

GOODWIN PLC

IVY HOUSE FOUNDRY, HANLEY, STOKE-ON-TRENT

INTERIM REPORT
31st OCTOBER 2019

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

CHAIRMAN'S STATEMENT

The pre-tax profit for the Group for the six month period ending 31st October 2019 was £7.4 million some 5.1% down (2018 £7.8 million). This deterioration was despite the turnover for the period being marginally in front with a 3.8% increase. This is a feature of the disruption caused by the commotions in our parliamentary system over the past six months where the uncertainty has temporarily stalled projects.

With further clarity over Brexit, we will be looking to start capitalising from the tremendous success our Group companies have had in winning large amounts of business from new market areas.

We have every reason to believe that the new financial year will allow our Group companies to start increasing profits. We also expect to have further successes in winning significant new business due to the dedication and hard work of all who work within them.

T. J. W. Goodwin
Chairman

19th December 2019

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Management Report

Financial Highlights

	Unaudited Half Year to 31st October 2019 £'m	Unaudited Half Year to 31st October 2018 £'m	Audited Year Ended 30th April 2019 £'m
Consolidated Results			
Revenue	70.1	67.5	127.0
Operating profit	7.8	7.8	16.4
Profit before tax	7.4	7.8	16.4
Profit after tax	5.6	5.7	12.4
Capital Expenditure	2.9	5.7	10.7
Earnings per share – basic	72.92p	74.90p	159.79p
Earnings per share – diluted	69.77p	73.44p	149.65p

IFRS 16

The Group adopted IFRS 16 from 1 May 2019, using the modified retrospective approach to transition, such that prior periods have not been restated. The impact of the change in accounting policy is outlined in note 5.

Turnover

Sales revenue of £70,090,000 for the half year represents a 3.8% increase from the £67,548,000 achieved during the same period last year.

Profit Before Tax

Profit before tax for the six months of £7,406,000 is down 5.1% from the £7,804,000 achieved for the same six month period last year.

Key performance indicators

The key performance indicators for the business are listed below; the prior period KPI's have not been restated to reflect IFRS 16.

	Unaudited Half Year to 31st October 2019	Unaudited Half Year to 31st October 2018	Audited Year Ended 30th April 2019
Gross profit as a % of turnover	27.8	29.5	32.0
Other income (in £ millions)	0.7	–	–
Profit before tax (in £ millions)	7.4	7.8	16.4
Gearing % (excluding deferred consideration and right-of-use lease liabilities)	25.7	12.1	20.0
Depreciation (in £ millions)	3.2	2.8	5.8
Depreciation of right-of-use assets (in £ millions)	0.4	–	–
Amortisation (in £ millions)	0.5	0.5	1.3
Equity-settled share-based provision (in £ millions)	–	0.5	1.2
Total non cash charges (in £ millions)	4.1	3.8	8.3

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Management Report *(continued)*

Alternative performance measures are defined in note 36 on page 82 of the Group Annual accounts to 30th April 2019.

2020/21 Outlook

The Group is likely to show a similar profitability in the next six months as it achieved in the first six months of the year, with an improving cash flow by the 30th April 2020.

In the Mechanical Engineering Division, although the petrochemical market has not yet recovered, we continue to have a positive outlook based on the fact that the demand for energy is set to increase. This is propelled to a large extent by increases in wealth in the developing economies which obtain a growing share of their power from the US LNG market, in which Noreva and Goodwin International are well established.

Easat Radar Systems has been successful in winning an order to supply two turnkey surveillance systems for an Asian air force. The order is the first overseas system order for the company opening the door to a larger market within which, with its competitive offering as a result of the acquisition of NRPL, the company is expected to prosper.

Within the Refractory Engineering Division, there has been an unforeseen decrease in demand for the consumer orientated jewellery products for which we globally supply the casting powder. We believe this is due mainly to the uncertainty around the ongoing USA and China trade war and the rise in gold price since May that peaked in August and has declined ever since. However, at the time of writing, it appears the market is beginning to improve.

Sales of the AVD fire extinguishers and extinguishing agent are starting to grow with a constant monthly sales stream. First adopters have primarily been companies that manufacture products incorporating lithium ion batteries, such as e-scooters, vehicles and green energy storage systems. We are in technical and supply discussion with several large battery manufacturers both in the UK and overseas which may bode well over time.

