GOODWIN PLC

Registered in England and Wales, Number 305907
Established 1883

Directors:
J. W. Goodwin *(Chairman)*
R. S. Goodwin *(Managing Director)*
R. J. Dyer
P. J. Horton

Secretary and registered office:
Mrs. P. Higgs, B.A., A.C.I.S.
Ivy House Foundry, Hanley,
Stoke-on-Trent, ST1 3NR

Registrar and share transfer office:
Computershare Services PLC,
P.O. Box No. 82,
Bristol, BS99 7NH

Auditors:
KPMG Audit Plc,
2 Cornwall Street, Birmingham, B3 2DL

NOTICE IS HEREBY GIVEN that the SIXTY FOURTH ANNUAL GENERAL MEETING of the company will be held at 10.30 am, on Thursday, 4th November, 1999 at the Saxon Cross Hotel, Sandbach, Cheshire, for the purpose of considering and, if thought fit, passing the following resolutions:

1. To receive the report of the directors and the audited financial statements for the year ended 30th April, 1999 and to approve the payment of a dividend on the ordinary shares.
2. To re-elect Mr. R. J. Dyer as a director.
3. To re-appoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration.

By Order of the Board,
P. HIGGS,
Secretary.

Registered Office:
Ivy House Foundry,
Hanley, Stoke-on-Trent.
5th October, 1999

NOTES:

1. A member entitled to attend and vote at the above meeting may appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. To be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the registered office of the company not less than 48 hours before the time appointed for the holding of the meeting.
2. None of the directors have service contracts with the company.
3. If approved by shareholders the final dividend will be paid to shareholders on 8th November, 1999.

GOODWIN PLC

CHAIRMAN'S STATEMENT

I have pleasure in presenting the Directors' Report and Financial Statements for the year ended 30th April, 1999.

The company's turnover of £25.3 million and pre-tax profit of £1.5 million are very similar to last year and it is proposed that the dividend remains unaltered at 2.94p. The result has been achieved in a hostile trading environment. The recession in Europe and in particular in the Far East, coupled with the pound's continued strength versus the European and Far Eastern currencies, made it difficult to compete overseas where domestic manufacturers of our products exist. The near world recession brought oil prices during this twelve month period to a 30 year low which led to many projects in the related industries being cancelled or postponed. As a result of this the value of our order book was significantly reduced at the year end.

With the recession in the Far East receding and the oil price now at a 12 year high, there may be reason for optimism but only when budgets are released. Such optimism must, however, be tempered by the arrogance which the UK Government shows to UK manufacturing companies trying to sell their products overseas. Over fifty percent of the Group's turnover is currently exported to sixty four countries. Our ability to compete in export markets has been severely disadvantaged by the Government's abdication of responsibility for bank interest policy. As compared to a base four years ago, sterling has remained stronger by an average of twenty percent versus major world currencies over the period. Next year's performance will be dependent upon the strength of the pound and how quickly new projects are released world wide.

Despite the trend towards industry redefining itself as being the supplier of services, the Board considers that the Group's specialist manufacturing niche, especially within the power generation and oil and gas industries, will grow as population growth and ever increasing energy demands become apparent.

The Group has again invested in further machine tools and equipment solely with the intent of reducing costs and giving fast deliveries of quality products, which may be seen on the corporate web sites.

Once again, our loyal team of 385 employees has focused on winning orders and used their every intuition and skill to keep costs low, even though the administrative burden continues to increase, as evidenced by the latest reporting requirements in these financial statements. The Group will inevitably suffer if there is any further legislative increase in administrative and/or tax burdens. For instance, the proposed energy tax is prejudiced against steel makers despite the fact that our own company has achieved the environmental standard, ISO 14001, and improved energy efficiency year on year.

As we enter the new millennium our engineering base remains strong and diversified in both user and product base which includes valves for the petrochemical and power generation industries, radar systems for airport and sea surveillance and casting powders for the jewellery casting industry.

John W. Goodwin

J. W. GOODWIN,
Chairman.

24th September, 1999

GOODWIN PLC

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and audited financial statements for the year ended 30th April, 1999.

