# GOODWIN PLC

IVY HOUSE FOUNDRY, HANLEY, STOKE-ON-TRENT

INTERIM REPORT

31st OCTOBER 2018

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
## for the half year ended 31st October 2018

## CHAIRMAN'S STATEMENT

I am pleased to report that the pre-tax profit for the Group for the six month period ending 31st October 2018 was £7.8 million (2017 £6.1 million) an increase of 28% from a revenue of £67.5 million, which increased by 9%.

The current work load as at 31st October 2018 stands at £99 million, as compared to £84 million twelve months ago. The Group order book continues to improve not only in quantity but also in quality of earnings, both on the Mechanical Engineering side of the business and the Refractory Engineering side. The oil and gas order input is stable and the increase on the Mechanical Engineering side of the business relates to the new markets this division has been targeting, such as naval shipbuilding and nuclear waste reprocessing.

The order backlog represents about eight months of activity at current activity levels. Prior to the end of the first half of the calendar year 2019 the Group expects to win some substantial orders that will allow the Group activity level to take a step forward.

We recently replaced an existing Barclays' long-term (5 year) banking agreement by moving to HSBC. HSBC is now one of our two main bankers along with Lloyds. The package was on better terms.

Our Group employee numbers have started growing again and this is complemented by another group of 25 apprentices having started in September 2018. Our best weapon in times of shortage of skilled labour has always been to train our own people through our own in-house apprenticeship schemes.

J. W. Goodwin
Chairman 18th December 2018

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
## for the half year ended 31st October 2018

### Management report

**Financial Highlights**

| Consolidated Results | **Unaudited Half Year to 31st October 2018 £'m** | Unaudited Half Year to 31st October 2017 £'m | Audited Year Ended 30th April 2018 £'m |
|---|---|---|---|
| Revenue | **67.5** | 61.9 | 124.8 |
| Operating profit | **7.8** | 6.4 | 13.6 |
| Profit before tax | **7.8** | 6.1 | 13.3 |
| Profit after tax | **5.7** | 4.5 | 9.4 |
| Capital Expenditure | **5.7** | 4.0 | 9.4 |
| Earnings per share – basic | **74.90p** | 58.38p | 118.11p |
| Earnings per share – diluted | **73.44p** | 58.38p | 118.11p |

**Turnover**

Sales revenue of £67,548,000 for the half year represents a 9% increase from the £61,893,000 achieved during the same period last year.

**Profit Before Tax**

Profit before tax for the six months of £7,804,000 is up 28% from the £6,108,000 achieved for the same six month period last year.

**Key performance indicators**

The key performance indicators for the business are listed below:

| | **Unaudited Half Year to 31st October 2018** | Unaudited Half Year to 31st October 2017 | Audited Year Ended 30th April 2018 |
|---|---|---|---|
| Gross profit as a % of turnover | **29.5** | 27.7 | 28.6 |
| Profit before tax (in £ millions) | **7.8** | 6.1 | 13.3 |
| Gearing % (excluding deferred consideration) | **12.0** | 29.4 | 10.8 |
| Depreciation (in £ millions) | **2.8** | 2.6 | 5.2 |
| Amortisation (in £ millions) | **0.5** | 0.6 | 1.1 |
| Equity-settled share-based provision (in £ millions) | **0.5** | 0.5 | 1.0 |
| Non cash charges (in £ millions) | **3.8** | 3.7 | 7.3 |
| Profit before tax (in £ millions) | **7.8** | 6.1 | 13.3 |
| Other income (in £ millions) | **–** | (1.6) | (1.6) |
| Trading profit (in £ millions) | **7.8** | 4.5 | 11.7 |

Alternative performance measures mentioned above are defined in note 29 on page 68 of the Group Annual accounts to 30th April 2018.

### Management report *(continued)*

#### 2019/20 Outlook

The Group activity and profitability levels are expected to increase over the next twelve months associated with the increased work load. Whilst the Group's pre-tax profitability in the first six months of the current financial year increased by 28% as stated in this half year's Chairman's Statement, the trading profit in this period actually increased by 73% compared to the same period last financial year. This was a reflection of improving quality of orders, whereas last year there was a £1.6 million gain from selling the first Indian factory land site which we had purchased in 2003.

Whilst we have an increased work load, we expect the second half year pre-tax profits of this financial year to be similar to the first half of this financial year as it will take about six months to ramp up the activity levels and take the new work through first piece sample approvals. However, subject to significant new business being won, we expect 2019/2020 to be busier and more profitable than the current financial year.

Our activities in India continue to grow in this buoyant large economy and, to accommodate further growth of our pump and investment casting powder manufacturing activities there, we have in this first half of the year purchased 2.6 more acres of land adjacent to our 4 acre site to accommodate the further anticipated growth over the next three years.

#### Risks and Uncertainties

The Group, mainly through its centralised management structure, makes best endeavours to have in place internal control procedures to identify and manage the key risks and uncertainties affecting the Group. We would refer you to page 11 of the Group Annual Accounts to 30th April 2018 which describes the principal risks and uncertainties, and to note 20 (page 58) which describes in detail the key financial risks and uncertainties affecting the business such as credit risk and foreign exchange risk.

Judging the future relationship of the major currency pairs of the US Dollar, Sterling and the Euro continues to be a challenge.

#### Report on Expected Developments

This report describes the expected developments of the Group during the year ended 30th April 2019. The report may contain forward-looking 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 to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

#### Going concern

Within the 30th April 2018 Chairman's Statement reference was made to an improvement in cash flow of £17 million and a gearing level of 11% as at the year end. Despite the increased dividend payment of £6 million and a further £5.7 million of capital expenditure during the first half of this financial year, the net debt as reported in note 12 has deteriorated only by a modest £946,000. There are essentially two aspects to the cash management performance in the first half of this financial year:

### **Management report** *(continued)*

**Going concern** *(continued)*

1) The continued focus on controlling our investment in working capital.
2) The increased levels of profitability. As can be seen from the first half year results, the post-tax profits at £5.7 million are significantly ahead of the £4.5 million reported for the same period last year and also pro-rata as against the post-tax profit figure for the year to 30th April 2018. Adding back the Group's non-cash charges of £3.8 million (October 2017 £3.7 million, year to 30th April 2018 £7.3 million) gives a feel for the cash-generating potential of the Group.

