Goodwin International Limited

Annual report and financial statements

Registered number 468115

30 April 2016

Contents

Strategic report

PRINCIPAL ACTIVITY

The principal activity of the Company is mechanical engineering.

REVIEW OF THE COMPANY'S BUSINESS

The Company'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 Company's strategy to achieve this is to:
• supply a range of technically advanced products to growth markets in mechanical engineering in which we have built up a global reputation for engineering excellence, quality, efficiency, reliability, price and delivery;
• manufacture advanced technical products safely, profitably, efficiently, and economically;
• maintain an ongoing programme of investment in plant, facilities, health and safety, sales and marketing, research and development which sets us apart from the mainstream of engineering product suppliers by enabling us to provide larger products with better assured quality and consistency whilst also allowing us to increase efficiency, reduce costs, and increase our overall performance, thus enabling us to deliver better products for our customers, expand our global customer base and keep us at the forefront of technology within our markets;

Allied to this strategy is the need to:
• control our working capital and investment programme to ensure a safe level of gearing;
• maintain an adequate capital base to retain investor, customer, creditor and market confidence and so help sustain future development of the business;
• support a local presence and a local workforce;
• invest in training and development of skills for the Company's future.

BUSINESS MODEL

The Company's focus is on manufacturing and mechanical engineering. Market diversity is achieved by supplying internationally to the energy industry including oil, gas, and LNG. Other markets include exploration and petrochemical and water treatment. The mechanical engineering products produced include a wide range of dual plate and axial nozzle check valves to serve the oil, petrochemical, gas, and LNG markets. The Company creates value by 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.

The Company targets the UK defence industry as a specific market sector where very high CNC machining accuracy, and stringent quality control is essential and the Company has and continues to invest in this area in order to become a key supplier in years to come. Fabrication also forms part of this activity which all things being equal should provide a continuous and solid base workload and help provide a balance to the oil & gas industries that run in cycles.

The Company designs and develops electrical submersible pumps and supports overseas sister companies which manufacture and sell these products in India, China, Brazil and Australia.

For its sister company, Easat Radar Systems Ltd, the Company also builds bespoke high-performance radar antennas for the global market of major defence contractors, civil aviation authorities and border security agencies. Value is created by innovative design and assembly using bought in or engineered in-house components.

Further details of our business and products are shown on our website www.goodwin.co.uk/2016.

Strategic Report *(continued)*

REVIEW OF THE YEAR

The Company's pre-tax profit was £10.7m (2015: £12.9m) down 16.9%. This was a result of the decreased order input from the oil and gas industry reported on last year. In the new financial year we expcct there to be a further reduction in business activity in the oil and gas industry and, as such, despite now winning new marine propulsion business, the activity level and profits will be further reduced in the coming year.

The results for the year are summarised as follows:

	2016	2015
	£	£
Turnover	**61,105,366**	66,519,063
Profit on ordinary activities before taxation	**10,701,954**	12,872,906
Tax on profit on ordinary activities	**(2,076,509)**	(2,207,795)
Profit for the financial year	**8,625,445**	10,665,111

PRINCIPAL RISKS AND UNCERTAINTIES

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

Market risk:

The Company provides a range of products and services, and there is a risk that the demand for these products and services will vary from time to time because of competitor action or economic cycles or international trade friction or even wars. As shown in note 2 to the financial statements, the Company 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. The potential risk of the loss of any key customer is limited as, typically, no single customer accounts for more than 10% of turnover.

Technical risk:

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

Product failure/Contractual risk:

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

Strategic report *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Health and safety:

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

Financial risk:

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

Regulatory compliance:

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

KEY PERFORMANCE INDICATORS

The Company used a number of financial measures to monitor progress against strategies and corporate objectives. The main key performance indicators are order input, gross profit and profit before tax. In addition to financial measures, the Board also monitors the Company's employee and environmental matters.

	2016	2015
Order input	**£54.0m**	£54.6m
Gross profit	**£15.4m**	£19.0m
Profit before tax	**£10.7m**	£12.9m

ENVIRONMENTAL POLICY

The Company is committed to adopting a responsible approach to environmental matters and is acutely aware of its CO_2 emissions which are kept as low as possible.