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 pages 10 and 11 of the Group Annual Accounts to 30th April 2019 which describe the principal risks and uncertainties, and to note 27 (starting on page 72) 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 2020. 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.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Management Report *(continued)*

Going Concern

The Group continues to trade profitably and with the current order book level we are confident that this will continue and improve, especially as we move in to the next financial year. As in previous periods, the levels of depreciation and amortisation (both non cash items) remain significant thus increasing the cash generating capability of the Group. As at 31st October 2019, the Group net debt stood at £27.2 million as set out in note 11 to these accounts. Whilst the net debt levels are higher than those recorded as at April 2019 and October 2018 the gearing level at 25.7% is still modest and our banking headroom (facilities versus utilisation) is significant. Furthermore, within the second half of this financial year we would expect to significantly reduce our investment in working capital. Given the foregoing, the Directors do not see an issue with the continued ability of the Group to meet its financial commitments and so have drawn up these accounts on a going concern basis.

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).

T. J. W. Goodwin
Chairman

19th December 2019

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Condensed Consolidated Statement of Profit or Loss for the half year to 31st October 2019

	Unaudited Half Year to 31st October 2019 £'000	Unaudited Half Year to 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000
Continuing operations			
Revenue	70,090	67,548	127,046
Cost of sales	(50,610)	(47,608)	(86,414)
Gross profit	19,480	19,940	40,632
Other income	689	–	–
Distribution expenses	(1,629)	(1,564)	(3,016)
Administrative expenses	(10,715)	(10,539)	(21,205)
Operating profit	7,825	7,837	16,411
Financial expenses	(449)	(303)	(234)
Share of profit of associate companies	30	270	233
Profit before taxation	7,406	7,804	16,410
Tax on profit	(1,812)	(2,076)	(3,963)
Profit after taxation	5,594	5,728	12,447
Attributable to:			
Equity holders of the parent	5,260	5,393	11,505
Non-controlling interests	334	335	942
Profit for the period	5,594	5,728	12,447
Basic earnings per ordinary share (Note 10)	72.92p	74.90p	159.79p
Diluted earnings per ordinary share (Note 10)	69.77p	73.44p	149.65p

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Condensed Consolidated Statement of Comprehensive Income for the half year to 31st October 2019

	Unaudited Half Year to 31st October 2019 £'000	Unaudited Half Year to 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000
Profit for the period	5,594	5,728	12,447
Other comprehensive income / (expense)			
Items that are or may be reclassified subsequently to the income statement			
Foreign exchange translation differences	(162)	(259)	(383)
Goodwill arising from purchase of non-controlling interest in subsidiaries	(63)	–	(772)
Effective portion of changes in fair value of cash flow hedges	1,928	(3,023)	(644)
Change in fair value of cash flow hedges transferred to profit or loss	379	–	180
Cost of hedging	(239)	595	(440)
Tax on items that are or may be reclassified subsequently to profit or loss	(347)	413	154
Other comprehensive income / (expense) for the period, net of income tax	1,496	(2,274)	(1,905)
Total comprehensive income for the period	7,090	3,454	10,542
Attributable to:			
Equity holders of the parent	6,761	3,183	9,528
Non-controlling interests	329	271	1,014
	7,090	3,454	10,542

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Condensed Consolidated Statement of Changes in Equity for the half year to 31st October 2019

	Share capital £'000	Translation reserve £'000	Share-based payments reserve £'000	Cash flow hedge 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 2019 (Unaudited)									
Balance at 1st May 2019	720	1,044	4,991	(573)	(426)	99,409	105,165	4,126	109,291
Total comprehensive income:									
Profit	–	–	–	–	–	5,260	5,260	334	5,594
Other comprehensive income:									
Goodwill arising from purchase of NCI interest in subsidiary	–	–	–	–	–	(63)	(63)	–	(63)
Foreign exchange translation differences	–	(198)	–	–	–	–	(198)	36	(162)
Net movements on cash flow hedges	–	–	–	1,937	(175)	–	1,762	(41)	1,721
Total comprehensive income for the period	–	(198)	–	1,937	(175)	5,197	6,761	329	7,090
Issue of shares	16	–	–	–	–	–	16	–	16
Dividends paid	–	–	–	–	–	(6,927)	(6,927)	–	(6,927)
Acquisition of NCI without a change of control	–	–	–	–	–	–	–	(11)	(11)
Other transactions	–	358	–	–	–	(358)	–	–	–
Balance at 31st October 2019	736	1,204	4,991	1,364	(601)	97,321	105,015	4,444	109,459