The Group's bank facilities, in terms of quantum, are materially unchanged from those reported within the full year accounts. We would refer you in particular to Note 20.b) on page 59 of those accounts where you can see that our unutilised facilities are significant. During December 2018, a 5-year revolving credit facility for £10 million expired (along with a bond line and an FX line). The Company has successfully negotiated the like-for-like replacement of these facilities with a new 5-year agreement on improved terms. The practical impact is that £5 million of debt under the old facility is shown as a current liability repayable within one year within these accounts for the period ended 31st October 2018. Any outstanding amount relating to these new facilities will be reported as a non-current liability for the financial year ended 30th April 2019.

Given the profitability of the Group, the modest gearing levels and the bank facilities available to it, the Directors have concluded that drawing up the accounts on a going concern basis is appropriate.

**Responsibility statement of the Directors in respect of the half-yearly financial report**

The Directors confirm to the best of their knowledge that 1) this condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that 2) the Interim Management Report and condensed financial statements include a fair review of the information required by Disclosure and Transparency Rules 4.2.7R (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year) and 4.2.8R (being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so).

J. W. Goodwin
Chairman

18th December 2018

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
## for the half year ended 31st October 2018

### Condensed Consolidated Statement of Profit or Loss
### for the half year to 31st October 2018

| | **Unaudited Half Year to 31st October 2018 £'000** | Unaudited Half Year to 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | **67,548** | 61,893 | 124,811 |
| Cost of sales | **(47,608)** | (44,758) | (89,143) |
| **Gross profit** | **19,940** | 17,135 | 35,668 |
| Other income | - | 1,602 | 1,602 |
| Distribution expenses | **(1,564)** | (1,881) | (3,359) |
| Administrative expenses | **(10,539)** | (10,494) | (20,331) |
| **Operating profit** | **7,837** | 6,362 | 13,580 |
| Financial expenses | **(303)** | (419) | (590) |
| Share of profit of associate companies | **270** | 165 | 310 |
| **Profit before taxation** | **7,804** | 6,108 | 13,300 |
| Tax on profit | **(2,076)** | (1,656) | (3,865) |
| **Profit after taxation** | **5,728** | 4,452 | 9,435 |
| **Attributable to:** | | | |
| Equity holders of the parent | **5,393** | 4,203 | 8,504 |
| Non-controlling interests | **335** | 249 | 931 |
| **Profit for the period** | **5,728** | 4,452 | 9,435 |
| **Basic earnings per ordinary share** (Note 11) | **74.90p** | 58.38p | 118.11p |
| **Diluted earnings per ordinary share** (Note 11) | **73.44p** | 58.38p | 118.11p |

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
## for the half year ended 31st October 2018

### Condensed Consolidated Statement of Comprehensive Income
### for the half year to 31st October 2018

| | **Unaudited Half Year to 31st October 2018 £'000** | Unaudited Half Year to 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 |
|---|---|---|---|
| **Profit for the period** | **5,728** | 4,452 | 9,435 |
| **Other comprehensive income / (expense)** | | | |
| **Items that are or may be reclassified subsequently to the income statement** | | | |
| Foreign exchange translation differences | **(259)** | 258 | (152) |
| Effective portion of changes in fair value of cash flow hedges | **(3,023)** | (196) | (294) |
| Change in fair value of cash flow hedges transferred to the income statement | **–** | 932 | 5,108 |
| Hedging forward points adjustment | **595** | – | – |
| Tax on items that are or may be reclassified subsequently to the income statement | **413** | (125) | (818) |
| **Other comprehensive income / (expense) for the period, net of income tax** | **(2,274)** | 869 | 3,844 |
| **Total comprehensive income for the period** | **3,454** | 5,321 | 13,279 |
| **Attributable to:** | | | |
| Equity holders of the parent | **3,183** | 5,151 | 12,245 |
| Non-controlling interests | **271** | 170 | 1,034 |
| | **3,454** | 5,321 | 13,279 |

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
## for the half year ended 31st October 2018

### Condensed Consolidated Statement of Changes in Equity
### for the half year to 31st October 2018

| | Share capital £'000 | Translation reserve £'000 | Share-based payments reserve £'000 | Cash flow hedging reserve £'000 | Cost of hedging reserve £'000 | Retained earnings £'000 | Total attributable to equity holders of the parent £'000 | Non-controlling interests £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Half year to 31st October 2018 (Unaudited)** | | | | | | | | | |
| Balance at 1st May 2018 | 720 | 1,879 | 1,625 | (23) | (201) | 95,568 | 99,568 | 5,259 | 104,827 |
| Adjustment on initial application of IFRS 15 (net of tax) | – | – | – | – | – | 285 | 285 | (56) | 229 |
| Adjusted balance at 1st May 2018 | 720 | 1,879 | 1,625 | (23) | (201) | 95,853 | 99,853 | 5,203 | 105,056 |
| Total comprehensive income: | | | | | | | | | |
| Profit | – | – | – | – | – | 5,393 | 5,393 | 335 | 5,728 |
| Other comprehensive income: | | | | | | | | | |
| Foreign exchange translation differences | – | (211) | – | – | – | – | (211) | (48) | (259) |
| Net movements on cash flow hedges | – | – | – | (2,594) | 595 | – | (1,999) | (16) | (2,015) |
| **Total comprehensive income for the period** | **–** | **(211)** | **–** | **(2,594)** | **595** | **5,393** | **3,183** | **271** | **3,454** |
| Equity-settled share-based payment transactions | – | – | 523 | – | – | – | 523 | – | 523 |
| Dividends paid | – | – | – | – | – | (6,074) | (6,074) | (451) | (6,525) |
| **Balance at 31st October 2018** | **720** | **1,668** | **2,148** | **(2,617)** | **394** | **95,172** | **97,485** | **5,023** | **102,508** |

