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GOODWIN PLC

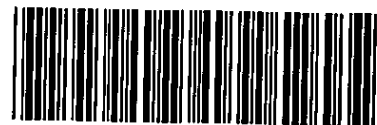
IVY HOUSE FOUNDRY, HANLEY, STOKE-ON-TRENT



DIRECTORS REPORT AND ACCOUNTS

30th APRIL 2012

WEDNESDAY



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COMPANIES HOUSE

GOODWIN PLC

www.goodwin.co.uk

Registered in England and Wales, Number 305907

Established 1883

Directors

J W Goodwin (*Chairman*)
R S Goodwin (*Managing Director*)
J Connolly
F A Gaffney
M S Goodwin
A J Baylay
S R Goodwin

Secretary and registered office

Mrs P Ashley, B A , A C I S
Ivy House Foundry, Hanley,
Stoke-on-Trent, ST1 3NR

Registrar and share transfer office

Computershare Investor Services PLC,
PO Box No 82,
Bristol, BS99 7NH

Auditors

KPMG Audit Plc,
One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH

NOTICE IS HEREBY GIVEN that the SEVENTY SEVENTH ANNUAL GENERAL MEETING of the company will be held at 10 30 am on Thursday, 11th October, 2012 at Crewe Hall, Weston Road, Crewe, Cheshire CW1 6UZ, for the purpose of considering and, if thought fit, passing the following resolutions which are proposed as ordinary resolutions

- 1 To receive the report of the Directors and the audited financial statements for the year ended 30th April, 2012
- 2 To approve the payment of the proposed ordinary dividend on the ordinary shares
- 3 To re-elect Mr M S Goodwin as a Director
- 4 To approve the Directors' Remuneration Report for the year ended 30th April, 2012
- 5 To re-appoint KPMG Audit Plc as auditor and to authorise the Directors to determine their remuneration

By Order of the Board

Registered Office
Ivy House Foundry,
Hanley, Stoke-on-Trent
27th July, 2012

P ASHLEY
Secretary

NOTES TO NOTICE OF ANNUAL GENERAL MEETING

- 1 Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
- 2 To be valid any proxy form or other instrument appointing a proxy must be received by post, by scanned copy sent to proxies@goodwingroup.com or (during normal business hours only) by hand at Ivy House Foundry, Hanley, Stoke-on-Trent, ST1 3NR no later than 10 30am on 9th October, 2012.
- 3 The return of a completed proxy form or other such instrument will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
- 4 Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- 5 The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
- 6 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 10 30am on 9th October, 2012 (or, in the event of any adjournment, 10 30am on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 7 As at 26th July, 2012 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 7,200,000 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 26th July, 2012 are 7,200,000.
- 8 Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting, or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
- 9 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions, and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.
- 10 None of the Directors have service contracts with the Company.
- 11 If approved by shareholders the final dividend will be paid to shareholders on 15th October, 2012.

GOODWIN PLC

CHAIRMAN'S STATEMENT

I am pleased to report that the pre-tax profit for the Group for the twelve month period ending 30th April, 2012 was £12.3 million (2011 £8.1 million), an increase of 51% on a revenue of £107.9 million (2011 £92.9 million) which is up 16.15% on the figures reported for the same period last financial year. The Directors propose a dividend of 32.082p (2011 29.166p).

The gross profit earned of £30.8 million was higher by 21.3% than for the previous financial year. This improvement in gross profit and net pre-tax profit earned stems from the recovery in performance of our two valve companies, especially Goodwin International. The foundry also reported record profits.

The Group order work load as at 30th April, 2012 was 22% higher than the same period last year and stood at £78 million which still represents about seven months work at higher levels of activity. The Group, whilst being diverse, still focuses much attention on the world wide energy industries be they oil and gas or high efficiency power generation. Both these two sectors by definition have a long term future as the world population continues to grow and attain higher living standards especially in the Pacific Basin and also as the more mature markets strive to increase the efficiency of their power generation capacity and reduce their CO₂ output into the atmosphere as well as replace ageing facilities.

The decision to only increase the dividend by 10% to £2.31 million will assist the Company in being able to finance three significant projects that will be started subject to approval of the grant applications that we have submitted. The first grant application, which is to the Employer Ownership Pilot Fund, is to set up a much larger apprentice training school that will train 125 engineering apprentices to levels 3 and 4 over the next five years. The second application which is a Regional Growth Fund application is to expand the clean activity of the foundry on our adjacent 79 acre site as well as to start a new valve company and build four office/factory units on the same site. The third application is for a CCS (Carbon Capture & Storage) grant where our foundry will develop further the manufacturing capability of two super nickel alloys for use in high temperature gas and steam turbines on which we will advise you further at the half year.

As a key performance indicator, R & D continues within all group companies whether it is to reduce manufacturing cost or develop new products that we consider there is a significant need for in the market over the next ten or more years. The Group considers the level of R & D expenditure sustainable and this year it comprised 7.5% of pre-tax profits, appropriate for securing the long term growth of the group.

As detailed in note 20, at 30th April, 2012 our capital base was £60 million, an increase of £3 million over the previous year, and the Group had unutilised bank facilities of £15 million. With Group activity levels likely to be significantly higher this coming financial year, gearing levels (currently at 33%) and cash flow remains under pressure due to the need for increased levels of working capital to finance higher levels of debtors and work in progress as well as the funding needed for the three projects should they proceed. A decision will be taken in the second quarter as to whether the Group takes on additional lines of credit and maintains a safety buffer on our banking facilities or whether the increased working capital needs are funded from post tax profits. The former route will be the more likely one.

We are once again grateful to our UK and overseas employees for their hard work in improving the performance of the Group.

27th July, 2012

 John W. Goodwin
Chairman

GOODWIN PLC

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and audited financial statements for the year ended 30th April, 2012

Business review

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

	2012 £'000	Restated See Note 1 2011 £'000
Revenue	107,911	92,908
Profit before taxation	12,273	8,148
Tax on profit	(2,938)	(3,904)
Profit after taxation	9,335	4,224

Comments on the results for the year, including business review, are given in the Chairman's statement

Proposed dividends

The Directors recommend that an ordinary dividend of 32.082p per share be paid to shareholders on the register at the close of business on 14th September, 2012 (2011: 29.166p per share). If approved by shareholders, the final dividend will be paid to shareholders on 15th October, 2012

Freehold land and buildings

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

The Directors of the Company who have served during the year are set out below

J W Goodwin
R S Goodwin
J Connolly
F A Gaffney
M S Goodwin
A J Baylay
S R Goodwin

The interests of the Directors in the share capital of the Company at the beginning and end of the financial year were as follows

	Number of 10p ordinary shares	
	30th April, 2012	30th April, 2011
<i>Beneficial</i>		
J W Goodwin	65,939	65,939
R S Goodwin	72,388	91,474
J W Goodwin and R S Goodwin	2,040,631	1,992,916
J W Goodwin and R S Goodwin	1,231,612	1,202,983
J Connolly	722	-
F A Gaffney	7,131	7,131
M S Goodwin	140,678	149,498
S R Goodwin	168,021	177,003
A J Baylay	1,200	-
<i>Non beneficial</i>		
J W Goodwin and E M Goodwin	14,166	33,252

There have been no changes in the directors' interests between 30th April, 2012 and 26th July, 2012

The Director retiring in accordance with the Articles is Mr M S Goodwin who, being eligible, offers himself for re-election

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 25th July, 2012, the following had an interest in 3% or more of the issued share capital of the Company

J W and R S Goodwin 2,040,631 shares (28.34%), J W and R S Goodwin 1,231,612 shares (17.11%) These shares are registered in the names of J M Securities Limited and J M Securities (No 3) Limited respectively J H Ridley 524,615 shares (7.29%), Rulegate Nominees (JAMSCLT) 282,902 shares (3.93%), Mrs P Dean 236,500 shares (3.28%)

Share capital

The Company's issued share capital comprises a single class of share capital which is divided into ordinary shares of 10p each Information concerning the issued share capital in the Company is set out in note 19 to the financial statements on page 34

All of the Company's shares are ranked equally and the rights and obligations attaching to the Company's shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in England and Wales or by writing to the Company Secretary

There are no restrictions on the voting rights of shares and there are no restrictions in their transfer other than

- Certain restrictions as may from time to time be imposed by laws and regulations (for example insider trading laws), and
- Pursuant to the Model Code whereby Directors of the Company require approval to deal in the Company's shares

Additionally, the Company is not aware of any agreements between shareholders of the Company that may result in restrictions on the transfer of ordinary shares or voting rights

The Directors have not been given the authority to issue or buy back the shares of the Company

Research and Development

The Group continues to invest in research and development activities Expenditure in the mechanical engineering division continued to be incurred during the year within Goodwin Steel Castings Limited on the production of nickel alloy castings for the next generation of heat efficient power stations In the refractories engineering division, investment continues to be made in vermiculite dispersions, high performance recipes, silicon rubber, moulding powder and wax products

Carbon Reduction Commitment

The Group has declared its CRC statistics to March 2012 which show a 4.6% increase in CO₂ year on year and a 4% improvement in the tonnes of CO₂ per million pounds sales turnover Goodwin Steel Castings Limited has a Climate Change Levy Agreement, the requirements of which it satisfies and under which it claims the allowable Climate Change Levy relief All projects are assessed for energy efficiency

The Chairman is responsible for collation and monitoring under the CRC and the Group's engineers together with the business unit General Managers are tasked with saving energy

To put a true and balanced perspective on the Group's CO₂ impact on the environment, consideration should be given to the benefits of the very much reduced CO₂ emission levels of the modern turbines and power generation equipment into which our manufactured products are incorporated This would show the annual savings in CO₂ many times outweigh the environmental burden imposed at the manufacturing stage

Risks and Uncertainties

The Group's operations expose it to a variety of risks and uncertainties, including

Market risk The Group provides a range of products and services, and there is a risk that the demand for these services will vary from time to time because of competitor action or economic cycles As shown in Note 2 to the financial statements, the Group operates across a range of geographical regions, and its turnover is split across the UK, Europe, North America, the Pacific Basin and the rest of the world This spread reduces risk in any one territory Similarly, the Group operates in both mechanical engineering and refractory engineering sectors, mitigating the risk of a downturn in any one product area The potential risk of the loss of any key customer is limited as, typically, no single customer accounts for more than 10% of turnover

Technical risk The Group develops and launches new products as part of its strategy to enhance the long-term value of the Group Such development projects carry business risks, including reputational risk, abortive expenditure and potential customer claims which may have a material impact on the Group The potential risk here is seen as small given the Group is developing products in areas in which it is knowledgeable and new products are extensively tested prior to their release into the market

Health and safety The Group's operations involve the typical health and safety hazards inherent in manufacturing and business operations The Group is subject to numerous laws and regulations relating to health and safety around the world Hazards are managed by carrying out risk assessments and introducing appropriate controls

Acquisitions The Group's growth plan over recent years has included a number of acquisitions There is the risk that these, or future acquisitions, fail to provide the planned value This risk is mitigated through extensive financial and technical due diligence during the acquisition process and the Group's knowledge of the markets they operate in

Financial risk The principal financial risks faced by the Group are changes in market prices (interest rates, foreign exchange rates and commodity prices), credit risks and liquidity The Group has in place risk management policies that seek to limit the adverse effects on the financial performance of the Group by using various instruments and techniques, including credit insurance, stage payments, forward foreign exchange contracts and interest rate caps and swaps Further information on the financial risk management objectives and policies is set out in Note 20 to the financial statements on page 34

This report contains forward-looking statements and information based on current expectations, and assumptions and forecasts made by the Group These expectations and assumptions are subject to various known and unknown risks, uncertainties and other factors, which could lead to substantial differences between the actual future results, financial performance and the estimates and historical results given in this report Many of these factors are outside the Group's control The Group accepts no liability to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required

Donations

The Company made no political contributions during the year

Donations by the Group for charitable purposes amounted to £57,562 (2011 £23,000)