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Condensed Consolidated Statement of Changes in Equity for the half year to 31st October 2019 (continued)

	Share capital £'000	Translation reserve £'000	Share-based payments reserve £'000	Cash flow hedge 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	(224)	–	95,568	99,568	5,259	104,827
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	52	(52)	–	–	–	–
Adjustment on initial application of IFRS 15 (net of tax) – original	–	–	–	–	–	285	285	(56)	229
Adjustment on initial application of IFRS 15 (net of tax) – revision	–	–	–	–	–	(969)	(969)	(294)	(1,263)
Adjusted balance at 1st May 2018	720	1,879	1,625	(172)	(52)	94,884	98,884	4,909	103,793
Total comprehensive income:									
Profit	–	–	–	–	–	5,393	5,393	335	5,728
Other comprehensive income:									
Foreign exchange translation difference	–	(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	(2,766)	543	94,203	96,516	4,729	101,245

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Condensed Consolidated Statement of Changes in Equity for the half year to 31st October 2019 (continued)

	Share capital £'000	Translation reserve £'000	Share-based payments reserve £'000	Cash flow hedge 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 30th April 2019 (Unaudited)									
Balance at 1st May 2018	720	1,879	1,625	(224)	–	95,568	99,568	5,259	104,827
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	52	(52)	–	–	–	–
Adjustment on initial application of IFRS 15 (net of tax)	–	–	–	–	–	(684)	(684)	(350)	(1,034)
Adjusted balance at 1st May 2018	720	1,879	1,625	(172)	(52)	94,884	98,884	4,909	103,793
Total comprehensive Profit	–	–	–	–	–	11,505	11,505	942	12,447
Other comprehensive income:									
Foreign exchange translation differences	–	(430)	–	–	–	–	(430)	47	(383)
Goodwill arising from purchase of NCI interest in subsidiaries	–	(180)	–	–	–	(592)	(772)	–	(772)
Net movements on cash flow hedges	–	–	–	(401)	(374)	–	(775)	25	(750)
Total comprehensive income for the period	–	(610)	–	(401)	(374)	10,913	9,528	1,014	10,542
Equity-settled share-based payment transactions	–	–	1,220	–	–	–	1,220	–	1,220
Tax on equity-settled share-based payment transactions	–	–	2,146	–	–	–	2,146	–	2,146
Dividends paid	–	–	–	–	–	(6,126)	(6,126)	(451)	(6,577)
Acquisition of NCI without a change of control	–	–	–	–	–	–	–	(1,750)	(1,750)
Disposal of equity investments	–	(225)	–	–	–	–	(225)	–	(225)
Acquisition of subsidiary with NCI	–	–	–	–	–	–	–	142	142
Capital contribution	–	–	–	–	–	(262)	(262)	262	–
Balance at 30th April 2019	720	1,044	4,991	(573)	(426)	99,409	105,165	4,126	109,291

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Condensed Consolidated Balance Sheet as at 31st October 2019

	Unaudited as at 31st October 2019 £'000	Unaudited as at 31st October 2018 £'000	Audited as at 30th April 2019 £'000
Non-current assets			
Property, plant and equipment	63,481	71,713	74,106
Right-of-use assets	11,798	–	–
Investment in associates	817	2,290	739
Intangible assets	22,483	21,308	22,354
Other financial assets at amortised cost	361	564	505
	98,940	95,875	97,704
Current assets			
Inventories	56,913	33,916	50,524
Contract assets	9,846	5,264	3,698
Trade and other financial assets	24,620	22,284	24,964
Other receivables	3,694	1,834	2,715
Deferred tax asset	84	–	–
Derivative financial assets	2,247	24	195
Cash and cash equivalents	9,416	7,577	9,640
	106,820	70,899	91,736
Total assets	205,760	166,774	189,440
Current liabilities			
Bank overdrafts	3,340	3,654	9,147
Interest-bearing loans	4,080	5,088	112
Lease liabilities	2,131	902	939
Contract liabilities*	27,068	10,505	18,002
Trade payables and other financial liabilities	18,174	20,078	20,570
Other payables	6,471	4,461	4,771
Deferred consideration	204	500	204
Derivative financial liabilities	1,552	4,240	1,693
Liabilities for current tax	1,393	2,388	2,356
Warranty provision	235	99	261
	64,648	51,915	58,055
Non-current liabilities			
Interest-bearing loans	22,310	8,000	19,322
Lease liabilities	6,342	1,637	1,164
Warranty provision	219	439	232
Deferred tax liabilities	2,782	3,538	1,376
	31,653	13,614	22,094
Total liabilities	96,301	65,529	80,149
Net assets	109,459	101,245	109,291
Equity attributable to equity holders of the parent			
Share capital	736	720	720
Translation reserve	1,204	1,668	1,044
Share-based payments reserve	4,991	2,148	4,991
Cash flow hedge reserve	1,364	(2,766)	(573)
Cost of hedging reserve	(601)	543	(426)
Retained earnings	97,321	94,203	99,409
Total equity attributable to equity holders of the parent	105,015	96,516	105,165
Non-controlling interests	4,444	4,729	4,126
Total equity	109,459	101,245	109,291

