

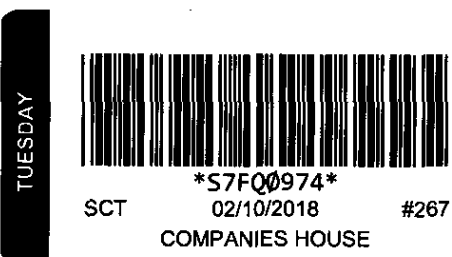
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Company number : FC023381  
Company number : SF000753

**Woodward International, Inc.**

**Financial statements  
for the year ended 30 September 2017**

Registered in the United States of America  
Branch number BR006182 (England and Wales)  
Branch number BR004322 (Scotland)  
Registered as having a UK establishment



# **Woodward International, Inc.**

## **Financial statements for the year ended 30 September 2017**

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## Woodward International, Inc.

### Statement of comprehensive income for the year ended 30 September 2017

		2017	2016
	Note	£	£
Revenue		43,034,279	29,502,582
Cost of sales		(31,998,769)	(23,829,818)
Gross profit		11,035,510	5,672,764
Administrative expenses		(1,537,786)	(1,494,415)
Operating profit		9,497,724	4,178,349
Finance income	11	6,013	3,653
Finance costs	11	-	-
Net finance income/(costs)	11	6,013	3,653
Profit before income tax		9,503,737	4,182,002
Income tax expense		(1,822,764)	(805,504)
Total comprehensive income for the year	7	7,680,973	3,376,498

There are no items of other comprehensive income recorded directly in equity.

The notes on pages 3 to 12 are an integral part of these financial statements.

# Woodward International, Inc.

## Statement of financial position at 30 September 2017

Branch no: BR004322

Branch no: BR006182

	Note	2017 £	2016 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	575,509	669,155
Intangible assets	3	5,484,261	5,484,261
Deferred income tax assets	10	3,470,943	5,066,929
Retirement benefit assets		4,129,788	1,912,798
		<b>13,660,501</b>	<b>13,133,143</b>
<b>Current assets</b>			
Inventories	4	6,363,028	6,362,777
Trade and other receivables	5	8,375,616	8,263,441
Cash and cash equivalents		2,055,918	694,881
		<b>16,794,562</b>	<b>15,321,099</b>
<b>Total assets</b>		<b>30,455,063</b>	<b>28,454,242</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	6	6	6
Capital contribution	8	7,942,171	25,983,326
Other reserves	8	(9,513)	(402)
Retained earnings	7	7,276,943	(404,030)
<b>Total equity</b>		<b>15,209,607</b>	<b>25,578,900</b>
<b>Current liabilities</b>			
Trade and other payables	9	14,192,513	2,570,625
Current income tax liabilities		1,052,943	304,717
		<b>15,245,456</b>	<b>2,875,342</b>
<b>Total equity and liabilities</b>		<b>30,455,063</b>	<b>28,454,242</b>

The notes on pages 3 to 12 are an integral part of these financial statements.

The financial statements were approved on

by:

  
R F Weber  
Director

# Woodward International, Inc.

## Notes to the financial statements for the year ended 30 September 2017

### 1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of preparation**

The financial statements have been prepared on the going concern basis in accordance with Section 396 of the Companies Act 2006 as modified by Statutory Instrument 2009/1801. The company has taken advantage of the modifications and exemptions from disclosures that are set out in the Overseas Companies Regulations 2009. The statement of comprehensive income and statement of financial position include the line items required to be shown by International Accounting Standards. US GAAP has been used as the basis for preparing the numbers included within the financial statements. The financial statements do not require an audit in accordance with US Law and Regulations.

#### **Functional and presentation currency**

These financial statements are presented in Pounds Sterling which is the company's functional currency.

#### **Foreign currency translation**

Assets and liabilities are translated at fiscal year-end rates of exchange. Translation adjustments are accumulated with other comprehensive.

