineered in-house components.



## OBJECTIVES, STRATEGY AND BUSINESS MODEL *(continued)*

### Refractory Engineering

Within the refractory engineering division, Goodwin Refractory Services (GRS) primarily generates gross margin from designing, manufacturing and selling investment casting powders and waxes to the jewellery casting industry. GRS also manufactures and sells investment casting powders to the tyre mould and aerospace industries. The refractory division has eight other investment powder manufacturing companies located in China, India, Thailand and Brazil which sell the casting powders directly and through distributors to the jewellery casting industry.

These companies are vertically integrated with another of our UK companies, Hoben International, which manufactures cristobalite which it sells to the nine casting powder manufacturing companies as well as producing ground silica that also goes into casting powders. Hoben International now also manufactures different grades of perlite.

The other UK refractory company is Dupré Minerals which focuses on producing exfoliated vermiculite that is used in insulation, brake linings and fire protection products, including technical textiles that can withstand exposure to high temperatures and for lithium battery fire extinguishers. Dupré also sells consumable refractories to the shell moulding casting industry.

### BUSINESS DIVERSITY AND PERFORMANCE

As can be seen in note 2 to these Financial Statements, in the year to 30th April, 2018 the refractory engineering division generated just over 50% of the Group's operating profits and the mechanical engineering division just less than 50%. The profitability of the refractory engineering division benefited from a non trading capital gain of £1.6 million associated with the sale of the original Indian investment powder company's land and buildings that were purchased in 2003 as was reported in the half year accounts in October 2017. Just after the year end in May 2018, additional land to the land purchased in 2005 by Goodwin Pumps India was purchased for £1.6 million to accommodate the significantly increasing business activity in India of both our investment casting powder company and the Goodwin slurry pump company.

For the next financial year i.e. before the oil and gas business really starts to become busy, we expect this 50/50 balance of pre-tax profitability between the two divisions to be maintained as the year on year growth of the refractory engineering division at 25% is currently greater than that of the mechanical engineering division. Thereafter we estimate the business balance is likely to move to 60%/40% in favour of the mechanical engineering division.

From the geographical segmentation report on page 47 of these Accounts it can be seen that the revenue is fairly evenly spread between the Pacific Basin Countries, UK, Rest of Europe and the rest of the world. The rest of Europe figure includes the sales from Noreva, our valve company based in Germany and from NRPL, our radar transceiver company based in Finland. The sales into the USA are relatively low at 2% but over the next two years we expect this to grow significantly with sales to the US Navy and the US Airforce which should further enhance the diversity of our territorial market spread.

### BREXIT

As a result of Brexit Sterling remains weak as compared to the period leading up to the referendum vote. We have considered the impact of this on the consolidation of the results of our overseas companies and would comment as follows:

The percentage of Goodwin Group turnover to countries within Europe (excluding turnover of our English companies to England and European turnover of our European subsidiaries) is less than 10% of total Group annual revenue and similarly the percentage of Group annual pre-tax profit derived from these same sales is less than 7.5% of Group pre-tax profit. These two percentages exclude the oil and gas European contractor business won on international tender by Goodwin International Ltd as 90% of oil, gas and LNG international construction contracts that we might participate in, whether placed in Europe or elsewhere, are to American standards and this will not be changing as a feature of Brexit. These contracts for valves with the large European oil, gas and LNG international contractors are rarely delivered into Europe.

Sales from Goodwin Group companies to Europe are not our corporate focus nor have they been for the past 20 years. Our Group focus on maintaining and growing sales, both from our English companies and our overseas companies, is in countries that have and have had GDP annual

## OBJECTIVES, STRATEGY AND BUSINESS MODEL *(continued)*

### BREXIT *(continued)*

growth over the past more than ten years some 200% greater than has been enjoyed by the average of the European countries and these include:

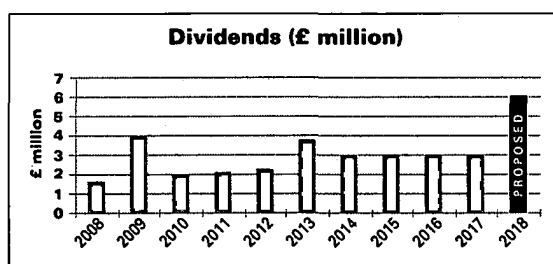
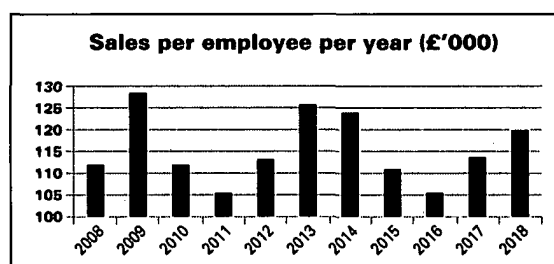
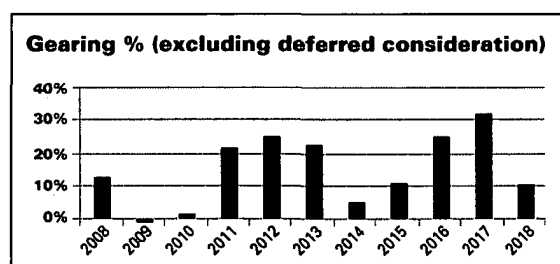
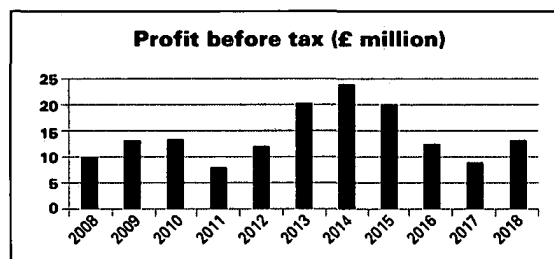
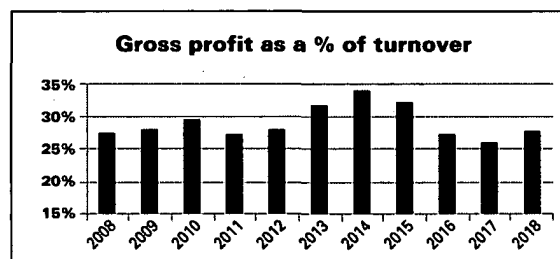
China, India, Australia, African continent countries, South American countries, Middle Eastern countries, USA, Canada, Japan, South Korea, Thailand and neighbouring countries.

### KEY PERFORMANCE INDICATORS

The key performance indicators for the business are listed below:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Gross profit as a % of turnover	27.8	28.5	29.9	27.3	28.5	31.9	34.3	32.5	27.8	25.6	28.6
Profit before tax (in £ millions)	9.8	13.1	13.3	8.1	12.3	20.3	24.1	20.1	12.3	9.2	13.3
Gearing % (excluding deferred consideration)	13.7	(1.5)	1.8	22.1	25.9	23.3	5.0	11.7	25.6	31.4	10.8
Sales per employee per year (in £'000)	112.4	128.4	112.4	105.5	113.7	125.7	124.1	111.8	105.4	114.0	119.8
Dividends proposed (in £ millions)	1.7	4.0	2.0	2.1	2.3	3.8	3.0	3.0	3.0	3.0	6.0

Alternative performance measures mentioned above are defined in note 29 on page 68.



## OBJECTIVES, STRATEGY AND BUSINESS MODEL *(continued)*

### CHANGES TO DIVIDEND POLICY

The Directors have been analysing the current and historic business performance and, whilst over the prior three years to the financial year that has just been completed, there had been a fall off in Group profitability associated with the vast contraction in capital expenditure in the oil, gas and mining markets we consider this is only temporary.

Twenty five years ago in 1993, the majority of Group sales were associated with products made under licence for which our manufacturing companies paid licence fees to our licensors and our sales territory was limited to Europe in the main by our licensors. By the mid 1990s Goodwin had designed and developed our own range of products that were technically and commercially competitive, many of which we patented and that our Group companies could sell worldwide, especially to the developing markets where annual growth rates of GDP were very much higher than Europe.

In the 1980s and early 1990s much of our trading profit was repatriated to our licensors as licence fees. Since the mid 1990s the Group has not manufactured and sold products under licence. Now with a global sales activity, we have in comparison to former years saved significant amounts of cash and increased profits as we no longer pay these manufacturing licence fees. Also since the mid 1990s the Group spent considerable money in developing our global sales network, especially in the Pacific Basin, and also started undertaking large engineering projects.

The transformation described above applies to Goodwin International, Goodwin Steel Castings, Goodwin Refractory Services and Noreva GmbH, all of whom have a number of patents. Easat Radar Systems has also benefitted from the process.

Today the Group primarily manufactures its own products that it sells direct to market in 96 different countries.

In the early 1980s following Goodwin having extracted itself from profitably making radial tyre building machinery when there was a permanent drop in consumption of tyres per car associated with the radial tyre that lasted twice as long as the cross ply tyre, Goodwin started making pumps and valves under licences from two USA companies. Between the early 1980s to the mid 1990s when Goodwin made pumps and valves under USA licences Goodwin struggled to make significant profits due to the licence fees paid on the then new products – pumps and valves which we manufactured and sold into competitive markets.

For the past twenty years the Group has made significant profits that grew at the rate of about 20% per year compound (except in the three years prior to the financial year just completed due to the recent oil and gas industry contraction). The majority of these profits made in this 20 year period, more than 75% after paying tax, had been reinvested into designing and developing new products and expanding our global markets for our mechanical and refractory engineering companies. Money was also spent on buying high efficiency and technologically advanced manufacturing plant and machinery, training our people, setting up overseas sales organisations and companies and/or in buying complementary or competitive companies.

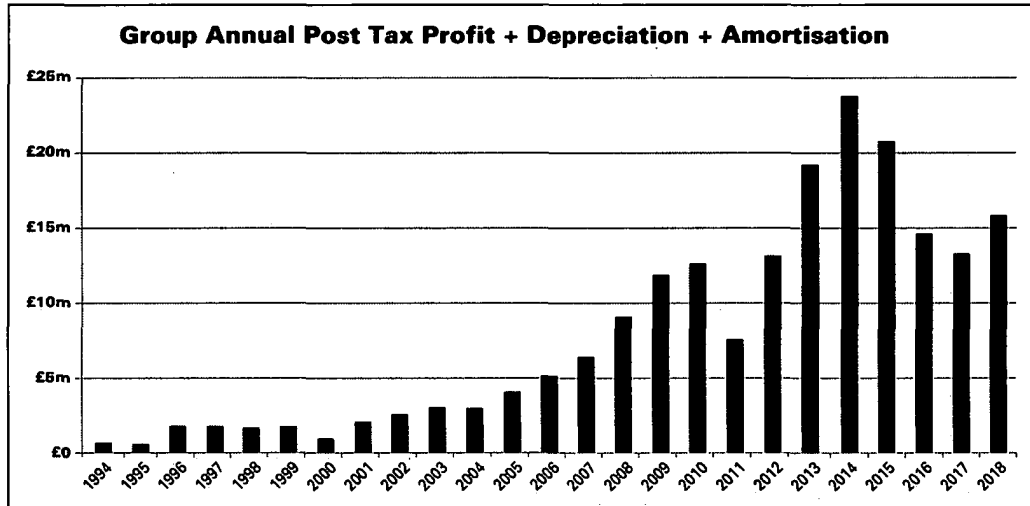
For our major product ranges whether it be dual plate check valves, nozzle valves, axial piston valves, radar antenna systems, high integrity alloy castings, investment casting powders, vermiculite products, cristobalite, our product offerings are now in the top three in the world and most are number one.

It is for this reason and having re-invested over £130 million pounds of our post-tax profits in the subsidiary companies and on acquisitions over the past twenty years, the company is in a more robust state.

The Board has now concluded that it is appropriate to modify the dividend policy going forward until further notice. Historically averaging it over the past twenty years, the dividend, as a percentage of post-tax profits plus depreciation and amortisation, has been 20%, it is now planned to increase this figure to 38% starting for the year just completed subject to shareholders voting in favour of this at the AGM on 3rd October, 2018.

**OBJECTIVES, STRATEGY AND BUSINESS MODEL** *(continued)*

Conversely our investment into designing and developing new products for our mechanical and refractory engineering companies, buying high efficiency and technologically advanced manufacturing plant and machinery, setting up overseas sales organisations and companies and/or in buying complementary or competitive companies which has cost on average 70% of post-tax profits plus depreciation and amortisation over the past twenty years, we plan to limit this activity to a maximum on a three year rolling annual average of 55% of post-tax profits plus depreciation and amortisation.



## PRINCIPAL RISKS AND UNCERTAINTIES

The Group'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 Group 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 2 to the financial statements, the Group operates across a range of geographical regions, and its turnover is split across the UK, Europe, USA, the Pacific Basin and the rest of the world. This spread reduces risk in any one territory. Similarly, the Group operates in both mechanical engineering and refractory engineering sectors, mitigating the risk of a downturn in any one product area as was seen over the past two financial years. The potential risk of the loss of any key customer is limited as, typically, no single customer accounts for more than 10% of turnover. As described in the Business Model, the Group generates significant sales not only from the worldwide energy markets but also from nuclear propulsion systems, military ship building and the jewellery consumer market that our investment casting powder companies indirectly supply through the supply of investment casting moulding powders, waxes and silicone rubber. As we have recently seen in the oil, gas and metal/ore mining markets, these markets suffered short-term declines, but over the medium to long-term the growing worldwide demand for energy and metal especially copper will ensure these markets remain buoyant.

**Technical risk:** The Group develops and launches new products as part of its strategy to enhance the long-term value of the Group. Such development projects carry business risks, including reputational risk, abortive expenditure and potential customer claims which may have a material impact on the Group. The potential risk here is seen as manageable given the Group 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 Group 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 research and development 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 and the purchase of product liability insurance. The risk of product obsolescence is countered by research and development investment.

**Health and safety:** The Group's operations involve the typical health and safety hazards inherent in manufacturing and business operations. The Group 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.

**Acquisitions:** The Group's growth plan over recent years has included a number of acquisitions. There is the risk that these, or future acquisitions, fail to provide the planned value. This risk is mitigated through financial and technical due diligence during the acquisition process and the Group's inherent knowledge of the markets they operate in.

**Financial risk:** The principal financial risks faced by the Group are changes in market prices (interest rates, foreign exchange rates and commodity prices). Detailed information on the financial risk management objectives and policies is set out in note 20 to the financial statements. The Group has in place risk management policies that seek to limit the adverse effects on the financial performance of the Group by using various instruments and techniques, including credit insurance, stage payments, forward foreign exchange contracts, secured and unsecured credit lines, and interest rate swaps.

**Regulatory compliance:** The Group's operations are subject to a wide range of laws and regulations. Both within Goodwin PLC and its subsidiaries, the Directors and Senior Managers within the companies make best endeavours to ensure we comply with the relevant laws and regulations.

**Assessment of principal risks: Changes and likely impact:** As part of the Board's risk management and control of principal risks, areas of monitoring and expert advice undertaken are reported upon by the Audit Committee on pages 18 to 20.

## CORPORATE SOCIAL RESPONSIBILITY

### Greenhouse Gas ("GHG") emissions

Since 2011 we have been reporting on the increase / decrease in our CO<sub>2</sub> emissions, and this is our fourth GHG emissions report in line with the latest UK reporting requirements.

Due to lower capital expenditure by our customers and lower production, less gas and electricity has been used in our manufacturing. We have used the version of the factors that correlate with the data from the calendar year in which the greatest portion of our data falls, which are the 2017 factors.

The reported CO<sub>2</sub> emissions are detailed below:

The sites reporting GHG data are the same as those consolidated in the Group's financial statements, and we have included all material qualifying emissions around the Group for the years to 30th April, 2018 and 30th April, 2017. We have used the reporting guidance set out by the DEFRA environmental reporting guidelines for 2017 (expiry 31st July, 2018) and used the methodology set out therein, to report our Scope 1 and Scope 2 emissions, using the IEA "full set" emission factors 2016, covering both OECD and non OECD countries.

We also report under the Carbon Reduction Commitment scheme and the Energy Saving Opportunity Scheme. Under the latter, we have a target to reduce all space heating and lighting by 5% by 2020. UK LED lighting installations are progressing, with savings to date calculated as 3.5% of lighting power consumption. All new processes and equipment are assessed for energy savings. Examples include lower power computers combined with productivity savings. A new heat treatment furnace using recuperative heating should result in a 36% fuel saving. The largest savings have been by installing processes locally, rather than subcontracting, thereby saving on transport costs. Despite the savings, some innovative products, with highly improved operating performance capable of working at more extreme temperatures and pressures, do need extra processing which uses more manufacturing energy.

The energy policy is managed by the Group's Energy Savings Opportunity Scheme (ESOS) auditor, reporting to M. S. Goodwin.

	2018 Tonnes of CO <sub>2</sub> e	2017 Tonnes of CO <sub>2</sub> e
Scope 1 – direct emissions (from Company facilities and vehicles)	33,840	52,280
Scope 2 – indirect emissions (from electricity purchased for own use)	7,794	9,396
Total Scope 1 and Scope 2 emissions	41,634	61,676
Intensity – emissions of total CO <sub>2</sub> equivalent reported above per £1 million of Group revenue	334	471

### Donations

The Company made no political donations during the year (2017: £nil).

Donations by the Group for charitable purposes amounted to £53,079 (2017: £46,500). The majority of these were made to local communities within the Group's operating environments.

### Employee consultation

The Group 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 Group 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 Group 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.

### Health and Safety

Last year we reported on progress in our subsidiaries achieving ISO18001 accreditation when three of our large companies had achieved this accreditation. This year we have five subsidiaries accredited to ISO18001 but there has also been a new global Health and Safety standard released called ISO45001. It is Group policy over the next two years to convert the existing ISO18001 accredited subsidiaries over to ISO45001 and within a further two years to have all subsidiaries with a turnover greater than £5 million also to obtain this accreditation.

### Community issues

During the year the Company has continued to communicate to all employees our culture of responsibility and support for local communities where possible.

### Supply chain ethics

We visit major suppliers and write letters in line with the United Nations Global Compact voluntary initiative. The letters invite our major suppliers to adopt, implement and evidence adequate compliance policies.

## CORPORATE SOCIAL RESPONSIBILITY *(continued)*

### Diversity Policy

The Group is committed to ensuring that everyone should have the same opportunities for employment and promotion based on ability, qualifications and suitability for the work in question. The Group invests in training and development of skills for the Group's future and has a long-term aim that the composition of our workforce should reflect that of the community it serves. Our Diversity policy is implemented through training and development, recruitment, our business culture and the Board's Strategy.

The following tables set out the breakdown of our average number of employees and Board members by gender and age:

### Breakdown by gender

Year ended 30th April, 2018	Male	%	Female	%	Total
Main Board and Company Secretary	8	80%	2	20%	10
Senior Management	57	90%	6	10%	63
Employees	801	83%	168	17%	969
<b>Total</b>	<b>866</b>	<b>83%</b>	<b>176</b>	<b>17%</b>	<b>1,042</b>

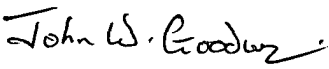

### Breakdown by age

Year ended 30th April, 2018	Age 16 to 21	%	Age 22 to 40	%	Age 41 to 65	%	Age Over 65	%	Total
Main Board and Company Secretary	0	0%	5	50%	3	30%	2	20%	10
Senior Management	0	0%	15	24%	47	75%	1	1%	63
Employees	86	9%	452	47%	417	43%	14	1%	969
<b>Total</b>	<b>86</b>	<b>8%</b>	<b>472</b>	<b>45%</b>	<b>467</b>	<b>45%</b>	<b>17</b>	<b>2%</b>	<b>1,042</b>

## FORWARD-LOOKING STATEMENTS

The Group Strategic Report contains forward-looking type statements and information based on current expectations, and assumptions and forecasts made by the Group. These expectations and assumptions are subject to various known and unknown risks, uncertainties and other factors, which could lead to substantial differences between the actual future results, financial performance and the estimates and historical results given in this report. Many of these factors are outside the Group's control. The Group accepts no liability to publicly revise or update these forward-looking statements or adjust them for future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

The Group Strategic Report was approved by the Board on 26th July, 2018, and is signed on its behalf by:


  
 J. W. Goodwin  
 Director

R. S. Goodwin  
 Director

## REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their reports and audited financial statements for the year ended 30th April, 2018.

The Directors have presented their Group Strategic Report on pages 6 to 13. The Group Strategic Report is intended to be an analysis of the development and performance of Goodwin PLC and contains a description of the principal risks and uncertainties facing the Group and an indication of likely future developments. The Chairman's Statement is part of the Group Strategic Report of the Directors for the year and provides the financial review, including some of the key performance indicators and future trends of the business. Also included in the Group Strategic Report for the year are the Group's Objectives, Strategy and Business Model on page 6, the Principal Risks and Uncertainties on page 11, and the Corporate Social Responsibility Report on page 12.

The Board considers that the Chairman's Statement, the Group Strategic Report, the Directors' Reports and the Financial Statements, taken as a whole, are fair, balanced and understandable and that they provide the information considered appropriate for shareholders to assess the Group's position and performance during the financial year and at the year end, and to assess the business model and strategy.

