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R.GOODWIN & SONS (ENGINEERS) LTD.
IVY HOUSE FOUNDRY, HANLEY, STOKE-ON-TRENT

DIRECTORS REPORT AND ACCOUNTS
30th APRIL 1977



R. GOODWIN & SONS (ENGINEERS) LIMITED

DIRECTORS

J. GOODWIN (*Chairman and Managing Director*)
H. J. HORTON
W. HILL, A.C.I.S.

Secretary and Registered Office:

S. G. Peach, F.C.A.,
Ivy House Foundry, Hanley,
Stoke-on-Trent.

Registrar and Share Transfer Office:

NATIONAL WESTMINSTER BANK LIMITED,
Registrars Department,
P.O. Box No. 82, Bristol BS99 7NH.

Auditors:

PEAT, MARWICK, MITCHELL & CO.,
Windsor House, Temple Row,
Birmingham, B2 5LD.

Bankers:

NATIONAL WESTMINSTER BANK LIMITED,
Hanley,
Stoke-on-Trent.

Solicitors:

PINSENT & CO.,
Post and Mail House, 26 Colmore Circus,
Birmingham, B4 6BH.

NOTICE IS HEREBY GIVEN that the FORTY-SECOND ANNUAL GENERAL MEETING of the Company will be held at Hoben Quarries Limited, Brassington Works, Brassington, Derbyshire, on Tuesday, 6th December, 1977, at 2.30 p.m. for the following purposes:—

1. To receive the Accounts for the year ended 30th April, 1977, together with the Reports of the Directors and Auditors.
2. To declare a Dividend on the Ordinary Shares.
3. To re-elect a Director.
4. To re-appoint the Auditors.
5. To authorise the Directors to fix the remuneration of the Auditors.
6. To transact such other business as may be transacted at an Annual General Meeting.

By Order of the Board,
S. G. Peach,
Secretary,

Ivy House Foundry,
Hanley, Stoke-on-Trent,
11th November, 1977.

A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy to attend and vote instead of him. A Proxy need not be a Member of the Company.

An instrument appointing such a Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.

R. GOODWIN & SONS (ENGINEERS) LIMITED

CHAIRMAN'S STATEMENT

on the Accounts for the year ended 30th April, 1977

I have pleasure in presenting the Directors' Report and Accounts for the year ended 30th April, 1977.

This year's trading has resulted in a profit before taxation of £402,299. If the decrease in monetary values and inflation are taken into account, the increase over last year is unfortunately largely discounted.

During the year under review the engineering division had great difficulty in securing orders for its tyre building machinery due to the disruptions in manufacture in the automobile industry and the resulting increased import of vehicles into this country. Engineers dealing in this market have experienced difficulties and lean margins throughout Europe for the last few years. Due to the foregoing situation, your Board has taken steps to diversify its engineering production. Arrangements have been made to manufacture a specialised line of pumps and valves for pumping slurries, and also a special type of valve used in the petrochemical industry. We are hoping that this diversification will smooth out some of the peaks and troughs we have been experiencing in the manufacture of machinery for the rubber industry.

Orders on the foundry strengthened towards the end of the period under review and greater emphasis was placed on stainless steel casting production. The foundry, however, is labour intensive and we were faced with rising labour costs which were not off-set by increased productivity.

Production at the refractory and chemical divisions was very satisfactory. Sales and profit margins expanded especially in the export markets aided by the efforts of our German subsidiary company.

The quarrying division made further progress, new products were introduced onto the market and sales increased considerably. However, margins were disappointing due to heavy repair costs in working the plant at full production.

We are getting increasingly worried as to how to find funds to finance the replacement programme of machine tools, plant and motor vehicles and at the same time expand our business without incurring heavy bank borrowings.

We feel very confident that there will be a strong demand for the products we are producing in the foreseeable future and that our position in world markets will be greatly strengthened. However, like many others, we shudder at the rate of inflation.

Finally, I should like to thank all staff and employees for their efforts in producing this year's results.

J. GOODWIN,
Chairman.

28th October, 1977.

R. GOODWIN & SONS (ENGINEERS) LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Report for the year ended 30th April, 1977.

Group Activities

The principal activities of the Company and its Subsidiaries are Mechanical and Refractory Engineering and Metal Processing. The Directors regard these activities as a single class of business.