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, with 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 Company has no trade creditors at 30th April, 2012 (2011 Nil)

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information

Change in control

The Group's committed term loan facilities include a change of control clause, which states that a change of control of the parent company will be classed as an event of default and would enable the providers at their discretion to withdraw the facilities

Corporate governance

Introduction

The Board has always felt that it should be recognised that what may be appropriate for the larger company may not necessarily be so for the smaller company, a point raised previously in the Cadbury Code of Best Practice. The Board continues to be conscious of its non-compliance with certain aspects of the revised Code, as detailed below, but does not believe that at this stage in the Group's development and circumstances it is appropriate to change its own operational or governance structure just to gain compliance. As before, where it does not comply, the Board is happy to provide its explanations for not doing so on the basis that it believes that such non-compliance is more appropriate to the shareholders' and other stakeholders' long term interests

Compliance statement

The Company is required to report on compliance with the detailed requirements of the UK Corporate Governance Code (formerly the Combined Code) throughout the year. In relation to all of the provisions except those mentioned here the Company complied throughout the period. Further details on all areas are given below

The Group does not comply with aspects of the Code's requirements paragraphs A4, B1, B2, C3 and D2 in terms of non-executive Directors and the requirement for an Audit Committee, Remuneration Committee, Nominations Committee and Senior Independent Director

The roles of the Chairman in running the Board and the Managing Director in running the Group's businesses are well understood. It is not considered necessary to have written job descriptions. This is contrary to paragraph A2.1. The Chairman and Managing Director do not retire by rotation, which is contrary to paragraph B7 of the Code

There is no formal schedule of matters reserved for the Board, which is contrary to paragraph A1.1

The internal audit function was established during the previous year and since that date the Company has been working towards compliance with C3.5

The Board

The Board, which comprises seven Executive Directors, meets formally by itself and with subsidiary Directors on a regular basis. In view of the Group's present size and proven track record, non-executive directors are not thought to be appropriate, due to the cost likely to be involved and the lack of opportunity for adding significant value to the business. The Chairman and Managing Director do not retire by rotation. With this exception, all Directors retire at the first AGM after their initial appointment and then by rotation at least every three years

During the year, the Board met formally thirteen times. Details of attendees at these meetings are set out below

J. W. Goodwin	13 out of 13 attended
R. S. Goodwin	12 out of 13 attended
J. Connolly	13 out of 13 attended
F. A. Gaffney	12 out of 13 attended
M. S. Goodwin	13 out of 13 attended
A. J. Baylay	12 out of 13 attended
S. R. Goodwin	13 out of 13 attended

Regular informal meetings are also held to enable all members of the Board to discuss relevant issues with local management and staff at the business units

The Board retains full responsibility for the direction and control of the Group and, whilst there is no formal schedule of matters reserved for the Board, all acquisitions and disposals of assets, investments and material capital-related projects are, as a matter of course, specifically reserved for Board decision

Board evaluation

The Chairman and Managing Director address the development and training needs of the Board as a whole. An evaluation of the effectiveness and performance of the Board and the subsidiary Directors has been carried out by the Chairman and Managing Director, by way of personal discussions and individual performance evaluation against financial targets.

All Directors have reasonable access to the Company Secretary and to independent professional advice at the Company's expense.

Board Committees

The Board has not operated a separate Audit Committee, Remuneration Committee or Nomination Committee during the year due to its size and composition. However, the Board as a whole has fulfilled many of the roles specified in the revised UK Corporate Governance Code (formerly the Combined Code) for these sub-committees including:

- review of the interim and annual financial statements and associated announcements,
- making recommendations in relation to the re-appointment, remuneration and terms of engagement of the external auditors,
- reviewing the external auditors' work plan, audit process, independence and objectivity,
- reviewing the scope of work for the internal audit function,
- reviewing the "whistle-blowing" procedures

Internal control

The Board has overall responsibility for the Group's system of internal control (including operational, financial, compliance and risk management controls), which is designed to manage rather than eliminate risk and provides only reasonable reassurance against material misstatement or loss. Except as noted in this Corporate Governance report, the Board confirms that the system of internal control accords with the UK Corporate Governance Code (formerly the Combined Code).

The Board meets with an agenda to discuss corporate strategy, to formulate and monitor the progress of business plans for all subsidiaries and to identify, evaluate and manage the business risks faced. The management philosophy of the Group is to operate its subsidiaries on an autonomous basis, subject to overall supervision and evaluation by the Board, 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 Directors on a regular basis.

The Board considers that the close involvement of the Company's Directors in all areas of the day-to-day operations of the Group's business represents the most effective ongoing control over its financial and business risks. In particular, authority is limited to the Company Directors in key risk areas such as treasury management, capital expenditure and other investment decisions. The Directors annually review the effectiveness of the internal financial control system including considering reports from management, discussions with senior personnel throughout the Group, and consideration by the Board of any reports from the external auditor. These procedures have been in place throughout the year and up to the date of this report and accord with the FRC 'Internal Control: Guidance for Directors on the UK Corporate Governance Code' (formerly the Combined Code).

Given the close involvement of the Company's Directors in the operation of the business, the Board does not currently consider that a formal review of non-financial controls would provide any additional benefit in their review of the effectiveness of the Group's internal controls. During the previous year the Group set up an internal audit function and recruited a Group Internal Auditor. The Group's executive Directors and senior management will continue to have close involvement on a day-to-day operational basis and the scope and results of internal audit work to be performed will be kept under review in the coming year.

Directors' remuneration

The remuneration of the Directors is considered by the Board so that no Director determines his own salary.

Details of each element of the Directors' remuneration are given in the Directors' Remuneration Report on pages 9 and 10.

External audit

The external auditor is appointed annually at the Annual General Meeting. The Board considers the re-appointment of the auditor, and assesses on an annual basis the qualification, expertise, cost, independence and objectivity of the external auditor. In addition, the Board regularly monitors the level of non-audit services provided to the Group by the external auditor to ensure that their independence is not compromised.

Shareholder relations

All shareholders are encouraged to participate in the Company's Annual General Meeting.

The Board complies with the recommendations of the UK Corporate Governance Code (formerly the Combined Code) that the notice of the Annual General Meeting and related papers should be sent to shareholders at least twenty working days before the meeting.

The Directors attend the Annual General Meeting. The Chairman will be available to answer questions at the forthcoming Annual General Meeting. In addition, proxy votes will be counted and the results announced after any vote on a show of hands.

The Chairman ensures that the views of shareholders are communicated to the Board as a whole, ensuring that Directors develop an understanding of the view of major shareholders.

Going concern

With the recovery in profitability of the Group over the past twelve months coupled with a record level work load, the Company at present is managing to successfully circumnavigate the continuing global economic conditions mainly because of the Group's diversification in product and global sales outlets. Whilst good profitability is expected to

Going concern (continued)

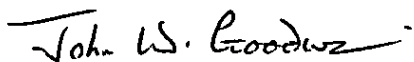
continue for the next twelve months, there will remain pressure on cash flow due to increased levels of activity and the start up of project activity as mentioned in the Chairman's Statement should grant approval be gained

The Group, however, has considerable access to financial resources with banks with whom the Company has a good and stable relationship and as such should additional finance be needed, raising it is not considered to be a problem by the Directors especially as the Government has opened up to companies with turnover greater than £50 million its low cost "National Loan Guarantee Scheme" which is designed to support companies such as ours. As a consequence, after making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution is to be proposed at the forthcoming 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

Ivy House Foundry,
Hanley, Stoke-on-Trent, ST1 3NR
27th July, 2012

GOODWIN PLC

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations

Consideration by the Directors of matters relating to Directors' remuneration

The remuneration policy is set by the Board as a whole and is described below

Remuneration policy

The Group's policy in respect of Directors' remuneration for the forthcoming years is to provide individual packages which are determined having due regard to the Company's current and projected profitability, the employee's specific areas of responsibility and performance, their related knowledge and experience in the Company's specific fields of operation, the external labour market and their personal circumstances whereby the Board sets a package to remunerate and motivate the individual so as to best serve the Company. All Board members have access to independent advice when considered appropriate. In forming its policy, the Board has given full consideration to the UK Corporate Governance Code (formerly the Combined Code) best practice provisions on remuneration policy, service contracts and compensation and has considered the remuneration levels of Directors of comparative companies.

The Board does not, at present, consider it necessary to include a performance related element within the remuneration of individual Directors.

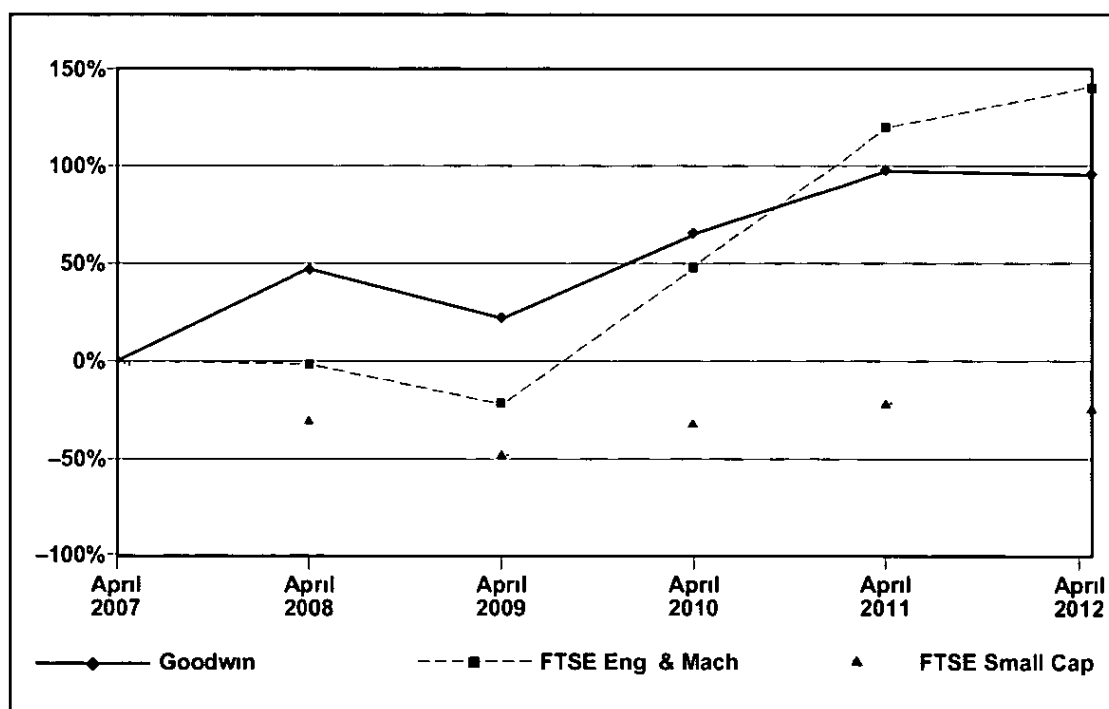
Service contracts

None of the Directors has a service contract, a Director may resign at any time by notice in writing to the Board. There are no set minimum notice periods but all Directors other than the Chairman and Managing Director are subject to retirement by rotation. No compensation is payable to Directors on leaving office.

Total shareholder return

The following graph compares the Company's total shareholder return over the five years ended 30th April, 2012 with that for the FTSE Small-Cap share index and the FTSE Engineering and Machinery Sector Index.

The FTSE Small-cap Share Index was chosen as it is a relevant broad equity market index for smaller quoted companies.