### Proposed ordinary dividends

The Directors recommend that an ordinary dividend of 83.473p per share (2017: 42.348p) be paid to shareholders on the register at the close of business on 7th September, 2018. If approved by shareholders, the ordinary dividend will be paid to shareholders on 5th October, 2018.

### Directors

The Directors of the Company who have served during the year are set out below.

J. W. Goodwin  
R. S. Goodwin  
J. Connolly  
M. S. Goodwin  
S. R. Goodwin  
S. C. Birks  
B. R. E. Goodwin  
T. J. W. Goodwin  
J. E. Kelly (*Non-Executive Director*)

The Directors retiring in accordance with the Articles are Mr. M. S. Goodwin, Mr. T. J. W. Goodwin and Mrs. J. E. Kelly who, being eligible, offer themselves for re-election.

No Director has a service agreement with the Company, nor any beneficial interest in the share capital of any subsidiary undertaking.

### Shareholdings

The Company has been notified that as at 23rd July, 2018, the following had an interest in 3% or more of the issued share capital of the Company:

J. W. and R. S. Goodwin 2,129,146 shares (29.57%), J. W. and R. S. Goodwin 1,328,882 shares (18.46%). These shares are registered in the names of J. M. Securities Limited and J. M. Securities (No. 3) Limited respectively. J. H. Ridley 502,343 shares (6.98%), Rulegate Nominees (JAMSCLT) 319,640 shares (4.44%).

In line with LR 9.2.2A R, relating to Controlling Shareholders, the Company confirms that a written and legally binding agreement is in place, which complies with the independence provisions set out in LR 6.1.4D R.

### Share capital

The Company's issued share capital comprises a single class of share capital which is divided into ordinary shares of 10p each. Information concerning the issued share capital in the Company is set out in note 19 to the financial statements on page 58.

All of the Company's shares are ranked equally and the rights and obligations attaching to the Company's shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in England and Wales or by writing to the Company Secretary.

There are no restrictions on the voting rights of shares and there are no restrictions in their transfer other than:

- certain restrictions as may from time to time be imposed by laws and regulations (for example insider trading laws); and
- pursuant to the Market Abuse Regulation whereby Directors of the Company require approval to deal in the Company's shares.

Additionally, the Company is not aware of any agreements between shareholders of the Company that may result in restrictions on the transfer of ordinary shares or voting rights.

Following the passing of a Resolution at the Company's AGM on 5th October, 2016 to approve an Equity Long Term Incentive Plan ("LTIP") for the Executive Directors, the Directors have statutory authority to issue shares in connection with the exercise of options granted under the LTIP. The Directors have not been given authority to issue or buy back shares of the Company other than in respect of the LTIP.



## REPORT OF THE DIRECTORS *(continued)*

### Research and development

The Group invests significantly in research and development. The more material investments during the year included our ongoing axial flow control valve developments, vermiculite dispersions and radar systems.

### Change in control

The Group's committed loan facilities include a change of control clause, which states that a change of control of the parent Company will be classed as an event of default and would enable the providers at their discretion to withdraw the facilities.

### Shareholder relations

All shareholders are encouraged to participate in the Company's Annual General Meeting. No shareholder meeting has been called to discuss any business other than ordinary business at the Annual General Meeting.

The Board complies with the recommendations of the UK Corporate Governance Code that the notice of the Annual General Meeting and related papers should be sent to shareholders at least twenty working days before the meeting.

The Directors attend the Annual General Meeting. The Chairman and other members of the Board will be available to answer questions at the forthcoming Annual General Meeting. In addition, proxy votes will be counted and the results announced after any vote on a show of hands.

The Chairman ensures that the views of shareholders are communicated to the Board as a whole, ensuring that Directors develop an understanding of the views of shareholders. Any individual requests for information from shareholders are dealt with by the Chairman, and where any such requests are subject to restraint in that any disclosure would give rise to share price sensitive information, then the requests would be declined, or referred to the Board for release to all shareholders through the Stock Exchange.

### Going concern

With the current level of order input, the opportunity for continued profitability remains for the next twelve months. With a year end gearing level of 10.8% (2017:31.4%) and significant headroom between bank facilities available and utilisation, the Directors after having reviewed the situation believe there is a reasonable expectation that the Group has adequate resources to continue in operational existence for twelve months from the date of approval of these financial statements, and have continued to adopt the going concern basis in preparing the financial statements.

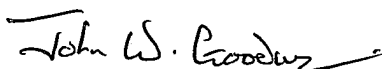
### Viability Statement

The Directors have considered the viability of the Group over an extended period of 3 years. The degree of difficulty in forecasting increases with time periods of more than one year, but the Directors again having reviewed the situation have a reasonable expectation that the Group has adequate resources to continue over this period. The assessment factored in the future projected profitability of the Group which when subjected to sensible stress testing (for example a delayed recovery within the oil and gas markets) still resulted in a profitable outlook. The Group's gearing levels remain relatively modest and, as disclosed within note 20, our unutilised bank facilities are significant. The 3 year viability review assumes we will be able to refinance our existing bank facilities as they come up for renewal but we feel this assumption is reasonable given the financial position of the Group.

### Auditor

In accordance with Section 489 of the Companies Act 2006 and the recommendation of the Board of Directors, a resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG LLP as auditor of the Company.

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



J. W. Goodwin  
Chairman

26th July, 2018

## CORPORATE GOVERNANCE REPORT

### Introduction

The Board comprises eight Directors and an independent Non-Executive Director; the Audit Committee comprises the Non-Executive Audit Committee Chairman, two Board Directors and the Company Secretary. The Board and the Audit Committee fulfil the roles required for effective corporate governance and the Board considers that it has the right governance to execute its strategy to achieve its objectives.

The Board has always felt that it should be recognised that what may be appropriate for the larger company may not necessarily be so for the smaller company, a point raised previously in the Cadbury Code of Best Practice. Whilst conscious of its non-compliance with certain aspects of the revised Code as detailed below, it does not believe that at this stage in the Group's development and circumstances it is appropriate to change its own operational or governance structure with the sole objective of achieving compliance with the revised Code given that the Board's current corporate governance strategy has been accepted by a large majority of its shareholders.

For the past three years the Company has had one Non-Executive Director who is also the Chairman of the Audit Committee. This is not in full compliance with the revised Code, but for a small company, due to the limits of time availability and cost, the Board considers this as an optimum compromise that is beneficial to shareholders and the Group's long-term interests. For specific independent expertise the Board engages independent consultants.

### Compliance statement under the UK Corporate Governance Code 2016

The Company is required to report on compliance throughout the year. In relation to all of the provisions except those mentioned below, the Company complied throughout the period.

As noted in the introduction above, the Group does not comply with aspects of the Code's requirements under provisions A4.1, A4.2, B1.2, and C3.1 in terms of having a senior independent Director. Since 14th April, 2015 a Non-Executive Director with the role of Chairman of the Audit Committee has been appointed. The Group does not have a Remuneration Committee or a Nominations Committee as required under provisions B2 and D2.1 and 2.2.

The roles of the Chairman in running the Board and the Managing Director in running the Group's businesses are well understood. It is not considered necessary to have written job descriptions. This is contrary to provision A2.1. The Chairman and Managing Director do not retire by rotation, which is contrary to provision B7.1 of the Code.

There is no formal schedule of matters reserved for the Board, which is contrary to provision A1.1.

### The Board

During the year, the Board met formally nine times, and details of attendees at these meetings are set out below:

J. W. Goodwin (Chairman)	...	...	...	9 out of 9 attended
R. S. Goodwin (Managing Director)	...	...	...	9 out of 9 attended
J. Connolly	...	...	...	9 out of 9 attended
M. S. Goodwin	...	...	...	9 out of 9 attended
S. R. Goodwin	...	...	...	8 out of 9 attended
S. C. Birks	...	...	...	9 out of 9 attended
B. R. E. Goodwin	...	...	...	9 out of 9 attended
T. J. W. Goodwin	...	...	...	7 out of 9 attended
J. E. Kelly	...	...	...	6 out of 9 attended

The Chairman and Managing Director do not retire by rotation. With this exception, all Directors retire at the first Annual General Meeting after their initial appointment and then by rotation at least every three years.

The Board retains full responsibility for the direction and control of the Group and, whilst there is no formal schedule of matters reserved for the Board, all acquisitions and disposals of assets, investments and material capital-related projects are, as a matter of course, specifically reserved for Board decision.

The Board meets regularly with an agenda to discuss corporate strategy; to formulate and monitor the progress of business plans for all subsidiaries and to identify, evaluate and manage the business risks faced. The management philosophy of the Group is to operate its subsidiaries on an autonomous basis, subject to overall supervision and evaluation by the Board, with formally defined areas of responsibility and delegation of authority. The Group has formal lines of reporting in place with subsidiary management meeting with the Board on a regular basis. Regular informal meetings are also held to enable all members of the Board to discuss relevant issues with local management and staff at the business units.

### The Audit Committee

The Audit Committee is made up of the following: J. E. Kelly (Chairman), J. W. Goodwin, R. S. Goodwin and P. Ashley as Company Secretary and the Audit Committee reports to the Board. The Audit Committee has met formally seven times since the issue of the Annual Report for the year ended 30th April, 2017, with all members attending each meeting. The responsibility of the Audit Committee is explained in the Audit Committee Report on pages 18 to 20. The Audit Committee takes into account the Company's corporate Mission Statement, Objectives and Strategy, and reviews investor correspondence and comments, regulatory changes, current issues and market trends. The Audit Committee uses expert opinion where considered appropriate.

### Board evaluation

The Managing Director and Chairman address the development and training needs of the Board as a whole. An evaluation of the effectiveness and performance of the Board and the Directors of subsidiaries has been carried out by the Managing Director and Chairman, by way of personal discussions and individual performance evaluation.

## CORPORATE GOVERNANCE REPORT *(continued)*

### **Board evaluation** *(continued)*

All Directors have reasonable access to the Company Secretary and to independent professional advice at the Company's expense.

### **External audit**

The external auditor is appointed annually at the Annual General Meeting. The Board, following review and recommendations received from the Audit Committee, considers the re-appointment of the auditor, and assesses on an annual basis the qualification, expertise, cost, independence and objectivity of the external auditor. In addition, the Audit Committee monitors the level of non-audit services provided to the Group by the external auditor to ensure that their independence is not compromised.

### **Disclosure of information to auditor**

The Directors who held office at the date of approval of this Corporate Governance 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 reasonable steps to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Internal control and risk management**

The Board has overall responsibility for the Group's systems of internal controls and risk management which are designed to manage rather than eliminate risk and provide reasonable reassurance against material misstatement or loss.

The Board has primary responsibility for controlling: operational risks; financial risks including funding and capital spend; compliance risks; and political risks. The Audit Committee has been delegated responsibility for corporate reporting, financial risk management and to regularly review the effectiveness of the Group's internal controls together with consideration of any reports from the external auditor. The Audit Committee Report is on pages 18 to 20. Except as noted within this Corporate Governance Report, the Board confirms that the internal control systems comply with the UK Corporate Governance Code.

The Group's main systems of internal controls includes regular visits and discussions between Board Directors and subsidiary management, and the Group internal auditor, on all aspects of the business including financial reporting, risk reporting and compliance reporting. In addition, there is Board representation with Goodwin PLC Directors on the boards of the subsidiaries. Any concerns are reported to the members of the Audit Committee and to the Board. The Group maintains a risk register, has business continuity programmes and has insurance programmes that are all regularly reviewed. These procedures have been in place throughout the year and are on-going to ensure accordance with the FRC publication 'Risk Management, Internal Control and Related Financial and Business Reporting'. The Board considers that the close involvement of Board Directors in all areas of the day to day operations of the Group's business, including considering reports from management and discussions with senior personnel throughout the Group, represents the most effective control over its financial and business risks system, by providing an ongoing process for identifying, evaluating and managing the principal risks faced by the Group. In particular, authority is limited to Board Directors in key risk areas such as treasury management, capital expenditure and other investment decisions.

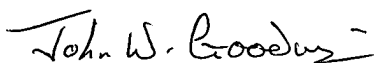
The close involvement of Board Directors in the day to day operations of the business ensures that the Board has the financial and non-financial controls under constant review and so it is not currently considered that formal Board reviews of these controls would provide any additional benefit in terms of the effectiveness of the Group's internal control systems.

The Board recognises the importance of an effective internal audit function to assist with the management and review of internal controls and business risk. The Group internal auditor has made good progress reviewing internal controls, procedures and accounting systems. The Board Directors and Senior Management will continue to have close involvement on a day to day operational basis and the scope and results of internal audit work to be performed will be kept under review in the coming year.

The Board considers that certain functions are best carried out by independent external bodies with specific expertise, who then report to the Board directly or through the Audit Committee.

The Board confirms that it has not been advised of any material failures or weaknesses in the Group's internal control systems.

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



J. W. Goodwin  
Chairman

26th July, 2018

## AUDIT COMMITTEE REPORT

The key role of the Audit Committee is to provide confidence in the integrity of the Group's financial risk management, internal financial controls and corporate reporting. The Audit Committee, as empowered by the Group's Board of Directors, has responsibility for:

1. Reviewing and checking the Group's full year and half year Accounts and the Annual Report, as presented to the Audit Committee, to ensure that they are, in their view, fair, appropriate, representative of the Group's performance and that they provide the information necessary for shareholders to assess the Group's performance.
2. Reviewing the Group's financial and non-financial internal controls and risk management systems and commenting on whether they are relevant and effective.
3. Making recommendations to the Group's Board of Directors on the appointment and remuneration of the Group's external auditor; ensuring independence of the auditor; the effectiveness of the audit process; and that the Group receives value for money from the audit.
4. Reviewing comments and feedback brought to its attention by Directors or other employees of the Group.
5. Reviewing the Group's "whistle-blowing" procedures and reviewing any significant reports.
6. Reviewing the scope of work for the internal audit function and the resultant reports.
7. Reviewing significant accounting estimates and judgements relating to the financial statements with the external auditor and members of the Board.
8. Review and comment to the Board on major capital purchases or company acquisitions being proposed by the Board of a unit or linked value greater than £2 million.
9. Review gross proposed or actual capital expenditure of all Group companies to ensure it complies with the limits agreed to be in place at the time.

The Audit Committee discharges each of its above responsibilities as follows:

### 1. Examining the integrity of the Group's Annual Report and half year Interim Report:

The Chairman of the Audit Committee is an independent Non-Executive Director. The other members of the committee either are persons with experience in the Group's typical products and or markets or have historical knowledge of the business and activities of the Group. Regular meetings are held between members of the Audit Committee, other Directors of Goodwin PLC and its subsidiaries, General Managers and Senior Management of the UK subsidiaries. Each overseas subsidiary is typically visited at least once during the year by a member of the Audit Committee, or by a Main Board Director, for meetings with the General Managers and Senior Management with reports sent back to the Audit Committee. On a formal basis, members of the Audit Committee are involved in quarterly discussions with the General Managers and Senior Management of each subsidiary where the positions taken on subjective financial matters are discussed. Any areas where the Audit Committee feels that the positions taken within any particular subsidiary are either inappropriate or merit further discussion are documented for further discussion by the Board of Directors of Goodwin PLC.

For the half year Interim Report, the Audit Committee reviews the financial and non-financial content, including the Chairman's Statement, and reviews the financial statements and qualitative notes of the financial statements, to help ensure that they are balanced, relevant, compliant with relevant accounting standards / legislation, and are consistent and complete. The Audit Committee reports to the Board of Directors their views as to whether the half year Interim Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's half year performance. The figures in the half year Interim Report are not audited, but the external auditor is given sight of these before publication.

For the full year Annual Report, the Audit Committee reviews the financial and non-financial content of the Group Strategic Report, including the Chairman's Statement; the Corporate Governance Report; the Directors' Report; the Directors' Remuneration Policy and Report; and reviews the financial statements and the qualitative notes to the financial statements to examine whether the content is balanced, relevant, compliant with relevant accounting standards / legislation, and are consistent and complete. The Audit Committee has discussed the full year Annual Report and their views with the Group external auditor. The Audit Committee confirmed to the Board that in its opinion the proposed Annual Report for the year ended 30th April, 2018 appropriately represents the Group's trading position and, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's full year performance, its position at the year end, and its objectives, strategy and business model.

### 2. Helping to ensure the Group carries effective and relevant financial and non-financial internal controls and financial risk management systems:

To assess the effectiveness of systems for internal financial controls, financial reporting and financial risk management, the Audit Committee reviews reports from Main Board Directors on the Group's subsidiaries; reviews reports from the Group Chief Accountant; reviews reports from General Managers of the Group's

## AUDIT COMMITTEE REPORT *(continued)*

subsidiaries; reviews monthly financial reports; reviews reports from internal and external audit; reviews reports from independent external consultants; and reviews the Group's risk register, business continuity programmes and levels of insurance.

### 2018 Audit Committee Risk Programme

The terms of reference for the Audit Committee and how it discharges its duties have been presented to the Board and ratified.

#### Risk Management:

As a method of adding formality to the management of risk within all Group companies, the Board has nominated Steven Birks, a Goodwin PLC Director, to mentor each subsidiary in enhancing their risk analysis and control. He will spend one day per week on this task and areas being scrutinized in detail, other than risks individual to each company, are:

- a) having appropriate limits of contract liability
- b) having appropriate levels and types of insurance
- c) ensuring appropriate control of cash flow
- d) ensuring health and safety continues to be given priority and that there is a progressive plan for improvement
- e) ensuring product development and life cycles are managed relative to the global market
- f) ensuring that the provision of trained and skilled manpower is appropriately matched to the requirements of each company
- g) risk analysis and preventative measures associated with the installation and commissioning of new plant, modified plant and new processes.

A review has been requested of the effectiveness of KYC, credit insurance, political risk insurance and contract terms and conditions in the event of contract slippage or frustration by governments and their clients.

#### Market risk

This remains as stated last year and, upon review, no customer accounts for more than 10% of the Group turnover. The country and sector dependency for the year is shown by the charts on the Investor's section of the Company website.

#### Technical risk

This remains as stated last year with the added aspect that the expanded facilities will be handling larger components. Production bottlenecks will need addressing as markets (oil and gas) improve and greater demand ensues. The flexibility to ramp up production when required will be important.

#### Product failure/contract risk

This has been reviewed and is unchanged from that previously stated.

#### Acquisitions

No further acquisitions have been made.

#### Financial risk

This has been reviewed and is as stated last year with the perceived increased volatility in exchange rates and the possibility of high foreign exchange hedging costs for forward long term contracts.

#### Regulatory compliance

This is as stated last year with the increased workload of monitoring change as legislation varies with the implementation of Brexit. A programme of training and testing for competency has been set up.

#### Human Resources

Following a review by the Board of the age profile of senior managers, management capacity overload within each Group company and skill gaps, a recruitment initiative is underway, which has been reviewed by the Audit Committee.

Last year's initiatives have also been reviewed as work progresses.

- Easat Radar Systems Ltd's production quality assurance testing on tight time scales which has been mitigated with the installation of our own anechoic test chamber. No further comment.
- The criticality of plant maintenance and gas fuel supply at Hoben International Ltd, partly mitigated by investigating dual sourcing. No further comment.
- The risk of increased cost of new equipment if not procured and brought on line on schedule at Goodwin Steel Castings Ltd. The review confirmed that the installation of new equipment is on schedule.
- The need for increased legal resource to review difficult international sales contracts that are part of major government programmes. In-country lawyers have been utilised where necessary.

During the year the Audit Committee monitored work as follows:

#### Commitment to and investment in information security

- considerable effort has been put in to implement the requirements of the General Data Protection Regulations (GDPR)

## AUDIT COMMITTEE REPORT *(continued)*

- training has been undertaken on data analytics and behavioural monitoring utilising Alien Vault
- the creation of an up to date electronic network diagram of our ICT infrastructure has been continued
- disaster recovery remains an important consideration and exercises have been undertaken to test some aspects of this. We continue to be vigilant in this area.

The Audit Committee has confirmed its view to the Board that, in its opinion, the Group carries relevant internal controls and risk management systems appropriate to minimise the perceived risks of the Group's business.

### 3. The Group's external auditor

KPMG LLP has been the Group's auditor for more than 20 years and whilst, during this time, no formal competitive tender process has taken place, the Directors (historically) and the Audit Committee latterly consider that the cost of the audit is competitive when compared against listed companies of a similar size. In line with the recent changes in legislation with regards to auditor appointments, the Company intends to seek competitive tenders for its audit services within the next 2 years.

KPMG LLP has during the year provided non-audit services to the Group. The cost of these non-audit services is a small fraction of the annual Group audit fee itself. Given the quantum of non-audit fees involved and that the Group's total fees paid to KPMG LLP are very small compared to their total annual fee generation, we believe that there has been no issue as regards the objectivity and independence resulting from these non-audit services. The Company has, for many years now, used a different accountancy practice to that of the statutory auditor for its UK tax services, which further enhances both objectivity and independence.

