

Easat Radar Systems Limited

Annual Report and Financial Statements

Registered number 2044226

30 April 2020



Contents

Directors' Report	1
Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditor's report to the members of Easat Radar Systems Limited	4
Profit and Loss Account	6
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes	10

Directors' Report

Principal activity

The principal activity of the Company is the supply of radar systems.

Business model

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

Review of the year

The Company has incurred a pre-tax loss of £949,001 (2019: £644,932). This was not what the board expected to deliver at the beginning of the year, but contract delays and creep have prevented smooth contract execution, and as such, it has not been possible for the Company to deliver the performance it was anticipating.

Within the year, the Company made good progress in reducing the build up of its work in progress, and has now resolved most of the issues. In addition, the Company expects to deliver three complete radar systems within this current financial year. The loss-making financial performance is not expected to be repeated within this current financial year.

By having a more diverse workload and customer base, the Directors hope not only that the Company's performance will improve, but also that there will be less reliance on specific contracts, thus avoiding adverse operating fluctuations when there is a decent forward order book.

Brexit

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

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

Covid-19

Throughout the whole of the UK lockdown due to the Covid-19 Pandemic, the Company has remained fully operational, working in line with Government guidance, with individuals identified 'at risk' being furloughed as necessary.

Proposed dividend

During the year, the Company paid an interim dividend of £Nil (2019: £Nil). The Directors do not recommend the payment of a final dividend (2019: £Nil).

Directors

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

R.S. Goodwin	(Chairman)
M.R. Jackson	(Director and General Manager)
T.J.W. Goodwin	
R.J. Gamston	
J. Holdcroft	
A. Jurin	

Directors' Report *(continued)*

Political contributions

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

Disclosure of information to auditor

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

Auditor

In order to comply with legislation regarding the rotation of auditors, the Company has appointed RSM UK Group LLP as its Auditor, in accordance with Section 485 of the Companies Act 2006, for the year ending 30 April 2021 and going forward.

By order of the Board



M.R. Jackson
Director and General Manager

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

14 December 2020

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting, unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Easat Radar Systems Limited

Opinion

We have audited the financial statements of Easat Radar Systems Limited ("the Company") for the year ended 30 April 2020, which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes (including the accounting policies in Note 1).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Directors' report

The Directors are responsible for the Directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors' report;
- *in our opinion the information given in that report for the financial year is consistent with the financial statements; and*
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Easat Radar Systems Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Anna Barrell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants



One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

14 December 2020

Profit and Loss Account
for the year ended 30 April 2020

	Note	2020 £	2019 £
Turnover	4	10,290,124	4,999,578
Cost of sales		(9,509,855)	(4,232,278)
		<hr/>	<hr/>
Gross profit		780,269	767,300
Administrative expenses		(1,591,287)	(1,249,267)
		<hr/>	<hr/>
Operating loss		(811,018)	(481,967)
Interest payable and similar expenses	8	(137,983)	(162,965)
		<hr/>	<hr/>
Loss before taxation	5	(949,001)	(644,932)
Tax credit on loss	9	172,957	578,076
		<hr/>	<hr/>
Loss for the financial year		(776,044)	(66,856)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 25 form part of these financial statements.

Statement of Comprehensive Income
for the year ended 30 April 2020

	2020 £	2019 £
Loss for the year	(776,044)	(66,856)
<hr/>		
Other comprehensive (expense) / income		
Items that may be reclassified subsequently to the profit and loss account:		
Effective portion of changes in fair value of cash flow hedges	405,058	18,556
Change in fair value of cash flow hedges transferred to the profit and loss account	(1,783)	64,737
Effective portion of changes in fair value cost of hedging	(178,837)	19,803
Change in fair value cost of hedging transferred to the profit and loss account	(12,759)	17,525
Tax charge on items that may be reclassified subsequently to the profit and loss account	(40,512)	(20,507)
<hr/>		
Other comprehensive income for the year, net of income tax	171,167	100,114
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Total comprehensive (expense) / income for the year	(604,877)	33,258
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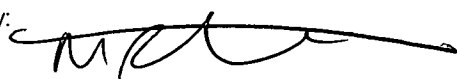
The notes on pages 10 to 25 form part of these financial statements.