#### **Property, plant and equipment**

Property, plant and equipment are recorded at cost and are depreciated over the estimated useful lives of the assets. Assets are depreciated using the straight-line method. Assets are tested for recoverability whenever events or circumstances indicate the carrying value may not be recoverable.

Estimated lives over which fixed assets are generally depreciated at September 30, 2017 were as follows:

Leasehold improvements	1-10 years
Vehicles and machinery	2-15 years
Furniture, fittings and equipment	3-10 years
Assets in course of construction	No depreciation as assets not in use

#### **Goodwill**

Goodwill is tested for impairment on a consolidated basis by the parent company of Woodward International, Inc. The parent company's impairment test is performed at the reporting unit level on an annual basis and more often if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The impairment test consist of comparing the implied fair value of reporting units with its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its implied fair value, the implied fair value of goodwill is compared with the recorded carrying amount of goodwill. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss would be recognised to reduce the carrying amount to its implied fair value. Any impairment loss determined by the parent company would be allocated to the appropriate subsidiary entities based on their relative proportion of the total goodwill of the reporting unit in which the subsidiary resides.

# Woodward International, Inc.

## Notes to the financial statements for the year ended 30 September 2017 (continued)

### 1 Summary of significant accounting policies (continued)

#### Other intangibles

Other intangibles are recognised apart from goodwill whenever an acquired intangible asset arises from contractual or other legal rights, or whenever it is capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged, either individually or in combination with a related contract, asset or liability. The company's intangible assets have an estimated useful life and are being amortised using patterns that reflect the periods over which the economic benefits of the assets are expected to be realised. Impairment losses are recognised if the carrying amount of an intangible is both not recoverable and exceeds its fair value.

Estimated lives over which intangible assets are amortised at September 30, 2017 were as follows:

Process technology	8-30 years
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#### Inventories

Inventories are valued at the lower of cost or market value, with cost generally being determined using methods that approximate a first-in, first-out basis.

Component parts include items that can be sold separately as finished goods or included in the manufacture of other products.

Customer deposits are recorded against inventory when the right of offset exists. All other customer deposits are recorded in accrued liabilities.

#### Income taxes

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of assets, liabilities and certain unrecognised gains and losses recorded in accumulated other comprehensive earnings.

#### Revenue recognition

Revenue is recognised upon shipment or delivery of tangible products for sale. Delivery is upon completion of manufacturing, customer acceptance, and the transfer of the risks and rewards of ownership. In countries whose laws provide for retention of some form of title by sellers, enabling recovery of goods in the event of customer default on payment, product delivery is considered to have occurred when the customer has assumed the risks and rewards of ownership of the products.

Occasionally, title of product to customers is transferred but substantive performance obligations are retained such as completion of product testing, customer acceptance or in some instances regulatory acceptance. Revenue is deferred until the performance of obligations are satisfied.

Certain products include incidental software or firmware essential to the performance of the product as designed which are treated as units of accounting associated with the related tangible product with which the software is included. Software is not sold on a standalone basis, although software upgrades, if any, are generally paid for by the customer.

# **Woodward International, Inc.**

## **Notes to the financial statements for the year ended 30 September 2017 (continued)**

### **1 Summary of significant accounting policies (continued)**

#### **Post retirement benefits**

Various benefits are provided to certain current and former employees through defined benefit pension and post retirement plans. For financial reporting purposes, net periodic benefits expense and related obligations are calculated using a number of significant actuarial assumptions. Changes in net periodic expense and funding status may occur in the future due to changes in these assumptions. The funded status of defined pension and post retirement plans recognised in the statement of financial position is measured as the difference between the fair market value of the plan assets and the benefit obligation. For a defined benefit pension plan, the benefit obligation is the projected benefit obligation; for any other defined benefit post retirement plan, such as a retiree health care plan, the benefit obligation is the accumulated benefit obligation. Any over-funded status is recognised as an asset and any underfunded status is recognised as a liability.