The Audit Committee has met formally with the Group's external auditor, KPMG LLP, to discuss the full year Annual Report, and has met with and discussed matters with them as part of the audit process during the current financial year being reported on. No material concerns were raised during these meetings or discussions. The Audit Committee was satisfied with the external auditor's performance, independence, the effectiveness of the audit process, and the level of audit remuneration, and has recommended to the Board to propose the re-appointment of KPMG LLP as the external auditor at the Annual General Meeting on 3rd October, 2018.

### 4. Reviewing comments and feedback

There is regular contact with Directors and employees and open and honest discussion is encouraged. Shareholders who have asked to visit the Company have done so.

### 5. Whistle-blowing Procedures

The Group has a whistle-blowing policy in place whereby employees can report any suspected misconduct or concerns, either anonymously on a dedicated telephone line, or to the Chairman, the Company Secretary or the external auditor. Such calls are investigated and are reported to the Audit Committee. The Audit Committee has confirmed to the Board that the Group's whistle-blowing policy and procedures are appropriate.

### 6. Internal Audit

The scope and results of internal audit have been reviewed.

The internal audit function operates a random rotation policy which prioritises based on materiality and endeavours to cover all Group subsidiaries at least once within a three year cycle either via the Group Internal Auditor or by the Group Managing Director.

### 7. Accounting estimates and judgements relating to the Financial Statements

The Audit Committee reviewed what it considered to be the accounting estimates and judgement areas within the Group Annual Report for the year ended 30th April, 2018. The Audit Committee also took account of the findings of KPMG LLP in relation to their external audit work for the year.

In particular, the Audit Committee considered the following principal risk area:

Revenue Recognition – whether sales recorded in the year were generally in compliance with the IAS 18 revenue recognition standard.

In terms of perceived non material areas involving estimates and judgements, the following were reviewed:

The adequacy of the Group's provisions in relation to its sales contracts (net realisable value with regard to the year end work in progress), the calculation of positions taken on long term work in progress contracts, and the adequacy of the Group's debtor impairment reserves and the adequacy of the Group's provision against damaged, slow-moving and obsolete stocks.

J. E. Kelly   
Chairman of the Audit Committee

26th July, 2018

## DIRECTORS' REMUNERATION POLICY AND REPORT

This report includes the Group's Remuneration Policy for Directors and sets out the Annual Directors' Remuneration Report.

### Group's Remuneration Policy for Directors

The Group's policy in respect of Directors' remuneration is to provide individual packages which are determined having due regard to the Group's current and projected profitability, the employee's specific areas of responsibility and performance, their related knowledge and experience in the Group's specific fields of operation, the external labour market and their personal circumstances whereby a package to remunerate and motivate the individual so as to best serve the Group is set. Individual salaries are also indirectly linked up and down to the time allocated and perceived effort by the Director to the Group's business. Many Directors, as indeed employees, put in hours of work way beyond what could be requested and such personal devotion to duty by a Director is rewarded without formulae. All Board members have access to independent advice when considered appropriate. In forming its policy, consideration has been given to the UK Corporate Governance Code best practice provisions on remuneration policy, service contracts and compensation and has considered the remuneration levels of Directors of comparative companies.

At the Annual General Meeting on 5th October, 2016, shareholders' approval was given for the Equity Long Term Incentive Plan ("LTIP"), a performance related incentive plan for Directors of the Company providing incentives to the Directors to deliver future value to shareholders and subject to stretching targets. Shareholders also approved a revised Directors' Remuneration Policy incorporating the new LTIP.

The performance target requires the Directors to continue to grow the Total Shareholder Return ("TSR") of the Company over and above the 166.09% growth achieved between 2009 and 2016 with the maximum vesting under the LTIP only achievable if TSR growth equals at least 366.09% over the ten years between 2009 and the end of the performance period in 2019.

Other than the LTIP for Directors, the remuneration policy for other employees is broadly based on principles consistent with the policy for Directors. Salary reviews take into account Group performance as well as subsidiary performance, local pay and market conditions.

Whilst being aware of the requirements to show in graph form the breakdown of base pay, bonus pay, pension and long-term benefits, the Group is unable to comply with this requirement as Directors are not paid in accordance with any specific performance criteria or KPIs. Directors are paid based on their level of activity within the Group, their knowledge and experience of the Group's activities or similar, the performance of the Group versus market opportunity whilst also considering the Director's personal circumstances and the salary needed to ensure continuity of employment. This in itself may result in decreases or increases in Director salary within any year as illustrated in the matrix below.

Element of Pay	Purpose and Link to Strategy	Operation	Maximum	Performance Targets	Changes for 2017/2018
Salary	Reflects the Directors' level of activity within the Group, their knowledge and experience of the Company's activities or similar, the performance of the Group versus market opportunity, whilst also considering the salary needed to ensure continuity of employment.	Reviewed annually at the anniversary of the previous salary adjustment for the individual Director.	Generally in line with inflation and the wage/salary increase awarded to employees, but this is not rigid.	The Group's performance, good or bad, may result in the salary being flexed.	The Managing Director sets the base increase in salaries. For the period May, 2017 to April, 2018, the increase was generally 3.1%.
Bonus	No bonus strategy or incentive is agreed or contractual with any Director. Should any be awarded, it is discretionary and generally between 0% and 25%, but with a maximum of 60%, as determined by the Managing Director and audited by the Chairman.	Following review of the half year and year end results of the Company.	60% of salary	N/A	No exceptional bonuses were paid this year.

## DIRECTORS' REMUNERATION POLICY AND REPORT *(continued)*

### Group's Remuneration Policy for Directors *(continued)*

Element of Pay	Purpose and Link to Strategy	Operation	Maximum	Performance Targets	Changes for 2017/2018
Equity Long Term Incentive Plan	Reflects the Directors' contribution to achieving growth in shareholder value.	Awards will be granted in the form of options with an exercise price equal to the nominal value of a share. Options will vest and become exercisable following 30th April, 2019 but only subject to performance measured at that time.	Awards will entitle each holder to earn up to 1% of the share capital of the Company subject to the performance condition.	An Award will vest and become exercisable over 0.05% of the share capital of the Company for every 10% increase in the TSR of the Company at the end of the three financial years ending on 30th April, 2019 with a base year of 2009 but excluding the growth already achieved up to 30th April, 2016.	N/A
Pensions	All Directors have 3% added to their gross remuneration which, by nature of salary sacrifice, is put into a pension scheme where they have direct dealings with the selected investment fund provider.	Monthly payments	Currently 3% of gross remuneration	N/A	No changes. This policy was adopted in October 2013 for the Directors and entire UK workforce.
Other benefits	Fully expensed car or cash alternative, health insurance or other services.	N/A	N/A	N/A	See details of the Directors' emoluments on pages 26 and 27.

In any company there are specific individual circumstances that on occasions will merit special treatment in a given year for a Director either to keep or look after the person, indeed no different than we may do for an employee. In the matrix of remuneration for Directors you will note the Company has given itself flexibility to deal with specific circumstances which may not even be able to be made public for confidentiality reasons of which there are many. However, bearing in mind the performance of the Company over the past 20 years and more and that the Directors' salaries are anything but excessive versus the norm of other PLCs, this is the Board's policy.

For reference the TSR of Goodwin PLC versus the FTSE 100 and the FTSE 350 is shown below for not only the last five but also the last ten years and the last twenty years.

	Goodwin	FTSE 100	FTSE 350
TSR for last 5 Years ... ..	(10)%	41%	45%
TSR for last 10 Years ... ..	98%	80%	90%
TSR for last 20 Years ... ..	4,016%	150%	183%

The TSR achieved by the Company over the past five years is below the average of the FTSE 100 and FTSE 350. This has been a feature of exceedingly high growth in the period more than five years ago and the effect of the global contraction of capital expenditure in the oil, gas and mining industries over the past three years. The TSR for the last ten years and the last twenty years still far outstrips the performance of the FTSE 100 and the FTSE 350 and the logic behind the introduction of the LTIP for the Board of Directors was to try to bring about a significant improvement to the five year TSR within the next two years.

As is required by the Listing Rules, we show in graph form both the salary of the Managing Director of Goodwin PLC and the TSR over the past ten years. We, however, do not list out the salary of the Financial Director of Goodwin PLC versus the TSR as in Goodwin PLC we have a Group Chief Accountant (J. Connolly) who carries out 75% of the duties of a Financial Director and who is also a Director of Goodwin PLC, but we do not have what would generally be known as a Financial Director. This is for the reason that certain decisions that outsiders might consider are the sole responsibility of the Financial Director are not. In Goodwin PLC it is a team effort and such decisions are made not only by the Group Chief Accountant but also by the Managing Director and the Chairman.



## **DIRECTORS REMUNERATION POLICY AND REPORT** *(continued)*

### **Group's Remuneration Policy for Directors** *(continued)*

The Company put the Remuneration Policy to the vote of the Annual General Meeting in 2016 when it was passed by 94.22% of those who voted. The Company will be putting the Remuneration Policy to the vote again in 2019, which is three years from the last vote, as is required by the Listing Rules.

For confidentiality and flexibility reasons, the Board policy is not to disclose exit/termination payments to Directors but the policy is to remain within the law, to fairly compensate good leavers and minimise payments to bad leavers. In the last ten years, the Company has managed to avoid paying any termination payments to bad leavers. It is, however, Board policy to limit termination payments to a maximum of 100% of gross annual salary and should such amount be exceeded then it will be reported in the annual accounts giving the reason why.

The Company takes seriously its responsibility for ensuring a fair deal between employees, shareholders, customers and the local community and maintaining an appropriate balance.

The Company does not use or pay any external advisors or consultants for remuneration or incentive policy. Shareholder engagement is by nature of the Annual Report and Accounts, the Annual General Meeting and the votes therein.

## DIRECTORS REMUNERATION POLICY AND REPORT *(continued)*

### Annual Directors' Remuneration Report

This report is submitted in accordance with the Directors' Remuneration Report Regulations.

#### Consideration by the Directors of matters relating to Directors' remuneration

The Company's Remuneration Policy for Directors is set by the Board as a whole and is described in pages 21 to 23. The Policy has been followed in the financial year to 30th April, 2018, and will be followed in the next financial year.

The Board of Directors are also the key management personnel as defined in IAS 24.

#### Service contracts

None of the Directors has a service contract. A Director may resign at any time by notice in writing to the Board. There are no set minimum notice periods but all Directors other than the Chairman and Managing Director are subject to retirement by rotation and as employees also have notice periods in accordance with law. No compensation as of right is payable to Directors on leaving office.

#### Relative importance of spend on pay

The table below shows shareholder distributions and total employee expenditure, and the percentage change in both:

	2018 £'000	2017 £'000	%
Ordinary dividends proposed in respect of the year	6,010	3,049	97.1%
Total employee costs	37,137	39,129	(5.1%)
Average employee numbers	1,042	1,154	(9.9%)

#### Approval of the Company's Annual Directors' Remuneration Report

An ordinary resolution for the approval of the Annual Directors' Remuneration Report will be put to shareholders at the forthcoming Annual General Meeting. The Annual Directors' Remuneration Report presented in the accounts to 30th April, 2017 was put to the shareholders at last year's Annual General Meeting on 4th October, 2017. The Annual Directors' Remuneration Report was accepted with 95.54% of proxy votes cast in favour.

#### Total shareholder return

The following graphs compare the Group's total shareholder return over the ten and twenty years ended 30th April, 2018 with various FTSE indices. The graphs also show the changes in the earnings of the Managing Director for these periods.

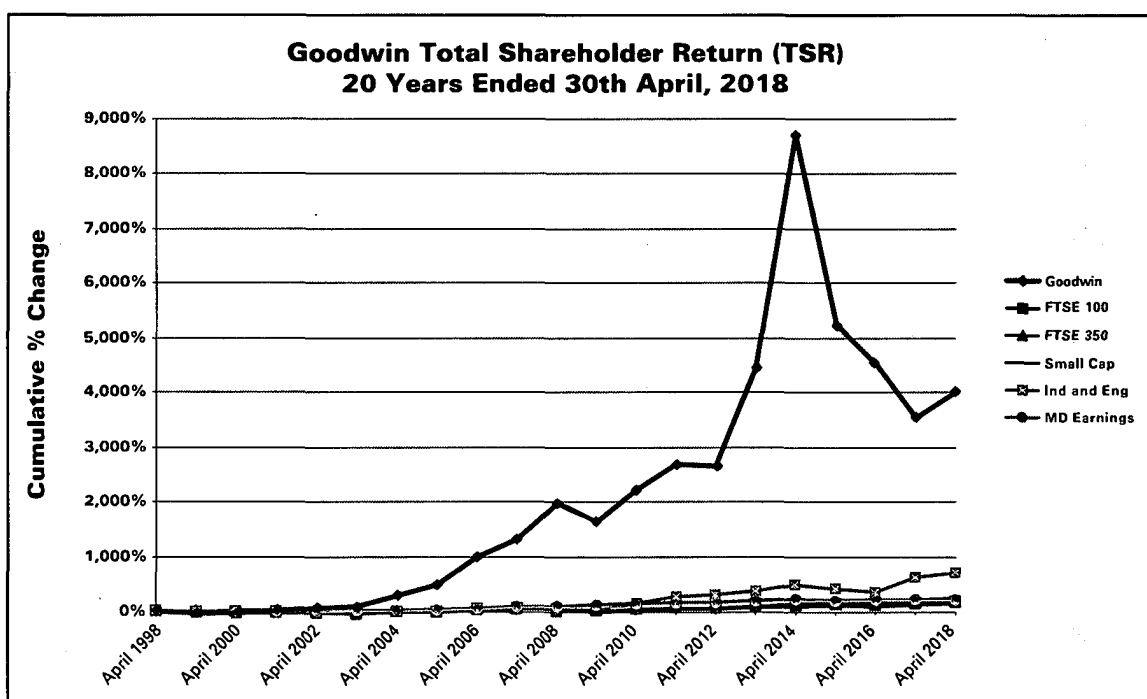
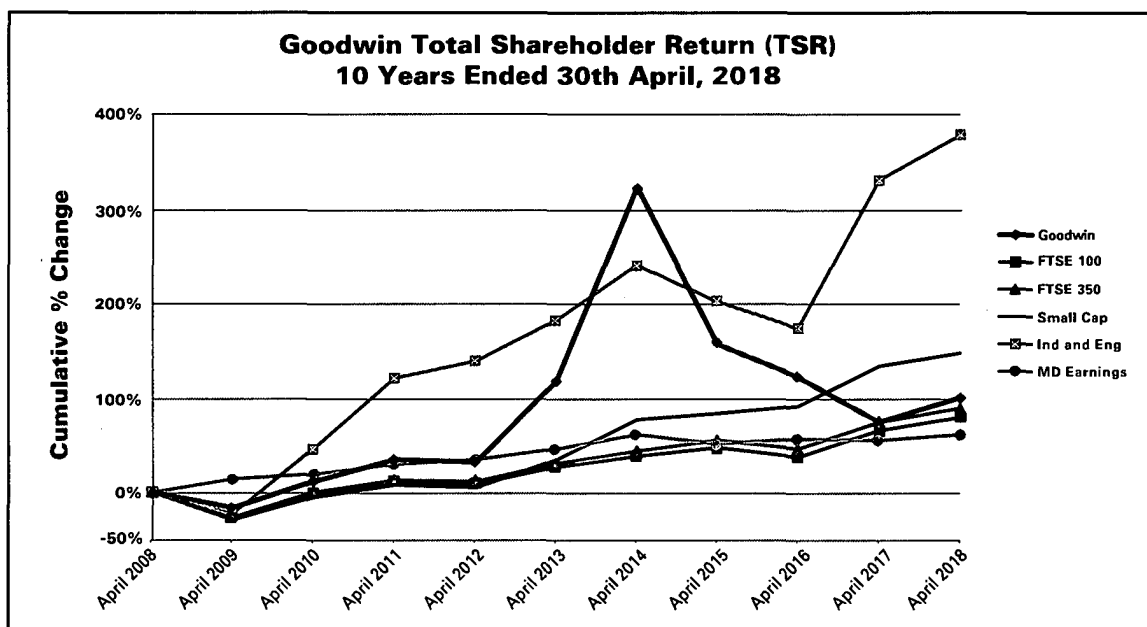
The base earnings of the Managing Director during the year have increased by 4.6% from the previous year. The total earnings of the Managing Director for the last five years are:

2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000
360	374	369	368	385

Total payroll costs, excluding the Managing Director's salary, have decreased by 5.1% which is a reflection of the reduced average number of employees. The total payroll costs disclosed in note 4 are impacted by the significant deterioration of sterling when translating the payroll costs of our overseas operations. During the year the base increase awarded to employees in the UK companies was 3.1%.

# **DIRECTORS REMUNERATION POLICY AND REPORT** (continued)

## **Annual Directors' Remuneration Report** (continued)



The increase in the Goodwin PLC share price since 1998 plus dividends re-invested would mean that £1.00 invested in 1998 by the 30th April, 2018 would be worth £41.16. The increase in the share price since 2008 plus dividends re-invested would mean that £1.00 invested in 2008 would at 30th April, 2018 be worth £1.98.

## DIRECTORS REMUNERATION POLICY AND REPORT (continued)

### Annual Directors' Remuneration Report (continued)

The auditors are required to report on the following information contained in this section of the Annual Directors' Remuneration Report.

#### Directors' interests in the share capital of the Company

The interests of the Directors in the share capital of the Company at the beginning and end of the financial year were as follows:

						Number of 10p ordinary shares	
						30th April 2018	30th April 2017
<i>Beneficial</i>							
J. W. Goodwin	...	...	...	...	...	31,586	29,131
R. S. Goodwin	...	...	...	...	...	1,031	1
J. W. Goodwin and R.S. Goodwin	...	...	...	...	...	2,129,146	2,129,146
J. W. Goodwin and R.S. Goodwin	...	...	...	...	...	1,328,882	1,304,034
J. Connolly	...	...	...	...	...	1,222	722
M. S. Goodwin	...	...	...	...	...	68,675	70,503
S. R. Goodwin	...	...	...	...	...	87,530	92,142
S. C. Birks	...	...	...	...	...	200	200
B. R. E. Goodwin	...	...	...	...	...	36,400	39,333
T. J. W. Goodwin	...	...	...	...	...	125,253	129,330
<i>Non-beneficial</i>							
J. W. Goodwin and E. M. Goodwin	...	...	...	...	...	14,166	14,166

There have been no changes in the Directors' interests between 30th April, 2018 and 26th July, 2018.

#### Details of individual emoluments and compensation

The following parts of the Remuneration Report are subject to audit.

##### Single Total Figure Table Year ended 30th April, 2018

	Salary	Benefits in kind	Non-Exec Director's fees	Pension contrib- utions	Total
	2018 £'000	2018 £'000	2018 £'000	2018 £'000	2018 £'000
J. W. Goodwin	325	49	-	11	385
R. S. Goodwin	325	49	-	11	385
J. Connolly	193	31	-	6	230
M. S. Goodwin	202	26	-	6	234
S. R. Goodwin	209	14	-	6	229
S. C. Birks	110	22	-	3	135
B. R. E. Goodwin	116	13	-	3	132
T. J. W. Goodwin	121	15	-	4	140
J. E. Kelly	-	-	51	-	51
<b>Total</b>	<b>1,601</b>	<b>219</b>	<b>51</b>	<b>50</b>	<b>1,921</b>

##### Single Total Figure Table Year ended 30th April, 2017

	Salary	Benefits in kind	Non-Exec Director's fees	Pension contrib- utions	Total
	2017 £'000	2017 £'000	2017 £'000	2017 £'000	2017 £'000
J. W. Goodwin	308	49	-	11	368
R. S. Goodwin	308	49	-	11	368
J. Connolly	189	30	-	6	225
M. S. Goodwin	204	27	-	7	238
S. R. Goodwin	187	13	-	6	206
S. C. Birks	103	19	-	3	125
B. R. E. Goodwin	98	13	-	3	114
T. J. W. Goodwin	120	2	-	3	125
J. E. Kelly	-	-	48	-	48
<b>Total</b>	<b>1,517</b>	<b>202</b>	<b>48</b>	<b>50</b>	<b>1,817</b>

## DIRECTORS REMUNERATION POLICY AND REPORT (continued)

### Annual Directors' Remuneration Report (continued)

Benefits in kind consist of the provision of a fully expensed car, a cash alternative scheme, healthcare insurance or other services.

#### Equity long-term incentive plan (LTIP)

A resolution for the approval of a long-term incentive plan for the Executive Directors was approved at the Annual General Meeting on 5th October, 2016.

Awards under the LTIP were granted on 5th October, 2016, giving the Directors the ability to earn the awards, subject to the Company performance, by 30th April, 2019, in the form of options with an exercise price equal to the nominal value of a share (10p). The share price on 5th October, 2016 was £22.20. The fair value of each option, on the date the options were granted, measured by a Monte Carlo method, is £4.62. Subject to performance measured at 30th, April 2019, options will vest and become exercisable at that time.

Awards entitle each holder to earn up to 1% of the share capital of the Company subject to the performance condition.

An award will vest and become exercisable over 0.05% of the share capital of the Company for every 10% increase in the TSR of the Company at the end of the three financial years ending on 30th April, 2019 with a base year of 2009 but excluding the growth already achieved up to 30th April, 2016.