Balance Sheet
at 30 April 2020

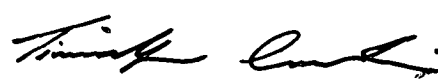
	Note	2020		2019	
		£	£	£	£
Fixed assets					
Intangible assets	10		-		67
Tangible assets	11		474,775		208,193
Investments	12		1,560,555		1,560,555
			<hr/>		<hr/>
			2,035,330		1,768,815
Current assets					
Stocks	13	8,976,339		13,328,638	
Debtors: amounts falling due within one year	14	2,550,299		1,891,101	
Debtors: amounts falling due after more than one year	14	240,950		-	
Cash at bank and in hand		11,407		1,134	
			<hr/>		<hr/>
			11,778,995		15,220,873
Creditors: amounts falling due within one year	15		(12,555,779)		(15,177,733)
			<hr/>		<hr/>
Net current (liabilities) / assets			(776,784)		43,140
			<hr/>		<hr/>
Total assets less current liabilities			1,258,546		1,811,955
Creditors: amounts falling due after more than one year	16		(18,152)		(21,251)
Provisions for liabilities and charges	17		(54,567)		-
			<hr/>		<hr/>
Net assets			1,185,827		1,790,704
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	19		10,000		10,000
Cash flow hedge reserve			328,249		1,635
Cost of hedging reserve			(144,902)		10,545
Profit and loss account			992,480		1,768,524
			<hr/>		<hr/>
Shareholders' funds			1,185,827		1,790,704
			<hr/> <hr/>		<hr/> <hr/>

The notes on pages 10 to 25 form part of these financial statements.

These financial statements were approved by the Board of Directors on 14 December 2020 and were signed on its behalf by:



M.R. Jackson
Director and General Manager



T.J.W. Goodwin
Director

Company registered number: 2044226

Statement of Changes in Equity

	Called up share capital £	Cash flow hedge reserve £	Cost of hedging reserve £	Profit and loss account £	Total equity £
Balance at 30 April 2018	10,000	(87,934)	-	1,991,506	1,913,572
Adjustment on initial application of IFRS 9 (net of tax)	-	20,435	(20,435)	-	-
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	(156,126)	(156,126)
Adjusted balance at 1 May 2018	10,000	(67,499)	(20,435)	1,835,380	1,757,446
Loss for the period	-	-	-	(66,856)	(66,856)
Other comprehensive income	-	69,134	30,980	-	100,114
Balance at 30 April 2019	10,000	1,635	10,545	1,768,524	1,790,704
Balance at 1 May 2019	10,000	1,635	10,545	1,768,524	1,790,704
Loss for the period	-	-	-	(776,044)	(776,044)
Other comprehensive income	-	326,614	(155,447)	-	171,167
Balance at 30 April 2020	10,000	328,249	(144,902)	992,480	1,185,827

The notes on pages 10 to 25 form part of these financial statements.

Notes

(forming part of the financial statements)

1. Accounting policies

Easat Radar Systems Limited (the "Company") is a company incorporated and domiciled in England and Wales.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

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

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

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

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

As the consolidated financial statements of Goodwin PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the certain disclosures required by IFRS 13 Fair Value Measurement, the disclosures required by IFRS 7 Financial Instrument Disclosures and certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company.

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

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

1.1 Measurement convention

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

1.2 Going concern

Notwithstanding net current liabilities of £776,784 as at 30 April 2020, and a loss for the year then ended of £776,044 the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons. The Company participates in the Group's centralised treasury arrangements and so, able to call upon the treasury facilities.

Notes (continued)

1. Accounting policies (continued)

1.2 Going concern (continued)

The Directors have prepared cash flow forecasts for a period of twelve months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, and the anticipated impact of Covid-19 on its operations and financial resources, the Company will have sufficient funds, through funding from its ultimate parent company, Goodwin plc to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Goodwin plc not seeking repayment of the amounts currently due to the Group, which at 30 April 2020 amounted to £2,886,397 and providing additional financial support during that period. The Directors of Goodwin plc have indicated their intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account within operating profit.

1.4 Non-derivative financial instruments

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

Trade and other debtors

Trade debtors are measured initially at the transaction price. All other financial assets are measured at fair value, on initial recognition.

Trade and other payables

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

Recognition and valuation of equity instruments

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

Impairment

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

Notes (continued)

1. Accounting policies (continued)

1.5 Derivative financial instruments and hedging

Derivative financial instruments

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

Cash flow hedges

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

For cash flow hedges, the associated cumulative gain or loss on the relevant derivative financial instrument is removed from equity and recognised in the profit and loss account in the same period or periods during which the hedged forecast transaction affects the profit and loss account. Any identified ineffective portion of the hedge is recognised immediately in the profit and loss account. Only the change in spot rate is designated as the hedging instrument, with the change in fair value relating to forward points being reported separately as deferred costs of hedging within other comprehensive income as permitted by IFRS 9.

