

## 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:*

The Royal Bank of Scotland,  
Securities Services - Registrars,  
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 SECOND ANNUAL GENERAL MEETING of the company will be held at 10.30 am, on Wednesday, 5th November, 1997 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, 1997 and to approve the payment of a dividend on the ordinary shares.
2. To re-elect Mr. R. J. Dyer as a director.
3. To re-appoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration.

Registered Office:  
Ivy House Foundry,  
Hanley, Stoke-on-Trent.  
8th October, 1997

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



### NOTE:

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.

None of the directors have service contracts with the company.



# GOODWIN PLC

## CHAIRMAN'S STATEMENT

I have pleasure in presenting the Directors' Report and Financial Statements for the year ended 30th April, 1997.

The sales turnover of £21.9 million has resulted in a pre-tax profit of £1.7 million giving an earnings per share of 16.42p as compared with 18.01p in the previous year. Although there has been an improvement in the gross margin, the true effect on the performance during the year has been masked by swings in sterling on tender to contract award timescales and low order input for Easat Antennas Ltd.

Goodwin International Ltd. has performed well with its valves and pumps. Although exports were disadvantaged by sterling's strength during part of the year, the company has driven hard towards improved efficiency in manufacture and better product design and has achieved a 27% sales increase in these product lines. As a result of demand, a further CNC machine centre was ordered and installed in record time.

During the year our refractory subsidiary changed its name to Hoben International Ltd. to more accurately reflect the nature of the business. Despite a slow start to the year and a flood halting production, refractory sales to the cast metal manufacturers were increased, as were profits.

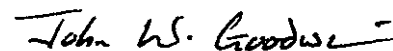
Hoben Industrial Minerals Ltd. has continued its development of SightGrip™, a coloured bauxite with superior anti-skid properties for road surfacing, which is used in traffic calming. It is the first company to have such a material's colour retention characteristics assessed by the British Board of Agrément using techniques developed by the Transport Research Laboratory.

The group started the year with healthy order books with Goodwin Steel Castings Ltd., in particular, having challenging orders for the power generation and construction industries. Orders continue to be won against international competition, one example being that for castings on the Jiangyin Bridge in China.

The Directors are conscious of the increased interest rates and the importance of controlling working capital whilst at the same time offering our customers faster service.

In line with previous dividend policy the Board is recommending an ordinary dividend of 2.94p per share.

The Directors wish to record their thanks to all employees for their versatility and hard work.



J. W. GOODWIN,  
Chairman.

26th September, 1997

# GOODWIN PLC

## REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and audited financial statements for the year ended 30th April, 1997.

### Business review

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

	1997 £'000	1996 £'000
Turnover	21,879	22,994
Profit on ordinary activities before taxation	1,733	2,026
Taxation charge	(550)	(729)
Profit on ordinary activities after taxation	1,183	1,297

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

### Proposed dividend

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 10th October 1997. (1996: 2.94p per share plus 15p per share extraordinary dividend, a total of 17.94p 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  
H. J. Horton (retired 20th September 1996)  
R. J. Dyer (appointed 20th September 1996)  
P. J. Horton (appointed 20th September 1996)

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

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

	10p ordinary shares 30th April 1997	1st May 1996 or date of appointment
<b>Beneficial</b>		
J. W. Goodwin	383,006	345,506
R. S. Goodwin	383,006	345,506
J. W. Goodwin and R. S. Goodwin	1,508,569	1,508,569
J. W. Goodwin and R. S. Goodwin	1,475,000	1,500,000
R. J. Dyer	17,500	33,900
P. J. Horton	115,840	115,840
<b>Non-beneficial</b>		
J. W. Goodwin, R. S. Goodwin and others	475,000	450,000

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.

During the period from 1st May, 1997 to 26th September, 1997, there were no changes in the directors' interests.

No director had any beneficial interest, either during or at the end of the financial year, in any contract of significance in relation to the Group's business.