* Contract liabilities include advance payments from customers of £26,820,000, with the balance of £248,000 being costs accrued for contracts.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Condensed Consolidated Statement of Cash Flows for the half year ended 31st October 2019

	Unaudited Half Year to 31st October 2019 £'000	Unaudited Half Year to 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000
Cash flow from operating activities			
Profit from continuing operations after tax	5,594	5,728	12,447
Adjustments for:			
Depreciation	3,180	2,764	5,819
Depreciation of right-of-use assets	389	–	–
Amortisation of intangible assets	484	549	1,312
Financial expenses	449	303	234
Foreign exchange losses / (gains)	143	(127)	66
Loss / (profit) on sale of property, plant and equipment	2	(11)	13
Share of profit of associate companies	(30)	(270)	(233)
Equity-settled share-based provision	–	523	1,220
Tax expense	1,812	2,076	3,963
Operating profit before changes in working capital and provisions	12,023	11,535	24,841
Increase in inventories	(6,430)	(2,442)	(11,816)
(Increase) / decrease in contract assets	(6,107)	(1,389)	1,361
Increase in trade and other receivables	(849)	(2,175)	(4,288)
Increase in contract liabilities	8,829	4,309	3,401
(Decrease) / increase in trade and other payables	(522)	3,005	1,965
(Increase) / decrease in unhedged derivative balances	(126)	617	(579)
Cash inflow from operations	6,818	13,460	14,885
Interest paid	(320)	(193)	(524)
Corporation tax paid	(1,775)	(906)	(3,093)
Interest element of lease obligations	(48)	(32)	(64)
Net cash from operating activities	4,675	12,329	11,204
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	75	93	142
Acquisition of property, plant and equipment	(3,156)	(5,652)	(11,451)
Additional investment in existing subsidiaries	(74)	–	(2,668)
Acquisition of controlling interest in associates	–	–	(425)
net of cash required	–	–	–
Acquisition of intangible assets	(74)	(232)	(315)
Development expenditure capitalised	(297)	(469)	(1,500)
Dividends received from associate companies	–	–	1,254
Net cash outflow from investing activities	(3,526)	(6,260)	(14,963)
Cash flows from financing activities			
Proceeds from issue of share capital	16	–	–
Payment of lease liability principal	(714)	(455)	(911)
Proceeds from new leases	5,054	–	424
Dividends paid	(6,927)	(6,074)	(6,126)
Dividends paid to non-controlling interests	–	(451)	(451)
Net proceeds from loans and committed facilities	6,949	1,977	8,337
Net cash inflow / (outflow) from financing activities	4,378	(5,003)	1,273
Net increase / (decrease) in cash and cash equivalents	5,527	1,066	(2,486)
Cash and cash equivalents at beginning of year	493	2,900	2,900
Effect of exchange rate fluctuations on cash held	56	(43)	79
Closing cash and cash equivalents	6,076	3,923	493

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

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 2019 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 2019 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 2019.

The comparative figures for the financial year ended 30th April 2019 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 XXth December 2019.

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 2019, with the exception of IFRS 16 Leases (see note 5). 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 2020.

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

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation (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 – 2015-17 Cycle – minor amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (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)

The impact of IFRS 16 Leases, which replaces IAS 17 Leases and IFRIC 4, is outlined in note 5 below. The Group has considered the impact on profit, earnings per share and net assets in

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Notes (continued)

3. Significant Accounting Policies (continued)

future periods, of the other new standards and interpretations referred to above, and 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 3 – Definition of a business (effective for annual periods beginning on or after 1st January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of material (effective for annual periods beginning on or after 1st January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1st January 2020)

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 2019, with the exception of leases (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.

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 2019.

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 2020.

The Group adopted IFRS 16 Leases initially from 1st May 2019. A number of other new standards are effective from 1st May 2019 but they are not expected to have a material effect on the Group's financial statements.