EMPLOYEE CONSULTATION

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

Strategic report *(continued)*

EMPLOYMENT OF DISABLED PERSONS

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

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

R.S. Goodwin
Chairman

Ivy House Foundry
Hanley
Stoke on Trent
ST1 3NR
28 November 2016

Directors' report

Proposed dividend

During the year, the Company paid an interim dividend of £8.0 million *(2015: £10.0 million)*. The Directors do not recommend the payment of a final dividend *(2015: £Nil)*

Directors

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

R.S. Goodwin	(Chairman)
M.S. Goodwin	(Managing Director)
J.W. Goodwin	
N. Brown	
K. Jenkins	
P.M. Root	

Political contributions

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

Disclosure of information to auditor

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

Auditor

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

By order of the Board

R.S. Goodwin
Chairman

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

28 November 2016

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the members of Goodwin International Limited

We have audited the financial statements of Goodwin International Limited for the year ended 30 April 2016 set out on pages 9 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Simon Purkess (Senior Statutory Auditor) 28th November 2016

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snow Hill
Snow Hill Queensway
Birmingham
B4 6GH

Profit and Loss Account
for the year ended 30 April 2016

	Note	**2016**	2015
		£	£
Turnover	*2*	**61,105,366**	66,519,063
Cost of sales		**(45,748,960)**	(47,533,717)
Gross profit		**15,356,406**	18,985,346
Distribution costs		**(968,466)**	(1,425,825)
Administrative expenses		**(3,677,884)**	(4,676,622)
Operating profit		**10,710,056**	12,882,899
Interest payable and similar charges	*6*	**(8,102)**	(9,993)
Profit on ordinary activities before taxation	*3*	**10,701,954**	12,872,906
Tax on profit on ordinary activities	*7*	**(2,076,509)**	(2,207,795)
Profit for the financial year		**8,625,445**	10,665,111

The notes on pages 13 to 33 form part of these financial statements.

Statement of Comprehensive Income
for the year ended 30 April 2016

	2016 £	2015 £
Profit for the year	**8,625,445**	10,665,111
Other comprehensive income / (expense)		
Items that may be reclassified subsequently to the profit and loss account:		
Effective portion of changes in fair value of cash flow hedges	**(95,722)**	796,604
Change in fair value of cash flow hedges transferred to the profit and loss account	**792,941**	(1,029,555)
Tax charge on items that may be reclassified subsequently to the profit and loss account	**(123,531)**	46,590
Other comprehensive income / (expense) for the year, net of income tax	**573,688**	(186,361)
Total comprehensive income for the year	**9,199,133**	10,478,750

The notes on pages 13 to 33 form part of these financial statements.

Balance Sheet
at 30 April 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Intangible assets	*8*		**593,873**		-
Tangible assets	*9*		**6,486,572**		6,410,368
Investments	*10*		**97,500**		97,500
			7,177,945		6,507,868
Current assets					
Stocks	*11*	**13,985,078**		14,715,233	
Debtors	*12*	**14,665,424**		15,436,662	
Derivative financial assets		**879,419**		695,056	
Cash at bank and in hand		**2,463**		-	
		29,532,384		30,846,951	
Creditors: amounts falling due within one year	*13*	**(31,735,666)**		(33,126,048)	
Derivative financial liabilities		**(51,252)**		(624,708)	
		(31,786,918)		(33,750,756)	
Net current (liabilities) / assets			**(2,254,534)**		(2,903,805)
Total assets less current liabilities			**4,923,411**		3,604,063
Creditors: amounts falling due after more than one year	*14*		**(182,410)**		(251,342)
Provisions for liabilities and deferred tax liabilities	*16*		**(561,611)**		(372,464)
Net assets			**4,179,390**		2,980,257
Capital and reserves					
Called up share capital	*17*		**1,220,000**		1,220,000
Cash flow hedge			**652,458**		78,770
Profit and loss account			**2,306,932**		1,681,487
Shareholder's funds			**4,179,390**		2,980,257

The notes on pages 13 to 33 form part of these financial statements.

These financial statements were approved by the board of directors on 28 November 2016 and were signed on its behalf by:

R.S. Goodwin
Chairman

M.S. Goodwin
Director

Company registered number: 468115

Statement of Changes in Equity

	Share capital £	Cash Flow Hedge reserve £	Profit and loss account £	Total equity £
Balance at 1 May 2014	1,220,000	265,131	1,016,376	2,501,507
Profit for the period	-	-	10,665,111	10,665,111
Other comprehensive income	-	(186,361)	-	(186,361)
Dividends on ordinary shares	-	-	(10,000,000)	(10,000,000)
Balance at 30 April 2015	1,220,000	78,770	1,681,487	2,980,257
Balance at 1 May 2015	1,220,000	78,770	1,681,487	2,980,257
Profit for the period	-	-	8,625,445	8,625,445
Other comprehensive income	-	573,688	-	573,688
Dividends on ordinary shares	-	-	(8,000,000)	(8,000,000)
Balance at 30 April 2016	1,220,000	652,458	2,306,932	4,179,390

The notes on pages 13 to 33 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Goodwin International Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 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 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 23.