Business review

The principal activity of the Group is mechanical and refractory engineering. The results of the year may be summarised as follows:

	1999 £'000	1998 £'000
Turnover	**25,364**	25,166
Profit on ordinary activities before taxation	**1,508**	1,504
Taxation charge	**(442)**	(453)
Profit on ordinary activities after taxation	**1,066**	1,051

Comments on the results for the year are given in the chairman's statement.

Proposed dividends

The directors recommend that an ordinary dividend of 2.94p per share be paid to shareholders on the register at the close of business on 8th October 1999. *(1998: 2.94p per share).*

Fixed assets

The directors consider that the market value of the Group's freehold land and buildings is in excess of the values disclosed in the Group balance sheet.

Directors and directors' interests

The directors of the company who have served during the year are set out below:

J. W. Goodwin
R. S. Goodwin
R. J. Dyer
P. J. Horton

The director retiring in accordance with the Articles is R. J. Dyer who, being eligible, offers himself for re-election.

The interests of each director in the share capital of the company are as follows:

	10p ordinary shares	
	30th April 1999	1st May 1998
Beneficial		
J. W. Goodwin	**301,736**	334,206
R. S. Goodwin	**301,736**	334,206
J. W. Goodwin and R. S. Goodwin	**1,669,169**	1,606,169
J. W. Goodwin and R. S. Goodwin	**1,539,940**	1,475,000
R. J. Dyer	**17,500**	17,500
P. J. Horton	**115,840**	115,840
Non-beneficial		
J. W. Goodwin, R. S. Goodwin and others	**435,310**	475,000

During the period from 1st May, 1999 to 24th September, 1999, R. S. Goodwin's interest decreased to 150,868.

No director has a service agreement with the company, nor any beneficial interest in the share capital of any subsidiary undertaking.

The company does not have any share option schemes for employees or directors.

Shareholdings

The company has been notified that, as at 24th September, 1999, the following had an interest in 3% or more of the issued share capital of the company: J. W. Goodwin and R. S. Goodwin 1,669,169 shares (23.18%), J. W. Goodwin and R. S. Goodwin 1,539,940 shares (21.39%). These shares are registered in the names of J. M. Securities Limited and J. M. Securities (No. 3) Limited respectively. J. W. Goodwin, R. S. Goodwin and others 435,310 shares (6.05%), J. W. Goodwin 301,736 shares (4.19%), J. H. Ridley 495,167 shares (6.88%).

Donations

Donations by the group for charitable purposes amounted to £5,282 *(1998: £1,600).*

Employee consultation

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

Employment of disabled persons

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

Creditor payment policy

The company has not adopted any formal code or standards on supplier payment practice. The company's policy is to settle payments having negotiated and advised terms and conditions with suppliers on a contract by contract basis. The holding company has no trade creditors at 30th April, 1999.

Year 2000

The company has adopted the Year 2000 Conformity DISC PD 2000-1 definition. Auditing and action plans are on-going. At this date, all systems are thought to be compliant. The costs of changing non-compliant items to date have been charged against profits in the accounts and work on the corporate mainframe networked throughout the Group is in the process of being completed, both at minimal cost. Contingency plans are in place to ensure the business can continue should the systems fail.

European Monetary Union

The European single currency (euro) was introduced by participating European Member States on 1st January 1999. The implications of this are considered unlikely to result in any significant costs to the company.

The company already has banking and exchange facilities dealing in the euro and will continue to maintain a flexible scope of operation as it currently does in dealing with contracts in other currencies.

Corporate governance

The directors have considered the requirements of the Combined Code incorporated into the Listing Rules of the London Stock Exchange. The Code covers four broad areas, namely the composition and procedures of the Board, the service contracts and pay of the directors, relations with shareholders, and the directors' responsibilities with respect to accountability and audit.

The Board feels that it should be recognised that what may be appropriate for the larger company may not necessarily be so appropriate for the smaller company, a point raised previously in the Cadbury Code of Best Practice. In view of the Group's present size and proven track record, it is not seen as appropriate to increase further the number of directors on the Board. Accordingly, the Group is unable to comply with aspects of the Code's requirements in terms of non-executive directors and the requirement for an Audit Committee and a Remuneration Committee. All directors, except the Chairman and Managing Director retire by rotation at least every 3 years.

The remuneration of the directors is considered by the Board as a whole. No director has a service agreement or determines his own salary.

