305907

GOODWIN PLC

Registered in England and Wales, Number 305907
Established 1883

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

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

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

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

NOTICE IS HEREBY GIVEN that the SIXTY THIRD ANNUAL GENERAL MEETING of the company will be held at 10.30 am, on Wednesday, 4th November, 1998 at the Saxon Cross Hotel, Sandbach, Cheshire, for the purpose of considering and, if thought fit, passing the following resolutions:

1. To receive the report of the directors and the audited financial statements for the year ended 30th April, 1998 and to approve the payment of a dividend on the ordinary shares.
2. To re-elect Mr. P. J. Horton as a director.
3. To re-appoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration.

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

Registered Office:
Ivy House Foundry,
Hanley, Stoke-on-Trent.
8th October, 1998

NOTES:

1. A member entitled to attend and vote at the above meeting may appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. To be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the registered office of the company not less than 48 hours before the time appointed for the holding of the meeting.
2. None of the directors have service contracts with the company.
3. If approved by shareholders the final dividend will be paid to shareholders on 9th November, 1998.

GOODWIN PLC

CHAIRMAN'S STATEMENT

I have pleasure in presenting the Directors' Report and Financial Statements for the year ended 30th April, 1998.

Despite an increase in turnover of 15.0% to £25.1 million, the pressure on profit margins exerted by exchange rates has led to a decline in pre-tax profits by 13.2% to £1.5 million. This represents earnings per share of 14.79p.

With Far Eastern currencies devaluing on average 60% against the pound and other European currencies devaluing on average 30% against the pound over the last two years, it remains a challenge to maintain the level of exports we have enjoyed and developed in recent years. We are continuing to maintain our focus on exports and, with continued improvement in design, procurement and manufacturing efficiency, we are confident we will weather the strong pound condoned by our government. Direct exports last year equated to 55% of sales and this figure increases a further 10% if we include indirect exports.

We are endeavouring to counteract the slow-down in business from the Pacific Rim by pursuing opportunities for all companies in the USA and South America where the former has only suffered 12% devaluation against the pound in the last two years. The only way to contend with the present reduction in industrial world activity is to win increased market share and it is the Board's policy to continue to invest to ensure we remain or become leaders in our field.

The company has invested to smooth the peaks and troughs of supplying capital engineering projects with long lead times to order placement. It has applied its engineering skills to the supply of more consumer orientated UK markets. These include engineered dental alloys from Hoben International Limited and the supply of services and equipment for satellite download of information accessible via the Internet through Easat Antennas Limited's knowledge of antennas and computing. The investment in Internet Central Limited, a small but highly rated business Internet services company, has enhanced the Group's marketing and IT capability.

Companies performing particularly well this year were the check valve division and the ingot and AOD refining division of the foundry. The foundry also signed up as a partner in the Thermie Project, which is an EC funded programme to develop a high efficiency steam turbine for power generation.

Recognition is given to the effort of our employees in increasing the corporate sales turnover whilst faced with the difficult circumstances for U.K. manufacturers trying to export. Their effort should benefit shareholders when export conditions become more favourable. In the meantime it is proposed that the dividend remains unaltered at 2.94p.

J. W. GOODWIN,
Chairman.

25th September, 1998

John W. Goodwin

GOODWIN PLC

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and audited financial statements for the year ended 30th April, 1998.

Business review

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

	1998	1997
	£'000	£'000
Turnover	**25,166**	21,879
Profit on ordinary activities before taxation	**1,504**	1,733
Taxation charge	**(453)**	(550)
Profit on ordinary activities after taxation	**1,051**	1,183

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

Proposed dividends

The directors recommend that an ordinary dividend of 2.94p per share be paid to shareholders on the register at the close of business on 9th October 1998. *(1997: 2.94p per share).*

Fixed assets

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

Directors and directors' interests

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

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

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

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

	10p ordinary shares	
	30th April 1998	1st May 1997
Beneficial		
J. W. Goodwin	**334,206**	383,006
R. S. Goodwin	**334,206**	383,006
J. W. Goodwin and R. S. Goodwin	**1,606,169**	1,508,569
J. W. Goodwin and R. S. Goodwin	**1,475,000**	1,475,000
R. J. Dyer	**17,500**	17,500
P. J. Horton	**115,840**	115,840
Non-beneficial		
J. W. Goodwin, R. S. Goodwin and others ...	**479,560**	475,000

During the period from 1st May, 1998 to 25th September, 1998, there were no changes in the directors' interests.