Prior to 1st May 2019, the Group's policy for operating leases was to recognise the lease payments in the statement of profit or loss on a straight-line basis over the term of the lease. With the implementation of IFRS 16, subject to the recognition exemptions as outlined below, a right-of-use asset is now recognised on the balance sheet together with an associated lease liability corresponding to the minimum envisaged lease period. Within the profit or loss account, depreciation is charged based on the expired element of the minimum lease term and finance charges expensed on an effective interest rate basis. Instead of being reported within Property, plant and equipment, such assets acquired under finance leases are now reported as right-of-use assets.

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Notes (continued)

5. Changes in Significant Accounting Policies (continued)

The updated Group accounting policy for leases is as follows:

Definition of a lease

A contract is a lease or contains a lease if it transfers the right to use an identified asset over the contract term, in exchange for payment. In determining whether a contract gives the Group the right to use an asset, the Group assesses whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economic benefits of using the asset; and
- the Group has the right to direct the use of the asset by deciding how the asset is employed.

Lease term

The lease term is the non-cancellable period of a lease, and options to extend the lease or terminate it, where it is probable that the Group will exercise the available options. At the start of a lease, the Group makes a judgement about whether it is reasonably certain to exercise the options, and reassesses this judgement at every reporting period. Contracts, where the original lease term has expired, with assets continuing to be leased on a short-term rolling basis of a few months, are treated as short-term leases.

Lease balances

A right-of-use asset and a lease liability are calculated at the beginning of a lease. The right-of-use asset is measured initially at cost, being the opening lease liability, adjusted for any lease payments made by the start of the lease, adjusted for any initial direct costs, which have been incurred.

The lease liability is measured initially at the present value of the lease payments, which are outstanding at the start date, discounted at either the rate implicit in the lease or the Group's incremental borrowing rate. With the exception of leases containing an option to purchase, the Group uses its incremental borrowing rate as the discount rate. Lease liabilities are measured at amortised cost, using the effective interest rate, and adjusted as required for any subsequent change to the lease terms.

The right-of-use asset is depreciated on a straight-line basis over the lease term, or from the start date of the lease to the end of the useful life of the right-of-use asset as appropriate. The method of calculating the estimated useful lives of right-of-use assets and testing for impairment is the same as that for property, plant and equipment.

Recognition exemptions

Payments for short-term leases, lasting twelve months or less, without a purchase option continue to be reported as an operating expense on a straight line basis over the term of the lease.

The cost of leasing low-value items will continue to be reported as an operating expense over the life of the lease.

Lease portfolios

The Group has leases for the following types of assets:

Land and buildings

The Group leases a number of factory buildings, warehouses and office buildings.

Plant and equipment

A number of significant items of plant, such as CNC machines and furnaces, have been leased under contracts with an option to buy the asset at the end of the lease term. The Group also leases a small number of motor vehicles.

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Notes (continued)

5. Changes in Significant Accounting Policies (continued)

Printers and photocopiers

The Group has applied the recognition exemption for low-value assets to these leases.

Accounting estimates and judgements

The Group's contracts are such that the terms are generally very clear in establishing whether they are or contain leases, and consequently, significant judgements have not been required in assessing the contracts. The Group's incremental borrowing rates have been estimated separately for each country, in which leases are held, with rates ranging from 2.0% to 7.7%.

Transition

IFRS 16 has been implemented using the modified retrospective approach, because it does not require a full restatement of comparatives, but the cumulative opening impact is posted to reserves on the transition date.

For leases, which were previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease liability on transition is the same as the carrying amount of the lease asset and lease liability calculated in accordance with IAS 17.

A right-of-use asset and lease liability are now recognised for leases considered to be operating leases in accordance with IAS 17. As it is not possible to calculate the rate implicit in these leases, the lease liabilities are calculated as the present value of the remaining lease payments, discounted using the group's estimated incremental borrowing rate (IBR). Right-of-use assets are reported as the same value as the lease liability, adjusted for any lease prepayments or accruals, at the transition date.

Practical expedients

The following practical expedients have been applied at the IFRS 16 application date.

- There has been no re-assessment of leases treated as finance leases under IAS 17 as at 30th April 2019.
- A single discount rate has been applied for similar leases.
- Long-term leases, which expire within twelve months of the transition date, have been treated as short-term leases, with no right-of-use asset and lease liability being calculated.
- Initial direct costs have been excluded, when measuring the right-of-use asset at the transition date.