	1977 £	1976 £
Results		
Group Profit before Taxation ...	402,299	280,590
Less Taxation ...	219,800	148,005
Group Profit after Taxation ...	182,499	132,585
Less Proposed Dividend ...	36,554	36,000
Balance which the Directors recommend be added to Revenue Reserves ...	145,945	96,585

Directors

The Director retiring by rotation is H. J. Horton, Esq., 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		
	12.10.77	30.4.77	30.4.76
<i>Beneficial</i>			
J. Goodwin ...	467,726	467,726	458,726
H. J. Horton ...	207,500	195,500	90,250
W. Hill ...	35,400	35,400	12,700
<i>Trustee</i>			
J. Goodwin and Others ...	979,136	979,136	489,568
J. Goodwin and W. Hill ...	1,036,296	1,036,296	518,148

No Director has any beneficial interest in the share capital of any Subsidiary Company.

Share Issue

On 11th February, 1977, the Company capitalised £360,000 from reserves and issued as fully paid up one ordinary 10p share for each 10p share held by members of the Company appearing on the register at the close of business on 21st January, 1977. The Capitalisation Issue was made, primarily, to increase the capital base of the Company.

Fixed Assets

Details of the movements to fixed assets are set out at Note 7 to the Accounts.

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.

Export Sales

The value of goods exported by the Group during the year amounted to £595,373 (1976: £700,693).

Employees

The average number of persons, including Directors, employed by the Group during the year was 395 (1976: 398) and their aggregate remuneration was £1,131,881 (1976: £1,002,550).

Charitable and Political Donations

Donations by the Group for charitable purposes amounted to £1,013.

Auditors

A resolution for the re-appointment of Peat, Marwick, Mitchell & Co. as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

For and on behalf of the Board,
J. GOODWIN,
Chairman.

11th November, 1977.

The Transfer Books of the Company will be closed from 17th November to 6th December, 1977, both days inclusive. It is proposed to post Dividend Warrants on 6th December, 1977.

R. GOODWIN & SONS (ENGINEERS) LIMITED

and Subsidiary Companies

GROUP PROFIT AND LOSS ACCOUNT for the year ended 30th April, 1977

									1977		1976	
									£	£	£	£
Turnover ...	...	...	...	...	...	...	...	NOTES 1(a)		3,714,215		3,101,164
										<u> </u>		<u> </u>
Group Profit for the year before Taxation	...	...	...	...	...	...	...	2		402,299		280,590
Taxation ...	...	...	...	...	...	...	...	3		219,800		148,005
										<u> </u>		<u> </u>
Group Profit for the year after Taxation	...	...	...	...	...	...	...	4		182,499		132,585
Proposed Dividend:												
Net Payment to Shareholders	...	...	...	...	...	...	...	5		36,554		36,000
										<u> </u>		<u> </u>
Retained Profit for the year	...	...	...	...	...	...	...			145,945		96,585
Revenue Reserves brought forward	...	...	...	...	...	...	...			736,198		639,613
										<u> </u>		<u> </u>
										882,143		736,198
Deduct Capitalisation of Reserves during the year	...	...	...	...	...	...	...	11		360,000		—
										<u> </u>		<u> </u>
Revenue Reserves carried forward:												
Parent Company	...	...	...	...	...	...	...		108,728		443,599	
Subsidiary Companies	...	...	...	...	...	...	...		413,415		292,599	
										<u> </u>		<u> </u>
										522,143		736,198
										<u> </u>		<u> </u>
Earnings per Ordinary Share	...	...	...	...	...	...	...	6		2.53p		1.84p
										<u> </u>		<u> </u>

R. GOODWIN & SONS (ENGINEERS) LIMITED
and Subsidiary Companies

GROUP BALANCE SHEET
at 30th April, 1977

								1977		1976	
								£	£	£	£
								NOTES			
ASSETS EMPLOYED											
Fixed Assets	...	...	...	...	...	...	...	7	662,867		574,874
Net Excess Cost of Shares	...	...	...	...	...	...	...	8	151, 50		151,750
Current Assets											
Stock and Work-in-Progress...	...	...	...	...	...	...	...	1(d), 10	575,564		511,982
Debtors and Prepayments	...	...	...	...	...	...	...		977,282		790, 35
Cash at Bank and in Hand	...	...	...	...	...	...	...		202,153		223,931
									<u>1,764,999</u>		<u>1,526,178</u>
Less:—											
Current Liabilities											
Creditors and Accrued Charges	...	...	...	...	...	...	...		433,045		381,137
Bank Overdrafts	...	...	...	...	...	...	...		264,483		274,242
Current Taxation	...	...	...	...	...	...	...		218,792		89,200
Proposed Dividend	...	...	...	...	...	...	...		36,554		36,000
									<u>952,874</u>		<u>780,579</u>
Net Current Assets	...	...	...	...	...	...	...		802,125		745,539
									<u>1,637,742</u>		<u>1,472,223</u>
FINANCED BY											
Share Capital	...	...	...	...	...	...	...	11	720,000		360,000
Reserves	...	...	...	...	...	...	...	12	564,711		706,546
									<u>1,284,711</u>		<u>1,126,546</u>
Deferred Taxation	...	...	...	...	...	...	...	13	352,031		345,677
									<u>1,637,742</u>		<u>1,472,223</u>