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

1.6 Tangible fixed assets

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

Depreciation is charged to the profit and loss account on a straight-line or reducing balance basis over the estimated useful lives of each asset. The depreciation rates are 10-25% for plant and machinery and 4-25% for fixtures and fittings.

1.7 Intangible assets

Research and development

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

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

Notes (continued)

1. Accounting policies (continued)

1.7 Intangible assets (continued)

recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

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

Amortisation

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

1.8 Investments

Investments in subsidiary undertakings are stated at cost less amounts written off for impairment.

1.9 Government grants

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

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

1.10 Stocks

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

1.11 Impairment

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

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

Reversals of impairment

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

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

Notes (continued)

1. Accounting policies (continued)

1.12 Pension costs

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

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

1.13 Turnover

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

Standard inventory product lines and consumables

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.

Minimum period contracts for the provision of goods and services

Performance obligations are satisfied over time and revenue is recognised equally over the term of the contract.

Engineered bespoke products – performance obligations satisfied over time

This policy applies to sales orders which are customer bespoke, but permit the Company to claim profit earned to date if the customer were to trigger the cancel for convenience clause within the contract. In such cases, the performance obligations are treated as satisfied over time (i.e. as the contract progresses) and revenue is taken based on the percentage completion of the contract by the creation of a contract asset. Measuring progress requires judgement as to the stage of completion of each job, and the production of forecasts, which contain allowances for technical risks and inherent uncertainties.

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

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

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

Notes *(continued)*

1. Accounting policies *(continued)*

1.14 Leases

Under IAS 17, payments made under operating leases were recognised in the profit and loss account on a straight-line basis over the term of the lease. With the implementation of IFRS 16, the Company has taken advantage of the following 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.

1.15 Financial expenses

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

1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

2. Accounting estimates and judgements

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

Key estimate

IFRS 15 Revenue Recognition

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

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

Whilst cost to complete estimates are based on management's best knowledge at the time, it is clear, due to the very nature of an estimate that the eventual outcomes may differ due to unforeseen events. The advanced stage of

Notes *(continued)*

2. Accounting estimates and judgements *(continued)*

completion of a number of contracts reduces the risk of unforeseen events arising, however if a series of unforeseen events did arise it could potentially lead to a materially different outcome on the contracts.

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

Other estimates / judgements

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

Stock provisions

The Directors regularly review the recoverability of their stated raw material, work in progress and finished goods balances, paying particular attention to net realisable value and stock obsolescence issues. The estimates are in relation to costs to complete and the expected level of future sales orders for slow moving stocks. Where it is judged that a provision is deemed necessary the appropriate adjustments are made at the time a shortfall is identified.

Trade debtor provisions

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

3. Changes in significant accounting policies

The adoption of IFRS 16 has not had a significant impact on the Company's accounting policies for leases.

	<i>£</i>
Operating lease commitments at 30 April 2019	68,780
Adjustments to lease term	(68,780)

IFRS 16 adjustment	-

Notes (continued)

4. Turnover

Turnover represents the total sales for the year of radar products, including sales to group undertakings.

The geographical analysis of turnover by destination is as follows:

	2020	2019
	£	£
UK	682,136	356,653
Rest of Europe	2,611,033	3,380,146
USA	6,996,955	1,262,779
	10,290,124	4,999,578

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

	2020	2019
	£	£
Trade receivables	648,044	132,724
Contract liabilities	(6,988,135)	(8,295,581)
	(6,340,091)	(8,162,857)

Of the contract liabilities recognised at the beginning of the period, revenue of £1,852,205 (2019: £310,074) has been recognised in the year.