The Board meets at least once a month and retains full responsibility for the direction and control of the Group. There is no formal schedule of matters reserved for the Board. However, acquisitions and disposals of assets, investments and material capital related projects are as a matter of course specifically reserved for Board decision. All directors have access to the Company Secretary.

After making enquiries, the directors have a reasonable expectation that the company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The Board continues to be conscious of its non-compliance with aspects of the Code and will review the situation in the light of any future Group developments.

Internal Financial Control

The directors are responsible for the Group's system of internal financial control.

A system of internal financial control can provide only reasonable and not absolute assurance of:

- safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The Board, which comprises four executive directors, meets formally by itself and with subsidiary directors on a regular basis. No non-executive directors are thought appropriate, due to the cost likely to be involved and the improbability of their adding any value to the business. It is considered that the business is most effectively managed by the close personal involvement of the directors in the day to day operations.

The Board meets with an agenda to discuss corporate strategy, to formulate and monitor the progress of business plans for all subsidiaries and to consider business risks faced.

The management philosophy of the Group is to operate its subsidiaries on an autonomous basis with formally defined areas of responsibility and delegation of authority. The Group has put in place formal lines of reporting with subsidiary management meeting with the executive directors on a regular basis.

The board of directors is responsible for the Group's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

Strict financial and other controls are exercised by the Group over the operating subsidiaries. They include:

- preparation of subsidiary and Group business plans which includes the identification of, and the assessment of, business and financial risks;
- monitoring of actual results compared with budgets and business plans;
- operating treasury transactions as non-profit making and limiting authority to:
  - hedging foreign exchange exposure in as risk averse way as possible; and
  - the negotiation and management of the Group's cash, borrowing and bank facilities;
- defined procedures for the appraisal, review and authorisation of capital expenditure.

The Board has reviewed the effectiveness of the Group's system of internal financial control.

Relations with shareholders

The Board welcomes questions from shareholders and encourages them to attend the annual general meeting where they may meet the Board. Arrangements have been altered for the 1999 AGM so that 20 working days notice has been given and the number of proxy votes cast will be indicated.

Directors' remuneration

The Group's policy is to provide a remuneration package to executive directors to attract, retain and motivate individuals of the calibre required, and to ensure that the Group is managed successfully in a manner appropriate to the company's size. This is currently provided in the form of a basic salary and suitable benefits in kind. In forming its policy, the Board has given full consideration to the Code's best practice provisions on remuneration policy, service contracts and compensation and has considered the remuneration levels of directors of similar companies. In view of the directors' significant personal shareholdings in the company the Board do not have at present a performance related element within their remuneration.

Details of each element of the directors' remuneration are given in note 5 to the financial statements. Pension contributions are made where applicable into defined contribution schemes. No director has a service contract and there are no share option schemes or other long term incentive schemes.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the company.

Approved by the Board of directors and signed on its behalf by:

J. W. GOODWIN,
Chairman.

John W. Goodwin

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

24th September, 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and Group and of the profit or loss for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

to the Members of

GOODWIN PLC

We have audited the financial statements on pages 7 to 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described above the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the statement on page 4 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group as at 30th April, 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

24th September, 1999

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Birmingham

GOODWIN PLC

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 30th APRIL, 1999

	Note	1999 £'000	1998 £'000
TURNOVER	2	**25,364**	25,166
Cost of sales		**(19,845)**	(19,463)
GROSS PROFIT		**5,519**	5,703
Distribution costs		**(804)**	(855)
Administrative expenses		**(3,036)**	(3,097)
OPERATING PROFIT		**1,679**	1,751
Share of profit of associated undertaking		**25**	42
Net interest payable	3	**(196)**	(289)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	**1,508**	1,504
Tax on profit on ordinary activities	7	**(442)**	(453)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**1,066**	1,051
Minority interests - equity		**(14)**	14
PROFIT FOR THE FINANCIAL YEAR	8	**1,052**	1,065
Proposed ordinary dividend	9	**(212)**	(212)
RETAINED PROFIT FOR THE FINANCIAL YEAR		**840**	853
EARNINGS PER ORDINARY SHARE	10	**14.61p**	14.79p

A statement of movement on reserves is given in note 20.

All of the Group's activities related to continuing operations.