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Notes (continued)

5. Changes in Significant Accounting Policies (continued)

The reconciliation of lease liabilities is shown below

	Unaudited £'000
Operating lease commitments at 30th April 2019	1,369
Impact of discounting minimum lease payments	(63)
Leases expiring before 30th April 2020	(44)
Short-term leases	(111)
Low value leases	(68)
Other reconciling items	(28)
	<hr/>
Additional lease liability at 1st May 2019	1,055
	<hr/>
Finance lease liability at 30th April 2019	2,103
	<hr/>
Total lease liability at 1st May 2019	3,158
	<hr/>

The IFRS 16 impact on the statement of profit or loss for the six months to 31st October 2019 is as follows:

	Unaudited £'000
Under IFRS 16	
Operating profit	248
Financial expenses	27
	<hr/>
Impact on profit before tax	275
	<hr/>
Previously, under IFRS 17	
Reported as operating lease expenses within operating profit	267
	<hr/>

The IFRS 16 impact on the balance sheet as at 31st October 2019 is as follows:

	Unaudited IFRS 16 £'000	Unaudited IFRS 16 adjustments £'000	Unaudited IAS 17 £'000
Property, plant and equipment	63,481	10,017	73,498
Right-of-use assets	11,798	(11,798)	–
Lease liabilities	(8,473)	1,789	(6,684)
	<hr/>	<hr/>	<hr/>
Impact on net assets	66,806	8	66,814
	<hr/>	<hr/>	<hr/>

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Notes (continued)

6. Operating Segments

Products and services from which reportable segments derive their revenues

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:

Segment Revenue

	Mechanical Engineering			Refractory Engineering			Sub Total		
	Unaudited Half Year Ended 31st October 2019 £'000	Unaudited Half Year Ended 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000	Unaudited Half Year Ended 31st October 2019 £'000	Unaudited Half Year Ended 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000	Unaudited Half Year Ended 31st October 2019 £'000	Unaudited Half Year Ended 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000
Revenue									
External sales	47,244	45,052	82,375	22,846	22,496	44,671	70,090	67,548	127,046
Inter-segment sales	13,085	10,591	21,714	4,757	4,423	8,726	17,842	15,014	30,440
Total revenue	60,329	55,643	104,089	27,603	26,919	53,397	87,932	82,562	157,486
Reconciliation to consolidated revenues:									
Inter-segment sales							(17,842)	(15,014)	(30,440)
Consolidated revenue for the period							70,090	67,548	127,046

Segment Profits

	Mechanical Engineering			Refractory Engineering			Sub Total		
	Unaudited Half Year Ended 31st October 2019 £'000	Unaudited Half Year Ended 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000	Unaudited Half Year Ended 31st October 2019 £'000	Unaudited Half Year Ended 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000	Unaudited Half Year Ended 31st October 2019 £'000	Unaudited Half Year Ended 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000
Profits									
Segment result including associates	5,419	4,541	11,932	3,446	4,854	8,070	8,865	9,395	20,002
Group administration costs							(1,010)	(765)	(2,138)
LTIP equity plan provision							-	(523)	(1,220)
Group finance expenses							(449)	(303)	(234)
Consolidated profit before tax for the period							7,406	7,804	16,410
Tax							(1,812)	(2,076)	(3,963)
Consolidated profit after tax for the period							5,594	5,728	12,447

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

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 2019 £'000	Unaudited Half Year Ended 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000	Unaudited Half Year Ended 31st October 2019 £'000	Unaudited Half Year Ended 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000	Unaudited Half Year Ended 31st October 2019 £'000	Unaudited Half Year Ended 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000
Mechanical Engineering	110,736	95,447	97,862	80,245	64,674	72,520	30,491	30,773	25,342
Refractory Engineering	44,191	40,207	43,950	23,125	19,859	25,541	21,066	20,348	18,409
Sub total reportable segment	<u>154,927</u>	<u>135,654</u>	<u>141,812</u>	<u>103,370</u>	<u>84,533</u>	<u>98,061</u>	<u>51,557</u>	<u>51,121</u>	<u>43,751</u>
Goodwin PLC (the Company) net assets							73,384	61,369	81,249
Elimination of Goodwin PLC investments							(25,301)	(20,960)	(25,374)
Goodwill							9,819	9,715	9,665
Consolidated total net assets							<u>109,459</u>	<u>101,245</u>	<u>109,291</u>
Segmental property, plant and equipment (PPE) capital expenditure									
Goodwin PLC							1,456	2,408	3,602
Mechanical Engineering							1,172	3,039	6,461
Refractory Engineering							259	225	616
							<u>2,887</u>	<u>5,672</u>	<u>10,679</u>