### **Shareholdings**

The company has been notified that, as at 26th September, 1997, the following had an interest in 3% or more of the issued share capital of the company: J. W. Goodwin and R. S. Goodwin 1,508,569 shares (20.95%), 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 475,000 shares (6.60%), J. W. Goodwin 383,006 shares (5.32%), R. S. Goodwin 383,006 shares (5.32%), J. H. Ridley 465,167 shares (6.46%), Pershing Keen Nominees Ltd. 243,338 shares (3.38%).

### **Donations**

Donations by the Group for charitable purposes amounted to £7,820 (1996: £1,050).

### **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, 1997.

### **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.



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

26th September, 1997

## 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, 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

26th September, 1997

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
Birmingham

# GOODWIN PLC

## GROUP PROFIT AND LOSS ACCOUNT

For the year ended 30th APRIL, 1997

										Note	1997 £'000	1996 £'000
<b>TURNOVER</b>	...	...	...	...	...	...	...	...	...	2	<b>21,879</b>	22,994
Cost of sales	...	...	...	...	...	...	...	...	...		<b>(16,402)</b>	(17,563)
<b>GROSS PROFIT</b>	...	...	...	...	...	...	...	...	...		<b>5,477</b>	5,431
Distribution costs	...	...	...	...	...	...	...	...	...		<b>(770)</b>	(758)
Administrative expenses...	...	...	...	...	...	...	...	...	...		<b>(2,776)</b>	(2,440)
<b>OPERATING PROFIT...</b>	...	...	...	...	...	...	...	...	...		<b>1,931</b>	2,233
Share of profit of associated undertaking	...	...	...	...	...	...	...	...	...		<b>3</b>	2
Net interest payable	...	...	...	...	...	...	...	...	...	3	<b>(201)</b>	(209)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	...	...	...	...	...	...	...	...	...	4	<b>1,733</b>	2,026
Tax on profit on ordinary activities	...	...	...	...	...	...	...	...	...	7	<b>(550)</b>	(729)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	...	...	...	...	...	...	...	...	...	8	<b>1,183</b>	1,297
Proposed ordinary dividend	...	...	...	...	...	...	...	...	...	9	<b>(212)</b>	(212)
Proposed extraordinary dividend	...	...	...	...	...	...	...	...	...	9	<b>-</b>	(1,080)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	...	...	...	...	...	...	...	...	...		<b>971</b>	5
Earnings per ordinary share	...	...	...	...	...	...	...	...	...	10	<b>16.42p</b>	18.01p

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, 1997

										Group		Company							
										1997	1996	1997	1996						
										£'000	£'000	£'000	£'000						
<b>FIXED ASSETS</b>																			
Tangible assets	...	...	...	...	...	...	...	11 & 12		<b>3,872</b>	3,479	<b>892</b>	669						
Investments	...	...	...	...	...	...	...	13		<b>40</b>	37	<b>1,040</b>	1,543						
										<b>3,912</b>	3,516	<b>1,932</b>	2,212						
<b>CURRENT ASSETS</b>																			
Stocks	...	...	...	...	...	...	...	14		<b>3,653</b>	3,357	-	-						
<b>Debtors:</b>																			
Due within one year	...	...	...	...	...	...	...	15		<b>4,650</b>	4,705	<b>2,861</b>	3,275						
Due after one year	...	...	...	...	...	...	...	15		-	19	<b>6</b>	270						
										<b>4,650</b>	4,724	<b>2,867</b>	3,545						
Cash at bank and in hand...	...	...	...	...	...	...	...			<b>96</b>	166	<b>45</b>	1						
										<b>8,399</b>	8,247	<b>2,912</b>	3,546						
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>										16	<b>(6,946)</b>	(7,528)	<b>(1,635)</b>	(2,910)					
<b>NET CURRENT ASSETS</b>										...	...	...	...	...	...	<b>1,453</b>	719	<b>1,277</b>	636
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>										...	...					<b>5,365</b>	4,235	<b>3,209</b>	2,848
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>										17	<b>(82)</b>	(106)	-	-					
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>										...	...	18	<b>(285)</b>	-	-	-	-		
<b>NET ASSETS</b>										...	...	...	...	...	...	<b>4,998</b>	4,129	<b>3,209</b>	2,848
<b>CAPITAL AND RESERVES</b>																			
Called up share capital	...	...	...	...	...	...	...	19		<b>720</b>	720	<b>720</b>	720						
Profit and loss account	...	...	...	...	...	...	...	20		<b>4,258</b>	3,389	<b>2,489</b>	2,128						
<b>SHAREHOLDERS' FUNDS - EQUITY</b>										...	...	...	...	...	<b>4,978</b>	4,109	<b>3,209</b>	2,848	
<b>MINORITY INTERESTS - EQUITY...</b>										...	...	...	...	...	<b>20</b>	20	-	-	
											<b>4,998</b>	4,129	<b>3,209</b>	2,848					