GOODWIN PLC

BALANCE SHEETS

At 30th APRIL, 1999

	Notes	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
FIXED ASSETS					
Tangible assets	11 & 12	**4,297**	4,150	**859**	920
Investments	13	**91**	72	**1,073**	1,073
		4,388	4,222	**1,932**	1,993
CURRENT ASSETS					
Stocks	14	**3,514**	4,727	**–**	–
Debtors	15	**4,936**	5,954	**2,878**	2,946
Cash at bank and in hand		**462**	232	**219**	11
		8,912	10,913	**3,097**	2,957
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	**(6,191)**	(8,916)	**(1,259)**	(1,496)
NET CURRENT ASSETS		**2,721**	1,997	**1,838**	1,461
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,109**	6,219	**3,770**	3,454
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17(e)	**(153)**	(211)	**–**	–
PROVISIONS FOR LIABILITIES AND CHARGES	18	**(371)**	(293)	**(44)**	–
NET ASSETS		**6,585**	5,715	**3,726**	3,454
CAPITAL AND RESERVES					
Called up share capital	19	**720**	720	**720**	720
Profit and loss account	20	**5,846**	4,989	**3,006**	2,734
SHAREHOLDERS' FUNDS - EQUITY		**6,566**	5,709	**3,726**	3,454
MINORITY INTERESTS - EQUITY		**19**	6	**–**	–
		6,585	5,715	**3,726**	3,454

These financial statements were approved by the Board of directors on 24th September, 1999 and signed on its behalf by:

J. W. GOODWIN } *Directors*
R. S. GOODWIN

John W. Goodwin

RS Goodwin

GOODWIN PLC

GROUP CASH FLOW STATEMENT

For the year ended 30th APRIL, 1999

	Note	1999 £'000	1998 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	**2,005**	2,233
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	23	**(196)**	(289)
TAXATION		**(382)**	(244)
CAPITAL EXPENDITURE	23	**(734)**	(971)
ACQUISITIONS	23	**-**	(36)
EQUITY DIVIDENDS PAID		**(212)**	(212)
CASH INFLOW BEFORE FINANCING		**481**	481
FINANCING	23	**(58)**	(100)
INCREASE IN CASH IN THE PERIOD		**423**	381

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	1999 £'000	1998 £'000
Increase in cash in the period		**423**	381
Cash outflow from lease financing		**58**	100
Change in net debt resulting from cash flows	24	**481**	481
New finance leases and hire purchase agreements		**-**	(250)
Foreign exchange translation difference	24	**24**	(6)
MOVEMENT IN NET DEBT IN THE PERIOD		**505**	225
Net debt at start of year	24	**(1,018)**	(1,243)
NET DEBT AT END OF YEAR	24	**(513)**	(1,018)

GOODWIN PLC

OTHER PRIMARY FINANCIAL STATEMENTS

For the year ended 30th APRIL, 1999

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1999	1998
	£'000	£'000
Profit for the financial year	**1,052**	1,065
Exchange adjustments on foreign currency net investments	**16**	(94)
Total recognised gains and losses for the financial year	**1,068**	971

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no difference between the result as disclosed in the Group profit and loss account and the results on an unmodified historical cost basis.

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	1999	1998
	£'000	£'000
Profit for the financial year	**1,052**	1,065
Dividends	**(212)**	(212)
	840	853
Other recognised gains and losses relating to the year (net)...	**16**	(94)
Goodwill arising on acquisition	**1**	(28)
NET ADDITION TO SHAREHOLDERS' FUNDS	**857**	731
Opening shareholders' funds	**5,709**	4,978
CLOSING SHAREHOLDERS' FUNDS	**6,566**	5,709

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements:

(a) Basis of accounting

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable Accounting Standards.

(b) Consolidation principles

(i) The Group financial statements include the results of the parent company and all of its subsidiary undertakings made up to 30th April.

(ii) Goodwill, representing the excess of the fair value of consideration given on the acquisition of subsidiary undertakings over the fair value of the identifiable net assets acquired is written off against reserves on acquisition. This goodwill would be charged or credited in the profit and loss account on disposal of the business to which it relates.

(iii) The company is not required to present its annual profit and loss account in addition to the consolidated profit and loss account.

(iv) For associated undertakings, the Group includes its share of profits and losses in the consolidated profit and loss account and its share of post acquisition retained profits or accumulated deficits in the consolidated balance sheet.