| | Share capital £'000 | Translation reserve £'000 | Share-based payments reserve £'000 | Cash flow hedging reserve £'000 | Cost of hedging reserve £'000 | Retained earnings £'000 | Total attributable to equity holders of the parent £'000 | Non-controlling interests £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Half year to 31st October 2017 (Unaudited)** | | | | | | | | | |
| Balance at 1st May 2017 | 720 | 2,154 | 601 | (4,240) | – | 90,201 | 89,436 | 4,225 | 93,661 |
| Total comprehensive income: | | | | | | | | | |
| Profit | – | – | – | – | – | 4,203 | 4,203 | 249 | 4,452 |
| Other comprehensive income: | | | | | | | | | |
| Foreign exchange translation differences | – | 194 | – | – | | – | 194 | 64 | 258 |
| Net movements on cash flow hedges | – | – | – | 754 | – | – | 754 | (143) | 611 |
| **Total comprehensive income for the period** | **–** | **194** | **–** | **754** | **–** | **4,203** | **5,151** | **170** | **5,321** |
| Equity-settled share-based payment transactions | – | – | 515 | – | – | – | 515 | – | 515 |
| Dividends paid | – | – | – | – | – | (3,137) | (3,137) | – | (3,137) |
| **Balance at 31st October 2017** | **720** | **2,348** | **1,116** | **(3,486)** | **–** | **91,267** | **91,965** | **4,395** | **96,360** |

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
## for the half year ended 31st October 2018

### Condensed Consolidated Statement of Changes in Equity
### for the half year to 31st October 2018 (continued)

| | Share capital £'000 | Translation reserve £'000 | Share-based payments reserve £'000 | Cash flow hedging reserve £'000 | Cost of hedging reserve £'000 | Retained earnings £'000 | Total attributable to equity holders of the parent £'000 | Non-controlling interests £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Year ended 30th April 2018** | | | | | | | | | |
| Balance at 1st May 2017 | 720 | 2,154 | 601 | (4,240) | – | 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 difference | – | (275) | – | – | – | – | (275) | 123 | (152) |
| Net movements on cash flow hedges | – | – | – | 4,016 | – | – | 4,016 | (20) | 3,996 |
| **Total comprehensive income for the period** | **–** | **(275)** | **–** | **4,016** | **–** | **8,504** | **12,245** | **1,034** | **13,279** |
| Equity-settled share-based payment transactions | – | – | 1,024 | – | – | – | 1,024 | – | 1,024 |
| Dividends paid | – | – | – | – | – | (3,137) | (3,137) | – | (3,137) |
| **Balance at 30th April 2018 – before restatement** | **720** | **1,879** | **1,625** | **(224)** | **–** | **95,568** | **99,568** | **5,259** | **104,827** |
| Adjustment on initial application of IFRS 9 (net of tax) | – | – | – | 201 | (201) | – | – | – | – |
| **Adjusted balance at 1st May, 2018** | **720** | **1,879** | **1,625** | **(23)** | **(201)** | **95,568** | **99,568** | **5,259** | **104,827** |

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
## for the half year ended 31st October 2018

### Condensed Consolidated Statement of Financial Position
### as at 31st October 2018

| | **Unaudited as at 31st October 2018** | Unaudited as at 31st October 2017 | Audited as at 30th April 2018 *(restated)* |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| **Non-current assets** | | | |
| Property, plant and equipment | **71,713** | 66,792 | 69,154 |
| Investments in associates | **2,290** | 2,229 | 1,963 |
| Intangible assets | **21,308** | 18,603 | 21,138 |
| Other financial assets at amortised cost | **564** | - | 728 |
| | **95,875** | 87,624 | 92,983 |
| **Current assets** | | | |
| Inventories | **33,916** | 35,473 | 28,850 |
| Contract assets | **6,527** | - | 6,046 |
| Trade and other receivables | **24,118** | 29,688 | 21,914 |
| Derivative financial assets | **24** | 556 | 364 |
| Cash and cash equivalents | **7,577** | 7,813 | 7,485 |
| | **72,162** | 73,530 | 64,659 |
| **Total assets** | **168,037** | 161,154 | 157,642 |
| **Current liabilities** | | | |
| Bank overdrafts | **3,654** | 9,737 | 4,585 |
| Interest-bearing loans and borrowings | **5,990** | 3,918 | 7,883 |
| Contract liabilities | **1,570** | - | 212 |
| Payments on accounts | **8,935** | 6,654 | 5,532 |
| Trade and other payables | **24,539** | 15,308 | 21,147 |
| Deferred consideration | **500** | 500 | 500 |
| Liabilities for current tax | **2,388** | 2,043 | 1,174 |
| Derivative financial liabilities | **4,240** | 2,228 | 1,535 |
| Warranty provision | **99** | 88 | 184 |
| | **51,915** | 40,476 | 42,752 |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | **9,637** | 21,198 | 5,775 |
| Warranty provision | **439** | 337 | 329 |
| Deferred tax liabilities | **3,538** | 2,783 | 3,959 |
| | **13,614** | 24,318 | 10,063 |
| **Total liabilities** | **65,529** | 64,794 | 52,815 |
| **Net assets** | **102,508** | 96,360 | 104,827 |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | **720** | 720 | 720 |
| Translation reserve | **1,668** | 2,348 | 1,879 |
| Share-based payments reserve | **2,148** | 1,116 | 1,625 |
| Cash flow hedge reserve | **(2,617)** | (3,486) | (23) |
| Cost of hedging reserve | **394** | – | (201) |
| Retained earnings | **95,172** | 91,267 | 95,568 |
| **Total equity attributable to equity holders of the parent** | **97,485** | 91,965 | 99,568 |
| **Non-controlling interests** | **5,023** | 4,395 | 5,259 |
| **Total equity** | **102,508** | 96,360 | 104,827 |

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
## for the half year ended 31st October 2018