If the minimum level of growth of 10% is achieved, the share options, which will vest, will be 3,600 for each director.

									<b>Number of share options</b>
J. W. Goodwin	...	...	...	...	...	...	...	...	<b>72,000</b>
R. S. Goodwin	...	...	...	...	...	...	...	...	<b>72,000</b>
J. Connolly	...	...	...	...	...	...	...	...	<b>72,000</b>
M. S. Goodwin	...	...	...	...	...	...	...	...	<b>72,000</b>
S. R. Goodwin	...	...	...	...	...	...	...	...	<b>72,000</b>
S. C. Birks	...	...	...	...	...	...	...	...	<b>72,000</b>
B. R. E. Goodwin	...	...	...	...	...	...	...	...	<b>72,000</b>
T. J. W. Goodwin	...	...	...	...	...	...	...	...	<b>72,000</b>
<b>Total</b>	...	...	...	...	...	...	...	...	<b>576,000</b>

#### Total pension entitlements

In October 2013, the Group followed the Government's requirements to set up a pension scheme for all UK employees including Directors. Under this Auto Enrolment Pension arrangement each Director has an amount of 3% of gross remuneration paid into a pension scheme where they have direct dealings with the selected investment fund provider. The pension contributions are to defined contribution pension schemes' which are independent of the Company.

The Company has no obligations to make any payments in relation to pensions when a Director leaves service by nature of removal from office, resignation or retirement.

The Annual Directors' Remuneration Report was approved by the Board on 26th July, 2018, and is signed on its behalf by:

J. W. Goodwin  
Director

*John W. Goodwin*

R. S. Goodwin  
Director

*RSG*

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards, 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 Group and parent Company and of their profit or loss for that period.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent 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 it is clear that it would be inappropriate.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Group Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.


### Responsibility statements of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

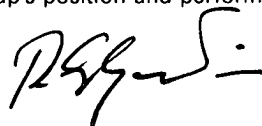
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the Group Strategic Report includes a fair review of the development and performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

J. W. Goodwin  
Director



R. S. Goodwin  
Director



26th July, 2018



# INDEPENDENT AUDITOR'S REPORT

## to the members of Goodwin PLC

### 1. Our opinion is unmodified

We have audited the financial statements of Goodwin PLC ("the Company") for the year ended 30th April, 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in notes 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 30th April, 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

#### 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as Auditor by the Company before 1973. The period of total uninterrupted engagement is for more than the forty five financial years ended 30th April, 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

#### Overview

<b>Materiality:</b>	£435,000 (2017: £360,000)
Group financial statements as a whole	3.3% (2017: 3.9%) of Group profit before tax.

<b>Coverage</b>	84% (2017: 83%) of absolute Group profit before tax*.
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Risks of material misstatement		vs 2017
Recurring risks	Revenue recognition	◀▶
	Recoverability of parent Company's investment in subsidiaries	◀▶

\* This is the profit and losses as a percentage of total profits and losses that made up the Group profit before tax

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarize below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<b>Revenue recognition</b> (Revenue on sale of goods: £116.8 million; 2017: £131.6 million)  <i>Refer to pages 18 to 20 (Audit Committee Report) and pages 45 to 47 (financial disclosures)</i>	<b>Accounting application</b>  The Group trades under a wide variety of commercial terms, and the point at which the risks and rewards pass to the customer varies. The risk is that the timing of revenue recognition is not in line with the agreed commercial terms, especially for transactions close to the financial year end.	Our procedures included:  — <b>Accounting analysis:</b> We reviewed the commercial terms applied by the various businesses in the Group and made our own independent assessment of the appropriate point in time to recognise revenue having regard to the requirements of the relevant accounting standards.  — <b>Testing application:</b> For a sample of significant sales around the year end, we assessed whether revenue had been recorded in the appropriate financial year, based on our assessment of the commercial terms agreed with the customer, relevant shipping documentation and sales invoices.  <b>Our results</b>  — We found the revenue recognised to be acceptable (2017 result: acceptable)
<b>Recoverability of parent company's investment in subsidiaries</b>  (Fixed asset investments: £20.6 million; 2017: £21.8 million) and impairment recognised in the year of £1.1 million (2017: £1.1 million);  <i>Refer to page 75 (financial disclosures)</i>	<b>Low risk, high value</b>  The carrying amount of the parent Company's investments in subsidiaries represents 20.3% (2017: 19.2%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	Our procedures included :  — <b>Tests of detail:</b> Comparing the carrying amount of 100% of investments, with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.  — <b>Assessing subsidiary audits:</b> Assessing the results of the audit work on those subsidiaries' profits and net assets.  — <b>Our sector experience:</b> For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on the discounted cash flow model  <b>Our results :</b>  — We found the Group's assessment of the recoverability of investment in subsidiaries to be acceptable

We continue to perform procedures over warranty provisions. However, following a review of the level of unsettled claims in the year, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.



### 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £435,000 (2017: £360,000), determined with reference to a benchmark of Group profit before taxation of £13.3 million (2017: £9.2 million), of which it represents 3.3% (2017: 3.9%).

Materiality for the parent Company financial statements as a whole was set at £350,000 (2017: £300,000), determined with reference to a benchmark of Company total assets of £101.7 million (2017: £113.0 million), of which it represents 0.3% (2017: 0.3%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £21,500 (2017: £18,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

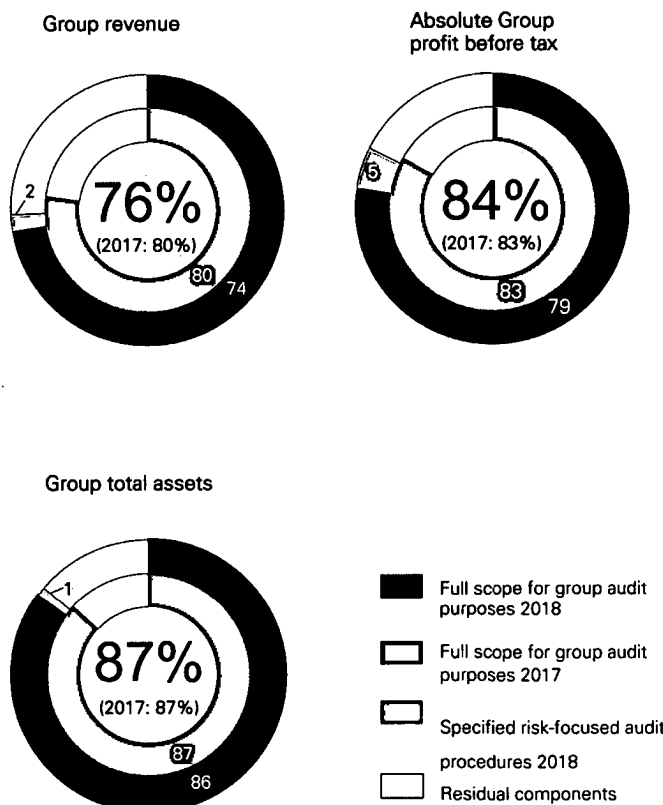
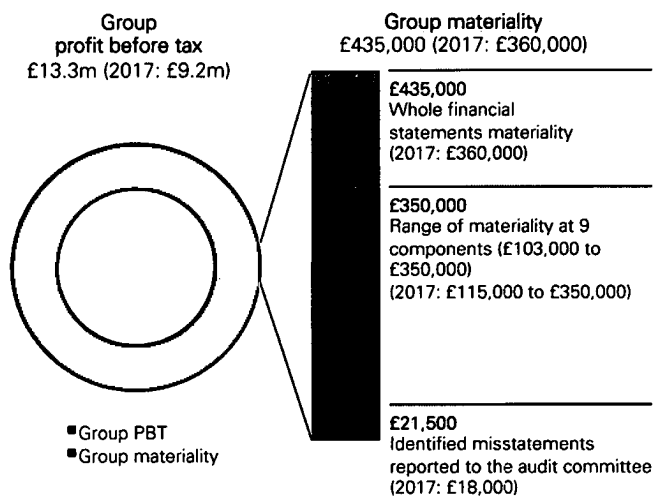
Of the Group's 32 (2017:32) reporting components, we subjected 9 (2017: 9) to full scope audits for Group purposes and 1 (2017: 0) to specified risk-focused audit procedures. The latter was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 23.8% (2017: 20.4%) of total Group revenue, 16.7% (2017: 16.7%) of absolute Group profit before tax and 13.2% (2017: 13.0%) of total Group assets is represented by 22 reporting components, none of which individually represented more than 10% of any of total Group revenue (2017: 10%), absolute Group profit before tax (2017: 10%) or total Group assets (2017: 5%). For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £103,000 to £350,000 (2017: £115,000 to £300,000), having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 10 components (2017: 1 of the 9 components) was performed by component auditors, and the rest, including the audit of the parent Company, was performed by the Group team.

Telephone conference meetings were also held with the component auditor. At these meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.



**4. We have nothing to report on going concern**

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 15 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

**5. We have nothing to report on the other information in the Annual Report**

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- 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.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation within the viability assessment on page 15 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the disclosures describing these risks and explaining how they are being managed and mitigated; and

- The Directors' explanation in the viability assessment on page 15 of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability assessment. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

**6. We have nothing to report on the other 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 and the part of the Directors' Remuneration Report to be audited 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.

## 7. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 28, the Directors are responsible for: the preparation of the financial statements including 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 other irregularities (see below), 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, other irregularities 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](http://www.frc.org.uk/auditorsresponsibilities).

### Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the Directors and other management (as required by auditing standards) and inspection of the Group's legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related annual accounts items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

## 8. 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.



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

26th July, 2018



## GOODWIN PLC

### CONSOLIDATED INCOME STATEMENT

for the year ended 30th April, 2018

	Notes	2018 £'000	2017 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue ... ..	2	124,811	131,587
Cost of sales ... ..		(89,143)	(97,836)
<b>GROSS PROFIT...</b> ... ..		<b>35,668</b>	33,751
Distribution expenses ... ..		(3,359)	(3,486)
Administrative expenses ... ..	3	(18,729)	(20,317)
<b>OPERATING PROFIT ...</b> ... ..		<b>13,580</b>	9,948
Financial expenses ... ..	5	(590)	(873)
Share of profit of associate companies ... ..	10	310	169
<b>PROFIT BEFORE TAXATION</b> ... ..	2, 3	<b>13,300</b>	9,244
Tax on profit ... ..	6	(3,865)	(2,487)
<b>PROFIT AFTER TAXATION...</b> ... ..		<b>9,435</b>	6,757
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent ... ..		8,504	6,082
Non-controlling interests ... ..		931	675
<b>PROFIT FOR THE YEAR</b> ... ..		<b>9,435</b>	6,757
<b>BASIC AND DILUTED EARNINGS PER ORDINARY SHARE ...</b> ...	7	<b>118.11p</b>	84.47p

The notes on pages 39 to 68 form part of these financial statements.

# GOODWIN PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th April, 2018

	2018	2017
	£'000	£'000
<b>PROFIT FOR THE YEAR</b> ... ..	<b>9,435</b>	6,757
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE)</b>		
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:</b>		
Foreign exchange translation differences ... ..	(152)	3,619
Effective portion of changes in fair value of cash flow hedges ... ..	(294)	(6,526)
Change in fair value of cash flow hedges transferred to the income statement	5,108	2,142
Tax charge on items that may be reclassified subsequently to the income statement ... ..	(818)	738
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR, NET OF INCOME TAX</b> ... ..	<b>3,844</b>	(27)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> ... ..	<b>13,279</b>	6,730
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the parent ... ..	12,245	5,654
Non-controlling interests ... ..	1,034	1,076
	<b>13,279</b>	6,730

## GOODWIN PLC

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th April, 2018

	Share capital £'000	Trans- lation reserve £'000	Cash flow hedge reserve £'000	Share- based payments reserve £'000	Retained earnings £'000	Total attributable to equity holders of the parent £'000	Non- controlling interests £'000	Total equity £'000
<b>YEAR ENDED</b>								
<b>30TH APRIL, 2018</b>								
Balance at 1st May, 2017	720	2,154	(4,240)	601	90,201	89,436	4,225	93,661
Total comprehensive income:								
Profit ... ..	-	-	-	-	8,504	8,504	931	9,435
Other comprehensive income:								
Foreign exchange translation differences ... ..	-	(275)	-	-	-	(275)	123	(152)
Net movements on cash flow hedges ... ..	-	-	4,016	-	-	4,016	(20)	3,996
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>(275)</b>	<b>4,016</b>	<b>-</b>	<b>8,504</b>	<b>12,245</b>	<b>1,034</b>	<b>13,279</b>
Equity-settled share-based payment transactions ...	-	-	-	1,024	-	1,024	-	1,024
Dividends paid ... ..	-	-	-	-	(3,137)	(3,137)	-	(3,137)
<b>BALANCE AT 30TH APRIL, 2018</b>	<b>720</b>	<b>1,879</b>	<b>(224)</b>	<b>1,625</b>	<b>95,568</b>	<b>99,568</b>	<b>5,259</b>	<b>104,827</b>
<b>YEAR ENDED</b>								
<b>30TH APRIL, 2017</b>								
Balance at 1st May, 2016 ...	720	(1,041)	(594)	-	87,209	86,294	3,823	90,117
Total comprehensive income:								
Profit ... ..	-	-	-	-	6,082	6,082	675	6,757
Other comprehensive income:								
Foreign exchange translation differences ... ..	-	3,218	-	-	-	3,218	401	3,619
Net movements on cash flow hedges ... ..	-	-	(3,646)	-	-	(3,646)	-	(3,646)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>3,218</b>	<b>(3,646)</b>	<b>-</b>	<b>6,082</b>	<b>5,654</b>	<b>1,076</b>	<b>6,730</b>
Transactions with owners of the Company recognised directly in equity ... ..	-	(23)	-	-	21	(2)	1	(1)
Equity-settled share-based payment transactions ...	-	-	-	601	-	601	-	601
Dividends paid ... ..	-	-	-	-	(3,111)	(3,111)	(675)	(3,786)
<b>BALANCE AT 30TH APRIL, 2017</b>	<b>720</b>	<b>2,154</b>	<b>(4,240)</b>	<b>601</b>	<b>90,201</b>	<b>89,436</b>	<b>4,225</b>	<b>93,661</b>


# GOODWIN PLC


## CONSOLIDATED BALANCE SHEET

at 30th April, 2018

	Notes	2018 £'000	2017 £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment ... ..	9	69,154	65,739
Investment in associates ... ..	10	1,963	2,045
Intangible assets... ..	11	21,138	18,240
Trade and other receivables ... ..	13	728	-
		<b>92,983</b>	<b>86,024</b>
<b>CURRENT ASSETS</b>			
Inventories... ..	12	28,850	37,657
Trade and other receivables ... ..	13	27,960	26,338
Derivative financial assets ... ..	20	364	1,756
Cash and cash equivalents ... ..	14	7,485	5,172
		<b>64,659</b>	<b>70,923</b>
<b>TOTAL ASSETS</b> ... ..		<b>157,642</b>	<b>156,947</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings ... ..	15	12,468	9,542
Trade and other payables ... ..	16	26,891	22,454
Deferred consideration... ..	16	500	500
Derivative financial liabilities... ..	20	1,535	2,492
Liabilities for current tax ... ..		1,174	1,592
Warranty provision ... ..	17	184	90
		<b>42,752</b>	<b>36,670</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings ... ..	15	5,775	23,675
Warranty provision ... ..	17	329	305
Deferred tax liabilities ... ..	18	3,959	2,636
		<b>10,063</b>	<b>26,616</b>
<b>TOTAL LIABILITIES</b> ... ..		<b>52,815</b>	<b>63,286</b>
<b>NET ASSETS</b> ... ..		<b>104,827</b>	<b>93,661</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Share capital ... ..	19	720	720
Translation reserve ... ..		1,879	2,154
Share-based payments reserve ... ..		1,625	601
Cash flow hedge reserve ... ..		(224)	(4,240)
Retained earnings ... ..		95,568	90,201
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>99,568</b>	<b>89,436</b>
<b>NON-CONTROLLING INTERESTS</b> ... ..		<b>5,259</b>	<b>4,225</b>
<b>TOTAL EQUITY</b> ... ..		<b>104,827</b>	<b>93,661</b>

These financial statements were approved by the Board of Directors on 26th July 2018, and signed on its behalf by:

  
 J.W. Goodwin  
 Director

  
 R.S. Goodwin  
 Director

Company Registration Number: 305907

**GOODWIN PLC****CONSOLIDATED CASH FLOW STATEMENT**

for the year ended 30th April, 2018

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit from continuing operations after tax ... ..		<b>9,435</b>		6,757
Adjustments for:				
Depreciation ... ..		<b>5,243</b>		5,597
Amortisation of intangible assets ... ..		<b>1,138</b>		938
Financial expenses ... ..		<b>590</b>		873
Foreign exchange losses / (gains) ... ..		<b>277</b>		(696)
(Profit) / loss on sale of property, plant and equipment ... ..		<b>(1,568)</b>		52
Share of profit of associate companies ... ..		<b>(310)</b>		(169)
Equity-settled share-based provisions ... ..		<b>1,024</b>		601
Tax expense ... ..		<b>3,865</b>		2,487
<b>OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS</b>		<b>19,694</b>		16,440
(Increase) / decrease in trade and other receivables ... ..		<b>(2,625)</b>		8,721
Decrease / (increase in inventories) ... ..		<b>8,801</b>		(1,014)
Increase / (decrease) in trade and other payables (excluding payments on account) ... ..		<b>2,213</b>		(5,086)
Decrease / (increase) in cash flow hedge balances ... ..		<b>5,249</b>		(4,359)
Increase / (decrease) in payments on account ... ..		<b>2,224</b>		(5,825)
<b>CASH GENERATED FROM OPERATIONS</b>		<b>35,556</b>		8,877
Interest paid ... ..		<b>(665)</b>		(802)
Corporation tax paid ... ..		<b>(3,703)</b>		(2,675)
Interest element of finance lease obligations ... ..		<b>(89)</b>		(115)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>31,099</b>		5,285
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of property, plant and equipment ... ..	<b>1,888</b>		237	
Acquisition of intangible asset ... ..	<b>(378)</b>		(149)	
Acquisition of property, plant and equipment ... ..	<b>(9,010)</b>		(7,411)	
Development expenditure capitalised ... ..	<b>(3,334)</b>		(791)	
Dividends received from associate companies ... ..	<b>441</b>		-	
<b>NET CASH OUTFLOW FROM INVESTING</b>		<b>(10,393)</b>		(8,114)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of capital element of finance lease obligations ... ..	<b>(865)</b>		(930)	
Dividends paid ... ..	<b>(3,137)</b>		(3,111)	
Dividends paid to non-controlling interests ... ..	-		(675)	
Proceeds from loans and committed facilities ... ..	-		5,871	
Repayment of loans and committed facilities ... ..	<b>(12,044)</b>		(44)	
<b>NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES</b>		<b>(16,046)</b>		1,111
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4,660</b>		(1,718)
Cash and cash equivalents at beginning of year ... ..		<b>(1,483)</b>		(413)
Effect of exchange rate fluctuations on cash held ... ..		<b>(277)</b>		648
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (see note 14)		<b>2,900</b>		(1,483)



## 1. Accounting policies

Goodwin PLC (the "Company") is incorporated in England and Wales.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates. The parent Company financial statements present information about the Company as a separate entity and not about its Group.

The Group's financial statements have been approved by the Directors and prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU). The Company has elected to prepare its financial statements in accordance with Financial Reporting Standard (FRS) 101 issued in the UK. These are presented on pages 69 to 77.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group 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 25.

With the current level of order input, the opportunity for continued profitability remains good for the next twelve months. The impact of working capital requirements on our banking facilities given the expected level of activity and capital spend commitments will continue to be monitored and managed. After reviewing the situation, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for twelve months from the date of approval of these financial statements and have continued to adopt the going concern basis in preparing the financial statements.

### New IFRS standards and interpretations adopted during 2018

In 2018 the following amendments had been endorsed by the EU, became effective and therefore were adopted by the Group:

- Amendments to IAS 12 – Recognition of Deferred Tax Assets for unrealised losses (effective for annual periods beginning on or after 1st January, 2017)
- Amendments to IAS 7 – Disclosure initiative (effective for annual periods beginning on or after 1st January, 2017)
- Annual Improvements to IFRSs – 2014-2016 Cycle – minor amendments to IFRS 12 (effective for annual periods beginning on or after 1st January, 2017)

The adoption of these standards and amendments has not had a material impact on the Group's financial statements.

### Measurement convention

The financial statements are rounded to the nearest thousand pounds.

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

### Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total recognised income and expense and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

### Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities 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 income statement within operating profit.

## 1. Accounting policies (continued)

### Foreign currency (continued)

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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to 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 period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from the translation of foreign operations are taken directly to the translation reserve. They are released into the income statement upon disposal of the foreign operation.