(c) Depreciation

Depreciation is calculated so as to write down the cost of fixed assets to their anticipated residual value over their estimated useful lives. The method of calculation and the annual rates applied are as follows:

Freehold land	Nil
Freehold buildings – Industrial	2% or $2\frac{1}{2}$% on cost
Leasehold property	Over period of lease
Plant and machinery	15% on reducing balance or 25% on cost
Motor vehicles	15% or 25% on reducing balance
Tooling	Over estimated production life

(d) Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value. In determining the cost of raw materials the FIFO method is used. For work in progress and finished goods manufactured by the Group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Net realisable value is based on the estimated selling price less further costs of completion and selling expenses.

(e) Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

For consolidation purposes the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Exchange differences arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

(f) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

Unutilised advance corporation tax is deducted from any provision made. Deferred taxation is not provided on earnings retained in overseas subsidiary undertakings as it is not expected that an actual liability will arise.

(g) Leasing

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life, or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

(h) Pension costs

The Group contributes to a number of defined contribution pension schemes for certain senior employees. The assets of these schemes are held in independently administered funds. Group pension costs are charged to the profit and loss account in the year for which contributions are payable.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Turnover

Turnover represents the amounts receivable for goods and services supplied to customers. It excludes inter-company transactions and value added tax.

The analysis of turnover by destination is as follows:	1999 £'000	1998 £'000
United Kingdom	**11,836**	11,377
Rest of Europe	**5,937**	5,201
Rest of World	**7,591**	8,588
	25,364	25,166

The geographical source of all turnover is the U.K.

3. Net interest payable

	1999 £'000	1998 £'000
Interest payable on overdrafts	**201**	277
Finance lease interest	**17**	14
Less: Interest receivable on bank deposits	**(22)**	(2)
	196	289

4. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging the following:	1999 £'000	1998 £'000
Depreciation and amortisation of tangible fixed assets		
– owned	**657**	666
– held under finance lease	**35**	–
Operating lease rentals - short term plant hire	**18**	41
- other	**20**	32
Auditors' remuneration and expenses		
– Group	**36**	34

Fees charged by the company's auditors in respect of work carried out in the year for Group non audit services amounted to £10,900 *(1998: £12,000)*. The audit fee for the company itself amounted to £9,600 *(1998: £9,600)*.

In the opinion of the directors the Group only has one principal trading activity and therefore they do not consider there to be any requirement for segmental disclosure under SSAP 25 on the basis of materiality.

5. Directors' Remuneration

The remuneration of the directors of the company was:

	Salary 1999 £'000	Bonus 1999 £'000	Profit related pay 1999 £000	Benefits in kind 1999 £'000	Total 1999 £'000	Total 1998 £'000	Pension contributions 1999 £'000	Pension contributions 1998 £'000
Executive directors								
J. W. Goodwin	**102**	–	–	**14**	**116**	113	**8**	8
R. S. Goodwin	**102**	–	–	**14**	**116**	113	**8**	8
R. J. Dyer	**49**	–	–	**11**	**60**	63	**16**	16
P. J. Horton	**65**	–	–	**11**	**76**	81	–	–
	318	–	–	**50**	**368**	370	**32**	32

Pension contributions comprise contributions to money purchase pension schemes.

6. Staff numbers and costs

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

	1999 Number	1998 Number
Works personnel	**358**	360
Administrative staff	**27**	27
	385	387

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	**6,715**	6,438
Social security costs	**663**	631
Other pension costs	**32**	32
	7,410	7,101

7. Tax on profit on ordinary activities

	1999 £'000	1998 £'000
Taxation charge based on the profit for the year of the group:		
U.K. corporation tax at 21% to 31% *(1998: 21% to 31%)*	**417**	443
Associated undertaking	**5**	10
Deferred taxation charge - current year	**27**	22
- prior year	**(7)**	(22)
	442	453

8. Profit for the financial year

The consolidated profit for the financial year includes a profit of £484,000 *(1998: £457,000)* which has been dealt with in the financial statements of the parent company.

9. Proposed dividend

The proposed ordinary dividend of £211,680 *(1998: £211,680)* represents 2.94p per share *(1998: 2.94p per share)*.

10. Earnings per ordinary share

The earnings per ordinary share has been calculated on profit on ordinary activities after taxation and minority interests of £1,052,000 *(1998: £1,065,000)* and by reference to the 7,200,000 ordinary shares in issue throughout both years. The company has no chare options or other diluting instruments and accordingly there is no diluted earnings per share.