These financial statements were approved by the Board of directors on 26th September, 1997 and signed on its behalf by:

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

John W. Goodwin

R. S. Goodwin



# GOODWIN PLC

## GROUP CASH FLOW STATEMENT

For the year ended 30th APRIL, 1997

	Note	1997 £'000	1996 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b> ... ..	22	<b>2,213</b>	3,487
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b> ...	23	<b>(201)</b>	(209)
<b>TAXATION</b> ... ..		<b>(986)</b>	(98)
<b>CAPITAL EXPENDITURE</b> ... ..	23	<b>(724)</b>	(656)
<b>EQUITY DIVIDENDS PAID</b> ... ..		<b>(1,292)</b>	(47)
<b>CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b> ... ..		<b>(990)</b>	2,477
<b>FINANCING</b> ... ..	23	<b>(28)</b>	(8)
<b>(DECREASE)/INCREASE IN CASH IN THE PERIOD</b> ... ..		<b>(1,018)</b>	2,469
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
<b>(DECREASE)/INCREASE IN CASH IN THE PERIOD</b> ... ..		<b>(1,018)</b>	2,469
Cash outflow from decrease in lease financing ... ..		<b>28</b>	8
Change in net debt resulting from cashflows ... ..	24	<b>(990)</b>	2,477
New finance leases ... ..		<b>-</b>	(147)
Foreign exchange translation difference ... ..	24	<b>(13)</b>	44
<b>MOVEMENT IN NET DEBT IN THE PERIOD...</b> ... ..		<b>(1,003)</b>	2,374
Net debt at start of year ... ..	24	<b>(240)</b>	(2,614)
<b>NET DEBT AT END OF YEAR</b> ... ..	24	<b>(1,243)</b>	(240)

# GOODWIN PLC

## OTHER PRIMARY FINANCIAL STATEMENTS

For the year ended 30th APRIL, 1997

### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1997	1996
	£'000	£'000
Profit for the financial year ... ..	1,183	1,297
Exchange adjustments on foreign currency net investments...	(102)	44
Total recognised gains and losses for the financial year ... ..	<u>1,081</u>	<u>1,341</u>

### 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

	1997	1996
	£'000	£'000
Profit for the financial year ... ..	1,183	1,297
Dividends ... ..	(212)	(1,292)
	<u>971</u>	<u>5</u>
Other recognised gains and losses relating to the year (net)...	(102)	44
<b>NET ADDITIONS TO SHAREHOLDERS' FUNDS ... ..</b>	<b>869</b>	<b>49</b>
Opening shareholders' funds...	<u>4,109</u>	<u>4,060</u>
<b>CLOSING SHAREHOLDERS' FUNDS ... ..</b>	<b><u>4,978</u></b>	<b><u>4,109</u></b>

## 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) The excess cost of shares in subsidiary undertakings over the fair value of the identifiable net assets acquired is written off against reserves in the Group financial statements.
- (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.