### Financial instruments

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand including cash deposits with an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

#### Trade receivables

Trade receivables do not carry interest and are initially recognised at fair value and are subsequently measured at their amortised cost using the effective interest method, where material, as reduced by allowances for impairment when there is objective evidence of impairment. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an impairment account and any impairment loss is recognised in the income statement.

#### 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 and the premium in the share premium reserve.

#### Recognition and valuation of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

#### Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at their fair value less attributable transaction costs. They are subsequently carried at their amortised cost and finance charges are recognised in the income statement over the term of the instrument using an effective rate of interest. Bank overdrafts that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

#### Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method where material.

#### Derivative financial instruments and hedging

##### Derivative financial instruments

Derivative financial instruments are recognised at fair value. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. 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. For derivatives that do not form part of a designated hedge relationship, the gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

## 1. Accounting policies (continued)

### Derivative financial instruments and hedging (continued)

#### 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. Any ineffective portion of the hedge is recognised immediately in the income statement.

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement.

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 hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial cost or other carrying amount of the non-financial asset or liability.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated 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, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment on the following bases:

Freehold land	...	...	...	...	Nil
Freehold buildings	...	...	...	...	2% to 4% on reducing balance or cost
Leasehold property	...	...	...	...	over period of lease
Plant and machinery	...	...	...	...	5% to 25% on reducing balance or cost
Motor vehicles	...	...	...	...	15% or 25% on reducing balance
Tooling	...	...	...	...	over estimated production life
Fixtures and fittings	...	...	...	...	15% to 25% on reducing balance

Assets in the course of construction are not depreciated.

### Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of businesses. In respect of business acquisitions that have occurred since 1st May, 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and contingent liabilities acquired. For acquisitions prior to the adoption of Revised IFRS 3 "Business Combinations" (1st May, 2010), cost includes directly attributable acquisition costs. For acquisitions after this date, such costs are charged to the income statement. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

In respect of acquisitions prior to 1st May, 2006, goodwill is included at transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On transition, amortisation of goodwill has ceased as required by IFRS 1.

Negative goodwill arising on an acquisition is recognised immediately in the income statement.

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

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

## 1. Accounting policies (continued)

### Intangible assets and goodwill (continued)

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

• Capitalised development costs	Minimum expected order unit intake or minimum product life
• Manufacturing rights	6 - 15 years
• Brand names and intellectual property	3 - 15 years
• Customer lists	10 years
• Order book	1 year
• Distribution rights	25 years
• Software and licences	3 - 4 years
• Non-compete agreements	15 years

### Inventories

Inventories 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 inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### Government grants

Government grants relating to income are recognised in the income statement as a deduction from the expenses that they are intended to compensate.

Government grants relating to assets are recognised in the balance sheet as a deduction in the carrying amount of the asset. Depreciation is charged on the value of the asset less the associated grant. Amounts of grants received are shown in notes 3 and 9.

### Put option in respect of a minority interest in a subsidiary

Where the Group has, through a put option, an obligation to purchase shares in a subsidiary from a minority interest, a financial liability is recognised for the present value of the estimated consideration payable under the put option and the minority interest is not recognised.

For acquisitions made prior to the adoption of Revised IFRS 3 "Business Combinations" (1st May, 2010) at each reporting date, changes in the carrying amount of the liability arising from variations in the estimated fair value of the purchase consideration (excluding the effect of the unwinding of the discount, which is accounted for as a financial expense) are recognised by adjusting the carrying amount of the goodwill recognised on initial recognition of the business combination. For acquisitions after adoption of Revised IFRS 3, any changes in the liability are recognised in the income statement.

### Impairment

The carrying amounts of the Group'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. Recoverable amount is the greater of an asset's or cash-generating unit's fair value less costs to sell or value in use.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use were tested for impairment as at 1st May, 2006, the date of transition to Adopted IFRSs, even though no indication of impairment existed.

#### Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, 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.

## 1. Accounting policies (continued)

### Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### Warranty provisions

The Group carries a warranty provision where applicable. The warranties are negotiated at contract placement stage and typically, where given to a customer, the warranty has a duration of between 1 and 3 years. At the expiry of the warranty period, to the extent not utilised the warranty provision is then released back into the income statement.

### Revenue

Revenue 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 by subsidiary companies to external customers, net of discounts, VAT and other sales related taxes. Revenue is reduced for customer returns, rebates and other similar allowances. Revenue from the sale of goods is recognised in the income statement when:

- The significant risks and rewards of ownership have been transferred to the buyer in accordance with the contracted terms of sale;
- The amount of revenue and costs can be measured reliably;
- The Group retains neither continuing managerial involvement nor effective control over the goods; and
- It is probable that the economic benefits associated with the transaction will flow to the Group.

This is typically on delivery of the products or customer acceptance. However, commercial terms of sale vary between subsidiary companies.

The Group's long term contracts are accounted for under IAS 11. Revenue is recognised based on the stage of completion, provided that the outcome of these construction contracts can be assessed with reasonable certainty. The stage of completion of a contract is determined either by reference to the proportion of contract costs incurred for work performed to date versus the estimated total contract costs, or by reference to the right to consideration in exchange for its performance in transferring the risks and rewards to the customer. Full provision is made for any estimated losses to complete the contract, and the amount by which recorded revenue of long-term contracts is in excess of payments on account is classified as amounts recoverable on contracts and is separately disclosed within trade and other receivables.

### Leases

#### Operating lease payments

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

#### Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. 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.

### Financial expenses

Financial expenses comprise interest payable, interest on finance leases using the effective interest method and the unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest income and interest payable is recognised in the income statement as it accrues.

### Pension costs

The Group contributes to a defined contribution pension scheme for UK employees under an Auto Enrolment Pension arrangement as required by Government legislation. The assets of the scheme are held in independently administered funds. Group pension costs are charged to the income statement 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 there were one month's contributions outstanding, which were paid in the following month.

## 1. Accounting policies (continued)

### Termination costs

Employee termination costs are expensed in the profit and loss figures in a year as soon as the expense is known and is certain.

### Share-based payment transactions

Share-based payments arrangements, in which the Group receives goods or services as consideration for its own equity instruments, are accounted for as equity-settled share-based payment transactions regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted.

### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement 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 following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

### New IFRS standards, amendments and interpretations not adopted

The IASB and IFRIC have issued additional standards and amendments which are effective for periods starting after the date of these financial statements. The following standards and amendments have not yet been adopted by the Group:

- Annual Improvements to IFRSs – 2014-2016 Cycle – minor amendments to IFRS 1 and IAS 28 (effective for annual periods beginning on or after 1st January, 2018)
- IFRS 15 – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1st January, 2018)
- IFRS 15 – Clarifications (effective for annual periods beginning on or after 1st January, 2018)
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1st January, 2018)
- Amendments to IAS 40 – Transfers of Investment Property (effective for annual periods beginning on or after 1st January, 2018)
- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1st January, 2018)
- IFRS 9 – Financial Instruments (effective for annual periods beginning on or after 1st January, 2018)
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1st January, 2018)
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1st January, 2019)
- IFRS 16 – Leases (effective for annual periods beginning on or after 1st January, 2019)
- IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1st January, 2018)
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1st January, 2019)
- IFRS 17 – Insurance Contracts (effective for annual periods beginning on or after 1st January, 2021)

The Group has considered the impact of these new standards and interpretations in future periods on profit, earnings per share and net assets. The review of the impact of IFRS 9, IFRS 15 and IFRS 16 is still in progress. None of the other standards or interpretations is expected to have a material impact.

**New IFRS standards, amendments and interpretations not adopted** *(continued)*

**2. Segmental information**

**Products and services from which reportable segments derive their revenues**

For the purposes of management reporting to the chief operating decision maker, the Board of Directors, the Group is organised into two reportable operating divisions: mechanical engineering and refractory engineering. Segment assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis. In accordance with the requirements of IFRS 8 the Group's reportable segments, based on information reported to the Group's Board of Directors for the purposes of resource allocation and assessment of segment performance, are as follows;

- Mechanical Engineering                      - casting, valve, antenna and pump manufacture and general engineering
- Refractory Engineering                      - powder manufacture and mineral processing

Information regarding the Group's operating segments is reported below. Associates are included in Refractory Engineering.

**Revenue**

Revenue from goods and services was £116,812,000 and revenue from construction contracts was £7,999,000.

■ NOTES TO THE FINANCIAL STATEMENTS ■

**2. Segmental information (continued)**

Year Ended 30th April	Mechanical Engineering		Refractory Engineering		Sub Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Revenue</b>						
External sales ... ..	80,661	91,335	44,150	40,252	124,811	131,587
Inter-segment sales ... ..	18,839	29,084	8,354	6,522	27,193	35,606
Total revenue ... ..	99,500	120,419	52,504	46,774	152,004	167,193
Reconciliation to consolidated revenue:						
Inter-segment sales ... ..					(27,193)	(35,606)
Consolidated revenue for the year					124,811	131,587

Year Ended 30th April	Mechanical Engineering		Refractory Engineering		Sub Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Profits</b>						
Operating profit including share of associates ... ..	8,282	6,982	9,130	5,933	17,412	12,915
% of total operating profit including share of associates ... ..	48%	54%	52%	46%	100%	100%
Group centre ... ..					(2,498)	(2,197)
LTIP – non cash provision ... ..					(1,024)	(601)
Group finance expenses ... ..					(590)	(873)
Consolidated profit before tax for the year ... ..					13,300	9,244
Tax ... ..					(3,865)	(2,487)
Consolidated profit after tax for the year ... ..					9,435	6,757

Year Ended 30th April	Segmental total assets		Segmental total liabilities		Segmental net assets	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Segmental net assets</b>						
Mechanical Engineering ... ..	79,835	80,968	50,113	65,036	29,722	15,932
Refractory Engineering ... ..	39,534	41,717	19,905	23,321	19,629	18,396
Sub total reportable segment ... ..	119,369	122,685	70,018	88,357	49,351	34,328
Goodwin PLC net asset ... ..					66,715	71,944
Elimination of Goodwin PLC investments					(20,950)	(22,084)
Goodwill ... ..					9,711	9,473
Consolidated total net assets ... ..					104,827	93,661



■ NOTES TO THE FINANCIAL STATEMENTS ■

**2. Segmental information (continued)**

**Segmental property, plant and equipment (PPE) capital expenditure**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Goodwin PLC ... ..	<b>6,880</b>	5,070
Mechanical Engineering ... ..	<b>2,176</b>	1,611
Refractory Engineering ... ..	<b>360</b>	918
	<b>9,416</b>	7,599

**Segmental depreciation, amortisation and impairment**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Goodwin PLC ... ..	<b>2,144</b>	2,258
Mechanical Engineering ... ..	<b>2,629</b>	2,607
Refractory Engineering ... ..	<b>1,608</b>	1,670
	<b>6,381</b>	6,535

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Board of Directors monitors the tangible and financial assets attributable to each segment. All assets and liabilities are allocated to reportable segments with the exception of those held by the parent Company, Goodwin PLC, and those held as consolidation adjustments.

**Geographical segments**

The Group operates in the following principal locations.

In presenting the information on geographical segments, revenue is based on the location of its customers and assets on the location of the assets.

	<b>Year ended 30th April, 2018</b>				<b>Year ended 30th April, 2017</b>			
	<b>Revenue</b>	<b>Operational net assets</b>	<b>Non-current assets</b>	<b>PPE Capital expenditure</b>	<b>Revenue</b>	<b>Operational net assets</b>	<b>Non-current assets</b>	<b>PPE Capital expenditure</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
UK	27,829	70,558	76,325	8,301	24,034	63,451	69,693	6,504
Rest of Europe	31,246	12,477	3,281	772	29,712	10,213	2,271	466
USA	3,742	-	-	-	6,574	-	-	-
Pacific Basin	23,052	14,785	8,003	154	33,095	14,012	7,459	210
Rest of World	38,942	7,007	5,374	189	38,172	5,985	6,601	419
Total	<b>124,811</b>	<b>104,827</b>	<b>92,983</b>	<b>9,416</b>	<b>131,587</b>	<b>93,661</b>	<b>86,024</b>	<b>7,599</b>

## ■ NOTES TO THE FINANCIAL STATEMENTS ■

### 3. Expenses and auditor's remuneration

Included in profit before taxation are the following:

	2018 £'000	2017 £'000
<b>Charged / (credited) to the income statement</b>		
Depreciation:		
Owned assets ...	5,010	5,359
Assets held under finance lease ...	233	238
Amortisation of intangible assets ...	1,138	938
Profit on sale of land and buildings ...	(1,606)	-
Loss on sale of plant and equipment ...	38	52
Operating lease rentals:		
Rental of premises ...	728	633
Short-term plant hire ...	89	95
Research and development expensed as incurred ...	308	1,491
Impairment of trade receivables charged to the income statement ...	64	43
Redundancy costs ...	106	857
Foreign exchange losses / (gains) ...	149	(200)
Fees receivable by the auditors and the auditor's associates in respect of:		
Audit of these financial statements ...	56	58
Audit of the financial statements of subsidiaries ...	119	90
Other non-audit related services:		
Other assurance services ...	76	-
Taxation services ...	-	4
Share-based payments ...	1,024	601
Hedge ineffectiveness transferred to the income statement ...	(1,224)	1,224
Government grants received against research and development, infrastructure spend and training costs ...	(257)	(1,182)

### 4. 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
Works personnel ...	993	1,105
Administration staff ...	49	49
	<b>1,042</b>	<b>1,154</b>

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries ...	32,345	34,322
Social security costs ...	3,303	3,520
Other pension costs ...	1,489	1,287
	<b>*37,137</b>	<b>*39,129</b>

\*Included within the staff costs are redundancy costs of £106,000 (2017: £857,000).

Details of the Directors' remuneration can be found within the Directors' Remuneration Report on page 26. The emoluments of the highest paid Director were £385,000 (2017: £368,000). The emoluments included Company pension contributions of £11,000 (2017: £11,000) which were made to a defined contribution scheme on his behalf. The number of Directors, who were members of a defined contribution pension scheme, was 8 (2017: 8).

A charge of £1,024,000 for the LTIP (2017: £601,000) has been recognised in the year, but not included in the above table. Further information is contained in note 28.

### 5. Financial expenses

	2018 £'000	2017 £'000
Interest expense on finance leases ...	89	115
Interest expense on bank loans and overdrafts ...	673	801
Capitalised interest on fixed asset projects ...	(172)	(43)
Financial expenses ...	<b>590</b>	<b>873</b>

## 6. Taxation

<b>Recognised in the income statement</b>										<b>2018</b>	2017
										<b>£'000</b>	£'000
Current tax expense											
Current year	...	...	...	...	...	...	...	...	...	<b>3,361</b>	2,464
Over provision in prior years	...	...	...	...	...	...	...	...	...	<b>(97)</b>	(60)
										<b>3,264</b>	2,404
Deferred tax expense											
Origination and reversal of temporary differences – current year	...	...	...	...	...	...	...	...	...	<b>482</b>	413
Origination and reversal of temporary differences – under / (over) provision in prior years	...	...	...	...	...	...	...	...	...	<b>155</b>	(195)
Origination and reversal of temporary differences – rate change to prior year	...	...	...	...	...	...	...	...	...	<b>(36)</b>	(135)
										<b>601</b>	83
Total tax expense										<b>3,865</b>	2,487
<b>Reconciliation of effective tax rate</b>										<b>2018</b>	2017
										<b>£'000</b>	£'000
Profit before taxation	...	...	...	...	...	...	...	...	...	<b>13,300</b>	9,244
Tax using the UK corporation tax rate of 19.00% (2017: 19.92%)	...	...	...	...	...	...	...	...	...	<b>2,527</b>	1,841
Non-taxable income	...	...	...	...	...	...	...	...	...	<b>(43)</b>	(90)
Non-deductible expenses	...	...	...	...	...	...	...	...	...	<b>90</b>	24
Other permanent timing differences	...	...	...	...	...	...	...	...	...	<b>162</b>	98
Under / (over) provision in prior years	...	...	...	...	...	...	...	...	...	<b>58</b>	(255)
Losses not recognised	...	...	...	...	...	...	...	...	...	<b>274</b>	468
Equity-settled share-based provision	...	...	...	...	...	...	...	...	...	<b>195</b>	120
Rate change to prior year	...	...	...	...	...	...	...	...	...	<b>(36)</b>	(135)
Withholding tax unrelieved	...	...	...	...	...	...	...	...	...	<b>118</b>	77
Difference in overseas tax rates	...	...	...	...	...	...	...	...	...	<b>664</b>	439
Difference between corporation and deferred tax rates	...	...	...	...	...	...	...	...	...	<b>(67)</b>	(66)
Effect of equity accounting for associates	...	...	...	...	...	...	...	...	...	<b>(77)</b>	(34)
Total tax expense										<b>3,865</b>	2,487

The Group's total taxes payable in respect of the year ending 30th April, 2018, comprising Corporation Tax, PAYE and National Insurance was £14.4 million (2017: £13.8 million).

### Deferred tax recognised directly in equity

The following amounts are included in the consolidated statement of comprehensive income:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Cash flow hedge deferred tax charge / (credit)	<b>818</b>	(738)

## 7. Earnings per share

The earnings per ordinary share has been calculated on profit for the year attributable to ordinary shareholders of £8,504,000 (2017: £6,082,000) and by reference to the 7,200,000 ordinary shares in issue throughout both years.

There is a share option scheme in place for the Directors of the Company under the Company's Long Term Investment Plan (LTIP), based on the Company exceeding a target growth in the total shareholder return of the Company over the period from 1st May, 2016 to 30th April, 2019. Under the LTIP, as at 30th April, 2018, there would be no share options accruing to the Directors under the LTIP and so there is no difference between the basic and fully diluted earnings per share of the Company in the current and prior year.

## 8. Dividends

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Paid ordinary dividends during the year in respect of prior years		
42.348p (2017: 42.348p) per qualifying ordinary share	<b>3,049</b>	3,049
Dividends paid to minority shareholders in Noreva GmbH	<b>88</b>	62
Total dividends	<b>3,137</b>	3,111

After the balance sheet date an ordinary dividend of 83.473p per qualifying ordinary share was proposed by the Directors (2017: Ordinary dividend of 42.348p).

## ■ NOTES TO THE FINANCIAL STATEMENTS ■

### 8. Dividends (continued)

The proposed current year ordinary dividend of £6,010,056 has not been provided for within these financial statements (2017: Proposed ordinary dividend of £3,049,000 was not provided for within the comparative figures).

As explained in note 10, Noreva is an 87.5% owned subsidiary, which is treated as a 100% owned subsidiary, because there are both put and call options in place for the remaining 12.5%.

### 9. Property, plant and equipment

			Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Assets in course of construc- tion £'000	Total £'000
<b>Cost</b>							
Balance at 1st May, 2016	...	...	30,038	65,007	4,216	1,194	100,455
Additions	...	...	139	2,602	250	4,608	7,599
Reclassification	...	...	(306)	417	201	272	584
Disposals	...	...	(66)	(302)	(936)	-	(1,304)
Exchange adjustment	...	...	1,025	1,102	46	-	2,173
<b>Balance at 30th April, 2017</b>	...	...	<b>30,830</b>	<b>68,826</b>	<b>3,777</b>	<b>6,074</b>	<b>109,507</b>
Balance at 1st May, 2017	...	...	30,830	68,826	3,777	6,074	109,507
Additions	...	...	126	2,577	90	6,623	9,416
Reclassification	...	...	69	1,249	(18)	(1,300)	-
Disposals	...	...	(243)	(629)	(39)	-	(911)
Exchange adjustment	...	...	(365)	(191)	9	-	(547)
<b>Balance at 30th April, 2018</b>	...	...	<b>30,417</b>	<b>71,832</b>	<b>3,819</b>	<b>11,397</b>	<b>117,465</b>
<b>Depreciation</b>							
At 1st May, 2016	...	...	3,841	31,566	2,518	-	37,925
Charged in year	...	...	919	4,259	419	-	5,597
Reclassification	...	...	220	185	179	-	584
Disposals	...	...	-	(126)	(889)	-	(1,015)
Exchange adjustment	...	...	98	554	25	-	677
<b>Balance at 30th April, 2017</b>	...	...	<b>5,078</b>	<b>36,438</b>	<b>2,252</b>	<b>-</b>	<b>43,768</b>
Balance at 1st May, 2017	...	...	5,078	36,438	2,252	-	43,768
Charged in year	...	...	839	4,102	302	-	5,243
Reclassification	...	...	43	(50)	7	-	-
Disposals	...	...	(74)	(480)	(37)	-	(591)
Exchange adjustment	...	...	(65)	(54)	10	-	(109)
<b>Balance at 30th April, 2018</b>	...	...	<b>5,821</b>	<b>39,956</b>	<b>2,534</b>	<b>-</b>	<b>48,311</b>
<b>Net book value</b>							
At 1st May, 2016	...	...	26,197	33,441	1,698	1,194	62,530
At 30th April, 2017 and 1st May, 2017	...	...	25,752	32,388	1,525	6,074	65,739
<b>At 30th April, 2018</b>	...	...	<b>24,596</b>	<b>31,876</b>	<b>1,285</b>	<b>11,397</b>	<b>69,154</b>

#### Plant and machinery

During the year, £Nil (2017: £Nil) of the property, plant and equipment additions were acquired under finance leases.