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

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

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

As the consolidated financial statements of Goodwin PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

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 and in preparing an opening FRS 101 IFRS balance sheet at 1 May 2014 for the purposes of the transition to FRS 101.

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 22.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

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

1.2 Going concern

Although the Company has net current liabilities of £2,254,534 (2015: £2,903,805), after making enquiries into the future trading forecasts and cash requirements, the Directors have formed a judgement that, at the time of approving the financial statements, the Company has adequate resources to meet its obligations and continue in operational existence for the foreseeable future.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Group's centralised treasury arrangements and so, where appropriate, shares banking arrangements with its parent and fellow subsidiaries.

The Directors, having assessed the responses of the Directors of the Company's parent, Goodwin PLC, to their enquiries, have no reason to believe that a material uncertainty exists, which may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

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

1.3 Foreign currency

Transactions in foreign currencies are translated to the 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.

1.4 Non-derivative financial instruments

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

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The fair value of forward exchange contracts is equal to the present value of the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. 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.

1.6 Tangible fixed assets

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

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

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 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 less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a reducing balance basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The depreciation rates are as follows:

- buildings 4% – 15%
- plant and equipment 15% – 25%
- fixtures and fittings 15% – 25%

Notes (continued)

1 Accounting policies *(continued)*

1.7 Intangible assets

Research and development

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

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

Other intangible assets

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

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

Amortisation

Amortisation is charged to the profit and loss account 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 for capitalised development costs are based on the minimum expected minimum product life.

1.8 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.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the stocks and in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

1 Accounting policies *(continued)*

1.10 Impairment excluding stocks and deferred tax assets

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

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.

Reversals of impairment

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

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

1.11 Pension costs

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

1.12 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.

1.13 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business 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 Company 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 Company.

Notes (continued)

1 Accounting policies *(continued)*

1.14 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.

1.15 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.

1.16 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.

2 Turnover

Turnover represents the total sales for the year including sales to Group undertakings, analysed by geographical destination as follows:

	2016	2015
	£	£
UK	**20,613,945**	12,350,331
Rest of Europe	**10,641,005**	13,169,363
USA	**5,041,706**	5,713,296
Pacific Basin	**15,564,200**	24,576,907
Rest of World	**9,244,510**	10,709,166
	61,105,366	66,519,063

Notes *(continued)*

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016	2015
	£	£
Depreciation of tangible fixed assets		
- owned	**937,196**	896,476
- leased	**34,317**	34,113
(Profit) / loss on disposal of tangible fixed assets	**(3,378)**	7,625
Research and development expenses	**103,807**	686,970
Receipt of Government grants related to income, received against associated costs	**(222,115)**	(424,735)

Auditor's remuneration:

	2016	2015
	£	£
Auditor's remuneration and expenses - audit services	**20,964**	20,352

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

Notes *(continued)*

4 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	
	2016	2015
Works personnel	**343**	341
Administrative staff	**64**	64
	407	405

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£	£
Wages and salaries	**13,260,691**	13,896,430
Social security costs	**1,321,477**	1,427,151
Pension costs	**378,779**	393,402
	14,960,947	15,716,983

5 Directors' remuneration

	2016	2015
	£	£
Aggregate Director's remuneration:		
Emoluments	**654,156**	622,263
Company contributions to money purchase pension schemes	**17,834**	16,639
	671,990	638,902
Number of Directors who are:		
Members of money purchase pension schemes	**5**	5
Highest paid Director:		
Emoluments and benefits in kind	**168,202**	185,747
Company contributions to money purchase pension schemes	**4,843**	4,948
	173,045	190,695

Notes *(continued)*

6 Interest payable and similar charges

	2016	2015
	£	£
Bank & other interest	**1,874**	1,962
Finance lease interest	**6,228**	8,031
	8,102	9,993