5. Expenses and auditor's remuneration

Included in profit before taxation are the following:

	2020	2019
	£	£
Depreciation of tangible fixed assets	74,467	73,287
Impairment of tangible fixed assets	-	213,869
Amortisation of intangible fixed assets	67	1,600

Auditor's remuneration:

	2020	2019
	£	£
Audit of these financial statements	21,040	18,456

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

Notes *(continued)*

6. Staff numbers and costs

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

	Number of employees	
	2020	2019
Works staff	25	-
Administrative staff	23	22
	<hr/> 48 <hr/>	<hr/> 22 <hr/>

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
Wages and salaries	1,862,923	1,340,204
Social security costs	178,262	120,879
Pension costs	69,857	36,476
	<hr/> 2,111,042 <hr/>	<hr/> 1,497,559 <hr/>

7. Directors' remuneration

	2020	2019
	£	£
Aggregate Directors' remuneration:		
Emoluments	399,916	495,756
Company contributions to defined contribution pension schemes	9,830	12,486
	<hr/> 409,746 <hr/>	<hr/> 508,242 <hr/>

Number of Directors who are:

Members of defined contribution pension schemes	4	5
	<hr/> 4 <hr/>	<hr/> 5 <hr/>

	£	£
	Highest paid Director:	
Emoluments and benefits in kind	110,388	130,923
Company contributions to defined contribution pension schemes	3,270	3,890
	<hr/> 113,658 <hr/>	<hr/> 134,813 <hr/>

Notes (continued)

8. Interest payable and similar expenses

	2020 £	2019 £
Intercompany interest payable to parent company – Goodwin-PLC	137,983	163,013
Other interest	-	(48)
	137,983	162,965
	137,983	162,965

9. Taxation

Recognised in the profit and loss account

	£	2020 £	£	2019 £
<i>Current tax</i>				
Current tax on loss for the year	(216,677)		(210,324)	
Adjustment in respect of prior years	635		(35,733)	
	(216,042)	(216,042)	(246,057)	
<i>Deferred taxation (see note 17)</i>				
Origination and reversal of timing differences	47,179		(46,013)	
Adjustment in respect of prior years	(297)		(286,006)	
Rate change to prior year	(3,797)		-	
	43,085	43,085	(332,019)	
Total deferred tax		43,085		(332,019)
Tax on loss		(172,957)		(578,076)

Notes (continued)

9. Taxation (continued)

Reconciliation of effective tax rate

	2020 £	2019 £
Loss for the year	(776,044)	(66,856)
Total tax credit	(172,957)	(578,076)
Loss excluding taxation	(949,001)	(644,932)
Tax using the UK corporation tax rate of 19% (2019: 19%)	(180,310)	(122,537)
Non-deductible expenses	10,812	2,278
Non-taxable income	-	(33,555)
Overprovision relating to the disposal of development costs	-	(322,456)
Under provided in previous years	338	717
Permanent difference in treatment of development costs	-	(107,937)
Difference in corporation tax and deferred tax rates	-	5,414
Rate change to prior year	(3,797)	-
Total tax credit	(172,957)	(578,076)

On 11 March 2020, it was announced that the UK corporation tax rate would remain at 19% on 1 April 2020 and would no longer reduce to 17%. This measure was made under a Budget resolution which has statutory effect under the provisions of the Provisional Collection of Taxes Act 1968, and, as such, it is substantively enacted on the passing of the resolution on 17 March 2020.

10. Intangible assets

	Software & licences £
Cost	
At 1 May 2019	3,200
At 30 April 2020	3,200
Amortisation	
At 1 May 2019	3,133
Charged in the year	67
At 30 April 2020	3,200
Net book value	
At 30 April 2019	67
At 30 April 2020	-

Notes (continued)

10. Intangible assets (continued)

The amortisation charge is recognised in administrative expenses in the profit and loss account.

During the year, the Company sold its intellectual property and development costs to the parent company in order to reduce the amount owed to the parent.

11. Tangible assets

	Plant and machinery	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 May 2019	933,362	133,349	1,066,711
Additions	339,153	1,896	341,049
	<hr/>	<hr/>	<hr/>
At 30 April 2020	1,272,515	135,245	1,407,760
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation			
At 1 May 2019	765,012	93,506	858,518
Charged in the year	52,261	22,206	74,467
	<hr/>	<hr/>	<hr/>
At 30 April 2020	817,273	115,712	932,985
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 1 May 2019	168,350	39,843	208,193
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 April 2020	455,242	19,533	474,775
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12. Fixed asset investments

	£
Cost and net book value	
At the beginning and end of the year	1,560,555
	<hr/> <hr/>

The Company owns 100% of the share capital of NRPL Aero Oy, a company registered in Finland, whose principal activity is engineering for radar systems. Its registered address is Koivupuistontie 34, Vantaa, 01510 Finland.

Notes (continued)

13. Stocks

	2020	2019
	£	£
Raw materials and consumables	658,123	645,801
Work in progress	6,723,379	12,025,232
Finished goods	1,594,837	657,605
	8,976,339	13,328,638
	8,976,339	13,328,638

The value of stocks written down during the year was £326,980 (2019: £632,207).