J. GOODWIN }
H. J. HORTON } *Directors*

R. GOODWIN & SONS (ENGINEERS) LIMITED

BALANCE SHEET at 30th April, 1977

								1977		1976	
								£	£	£	£
ASSETS EMPLOYED											
Fixed Assets	...	...	...	...	...	...	7		250,880		146,982
Investment in Subsidiary Companies	...	...	...	...	...	...	9		672,988		810,669
Current Assets											
Debtors and Prepayments	...	...	...	...	...	...		31,727		21,857	
Cash at Bank and In Hand	...	...	...	...	...	...		230		3,256	
									31,957		25,113
									955,825		982,764
Less:—											
Current Liabilities											
Creditors and Accrued Charges	...	...	...	...	...	...		31,817		15,986	
Bank Overdraft	...	...	...	...	...	...		32,617		102,318	
Current Taxation	...	...	...	...	...	...		20,835		20,735	
Proposed Dividend	...	...	...	...	...	...		36,554		36,000	
									121,823		175,039
									834,002		807,725
FINANCED BY											
Share Capital	...	...	...	...	...	...	11		720,000		360,000
Reserves	...	...	...	...	...	...	12		108,728		443,599
									828,728		803,599
Deferred Taxation	...	...	...	...	...	...	13		5,274		4,126

J. GOODWIN }
H. J. HORTON } *Directors*

30 APRIL 1977

John Goodwin

H. J. Horton

834,002

807,725

R. GOODWIN & SONS (ENGINEERS) LIMITED

and Subsidiary Companies

GROUP SOURCE AND APPLICATION OF FUNDS for the year ended 30th April, 1977

	1977		1976	
	£	£	£	£
SOURCE OF FUNDS				
Profit for the year before Taxation		402,299		280,590
Adjustment for items not involving the movement of funds:				
Depreciation		86,223		80,848
Effect of Exchange Rate Movement... ..		12,220		13,345
		<u>500,742</u>		<u>374,783</u>
APPLICATION OF FUNDS				
Dividends paid	38,000		32,760	
Tax paid	82,855		21,115	
Purchase of Fixed Assets net of proceeds of sales	195,215		54,371	
Repayment of Loans	—		90,000	
		<u>314,070</u>		<u>198,246</u>
		<u>186,672</u>		<u>176,537</u>
INCREASE/(DECREASE) IN WORKING CAPITAL				
Stock and Work-in-Progress	63,582		(7,422)	
Debtors and Prepayments... ..	187,017		(79,578)	
Creditors and Accrued Charges	(51,808)		(74)	
		<u>198,691</u>		<u>(87,074)</u>
MOVEMENT IN LIQUID FUNDS				
Cash at Bank and in Hand	(21,778)		67,155	
Bank Overdrafts	9,759		196,456	
		<u>(12,019)</u>		<u>263,611</u>
		<u>186,672</u>		<u>176,537</u>

R. GOODWIN & SONS (ENGINEERS) LIMITED

and Subsidiary Companies

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Consolidation Principles

- (i) The Group Accounts include the results of the Parent Company and its Subsidiary Companies.
- (ii) The excess cost of shares in Subsidiary Companies over the book value of the net tangible assets acquired is capitalised in the Group Accounts.
- (iii) Turnover represents the total sales for the year excluding sales between Group Member Companies.

(b) Overseas Currencies

Overseas Currencies have been converted into sterling at the rates of exchange ruling at 30th April, 1977.

(c) Depreciation

Depreciation is being provided to write off the cost of the assets over their estimated lives. Certain of the Group's freehold land and buildings are not depreciated.

(d) Stock and Work-in-Progress

Stock and Work-in-Progress has been valued consistently at the lower of cost and net realisable value. Cost includes relevant overheads where appropriate.