At 30th April, 2018, the net carrying amount of leased plant and machinery was £3,780,000 (2017: £4,012,000). The leased equipment secures lease obligations (see note 15).

Assets in the course of construction of £11,397,000 (2017: £6,074,000) comprise £6,093,000 (2017: £1,906,000) in relation to land and buildings and £5,304,000 (2017: £4,168,000) for plant and machinery.

#### Government grants related to tangible fixed assets

Additions to fixed assets are after deducting grants receivable of £Nil (2017: £47,000).

# 10. Investments in subsidiaries and associates

The Group has the following principal subsidiaries and associates. Non-principal subsidiaries and associates are listed in note 26:

	Registered address*	Country of Incorporation	Class of shares held	% held
<i>Subsidiaries:</i>				
<b>Mechanical Engineering:</b>				
Goodwin Steel Castings Limited ... ..	1	England and Wales	Ordinary	100
Goodwin International Limited ... ..	1	England and Wales	Ordinary	100
Easat Radar Systems Limited ... ..	1	England and Wales	Ordinary	77
Goodwin Korea Company Limited ... ..	3	South Korea	Ordinary	95
Goodwin Pumps India Private Limited ... ..	4	India	Ordinary	100
Goodwin Shanghai Company Limited ... ..	5	China	Ordinary	100
Noreva GmbH ... ..	6	Germany	Ordinary	87.5**
Goodwin (Shanxi) Pump Company Limited ... ..	7	China	Ordinary	100
Goodwin Valve and Pump Company Limited ... ..	8	Brazil	Ordinary	100
Internet Central Limited ... ..	1	England and Wales	Ordinary	82.5
Goodwin Submersible Pumps Australia Pty. Limited	9	Australia	Ordinary	100
Metal Proving Services Limited ... ..	1	England and Wales	Ordinary	100
NRPL Aero Oy ... ..	10	Finland	Ordinary	77
Goodwin Submersible Pumps Africa Pty. Limited ...	15	South Africa	Ordinary	100
<b>Refractory Engineering:</b>				
Goodwin Refractory Services Limited ... ..	1	England and Wales	Ordinary	100
Dupré Minerals Limited ... ..	1	England and Wales	Ordinary/Preference	100
Hoben International Limited ... ..	2	England and Wales	Ordinary	100
Gold Star Powders India Private Limited ... ..	4	India	Ordinary	100
Siam Casting Powders Limited ... ..	11	Thailand	Ordinary	55.4
Ultratec Jewelry Supplies Limited ... ..	12	China	Ordinary	51
SRS (Qingdao) Casting Materials Company Limited...	13	China	Ordinary	51
Gold Star Brazil Limited ... ..	8	Brazil	Ordinary	100
<b>Refractory Associates:</b>				
Jewelry Plaster Limited ... ..	14	Thailand	Ordinary	49

\*The registered address for each company can be found in note 27.

\*\*Whilst Noreva is a 87.5% owned subsidiary, the company has been treated as a 100% subsidiary by virtue of there being both put and call options in place for the remaining 12.5% of the share capital.

All of the above companies are included as part of the consolidated accounts and are involved in mechanical and refractory engineering.

## NCI – Non-controlling interests

The following subsidiaries each have non-controlling interests:

	Registered address*	Country of Incorporation	Class of shares held	% held by NCI***
<b>Mechanical Engineering:</b>				
Easat Radar Systems Limited ... ..	1	England and Wales	Ordinary	23
Goodwin Korea Company Limited ... ..	3	South Korea	Ordinary	5
Internet Central Limited ... ..	1	England and Wales	Ordinary	17.5
NRPL Aero Oy ... ..	10	Finland	Ordinary	23
<b>Refractory Engineering:</b>				
Siam Casting Powders Limited ... ..	11	Thailand	Ordinary	44.6
Ultratec Jewelry Supplies Limited ... ..	12	China	Ordinary	49
SRS Guangzhou Limited ... ..	12	China	Ordinary	49
SRS (Qingdao) Casting Materials Company Limited	13	China	Ordinary	49
Shenzhen King-Top Modern Hi-Tech Company Limited	16	China	Ordinary	49
Ying Tai (UK) Limited ... ..	1	England and Wales	Ordinary	49

\*\*\*NCI – Non-Controlling Interests.

## ■ NOTES TO THE FINANCIAL STATEMENTS ■

### 10. Investments in subsidiaries and associates (continued)

#### Non-controlling interests (continued)

The financial information on subsidiaries with non-controlling interests has been aggregated, analysing the data by segment, as the entities in each segment have similar characteristics and risk profiles.

Year Ended 30th April	Mechanical Engineering		Refractory Engineering		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Profit allocated to non-controlling interests ... ..	314	166	617	509	931	675
Dividends paid to non-controlling interests ... ..	-	-	-	675	-	675
Accumulated reserves held by non-controlling interests ... ..	904	605	4,355	3,620	5,259	4,225

The summarised financial information below represents the amounts in the financial statements of the subsidiaries, before any inter-company eliminations, and does not reflect the Group's share of those amounts.

Year Ended 30th April	Mechanical Engineering		Refractory Engineering		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Non-current assets ... ..	5,707	3,414	9,743	5,573	15,450	8,987
Current assets ... ..	11,491	11,668	9,338	9,411	20,829	21,079
Current liabilities ... ..	(9,023)	(12,404)	(3,734)	(4,188)	(12,757)	(16,592)
Non-current liabilities ... ..	(3,738)	(157)	(2,142)	-	(5,880)	(157)
Total net assets of companies with non-controlling interests	4,437	2,521	13,205	10,796	17,642	13,317
Revenue of companies with non-controlling interests ... ..	14,887	16,187	14,521	13,213	29,408	29,400
Profit for the year of companies with non-controlling interests ... ..	1,518	705	2,064	1,280	3,582	1,985
Total comprehensive income of companies with non-controlling interests	1,916	133	2,409	2,131	4,325	2,264

#### Associates

The Group's share of profit after tax in its associates for the year ended 30th April, 2018 was £310,000 (2017: £169,000).

Summary financial information of Group share of associates is as follows:

	2018 £'000	2017 £'000
Balance at 1st May ... ..	2,045	1,640
Profit before tax ... ..	387	203
Tax ... ..	(77)	(34)
Dividend ... ..	(441)	-
Exchange adjustment ... ..	49	236
<b>Balance at 30th April...</b>	<b>1,963</b>	<b>2,045</b>
Assets ... ..	2,661	2,786
Liabilities ... ..	(698)	(741)
	<b>1,963</b>	<b>2,045</b>

**10. Investments in subsidiaries and associates (continued)**

**Associates (continued)**

**Summarised financial information of the Group's individually material associate, Jewelry Plaster Limited, is as follows:**

	2018 £'000	2017 £'000
Revenue ... ..	1,543	1,499
Profit after tax ... ..	221	235
Non-current assets ... ..	385	322
Current assets ... ..	915	1,087
Current liabilities ... ..	(220)	(157)
Group equity investment in associate	1,080	1,252

**11. Intangible assets**

	Goodwill £'000	Brand names and intellectual property £'000	Order book £'000	Manufact- uring rights £'000	Software and Licences £'000	Develop- ment costs £'000	Total £'000
<b>Cost</b>							
Balance at 1st May, 2016 ...	9,393	6,753	162	5,117	180	1,631	23,236
Additions... ..	75	-	-	-	149	791	1,015
Exchange adjustments ...	404	273	11	-	7	56	751
<b>Balance at 30th April, 2017</b>	<b>9,872</b>	<b>7,026</b>	<b>173</b>	<b>5,117</b>	<b>336</b>	<b>2,478</b>	<b>25,002</b>
Balance at 1st May, 2017 ...	9,872	7,026	173	5,117	336	2,478	25,002
Additions... ..	-	-	-	-	378	3,334	3,712
Disposals... ..	(60)	(209)	(17)	-	-	-	(286)
Exchange adjustment ...	238	157	6	-	(6)	32	427
<b>Balance at 30th April, 2018</b>	<b>10,050</b>	<b>6,974</b>	<b>162</b>	<b>5,117</b>	<b>708</b>	<b>5,844</b>	<b>28,855</b>
<b>Amortisation and impairment</b>							
Balance at 1st May, 2016 ...	399	3,935	162	944	20	211	5,671
Amortisation for the year ...	-	503	-	297	44	94	938
Exchange adjustment ...	-	142	11	-	4	(4)	153
<b>Balance at 30th April, 2017</b>	<b>399</b>	<b>4,580</b>	<b>173</b>	<b>1,241</b>	<b>68</b>	<b>301</b>	<b>6,762</b>
Balance at 1st May, 2017 ...	399	4,580	173	1,241	68	301	6,762
Amortisation for the year ...	-	515	-	295	215	113	1,138
Disposals... ..	(60)	(209)	(17)	-	-	-	(286)
Exchange adjustment ...	-	97	6	-	(2)	2	103
<b>Balance at 30th April, 2018</b>	<b>339</b>	<b>4,983</b>	<b>162</b>	<b>1,536</b>	<b>281</b>	<b>416</b>	<b>7,717</b>
<b>Net book value</b>							
At 1st May, 2016... ..	8,994	2,818	-	4,173	160	1,420	17,565
At 30th April, 2017 and 1st May, 2017 ... ..	9,473	2,446	-	3,876	268	2,177	18,240
<b>At 30th April, 2018...</b>	<b>9,711</b>	<b>1,991</b>	<b>-</b>	<b>3,581</b>	<b>427</b>	<b>5,428</b>	<b>21,138</b>

Customer lists are included within brand names and intellectual property or within manufacturing rights, depending on the nature of the acquisition; non compete agreements are disclosed within manufacturing rights.

During the year, the Group added to its portfolio of intangible assets. The main additions are £142,000 on the development of a new fire extinguisher project in Dupre Minerals, £270,000 on refractory development projects in Goodwin Refractory Services, £489,000 on the development of a new valve range by Goodwin International and £2,318,000 on the development of radar equipment within Easat Radar Systems and NRPL Aero.

**Amortisation and impairment charges**

The amortisation charge of £1,138,000 (2017: £938,000) is recognised in cost of sales in the income statement.

# 11. Intangible assets (continued)

## Impairment testing for cash-generating units containing goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. For the purpose of impairment testing, goodwill is allocated to the relevant subsidiary which is the lowest level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are:

	2018	2017
	£'000	£'000
Noreva GmbH ... ..	4,784	4,592
Goodwin Refractory Services Holdings Limited ... ..	3,346	3,346
NRPL Aero Oy... ..	1,270	1,220
Other ... ..	311	315
	<b>9,711</b>	<b>9,473</b>

An impairment test is a comparison of the carrying value of the assets of a cash-generating unit ("CGU") to their recoverable amount, based on a value-in-use calculation. Recoverable amount is the greater of value-in-use and market value. Where the recoverable amount is less than the carrying value an impairment results. During the year each CGU containing goodwill was separately assessed and tested for impairment.

As part of testing goodwill for impairment detailed forecasts of operating cash flows for the next three years are used, which are based on approved budgets and plans by the Board. The forecasts represent the best estimate of future performance of the CGU based on past performance and expectations for the market development of the CGU.

A number of key assumptions are used as part of impairment testing. These key assumptions, such as the CGU's position within its relevant market; its ability to generate profitable orders within that market; expected growth rates both in the market and geographically, are made by management who also take into account past experience and knowledge of forecast future performance together with other relevant external sources of information.

At 30th April, 2018, the value in use of goodwill exceeds the carrying value by £26 million (2017: £25 million). The projections use various growth rates consistent with the profit forecasts of the CGU for the first three years, with modest growth rates thereafter extrapolated over the minimum expected life span of the unit. The forecasts are then discounted at an appropriate weighted average cost of capital rate considering the perceived levels of risk, namely 16.9% (2017: 16.8%) for the Mechanical Engineering Division and 15.8% (2017: 16.8%) for the Refractory Engineering Division. Further sensitivity tests are then performed reducing the discounted cash flows by 10% and also increasing the weighted average cost of capital by 2% to confirm there is no need to consider further a need for impairment. For the purpose of this exercise, all terminal growth rates are assumed to be zero.

The estimates and assumptions made in connection with the impairment testing could differ from future actual results of operations and cash flows. A reasonably likely variation in the assumptions would not give rise to an impairment. However, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired.

# 12. Inventories

	2018	2017
	£'000	£'000
Raw materials and consumables ... ..	11,726	13,314
Work in progress ... ..	9,676	17,739
Finished goods ... ..	7,448	6,604
	<b>28,850</b>	<b>37,657</b>

The value of inventory written down during the year was £675,000 (2017: £369,000).

The Group carries provisions against inventories as follows:

	2018	2017
	£'000	£'000
Raw materials and consumables ... ..	208	381
Work in progress ... ..	1,077	967
Finished goods ... ..	456	311
	<b>1,741</b>	<b>1,659</b>



## ■ NOTES TO THE FINANCIAL STATEMENTS ■

### 13. Trade and other receivables

#### Balances due after more than one year

	2018 £'000	2017 £'000
Other receivables ...	728	-

This balance is due from an associate company and is repayable within five years. Interest is charged at a commercial rate.

#### Balances due within one year

	2018 £'000	2017 £'000
Trade receivables ...	18,375	21,765
Amounts recoverable on contracts ...	6,046	-
Other receivables ...	1,678	2,784
Corporation tax receivable ...	24	-
Prepayments ...	1,810	1,687
Deferred tax asset (see note 18) ...	27	102
	<b>27,960</b>	<b>26,338</b>

Included within other receivables is a balance of £200,000 (2017: £780,000) due from an associate company.

Amounts recoverable on contracts of £6,046,000 consist of £12,236,000 of contract costs incurred and recognised profits (less losses), net of progress billings of £6,190,000. Amounts due to customers on contract work of £212,000 comprise £173,000 of contract costs incurred and recognised profits (less losses) and progress billings of £385,000 (note 16).

### 14. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and cash equivalents per balance sheet ...	7,485	5,172
Bank overdrafts ...	(4,585)	(6,655)
Cash and cash equivalents per cash flow statement ...	<b>2,900</b>	<b>(1,483)</b>

### 15. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing bank loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 20.

	2018 £'000	2017 £'000
<b>Non-current liabilities</b>		
Finance lease liabilities ...	1,687	2,548
Bank loans and committed facilities ...	4,088	21,127
	<b>5,775</b>	<b>23,675</b>
<b>Current liabilities</b>		
Finance lease liabilities ...	861	865
Bank loans and committed facilities ...	7,022	2,022
Bank overdrafts ...	4,585	6,655
	<b>12,468</b>	<b>9,542</b>

■ NOTES TO THE FINANCIAL STATEMENTS ■

**15. Interest-bearing loans and borrowings (continued)**

**Reconciliation of liabilities arising from financing activities**

	Opening balance 1st May 2017 £'000	Cash flows £'000	Foreign exchange movement £'000	Closing balance 30th April 2018 £'000
Bank loans	23,149	(12,044)	5	11,110
Finance lease liabilities	3,413	(865)	-	2,548
	<b>26,562</b>	<b>(12,909)</b>	<b>5</b>	<b>13,658</b>
	Opening balance 1st May 2016 £'000	Cash flows £'000	Foreign exchange movement £'000	Closing balance 30th April 2017 £'000
Bank loans	17,306	5,827	16	23,149
Finance lease liabilities	4,339	(930)	4	3,413
	<b>21,645</b>	<b>4,897</b>	<b>20</b>	<b>26,562</b>

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

	2018			2017		
	Minimum lease payments £'000	Interest £'000	Principal £'000	Minimum lease payments £'000	Interest £'000	Principal £'000
Less than one year	922	61	861	951	86	865
Between one and five years	1,737	50	1,687	2,659	111	2,548
	<b>2,659</b>	<b>111</b>	<b>2,548</b>	<b>3,610</b>	<b>197</b>	<b>3,413</b>

**16. Trade and other payables**

	2018 £'000	2017 £'000
<b>Current liabilities</b>		
Trade payables	15,324	13,244
Non-trade payables and accrued expenses	4,243	3,799
Other taxation and social security costs	1,580	1,806
Advance payments from customers	5,744	3,605
	<b>26,891</b>	<b>22,454</b>
Deferred consideration on acquisitions	500	500

The deferred consideration at 30th April, 2018, and 30th April, 2017, of £500,000 relates to the acquisition of Noreva GmbH.

The balance for deferred consideration is disclosed as short-term on the basis that the amount is payable on demand. Included within advance payments from customers is £212,000 for amounts due to customers on contract work (note 13).

■ NOTES TO THE FINANCIAL STATEMENTS ■

**17. Warranty provision**

	2018 £'000	2017 £'000
Balance at 1st May ... ..	395	330
Generated ... ..	227	43
Credited to the income statement ... ..	(124)	(4)
Exchange adjustment ... ..	15	26
<b>Balance at 30th April...</b>	<b>513</b>	<b>395</b>
Warranty due within one year ... ..	184	90
Warranty due after one year ... ..	329	305
<b>Balance at 30th April...</b>	<b>513</b>	<b>395</b>

Provisions for warranties relate to products sold and generally cover a period of between 1 and 3 years.

**18. Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

										Assets		Liabilities	
										2018	2017	2018	2017
										£'000	£'000	£'000	£'000
Property, plant and equipment	...	...	...	...	...	...	...	...	...	-	-	(2,661)	(2,258)
Intangible assets	...	...	...	...	...	...	...	...	...	-	-	(1,510)	(1,170)
Derivative financial instruments	...	...	...	...	...	...	...	...	...	199	778	-	-
Other temporary differences	...	...	...	...	...	...	...	...	...	40	116	-	-
										<u>239</u>	<u>894</u>	<u>(4,171)</u>	<u>(3,428)</u>

Within the current and previous year, the Group has no material tax losses where a deferred tax asset has been recognised. As at 30th April, 2018, the Group has not recognised £1,077,000 of deferred tax assets in relation to accumulated subsidiary losses (2017: £843,000).

The Finance Act 2016, which included legislation reducing the main rate of corporation tax from 20% to 19% from 1st April, 2017 and to 17% from 1st April, 2020, was fully enacted on 15th September, 2016. The deferred tax liability at 30th April, 2017 and 2018 has been calculated based on these rates.

## ■ NOTES TO THE FINANCIAL STATEMENTS ■

### 19. Capital and reserves

Share capital	2018 £'000	2017 £'000
---------------	---------------	---------------

#### Authorised, allotted, called up and fully paid:

7,200,000 ordinary shares of 10p each ... ..	<u>720</u>	<u>720</u>
--	------------	------------

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.

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

#### Share-based payments reserve

The share-based payments reserve is a non cash-impacting provision, as required by Accounting Standard IFRS 2, relating to the Long Term Incentive Plan. Further details are included in note 28.

#### Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge instruments related to hedged transactions that have not yet occurred.

The aggregate deferred tax relating to items that are recognised in equity is an asset of £50,000 (2017: asset of £864,000).

### 20. Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in market prices (interest rates, foreign exchange rates and commodity prices), credit risk and liquidity. The Group has in place risk management policies that seek to limit the adverse effects on the financial performance of the Group by using various instruments and techniques.

Risk management policies have been set by the Board and applied by the Group.

#### a) Credit risk

The Group's financial assets are cash and cash equivalents and trade and other receivables, the carrying amounts of which represent the Group's maximum exposure to credit risk in relation to financial assets.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group's credit risk is primarily attributable to its trade receivables and is managed through the following processes:

- i) The majority of orders accepted by Group companies are backed by credit insurance.
- ii) Some orders are accepted with no credit insurance but with letters of credit.
- iii) Some orders are accepted with no credit insurance and no letter of credit but with an internal analysis of the customer's size, creditworthiness, historic profitability and payment record.
- iv) A few orders (less than 10%) are taken at risk following review by at least two Board members.
- v) Major orders are normally accompanied by stage payments which go towards mitigating our credit risk.

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	Carrying amount 2018 £'000	2017 £'000
Trade and other receivables ... ..	13	26,827	24,549
Cash at bank and cash equivalents ... ..	14	7,485	5,172
Derivative financial assets... ..	20(e)	364	1,756
		<u>34,676</u>	<u>31,477</u>

## 20. Financial risk management (continued)

### Exposure to credit risk (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

											<b>Carrying amount</b>	
											<b>2018</b>	<b>2017</b>
											<b>£'000</b>	<b>£'000</b>
UK	...	...	...	...	...	...	...	...	...	...	<b>3,209</b>	2,334
Rest of Europe	...	...	...	...	...	...	...	...	...	...	<b>4,665</b>	6,099
USA	...	...	...	...	...	...	...	...	...	...	<b>441</b>	1,286
Pacific Basin	...	...	...	...	...	...	...	...	...	...	<b>3,517</b>	3,839
Rest of World	...	...	...	...	...	...	...	...	...	...	<b>6,543</b>	8,207
											<b>18,375</b>	<b>21,765</b>

The ageing of trade receivables and impairments at the reporting date was:

							<b>Impairment provision</b>		<b>Net</b>		<b>Gross</b>		<b>Impairment provision</b>	
							<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
							<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not past due	...	...	...	...	...	...	<b>12,910</b>	<b>12,910</b>	-	16,455	16,455	-	-	-
Past due 1-30 days	...	...	...	...	...	...	<b>2,414</b>	<b>2,414</b>	-	3,421	3,421	-	-	-
Past due 31-90 days	...	...	...	...	...	...	<b>2,321</b>	<b>2,321</b>	-	1,054	1,054	-	-	-
Past due more than 90 days	...	...	...	...	...	...	<b>730</b>	<b>1,159</b>	<b>(429)</b>	835	1,459	(624)	-	-
							<b>18,375</b>	<b>18,804</b>	<b>(429)</b>	<b>21,765</b>	<b>22,389</b>	<b>(624)</b>	<b>(624)</b>	<b>(624)</b>

Management believes that there are no significant credit risks remaining with the above net receivables and that the credit quality of customers is good, based on a review of past payment history and the current financial status of the customers. Included in trade receivables are retentions which are job specific and have varying due dates depending on the complexity of the job. These are included in the not past due category. The Group has not renegotiated the terms of any trade receivables and has not pledged any trade receivables as security.