DIRECTORS' REMUNERATION REPORT *(continued)*

Details of individual emoluments and compensation

The auditors are required to report on the information contained in this section of the Directors' Remuneration Report

	Salary	Benefits in kind	Total	Total	Pension contrib- utions 2012	Pension contrib- utions 2011
	2012 £'000	2012 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
J W Goodwin	293	45	338	309	11	11
R S Goodwin	293	45	338	309	11	11
J Connolly	173	24	197	175	-	-
F A Gaffney	139	2	141	180	-	-
M S Goodwin	141	3	144	134	-	-
A J Baylay (appointed 10th December, 2010)	109	16	125	45	-	-
S R Goodwin (appointed 10th December, 2010)	122	2	124	44	-	-
Total 2012	1,270	137	1,407	1,196	22	22
Total 2011	1,091	105	1,196			

Pension contributions comprise contributions to money purchase pension schemes

Benefits-in-kind consist of the provision of a fully-expensed motor vehicle, cash alternative scheme, healthcare insurance or other services

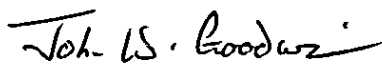
There are no share option schemes or other long term incentive schemes

The Board of Directors are the key management personnel as defined in IAS 24

Approval of report

An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting

The Directors' Remuneration Report was approved by the Board on 27th July, 2012, and is signed on its behalf by



J W GOODWIN
Director



R S GOODWIN
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable UK law (UK Generally Accepted Accounting Practice)

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 Group and parent Company and of their profit or loss for that period

In preparing each of the Group and parent Company 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,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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

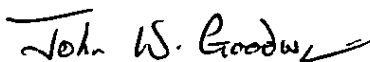
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations

Responsibility statements of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge

- a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole, and
- b) the Directors' Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face



J W GOODWIN
Director



R S GOODWIN
Director

27th July, 2012

INDEPENDENT AUDITOR'S REPORT
to the Members of
GOODWIN PLC

We have audited the financial statements of Goodwin PLC for the year ended 30th April, 2012 set out on pages 13 to 48. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30th April, 2012 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on pages 7 to 8, in relation to going concern, and
- the part of the Corporate Governance Statement on pages 6 to 7 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



T Widdas (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH

27th July, 2012

GOODWIN PLC

CONSOLIDATED INCOME STATEMENT

For the year ended 30th April, 2012

			Restated See Note 1
	Notes	2012 £'000	2011 £'000
CONTINUING OPERATIONS			
Revenue	2	107,911	92,908
Cost of sales		(77,133)	(67,537)
GROSS PROFIT		30,778	25,371
Distribution expenses		(3,575)	(3,243)
Administrative expenses		(14,118)	(13,268)
OPERATING PROFIT		13,085	8,860
Financial expenses	5	(1,205)	(1,054)
Share of profit of associate companies		393	342
PROFIT BEFORE TAXATION	3	12,273	8,148
Tax on profit	6	(2,938)	(3,904)
PROFIT AFTER TAXATION		9,335	4,244
ATTRIBUTABLE TO			
Equity holders of the parent	19	8,952	3,664
Minority interest		383	580
PROFIT FOR THE YEAR		9,335	4,244
BASIC AND DILUTED EARNINGS PER ORDINARY SHARE	7	124.33p	50.89p

GOODWIN PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th April, 2012

	2012 £'000	Restated See Note 1 2011 £'000
PROFIT FOR THE YEAR	9,335	4,244
OTHER COMPREHENSIVE INCOME		
Foreign exchange translation differences	(1,476)	(74)
Effective portion of changes in fair value of cash flow hedges	323	(352)
Change in fair value of cash flow hedges transferred to profit or loss	(3,903)	3,726
Tax charge recognised on unrealised income and expenses recognised directly in equity	925	(878)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	(4,131)	2,422
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5,204	6,666
ATTRIBUTABLE TO		
Equity holders of the parent	4,912	6,160
Minority interest	292	506
	5,204	6,666

GOODWIN PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th April, 2012

	Share capital £'000	Trans- lation reserve £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Total attributable to equity holders of the parent £'000	Minority interest £'000	Total equity £'000
Year ended 30th April, 2012							
Balance at 1st May, 2011 restated see note 1	720	2,215	2,422	36,868	42,225	3,437	45,662
Total comprehensive income							
Profit	-	-	-	8,952	8,952	383	9,335
Other comprehensive income							
Foreign exchange translation differences	-	(1,385)	-	-	(1,385)	(91)	(1,476)
Net movements on cash flow hedges	-	-	(2,655)	-	(2,655)	-	(2,655)
Total comprehensive income for the year	-	(1,385)	(2,655)	8,952	4,912	292	5,204
Transactions with owners of the Company recognised directly in equity							
Dividends paid	-	-	-	(2,100)	(2,100)	(58)	(2,158)
Balance at 30th April, 2012	720	830	(233)	43,720	45,037	3,671	48,708
Year ended 30th April, 2011							
Balance at 1st May, 2010 as previously reported	720	1,199	(74)	35,082	36,927	3,242	40,169
Prior year adjustment see note 1	-	1,016	-	122	1,138	-	1,138
Balance at 1st May, 2010 restated see note 1	720	2,215	(74)	35,204	38,065	3,242	41,307
Total comprehensive income							
Profit restated see note 1	-	-	-	3,664	3,664	580	4,244
Other comprehensive income							
Foreign exchange translation differences restated see note 1	-	-	-	-	-	(74)	(74)
Net movements on cash flow hedges	-	-	2,496	-	2,496	-	2,496
Total comprehensive income for the year	-	-	2,496	3,664	6,160	506	6,666
Transactions with owners of the Company recognised directly in equity							
Dividends paid	-	-	-	(2,000)	(2,000)	(311)	(2,311)
Balance at 30th April, 2011 restated see note 1	720	2,215	2,422	36,868	42,225	3,437	45,662

GOODWIN PLC

CONSOLIDATED BALANCE SHEET

At 30th April, 2012

			Restated See Note 1	Restated See Note 1
	Notes	2012 £'000	2011 £'000	2010 £'000
NON-CURRENT ASSETS				
Property, plant and equipment	9	26,208	25,431	23,260
Investment in associates	11	1,238	1,137	919
Intangible assets	10	12,531	12,299	12,798
		39,977	38,867	36,977
CURRENT ASSETS				
Inventories	14	32,558	25,096	18,085
Trade and other receivables	15	24,334	25,664	21,815
Derivative financial assets	20	1,407	4,349	635
Cash and cash equivalents	16	5,778	4,049	10,710
		64,077	59,158	51,245
TOTAL ASSETS		104,054	98,025	88,222
CURRENT LIABILITIES				
Bank overdraft	16	759	834	887
Other interest-bearing loans and borrowings	17	219	226	139
Trade and other payables	18	26,249	24,544	21,516
Deferred consideration	18	3,256	2,774	-
Derivative financial liabilities	20	2,061	1,246	1,306
Liabilities for current tax		2,278	1,713	2,150
Warranty provision	12	655	786	1,014
		35,477	32,123	27,012
NON-CURRENT LIABILITIES				
Other interest-bearing loans and borrowings	17	16,467	12,326	10,358
Deferred consideration	18	-	2,677	5,911
Warranty provision	12	570	855	1,099
Deferred tax liabilities	13	2,832	4,382	2,535
		19,869	20,240	19,903
TOTAL LIABILITIES		55,346	52,363	46,915
NET ASSETS		48,708	45,662	41,307
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital	19	720	720	720
Translation reserve	19	830	2,215	2,215
Cash flow hedge reserve	19	(233)	2,422	(74)
Retained earnings	19	43,720	36,868	35,204
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		45,037	42,225	38,065
MINORITY INTEREST	19	3,671	3,437	3,242
TOTAL EQUITY		48,708	45,662	41,307

These financial statements were approved by the Board of Directors on 27th July, 2012 and signed on its behalf by

J W GOODWIN
Director

R S GOODWIN
Director

Registered Company Number 305907

John W. Goodwin

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R S Goodwin

GOODWIN PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th April, 2012

		Restated See Note 1	Restated See Note 1
	2012 £'000	2011 £'000	2011 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit from continuing operations after tax	9,335		4,244
<i>Adjustments for</i>			
Depreciation	3,094		2,817
Amortisation of intangible assets	715		535
Financial expense	1,205		1,054
Loss on sale of property, plant and equipment	51		10
Share of profit of associate companies	(393)		(342)
Tax expense	2,938		3,904
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS	16,945		12,222
Decrease/(increase) in trade and other receivables	898		(3,916)
Increase in inventories	(7,638)		(7,006)
Increase in trade and other payables (excluding payments on account)	2,500		2,531
(Decrease)/increase in payments on account	(916)		737
CASH GENERATED FROM OPERATIONS	11,789		4,568
Interest paid	(929)		(647)
Corporation tax paid	(3,150)		(3,395)
Interest element of finance lease obligations	(22)		(35)
NET CASH FROM OPERATING ACTIVITIES	7,688		491
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	173	96	
Acquisition of property, plant and equipment	(4,569)	(6,274)	
Acquisition of intangible assets	-	(674)	
Acquisition of subsidiaries net of cash acquired	(502)	-	
Additional payment for existing subsidiary/ acquisition of associated undertaking	(35)	(237)	
Payment of deferred purchase creditor	(3,300)	-	
Dividends received from associate company	277	247	
NET CASH FROM INVESTING ACTIVITIES	(7,956)		(6,842)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of capital element of finance lease obligations	(218)	(304)	
Dividends paid	(2,100)	(2,000)	
Dividends paid to minority interests	(58)	(311)	
Proceeds from loans	4,772	2,359	
Repayment of loans	(158)	-	
NET CASH FROM FINANCING ACTIVITIES	2,238		(256)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,970		(6,607)
Cash and cash equivalents at beginning of year	3,215		9,823
Effect of exchange rate fluctuations on cash held	(166)		(1)
CASH AND CASH EQUIVALENTS AT END OF YEAR see note 16	5,019		3,215

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Goodwin PLC (the "Company") is incorporated in the UK

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates. The parent Company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent Company financial statements in accordance with UK GAAP, these are presented on pages 44 to 48.

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

With the recovery in profitability of the Group over the past twelve months coupled with a record level work load, the Company at present is managing to successfully circumnavigate the continuing global economic conditions mainly because of the Group's diversification in product and global sales outlets. Whilst good profitability is expected to continue for the next twelve months, there will remain pressure on cash flow due to increased levels of activity and the start up of project activity as mentioned in the Chairman's Statement should grant approval be gained.

The Group, however, has considerable access to financial resources with banks with whom the Company has a good and stable relationship and as such should additional finance be needed, raising it is not considered to be a problem by the Directors especially as the Government has opened up to companies with turnover greater than £50 million its low cost "National Loan Guarantee Scheme" which is designed to support companies such as ours. As a consequence, after making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

New IFRS standards and interpretations adopted during 2012

In the current financial year, the Group has adopted the following new standards and interpretations:

- IAS 24 (Revised) - Related Party Transactions (effective for annual periods beginning on or after 1st January, 2011)
- Annual Improvement Projects to IFRS's (issued May, 2010)
- Amendments to IAS 1 Presentation of statement of changes in equity (effective for annual periods beginning on or after 1st January, 2011)

These changes have had no material impact on the accounts for the year to 30th April, 2012.

Measurement convention

The financial statements are rounded to the nearest thousand pounds.

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

Prior year adjustment - Change in treatment of intangible assets and deferred taxation

Following discussions with the Financial Reporting Review Panel, the Group has reviewed its accounting treatment of intangibles. This has resulted in the Group now recognising deferred taxation liabilities on intangible assets arising on acquisitions in accordance with IAS 12 "Income Taxes", including intangible assets acquired in previous years which has resulted in a prior year adjustment.

The Group has also taken the opportunity to review its measurement of intangible assets in foreign currency acquisitions. In previous years, the measurement of intangible assets on acquisitions was initially recognised at the sterling equivalent using the exchange rate at the time of the original transaction but then continued to be measured using that original exchange rate. The intangible assets on acquisitions are now being measured to the sterling equivalent at each balance sheet date using the exchange rate at each balance sheet date in accordance with the Group's accounting policy. This correction has also resulted in a prior year adjustment.