(e) Deferred Taxation

Taxation has been provided at 52% on the excess of the net book value of fixed assets eligible for capital allowances over the written down value of such assets for taxation purposes and on the relief arising from increases in stock values of certain Subsidiary Companies.

(f) Research and Development

Research and Development expenditure is written off in the year in which it is incurred.

2. GROUP PROFIT FOR THE YEAR BEFORE TAXATION

The Group Profit for the year has been arrived at after charging the following:

	NOTES	1977	1976
	1(c)	£	£
Depreciation (adjusted by profits and losses on the disposal of fixed assets) ...		86,223	80,345
Directors' Emoluments ...		49,629	37,296
Audit Fee ...		10,618	9,354
Debenture Interest ...		—	3,323
Bank Interest ...		4,618	10,188
and after crediting:			
Interest Received ...		15,435	4,557
Directors' Emoluments			
Remuneration ...		32,442	31,796
Pension Premiums ...		11,687	—
Pensions to former Directors ...		5,500	5,500
		<u>49,629</u>	<u>37,296</u>

The pre-tax emoluments of the Chairman excluding Pension Premiums amounted to £15,412 (1976: £15,100).

Other Directors' Emoluments excluding Pension Premiums:										Number of Directors	
										1977	1976
£2,501 — £5,000	...	...	...	...	...	...	...	...	...	1	1
£10,001 — £12,500	...	...	...	...	...	...	...	...	...	1	1

3. TAXATION

	1977	1976
	£	£
United Kingdom Corporation Tax at 52% ...	166,246	143,218
Overseas Taxation ...	31,104	10,109
Transfer to/(from) Deferred Taxation:		
Capital Allowances ...	4,330	(973)
Stock Appreciation Relief ...	18,120	(4,349)
Charge for Taxation based on the profits of the year ...	<u>219,800</u>	<u>148,005</u>

NOTES TO THE ACCOUNTS (continued)

4. GROUP PROFIT FOR THE YEAR AFTER TAXATION	1977	1976
	£	£
Amount dealt with in the Accounts of the Parent Company	<u>61,683</u>	<u>409,916</u>

5. DIVIDEND

Dividends are shown as the net amounts due to the shareholders. The dividend of £36,654 represents 0.507694p per share (1976: 0.50p after adjusting to reflect the capitalisation issue).

6. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on earnings of £182,499 (1976: £132,585) being the Group Profit after Taxation and the number of ordinary shares in issue at 30th April, 1977. The earnings per share for 1976 have been adjusted to reflect the capitalisation issue.

7. FIXED ASSETS

	The Group			Parent Company		
	Freehold Land & Buildings	Plant & Other Equipment	Total	Freehold Land & Buildings	Plant & Other Equipment	Total
Cost	£	£	£	£	£	£
At 1st May, 1976 ...	345,284	936,441	1,281,725	218,125	43,555	261,680
Additions ...	<u>111,697</u>	<u>94,717</u>	<u>206,414</u>	<u>107,997</u>	<u>7,901</u>	<u>115,898</u>
	456,981	1,031,158	1,488,139	326,122	51,456	377,578
Disposals ...	<u>--</u>	<u>25,952</u>	<u>25,952</u>	<u>--</u>	<u>--</u>	<u>--</u>
At 30th April, 1977 ...	<u>456,981</u>	<u>1,005,206</u>	<u>1,462,187</u>	<u>326,122</u>	<u>51,456</u>	<u>377,578</u>
Accumulated Depreciation						
At 30th April, 1977 ...	<u>112,972</u>	<u>665,348</u>	<u>778,320</u>	<u>99,033</u>	<u>27,665</u>	<u>126,698</u>
Net Book Value						
At 1st May, 1976	<u>240,412</u>	<u>334,462</u>	<u>574,874</u>	<u>124,572</u>	<u>22,410</u>	<u>146,982</u>
At 30th April, 1977 ...	<u>344,009</u>	<u>339,858</u>	<u>683,867</u>	<u>227,089</u>	<u>23,791</u>	<u>250,880</u>

The title deeds of certain of the Parent Company's freehold property, which is included in the Parent Company's accounts, are in the name of a Subsidiary Company.

8. NET EXCESS COST OF SHARES

The net excess cost of shares represents the excess of the cost of the investments in Subsidiary Companies over the book value of their net assets at the dates of acquisition less amounts written off.