### Condensed Consolidated Statement of Cash Flows
### for the half year ended 31st October 2018

| | **Unaudited Half Year to 31st October 2018 £'000** | Unaudited Half Year to 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit from continuing operations after tax | **5,728** | 4,452 | 9,435 |
| Adjustments for: | | | |
| Depreciation | **2,764** | 2,644 | 5,243 |
| Amortisation of intangible assets | **549** | 552 | 1,138 |
| Financial expenses | **303** | 419 | 590 |
| Foreign exchange (gains) / losses | **(127)** | 192 | 277 |
| Profit on sale of property, plant and equipment | **(11)** | (1,610) | (1,568) |
| Share of profit of associate companies | **(270)** | (165) | (310) |
| Equity-settled share-based provision | **523** | 515 | 1,024 |
| Tax expense | **2,076** | 1,656 | 3,865 |
| **Operating profit before changes in working capital and provisions** | **11,535** | 8,655 | 19,694 |
| Increase in trade and other receivables | **(2,175)** | (3,194) | (8,671) |
| (Increase) / decrease in inventories | **(2,442)** | 2,343 | 8,801 |
| Increase / (decrease) in contract assets | **(1,389)** | – | 6,046 |
| Increase / (decrease) in trade and other payables (excluding payments on account) | **3,005** | (1,760) | 2,001 |
| Increase / (decrease) in contract liabilities | **(1,604)** | – | 212 |
| Decrease in cash flow hedge balances | **617** | 548 | 5,249 |
| Increase in payments on account | **5,913** | 3,094 | 2,224 |
| **Cash inflow from operations** | **13,460** | 9,686 | 35,556 |
| Interest paid | **(193)** | (383) | (665) |
| Corporation tax paid | **(906)** | (1,254) | (3,703) |
| Interest element of finance lease obligations | **(32)** | (45) | (89) |
| **Net cash from operating activities** | **12,329** | 8,004 | 31,099 |
| **Cash flow from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | **93** | 1,811 | 1,888 |
| Acquisition of intangible assets | **(232)** | (354) | (378) |
| Acquisition of property, plant and equipment | **(5,652)** | (4,850) | (9,010) |
| Development expenditure capitalised | **(469)** | (355) | (3,334) |
| Dividends received from associate companies | **–** | – | 441 |
| **Net cash outflow from investing activities** | **(6,260)** | (3,748) | (10,393) |
| **Cash flows from financing activities** | | | |
| Payment of capital element of finance lease obligations | **(455)** | (429) | (865) |
| Dividends paid | **(6,074)** | (3,137) | (3,137) |
| Dividends paid to non-controlling interests | **(451)** | – | – |
| Proceeds from loans and committed facilities | **4,000** | – | – |
| Repayment of loans and committed facilities | **(2,023)** | (1,023) | (12,044) |
| **Net cash outflow from financing activities** | **(5,003)** | (4,589) | (16,046) |
| **Net increase / (decrease) in cash and cash equivalents** | **1,066** | (333) | 4,660 |
| Cash and cash equivalents at beginning of year | **2,900** | (1,483) | (1,483) |
| Effect of exchange rate fluctuations on cash held | **(43)** | (108) | (277) |
| **Closing cash and cash equivalents** | **3,923** | (1,924) | 2,900 |

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
## for the half year ended 31st October 2018

### Notes
*to the Condensed Consolidated Interim Financial Statements*

**1. Reporting Entity**

Goodwin PLC (the "Company") is a company incorporated in England and Wales. The unaudited condensed consolidated interim financial statements of the Company as at and for the six months ended 31st October 2018 comprise the Company, its subsidiaries, and the Group's interests in associates (together referred to as the "Group").

The audited consolidated financial statements of the Group as at and for the year ended 30th April 2018 are available upon request from the Company's registered office at Ivy House Foundry, Hanley, Stoke-on-Trent ST1 3NR or via the Company's web site: www.goodwin.co.uk.

**2. Statement of Compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted in the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 30th April 2018.

The comparative figures for the financial year ended 30th April 2018 are extracts and not the full Group's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Audit Committee has reviewed these unaudited condensed consolidated interim financial statements and has advised the Board of Directors that, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's half year performance. These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 18th December 2018.

**3. Significant Accounting Policies**

The accounting policies applied by the Group in these unaudited condensed consolidated financial statements are the same as those applied by the Group in its audited consolidated financial statements as at and for the year ended 30th April 2018, with the exception of IFRS 15 revenue recognition (see note 5) and IFRS 9 Financial Instruments. The changes in accounting policies are to be reflected in the Group's consolidated financial statements as at and for the year ending 30th April 2019.

The following standards and amendments became effective and therefore were adopted by the Group.

- IFRS 9 – Financial Instruments (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)
- 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)
- 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)

## Notes *(continued)*

## 3. Significant Accounting Policies *(continued)*

- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration (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)

The impact of IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue, IAS11 Construction Contracts and related interpretations, is outlined in note 5 below. The Group has considered the impact on profit, earnings per share and net assets in future periods, of the other new standards and interpretations referred to above (including IFRS 9), and with the exception of IFRS 15 none of the above standards or interpretations is expected to have a material impact.

### 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:

- 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 2019)
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1st January 2019)
- Annual Improvements to IFRSs – 2015-2017 Cycle – minor amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (effective for annual periods beginning on or after 1st January 2019)
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1st January 2019)

## 4. Accounting Estimates and Judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 30th April 2018, with the exception of revenue recognition (see note 5).

The tax charge in the period is based on management's estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period, and the impact of any disallowed costs.

### Notes *(continued)*

### 5. Changes in Significant Accounting Policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30th April 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30th April 2019.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers from the 1st May 2018. A number of other new standards (including IFRS 9 Financial Instruments) are effective from 1st May 2018 but they are not expected to have a material effect on the Group's financial statements.

The main impacts of initially applying IFRS 15 are the following:

- earlier recognition of revenue from some short and long-term engineered product contracts
- earlier recognition of revenue from the unbundling of minimum period contracts
- reduction in recognition of revenue from some long-term engineered product contracts

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1st May 2018). Accordingly, the information presented for the half year to 31st October 2017 and for the year ended 30th April 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings and non-controlling interests at 1st May 2018.

| | **£'000** |
|---|---|
| Minimum Period Contracts for the Provision of Goods and Services | 76 |
| Short-Term Engineered Bespoke Products – Performance Obligations Satisfied Over Time | 566 |
| Short-Term Engineered Bespoke Products – Performance Obligations Satisfied at a Point in Time | (359) |
| Less related tax | (54) |
| Impact on total equity at 1st May 2018 | 229 |
| Equity attributable to equity holders of the parent | 285 |
| Non-controlling interests | (56) |
| | 229 |

The following tables summarise the impacts of adopting IFRS 15 on the Group's interim statement of financial position as at 31st October 2018 and its interim statement of profit or loss and other comprehensive income for the six months then ended for each of the line items affected. There was no material impact on the Group's interim statement of cash flows for the six month period ended 31st October 2018.