The effect of these prior year adjustments has been to increase net assets by £1,138,000 at 30th April, 2010 and by £1,345,000 at 30th April, 2011. The effect on profit and loss reserves has been to increase profit and loss reserves at 30th April, 2010 by £122,000, and increase reported profit for 2011 by £36,000, being additional amortisation of intangible assets of £57,000, and a decrease in the deferred tax charge by £93,000. The earnings per share for the year ended 30th April, 2011 has been restated from 50.39p to 50.89p.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Prior year adjustment - Change in treatment of intangible assets and deferred taxation *(continued)*

Effect of prior year adjustments on previously reported balance sheets

	Goodwill due to additional deferred tax £'000	Foreign exchange £'000	Amorti- sation in income £'000	Deferred tax in income £'000	Total £'000
At 30th April, 2010					
Intangible assets	1,025	1,257	(155)	–	2,127
Deferred taxation	(1,025)	(241)	–	277	(989)
Net assets	–	1,016	(155)	277	1,138
Recognised in translation reserve	–	1,016	–	–	1,016
Recognised in income	–	–	(155)	277	122
Total equity	–	1,016	(155)	277	1,138
At 30th April, 2011					
Intangible assets	1,025	1,451	(212)	–	2,264
Deferred taxation	(1,025)	(264)	–	370	(919)
Net assets	–	1,187	(212)	370	1,345
Recognised in translation reserve	–	1,016	–	–	1,016
Recognised in other comprehensive income	–	171	–	–	171
Recognised in profit and loss reserves brought forward	–	–	(155)	277	122
Recognised in income in the year ended 30th April, 2011	–	–	(57)	93	36
Total equity	–	1,187	(212)	370	1,345

Other disclosure adjustments to figures previously reported in the 2011 financial statements

Following discussion with the Financial Reporting Review Panel, as a part of the review of the 2011 figures, the Group has made the following disclosure adjustments to previously reported 2011 amounts in the 2011 financial statements: warranty provisions of £1,641,000 were previously included in accruals but are now shown separately in the balance sheet, tax paid for 2011 was previously disclosed in the cash flow statement at £2,517,000 but has been restated by £878,000 to £3,395,000, with a restatement of £878,000 in the increase in trade and other payables from £1,653,000 to £2,531,000, the total of £765,000 previously disclosed for foreign exchange (gains)/losses of £48,000 plus gains on derivatives at fair value through profit and loss of £717,000 in 2011, have been restated to £531,000 and £234,000 respectively in note 3, the split of total capital expenditure by area in the segmental analysis has been restated. These disclosure adjustments had no effect on income, total equity or net assets.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total recognised income and expense and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities 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 income statement within operating profit.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. They are released into the income statement upon disposal of the foreign operation.

The Group has taken advantage of relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS (1st May, 2006).

Financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand including cash deposits with an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Trade receivables

Trade receivables do not carry interest and are initially recognised at fair value and are subsequently measured at their amortised cost using the effective interest method where material as reduced by allowances for impairment when there is objective evidence of impairment. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an impairment account and any impairment loss is recognised in the income statement.

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 and the premium in the share premium reserve.

Recognition and valuation of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Bank borrowings

Interest bearing bank loans and overdrafts are initially recorded at their fair value less attributable transaction costs. They are subsequently carried at their amortised cost and finance charges are recognised in the income statement over the term of the instrument using an effective rate of interest. Bank overdrafts that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method where material.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. 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. For derivatives that do not form part of a designated hedge relationship, the gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

NOTES TO THE FINANCIAL STATEMENTS (continued)

Derivative financial instruments and hedging (continued)

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. Any ineffective portion of the hedge is recognised immediately in the income statement.

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

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 hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial cost or other carrying amount of the non-financial asset or liability.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment on the following bases:

Freehold Land	Nil
Freehold buildings	2% on cost
Leasehold property	over period of lease
Plant and machinery	10% to 25% on reducing balance or cost
Motor vehicles	15% or 25% on reducing balance
Tooling	over estimated production life
Fixtures and fittings	15% to 25% on reducing balance

Assets under the course of construction are not depreciated.

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of businesses. In respect of business acquisitions that have occurred since 1st May, 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and contingent liabilities acquired. For acquisitions prior to the adoption of Revised IFRS 3 "Business Combinations" (1st May, 2010), cost includes directly attributable acquisition costs. For acquisitions after this date, such costs are charged to the income statement. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

In respect of acquisitions prior to 1st May, 2006, goodwill is included at transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On transition, amortisation of goodwill has ceased as required by IFRS 1.

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Intangible assets and goodwill (continued)

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- | | |
|---------------------------------|------------|
| • Capitalised development costs | 5 years |
| • Manufacturing rights | 6-15 years |
| • Brand names | 3-15 years |
| • Valve order book | 1 year |
| • Distribution rights | 25 years |

Inventories

Inventories 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 inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Put option in respect of a minority interest in a subsidiary

Where the Group has, through a put option, an obligation to purchase shares in a subsidiary from a minority interest, a financial liability is recognised for the present value of the estimated consideration payable under the put option and the minority interest is not recognised.

For acquisitions made prior to the adoption of Revised IFRS 3 "Business Combinations" (1st May, 2010) at each reporting date, changes in the carrying amount of the liability arising from variations in the estimated fair value of the purchase consideration (excluding the effect of the unwinding of the discount, which is accounted for as a financial expense) are recognised by adjusting the carrying amount of the goodwill recognised on initial recognition of the business combination. For acquisitions after adoption of Revised IFRS 3, any changes in the liability are recognised in the income statement.

Impairment

The carrying amounts of the Group'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. Recoverable amount is the greater of an asset's or cash generating unit's fair value less costs to sell or value in use.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use were tested for impairment as at 1st May, 2006, the date of transition to Adopted IFRSs, even though no indication of impairment existed.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, 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.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Warranty provisions

The Group carries a warranty provision with respect to one of its product lines. The warranties are negotiated at contract placement stage and typically where given to a customer the warranty has a duration of between 2 and 4 years. At the expiry of the warranty period, the warranty provision is then released back into profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Revenue

Revenue represents the amounts (excluding value added taxes and other sales taxes) derived from the provision of goods and services to external customers. Revenue is recognised at the time the principal risks and rewards transfer to the customer typically being either shipment or customer acceptance.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financial expenses

Financial expenses comprise interest payable and interest on finance leases.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

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 income statement in the year for which contributions are paid.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement 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 following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements:

New standards/interpretations not adopted:

- Amendments to IAS 12 – Deferred tax and recovery of the underlying assets (effective for annual periods beginning on or after 1st January, 2012)
- Amendments to IAS 1 – Presentation of items of other comprehensive income (effective for periods beginning on or after 1st July, 2012)

In addition to the above, amendments to a number of standards and interpretations under the 2011 annual improvement project will become mandatory for the year ending 30th April, 2013.

The Group has considered the impact of these new standards and interpretations in future periods on profit, earnings per share and net assets. None of the above standards or interpretations are expected to have a material impact.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2 Segmental information

Products and services from which reportable segments derive their revenues

For the purposes of management reporting to the chief operating decision maker, the Group is organised into two reportable operating divisions: mechanical engineering and refractory engineering. Financial information for each operating division is also available in a disaggregated form in line with the identified cash generating units. Segment assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis. In accordance with the requirements of IFRS 8 the Group's reportable segments, based on information reported to the Group's Board of Directors for the purposes of resource allocation and assessment of segment performance are as follows:

- Mechanical Engineering – casting, machining and general engineering design
- Refractories Engineering – powder manufacture and mineral processing

Information regarding the Group's operating segments is reported below. Associates are included in Refractories Engineering.

	Mechanical Engineering		Refractories Engineering		Sub Total	
	Restated See Note 1		Restated See Note 1		Restated See Note 1	
Year ended 30th April	2012	2011	2012	2011	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
External sales	78,784	65,139	29,127	27,769	107,911	92,908
Inter-segment sales	24,010	18,014	5,186	4,046	29,196	22,060
Total revenue	102,794	83,153	34,313	31,815	137,107	114,968
Reconciliation to consolidated revenue						
Inter-segment sales					(29,196)	(22,060)
Consolidated revenue for the year					107,911	92,908
Profits						
Segment result including associates	10,716	6,246	4,044	4,275	14,760	10,521
Group centre					(1,282)	(1,319)
Group finance expenses					(1,205)	(1,054)
Consolidated profit before tax for the year					12,273	8,148
Tax					(2,938)	(3,904)
Consolidated profit after tax for the year					9,335	4,244

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Segmental information (continued)

	Segmental total assets		Segmental total liabilities		Segmental net assets	
	Restated See Note 1		Restated See Note 1		Restated See Note 1	
Year ended 30th April	2012	2011	2012	2011	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Segmental net assets						
Mechanical Engineering	59,342	57,059	46,165	43,846	13,177	13,213
Refractories Engineering	23,423	20,557	11,406	9,619	12,017	10,938
Sub total reportable segment	82,765	77,616	57,571	53,465	25,194	24,151
PLC net assets					31,832	27,996
Investments elimination/ Goodwill adjustments					(7,013)	(7,374)
Other consolidation adjustments					(1,089)	(1,499)
Foreign exchange/IAS 39					(216)	2,388
Consolidated total net assets					48,708	45,662

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Board of Directors monitors the tangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of those held by the parent Company ('PLC').

Geographical Segments

The Group operates in the following principal locations:

In presenting the information on geographical segments, revenue is based on the location of its customers and assets on the location of the assets.

	Year ended 30th April, 2012				Year ended 30th April, 2011 restated see note 1			
	Revenue	Operational net assets	Non current assets	PPE Capital expenditure	Revenue	Operational net assets	Non current assets	PPE Capital expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK	21,421	37,316	34,003	3,061	17,148	34,493	33,292	2,712
Rest of Europe	22,521	3,711	615	329	24,540	3,920	684	320
USA	7,780	-	-	-	11,441	-	-	-
Pacific Basin	26,119	5,200	135	166	23,471	4,137	71	199
Rest of world	30,070	2,481	5,224	1,204	16,308	3,112	4,820	1,923
Total	107,911	48,708	39,977	4,760	92,908	45,662	38,867	5,154

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Expenses and auditors' remuneration

	2012 £'000	Restated See Note 1 2011 £'000
Included in profit before taxation are the following		
Depreciation		
Owned assets	2,968	2,625
Assets held under finance lease	126	192
Amortisation of intangible assets	715	535
Loss on sale of property, plant and equipment	51	10
Operating lease rentals		
Rental of premises	356	298
Short term plant hire	162	153
Research and development expensed as incurred	917	960
Impairment of trade receivables	105	52
Foreign exchange gains	(45)	(531)
Loss/(gains) on derivatives at fair value through profit and loss	177	(234)
Fees receivable by the auditors and their associates in respect of		
Audit of these financial statements	42	42
Audit of the financial statements of subsidiaries	83	74
Other audit related services	8	–

4 Staff numbers and costs

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

	Number of employees 2012	2011
Works personnel	903	836
Administration staff	46	45
	<u>949</u>	<u>881</u>

The aggregate payroll costs of these persons were as follows

	2012 £'000	2011 £'000
Wages and salaries	27,381	24,939
Social security costs	3,261	2,612
Other pension costs	25	25
	<u>30,667</u>	<u>27,576</u>

5 Financial expenses

	2012 £'000	2011 £'000
Interest expense on finance leases	22	35
Unwinding of discount on deferred consideration	254	372
Interest expense on bank loans and overdrafts	929	647
Financial expenses	<u>1,205</u>	<u>1,054</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Taxation

		Restated See Note 1
Recognised in the income statement	2012	2011
	£'000	£'000
Current tax expense		
Current year	3,793	2,575
Adjustments for prior years	(78)	367
	3,715	2,942
Deferred tax expense		
Origination and reversal of temporary differences – current year	(306)	(65)
Origination and reversal of temporary differences – prior years*	(471)	1,011
	2,938	3,888
Share of tax of associate companies	–	16
Total tax expense	2,938	3,904