Projected benefit obligation is the actuarial present value as of the measurement date of all benefits attributed by the plan benefit formula to employee service rendered before the measurement date using assumptions as to future compensation levels if the plan benefit formula is based on those future compensation levels. Accumulated benefit obligation is the actuarial present value of benefits (whether vested or unvested) attributed by the plan benefit formula to employee service rendered before the measurement date and based on employee service and compensation, if applicable, prior to that date. Accumulated benefit obligation differs from projected benefit obligation in that it includes no assumption about future compensation levels.

# Woodward International, Inc.

## Notes to the financial statements for the year ended 30 September 2017 (continued)

### 2 Property, plant and equipment

	Leasehold Improvements £	Vehicles and machiner y £	Furniture, fittings and equipment £	Assets in course of construction £	Total £
<b>At 1 October 2015</b>					
Cost	1,045,077	2,380,060	197,741	326,480	3,949,358
Accumulated depreciation	(918,237)	(1,980,238)	(183,485)	-	(3,081,960)
<b>Net book amount</b>	<b>126,840</b>	<b>399,822</b>	<b>14,256</b>	<b>326,480</b>	<b>867,398</b>
<b>Year ended 30 September 2016</b>					
Opening net book amount	126,840	399,822	14,256	326,480	867,398
Additions	-	372,398	-	45,918	418,316
Disposals	-	-	-	(372,398)	(372,398)
Depreciation	(37,097)	(221,885)	(5,247)	-	(264,229)
Grant release	-	20,068	-	-	20,068
<b>Closing net book amount</b>	<b>89,743</b>	<b>570,403</b>	<b>9,009</b>	<b>-</b>	<b>669,155</b>
<b>At 30 September 2016</b>					
Cost	1,045,077	2,772,526	197,741	-	4,015,344
Accumulated depreciation	(955,334)	(2,202,123)	(188,732)	-	(3,346,189)
<b>Net book amount</b>	<b>89,743</b>	<b>570,403</b>	<b>9,009</b>	<b>-</b>	<b>669,155</b>
<b>Year ended 30 September 2017</b>					
Opening net book amount	89,743	570,403	9,009	-	669,155
Additions	-	96,128	24,672	-	120,890
Depreciation	(37,097)	(170,278)	(7,071)	-	(214,536)
<b>Closing net book amount</b>	<b>52,646</b>	<b>496,253</b>	<b>26,610</b>	<b>-</b>	<b>575,509</b>
<b>At 30 September 2017</b>					
Cost	1,045,077	2,868,654	222,503	-	4,136,234
Accumulated depreciation	(992,431)	(2,372,401)	(195,893)	-	(3,560,725)
<b>Net book amount</b>	<b>52,646</b>	<b>496,253</b>	<b>26,610</b>	<b>-</b>	<b>575,509</b>



# Woodward International, Inc.

## Notes to the financial statements for the year ended 30 September 2017 (continued)

### 3 Intangible assets

	Goodwill £	Process Technology £	Total £
<b>At 1 October 2015</b>			
Cost	5,584,646	512,039	6,096,685
Accumulated amortisation and impairment	(100,385)	(486,437)	(586,822)
<b>Net book amount</b>	<b>5,484,261</b>	<b>25,602</b>	<b>5,509,863</b>
<b>Year ended 30 September 2016</b>			
Opening net book amount	5,484,261	25,602	5,509,863
Amortisation charge	-	(25,602)	(25,602)
<b>Closing net book amount</b>	<b>5,484,261</b>	<b>-</b>	<b>5,484,261</b>
<b>At 30 September 2016</b>			
Cost	5,584,646	512,039	6,096,685
Accumulated amortisation and impairment	(100,385)	(512,039)	(612,424)
<b>Net book amount</b>	<b>5,484,261</b>	<b>-</b>	<b>5,484,261</b>
<b>Year ended 30 September 2017</b>			
Opening net book amount	5,484,261	-	5,484,261
Amortisation charge	-	-	-
<b>Closing net book amount</b>	<b>5,484,261</b>	<b>-</b>	<b>5,484,261</b>
<b>At 30 September 2017</b>			
Cost	5,584,646	512,039	6,096,685
Accumulated amortisation and impairment	(100,385)	(512,039)	(612,424)
<b>Net book amount</b>	<b>5,484,261</b>	<b>-</b>	<b>5,484,261</b>