11. Tangible fixed assets of the Group

	Land and buildings Freehold £'000	Land and buildings Short leasehold £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost					
At beginning of year	1,222	35	6,542	1,703	9,502
Additions	20	–	630	180	830
Disposals	–	–	(91)	(3)	(94)
Exchange adjustments	27	–	4	3	34
At end of year	1,269	35	7,085	1,883	10,272
Depreciable assets	1,026	35	7,085	1,883	10,029
Depreciation and amortisation					
At beginning of year	429	15	3,704	1,204	5,352
Charged in year	30	1	525	136	692
Disposals	–	–	(75)	(1)	(76)
Exchange adjustments	4	–	3	–	7
At end of year	463	16	4,157	1,339	5,975
Net book value					
At 30th April, 1999	**806**	**19**	**2,928**	**544**	**4,297**
At 30th April, 1998	793	20	2,838	499	4,150

The net book value of plant and machinery held under finance leases at 30th April 1999 was £195,000 *(1998: £230,000)*. Depreciation for the year on these assets was £34,500.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Tangible fixed assets of the company

	Land and buildings Freehold £'000	Land and buildings Short leasehold £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost					
At beginning of year	633	35	283	1,287	2,238
Additions	–	–	–	87	87
Disposals	–	–	–	(1)	(1)
At end of year	633	35	283	1,373	2,324
Depreciable assets	590	35	283	1,373	2,281
Depreciation and amortisation					
At beginning of year	266	15	128	909	1,318
Charged in year	14	1	30	103	148
Disposals	–	–	–	(1)	(1)
At end of year	280	16	158	1,011	1,465
Net book value					
At 30th April, 1999	**353**	**19**	**125**	**362**	**859**
At 30th April, 1998	367	20	155	378	920

13. Investments

(a) **Group**

	Interest in associated undertaking £'000
Cost	
At beginning and end of year	50
Share of post acquisition reserves	
At beginning of year	22
Share of profits for year	19
At end of year	41
Net book value	
At 30th April, 1999	**91**
At 30th April, 1998	72

(b) **Company**

	Subsidiary undertakings £'000	Interest in associated undertaking £'000	Total £'000
Cost			
At beginning of year	1,023	50	1,073
Acquisitions in year	–	–	–
At end of year	1,023	50	1,073
Provisions			
At beginning of year	–	–	–
Released in period	–	–	–
At end of year	–	–	–
Net book value			
At 30th April, 1999	**1,023**	**50**	**1,073**
At 30th April, 1998	1,023	50	1,073

During the year the company increased its interest in Internet Central Limited from 75% to 82.5% for a nominal sum.

13. Investments *(continued)*

(c) Investments of the company in shares in subsidiary undertakings

The company is the beneficial owner of the issued share capital of the following principal subsidiary undertakings, all involved in mechanical and refractory engineering:

Subsidiary undertakings	*Country of Incorporation and operation*	*Type of shares*	*% held*
Goodwin International Limited	Great Britain	Ordinary	100
		Preference	100
Goodwin Steel Castings Limited	Great Britain	Ordinary	100
Hoben International Limited	Great Britain	Ordinary	100
		Preference	100
Hoben Industrial Minerals Limited	Great Britain	Ordinary	100
Easat Antennas Limited	Great Britain	Ordinary	87½
Internet Central Limited	Great Britain	Ordinary	82½
Goodwin GmbH	Germany	Ordinary	100
Goodwin Korea Co. Limited	South Korea	Ordinary	95

The overseas subsidiaries act as sales agents for the UK manufacturing subsidiaries.

(d) Interest in associated undertaking

The interest in associated undertaking at 30th April, 1999 comprises the company's investment of 50% in the ordinary share capital of Wiggin Alloy Products Limited. The principal activity of Wiggin Alloy Products Limited is the distribution of metal alloys to the UK market. It is incorporated in Great Britain, is registered in England and Wales and has £100,000 of issued ordinary shares of £1 each.