### Notes *(continued)*

### 5. Changes in Significant Accounting Policies *(continued)*

**Impact on the condensed interim consolidated statement of profit or loss**

| | As reported £'000 | Adjustments £'000 | Without the adoption of IFRS 15 £'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 67,548 | (4,890) | 62,658 |
| Cost of sales | (47,608) | 4,699 | (42,909) |
| **Gross Profit** | 19,940 | (191) | 19,749 |
| Distribution expenses | (1,564) | - | (1,564) |
| Administrative expenses | (10,539) | - | (10,539) |
| **Operating profit** | 7,837 | (191) | 7,646 |
| Financial expenses | (303) | - | (303) |
| Share of profit of associate companies | 270 | - | 270 |
| **Profit before taxation** | 7,804 | (191) | 7,613 |
| Tax on profit | (2,076) | 36 | (2,040) |
| **Profit after taxation** | 5,728 | (155) | 5,573 |
| **Attributable to:** | | | |
| Equity holders of the parent | 5,393 | (167) | 5,226 |
| Non-controlling interests | 335 | 12 | 347 |
| **Profit for the period** | 5,728 | (155) | 5,573 |

### Notes *(continued)*

### 5. Changes in Significant Accounting Policies *(continued)*

#### Impact on the condensed interim consolidated statement of financial position

| | As reported £'000 | Adjustments £'000 | Without the adoption of IFRS 15 £'000 |
|---|---|---|---|
| **Non-current assets** | 95,875 | – | 95,875 |
| **Current assets** | | | |
| Inventories | 33,916 | 1,602 | 35,518 |
| Contract assets | 6,527 | (1,246) | 5,281 |
| Trade and other receivables | 24,118 | (29) | 24,089 |
| Derivative financial assets | 24 | – | 24 |
| Cash and cash equivalents | 7,577 | – | 7,577 |
| | 72,162 | 327 | 72,489 |
| **Total assets** | 168,037 | 327 | 168,364 |
| **Current liabilities** | | | |
| Bank overdrafts | 3,654 | – | 3,654 |
| Interest-bearing loans and borrowings | 5,990 | – | 5,990 |
| Contract liabilities | 1,570 | 2,168 | 3,738 |
| Payments on account | 8,935 | (1,505) | 7,430 |
| Trade and other payables | 24,539 | (144) | 24,395 |
| Deferred consideration | 500 | – | 500 |
| Liabilities for current tax | 2,388 | – | 2,388 |
| Derivative financial liabilities | 4,240 | – | 4,240 |
| Warranty provision | 99 | – | 99 |
| | 51,915 | 519 | 52,434 |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 9,637 | – | 9,637 |
| Warranty provision | 439 | – | 439 |
| Deferred tax liabilities | 3,538 | (37) | 3,501 |
| | 13,614 | (37) | 13,577 |
| **Total liabilities** | 65,529 | 482 | 66,011 |
| **Net assets** | 102,508 | (155) | 102,353 |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | 720 | – | 720 |
| Translation reserve | 1,668 | – | 1,668 |
| Share-based payments reserve | 2,148 | – | 2,148 |
| Cash flow hedge reserve | (2,617) | – | (2,617) |
| Cost of hedging reserve | 394 | – | 394 |
| Retained earnings | 95,172 | (167) | 95,005 |
| **Total equity attributable to equity holders of the parent** | 97,485 | (167) | 97,318 |
| **Non-controlling interests** | 5,023 | 12 | 5,035 |
| **Total equity** | 102,508 | (155) | 102,353 |

### Notes *(continued)*

### 5. Changes in Significant Accounting Policies *(continued)*

IFRS 15 stipulates that revenue is to be recognised when a customer obtains control of the goods or services i.e. upon the satisfaction of a performance obligation. Judgement is required to determine the timing of the transfer of control, and whether it is at a point in time or over time. Where a contract contains several performance obligations then the contract is unbundled and each performance obligation is dealt with separately. Warranties do not feature as a separate revenue stream. The Group's warranties are assurance based and not sold separately within contracts. The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

**Standard Inventory Product Lines and Consumables**

This typically applies to the whole of the Group's Refractories Engineering segment and the sale of slurry pumps within the Mechanical Engineering segment. The revenue here relates to standard products manufactured for sale. The performance obligation is satisfied and revenue taken at the point when customers obtain control of the goods in accordance with the International Commercial (INCO) terms agreed or via a bill and hold arrangement. For this revenue stream the treatment under IAS 18 and IFRS 15 is essentially the same in the profit and loss account and the balance sheet.

**Minimum Period Contracts for the Provision of Goods and Services**

This relates predominantly to the supply of broadband and related services under minimum term contracts. Performance obligations are satisfied over time and revenue is recognised equally over the term of the contract. Within these contracts it is often the case that the service contract also contains hardware/software as part of the monthly payments. Under IAS 18, any such hardware/software was amortised over the term of the contract. Under IFRS 15, these contracts are unbundled with the fair value of the hardware/software taken as revenue in month 1 by the creation of a contract asset, thus leaving the true service element to be taken as revenue over the term of the contract. Prepayments under IFRS 15 are reduced due to the taking of the sale of goods in month 1.

**Short-Term Engineered Bespoke Products – Performance Obligations Satisfied Over Time**

This typically applies to the Group's Mechanical Engineering Segment and covers sales orders deliverable within 12 months which are customer bespoke and permit the Group Subsidiary to claim profit earned to date if the customer were to trigger the profit based cancel for convenience clause within the contract. In such cases, the performance obligations are treated as satisfied over time (i.e. as the contract progresses) and revenue taken is taken based on the percentage completion of the contract by the creation of a contract asset. Under IAS 18 revenue was not taken until the goods were despatched and until then were accounted for as work in progress (cost and overhead recovery only) and so work in progress under IFRS 15 is reduced and replaced by a contract asset which includes profit. Measuring progress requires judgement as to the stage of completion of each job, and the production of forecasts, which contain allowances for technical risks and inherent uncertainties.