		Restated See Note 1
Reconciliation of effective tax rate	2012	2011
	£'000	£'000
Profit before tax	12,273	8,148
Tax using the UK corporation tax rate of 25.84% (2011: 27.81%)	3,171	2,266
Non-deductible expenses	207	134
Under provided in prior years	–	56
Over provision in prior years	(549)	(78)
Tax offset against brought forward losses	(213)	–
Losses not utilised	49	78
Withholding tax unrelieved	40	63
Differences in overseas tax rates	335	63
Associate companies tax	(102)	–
Charge due to change in UK tax legislation*	–	1,322
Total tax in income statement	2,938	3,904

*Due to the change in UK tax legislation where past, present and future expenditure on industrial buildings no longer qualify for tax relief, the Group had to write off in the prior year £1,322,000 of taxation that is no longer recoverable

The Group's total amount of taxes payable in respect of the year ending April 2012 comprising Corporation Tax, PAYE and National Insurance was £12 million

Deferred tax recognised directly in equity

The following amounts are included in the consolidated statement of comprehensive income

	2012	2011
	£'000	£'000
Cash flow hedge deferred tax (credit)/charge	(925)	878

7 Earnings per share

The earnings per ordinary share has been calculated on profit for the year attributable to ordinary shareholders of £8,952,000 (2011: £3,664,000 restated see note 1) and by reference to the 7,200,000 ordinary shares in issue throughout both years

The Company has no share options or other diluting interests and accordingly, there is no difference in the calculation of diluted earnings per share

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Dividends	2012 £'000	2011 £'000
Paid ordinary dividends during the year in respect of prior years		
29 166p (2010 27 777p) per qualifying ordinary share	2,100	2,000
	2,100	2,000

After the balance sheet date an ordinary dividend of 32 082p per qualifying ordinary share was proposed by the Directors (2011 ordinary dividend of 29 166p)

The current year proposed ordinary dividend of £2,310,000 has not been provided for within these financial statements (2011 proposed ordinary dividend of £2,100,000 was not provided for within the comparative figures)

9. Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Assets in course of construc- tion £'000	Total £'000
Cost					
At 1st May, 2010	10,948	28,286	2,685	–	41,919
Additions	30	3,117	324	1,683	5,154
Reclassification	123	972	(1,095)	–	–
Disposals	–	(256)	(16)	–	(272)
Exchange adjustment	(70)	(2)	(4)	–	(76)
At 30th April, 2011	11,031	32,117	1,894	1,683	46,725
At 1st May, 2011	11,031	32,117	1,894	1,683	46,725
Additions	1,452	2,416	182	710	4,760
Acquisitions (see note 25)	–	39	–	–	39
Reclassification	293	–	–	(293)	–
Disposals	–	(446)	(3)	–	(449)
Exchange adjustment	(261)	(434)	(15)	(237)	(947)
At 30th April, 2012	12,515	33,692	2,058	1,863	50,128
Depreciation					
At 1st May, 2010	1,603	15,332	1,724	–	18,659
Charged in year	107	2,545	165	–	2,817
Reclassification	26	621	(647)	–	–
Disposals	–	(153)	(14)	–	(167)
Exchange adjustment	(7)	(4)	(4)	–	(15)
At 30th April, 2011	1,729	18,341	1,224	–	21,294
At 30th April, 2011	1,729	18,341	1,224	–	21,294
Charged in year	262	2,671	161	–	3,094
Disposals	–	(222)	(3)	–	(225)
Exchange adjustment	(19)	(218)	(6)	–	(243)
At 30th April, 2012	1,972	20,572	1,376	–	23,920
Net book value					
At 1st May, 2010	9,345	12,954	961	–	23,260
At 30th April, 2011 and 1st May, 2011	9,302	13,776	670	1,683	25,431
At 30th April, 2012	10,543	13,120	682	1,863	26,208

Leased plant and machinery

At 30th April, 2012 the net carrying amount of leased plant and machinery was £929,000 (2011 £1,076,000) The leased equipment secures lease obligations (see note 17)

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Intangible assets

	Goodwill £'000	Brand names £'000	Valve order book £'000	Distri- bution rights £'000	Manu- facturing rights £'000	Develop- ment costs £'000	Total £'000
Cost							
Balance at 1st May, 2010 as previously reported	7,046	4,000	127	-	961	201	12,335
Prior year adjustment see note 1	1,025	-	-	-	-	-	1,025
Prior year exchange adjustment see note 1	506	746	34	-	-	-	1,286
Balance at 1st May, 2010 restated see note 1	8,577	4,746	161	-	961	201	14,646
Additions	25	-	-	632	17	-	674
Reduction	(832)	-	-	-	-	-	(832)
Exchange adjustments	121	91	4	-	-	-	216
Balance at 30th April, 2011 restated see note 1	7,891	4,837	165	632	978	201	14,704
Additions	548	-	-	-	-	-	548
Acquisitions see note 25	277	678	17	-	-	-	972
Exchange adjustment	(346)	(303)	(14)	-	-	-	(663)
Balance at 30th April, 2012	8,370	5,212	168	632	978	201	15,561
Amortisation							
Balance at 1st May, 2010 as previously reported	-	954	127	-	382	201	1,664
Prior year adjustment see note 1	-	136	19	-	-	-	155
Prior year exchange adjustment see note 1	-	14	15	-	-	-	29
Balance at 1st May, 2010 restated see note 1	-	1,104	161	-	382	201	1,848
Amortisation for the year	-	397	-	25	113	-	535
Exchange adjustment	-	18	4	-	-	-	22
Balance at 30th April, 2011 restated see note 1	-	1,519	165	25	495	201	2,405
Amortisation for the year	-	567	17	25	106	-	715
Exchange adjustment	-	(76)	(14)	-	-	-	(90)
Balance at 30th April, 2012	-	2,010	168	50	601	201	3,030
Net book value							
At 1st May, 2010 restated see note 1	8,577	3,642	-	-	579	-	12,798
At 30th April, 2011 restated see note 1	7,891	3,318	-	607	483	-	12,299
At 30th April, 2012	8,370	3,202	-	582	377	-	12,531

During the year ended 30th April, 2012, the Group has reviewed its accounting treatment of intangible assets on acquisitions which has resulted in prior year adjustments as shown in the above table and as detailed in note 1. The £548,000 of additions to goodwill in the current year relates to £35,000 increased interest in Noreva GmbH by virtue of a minority dividend paid, and £513,000 in respect of a revision to the contingent deferred consideration for Noreva GmbH. The £277,000 of goodwill on acquisitions relates to £218,000 on the acquisition of Sandersfire International Limited and £59,000 on the acquisition of JSR Technology Limited (see note 25).

The reduction in goodwill in the prior year of £832,000 relates to a revision in the amount assessed as payable with respect to the Group's deferred purchase liabilities, and the £35,000 of additions to goodwill in the prior year relates to increased interest in Noreva GmbH by virtue of a minority dividend paid.

The £678,000 and £17,000 of additions to brand names and order book in the current year relates to the acquisition of Sandersfire International Limited and JSR Technology Limited. The £674,000 of additions in the prior year includes £632,000 for the right to distribute and sell vermiculite, £17,000 for a patent for a new manufacturing process for large super nickel castings, and goodwill of £25,000.

Amortisation charge

The amortisation charge of £715,000 (2011 £535,000 restated see note 1) is recognised in cost of sales in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Intangible assets (continued)

Impairment testing for cash generating units containing goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. For the purpose of impairment testing, goodwill is allocated to the relevant subsidiary which is the lowest level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are

	2012 £'000	Restated See Note 1 2011 £'000
Easat Antennas Limited	324	324
Goodwin India Private Limited	108	108
Noreva GmbH	4,315	4,113
Goodwin Refractory Services Holdings Limited	3,346	3,346
Sandersfire International Limited	218	-
JSR Technology Limited	59	-
	8,370	7,891

An impairment test is a comparison of the carrying value of the assets of a cash generating unit ("CGU") to their recoverable amount, based on a value-in-use calculation. Recoverable amount is the greater of value-in-use and market value. Where the recoverable amount is less than the carrying value an impairment results. During the year each CGU containing goodwill was separately assessed and tested for impairment. No impairment of the carrying value of goodwill was indicated by this review.

As part of testing goodwill for impairment detailed forecasts of operating cash flows for the next five years are used, which are based on approved budgets and plans by the Board. The forecasts represent the best estimate of future performance of the CGU based on past performance and expectations for the market development of the CGU.

A number of key assumptions are used as part of impairment testing. These key assumptions such as the CGU's position within its relevant market, its ability to generate profitable orders within that market, expected growth rates both in the market and geographically are made by management who also take into account past experience and knowledge of forecast future performance together with other relevant external sources of information.

The forecast projections use growth rate forecasts extrapolated over the minimum expected life span of the unit which range from 5% to 20% (2011 15%). Projections beyond the 5 year detailed forecasts do not assume any growth. The forecasts are then discounted at appropriate rates considering the perceived levels of risk, ranging from 9%-14% (2011 12-15%).

The estimates and assumptions made in connection with the impairment testing could differ from future actual results of operations and cash flows. A reasonably likely variation in the assumptions would not give rise to an impairment. However, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired.

11. Investments in subsidiaries and associate

The Group has the following principal subsidiaries and associates

<i>Subsidiaries</i>	Country of incorporation	Class of shares held	% held
Goodwin International Limited	Great Britain	Ordinary	100
		Preference	100
Goodwin Steel Castings Limited	Great Britain	Ordinary	100
Dupre Minerals Limited	Great Britain	Ordinary	100
		Preference	100
Easat Antennas Limited	Great Britain	Ordinary	94
Internet Central Limited	Great Britain	Ordinary	82.5
Goodwin Refractory Services Limited	Great Britain	Ordinary	100
Hoben International Limited	Great Britain	Ordinary	100
Sandersfire International Limited	Great Britain	Ordinary	100
JSR Technology Limited	Great Britain	Ordinary	75
Noreva GmbH	Germany	Ordinary	75*
Gold Star Powders India Private Limited	India	Ordinary	80
Goodwin India Private Limited	India	Ordinary	80
Ultratec Jewelry Supplies Limited	China	Ordinary	51
SRS Guangzhou Limited	China	Ordinary	51
Goodwin Shanghai Co. Limited	China	Ordinary	100
Goodwin (Shanxi) Pump Company Limited	China	Ordinary	100
Siam Casting Powders Limited	Thailand	Ordinary	51
Goodwin Korea Co. Limited	South Korea	Ordinary	95
Gold Star Brazil Limited	Brazil	Ordinary	51
Goodwin Valve and Pump Company Limited	Brazil	Ordinary	100
<i>Associates</i>			
Jewelry Plaster Limited	Thailand	Ordinary	49
Asian Industrial Investment Casting Powders Private Limited	India	Ordinary	40
Goodwin Tet Property Company Limited	Thailand	Ordinary	49

*Whilst Noreva is a 75% owned subsidiary the company has been treated as a 100% subsidiary by virtue of there being both put and call options in place for the remaining 25% of the share capital.