7 Taxation

Recognised in the profit and loss account

		2016		2015
	£	**£**	£	£
UK corporation tax				
Current year	**2,034,394**		2,092,089	
Adjustment in respect of prior years	**(12,030)**		41,577	
Total current tax		**2,022,364**		2,133,666
Deferred taxation (see note 16)				
Origination and reversal of timing differences	**102,338**		73,663	
Adjustment in respect of prior years	**(14,380)**		466	
Change in tax rate	**(33,813)**		-	
Total deferred tax		**54,145**		74,129
Tax on profit on ordinary activities		**2,076,509**		2,207,795

Notes *(continued)*

7 Taxation *(continued)*

	2016	2015
	£	£
Reconciliation of effective tax rate		
Profit for the year	**8,625,445**	10,665,111
Total tax expense	**2,076,509**	2,207,795
Profit excluding taxation	**10,701,954**	12,872,906
Tax using the UK corporation tax rate of 20% (2015: 20.92%)	**2,140,391**	2,692,730
Patent box tax credit	**-**	(534,610)
Non-deductible expenses / (non taxable income)	**7,712**	11,020
Under / (over) provided in previous years	**(26,410)**	42,043
Effect of rate changes for deferred tax	**(33,813)**	-
Difference in corporation and deferred tax rates	**(11,371)**	(3,388)
	2,076,509	2,207,795

Reconciliation of effective tax rate

Reductions in the UK Corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability at 30 April 2016 has been calculated based on these rates.

8 Intangible assets

	Development costs
	£
Cost	
Additions	593,873
	593,873
Net book value	
At 30 April 2015	-
At 30 April 2016	593,873

The current year addition relates to the development of a new check valve range. Amortisation will be charged over the expected minimum product life.

Notes *(continued)*

9 Tangible fixed assets

	Leasehold buildings £	Plant & machinery £	Fixtures & fittings £	Total £
Cost				
At beginning of year	964,790	10,840,435	1,043,822	12,849,047
Additions	2,048	999,142	43,481	1,044,671
Disposals	-	(24,532)	-	(24,532)
Transferred intra group	-	8,867	-	8,867
At end of year	966,838	11,823,912	1,087,303	13,878,053
Depreciation				
At beginning of year	177,077	5,855,774	405,828	6,438,679
Charged in the year	21,256	817,537	132,720	971,513
Disposals	-	(18,711)	-	(18,711)
At end of year	198,333	6,654,600	538,548	7,391,481
Net book value				
At 30 April 2015	787,713	4,984,661	637,994	6,410,368
At 30 April 2016	**768,505**	**5,169,312**	**548,755**	**6,486,572**

Leased plant and machinery

At year end the net carrying amount of leased plant and machinery was £194,464 *(2015:£193,306).*

The leased equipment secures lease obligations (see note 15).

Notes *(continued)*

10 Fixed asset investments

	Fellow subsidiary company £
Cost & net book value	
At the beginning and end of the year	97,500

The investment represents a 5% shareholding in the ordinary shares of Goodwin Valve and Pump Company Limited, a fellow subsidiary company, incorporated in Brazil, whose principal activity is selling submersible pumps. The remaining 95% is held by Goodwin PLC.

11 Stocks

	2016 £	2015 £
Raw materials and consumables	**6,123,711**	7,381,223
Work in progress	**12,465,415**	15,424,329
Payments on account	**(4,604,048)**	(8,090,319)
	13,985,078	14,715,233

12 Debtors

	2016 £	2015 £
Trade debtors	**11,710,622**	12,112,035
Amounts owed by group undertakings:		
- fellow subsidiary undertakings	**2,450,617**	2,714,447
Other debtors	**80,189**	371,338
Prepayments and accrued income	**423,996**	238,842
	14,665,424	15,436,662

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2016	2015
	£	£
Bank overdraft	**11,089**	72,862
Obligations under finance lease agreements	**53,511**	52,207
Payments received on account	**3,126,404**	2,218,698
Trade creditors	**6,627,483**	6,832,247
Amounts owed to group undertakings:		
- parent company	**17,489,170**	14,682,543
- fellow subsidiary undertakings	**2,080,144**	4,231,657
Corporation tax	**848,343**	1,889,665
Other creditors including taxation and social security	**888,692**	783,661
Accruals and deferred income	**610,830**	2,362,508
	31,735,666	33,126,048

14 Creditors: amounts falling after more than one year

	2016	2015
	£	£
Obligations under finance lease agreements	**95,019**	148,529
Deferred income - capital grants	**87,391**	102,813
	182,410	251,342

Notes *(continued)*

15 Interest-bearing loans and borrowings

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

Terms and debt repayment schedule
The finance leases are repayable by instalment, with the final instalment being due in December 2018. The interest rate is 3.53%.