**Short-Term Engineered Bespoke Products – Performance Obligations Satisfied at a Point in Time**

This typically applies to the Group's Mechanical Engineering Segment and covers sales orders deliverable within 12 months which are customer bespoke but only permit the Group Subsidiary to claim for costs in the event the customer triggers the cost based cancel for convenience clause within the contract. In such cases, the performance obligation is deemed to be met and revenue taken as order lines are shipped in accordance with the relevant shipping

### Notes *(continued)*

### 5. Changes in Significant Accounting Policies *(continued)*

terms or via a bill and hold arrangement. For this revenue stream the treatment under IAS 18 and IFRS 15 is essentially the same.

**Long-Term Contracts – Performance Obligations Satisfied Over Time**

This applies to the Group's Mechanical Engineering Segment and relates to sales orders with a contract period in excess of 12 months where the cancel for convenience clause in the contract permits the recovery of profit. Revenue is taken on a percentage complete basis by the creation of a contract asset. Such contracts were previously accounted for under IAS 11 and for this revenue stream the treatment under IAS 11 and IFRS 15 is essentially the same. Measuring progress requires judgement as to the stage of completion of each job, and the production of forecasts, which contain allowances for technical risks and inherent uncertainties.

**Long-Term Contracts – Performance Obligations Satisfied at a Point in Time**

This applies to the Group's Mechanical Engineering Segment and relates to sales orders with a contract period lasting more than 12 months where the cancel for convenience clause in the contract only allows for the recovery of costs. Performance obligations in these contracts are satisfied and revenue taken either on the delivery of individual units or against vesting certificates issued in favour of the customer. Such contracts were previously accounted for under IAS 11 where revenue and profit was taken on a percentage complete basis. Under IFRS 15, the contract asset balance is eliminated and is replaced by work in progress at cost plus overheads.

### 6. Operating Segments

#### Products and Services from which Reportable Segments Derive their Revenues

The Group has applied IFRS 15 initially at 1st May 2018; information presented for the half year to 31st October 2017 and for the year ended 30th April 2018 has not been restated but is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. IFRS 9 has also been applied initially at 1st May 2018. Prior periods have not been restated in accordance with the classification and measurement requirements of IFRS 9 because the Group has applied the exemption outlined in paragraph 7.2.15 of IFRS 9.

In accordance with the requirements of IFRS 8 "Operating Segments" 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, machining and general engineering
- Refractory Engineering - powder manufacture and mineral processing

Information regarding the Group's operating segments is reported in the following tables:

### Notes *(continued)*

### 6. Operating Segments *(continued)*

#### Segment Revenues and Profits

| | Mechanical Engineering | | | Refractory Engineering | | | Sub Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Unaudited Half Year Ended 31st October 2018 £'000** | Unaudited Half Year Ended 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 | **Unaudited Half Year Ended 31st October 2018 £'000** | Unaudited Half Year Ended 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 | **Unaudited Half Year Ended 31st October 2018 £'000** | Unaudited Half Year Ended 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 |
| **Revenue** | | | | | | | | | |
| External sales | **45,052** | 39,779 | 80,661 | **22,496** | 22,114 | 44,150 | **67,548** | 61,893 | 124,811 |
| Inter-segment sales | **10,591** | 10,189 | 18,839 | **4,423** | 4,350 | 8,354 | **15,014** | 14,539 | 27,193 |
| Total revenue | **55,643** | 49,968 | 99,500 | **26,919** | 26,464 | 52,504 | **82,562** | 76,432 | 152,004 |
| Reconciliation to consolidated revenues: | | | | | | | | | |
| Inter-segment sales | | | | | | | **(15,014)** | (14,539) | (27,193) |
| Consolidated revenue for the period | | | | | | | **67,548** | 61,893 | 124,811 |

| | Mechanical Engineering | | | Refractory Engineering | | | Sub Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Unaudited Half Year Ended 31st October 2018 £'000** | Unaudited Half Year Ended 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 | **Unaudited Half Year Ended 31st October 2018 £'000** | Unaudited Half Year Ended 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 | **Unaudited Half Year Ended 31st October 2018 £'000** | Unaudited Half Year Ended 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 |
| **Profits** | | | | | | | | | |
| Segment result including associates | **4,541** | 2,733 | 8,282 | **4,854** | 5,313 | 9,130 | **9,395** | 8,046 | 17,412 |
| Group administration costs | | | | | | | **(765)** | (1,004) | (2,498) |
| LTIP equity plan provision | | | | | | | **(523)** | (515) | (1,024) |
| Group finance and treasury costs | | | | | | | **(303)** | (419) | (590) |
| Consolidated profit before tax for the period | | | | | | | **7,804** | 6,108 | 13,300 |
| Tax | | | | | | | **(2,076)** | (1,656) | (3,865) |
| Consolidated profit after tax for the period | | | | | | | **5,728** | 4,452 | 9,435 |

### Notes *(continued)*

### 6. Operating Segments *(continued)*

#### Segmental Assets and Liabilities

| | Segmental total assets | | | Segmental total liabilities | | | Segmental net assets | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Unaudited Half Year Ended 31st October 2018 £'000** | Unaudited Half Year Ended 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 | **Unaudited Half Year Ended 31st October 2018 £'000** | Unaudited Half Year Ended 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 | **Unaudited Half Year Ended 31st October 2018 £'000** | Unaudited Half Year Ended 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 |
| Mechanical Engineering | **96,710** | 85,793 | 79,835 | **64,674** | 66,798 | 50,113 | **32,036** | 18,995 | 29,722 |
| Refractory Engineering | **40,207** | 45,425 | 39,534 | **19,859** | 24,527 | 19,905 | **20,348** | 20,898 | 19,629 |
| Sub total reportable segment | **136,917** | 131,218 | 119,369 | **84,533** | 91,325 | 70,018 | **52,384** | 39,893 | 49,351 |
| Goodwin PLC (the Company) net assets | | | | | | | **61,369** | 68,841 | 66,715 |
| Elimination of Goodwin PLC investments | | | | | | | **(20,960)** | (22,084) | (20,950) |
| Goodwill | | | | | | | **9,715** | 9,710 | 9,711 |
| Consolidated total net assets | | | | | | | **102,508** | 96,360 | 104,827 |