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 September, 1998, the following had an interest in 3% or more of the issued share capital of the company: J. W. Goodwin and R. S. Goodwin 1,606,169 shares (22.31%), J. W. Goodwin and R. S. Goodwin 1,475,000 shares (20.49%). These shares are registered in the name of J. M. Securities Limited and J. M. Securities (No. 3) Limited respectively. J. W. Goodwin, R. S. Goodwin and others 479,560 shares (6.66%), J. W. Goodwin 334,206 shares (4.64%), R. S. Goodwin 334,206 shares (4.64%), J. H. Ridley 470,167 shares (6.53%).

Donations

Donations by the Group for charitable purposes amounted to £1,600 *(1997: £7,820).*

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, on an annual basis, employees or their representatives so that their views may be taken into account in making decisions likely to affect their interests.

Employment of disabled persons

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

Creditor payment policy

The company has not adopted any formal code or standards on supplier payment practice. The company's policy is to settle payments having negotiated and advised terms and conditions with suppliers on a contract by contract basis. The holding company has no trade creditors at 30th April, 1998.

Year 2000

The Company has adopted the Year 2000 Conformity DISC PD 2000-1 definition. Auditing and action plans are on-going. At this date, no critical to quality aspects preventing compliance by the end of 1998 have been identified. The costs of changing non-compliant items to date have been charged against profits in the accounts and work on the corporate mainframe networked throughout the Group is in the process of being completed, both at minimal cost.

European Monetary Union

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

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

Corporate governance

The directors have considered the recommendations of the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance. The Code covers four broad areas, namely the composition and procedures of the Board, the appointment and role of non-executive directors, the service contracts and pay of the executive directors and the directors' responsibilities with respect to financial reporting and controls.

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

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

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

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

The Board continues to be conscious of its non-compliance with paragraphs 1.3, 1.4, 3.3 and 4.3 of the Code and will review the situation in the light of any future Group developments.

Internal Financial Control

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

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

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

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

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

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

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

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

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

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

The auditors, KPMG Audit Plc, have confirmed that in their opinion, with respect to the directors' statements on internal financial control and going concern above, the directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the above directors' statement appropriately reflects the company's compliance with the other paragraphs of the Cadbury Code of Best Practice specified by the Listing Rules for their review. They have carried out their review in accordance with the relevant guidance issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures, or on the ability of the Group to continue in operational existence.

Directors' remuneration

The Group's policy is to provide a remuneration package to executive directors to attract, retain and motivate individuals of the calibre required, and to ensure that the Group is managed successfully in a manner appropriate to the company's size. This is currently provided in the form of a basic salary and suitable benefits in kind. In forming its policy, the Board has given full consideration to the London Stock Exchange's best practice provisions on remuneration policy, service contracts and compensation and has considered the remuneration levels of directors of similar companies.

Details of each element of the directors' remuneration are given in note 5 to the financial statements. Pension contributions are made where applicable into defined contribution schemes. No director has a service contract and there are no share option schemes or other long term incentive schemes. Whilst it remains appropriate for the Group to be managed without non-executive directors the Group is unable to comply with the London Stock Exchange's suggested provisions for a Remuneration Committee.

Auditors

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

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

J. W. GOODWIN,
Chairman.

John W. Goodwin

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

25th September, 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

to the Members of

GOODWIN PLC

We have audited the financial statements on pages 7 to 18.

Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group as at 30th April, 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

25th September, 1998

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Birmingham

GOODWIN PLC

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 30th APRIL, 1998

	Note	**1998** **£'000**	1997 £'000
TURNOVER	2	**25,166**	21,879
Cost of sales		**(19,463)**	(16,402)
GROSS PROFIT		**5,703**	5,477
Distribution costs		**(855)**	(770)
Administrative expenses		**(3,097)**	(2,776)
OPERATING PROFIT		**1,751**	1,931
Share of profit of associated undertaking		**42**	3
Net interest payable	3	**(289)**	(201)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	**1,504**	1,733
Tax on profit on ordinary activities	7	**(453)**	(550)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**1,051**	1,183
Minority interests - equity		**14**	–
PROFIT FOR THE FINANCIAL YEAR	8	**1,065**	1,183
Proposed ordinary dividend	9	**(212)**	(212)
RETAINED PROFIT FOR THE FINANCIAL YEAR		**853**	971
EARNINGS PER ORDINARY SHARE	10	**14.79p**	16.42p