The Directors estimate that the fair value of the Group's trade and other receivables is approximate to their carrying values.

An analysis of the provision for impairment of receivables is as follows:

											<b>2018</b>	<b>2017</b>
											<b>£'000</b>	<b>£'000</b>
At beginning of year	...	...	...	...	...	...	...	...	...	...	<b>624</b>	870
Exchange adjustment	...	...	...	...	...	...	...	...	...	...	<b>2</b>	5
Impairment charged through the income statement	...	...	...	...	...	...	...	...	...	...	<b>64</b>	43
Impairment provision utilised during the year	...	...	...	...	...	...	...	...	...	...	<b>(261)</b>	(294)
At end of year	...	...	...	...	...	...	...	...	...	...	<b>429</b>	624

### b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

At the year end the Group had the following unutilised bank facilities in respect of which all conditions precedent had been met:

							<b>Uncommitted</b>		<b>Committed</b>		<b>Total</b>	
							<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
							<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Unutilised bank facilities	...	...	...	...	...	...	<b>12,965</b>	10,232	<b>22,000</b>	11,000	<b>34,965</b>	21,232

The Group's principal borrowing facilities are provided by 4 banks in the form of borrowings and short-term overdraft facilities. The quantum of borrowing facilities available to the Group is reviewed regularly in light of current working capital requirements and the need for capital investment for the long-term future for the Group.

**20. Financial risk management (continued)**

**b) Liquidity risk (continued)**

**Maturity analysis**

The table below analyses the Group's financial liabilities into maturity groupings based on the period outstanding at the balance sheet date up to the contractual maturity date. All figures are contracted gross cash flows that have not been discounted.

cash flows that have not been discounted.

	2018 Contractual cash flows			2018 Carrying value
	Within 1 year £'000	1-5 years £'000	Total £'000	Total £'000
<b>Non-derivative financial liabilities</b>				
Bank loans and committed facilities ... ..	7,246	4,334	11,580	11,110
Overdrafts ... ..	4,585	-	4,585	4,585
Finance leases ... ..	922	1,737	2,659	2,548
Trade and other payables ... ..	25,311	-	25,311	25,311
Deferred considerations on acquisitions ... ..	500	-	500	500
<b>Total ... ..</b>	<b>38,564</b>	<b>6,071</b>	<b>44,635</b>	<b>44,054</b>

The 30th April, 2018 bank loans and committed facilities are repayable as follows: bank overdraft on demand £5 million, £7 million within year end 30th April, 2019 and £4 million within year end 30th April, 2021. The interest rates chargeable on these loans are on a floating basis against LIBOR and UK base rate, with bank margins of less than 2%.

margins of less than 2%.									

**c) Market risk**

**Foreign exchange risk**

The Group is subject to fluctuations in exchange rates on its net investments overseas and transactional monetary assets and liabilities not denominated in the operating (or "functional") currency of the operating unit involved.

The Group is exposed to fluctuations in several currencies which give rise to the net currency gains and losses recognised in the income statement.

The Group at its discretion is empowered to hedge its estimated annual foreign currency exposure in respect of forecast sales and purchases if the Board deems it appropriate after having taken into account the expected movement in the foreign exchange rates. The Group uses forward exchange contracts to hedge its foreign currency risk. All the foreign exchange contracts have maturities within three years after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

In respect of other monetary assets and liabilities held in currencies, the Group ensures that the net exposure is eliminated through the use of forward exchange contracts or spot transactions at the time the contractual commitment is in place.

**20. Financial risk management (continued)**

**c) Market risk (continued)**

**Foreign exchange risk (continued)**

Currency profile of financial assets and liabilities:

	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>US</b>	<b>US</b>	<b>Euro</b>	<b>Euro</b>	<b>Other</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
	<b>Dollar</b>	<b>Dollar</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade and other receivables	<b>2,498</b>	8,324	<b>3,159</b>	2,985	-	-	<b>5,657</b>	11,309
Cash and cash equivalents	<b>124</b>	(3,968)	<b>235</b>	(202)	<b>(1,825)</b>	(1,940)	<b>(1,466)</b>	(6,110)
Trade and other payables	<b>(818)</b>	(1,795)	<b>(626)</b>	(478)	<b>(22)</b>	-	<b>(1,466)</b>	(2,273)
	<b>1,804</b>	2,561	<b>2,768</b>	2,305	<b>(1,847)</b>	(1,940)	<b>2,725</b>	2,926

The following significant exchange rates applied during the year:

		<b>Average</b>	<b>Reporting date</b>
		<b>exchange rate</b>	<b>spot rate</b>
		<b>2018</b>	<b>2017</b>
US Dollar	...	<b>1.339</b>	1.290
Euro	...	<b>1.132</b>	1.182
			<b>2018</b>
			<b>2017</b>

**Interest rate risk**

The Group is subject to fluctuations in interest rates on its borrowings and surplus cash. The Group is aware of the financial products available to hedge against adverse movements in interest rates. Formal reviews are undertaken to determine whether such instruments are appropriate for the Group. During the year, no new interest rate swaps or caps were entered into.

The table below shows the Group's financial assets and liabilities split by those bearing fixed and floating rates and those that are non interest-bearing.

	<b>Fixed rate</b>	<b>Floating rate</b>	<b>Non interest-bearing</b>	<b>Total</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	-	-	<b>7,485</b>	5,172
Trade and other receivables	<b>928</b>	-	-	<b>26,263</b>
Trade and other payables	-	-	-	<b>(27,346)</b>
Bank overdrafts	-	-	<b>(4,585)</b>	(6,655)
Bank loans and committed facilities	-	-	<b>(11,110)</b>	(23,149)
Finance lease liabilities	<b>(2,548)</b>	(3,413)	-	<b>(2,548)</b>
	<b>(1,620)</b>	(3,413)	<b>(8,210)</b>	(24,632)
			<b>(1,083)</b>	1,056
			<b>(10,913)</b>	(26,989)

Other receivables and other payables include derivatives.

## 20. Financial risk management (continued)

### d) Capital management

The Group's main objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders. The Board maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Operations are funded through various shareholders' funds, bank debt, finance leases and, where appropriate, deferred consideration on acquisitions. The capital structure of the Group reflects the judgement of the Board as to the appropriate balance of funding required. At 30th April, 2018, the capital used was £110.8 million (2017: £118.0 million) as shown in the following table:

	2018 £'000	2017 £'000
Cash and cash equivalents ... ..	(7,485)	(5,172)
Finance leases ... ..	2,548	3,413
Bank loans and committed facilities ... ..	11,110	23,149
Overdrafts ... ..	4,585	6,655
Deferred consideration ... ..	500	500
Net debt ... ..	11,258	28,545
Total equity attributable to equity holders of the parent ...	99,568	89,436
Capital	110,826	117,981

The Group aims to maintain a strong credit rating and headroom whilst optimising return to shareholders through an appropriate balance of debt and equity funding. The Group's general strategy is to keep the debt to equity ratio below 30%, adjusted where appropriate for the effect of acquisitions. At 30th April, 2018 net debt was £11.3 million (2017: £28.6 million). The gearing ratio, excluding deferred consideration from net debt, is 10.8% (2017: 31.4%).

The Group manages its capital structure and makes adjustments to it with regard to the risks inherent in the business and in light of changes to economic conditions.

Working capital is managed in order to generate maximum conversion of profits into cash and cash equivalents. Dividends are paid from current year profits, thereby maintaining equity.

The policy for debt is to ensure a smooth debt maturity profile with the objective of ensuring continuity of funding. The repayment profile for the debt is shown in note 20(b).

There were no changes in the Group's approach to capital management during the year.

### Currency derivatives

The Group utilises currency derivatives to hedge future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures.

#### Forecast transactions

The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges and states them at fair value.

The nominal value of forward exchange contracts used as hedges of forecast transactions at 30th April, 2018, in sterling terms, was £12 million spread across USD and EUR denominated contracts. The fair value of these at 30th April, 2018 was a liability of £294,000 (being assets totalling £Nil and liabilities totalling £294,000). The Group also has a number of forward contracts not designated as cash flow hedges and therefore recorded at fair value through the income statement. The nominal value of these contracts at 30th April, 2018, in sterling terms, was £35 million spread across USD, EUR and SEK denominated contracts. The fair value of these at 30th April, 2018 was a liability of £877,000 (being assets totalling £364,000 and liabilities totalling £1,241,000).

The nominal value of forward exchange contracts used as hedges of forecast transactions at 30th April, 2017, in sterling terms, was £65 million spread across USD and EUR denominated contracts. The fair value of these at 30th April, 2017 was a liability of £2,491,000 (being assets totalling £1,000 and liabilities totalling £2,492,000). The Group also had a number of forward contracts not designated as cash flow hedges, and therefore recorded at fair value through the income statement. The nominal value of these contracts at 30th April, 2017, in sterling terms, was £56 million spread across USD, EUR and SEK denominated contracts. The fair value of these at 30th April, 2017 was an asset of £608,000 (being assets totalling £608,000 and liabilities totalling £Nil).

#### Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of cost of sales.



**20. Financial risk management (continued)**

**d) Capital management (continued)**

**Derivative financial instruments**

For cash flow hedges the following table sets out the periods when the cash flows are expected to occur and when they are expected to affect profit or loss:

					<b>2018</b>				
					<b>Periods in which cash flows and profits are expected to occur</b>				
					<b>Carrying amount £'000</b>	<b>Expected cash flow £'000</b>	<b>Within 1 year £'000</b>	<b>Between 1 and 5 years £'000</b>	<b>Over 5 years £'000</b>
<b>Forward exchange contracts</b>									
Liabilities	...	...	...	...	(294)	(294)	(64)	(230)	-
					<b>2017</b>				
					<b>Periods in which cash flows and profits are expected to occur</b>				
					<b>Carrying amount £'000</b>	<b>Expected cash flow £'000</b>	<b>Within 1 year £'000</b>	<b>Between 1 and 5 years £'000</b>	<b>Over 5 years £'000</b>
<b>Forward exchange contracts</b>									
Assets	...	...	...	...	1	1	1	-	-
Liabilities	...	...	...	...	(2,492)	(2,492)	(2,030)	(462)	-
					(2,491)	(2,491)	(2,029)	(462)	-

**Sensitivity analysis**

The Group has calculated the following sensitivities based on available data from forward contract markets for the principal foreign currencies in which the Group operates. Given recent fluctuations in rates, it is deemed sensible to provide the quantum for a 1% change in rates to aid understanding. These figures can be extrapolated proportionately to obtain an estimate of the impact of large movements.

					<b>2018 £'000</b>	<b>2017 £'000</b>
					<b>(Profit)/loss</b>	<b>(Profit)/loss</b>
<b>Impact on equity</b>						
1% increase in US Dollar fx rate against pound sterling	...	...	...	...	(19)	(335)
1% increase in Euro fx rate against pound sterling	...	...	...	...	(98)	(232)
1% decrease in US Dollar fx rate against pound sterling	...	...	...	...	19	335
1% decrease in Euro fx rate against pound sterling	...	...	...	...	98	232
<b>Impact on the income statement</b>						
1% increase in US Dollar fx rate against pound sterling	...	...	...	...	(131)	(413)
1% increase in Euro fx rate against pound sterling	...	...	...	...	(207)	(181)
1% decrease in US Dollar fx rate against pound sterling	...	...	...	...	131	413
1% decrease in Euro fx rate against pound sterling	...	...	...	...	207	181
1% increase in interest rates	...	...	...	...	109	129

**20. Financial risk management (continued)**

**e) Total financial assets and liabilities**

The table below sets out the Group's accounting classification of each class of financial assets and liabilities and their fair values at 30th April, 2017 and 30th April, 2016.

					30th April, 2018		30th April, 2017	
					Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
<b>Financial assets</b>								
Cash and cash equivalents	...	...	...		7,485	7,485	5,172	5,172
<b>Receivables</b>								
Trade receivables	...	...	...	...	18,375	18,375	21,765	21,765
Other receivables	...	...	...	...	8,452	8,452	4,471	4,471
<b>At fair value through the income statement</b>								
Derivative financial assets not designated in a cash flow hedge relationship	...	...			364	364	1,755	1,755
<b>Designated cash flow hedge relationships</b>								
Derivative financial assets designated and effective as cash flow hedging instruments					-	-	1	1
<b>Total financial assets</b>	...	...	...	...	<b>34,676</b>	<b>34,676</b>	<b>33,164</b>	<b>33,164</b>

					30th April, 2018		30th April, 2017	
					Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
<b>Financial liabilities at amortised cost</b>								
Trade payables	...	...	...	...	15,324	15,324	13,244	13,244
Other payables	...	...	...	...	9,987	9,987	9,210	9,210
Deferred consideration	...	...	...	...	500	500	500	500
Finance lease liabilities	...	...	...	...	2,548	2,548	3,413	3,413
Bank loans and committed facilities	...	...	...	...	11,110	11,110	29,804	29,804
<b>At fair value through the income statement</b>								
Derivative financial liabilities not designated in a cash flow hedge relationship	...	...			1,241	1,241	-	-
<b>Designated cash flow hedge relationships</b>								
Derivative financial liabilities designated and effective as cash flow hedging instruments					294	294	2,492	2,492
<b>Total financial liabilities</b>	...	...	...	...	<b>41,004</b>	<b>41,004</b>	<b>58,492</b>	<b>58,492</b>

Derivative financial assets and liabilities fair values in the above table are derived using Level 2 inputs as defined by IFRS 7 as detailed in the paragraph below. All other financial assets and liabilities fair values are determined using Level 3 inputs.

IFRS 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy: Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Under IAS 39, all derivative financial instruments not designated in a hedge relationship are classified as derivatives at fair value through the income statement. The Group does not use derivatives for speculative purposes. All transactions in derivative financial instruments are underpinned by firm orders from customers or to suppliers or where there is a high degree of probability that orders will be received.

For short-term cash and cash equivalents, trade and other receivables, trade and other payables and floating rate borrowings, the fair values are the same as carrying value. For fixed rate borrowings, forward currency contracts and interest rate instruments, fair values have been calculated by discounting the cash flows at prevailing appropriate market rates. Other assets reflect management's estimate of value on an appropriate basis.

## ■ NOTES TO THE FINANCIAL STATEMENTS ■

### 21. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings £'000	Other £'000	Total 2018 £'000	Total 2017 £'000
Less than one year ... ..	531	48	579	613
Between one and five years ... ..	450	65	515	818
	<u>981</u>	<u>113</u>	<u>1,094</u>	<u>1,431</u>

### 22. Capital commitments

Contracted capital commitments at 30th April, 2018 for which no provision has been made in these financial statements were £1,764,000 (2017: £1,733,000).

### 23. Guarantees and contingencies

The Group has issued bank backed guarantee and bond commitments principally in order to secure its contracts.

	2018 £'000	2017 £'000
308 guarantee and bonds contracts (2017: 323) ... ..	<u>11,727</u>	<u>12,724</u>

### 24. Subsequent events

After the balance sheet date an ordinary dividend of 83.473p per qualifying ordinary share was proposed by the Directors (2017: Ordinary dividend of 42.348p).

The current year proposed ordinary dividend of £6,010,056 has not been provided for within these financial statements (2017: Proposed ordinary dividend of £3,049,000 was not provided for within the comparative figures).

### 25. Accounting estimates and judgements

The Directors do not consider there to be any particularly 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.

#### a) Revenue Recognition

The revenue and costs on long term contracts can extend over significant periods, requiring judgements to be exercised in the production of forecasts which contain allowances for technical risks and inherent uncertainties. Profit is recognised progressively as risks have been mitigated or discharged.

#### b) Stock provisions

The Group's Directors in conjunction with senior management in the subsidiaries regularly review the recoverability of their stated stock and work in progress balances paying particular attention to net realisable value and stock obsolescence issues. The judgements exercised here are the determination of the costs to complete on contracts in progress at the period end and the likelihood of receiving future sales orders for slow moving stocks. Where it is judged that a provision is deemed necessary the appropriate adjustments are made in the relevant subsidiary's books at the time a shortfall is identified.

#### c) Trade debtor provisions

Whilst trade debtors are insured wherever possible, the Directors are able to exercise judgement in relation to non credit insured contracts as set out under section 20 (a). The Group Directors in conjunction with the subsidiary 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.

## ■ NOTES TO THE FINANCIAL STATEMENTS ■

### 26. Non-principal subsidiaries and associates

	Registered address*	Country of Incorporation	Class of shares held	% held
<i>Non-principal Subsidiaries:</i>				
Perfect Audio Visual Limited ... ..	1	England and Wales	Ordinary	100
SRS Guangzhou Limited ... ..	12	China	Ordinary	51
Shenzhen King-Top Modern Hi-Tech Company Limited	16	China	Ordinary	51
<i>Holding Companies:</i>				
Goodwin Refractory Services Holdings Limited ... ..	1	England and Wales	Ordinary	100
Ying Tai (UK) Limited ... ..	1	England and Wales	Ordinary	51
<i>Non-principal Associates:</i>				
Jewelry Wax Limited ... ..	14	Thailand	Ordinary	49
Tet Goodwin Property Company Limited ... ..	11	Thailand	Ordinary	49
Asian Industrial Investment Casting Powders Private Limited ... ..	4	India	Ordinary	50
<i>Dormant companies:</i>				
Gold Star Powders Limited ... ..	1	England and Wales	Ordinary	100
Net Central Limited ... ..	1	England and Wales	Ordinary	100
Sandersfire International Limited ... ..	1	England and Wales	Ordinary	100
Specialist Refractory Services Limited ... ..	1	England and Wales	Ordinary	100

\*The registered address for each company can be found in note 27.

All of the above companies are included as part of the consolidated accounts.

### 27. Registered offices of subsidiaries and associates

The registered offices of the companies listed in notes 10 and 26 are listed below.

1. Ivy House Foundry, Hanley, Stoke-on-Trent ST1 3NR
2. Brassington, Nr. Matlock, Derbyshire DE4 4HF
3. 13-1, Jungbong-daero, 396 Beon-Gil, Seo-gu, Incheon, South Korea
4. 112/2 Chinna Amman Koil Street, Kalavakkam, Thiruporur 603 110, Tamil Nadu, India
5. Suite C, F1, Building #14, Xiya Road No.11, Waigaoqiao Free Trade Zone, 200131, Shanghai, China
6. Hocksteiner Weg 56, D - 41189 Mönchengladbach, Germany
7. Suite 1105, Building 1, Wanguocheng Moma, No.16 Changfeng West Street, Wanbailin District, Taiyuan, Shanxi Province, 30021, China
8. Rua das Margaridas s/n, Terra Preta - Mairipora - SP, CEP 07600-000, São Paulo, Brazil
9. Level 8, Waterfront Place, 1 Eagle Street, Brisbane Qld 4000, Australia
10. Koivupuistontie 34, Vantaa, 01510 Finland
11. 99/9 Moo5 KhlongYong, Bhudhamontol, Nakhonpathom 73170, Thailand
12. No.73, Jiao Xin Road, Lanhe Town, Nansha District, Guangzhou City, 511480, China
13. 400 metres North from Nan Zhai Committee, Xifuzhen Street, Chengyang District, Qingdao City, 266106, China
14. 3322/5 1st fl. Bangkok Gem & Jewelry Tower, Surawong Road, Bangkok 10500, Thailand
15. Unit 1 Bridgeway Business Park, Cnr Sam Green Road and Pinnacle Close, Tunney Extension 9, Germiston 1401, South Africa
16. No.11 Niu Shi Pu Road, Liu Yue Committee, Heng Gang District, Shenzhen City, Guangdong Province, China

## 28. Share-based payment transactions

The Group has one share option scheme, the LTIP, the terms of which are outlined in the Directors' remuneration policy and report on pages 21, 22 and 27. The income statement non cash-impacting provision for the year, recognised in respect of share-based payments is £1,024,000 (2017: £601,000).

Grant date/ employees entitled	Method of settlement	Number of instruments	Vesting conditions	Contractual life of options
Options granted on 5th October, 2016 to Main Board Directors	Equity	576,000	For every 10% growth in TSR 28,800 shares will vest	Expiry date: 30th April, 2019

Awards entitle each holder to earn up to 1% of the share capital of the Company subject to the performance condition.