All of the companies are involved in mechanical and refractory engineering.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Investments in subsidiaries and associate (continued)

The Group's share of profit after tax in its associates for the year ended 30th April, 2012 was £393,000 (2011 £326,000)

Summary financial information of Group share of associates was

	2012	2011
	£'000	£'000
Balance at 1st May	1,137	919
Profit before tax	495	342
Tax	(102)	(16)
Dividend	(277)	(247)
New associate	-	237
Exchange adjustment	(15)	(98)
Balance at 30th April	1,238	1,137

	2012			Share of Profit after Tax
	Assets	Liabilities	Revenues	
	£'000	£'000	£'000	£'000
Jewelry Plaster Limited	1,153	249	1,141	327
GoodwinTet Property Company Limited	1,059	750	96	78
Asian Industrial Investment Casting Powders Private Limited	25	-	10	(12)
	2,237	999	1,247	393

	2011			Share of Profit after Tax
	Assets	Liabilities	Revenues	
	£'000	£'000	£'000	£'000
Jewelry Plaster Limited	1,186	322	1,144	330
GoodwinTet Property Company Limited	237	-	-	-
Asian Industrial Investment Casting Powders Private Limited	36	-	-	(4)
	1,459	322	1,144	326

During 2011 the Group invested in a new associate, GoodwinTet Property Company Limited - a company formed to own the new freehold property for our subsidiary Siam Casting Powders Limited

	2012	Restated See Note 1 2011
	£'000	£'000
12 Warranty provision		
Balance at 1st May	1,641	2,113
Utilised	(608)	(1,035)
Charged to profit and loss	463	530
Exchange adjustment	(271)	33
Balance at 30th April	1,225	1,641
Warranty due within one year	655	786
Warranty due after one year	570	855
Balance at 30th April	1,225	1,641

2011 has been restated as in previous years warranty provisions were included within accrued expenses. Provisions for warranties primarily relate to products sold and generally covers a period of between 2 and 4 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Property, plant and equipment	-	-	2,038	2,656
Derivative financial instruments	84	-	-	807
Intangible assets	-	-	878	919
	<u>84</u>	<u>-</u>	<u>2,916</u>	<u>4,382</u>
			2012 £'000	2011 £'000
Assets			84	-
Liabilities			(2,916)	(4,382)
			<u>(2,832)</u>	<u>(4,382)</u>

	Property plant & equipment £'000	Derivative financial instruments £'000	Intangible Assets £'000	Total £'000
Balance at 1st May, 2010 as previously reported	1,734	(188)	-	1,546
Prior year adjustment see note 1	-	-	1,025	1,025
Prior year exchange adjustment see note 1	-	-	241	241
Prior year recognised in income see note 1	-	-	(277)	(277)
Balance at 1st May, 2010 restated see note 1	1,734	(188)	989	2,535
Recognised in income	922	117	(93)	946
Recognised in equity	-	878	-	878
Exchange adjustment	-	-	23	23
Balance at 30th April, 2011 restated see note 1	2,656	807	919	4,382
Recognised in income	(673)	34	(138)	(777)
Recognised in equity	-	(925)	-	(925)
Acquisition	6	-	168	174
Exchange adjustment	49	-	(71)	(22)
Balance at 30th April, 2012	2,038	(84)	878	2,832

During the year ended 30th April, 2012, the Group has reviewed its accounting treatment of recognition of deferred taxation on intangible assets on acquisitions which has resulted in prior year adjustments as shown in the above table and as detailed in note 1

The Group has not recognised a deferred tax asset of £42,000 (2011 £205,000) in respect of subsidiaries' losses. Whilst the Group believes there is a reasonable chance of recovering the tax losses, it is felt prudent to recognise them as and when the profits arise.

The 2012 Budget on 21st March, 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the UK corporation tax rate from 26% to 25% (effective from 1st April, 2012) was substantively enacted on 5th July, 2011, and further reductions to 24% (effective from 1st April, 2012) and 23% (effective from 1st April, 2013) were substantively enacted on 25th March, 2012 and 3rd July, 2012 respectively. This will reduce the Group's future current tax charge accordingly and further reduce the deferred tax liability at 30th April, 2012 (which has been calculated based on the rate of 24% substantively enacted at the balance sheet date) by £118,000. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax liability accordingly.

14 Inventories

	2012 £'000	2011 £'000
Raw materials and consumables	12,681	10,172
Work in progress	17,825	13,734
Finished goods	2,052	1,190
	<u>32,558</u>	<u>25,096</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Trade and other receivables	2012	2011
	£'000	£'000
Trade receivables	21,094	23,533
Other receivables	2,039	1,329
Prepayments	1,201	802
	24,334	25,664
16 Cash and cash equivalents	2012	2011
	£'000	£'000
Cash and cash equivalents per balance sheet	5,778	4,049
Bank overdrafts	(759)	(834)
Cash and cash equivalents per cash flow statement	5,019	3,215

17 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing bank loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 20

Non-current liabilities	2012	2011
	£'000	£'000
Finance lease liabilities	460	663
Bank loans	16,007	11,663
	16,467	12,326
Current liabilities		
Finance lease liabilities	219	226

Finance lease liabilities

Finance lease liabilities are payable as follows

	2012			2011		
	Minimum lease payments £'000	Interest £'000	Principal £'000	Minimum lease payments £'000	Interest £'000	Principal £'000
Less than one year	233	14	219	244	18	226
Between one and five years	472	12	460	688	25	663
	705	26	679	932	43	889

18 Trade and other payables

Current liabilities	2012	Restated See Note 1
	£'000	2011 £'000
Trade payables	15,734	13,642
Non-trade payables and accrued expenses	5,112	4,528
Other taxation and social security costs	1,660	1,715
Payments received on account	3,743	4,659
	26,249	24,544
Deferred and contingent considerations on acquisitions	3,256	2,774
Non-current liabilities		
Deferred and contingent consideration on acquisitions	-	2,677

2011 has been restated as in previous years warranties were included within accrued expense, but are now disclosed separately within warranty provisions in the balance sheet

The deferred consideration at 30th April, 2012 relates to the acquisition of Sandersfire International Limited (2012 £338,000, 2011 £nil), and the acquisition of Noreva GmbH (2012 £2,918,000, 2011 £2,677,000). The £241,000 movement in the year for the deferred consideration for Noreva GmbH, reflects an additional £513,000 of goodwill in respect of a revision to the contingent deferred consideration, an additional £228,000 for discount unwind less £500,000 paid out under the terms of the sale purchase agreement

The deferred consideration at 30th April, 2011 also included £2,774,000 payable in relation to the acquisition of SRS Holdings Limited. This was satisfied in full during the current year via a £26,000 discount unwind and a payment under the terms of the sale purchase agreement of £2,800,000

The liabilities are calculated on the basis of payments being made at the earliest opportunity under the legal agreements as discounted to present values using an assumed cost of capital of 6.5%

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £'000	Translation reserve £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Total attributable to equity holders of the parent £'000	Minority interest £'000	Total equity £'000
Balance at 30th April, 2010 as previously reported	720	1,199	(74)	35,082	36,927	3,242	40,169
Prior year adjustment see note 1	–	1,016	–	122	1,138	–	1,138
Balance at 30th April, 2010 restated see note 1	720	2,215	(74)	35,204	38,065	3,242	41,307
Total comprehensive income	–	–	2,496	3,664	6,160	506	6,666
Dividends paid	–	–	–	(2,000)	(2,000)	(311)	(2,311)
Balance at 30th April, 2011 restated see note 1	720	2,215	2,422	36,868	42,225	3,437	45,662
Total comprehensive income	–	(1,385)	(2,655)	8,952	4,912	292	5,204
Dividends paid	–	–	–	(2,100)	(2,100)	(58)	(2,158)
Balance at 30th April, 2012	720	830	(233)	43,720	45,037	3,671	48,708

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge instruments related to hedged transactions that have not yet occurred

The aggregate deferred tax relating to items that are recognised in equity is an asset of £74,000 (2011 liability £851,000)

Share capital

	2012 £'000	2011 £'000
Authorised, allotted, called up and fully paid		
7,200,000 ordinary shares of 10p each	720	720

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

20 Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in market prices (interest rates, foreign exchange rates and commodity prices), credit risks, and liquidity. The Group has in place risk management policies that seek to limit the adverse effects on the financial performance of the Group by using various instruments and techniques

Risk management policies have been set by the Board and applied by the Group

a) Credit risk

The Group's financial assets are cash and cash equivalents and trade and other receivables, the carrying amounts of which represent the Group's maximum exposure to credit risk in relation to financial assets

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies

The Group's credit risk is primarily attributable to its trade receivables, and is managed through the following processes

- i) The majority of orders accepted by Group companies are taken with credit insurance coverage
- ii) Some orders are accepted with no credit insurance but with letters of credit
- iii) Some orders are accepted with no credit insurance and no letter of credit but with internal analysis of the customer's size, credit worthiness, historic profitability and payment record
- iv) A few orders (less than 10%) are taken at risk following review by more than two Board members
- v) Major orders are normally accompanied by stage payments which go towards mitigating our credit risk

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Financial risk management (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Notes	2012	2011
		£'000	£'000
Trade and other receivables	15	23,133	24,862
Cash at bank and cash equivalents	16	5,778	4,049
Derivative financial assets	20(e)	1,407	4,349
		30,318	33,260

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2012	2011
	£'000	£'000
UK	4,225	3,849
Rest of Europe	4,028	5,959
USA	896	2,679
Pacific Basin	7,012	5,193
Rest of World	4,933	5,853
	21,094	23,533

The ageing of trade receivables and impairments at the reporting date were:

	Net	Gross	Impairment	Net	Gross	Impairment
	2012	2012	2012	2011	2011	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Not past due	13,173	13,173	-	14,772	14,772	-
Past due 1-30 days	2,961	2,961	-	3,063	3,063	-
Past due 31-90 days	2,732	2,732	-	2,465	2,465	-
Past due more than 90 days	2,228	2,659	(431)	3,233	3,614	(381)
	21,094	21,525	(431)	23,533	23,914	(381)

There are no significant credit risks arising from the above assets and management believes the credit quality of customers is good based on a review of past payment history and the current financial status of the customers. The Group has not renegotiated the terms of any trade receivables and has not pledged any trade receivables as security.

The Directors estimate that the fair value of the Group's trade and other receivables is approximate to their carrying values.

	2012	2011
	£'000	£'000
An analysis of the provision for impairment of receivables is as follows:		
At beginning of year	381	359
Charge for the year	105	52
Acquisition	16	-
Utilised during the year	(71)	(30)
At end of year	431	381

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Financial risk management (continued)

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation

At the year end the Group had the following unutilised bank facilities in respect of which all conditions precedent had been met

	Uncommitted		Committed		Total	
	2012	2011	2012	2011	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Unutilised bank facilities	14,814	12,632	500	3,000	15,314	15,632

The Group's principal borrowing facilities are provided by 3 banks in the form of borrowings and short term overdraft facilities. The quantum of borrowing facilities available to the Group is reviewed regularly in light of current working capital requirements and the need for capital investment for the long term future for the Group

Maturity analysis

The table below analyses the Group's financial liabilities into maturity groupings based on the period outstanding at the balance sheet date up to the contractual maturity date. All figures are contracted gross cashflows that have not been discounted

	2012 Contractual cash flows			Carrying value 2012
	Within 1 year £'000	1-5 years £'000	Total £'000	Total £'000
Non-derivative financial liabilities				
Overdrafts	759	-	759	759
Bank loans	-	16,093	16,093	16,007
Finance leases	233	472	705	679
Trade and other payables	26,249	-	26,249	26,249
Deferred considerations on acquisitions	3,256	-	3,256	3,256
Total	30,497	16,565	47,062	46,950

	2011 Contractual cash flows			Carrying value
	Within 1 year £'000	1-5 years £'000	Total £'000	Restated See Note 1 2011 Total £'000
Non-derivative financial liabilities				
Overdrafts	834	-	834	834
Bank loans	-	11,794	11,794	11,663
Finance leases	244	688	932	889
Trade and other payables	24,544	-	24,544	24,544
Deferred consideration on acquisition	2,800	2,850	5,650	5,451
Total	28,422	15,332	43,754	43,381

2011 has been restated as in previous years, warranties were included within trade and other payables

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Financial risk management (continued)

c) Market risk

Foreign exchange risk

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 is exposed to fluctuations in several currencies which give rise to the net currency gains and losses recognised in the income statement

The Group at its discretion is empowered to hedge its estimated annual foreign currency exposure in respect of forecast sales and purchases if the Board deems it appropriate after having taken into account the expected movement in the foreign exchange rates. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the foreign exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

In respect of other monetary assets and liabilities held in currencies, the Group ensures that the net exposure is eliminated through the use of forward exchange contracts or spot transactions at the time the contractual commitment is in place.