# Woodward International, Inc.

## Notes to the financial statements for the year ended 30 September 2017 (continued)

### 4 Inventories

	2017	2016
	£	£
Components	3,963,406	3,889,310
Work in process	2,144,299	1,943,556
Finished goods	255,323	529,911
	<b>6,363,028</b>	<b>6,362,777</b>

### 5 Trade and other receivables

	2017	2016
	£	£
Trade receivables	6,037,875	6,980,391
Receivables from related parties (note 13)	742,002	845,845
Prepayments and other receivables	1,595,739	437,205
	<b>8,375,616</b>	<b>8,263,441</b>

### 6 Share capital

	2017	2016
	£	£
1,000 common stock shares of \$0.01 each	6	6

### 7 Retained earnings

	£
At 1 October 2015	(3,780,527)
Total comprehensive income for the year	3,376,497
<b>At 30 September 2016</b>	<b>(404,030)</b>
At 1 October 2016	(404,030)
Total comprehensive income for the year	7,680,973
<b>At 30 September 2017</b>	<b>7,276,943</b>

# Woodward International, Inc.

## Notes to the financial statements for the year ended 30 September 2016 (continued)

### 8 Capital contribution and other reserves

	Capital contribution £	Other reserves £	Total £
At 1 October 2015	29,702,764	(41,337)	29,661,427
Transfer to Parent Company	(3,719,438)	-	(3,719,438)
Currency translation differences	-	40,935	40,935
<b>At 30 September 2016</b>	<b>25,983,326</b>	<b>(402)</b>	<b>25,982,924</b>
At 1 October 2016	25,983,326	(402)	25,982,924
Transfer to Parent Company	(18,041,155)	(8,111)	(18,050,266)
<b>At 30 September 2017</b>	<b>7,942,171</b>	<b>(9,513)</b>	<b>7,932,658</b>

### 9 Trade and other payables

	2017 £	2016 £
<b>Amounts owed within one year:</b>		
Trade payables	1,648,580	1,206,500
Amounts owed to related parties (note 13)	12,144,176	867,792
Social security and other taxes	81,325	139,614
Other payables	32,465	47,984
Accrued expenses	285,967	308,735
	<b>14,192,513</b>	<b>2,570,625</b>

# Woodward International, Inc.

## Notes to the financial statements for the year ended 30 September 2017 (continued)

### 10 Deferred income tax

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and previous financial year.

	2017	2016
	£	£
<b>Deferred tax assets</b>		
Deferred tax asset to be recovered after more than 12 months	<b>3,470,943</b>	5,066,929

The gross movement on deferred income tax balance in the year is as follows:

	2017	2016
	£	£
At start of year	5,066,929	2,966,934
Deferred tax charge	(1,595,986)	2,099,995
At 30 September	<b>3,470,943</b>	5,066,929

### 11 Finance income and costs

	2017	2016
	£	£
Finance income:		
Interest receivable from related parties (note 13)	-	209
Interest income on bank deposits	<b>6,013</b>	3,444
<b>Finance income</b>	<b>6,013</b>	3,653

# Woodward International, Inc.

## Notes to the financial statements for the year ended 30 September 2017 (continued)

### 12 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2017	2016	2017	2016
	£	£	£	£
No later than 1 year	77,753	100,073	38,165	48,458
Later than 1 year and no later than 5 years	-	90,000	18,913	27,973
Greater than 5 years	-	-	-	-
	<b>77,753</b>	<b>190,073</b>	<b>57,078</b>	<b>76,429</b>

### 13 Related party transactions

#### (a) Sales of goods and services

	2017	2016
	£	£
<b>Sales of goods and services:</b>		
Parent	10,707,385	4,325,235
Associate	1,142,951	908,155
Other related parties	3,491,028	2,299,748
	<b>15,341,364</b>	<b>7,533,138</b>

Sales with related parties were carried out on commercial terms and at market prices.