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

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

GOODWIN PLC

BALANCE SHEETS

At 30th APRIL, 1998

	Notes	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
FIXED ASSETS					
Tangible assets	11 & 12	**4,150**	3,872	**920**	892
Investments	13	**72**	40	**1,073**	1,040
		4,222	3,912	**1,993**	1,932
CURRENT ASSETS					
Stocks	14	**4,727**	3,653	**–**	–
Debtors:					
Due within one year	15	**5,954**	4,650	**2,935**	2,861
Due after one year	15	**–**	–	**11**	6
		5,954	4,650	**2,946**	2,867
Cash at bank and in hand		**232**	96	**11**	45
		10,913	8,399	**2,957**	2,912
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	**(8,916)**	(6,946)	**(1,496)**	(1,635)
NET CURRENT ASSETS		**1,997**	1,453	**1,461**	1,277
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,219**	5,365	**3,454**	3,209
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	**(211)**	(82)	**–**	–
PROVISIONS FOR LIABILITIES AND CHARGES	18	**(293)**	(285)	**–**	–
NET ASSETS		**5,715**	4,998	**3,454**	3,209
CAPITAL AND RESERVES					
Called up share capital	19	**720**	720	**720**	720
Profit and loss account	20	**4,989**	4,258	**2,734**	2,489
SHAREHOLDERS' FUNDS - EQUITY		**5,709**	4,978	**3,454**	3,209
MINORITY INTERESTS - EQUITY		**6**	20	**–**	–
		5,715	4,998	**3,454**	3,209

These financial statements were approved by the Board of directors on 25th September, 1998 and signed on its behalf by:

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

John W. Goodwin

GOODWIN PLC

GROUP CASH FLOW STATEMENT

For the year ended 30th APRIL, 1998

	Note	1998 £'000	1997 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	**2,233**	2,213
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE ...	23	**(289)**	(201)
TAXATION		**(244)**	(986)
CAPITAL EXPENDITURE	23	**(971)**	(724)
ACQUISITIONS	23	**(36)**	–
EQUITY DIVIDENDS PAID		**(212)**	(1,292)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**481**	(990)
FINANCING	23	**(100)**	(28)
INCREASE/(DECREASE) IN CASH IN THE PERIOD		**381**	(1,018)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	1998 £'000	1997 £'000
Increase/(decrease) in cash in the period		**381**	(1,018)
Cash outflow from lease financing		**100**	28
Change in net debt resulting from cash flows	24	**481**	(990)
New finance leases		**(250)**	–
Foreign exchange translation difference	24	**(6)**	(13)
MOVEMENT IN NET DEBT IN THE PERIOD...		**225**	(1,003)
Net debt at start of year	24	**(1,243)**	(240)
NET DEBT AT END OF YEAR	24	**(1,018)**	(1,243)

GOODWIN PLC

OTHER PRIMARY FINANCIAL STATEMENTS

For the year ended 30th APRIL, 1998

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1998	1997
	£'000	£'000
Profit for the financial year	1,065	1,183
Exchange adjustments on foreign currency net investments	(94)	(102)
Total recognised gains and losses for the financial year	971	1,081

NOTE OF HISTORICAL COST PROFITS AND LOSSES

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

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	1998	1997
	£'000	£'000
Profit for the financial year	1,065	1,183
Dividends	(212)	(212)
	853	971
Other recognised gains and losses relating to the year (net)...	(94)	102
Goodwill arising on acquisition	(28)	-
NET ADDITION TO SHAREHOLDERS' FUNDS	731	869
Opening shareholders' funds...	4,978	4,109
CLOSING SHAREHOLDERS' FUNDS	5,709	4,978

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

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

(a) **Basis of accounting**

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

(b) **Consolidation principles**

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

(ii) Goodwill, representing the excess of the fair value of consideration given on the acquisition of subsidiary undertakings over the fair value of the identifiable net assets acquired is written off against reserves on acquisition.