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Notes (continued)

7. Geographical Segments

	Half Year Ended 31st October 2019				Half Year Ended 31st October 2018			
	Unaudited Revenue £'000	Unaudited Operational assets £'000	Unaudited Non- current assets £'000	Unaudited PPE Capital expenditure £'000	Unaudited Revenue £'000	Unaudited Operational assets £'000	Unaudited Non- current assets £'000	Unaudited PPE Capital expenditure £'000
UK	16,836	73,865	80,895	2,623	14,991	68,263	77,896	3,195
Rest of Europe	10,852	6,990	3,496	80	17,503	10,857	3,724	535
USA	6,787	–	–	–	2,138	–	–	–
Pacific Basin	18,111	15,464	7,528	45	14,762	15,064	7,888	17
Rest of World	17,504	13,140	7,021	139	18,154	7,061	6,367	1,925
Total	<u>70,090</u>	<u>109,459</u>	<u>98,940</u>	<u>2,887</u>	<u>67,548</u>	<u>101,245</u>	<u>95,875</u>	<u>5,672</u>

	Year Ended 30th April 2019			
	Audited Revenue £'000	Audited Operational assets £'000	Audited Non- current assets £'000	Audited PPE Capital expenditure £'000
UK	27,934	74,780	80,300	6,044
Rest of Europe	24,205	7,035	3,605	2,300
USA	8,100	–	–	–
Pacific Basin	28,956	14,779	6,855	84
Rest of World	37,851	12,697	6,944	2,251
Total	<u>127,046</u>	<u>109,291</u>	<u>97,704</u>	<u>10,679</u>

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Notes (continued)

8. Revenue

The Group's revenue is derived from contracts with customers. 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 2019			
UK	11,584	5,252	16,836
Rest of Europe	7,053	3,799	10,852
USA	6,735	52	6,787
Pacific Basin	6,988	11,123	18,111
Rest of World	14,884	2,620	17,504
Total	47,244	22,846	70,090
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	45,052	22,496	67,548
Product lines			
Unaudited half year ended 31st October 2019			
Standard products and consumables	5,131	22,846	27,977
Minimum period contracts for goods and services	2,171	-	2,171
Bespoke engineered products – over time	25,146	-	25,146
Bespoke engineered products – point in time	14,796	-	14,796
Total	47,244	22,846	70,090
Unaudited half year ended 31st October 2018			
Standard products and consumables	3,935	22,496	26,431
Minimum period contracts for goods and services	2,006	-	2,006
Bespoke engineered products – over time	12,441	-	12,441
Bespoke engineered products – point in time	26,670	-	26,670
Total	45,052	22,496	67,548

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Notes (continued)

9. Dividends

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

	Unaudited Half Year to 31st October 2019 £'000	Unaudited Half Year to 31st October 2018 £'000	Audited Year Ended 30th April 2019 £'000
Equity Dividends Paid:			
Ordinary dividends paid during the period in respect of the year ended 30th April 2019 (96.21p per share)	6,927	–	–
Ordinary dividends paid during the period in respect of the year ended 30th April 2018 (83.473p per share)	–	6,010	6,010
Dividends paid to minority shareholders in Noreva GmbH		64	116
Total dividends paid during the period	6,927	6,074	6,126

10. Earnings Per Share

The calculation of the basic earnings per ordinary share is based on the number of ordinary shares in issue. For all periods up to and including 30th April 2019 this amounted to 7,200,000 shares and with effect from 16th October 2019 this has increased to 7,363,200 shares. The weighted average number of ordinary shares in issue during the six months ended 31st October 2019 was 7,213,304. The relevant profits attributable to ordinary shareholders were £5,260,000 (*half year ended 31st October 2018: £5,393,000*).

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 scheme, a maximum of 489,600 share options vested at 1st May 2019, of which 163,200 were exercised during the current period. The total number of shares used as the denominator for the diluted earnings per share is 7,538,727 (*half year ended 31st October 2018: 7,344,000; year ended 30th April 2019: 7,688,056*).