#### (b) Purchases of goods and services

	2017	2016
	£	£
<b>Purchases of goods and services:</b>		
Parent	24,432,831	18,424,140

Purchases from related parties were carried out on commercial terms and at market prices.

#### (c) Finance income

	2017	2016
	£	£
<b>Finance income:</b>		
Other related parties	-	209

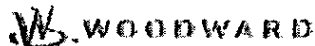
# Woodward International, Inc.

## Notes to the financial statements for the year ended 30 September 2017 (continued)

### 13 Related party transactions (continued)

(d) Year end balances arising from purchases of goods and services and finance costs

	2017	2016
	£	£
<b>Payables to related parties</b>		
Parent	11,943,251	42
Associate	-	4
Other related parties	200,925	867,747
	<b>12,144,176</b>	<b>867,793</b>
<b>Receivables from related parties</b>		
Parent	274,940	458,697
Associate	533,179	295,939
Other related parties	208,824	91,210
	<b>1,016,943</b>	<b>845,846</b>



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## STATUTORY FINANCIAL STATEMENTS

### PROCESS AND REVIEW CONFIRMATION

We hereby confirm that the statutory financial statements for Woodward International, Inc. ("the company") for the year ended September 30, 2017, were prepared based on accounting records maintained in Woodward's systems (WISE and SAP). As those accounting records are maintained according to US GAAP, the following adjustments were made to reflect UK Accounting standards:

	£		
Shareholders Equity - US GAAP	(8,937,277)		
Other Current Assets	31,907		
Other Non-Current Assets	(4,121,971)		
Current Liabilities	(39,724)	GAAP Earnings	£ 7,880,973
Long-Term Liabilities	(2,142,541)	Statutory Net Earnings	7,880,973
Shareholders Equity - Statutory	<u>(15,209,606)</u>	Difference	<u>-</u>

The statutory financial statements were prepared by Scott White and reviewed by Todd Hilliard.

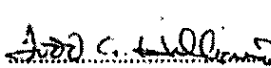
Preparer:

Date:

Reviewer:

Date:

  
Scott White  
Finance Manager, Prestwick

  
Todd Hilliard  
Director, Group Controller - Aircraft Turbine Systems

**W. WOODWARD**

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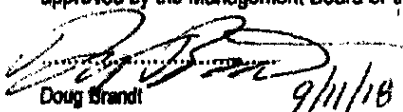
Additional Review questionnaire 1	Yes	No
Are the total sales of the company above USD 50M and has the company NOT been included into a Local Group Consolidation?	x	
Are the total assets of the company above USD 50M and has the company NOT been included into a Local Group Consolidation?		x

If one of the above boxes are marked with "Yes", the

-Group Vice President Finance or

-VP Global Taxes

must review and authorize the issuance of the Statutory Report prior to such Financial Statements being approved by the Management Board or the shareholders.

  
Doug Brandt  
Vice President Finance, ATS

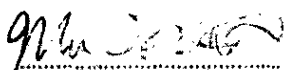
.....  
Sean Morris  
Vice President Global Tax

Additional Review questions	Yes	No
Is Woodward Inc., USA, a direct Shareholder of the company?	x	
Is a Group President, Chief Financial Officer or Chief Executive Officer Managing Director of either the company or its direct Shareholder?	x	

If one of the above boxes are marked with "Yes", the Corporate Controller must review and authorize the issuance of the Statutory Report prior to such Financial Statements being approved by the Management Board or the shareholders.

Approver:

Date:

 9/25/18

Mark Hartman  
Vice President and Corporate Controller