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

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

(c) **Depreciation**

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

Freehold land	Nil
Freehold buildings – Industrial	2% or 2½% on cost
Leasehold property	Over period of lease
Plant and machinery	15% on reducing balance or 25% on cost
Motor vehicles	15% or 25% on reducing balance
Tooling	Over estimated production life

(d) **Stock and work in progress**

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

(e) **Foreign exchange**

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

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

(f) **Taxation**

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

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

(g) **Leasing**

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

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

(h) **Pension costs**

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Turnover

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

The analysis of turnover by destination is as follows:	1998 £'000	1997 £'000
United Kingdom	**11,377**	9,886
Rest of Europe	**5,201**	4,340
Rest of World	**8,588**	7,653
	25,166	21,879

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

3. Net interest payable

	1998 £'000	1997 £'000
Interest payable on overdrafts	**277**	190
Finance lease interest	**14**	12
Less: Interest receivable on bank deposits	**(2)**	(1)
	289	201

4. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging the following:	1998 £'000	1997 £'000
Depreciation and amortisation of tangible fixed assets		
– owned	**666**	582
– held under finance lease	**–**	19
Operating lease rentals - short term plant hire	**41**	16
- other	**32**	33
Auditors' remuneration and expenses		
– Group	**34**	30

Fees charged by the company's auditors in respect of work carried out in the year for Group non audit services amounted to £12,000 *(1997: £8,000)*. The audit fee for the company itself amounted to £9,600 *(1997: £7,460)*.

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

5. Directors' Remuneration

The remuneration of the directors of the company was:

	Salary 1998 £'000	Bonus 1998 £'000	Profit related pay 1998 £000	Benefits in kind 1998 £'000	Total 1998 £'000	Total 1997 £'000	Pension contrib-utions 1998 £'000	Pension contrib-utions 1997 £'000
Executive directors								
J. W. Goodwin	**100**	–	–	**13**	**113**	109	**8**	8
R. S. Goodwin	**100**	–	–	**13**	**113**	109	**8**	8
R. J. Dyer	**52**	–	–	**11**	**63**	27	**16**	16
P. J. Horton	**70**	–	–	**11**	**81**	45	–	–
H. J. Horton (retired Sept 20th 1996)	–	–	–	–	–	63	–	–
	322	–	–	**48**	**370**	353	**32**	32

Pension contributions comprise contributions to money purchase pension schemes.

6. Staff numbers and costs

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

	1998 Number	1997 Number
Works personnel	**360**	329
Administrative staff	**27**	27
	387	356

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	**6,438**	5,627
Social security costs	**631**	558
Other pension costs	**32**	32
	7,101	6,217

7. Tax on profit on ordinary activities

Taxation charge based on the profit for the year of the Group:

	1998 £'000	1997 £'000
U.K. corporation tax at 21% to 31% *(1997: 25% to 33%)*	**443**	505
Associated undertaking	**10**	–
Deferred taxation charge - current year	**22**	45
- prior year	**(22)**	–
	453	550

8. Profit for the financial year

The consolidated profit for the financial year includes a profit of £457,000 *(1997: £573,000)* which has been dealt with in the financial statements of the parent company.

9. Proposed dividend

The proposed ordinary dividend of £211,680 *(1997: £211,680)* represents 2.94p per share *(1997: 2.94p per share).*

10. Earnings per ordinary share

The earnings per ordinary share has been calculated on profit on ordinary activities after taxation and minority interests of £1,065,000 *(1997: £1,183,000)* and by reference to the 7,200,000 ordinary shares in issue throughout both years.

11. Tangible fixed assets of the Group

	Land and buildings Freehold £'000	Land and buildings Short leasehold £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost					
At beginning of year	1,302	35	5,814	1,467	8,618
Additions	–	–	826	168	994
Acquisition of Internet Central	–	–	–	73	73
Disposals	–	–	(84)	–	(84)
Exchange adjustments	(80)	–	(14)	(5)	(99)
At end of year	1,222	35	6,542	1,703	9,502
Depreciable assets	981	35	6,542	1,703	9,261
Depreciation and amortisation					
At beginning of year	414	14	3,267	1,051	4,746
Charged in year	27	1	483	155	666
Disposals	–	–	(40)	–	(40)
Exchange adjustments	(12)	–	(6)	(2)	(20)
At end of year	429	15	3,704	1,204	5,352
Net book value					
At 30th April, 1997	888	21	2,547	416	3,872
At 30th April, 1998	**793**	**20**	**2,838**	**499**	**4,150**