										1997	1996
										£'000	£'000
The analysis of turnover by destination is as follows:											
United Kingdom	...	...	...	...	...	...	...	...	...	9,886	9,680
Rest of Europe	...	...	...	...	...	...	...	...	...	4,340	4,469
Rest of World	...	...	...	...	...	...	...	...	...	7,653	8,845
										<b>21,879</b>	<b>22,994</b>

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

### 3. Net interest payable

										1997	1996
										£'000	£'000
Interest payable on overdrafts	...	...	...	...	...	...	...	...	...	190	208
Finance lease interest	...	...	...	...	...	...	...	...	...	12	6
Less: Interest receivable on bank deposits	...	...	...	...	...	...	...	...	...	(1)	(5)
										<b>201</b>	<b>209</b>

### 4. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging the following:

										1997	1996
										£'000	£'000
Depreciation and amortisation of tangible fixed assets											
- owned	...	...	...	...	...	...	...	...	...	582	461
- held under finance lease	...	...	...	...	...	...	...	...	...	19	23
Operating lease rentals for hire of plant and machinery...	...	...	...	...	...	...	...	...	...	16	25
Other operating lease rentals	...	...	...	...	...	...	...	...	...	33	14
Auditors' remuneration and expenses											
- Group	...	...	...	...	...	...	...	...	...	30	50

Fees charged by the company's auditors in respect of work carried out in the year for Group non audit services amounted to £8,000 (1996: £29,000). The audit fee for the company itself amounted to £7,460 (1996: £8,955).

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	Bonus	Profit related pay	Benefits in kind	Total	Total	Pension contributions	Pension contributions
	1997	1997	1997	1997	1997	1996	1997	1996
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Executive directors</b>								
J. W. Goodwin...	97	-	-	12	109	103	8	5
R. S. Goodwin...	97	-	-	12	109	103	8	5
H. J. Horton ...	57	-	-	6	63	70	-	7
R. J. Dyer ...	22	-	-	5	27	-	16	-
P. J. Horton ...	40	-	-	5	45	-	-	-
	<b>313</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>353</b>	<b>276</b>	<b>32</b>	<b>17</b>

H. J. Horton received £8,856 in respect of consultancy services provided to the Group after his retirement.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 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:

	1997 Number	1996 Number
Works personnel ... ..	329	307
Administrative staff ... ..	27	30
	<b>356</b>	<b>337</b>

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries ... ..	5,627	5,223
Social security costs ... ..	558	514
Other pension costs ... ..	32	17
	<b>6,217</b>	<b>5,754</b>

## 7. Tax on profit on ordinary activities

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

	1997 £'000	1996 £'000
U.K. corporation tax at 21% to 33% (1996: 25% to 33%) ... ..	505	706
Associated undertaking ... ..	-	-
Deferred taxation charge ... ..	45	23
	<b>550</b>	<b>729</b>

## 8. Profit for the financial year

The consolidated profit for the financial year includes a profit of £573,000 (1996: £1,912,000) which has been dealt with in the financial statements of the parent company.

## 9. Proposed dividend

The proposed ordinary dividend of £211,680 (1996: £211,680) represents 2.94p per share (1996: 2.94p per share). No extraordinary dividend is proposed (1996: 15.00p per share).

## 10. Earnings per ordinary share

The earnings per ordinary share has been calculated on profit after taxation on ordinary activities of £1,183,000 (1996: £1,297,000) and by reference to the 7,200,000 ordinary shares in issue throughout both years.