14. Debtors

	2020	2019
	£	£
Amounts falling due within one year		
Trade debtors	648,044	132,724
Amounts owed by group undertakings – fellow subsidiaries	1,480,569	1,152,951
Derivative financial assets held by group undertakings (note 18)	219,095	33,897
Deferred tax asset (note 17)	-	29,030
Other debtors	147,731	499,577
Prepayments and accrued income	54,860	42,922
	2,550,299	1,891,101
	2,550,299	1,891,101
Amounts falling due after more than one year		
Derivative financial assets held by group undertakings (note 18)	240,950	-
	240,950	-

15. Creditors: amounts falling due within one year

	2020	2019
	£	£
Contract liabilities	6,988,136	8,295,581
Trade creditors	2,297,269	69,048
Amounts owed to group undertakings – parent company	2,886,397	5,414,897
Amounts owed to group undertakings – fellow subsidiaries	49,224	1,171,026
Derivative financial liabilities held by group undertakings (note 18)	31,740	16,505
Other taxation and social security	101,845	69,448
Other creditors	29,631	8,016
Accruals and deferred income	171,537	133,212
	12,555,779	15,177,733
	12,555,779	15,177,733

Notes (continued)

16. Creditors: amounts falling after more than one year

	2020 £	2019 £
Deferred income – capital grants	18,152	21,251

17. Deferred tax (assets) / liabilities

	Tangible fixed assets £	Intangible fixed assets £	Derivative financial instruments £	Other temporary differences £	Total £
At 1 May 2018	1,142	322,373	(3,297)	(1,112)	319,106
Impact of IFRS 15	-	-	-	(36,624)	(36,624)
Movement in the year – recognised in profit and loss account	(32,045)	(322,373)	(14,253)	36,652	(332,019)
Movement in the year – recognised in equity	-	-	20,507	-	20,507
At 30 April 2019	(30,903)	-	2,957	(1,084)	(29,030)
At 1 May 2019	(30,903)	-	2,957	(1,084)	(29,030)
Movement in the year – recognised in profit and loss account	6,219	-	37,855	(989)	43,085
Movement in the year – recognised in equity	-	-	40,512	-	40,512
At 30 April 2020	(24,684)	-	81,324	(2,073)	54,567

Notes *(continued)*

18. Derivative financial assets and liabilities

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

	2020 £	2019 £
Derivative financial assets at fair value through the profit and loss account	239,840	19,222
Derivative financial assets designated as effective cash flow hedges	220,205	14,675
	<hr/> 460,045 <hr/>	<hr/> 33,897 <hr/>
 Derivative financial liabilities at fair value through the profit and loss account	 31,740 <hr/>	 16,505 <hr/>

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

19. Share capital

	2020 £	2019 £
<i>Allotted, called up and fully paid</i>		
10,000 ordinary shares of £1 each	10,000	10,000
	<hr/> 10,000 <hr/>	<hr/> 10,000 <hr/>
Shares classified as shareholders' funds	10,000	10,000
	<hr/> 10,000 <hr/>	<hr/> 10,000 <hr/>

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

Notes *(continued)*

20. Related parties

At 30 April 2020, the parent company, Goodwin PLC, held 77% of the share capital of the Company. During the year, the Company has transacted with the following fellow subsidiaries: NRPL Aero Oy, Goodwin International Limited, Goodwin Steel Castings Limited and Internet Central Limited.

	2020	2019
	£	£
<i>Sales of goods and services</i>		
Fellow subsidiaries	64,903	146,219
	<hr/>	<hr/>
<i>Purchases of goods and services</i>		
Fellow subsidiaries	4,700,420	4,719,826
	<hr/>	<hr/>
<i>Rent</i>		
Parent company	256,960	122,604
Fellow subsidiaries	274,140	353,017
	<hr/>	<hr/>
<i>Administrative expenses incurred</i>		
Parent company	605,000	472,500
	<hr/>	<hr/>
<i>Interest expenses</i>		
Parent company	137,983	163,013
	<hr/>	<hr/>
<i>Outstanding debtors</i>		
Fellow subsidiaries	1,480,569	1,152,951
	<hr/>	<hr/>
<i>Outstanding creditors</i>		
Parent company	2,886,397	5,414,897
Fellow subsidiaries	49,224	1,171,026
	<hr/>	<hr/>

21. Subsequent events

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

22. Ultimate parent company

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