The net book value of plant and machinery held under finance leases at 30th April 1998 was £230,000 *(1997: £106,207).*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Tangible fixed assets of the company

	Land and buildings Freehold £'000	Land and buildings Short leasehold £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost					
At beginning of year	633	35	253	1,133	2,054
Additions	–	–	30	154	184
At end of year	633	35	283	1,287	2,238
Depreciable assets	590	35	283	1,287	2,195
Depreciation and amortisation					
At beginning of year	252	14	90	806	1,162
Charged in year	14	1	38	103	156
At end of year	266	15	128	909	1,318
Net book value					
At 30th April, 1997	381	21	163	327	892
At 30th April, 1998	**367**	**20**	**155**	**378**	**920**

13. Investments

(a) **Group**

	Interest in associated undertaking £'000
Cost	
At beginning and end of year ...	50
Share of post acquisition reserves	
At beginning of year ...	(10)
Share of profits for year ...	32
At end of year ...	22
Net book value	
At 30th April, 1997 ...	40
At 30th April, 1998 ...	**72**

(b) **Company**

	Subsidiary undertakings £'000	Interest in associated undertaking £'000	Total £'000
Cost			
At beginning of year ...	1,000	50	1,050
Acquisitions in year...	23	–	23
At end of year ...	1,023	50	1,073
Provisions			
At beginning of year ...	–	(10)	(10)
Released in year ...	–	10	10
At end of year ...	–	–	–
Net book value			
At 30th April, 1997 ...	1,000	40	1,040
At 30th April, 1998 ...	**1,023**	**50**	**1,073**

During the year the company purchased a 75% interest in Internet Central Limited.

13. Investments *(continued)*

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

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

Subsidiary undertakings	*Country of Incorporation and operation*	*Type of shares*	*% held*
Goodwin International Limited	Great Britain	Ordinary	100
		Preference	100
Goodwin Steel Castings Limited	Great Britain	Ordinary	100
Hoben International Limited	Great Britain	Ordinary	100
		Preference	100
Hoben Industrial Minerals Limited	Great Britain	Ordinary	100
Easat Antennas Limited	Great Britain	Ordinary	87½
Internet Central Limited	Great Britain	Ordinary	75
Goodwin GmbH	Germany	Ordinary	100
Goodwin Korea Co. Limited	South Korea	Ordinary	95

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

(d) **Interest in associated undertaking**

The interest in associated undertaking at 30th April, 1998 comprises the company's investment of 50% in the ordinary share capital of Wiggin Alloy Products Limited, a joint venture with Inco Alloys Limited. The principal activity of Wiggin Alloy Products Limited is the distribution of metal alloys to the UK market. It is incorporated in Great Britain, is registered in England and Wales and has £100,000 of issued ordinary shares of £1 each.

14. Stocks

	Group	
	1998	1997
	£'000	£'000
Raw materials and consumables	**2,318**	1,912
Work in progress	**1,880**	1,280
Finished goods and goods for resale	**694**	741
	4,892	3,933
Payments on account	**(165)**	(280)
	4,727	3,653

15. Debtors

	Group		Company	
	1998	1997	**1998**	1997
Due within one year	**£'000**	£'000	**£'000**	£'000
Trade debtors	**5,621**	4,379	**20**	–
Amounts owed by associated undertakings ...	**126**	50	**17**	2
Amounts owed by subsidiary undertakings ...	**–**	–	**2,796**	2,742
Other debtors	**118**	95	**76**	83
Prepayments and accrued income	**89**	126	**26**	34
	5,954	4,650	**2,935**	2,861
Due after one year				
Advance Corporation Tax recoverable	**–**	–	**11**	6
	5,954	4,650	**2,946**	2,867

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. Creditors: amounts falling due within one year

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Bank overdrafts	**989**	1,228	**745**	914
Obligations under finance leases (note 17)	**50**	29	**–**	–
Payments received on account	**784**	249	**–**	–
Trade creditors	**5,352**	4,018	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**48**	2
Other creditors including taxation and social security:				
Corporation tax	**440**	245	**4**	44
Advance Corporation Tax	**49**	53	**49**	53
Other taxes	**174**	130	**33**	20
Social Security	**184**	163	**17**	15
Other creditors	**65**	81	**–**	–
	912	672	**103**	132
Accruals and deferred income	**617**	538	**388**	375
Proposed dividends	**212**	212	**212**	212
	8,916	6,946	**1,496**	1,635

17. Creditors: Amounts falling due after more than one year

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Obligations under finance leases				
Repayable between 2 and 5 years	**211**	82	**–**	–

Obligations under finance leases are secured on the assets to which they relate.