9. INVESTMENT IN SUBSIDIARY COMPANIES

	Parent Company	
	1977	1976
	£	£
Shares at Cost ...	568,513	568,513
Amounts due from Subsidiary Companies ...	<u>131,657</u>	<u>271,414</u>
	700,170	839,927
Amounts due to Subsidiary Companies ...	<u>27,182</u>	<u>29,258</u>
	<u>672,988</u>	<u>810,669</u>

NOTES TO THE ACCOUNTS (continued)

9. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The Company is the beneficial owner of the whole of the issued share capital of the following Companies:

<i>Subsidiary Companies</i>	<i>Country of Incorporation and Operation</i>
R. Goodwin International Limited (formerly Akron Standard (Engineers) Limited)...	England
Goodwin Steel Castings Limited	England
Hoben Davis Limited	England
Hoben Quarries Limited	England
Goodwin Minerals Limited	England
Goodwin GmbH	West Germany

10. STOCK AND WORK-IN-PROGRESS

Stock and Work-in-Progress consists of the following items:

	The Group	
	1977	1976
	£	£
Raw Materials	353,757	331,834
Work-in-Progress and Finished Goods	221,807	180,148
	<u>575,564</u>	<u>511,982</u>

11. SHARE CAPITAL

Authorised, Issued and Fully Paid	1977	1976
	£	£
7,200,000 (1976: 3,600,000) Ordinary Shares of 10p each	<u>720,000</u>	<u>360,000</u>

At an Extraordinary Meeting held on 11th February, 1977, the Authorised Share Capital was increased by the creation of 3,600,000 Ordinary Shares of 10p each. A sum of £360,000 was capitalised from Reserves and utilised in paying up in full 3,600,000 Ordinary Shares of 10p each issued to the shareholders on a one for one basis.

12. RESERVES

	The Group		Parent Company	
	1977	1976	1977	1976
	£	£	£	£
Revenue Reserve	522,143	736,198	108,728	443,599
Exchange Contingency Reserve	<u>42,568</u>	<u>30,348</u>	<u>—</u>	<u>—</u>
	<u>564,711</u>	<u>766,546</u>	<u>108,728</u>	<u>443,599</u>

The movement to the Exchange Contingency Reserve amounting to £12,220 represents unrealised surpluses arising out of changes in exchange rates during the year.

13. DEFERRED TAXATION

	The Group		Parent Company	
	1977	1976	1977	1976
	£	£	£	£
Corporation Tax payable after 1st May, 1976 ...	102,850	118,500	2,000	—
Capital Allowances (Note 1(a))	132,822	128,492	3,274	4,126
Stock Appreciation Relief (Note 1(c))	<u>136,190</u>	<u>118,070</u>	<u>—</u>	<u>—</u>
	371,862	365,062	5,274	4,126
Deduct Advance Corporation Tax recoverable ...	<u>18,831</u>	<u>19,385</u>	<u>—</u>	<u>—</u>
	<u>353,031</u>	<u>345,677</u>	<u>5,274</u>	<u>4,126</u>

In the opinion of the Directors, the advance payment of Corporation Tax applicable to the proposed dividend amounting to £18,831 will be recoverable. The amount recoverable has been included in Debtors in the Accounts of the Parent Company and deducted from Deferred Taxation in the Group Accounts.

NOTES TO THE ACCOUNTS (continued)

14. CAPITAL COMMITMENTS

	The Group		Parent Company	
	1977 £	1976 £	1977 £	1976 £
Capital Commitments not provided for in these Accounts	146,000	180,000	129,000	130,000
Capital Expenditure authorised by the Board but not contracted for at 30th April, 1977	<u>140,000</u>	<u>120,000</u>	<u>20,000</u>	<u>—</u>
	<u>286,000</u>	<u>300,000</u>	<u>149,000</u>	<u>130,000</u>

15. INCOME AND CORPORATION TAXES ACT, 1970

The 'close' company provisions of this Act apply to the Company.

16. CONTINGENT LIABILITIES

As a result of the Group registration arrangements for Value Added Tax, the Company is jointly and severally liable for Value Added Tax due by the representative members of the Group. At 30th April, 1977, the amount owing by the representative members amounted to £17,654 (1976: £18,382).

REPORT OF THE AUDITORS

to the

MEMBERS OF R. GOODWIN & SONS (ENGINEERS) LIMITED

We have examined the Accounts set out on pages 4 to 11 which have been prepared under the historical cost convention. In our opinion they give, under that convention, a true and fair view of the state of affairs of the Company and of the Group at 30th April, 1977 and of the profit and source and application of funds of the Group for the year to that date and comply with the Companies Acts, 1948 and 1967.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.

Birmingham
28th October, 1977