## 11. Tangible fixed assets of the Group

Cost	Land and buildings Freehold £'000	Land and buildings Short leasehold £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
At beginning of year ... ..	1,356	35	4,927	1,515	7,833
Additions ... ..	-	-	825	324	1,149
Re-categorisation ... ..	-	-	356	(356)	-
Disposals ... ..	-	-	(292)	(4)	(296)
Exchange adjustments ... ..	(54)	-	(2)	(12)	(68)
At end of year ... ..	<b>1,302</b>	<b>35</b>	<b>5,814</b>	<b>1,467</b>	<b>8,618</b>
Depreciable assets ... ..	<b>1,059</b>	<b>35</b>	<b>5,814</b>	<b>1,467</b>	<b>8,375</b>
<b>Depreciation and amortisation</b>					
At beginning of year ... ..	390	13	3,044	907	4,354
Charged in year ... ..	30	1	418	152	601
Disposals ... ..	-	-	(194)	(3)	(197)
Exchange adjustments ... ..	(6)	-	(1)	(5)	(12)
At end of year ... ..	<b>414</b>	<b>14</b>	<b>3,267</b>	<b>1,051</b>	<b>4,746</b>
<b>Net book value</b>					
At 30th April, 1996 ... ..	966	22	1,883	608	3,479
At 30th April, 1997 ... ..	<b>888</b>	<b>21</b>	<b>2,547</b>	<b>416</b>	<b>3,872</b>

The net book value of plant and machinery held under finance leases at 30th April 1997 was £106,207 (1996: £124,950).

**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
<b>Cost</b>							
At beginning of year	...	...	633	35	261	838	1,767
Additions	...	...	—	—	154	300	454
Disposals	...	...	—	—	(162)	(5)	(167)
At end of year	...	...	<u>633</u>	<u>35</u>	<u>253</u>	<u>1,133</u>	<u>2,054</u>
Depreciable assets	...	...	<u>590</u>	<u>35</u>	<u>23</u>	<u>1,133</u>	<u>2,011</u>
<b>Depreciation and amortisation</b>							
At beginning of year	...	...	238	13	158	689	1,098
Charged in year	...	...	14	1	36	121	172
Disposals	...	...	—	—	(104)	(4)	(108)
At end of year	...	...	<u>252</u>	<u>14</u>	<u>90</u>	<u>806</u>	<u>1,162</u>
<b>Net book value</b>							
At 30th April, 1996	...	...	<u>395</u>	<u>22</u>	<u>103</u>	<u>149</u>	<u>669</u>
<b>At 30th April, 1997</b>	...	...	<u>381</u>	<u>21</u>	<u>163</u>	<u>327</u>	<u>892</u>

**13. Investments**

<b>(a) Group</b>										Interest in associated undertaking £'000
<b>Cost</b>										
At beginning and end of year	...	...	...	...	...	...	...	...	...	50
<b>Share of post acquisition reserves</b>										
At beginning of year	...	...	...	...	...	...	...	...	...	(13)
Share of profits for year	...	...	...	...	...	...	...	...	...	3
At end of year	...	...	...	...	...	...	...	...	...	<u>(10)</u>
<b>Net book value</b>										
At 30th April, 1996	...	...	...	...	...	...	...	...	...	37
<b>At 30th April, 1997</b>	...	...	...	...	...	...	...	...	...	<u>40</u>
<b>(b) Company</b>										Interest in associated undertaking £'000
<b>Cost</b>							Subsidiary undertakings £'000		Total £'000	
At beginning of year	...	...	...	...	...	...	1,508	50	1,558	
Disposals in year	...	...	...	...	...	...	(508)	—	(508)	
At end of year	...	...	...	...	...	...	<u>1,000</u>	<u>50</u>	<u>1,050</u>	
<b>Provisions</b>										
At beginning of year	...	...	...	...	...	...	—	(15)	(15)	
Released in period	...	...	...	...	...	...	—	5	5	
At end of year	...	...	...	...	...	...	<u>—</u>	<u>(10)</u>	<u>(10)</u>	
<b>Net book value</b>										
At 30th April, 1996	...	...	...	...	...	...	<u>1,508</u>	<u>35</u>	<u>1,543</u>	
<b>At 30th April, 1997</b>	...	...	...	...	...	...	<u>1,000</u>	<u>40</u>	<u>1,040</u>	