18. Provisions for liabilities and charges

	Deferred taxation Group £'000	Deferred taxation Company £'000
Balance at beginning of year	285	–
Advance Corporation Tax utilised	8	–
Charge for the year in the profit and loss account	–	–
Balance at end of year	293	–

The amount provided for deferred taxation, which is the full potential liability calculated on the liability method at 30% *(1997: 31%)*, is set out below:

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**349**	349	**48**	58
Advance Corporation Tax recoverable	**(56)**	(64)	**(48)**	(58)
	293	285	**–**	–

19. Share capital

	1998 £'000	1997 £'000
Authorised, allotted, called up and fully paid:		
7,200,000 ordinary shares of 10p each	**720**	720

20. Profit and loss account

	Group £'000	Company £'000
At beginning of year	4,258	2,489
Retained profit for the year	853	245
Exchange loss on re-translation of overseas subsidiaries' net assets	(94)	–
Goodwill on acquisition of subsidiary	(28)	–
At end of year	4,989	2,734

Cumulative goodwill in the Group amounting to £249,000 *(1997: £221,000)* arising on the acquisition of subsidiary undertakings has been written off against reserves.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. Reconciliation of movements in shareholders' funds

Company	**1998 £'000**	1997 £'000
Profit for the financial year	**457**	573
Dividends	**(212)**	(212)
Net additions to shareholders' funds	**245**	361
Opening shareholders' funds	**3,209**	2,848
Closing shareholders' funds	**3,454**	3,209

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

	1998 £'000	1997 £'000
Operating profit	**1,751**	1,931
Depreciation charges	**666**	601
Loss/(profit) on disposal	**32**	(1)
Increase in stocks	**(1,122)**	(334)
Increase in debtors	**(1,365)**	(54)
Increase in creditors	**2,271**	70
Net cash inflow from operating activities	**2,233**	2,213

23. Analysis of cash flows

	1998 £'000	1997 £'000
Returns on investments and servicing of finance		
Interest received	**2**	1
Interest paid	**(277)**	(190)
Interest element of finance lease rental payments	**(14)**	(12)
Net cash outflow for returns on investment and servicing of finance	**(289)**	(201)
Capital expenditure		
Purchase of tangible fixed assets	**(983)**	(824)
Sale of plant and machinery	**12**	100
Net cash outflow for capital expenditure	**(971)**	(724)
Acquisitions		
Purchase of subsidiary undertaking	**(23)**	–
Net overdraft acquired	**(13)**	–
Net cash outflow for acquisitions	**(36)**	–
Financing		
Capital element of finance lease repayments	**(100)**	(28)

24. Changes in net debt during the year

	At 1st May 1997 £'000	Cash flow £'000	Other non cash changes £'000	Exchange movement £'000	**At 30th April 1998 £'000**
Cash at bank	96	142	–	(6)	232
Bank overdrafts	(1,228)	(239)	–	–	(989)
	(1,132)	381	–	(6)	(757)
Finance leases	(111)	100	(250)	–	(261)
	(1,243)	481	(250)	(6)	(1,018)

25. Contingencies

On 30th April, 1998, the Group had entered into performance bonds in the normal course of business amounting to £1,348,341 *(1997: £747,738)* in respect of 47 *(1997: 37)* contracts.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26. Commitments

(a) Capital commitments

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

	Group		Company	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
Contracted	**445**	240	**40**	110

(b) Operating lease commitments

At 30th April, 1998, the Group had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	**–**	**8**	–	–
In the second to fifth years inclusive	**–**	**22**	–	37
	–	**30**	–	37

27. Related party

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

	1998 £'000	1997 £'000
Group transactions		
Sales to	**1,579**	1,014
Administration fee	**73**	64
Balance at end of year		
Trade debtors	**126**	50
Company transactions		
Administration fee	**17**	13
Balance at end of year		
Trade debtor	**17**	2