Currency profile of financial assets and liabilities

	2012 US Dollar £'000	2011 US Dollar £'000	2012 Euro £'000	2011 Euro £'000	2012 Other £'000	2011 Other £'000	2012 Total £'000	2011 Total £'000
Trade and other receivables	7,665	7,069	2,016	2,801	40	535	9,721	10,405
Cash and cash equivalents	341	2,428	295	-	397	-	1,033	2,428
Bank overdrafts	-	-	-	(3,117)	(63)	-	(63)	(3,117)
Bank loans	-	-	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-	-
Trade and other payables	(411)	(449)	(720)	(1,679)	(4)	(12)	(1,135)	(2,140)
	7,595	9,048	1,591	(1,995)	370	523	9,556	7,576

The following significant exchange rates applied during the year

	Average Exchange rate		Reporting date spot rate	
	2012	2011	2012	2011
US Dollar	1.592	1.564	1.6231	1.6627
Euro	1.170	1.169	1.2257	1.1216

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Financial risk management (continued)

c) Market risk (continued)

Interest rate risk

The Group is subject to fluctuations in interest rates on its borrowings and surplus cash. The Group is aware of the financial products available to ensure against adverse movements in interest rates. Formal reviews are undertaken to determine whether such instruments are appropriate for the Group. During the year, no new interest rate swaps were entered into.

The Group has taken out in previous years £5 million of interest rate protection in the form of swaps and caps. For the year ended 30th April, 2012 these products ensure that the Group's worse case borrowing rate (including the banks margins) is capped.

The table below shows the Group's financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing.

	Fixed rate		Floating rate		Non-interest bearing		Total	
	2012	2011	2012	Restated See Note 1	2012	Restated See Note 1	2012	Restated See Note 1
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	-	5,778	4,049	-	-	5,778	4,049
Trade and other receivables	-	-	-	-	25,741	30,013	25,741	30,013
Trade and other payables	-	-	(3,256)	(5,451)	(30,588)	(27,503)	(33,844)	(32,954)
Bank overdrafts	-	-	(759)	(834)	-	-	(759)	(834)
Bank loans	-	-	(16,007)	(11,663)	-	-	(16,007)	(11,663)
Finance lease liabilities	-	-	(679)	(889)	-	-	(679)	(889)
	-	-	(14,923)	(14,788)	(4,847)	2,510	(19,770)	(12,278)

Other receivables and payables include derivatives.

2011 has been restated as in previous years warranties were included within trade and other payables.

d) Capital management

The Group's main objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders. The Board maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Operations are funded through various shareholders' funds, bank debt, finance leases and, where appropriate, deferred consideration on acquisitions. The capital structure of the Group reflects the judgement of the Board as to the appropriate balance of funding required. At 30th April, 2012, the capital used was £60.0 million, (2011: £57.0 million) as shown in the following table.

	2012 £'000	2011 £'000
Cash and cash equivalents	5,778	4,049
Bank overdrafts	(759)	(834)
Finance leases	(679)	(889)
Bank Term loans	(10,500)	(9,000)
Bank loans	(5,507)	(2,663)
Deferred consideration	(3,256)	(5,451)
Net debt	(14,923)	(14,788)
Total equity attributable to equity holders of the parent	(45,037)	(42,225)
Capital	(59,960)	(57,013)

The Group aims to maintain a strong credit rating and headroom whilst optimising return to shareholders through an appropriate balance of debt and equity funding. The Group's strategy is to target a debt to equity ratio below 30%, adjusted where appropriate for the effect of acquisitions. At 30th April, 2012 net debt was £14.9 million (which includes £12.9 million of debt incurred on acquisitions since 2007), giving a debt/equity ratio of 33.1% (2011: 35.0%).

The Group manages its capital structure and makes adjustments to it with regard to the risks inherent in the business and in light of changes to economic conditions.

Working capital is managed in order to generate maximum conversion of profits into cash and cash equivalents. Dividends are paid from current year profits, thereby maintaining equity.

The policy for debt is to ensure a smooth debt maturity profile with the objective of ensuring continuity of funding. The repayment profile for the debt is shown in note 20(b).

There were no changes in the Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Financial risk management (continued)

d) Capital management (continued)

Currency derivatives

The Group utilises currency derivatives to hedge future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures.

Forecast transactions

The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges and states them at fair value. The nominal value of forward exchange contracts used as hedges of forecast transactions at 30th April, 2012 was US\$20.00 million (2011: US\$52.79 million), the fair value of these at 30th April, 2012 was an asset of £0.492 million (2011: asset of £3.96 million). The Group also has a number of forward contracts not designated as cash flow hedges, and therefore recorded at fair value through profit or loss. The nominal value of these contracts at 30th April, 2012 was US\$40.4 million, €71 million and INR523 million (2011: US\$10.37 million and €26.32 million), the fair value of these at 30th April, 2012 was a liability of £0.347 million (2011: liability of £0.17 million).

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of administrative expenses.

Interest rate swaps/caps

The Group uses interest rate swaps and caps contracts to manage its exposure to interest rate movements on its bank borrowings. The nominal value of these contracts at the year end was £5 million (2011: £10 million). The fair value of swaps/caps entered into at 30th April, 2012 was estimated at £799,000 liability (2011: £635,000 liability). Of these swaps/caps, the fair value of those designated as cash flow hedges at 30th April, 2012 was £799,000 liability (2011: £630,000 liability).

Derivative financial instruments

For cash flow hedges the following table sets out the periods when the cash flows are expected to occur and when they are expected to affect profit or loss.

2012					
Periods in which cash flows and profits are expected to occur					
	Carrying amount £'000	Expected cash flow £'000	Within 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
Forward exchange contracts					
Assets	492	492	492	-	-
Liabilities	-	-	-	-	-
Interest rate swaps					
Liabilities	(799)	(799)	(180)	(619)	-
	<u>(307)</u>	<u>(307)</u>	<u>312</u>	<u>(619)</u>	<u>-</u>
2011					
Periods in which cash flows and profits are expected to occur					
	Carrying amount £'000	Expected cash flow £'000	Within 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
Forward exchange contracts					
Assets	3,960	3,960	3,794	166	-
Liabilities	(57)	(57)	(57)	-	-
Interest rate swaps					
Liabilities	(630)	(630)	(110)	(520)	-
	<u>3,273</u>	<u>3,273</u>	<u>3,627</u>	<u>(354)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Financial risk management (continued)

d) Capital management (continued)

Derivative financial instruments (continued)

Sensitivity analysis

The Group has calculated the following sensitivities based on available data from forward contract markets for the principal foreign currencies in which the Group operates. Given recent fluctuations in rates, it is deemed sensible to provide the quantum for a 1% change in rates to aid understanding. These figures can be extrapolated proportionately to obtain an estimate of the impact of large movements.

	2012 £'000	2011 £'000
Impact on equity		
1% increase in US Dollar fx rate against pound sterling	(124)	(308)
1% decrease in US Dollar fx rate against pound sterling	<u>124</u>	<u>308</u>
Impact on profit or loss		
1% increase in US Dollar fx rate against pound sterling	(244)	(71)
1% increase in India Rupee fx rate against pound sterling	62	-
1% increase in Euro fx rate against pound sterling	(58)	(226)
1% decrease in US Dollar fx rate against pound sterling	244	71
1% decrease in India Rupee fx rate against pound sterling	(62)	-
1% decrease in Euro fx rate against pound sterling	<u>58</u>	<u>226</u>

The Group has calculated the following sensitivities based on available data from forward markets for fixed and floating interest rates. Management believe that these reflect the most probable rate movements.

	2012 £'000	2011 £'000
Impact on equity		
1% increase in base rate of interest	<u>211</u>	<u>288</u>
Impact on profit or loss		
1% increase in base rate of interest	<u>-</u>	<u>-</u>

e) Total financial assets and liabilities

The table below sets out the Group's accounting classification of each class of financial assets and liabilities, and their fair values at 30th April, 2012 and 30th April, 2011.

	30th April, 2012		30th April, 2011 Restated see note 1	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets				
Cash and cash equivalents	5,778	5,778	4,049	4,049
Loans and receivables				
Trade receivables	21,094	21,094	23,533	23,533
Other receivables	3,240	3,240	2,131	2,131
At fair value through profit or loss				
Derivative financial assets not designated in a cash flow hedge relationship	915	915	389	389
Designated cash flow hedge relationships				
Derivative financial assets designated and effective as cash flow hedging instruments	492	492	3,960	3,960
Total financial assets	<u>31,519</u>	<u>31,519</u>	<u>34,062</u>	<u>34,062</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Financial risk management (continued)

e) Total financial assets and liabilities (continued)

Financial liabilities

Financial liabilities at amortised cost

	30th April, 2012		30th April, 2011 Restated see note 1	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Bank overdraft	759	759	834	834
Trade payables	15,734	15,734	13,642	13,642
Other payables (current)	10,515	10,515	10,902	10,902
Deferred consideration (current)	3,256	3,256	2,774	2,774
Deferred consideration (non-current)	-	-	2,677	2,677
Finance lease liabilities	679	679	889	889
Bank loans	16,007	16,007	11,663	11,663
Warranty provisions	1,225	1,225	1,641	1,641
At fair value through profit or loss				
Derivative financial liabilities not designated in a cash flow hedge relationship	1,262	1,262	559	559
Designated cash flow hedge relationships				
Derivative financial liabilities designated and effective as cash flow hedging instruments	799	799	687	687
Total financial liabilities	50,236	50,236	46,268	46,268

2011 has been restated as in previous years warranties were included within other payables

Derivative financial assets and liabilities fair values in the above table are derived using Level 2 inputs as defined by IFRS 7 as detailed in the paragraph below. All other financial assets and liabilities fair values are determined using Level 3 inputs.

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

Under IAS 39, all derivative financial instruments not in a hedge relationship are classified as derivatives at fair value through profit or loss. The Group does not use derivatives for speculative purposes. All transactions in derivative financial instruments are underpinned by firm orders from customers or to suppliers or where there is a high degree of certainty that orders will be received.

For short term cash and cash equivalents trade and other receivables trade and other payables and floating rate borrowings, the fair values are the same as carrying value. For fixed rate borrowings, forward currency contracts and interest rate instruments fair values have been calculated by discounting the cash flows at prevailing appropriate market rates. Other assets reflect management's estimate of value on an appropriate basis.