	2016	2015
	£	£
Creditors falling due after more than one year		
Finance lease liabilities	**95,019**	148,529
Creditors falling due within one year		
Finance lease liabilities	**53,511**	52,207

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2016	Minimum lease payments 2015
	£	£
Less than one year		
Minimum lease payments	**57,891**	58,461
Interest	**4,380**	6,254
Principal	**53,511**	52,207
Between one and five years		
Minimum lease payments	**97,972**	155,862
Interest	**2,953**	7,333
Principal	**95,019**	148,529
Total finance lease liabilities		
Minimum lease payments	**155,863**	214,323
Interest	**7,333**	13,587
Principal	**148,530**	200,736

Notes *(continued)*

16 Deferred tax assets and liabilities

Recognised deferred tax liabilities

	2016	2015
	£	£
Tangible fixed assets		
Opening balance	**358,394**	284,265
Movement in the year - recognised in income	**54,145**	74,129
Closing balance	**412,539**	358,394
Deriviative financial assets		
Opening balance	**14,070**	47,189
Movement in the year - recognised in income	**11,470**	13,471
Movement in the year - recognised in equity	**123,532**	(46,590)
Closing balance	**149,072**	14,070
Total		
Opening balance	**372,464**	331,454
Movement in the year - recognised in income	**65,615**	87,600
Movement in the year - recognised in equity	**123,532**	(46,590)
Closing balance	**561,611**	372,464

17 Capital and reserves

Share capital

	2016	2015
	£	£
Allotted, called up and fully paid		
1,220,000 ordinary shares of £1 each	**1,220,000**	1,220,000
Shares classified in shareholders' funds	**1,220,000**	1,220,000

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

Notes *(continued)*

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£	£
Less than one year	**48,000**	48,000

The total recognised as an expense in the profit and loss account in respect of operating leases was as follows:

	2016	2015
	£	£
Rental of premises	**48,000**	48,000
Short term plant hire	**64,210**	96,449
	112,210	144,449

19 Contingencies

The Company is jointly and severally liable for value added tax due by other members of the Group amounting to £Nil *(2015: £Nil)*.

At the year end, the Company had entered into performance bonds in the normal course of business. The details are:

	2016	2015
	Number	Number
Number of contracts	**338**	369
	£	£
Value of performance bonds	**11,278,141**	12,908,636

Notes *(continued)*

20 Related parties

As a wholly owned subsidiary, the Company has applied the exemptions available under FRS101 in respect of the disclosure of transactions with its parent company, Goodwin PLC, and fellow subsidiary companies.

Fellow, non wholly owned subsidiary companies

The Company has transacted with the following entities:

Easat Radar Systems Limited

Internet Central Limited

Perfect Audio Visual Limited

JSR Technology

	Sales of goods and services		Purchases of goods and services	
	2016	2015	**2016**	2015
	£	£	**£**	£
Fellow, non wholly owned subsidiaries	**2,264,175**	2,256,732	**146,410**	11,192

	Recharges of goods and services	
	2016	2015
	£	£
Fellow, non wholly owned subsidiaries	**61,882**	104,169

	Debtors outstanding		Creditors outstanding	
	2016	2015	**2016**	2015
	£	£	**£**	£
Fellow, non wholly owned subsidiaries	**425,853**	204,626	**56,874**	231,981

21 Ultimate parent company

The Company is a subsidiary undertaking of Goodwin PLC which is the ultimate parent company incorporated in Great Britain.

Notes *(continued)*

22 Accounting estimates and judgements

Recoverability of assets / impairment calculations
The Directors review the appropriateness of the carrying value of the Company's fixed and current assets.
With regards to plant and equipment, the Directors consider that the depreciation rates applied are sufficient, taking into account both the expected lifespan of the plant and equipment and also the demand in the marketplace for the goods the plant produces.
With regard to current assets, the Directors look at the carrying values as stated in the balance sheet and make full provision for any assets on which there is a high degree of probability that full conversion of such assets into cash is unlikely.

Revenue recognition
The Directors are aware of the stringent requirements of IAS 18, which deals with revenue recognition. The Company's sales are made under a wide variety of commercial terms and so particular effort is needed to ensure that sales are recognised within the accounts only when to do so is in accordance with the accounting standard.

23 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.
The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 April 2016, the comparative information presented in these financial statements for the year ended 30 April 2015 and in the preparation of an opening FRS 101 balance sheet at 1 May 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.