An award will vest and become exercisable over 0.05% of the share capital of the Company for every 10% increase in the TSR of the Company at the end of the three financial years ending on 30th April, 2019 with a base year of 2009 but excluding the growth already achieved up to 30th April, 2016.

	2018	2017
<b>Number of share options</b>		
Outstanding at beginning of year ...	<b>576,000</b>	-
Granted	-	576,000
Outstanding at end of year	<b>576,000</b>	576,000
Exercisable at end of year	-	-

The fair value of employee share options was measured by a Monte Carlo model. Measurement inputs and assumptions are as follows:

<b>Fair value at grant date</b>	<b>£2,661,667</b>
Share price at date of grant	<b>£22.20</b>
Exercise price	<b>£0.10</b>
Expected volatility	<b>20.0%</b>
Option life	<b>2.5 years</b>
Expected dividends	<b>1.91%</b>
Risk-free interest rate (based on national government bonds)	<b>0.08%</b>

The expected volatility is based on the historic volatility, calculated based on the weighted average remaining life of the share options, adjusted for any expected changes to future volatility due to publicly available information.

■ NOTES TO THE FINANCIAL STATEMENTS ■

**29. Alternative performance measures**

Measure	Method of calculation / reference	2018	2017
Operating profit (£'000)	Consolidated income statement, page 34	<b>13,580</b>	9,948
Capital employed (£'000)	Note 20 (d), page 62	<b>110,826</b>	117,981
<b>Return on capital employed %</b>	Operating profit / capital employed	<b>12.3</b>	8.4
Net debt (£'000)	Note 20 (d), page 62	<b>11,258</b>	28,545
Deferred consideration (£'000)	Note 20 (d), page 62	<b>500</b>	500
Net debt excluding deferred consideration (£'000)		<b>10,758</b>	28,045
Net assets attributable to equity holders of the parent (£'000)	Consolidated balance sheet, page 37	<b>99,568</b>	89,436
<b>Gearing (%)</b>	Net debt (excluding deferred consideration) / equity, as above	<b>10.8</b>	31.4
Net profit attributable to equity holders of the parent (£'000)	Consolidated balance sheet, page 37	<b>8,504</b>	6,082
Net assets attributable to equity holders of the parent (£'000)	Consolidated balance sheet, page 37	<b>99,568</b>	89,436
<b>Return on investment %</b>	Net profit / net assets	<b>8.5</b>	6.8
Revenue (£'000)	Consolidated income statement, page 34	<b>124,811</b>	131,587
Average number of employees	Note 4, page 48	<b>1,042</b>	1,154
<b>Sales per employee (£'000)</b>	Group revenue / average employees	<b>120</b>	114
Refractory division - operating profit including share of associates (£'000)	Note 2, page 46	<b>9,130</b>	5,933
Profit on sale of land (£'000)	Note 3, page 48	<b>(1,606)</b>	-
<b>Refractory division trading profit (£'000)</b>		<b>7,524</b>	5,933
Annual post tax profit (£'000)	Consolidated income statement, page 34	<b>9,435</b>	6,757
Depreciation (£'000)	Note 9, page 50	<b>5,243</b>	5,597
Amortisation (£'000)	Note 11, page 53	<b>1,138</b>	938
<b>Annual post tax profit before depreciation and amortisation (£'000)</b>		<b>15,816</b>	13,292

## GOODWIN PLC

### COMPANY BALANCE SHEET

at 30th April, 2018

	Notes	2018 £'000	2017 £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment ... ..	C4	28,697	23,200
Investment properties ... ..	C4	17,844	18,622
Investments ... ..	C5	20,950	22,084
Intangible assets ... ..	C6	2,859	1,140
		<b>70,350</b>	65,046
<b>CURRENT ASSETS</b>			
Other receivables ... ..	C7	31,262	46,748
Derivative financial assets ... ..		-	1,182
Cash at bank and in hand ... ..		56	58
		<b>31,318</b>	47,988
<b>TOTAL ASSETS</b> ... ..		<b>101,668</b>	113,034
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings ... ..	C8	12,442	9,517
Other payables ... ..	C9	12,699	3,796
Deferred consideration ... ..		500	500
Corporation tax ... ..		72	-
Derivative financial liabilities ... ..		-	871
		<b>25,713</b>	14,684
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings ... ..	C8	5,687	23,496
Deferred income ... ..		1,145	1,206
Deferred tax liabilities ... ..	C10	2,408	1,704
		<b>9,240</b>	26,406
<b>TOTAL LIABILITIES</b> ... ..		<b>34,953</b>	41,090
<b>NET ASSETS</b> ... ..		<b>66,715</b>	71,944
<b>EQUITY</b>			
Called up share capital ... ..	C11	720	720
Share-based payments reserve ... ..		1,625	601
Profit and loss account ... ..		64,370	70,623
<b>TOTAL EQUITY</b> ... ..		<b>66,715</b>	71,944
(Loss) / profit after tax for the year ... ..		<b>(3,204)</b>	2,681

These financial statements were approved by the Board of Directors on 26th July, 2018, and signed on its behalf by:

J. W. Goodwin  
Director

*John W. Goodwin*

R. S. Goodwin  
Director

*R. S. Goodwin*

Company Registration Number: 305907

## GOODWIN PLC

### COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th April, 2018

	Notes	Share capital £'000	Share-based payments reserve £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total equity £'000
<b>YEAR ENDED 30TH APRIL, 2018</b>						
Balance at 1st May, 2017	...	720	601	-	70,623	71,944
Total comprehensive income:						
Loss	C2	-	-	-	(3,204)	(3,204)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>						
		-	-	-	(3,204)	(3,204)
Equity-settled share-based payment transactions		-	1,024	-	-	1,024
Dividends paid		-	-	-	(3,049)	(3,049)
<b>BALANCE AT 30TH APRIL, 2018</b>		<b>720</b>	<b>1,625</b>	<b>-</b>	<b>64,370</b>	<b>66,715</b>
<b>YEAR ENDED 30TH APRIL, 2017</b>						
Balance at 1st May, 2016	...	720	-	(91)	70,991	71,620
Total comprehensive income:						
Profit	C2	-	-	-	2,681	2,681
Other comprehensive income:						
Net movements on cash flow hedges		-	-	91	-	91
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>						
		-	-	91	2,681	2,772
Equity-settled share-based payment transactions		-	601	-	-	601
Dividends paid		-	-	-	(3,049)	(3,049)
<b>BALANCE AT 30TH APRIL, 2017</b>		<b>720</b>	<b>601</b>	<b>-</b>	<b>70,623</b>	<b>71,944</b>



## C1 Accounting policies

### Principal accounting policies

These financial statements present information about the Company as an individual undertaking and not about its Group. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

### Basis of accounting

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

The amendments to FRS 101 (2015/16 Cycle) issued in July 2016 and effective immediately have been applied. 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.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 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.

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 Secretary, Goodwin PLC, Ivy House Foundry, Hanley, Stoke-on-Trent, ST1 3NR.

The Company is exempt under S408 (3) Companies Act 2006 from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS101 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 managements;
- The effects of new but not yet effective IFRSs;

As the consolidated financial statements of Goodwin PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS101 available in respect of certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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 25 of the Group financial statements.

### Measurement convention

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable Accounting Standards.

### Investment in subsidiary undertakings

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off for impairment.

### Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies 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 income statement within operating profit.

### 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:

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand including cash deposits with an original maturity of three months or less.

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 statement of cash flows.

#### 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 and the premium in the share premium reserve.

#### Recognition and valuation of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

#### Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at their fair value less attributable transaction costs. They are subsequently carried at their amortised cost and finance charges and are recognised in the income statement over the term of the instrument using an effective rate of interest.

**C1 Accounting policies (continued)**

**Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method where material.

**Derivative financial instruments and hedging**

*Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. 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. The Company being a non-trading holding company holds any such forward exchange contracts on behalf of its subsidiaries and as such any fair values on hand at the year end are accounted for through the respective inter company accounts.

**Intangible fixed assets and amortisation**

Manufacturing rights, brand names and customer lists purchased by the Company are amortised to nil by equal annual instalments over their estimated useful lives. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Amortisation rates are as follows:

Manufacturing rights ... ..	15 years
Brand names ... ..	now fully amortised
Software and licences ... ..	4 years
Intellectual property rights ... ..	now fully amortised
Non-compete agreements ... ..	15 years
Capitalised development costs ... ..	Minimum expected order unit intake or minimum product life

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated 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, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment on the following bases:

Freehold land ... ..	Nil
Freehold buildings ... ..	2% to 4% on reducing balance or cost
Leasehold property ... ..	over period of lease
Plant and machinery ... ..	5% to 25% on reducing balance or cost
Motor vehicles ... ..	15% or 25% on reducing balance
Tooling ... ..	over estimated production life
Fixtures and fittings ... ..	15% to 25% on reducing balance

Assets in the course of construction are not depreciated.

**Investment properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of investment properties which is typically 25 years.

**Government grants**

Government grants relating to income are recognised in the income statement 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.

**Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**C1 Accounting policies (continued)**

**Leases**

*Operating lease payments*

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

*Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. 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.

**Financial expenses**

Financial expenses comprise interest payable, interest on finance leases using the effective interest method and the unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest income and interest payable is recognised in the income statement as it accrues.

**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 income statement 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 there was one month's contributions outstanding, which were paid in the following month.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement 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.

**Share-based payment transactions**

Share-based payment arrangements, in which the Company receives goods or services as consideration for its own equity instruments, are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted.

**C2 Result for the financial year**

Included in the (loss) / profit before taxation are the following charges:

	2018 £'000	2017 £'000
Impairment of amounts due from Group undertakings ... ..	8,040	-
Impairment of investments in subsidiary companies (see note C5) ... ..	1,134	1,147
Fees receivable by the auditors and the auditor's associates in respect of:		
Audit of these financial statements ... ..	18	16

Amounts paid to the Company's auditor in respect of service 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 (see note 3 of the Group accounts).

The impairment of amounts due from Group undertakings are £4,000,000 (2017: £Nil) in respect of Goodwin Steel Castings Limited, and £4,040,000 (2017: £Nil) in respect of Goodwin Valve and Pump Company Limited.

## ■ NOTES TO THE FINANCIAL STATEMENTS ■

### C3 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	
										2018	2017
Administration staff	...	...	...	...	...	...	...	...	...	49	49
										<b>2018</b>	<b>2017</b>
The aggregate payroll costs of these persons were as follows:										<b>£'000</b>	<b>£'000</b>
Wages and salaries	...	...	...	...	...	...	...	...	...	3,470	3,197
Social security costs	...	...	...	...	...	...	...	...	...	373	392
Other pension costs	...	...	...	...	...	...	...	...	...	99	101
										<b>3,942</b>	<b>3,690</b>

Details of the Directors' remuneration can be found within the Directors Remuneration Report on page 26. The emoluments of the highest paid Director were £385,000 (2017: £368,000). The emoluments included Company pension contributions of £11,000 (2017: £11,000) which were made to a defined contribution scheme on his behalf. The number of Directors, who were members of a defined contribution pension scheme, was 8 (2017: 8).

A charge of £1,024,000 for the LTIP (2017: £601,000) has been recognised in the year, but not included in the above table. Further information is contained in note 28 of the Group financial statements.

### C4 Tangible fixed assets

	Investment properties	Property, Plant and Equipment				Total
	£'000	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Assets in course of construction £'000	
<b>Cost</b>						
Balance at 1st May, 2017	21,966	1,166	25,487	1,583	6,074	34,310
Additions	-	-	451	10	6,419	6,880
Reclassifications	(39)	-	1,339	-	(1,300)	39
Disposals	(35)	-	-	-	-	-
Intercompany transfers	-	-	(42)	-	-	(42)
<b>Balance at 30th April, 2018</b>	<b>21,892</b>	<b>1,166</b>	<b>27,235</b>	<b>1,593</b>	<b>11,193</b>	<b>41,187</b>
<b>Depreciation</b>						
Balance at 1st May, 2017	3,344	603	9,624	883	-	11,110
Charged in year	661	21	1,287	122	-	1,430
Reclassifications	43	-	(43)	-	-	(43)
Intercompany transfers	-	-	(7)	-	-	(7)
<b>Balance at 30th April, 2018</b>	<b>4,048</b>	<b>624</b>	<b>10,861</b>	<b>1,005</b>	<b>-</b>	<b>12,490</b>
<b>Net book value</b>						
At 30th April, 2017	18,622	563	15,863	700	6,074	23,200
<b>At 30th April, 2018</b>	<b>17,844</b>	<b>542</b>	<b>16,374</b>	<b>588</b>	<b>11,193</b>	<b>28,697</b>

The Company's investment properties have been valued using the cost model and depreciated over their estimated useful lives – typically 25 years. In the opinion of the Directors, the fair value of the investment properties as at 30th April, 2018 was in the region of £38 million (2017: £36 million). Fair value for this purpose is based on Level 3 fair value inputs and, specifically, the Directors' opinion as to the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction given a reasonable timeframe in which to conclude such an exchange.

■ NOTES TO THE FINANCIAL STATEMENTS ■

						Shares in associated undertakings £'000	Shares in Group undertakings £'000	Total £'000
<b>C5</b>	<b>Fixed asset investments</b>							
	<b>Cost</b>							
	Balance at 1st May, 2017	...	...	...	...	307	25,455	25,762
	Disposals	...	...	...	...	-	(212)	(212)
	<b>Balance at 30th April, 2018</b>					<b>307</b>	<b>25,243</b>	<b>25,550</b>
	<b>Impairment</b>							
	Balance at 1st May, 2017	...	...	...	...	-	3,678	3,678
	Impairment during the year	...	...	...	...	-	1,134	1,134
	Disposals	...	...	...	...	-	(212)	(212)
	<b>Balance at 30th April, 2018</b>					<b>-</b>	<b>4,600</b>	<b>4,600</b>
	<b>Net book value</b>							
	At 30th April, 2017	...	...	...	...	307	21,777	22,084
	<b>At 30th April, 2018</b>					<b>307</b>	<b>20,643</b>	<b>20,950</b>

A list of principal subsidiaries and associates is given in note 10 and a list of non-principal subsidiaries and associates is given in note 26 of the Group financial statements. The impairment is in respect of Goodwin Valve and Pump Company Limited.

		Brand names and Customer list £'000	Manu- facturing rights £'000	Intellectual property rights and Non- complete £'000	Software and Licences £'000	Develop- ment costs £'000	Total £'000
<b>C6</b>	<b>Intangible fixed assets</b>						
	<b>Cost</b>						
	Balance at 1st May, 2017	880	827	1,118	114	300	3,239
	Additions	-	-	-	6	89	95
	Intercompany transfers	-	-	-	-	1,741	1,741
	<b>Balance at 30th April, 2018</b>	<b>880</b>	<b>827</b>	<b>1,118</b>	<b>120</b>	<b>2,130</b>	<b>5,075</b>
	<b>Amortisation</b>						
	Balance at 1st May, 2017	880	534	639	46	-	2,099
	Amortisation for the year	-	54	34	29	-	117
	<b>Balance at 30th April, 2018</b>	<b>880</b>	<b>588</b>	<b>673</b>	<b>75</b>	<b>-</b>	<b>2,216</b>
	<b>Net book value</b>						
	At 30th April, 2017	-	293	479	68	300	1,140
	<b>At 30th April, 2018</b>	<b>-</b>	<b>239</b>	<b>445</b>	<b>45</b>	<b>2,130</b>	<b>2,859</b>

		2018 £'000	2017 £'000
<b>C7</b>	<b>Debtors</b>		
	Amounts owed by Group undertakings – due within one year	23,928	43,080
	Amounts owed by Group undertakings – due after more than one year	6,505	2,726
	Other debtors	410	484
	Prepayments and accrued income	419	458
		<b>31,262</b>	<b>46,748</b>

## ■ NOTES TO THE FINANCIAL STATEMENTS ■

### C8 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing bank loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 20 of the Group financial statements.

	2018 £'000	2017 £'000
<b>Non-current liabilities</b>		
Finance lease liabilities ... ..	1,687	2,496
Bank loans and committed facilities ... ..	4,000	21,000
	<b>5,687</b>	<b>23,496</b>
<b>Current liabilities</b>		
Finance lease liabilities ... ..	812	789
Bank loans and committed facilities ... ..	7,000	2,000
Bank overdrafts ... ..	4,630	6,728
	<b>12,442</b>	<b>9,517</b>

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018			2017		
	Minimum lease payments £'000	Interest £'000	Principal £'000	Minimum lease payments £'000	Interest £'000	Principal £'000
Less than one year	872	60	812	872	83	789
Between one and five years	1,737	50	1,687	2,607	111	2,496
	<b>2,609</b>	<b>110</b>	<b>2,499</b>	<b>3,479</b>	<b>194</b>	<b>3,285</b>

### C9 Other Payables

	2018 £'000	2017 £'000
Trade payables... ..	1,024	1,053
Amounts owed to Group undertakings... ..	11,095	2,252
Other taxation and social security ... ..	239	201
Accruals and deferred income ... ..	341	290
	<b>12,699</b>	<b>3,796</b>

### C10 Provisions for liabilities

	2018 £'000
<b>Deferred taxation</b>	
Balance at 1st May, 2017 ... ..	1,704
Debit to the profit and loss for the year ... ..	408
Balances transferred from group companies ... ..	296
<b>Balance at 30th April, 2018</b> ... ..	<b>2,408</b>

The elements of deferred taxation are as follows:

	2018 £'000	2017 £'000
Difference between accumulated depreciation and amortisation and capital allowances ... ..	2,410	1,706
Other temporary differences ... ..	(2)	(2)
	<b>2,408</b>	<b>1,704</b>

Within the current and previous year, the Company has no unrelieved tax losses.

The Finance Act 2016, which included legislation, reducing the main rate of corporation tax from 20% to 19% from 1st April, 2017 and to 17% from 1st April, 2020, was fully enacted on 15th September, 2016. The deferred tax liability at 30th April 2017 and 2018 has been calculated based on these rates.

**C11 Called up share capital**

	2018 £'000	2017 £'000
<b>Authorised, allotted, called up and fully paid:</b>		
7,200,000 ordinary shares of 10p each ... ..	720	720

**C12 Contingent liabilities**

The Company is jointly and severally liable for value added tax due by other members of the Group amounting to £Nil (2017: £Nil).

**C13 Related Party Transactions**

Transactions and balances with Group undertakings are summarised below:

	2018 £'000	2017 £'000
Amounts due from Group undertakings ... ..	30,433	45,806
Amounts due to Group undertakings ... ..	(11,095)	(2,252)

Transactions with Group undertakings comprise loan movements, management charges and dividend receipts.

*Compensation of key management personnel*

Key management personnel are defined in the Directors' Remuneration Report on page 25, and their remuneration is disclosed on pages 25 and 26 of the Group Financial Statements. All the Executive Directors are party to a long-term incentive plan (LTIP). Further details of the LTIP can be found in note 28 of the Group Financial Statements.

**C14 Commitments**

Contracted capital commitments at 30th April, 2018 for which no provision has been made in these financial statements were £1,484,000 (2017: £1,733,000).

**C15 Subsequent events**

Apart from the dividends declared of £6,010,056 which have not been provided for within these financial statements, no significant events have occurred after the balance sheet date.

**C16 Dividends**

	2018 £'000	2017 £'000
Paid ordinary dividends during the year in respect of prior years		
42.348p (2017: 42.348p) per qualifying ordinary share ... ..	3,049	3,049

After the balance sheet date an ordinary dividend of 83.473p per qualifying ordinary share was proposed by the Directors (2017: Ordinary dividend of 42.348p).

The proposed current year ordinary dividend of £6,010,056 has not been provided for within these financial statements (2017: Proposed ordinary dividend of £3,049,000 was not provided for).

**C17 Accounting estimates and judgements**

The material accounting estimates and judgements for the Company follow that of the Group which have been considered in note 25 on page 65 of the Group financial statements.

**C18 Share-based payment transactions**

Details of the equity-settled share-based payment transactions are disclosed in note 28 on page 67 of the Group Financial Statements.

■ FIVE YEAR FINANCIAL SUMMARY ■

								2014	2015	2016	2017	2018
								£'000	£'000	£'000	£'000	£'000
<i>Continuing operations</i>												
Revenue...	...	...	...	...	...	...	...	130,828	127,049	123,539	131,587	<b>124,811</b>
Profit before taxation	...	...	...	...	...	...	...	24,095	20,053	12,314	9,244	<b>13,300</b>
Tax on profit	...	...	...	...	...	...	...	(4,448)	(4,601)	(3,376)	(2,487)	<b>(3,865)</b>
Profit after taxation	...	...	...	...	...	...	...	19,647	15,452	8,938	6,757	<b>9,435</b>
Basic and diluted earnings per ordinary share							...	264.38p	208.68p	122.75p	84.47p	<b>118.11p</b>
Total equity	...	...	...	...	...	...	...	77,570	86,522	90,117	93,661	<b>104,827</b>