14. Stocks

	Group	
	1999	1998
	£'000	£'000
Raw materials and consumables	**2,152**	2,318
Work in progress	**920**	1,880
Finished goods and goods for resale	**617**	694
	3,689	4,892
Payments on account	**(175)**	(165)
	3,514	4,727

15. Debtors

	Group		Company	
	1999	1998	**1999**	1998
Due within one year	**£'000**	£'000	**£'000**	£'000
Trade debtors	**4,377**	5,621	**27**	20
Amounts owed by associated undertakings	**71**	126	**35**	17
Amounts owed by subsidiary undertakings	**–**	–	**2,642**	2,796
Other debtors	**388**	118	**143**	87
Prepayments and accrued income	**100**	89	**31**	26
	4,936	5,954	**2,878**	2,946

16. Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Bank overdrafts	**772**	989	**591**	745
Obligations under finance leases (note 17)	**50**	50	**-**	-
Payments received on account	**185**	784	**-**	-
Trade creditors	**3,620**	5,352	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**126**	48
Other creditors including taxation and social security:				
Corporation tax	**402**	440	**(4)**	4
Advance Corporation Tax	**-**	49	**-**	49
Other taxes	**256**	174	**35**	33
Social Security	**184**	184	**17**	17
Other creditors	**56**	65	**-**	-
	898	912	**48**	103
Accruals and deferred income	**454**	617	**282**	388
Proposed dividends	**212**	212	**212**	212
	6,191	8,916	**1,259**	1,496

17. Financial instruments

(a) **Financial assets**

The Group's financial assets, excluding short-term debtors, consist mainly of Sterling, Euro and Korean Won denominated cash at bank which earns interest at rates related to bank base rates.

(b) **Financial liabilities**

The Group's financial liabilities, excluding short-term creditors, are set out below. Floating rate financial liabilities comprise Sterling, Euro, and US Dollar denominated bank loans, leases and overdrafts. The floating rate financial liabilities bear interest at rates related to bank base rates.

Currency	Floating rate financial liabilities £'000
Sterling	687
Euro block currencies	28
US Dollar	260
Total	975

(c) **Interest rate risk**

The Group is subject to fluctuations in interest rates on its borrowings and surplus cash. The Group is aware pf the financial products available to insure against adverse movements in interest rates. Formal reviews are undertaken to determine whether such instruments are appropriate for the Group. No such instruments were utilised in the year to 30th April 1999.

(d) **Currency exposure**

The Group is subject to fluctuations in exchange rates on its net investments overseas and transactional monetary assets and liabilities not denominated in the operating (or 'functional') currency of the operating unit involved. The Group's policy is to hedge, where practical, the net asset value of overseas investments. This hedging is currently achieved through borrowings in the respective currencies.

The table overleaf shows the Group's transactional currency exposures which give rise to the net currency gains and losses recognised in the profit and loss account. This exposure is managed using forward contracts. There is no internal policy requirement to take out exchange rate hedging on the Group's transactional monetary assets and liabilities although, when it is believed market conditions necessitate such hedging, then appropriate arrangements would be made.

There were no material gains or losses on instruments used for exchange rate hedging either during or at the end of the year.

17. Financial Instruments *(continued)*

	Net foreign currency monetary assets (liabilities) in £'000			
	Sterling	Euro block currencies	Other	Total
Functional currency of group operation				
Sterling	–	188	4	192
Korean Won	(467)	–	–	(467)
Total	(467)	188	4	(275)

The amounts shown above take into account the effect of forward contracts the Group had taken out to hedge expected future foreign currency purchases.

(e) **Maturity profile**

At 30th April 1999, the maturity profile of the Group's financial liabilities, other than short-term creditors such as trade creditors and accruals were as follows:

Borrowings analysed by maturity date	Overdrafts £'000	Finance leases and hire purchase agreements £'000	**1999 Total £'000**	1998 Total £'000
Borrowings due within one year	772	50	**822**	1,039
Borrowings due after one year				
Between one and two years	–	103	**103**	111
Between two and five years	–	50	**50**	100
After more than five years	–	–	–	–
Total borrowings due after one year	–	153	**153**	211
Total	772	203	**975**	1,250

At 30th April 1999 the Group had the following undrawn committed facilities, with an average maturity of 15 months, in respect of which all conditions precedent had been met.

Currency	£'000
Expiring in one year or less	2,698
Expiring in two years or more	2,786

(f) **Fair values**

At 30th April 1999, the fair value of the Group's financial instruments was not materially different to the book value of the instruments. The fair value was calculated using market rates where available, otherwise cash flows were discounted at prevailing rates.