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Notes (continued)

11. Capital Management, Issuance and Repayment of Debt

At 31st October 2019 the capital utilised was £132,217,000 as shown below:

	Unaudited as at 31st October 2019 £'000	Unaudited as at 31st October 2018 £'000	Audited as at 30th April 2019 £'000
Cash and cash equivalents	(9,416)	(7,577)	(9,640)
Lease liabilities – finance leases (note 15)	6,684	2,539	2,103
Bank loans and committed facilities	26,390	13,088	19,434
Bank overdrafts	3,340	3,654	9,147
Deferred consideration	204	500	204
Net debt	27,202	12,204	21,248
Total equity attributable to equity holders of the parent	105,015	96,516	105,165
Capital	132,217	108,720	126,413

12. Property, Plant and Equipment

	Unaudited as at 31st October 2019 £'000	Unaudited as at 31st October 2018 £'000
Net book value at the beginning of the period	74,106	69,154
Additions	2,887	5,672
Transfer to right-of-use assets – on transition (as required by IFRS 16)	(3,959)	–
Transfer to right-of-use assets – finance lease (as required by IFRS 16)	(6,134)	–
Disposals (at net book value)	(77)	(82)
Depreciation	(3,180)	(2,764)
Exchange adjustment	(162)	(267)
Net book value at the end of the period	63,481	71,713

During October 2019, the Group took out a £5,000,000 seven year finance lease on two induction furnaces and a water quench facility, resulting in the equipment being transferred to the right-of-use assets category.

13. Right-of-use assets

Unaudited as at 31st October 2019

	Land and buildings – formerly operating leases £'000	Plant and equipment – finance leases £'000	Plant and equipment – formerly operating leases £'000	Total £'000
Balance recognised on transition	1,008	–	47	1,055
Transfer from property, plant and equipment	–	3,959	–	3,959
Additions	929	77	–	1,006
Finance lease transfer	–	6,134	–	6,134
Depreciation	(232)	(141)	(16)	(389)
Exchange adjustment	43	(10)	–	33
Net book value at the end of the period	1,748	10,019	31	11,798

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Notes (continued)

14. Intangible assets

	Unaudited as at 31st October 2019 £'000	Unaudited as at 31st October 2018 £'000
Net book value at the beginning of the period	22,354	21,138
Additions	535	701
Amortisation	(484)	(549)
Exchange adjustment	78	18
Net book value at the end of the period	<u>22,483</u>	<u>21,308</u>

15. Lease liabilities

	Unaudited as at 31st October 2019 £'000	Unaudited as at 31st October 2019 £'000	Unaudited as at 31st October Total £'000
Finance leases	2,103	–	2,103
Right-of-use leases	–	1,055	1,055
Opening balance – IAS 17	–	1,055	1,055
Balance recognised on transition	5,054	1,006	6,060
Additions	21	27	48
Interest expense	(518)	(244)	(762)
Repayment of lease liabilities (including interest)	24	(55)	(31)
Exchange adjustment			
	<u>6,684</u>	<u>1,789</u>	<u>8,473</u>

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Notes (continued)

16. 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 2019. 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	Total carrying amount / fair value amount £'000
Financial assets				
measured at fair value				
Forward exchange contracts used for hedging	2,143	–	–	2,143
Other forward exchange contracts	–	104	–	104
	<u>2,143</u>	<u>104</u>	<u>–</u>	<u>2,247</u>
Financial assets not measured at fair value				
Cash and cash equivalents	–	–	9,416	9,416
Contract assets	–	–	9,846	9,846
Trade and other financial assets	–	–	24,981	24,981
	<u>–</u>	<u>–</u>	<u>44,243</u>	<u>44,243</u>
Financial liabilities				
measured at fair value				
Forward exchange contracts used for hedging	1,276	–	–	1,276
Other forward exchange contracts	–	276	–	276
Contingent consideration	–	204	–	204
	<u>1,276</u>	<u>480</u>	<u>–</u>	<u>1,756</u>
Financial liabilities not measured at fair value				
Bank overdrafts	–	–	3,340	3,340
Bank loans	–	–	26,390	26,390
Finance lease liabilities	–	–	8,473	8,473
Contract liabilities	–	–	27,068	27,068
Trade payables and other financial liabilities	–	–	18,174	18,174
	<u>–</u>	<u>–</u>	<u>83,445</u>	<u>83,445</u>

GOODWIN PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2019

Notes (continued)

16. Total Financial Assets and Financial Liabilities (continued)

The forward exchange contract assets and liabilities fair values in the above table are derived using Level 2 inputs as defined by IFRS 7 as detailed in the paragraph below.

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