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

| | | | |
|---|---|---|---|
| Goodwin PLC | **2,408** | 3,049 | 6,880 |
| Mechanical Engineering | **3,039** | 687 | 2,176 |
| Refractory Engineering | **225** | 267 | 360 |
| | **5,672** | 4,003 | 9,416 |

### **Notes** *(continued)*

### 7. Geographical Segments

| | **Half Year Ended 31st October 2018** | | | | Half Year Ended 31st October 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Unaudited** | **Unaudited** | **Unaudited** | **Unaudited** | Unaudited | Unaudited | Unaudited | Unaudited |
| | **Revenue £'000** | **Operational assets £'000** | **Non-current assets £'000** | **PPE Capital expenditure £'000** | Revenue £'000 | Operational assets £'000 | Non-current assets £'000 | PPE Capital expenditure £'000 |
| UK | **14,991** | **68,263** | **77,896** | **3,195** | 13,698 | 63,870 | 71,656 | 3,610 |
| Rest of Europe | **17,503** | **12,120** | **3,724** | **535** | 14,674 | 10,483 | 2,276 | 136 |
| USA | **2,138** | **–** | **–** | **–** | 2,544 | – | – | – |
| Pacific Basin | **14,762** | **15,064** | **7,888** | **17** | 11,709 | 14,635 | 7,505 | 116 |
| Rest of World | **18,154** | **7,061** | **6,367** | **1,925** | 19,268 | 7,372 | 6,187 | 141 |
| Total | **67,548** | **102,508** | **95,875** | **5,672** | 61,893 | 96,360 | 87,624 | 4,003 |

| | Year Ended 30th April 2018 | | | |
|---|---|---|---|---|
| | Audited | Audited | Audited | Audited |
| | Revenue £'000 | Operational assets £'000 | Non-current assets £'000 | PPE Capital expenditure £'000 |
| UK | 27,829 | 70,558 | 76,325 | 8,301 |
| Rest of Europe | 31,246 | 12,477 | 3,281 | 772 |
| USA | 3,742 | – | – | – |
| Pacific Basin | 23,052 | 14,785 | 8,003 | 154 |
| Rest of World | 38,942 | 7,007 | 5,374 | 189 |
| Total | 124,811 | 104,827 | 92,983 | 9,416 |

### Notes *(continued)*

### 8. Revenue

The Group's revenue is derived from contracts with customers. The nature and effect, on the Group's interim financial statements, of applying IFRS 15 for the first time are outlined in note 5.

The following tables provide an analysis of revenue by geographical market and by product line.

| | Mechanical Engineering £'000 | Refractory Engineering £'000 | Total £'000 |
|---|---|---|---|
| **Primary Geographical markets** | | | |
| **Unaudited half year ended 31st October 2018** | | | |
| UK | **9,160** | **5,831** | **14,991** |
| Rest of Europe | **13,497** | **4,006** | **17,503** |
| USA | **2,097** | **41** | **2,138** |
| Pacific Basin | **6,570** | **8,192** | **14,762** |
| Rest of World | **13,728** | **4,426** | **18,154** |
| Total assets | **45,052** | **22,496** | **67,548** |
| **Unaudited half year ended 31st October 2017** | | | |
| UK | 7,912 | 5,786 | 13,698 |
| Rest of Europe | 10,799 | 3,875 | 14,674 |
| USA | 2,469 | 75 | 2,544 |
| Pacific Basin | 3,989 | 7,720 | 11,709 |
| Rest of World | 14,610 | 4,658 | 19,268 |
| Total | 39,779 | 22,114 | 61,893 |
| **Major product lines** | | | |
| **Unaudited half year ended 31st October 2018** | | | |
| Standard products and consumables | **4,317** | **22,496** | **26,813** |
| Minimum period contracts for goods and services | **1,446** | **–** | **1,446** |
| Bespoke engineered products – over time | **2,556** | **–** | **2,556** |
| Bespoke engineered products – point in time | **27,958** | **–** | **27,958** |
| Long-term contracts – over time | **407** | **–** | **407** |
| Long-term contracts – point in time | **8,368** | **–** | **8,368** |
| Total | **45,052** | **22,496** | **67,548** |
| **Unaudited half year ended 31st October 2017** | | | |
| Standard products and consumables | 2,833 | 22,114 | 24,947 |
| Minimum period contracts for goods and services | 1,503 | – | 1,503 |
| Bespoke engineered products – over time | 778 | – | 778 |
| Bespoke engineered products – point in time | 29,378 | – | 29,378 |
| Long-term contracts – over time | 792 | – | 792 |
| Long-term contracts – point in time | 4,495 | – | 4,495 |
| Total | 39,779 | 22,114 | 61,893 |

### Notes *(continued)*

**8. Revenue** *(continued)*

**Contract Balances**

The following table presents information about receivables, contract assets and liabilities from contracts with customers.

| | **Unaudited as at 31st October 2018 £'000** | Unaudited as at 1st May 2018 £'000 |
|---|---|---|
| Receivables – included in "Trade and other receivables" | **19,449** | 18,375 |
| Contract assets | **6,527** | 5,138 |
| Contract liabilities | **(1,570)** | (3,207) |
| Net book value at the end of the period | **24,406** | 20,306 |

The Group has recognised the cumulative effect of applying IFRS 15 for the first time as an adjustment to the opening balance at 1st May 2018. Contract assets and liabilities as at 30th April 2018 have been adjusted, in this table only, to reflect the impact of IFRS 15.

The contract assets represent the Group's rights to consideration for work completed but not invoiced at the reporting date for bespoke products and long-term contracts. Contract assets are transferred to receivables when the rights to consideration become unconditional. This is generally when the Group invoices the customer. Where progress billings exceed the recognised profits (less losses), the balances are disclosed as contract liabilities.