21 Operating leases

Non-cancellable operating lease rentals are payable as follows

	Land and buildings £'000	Other £'000	Total 2012 £'000	Total 2011 £'000
Less than one year	261	44	305	204
Between one and five years	495	27	522	570
	756	71	827	774

22 Capital commitments

Contracted capital commitments at 30th April, 2012 for which no provision has been made in these financial statements were £450,000 (2011 £808,000)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23 Guarantees and contingencies

	Total £'000	Number of contracts
Year ended 30th April, 2012	10,162	283
30th April, 2011	8,462	223

The Group has issued bank backed guarantee and bond commitments principally in order to secure its contracts

24 Subsequent events

After the balance sheet date an ordinary dividend of 32 082p per qualifying ordinary share was proposed by the Directors (2011 ordinary dividend of 29 166p)

The current year proposed ordinary dividend of £2,310,000 has not been provided for within these financial statements (2011 proposed ordinary dividend of £2,100,000 was not provided for within the comparative figures)

25 Acquisitions

The Group made two small acquisitions during the year to compliment existing operations, with JSR Technology Limited added to the mechanical engineering division in August 2011 following the purchase of 75% of the ordinary shares, and Sandersfire International Limited added to the refractories engineering division in May 2011, following the purchase of 100% of the ordinary shares JSR Technology Limited will generate synergy savings and reduce reliance on key suppliers, Sandersfire International Limited will add additional and complimentary product lines The consolidated net profit for the year included 8 months net profit before tax of JSR Technology Limited of £Nil and 12 months net profit before tax of Sandersfire International Limited of £87,000 If both acquisitions had occurred on the first day of the accounting period, Group revenue would have increased by a further £131,000 and net profit would have decreased by £45,000

	Acquired net assets at the acquisition date		
	Recognised values	Fair value adjustments	Carrying Amounts
	£'000	£'000	£'000
JSR Technology Limited			
Brand name	–	228	228
Order book	–	17	17
Property plant and equipment	39	–	39
Inventories	72	–	72
Trade and other receivables (net provision of £16,000)	161	–	161
Cash and cash equivalents	2	–	2
Overdraft	(34)	–	(34)
Trade and other payables	(227)	–	(227)
Deferred tax	(8)	(59)	(67)
Finance leases	(13)	–	(13)
Net identifiable assets and liabilities	<u>(8)</u>	<u>186</u>	<u>178</u>
Purchase consideration – cash			237
Goodwill arising			<u>59</u>
Sandersfire International Limited			
Brand name	–	450	450
Inventories	26	–	26
Trade and other receivables	62	–	62
Cash and cash equivalents	77	–	77
Trade and other payables	(79)	–	(79)
Deferred tax	2	(108)	(106)
Net identifiable assets and liabilities	<u>88</u>	<u>342</u>	<u>430</u>
Purchase consideration – deferred			338
Purchase consideration – cash			310
Goodwill arising			<u>218</u>

The fair value adjustments include adjustments to reflect the valuation of intangible assets such as brand names, intellectual property and order books At the same time, deferred tax has been recognised on these intangibles in accordance with the requirements of IAS 12 "Income Taxes"

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26 Accounting estimates and judgements

(a) Recoverability of assets / impairment calculations

The Group's Directors review the appropriateness of the carrying values of its non-current and current assets

With regards to the non-current assets, the Directors are of the opinion that the goodwill at the year end remains unimpaired as the underlying performance of the subsidiaries giving rise to this goodwill is sufficiently profitable to merit no impairment

With regard to property, plant and equipment, the Directors continue to make reference in the Directors' Report that, in their opinion, the value of the Group's freehold land and buildings is in excess of the values disclosed in the balance sheet. With regard to plant and equipment, the Directors consider that the depreciation rates applied are sufficient, taking into account both the expected lifespan of the plant and equipment and also the demand in the marketplace for the goods that the plant produces

With regard to current assets, the Directors look at the carrying values as stated in the balance sheet and make full provision for any assets on which there is a high degree of probability that full conversion of such assets into cash is unlikely

(b) Derivatives

As stated in note 1, under derivative financial instruments and hedging, the Group has applied the provisions of IAS 39 with respect to hedge accounting for its effective cash flow hedging on foreign exchange transactions. For the most part, the hedges are underpinned by firm orders and the balance relating to forecast activities are relatively small given the Group's normal order inputs in these currencies. In addition to the foreign exchange hedging the Group has also cash flow hedged an element of its interest rate swap derivative

(c) Acquisitions

Note 10 contains information about intangible assets recognised on acquisition. These primarily relate to existing contracts, brand names and customer lists. In determining the fair value of assets acquired under business combinations, including the valuation of other intangibles, a number of estimates are made. These estimates include the expected life spans of the products underpinning the purchases together with the returns expected and the risk attaching to those returns

(d) Deferred taxation

Deferred taxation has been estimated using the best information available, including seeking the opinions of independent experts when applicable

GOODWIN PLC

COMPANY BALANCE SHEET

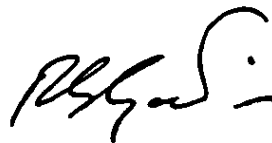
At 30th April, 2012

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Intangible assets	C4	1,044	1,308
Tangible assets	C5	13,557	13,315
Investments	C6	16,318	14,828
		<u>30,919</u>	<u>29,451</u>
CURRENT ASSETS			
Debtors	C7	27,100	25,659
Cash at bank and in hand		831	305
		<u>27,931</u>	<u>25,964</u>
CREDITORS amounts falling due within one year	C8	(10,382)	(10,789)
NET CURRENT ASSETS		<u>17,549</u>	<u>15,175</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>48,468</u>	<u>44,626</u>
CREDITORS amounts falling due after more than one year	C9	(14,868)	(14,209)
PROVISIONS FOR LIABILITIES	C10	(1,768)	(2,421)
NET ASSETS		<u>31,832</u>	<u>27,996</u>
CAPITAL AND RESERVES			
Called up share capital	C11	720	720
Hedge reserve	C12	(608)	(466)
Profit and loss account	C12	31,720	27,742
TOTAL SHAREHOLDERS' FUNDS		<u>31,832</u>	<u>27,996</u>

These financial statements were approved by the board of Directors on 27th July, 2012 and signed on its behalf by



J W GOODWIN
Director



R S GOODWIN
Director

Registered Company Number 305907

NOTES TO THE FINANCIAL STATEMENTS (continued)

C1 UK GAAP accounting policies

Principal accounting policies

The Company has elected to prepare its financial statements under UK GAAP

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

Basis of accounting

The financial statements have been prepared under the historical cost accounting rules, except for derivatives which are valued at fair value, and in accordance with applicable Accounting Standards

The Company is exempt under S408(3) Companies Act 2006 from the requirement to present its own profit and loss account

In accordance with FRS 1, the Company is exempt from preparing its own cash flow statement. In accordance with FRS 8 "Related parties", the Company is exempt from disclosing transactions with its subsidiaries

The Company has adopted the requirements of FRS 29 and has taken the exemption under that standard from disclosure on the grounds that the Group financial statements contain disclosures in compliance with IFRS 7

Investment in subsidiary undertakings

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off for impairment

Foreign currencies

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

Intangible fixed assets and amortisation

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably

Manufacturing rights, brand names and customer lists purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of between 6 and 15 years

Tangible fixed assets and 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	2% on cost
Plant and machinery	10% to 25% on reducing balance or 25% on cost
Motor vehicles	15% or 25% on reducing balance
Fixtures and fittings	25% on reducing balance

Assets under the course of construction are not depreciated

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. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date

Deferred taxation is not provided on earnings retained in overseas subsidiary undertakings as it is not expected that an actual liability will arise

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

Financial Instruments

The Company uses financial instruments to manage financial risks associated with the Group's underlying business activities and the financing of those business activities. The Company does not undertake any trading in financial instruments

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently re-measured in future periods at their fair value. The method of recognising the resulting change in fair value is dependent on whether the derivative is designated as a hedging instrument

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swaps at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties

NOTES TO THE FINANCIAL STATEMENTS (continued)

C2 Profit for the financial year

The Company's profit for the financial year was £6,078,000 (2011 £4,964,000)

Included in profit before taxation are the following

	2012 £'000	2011 £'000
Fees receivable by the auditors and their associates in respect of	16	16
Audit of these financial statements	16	16

Amounts paid to the Company's auditor 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 (see note 3 on page 26)

C3 Directors' costs

Details of Directors' remuneration are set out in the Directors' Remuneration Report on pages 9 and 10

C4 Intangible fixed assets

	Brand Name and customer list £'000	Manufacturing rights £'000	Intellectual Property Rights and Non-Compete £'000	Total £'000
Cost				
At beginning and end of year	880	827	594	2,301
Amortisation				
At beginning of year	486	202	305	993
Charged in year	110	55	99	264
At end of year	596	257	404	1,257
Net book value				
At 30th April, 2012	284	570	190	1,044
At 30th April, 2011	394	625	289	1,308

The brand name and customer list reflects the purchase of an intangible asset to assist an existing manufacturing process at one of the Group's subsidiaries. The manufacturing rights brought forward reflect the payment in a previous period for an irrevocable licence for the Goodwin Group to manufacture the Noreva range of nozzle check valves in the UK. These rights will be amortised over 15 years in line with the expected life of the asset with appropriate royalties being charged to the UK subsidiary carrying on the manufacturing of the valves. The intangible asset, being in effect an inter company transaction, does not feature in the Group accounts as an intangible asset.

C5 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At beginning of year	9,384	9,180	1,474	20,038
Additions	1,282	-	119	1,401
Disposals	-	(336)	-	(336)
At end of year	10,666	8,844	1,593	21,103
Depreciation				
At beginning of year	1,487	4,280	956	6,723
Charge for year	201	648	105	954
Disposals	-	(131)	-	(131)
At end of year	1,688	4,797	1,061	7,546
Net book value				
At 30th April, 2012	8,978	4,047	532	13,557
At 30th April, 2011	7,897	4,900	518	13,315

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Shares in associated undertakings	Shares in Group undertakings
	£'000	£'000
C6 Fixed asset investments		
Cost and net book value		
At beginning of year	277	14,551
Additions	–	1,490
At end of year	277	16,041
The additions to Group undertakings during the year represented additional investment in Goodwin (Shanxi) Pump Company Limited (£92,000), additional investment in respect of a revision to the contingent deferred consideration for Noreva GmbH (£513,000) and investments in new subsidiaries Sandersfire International Limited (£648,000) and JSR Technology Limited (£237,000). A list of principal subsidiaries is given in note 11 of the Group accounts.		
C7 Debtors	2012 £'000	2011 £'000
Trade debtors	–	–
Amounts owed by Group undertakings	25,533	22,965
Other debtors	305	352
Corporation tax	932	1,020
Derivative valuations	272	1,247
Prepayments and accrued income	58	75
	27,100	25,659
C8 Creditors amounts falling due within one year	2012 £'000	2011 £'000
Bank loans and overdrafts	917	828
Amounts owed to Group undertakings	3,885	4,415
Finance lease liabilities	209	209
Other taxation and social security	192	164
Derivative valuations	799	635
Intra-Group derivatives	272	1,247
Deferred consideration on acquisitions	3,256	2,774
Accruals and deferred income	852	517
	10,382	10,789
C9 Creditors amounts falling due after more than one year	2012 £'000	2011 £'000
Bank loans	14,414	10,869
Deferred and contingent consideration on acquisition of subsidiaries	–	2,677
Finance lease liabilities	454	663
	14,868	14,209
C10 Provisions for liabilities		
Deferred taxation		2012 £'000
At beginning of year		2,421
Credit to the profit and loss/hedging reserve for the year		(653)
At end of year		1,768
The elements of deferred taxation are as follows		
	2012 £'000	2011 £'000
Difference between accumulated depreciation and amortisation and capital allowances	1,753	2,246
Taxation on derivative financial instruments	15	175
	1,768	2,421

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

C11 Called up share capital

	2012	2011
	£'000	£'000
Authorised, allotted, called up and fully paid		
7,200,000 ordinary shares of 10p each	720	720

C12 Share capital and reserves

	Share capital £'000	Hedging reserve £'000	Profit and loss account £'000	2012 Total £'000	2011 Total £'000
At beginning of year	720	(466)	27,742	27,996	25,072
Profit for the year	-	(142)	6,078	5,936	4,924
Dividends	-	-	(2,100)	(2,100)	(2,000)
At end of year	720	(608)	31,720	31,832	27,996

C13 Contingent liabilities

The Company is jointly and severally liable for value added tax due by other members of the Group amounting to £Nil (2011 £Nil)

C14 Commitments

Contracted capital commitments at 30th April, 2012 for which no provision has been made in these financial statements were £Nil (2011 £Nil)

C15 Subsequent events

Apart from the dividends declared after the balance sheet date (see note C16), no significant events have occurred after the balance sheet date

C16 Dividends

	2012	2011
	£'000	£'000
Final dividends paid during the year in respect of prior years		
29 166p (2011 27 777p) per qualifying ordinary share	2,100	2,000
	2,100	2,000

After the balance sheet date an ordinary dividend of 32 082p per qualifying ordinary share was proposed by the Directors (2011 ordinary dividend of 29 166p)

The current year proposed ordinary dividend of £2,310,000 has not been provided for within these financial statements (2011 proposed ordinary dividend of £2,100,000)