18. Provisions for liabilities and charges

	Deferred taxation Group £'000	Deferred taxation Company £'000
Balance at beginning of year	293	–
Advance Corporation Tax utilised	56	48
Charge for the year in the profit and loss account	22	(4)
Balance at end of year	371	44

The amount provided for deferred taxation, which is the full potential liability calculated on the liability method at 30% *(1998: 31%)*, is set out below:

	Group		Company	
	1999 £'000	1998 £'000	**1999 £'000**	1998 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**371**	349	**44**	48
Advance Corporation Tax recoverable	–	(56)	–	(48)
	371	293	**44**	–

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Share capital

	1999	1998
Authorised, allotted, called up and fully paid:	**£'000**	£'000
7,200,000 ordinary shares of 10p each	**720**	720

20. Profit and loss account

	Group £'000	Company £'000
At beginning of year	4,989	2,734
Retained profit for the year	840	272
Exchange loss on re-translation of overseas subsidiaries' net assets	16	–
Goodwill on prior year acquisition of subsidiary	1	–
At end of year	5,846	3,006

Cumulative goodwill in the Group amounting to £248,000 *(1998: £249,000)* arising on the acquisition of subsidiary undertakings has been written off against reserves.

21. Reconciliation of movements in shareholders' funds

	1999	1998
Company	**£'000**	£'000
Profit for the financial year	**484**	457
Dividends	**(212)**	(212)
Net additions to shareholders' funds	**272**	245
Opening shareholders' funds	**3,454**	3,209
Closing shareholders' funds	**3,726**	3,454

22. Reconciliation of operating profit to net cash flow from operating activities

	1999 £'000	1998 £'000
Operating profit	**1,679**	1,751
Depreciation charges	**692**	666
Loss on disposal of fixed assets	**1**	32
Decrease/(increase) in stocks	**1,227**	(1,122)
Decrease/(increase) in debtors	**1,037**	(1,365)
(Decrease)/increase in creditors	**(2,631)**	2,271
Net cash inflow from operating activities	**2,005**	2,233

23. Analysis of cash flows

	1999 £'000	1998 £'000
Returns on investments and servicing of finance		
Interest received	**22**	2
Interest paid	**(201)**	(277)
Interest element of finance lease rental payments	**(17)**	(14)
Net cash outflow for returns on investment and servicing of finance	**(196)**	(289)
Capital expenditure		
Purchase of tangible fixed assets	**(750)**	(983)
Sale of plant and machinery	**16**	12
Net cash outflow for capital expenditure	**(734)**	(971)
Acquisitions		
Purchase of subsidiary undertaking	**–**	(23)
Net overdraft acquired	**–**	(13)
Net cash outflow for acquisitions	**–**	(36)
Financing		
Capital element of finance lease repayments	**(58)**	(100)

24. Changes in net debt during the year

	At 1st May 1998 £'000	Cash flow £'000	Exchange movement £'000	**At 30th April 1999 £'000**
Cash at bank	232	206	24	462
Bank overdrafts	(989)	217	–	(772)
	(757)	423	24	(310)
Finance leases	(261)	58	–	(203)
	(1,018)	481	24	(513)

25. Contingencies

On 30th April, 1999, the Group had entered into performance bonds in the normal course of business amounting to £593,682 *(1998: £1,348,341)* in respect of 61 *(1998: 47)* contracts.

26. Commitments

(a) **Capital commitments**

Capital commitments at 30th April, for which no provision has been made in these financial statements, were as follows:

	Group		Company	
	1999 £'000	1998 £'000	**1999 £'000**	1998 £'000
Contracted	**805**	445	**–**	40

(b) **Operating lease commitments**

At 30th April, the Group had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	**–**	**10**	–	8
In the second to fifth years inclusive	**–**	**–**	–	22
	–	**10**	–	30

27. Related party

During the year the Group and company undertook the following transactions, and had the following year end balances with Wiggin Alloy Products Limited.

	1999 £'000	1998 £'000
Group transactions		
Sales to	**1,389**	1,579
Administration fee	**76**	73
Balance at end of year		
Trade debtors	**71**	126
Company transactions		
Administration fee	**18**	17
Balance at end of year		
Trade debtor	**35**	17