Of the contract liabilities recognised at the beginning of the period, revenue of £1,646,000 has been recognised in the half year ended 31st October 2018.

No revenue has been recognised in the half year ended 31st October 2018 from performance obligations, which were satisfied (or partially satisfied) in previous periods.

The Group has applied the practical expedient in IFRS 15, paragraph 121, and has not disclosed the remaining performance obligations for contracts which have an original expected duration of one year of less. The aggregate amount of the transaction price allocated to the performance obligations for longer term contracts, which are unsatisfied (or partially unsatisfied) as at the end of the reporting period is £26,490,000. The longest of these contracts is due to be completed in 2023.

**9. Other Income**

Other income deals with the profit on the sale of land in India in the half year to 31st October 2017.

### **Notes** *(continued)*

### 10. Dividends

The Directors do not propose the payment of an interim dividend.

| | **Unaudited Half Year to 31st October 2018 £'000** | Unaudited Half Year to 31st October 2017 £'000 | Audited Year Ended 30th April 2018 £'000 |
|---|---|---|---|
| **Equity Dividends Paid:** | | | |
| Ordinary dividends paid during the period in respect of the year ended 30th April 2018 *(83.473p per share)* | **6,010** | – | – |
| Ordinary dividends paid during the period in respect of the year ended 30th April 2017 *(42.348p per share)* | **–** | 3,049 | 3,049 |
| Dividends paid to minority shareholders in Noreva GmbH | **64** | 88 | 88 |
| Total dividends paid during the period | **6,074** | 3,137 | 3,137 |

### 11. Earnings Per Share

The calculation of the basic earnings per ordinary share is based on the number of ordinary shares in issue during all periods of 7,200,000, and on the profit for the six months attributable to ordinary shareholders of £5,393,000 (six months to 31st October 2017: £4,203,000).

There is a share option scheme in place for the Directors of the Company under the Company's Equity 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 31st October 2018 and based on the share price at that date, a total of 144,000 shares would have accrued to the Directors under the LTIP. The diluted earnings per share has been based on 7,343,433 shares and the same profits attributable to shareholders as set out in the previous paragraph.

**Notes** *(continued)*

## 12. Capital Management, Issuance and Repayment of Debt

At 31st October 2018 the capital utilised was £109,689,000 as shown below:

| | **Unaudited as at 31st October 2018 £'000** | Unaudited as at 31st October 2017 £'000 | Audited as at 30th April 2018 £'000 |
|---|---|---|---|
| Cash and cash equivalents | **(7,577)** | (7,813) | (7,485) |
| Finance leases | **2,539** | 2,984 | 2,548 |
| Bank loans and committed facilities | **13,088** | 22,132 | 11,110 |
| Bank overdrafts | **3,654** | 9,737 | 4,585 |
| Deferred consideration | **500** | 500 | 500 |
| Net debt | **12,204** | 27,540 | 11,258 |
| Total equity attributable to equity holders of the parent | **97,485** | 91,965 | 99,568 |
| Capital | **109,689** | 119,505 | 110,826 |

## 13. Property, Plant and Equipment

| | **Unaudited as at 31st October 2018 £'000** | Unaudited as at 31st October 2017 £'000 |
|---|---|---|
| Net book value at the beginning of the period | **69,154** | 65,739 |
| Additions | **5,672** | 4,003 |
| Disposals (at net book value) | **(82)** | (201) |
| Depreciation | **(2,764)** | (2,644) |
| Exchange adjustment | **(267)** | (105) |
| Net book value at the end of the period | **71,713** | 66,792 |

## 14. Intangible Assets

| | **Unaudited as at 31st October 2018 £'000** | Unaudited as at 31st October 2017 £'000 |
|---|---|---|
| Net book value at the beginning of the period | **21,138** | 18,240 |
| Additions | **701** | 709 |
| Amortisation | **(549)** | (552) |
| Exchange adjustment | **18** | 206 |
| Net book value at the end of the period | **21,308** | 18,603 |

## Notes *(continued)*

### 15. Total Financial Assets and Financial Liabilities

The following table sets out the Group's accounting classification of its financial assets and financial liabilities, and their carrying amounts at 31st October 2018. The carrying amount is a reasonable approximation of fair value for all financial assets and financial liabilities.

| | Fair value – hedging instruments £'000 | FVTPL £'000 | Amortised cost £'000 | Other financial liabilities £'000 | Total carrying amount / fair value amount £'000 |
|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | |
| Forward exchange contracts used for hedging | 24 | – | – | – | 24 |
| Other forward exchange contracts | – | – | – | – | – |
| | 24 | – | – | – | 24 |
| **Financial assets not measured at fair value** | | | | | |
| Trade and other receivables | – | – | 21,251 | – | 21,251 |
| Cash and cash equivalents | – | – | 7,577 | – | 7,577 |
| | – | – | 28,828 | – | 28,828 |
| **Financial liabilities measured at fair value** | | | | | |
| Forward exchange contracts used for hedging | 2,745 | – | – | – | 2,745 |
| Other forward exchange contracts | – | 1,495 | – | – | 1,495 |
| Contingent consideration | – | – | – | 500 | 500 |
| | 2,745 | 1,495 | – | 500 | 4,740 |
| **Financial liabilities not measured at fair value** | | | | | |
| Bank overdrafts | – | – | – | 3,654 | 3,654 |
| Bank loans | – | – | – | 13,088 | 13,088 |
| Finance lease liabilities | – | – | – | 2,539 | 2,539 |
| Trade and other payables | – | – | – | 20,084 | 20,084 |
| | – | – | – | 39,365 | 39,365 |

The forward exchange contract assets and liabilities fair values in the above table are derived from using Level 2 inputs as defined by IFRS 7 as detailed in the paragraph below. All other financial assets and liabilities are determined using Level 3 inputs. As can be seen from the above table the fair value of these contracts amounts to less than 5% of the Group net assets value.

### Notes *(continued)*

### 15. Total Financial Assets and Financial Liabilities *(continued)*

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 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).