During the year the company has liquidated a dormant subsidiary, Goodwin STK Metals and Minerals Limited Hong Kong. The investment in this company (£508,000) was matched by amounts due to the subsidiary from Goodwin PLC so no cash flow resulted from the liquidation.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 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
					Great Britain	Preference	100
Goodwin Steel Castings Limited	...	...	...	...	Great Britain	Ordinary	100
Hoben International Limited	...	...	...	...	Great Britain	Ordinary	100
					Great Britain	Preference	100
Hoben Industrial Minerals Limited	...	...	...	...	Great Britain	Ordinary	100
Easat Antennas Limited	...	...	...	...	Great Britain	Ordinary	87½
Goodwin GmbH	...	...	...	...	Germany	Ordinary	100
Goodwin Korea Co. Limited	...	...	...	...	Korea	Ordinary	95

### (d) Interest in associated undertaking

The interest in associated undertaking at 30th April, 1997 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	
							1997	1996
							£'000	£'000
Raw materials and consumables	...	...	...	...	...	...	1,912	1,867
Work in progress	...	...	...	...	...	...	1,280	1,134
Finished goods and goods for resale	...	...	...	...	...	...	741	356
							3,933	3,357
Payments on account	...	...	...	...	...	...	(280)	-
							3,653	3,357

## 15. Debtors

							Group		Company
							1997	1996	1997
							£'000	£'000	£'000
<i>Due within one year</i>									
Trade debtors	...	...	...	...	...	...	4,379	4,287	-
Amounts owed by associated undertakings	...	...	...	...	...	...	50	193	2
Amounts owed by subsidiary undertakings	...	...	...	...	...	...	-	-	2,742
Other debtors	...	...	...	...	...	...	95	60	83
Prepayments and accrued income	...	...	...	...	...	...	126	165	34
Dividends receivable	...	...	...	...	...	...	-	-	-
							4,650	4,705	2,861
									3,275
<i>Due after one year</i>									
Advance Corporation Tax recoverable	...	...	...	...	...	...	-	19	6
							4,650	4,724	2,867
									3,545

# **NOTES TO THE FINANCIAL STATEMENTS (continued)**

## **16. Creditors: amounts falling due within one year**

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Bank overdrafts ... ..	1,228	267	914	337
Payments received on account ... ..	249	158	-	-
Trade creditors ... ..	4,018	4,123	-	41
Amounts owed to subsidiary undertakings ...	-	-	2	774
Amounts owed to associate undertaking ...	-	8	-	8
Other creditors including taxation and social security:				
Corporation tax ... ..	245	718	44	45
Advanced Corporation tax ... ..	53	323	53	323
Other taxes ... ..	130	150	20	35
Social Security ... ..	163	160	15	17
Obligations under finance leases (note 17)	29	33	-	-
Other creditors ... ..	81	67	-	-
	<b>701</b>	1,451	<b>132</b>	420
Accruals and deferred income ... ..	538	229	375	38
Proposed dividends ... ..	212	1,292	212	1,292
	<b>6,946</b>	<b>7,528</b>	<b>1,635</b>	<b>2,910</b>

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

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
<i>Obligations under finance leases</i>				
Repayable between 2 and 5 years ... ..	82	106	-	-

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

## **18. Provisions for liabilities and charges**

	Deferred taxation	
	Group £'000	Company £'000
Balance at beginning of year... ..	-	-
Advance corporation tax utilised ... ..	240	-
Charge for the year in the profit and loss account ... ..	45	-
Balance at end of year... ..	285	-

The amount provided for deferred taxation, which is the full potential liability calculated on the liability method at 31% (1996: 33%), is set out below:

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Difference between accumulated depreciation and amortisation and capital allowances ...	349	304	58	53
Advance corporation tax recoverable ... ..	(64)	(304)	(58)	(53)
	<b>285</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **19. Share capital**

	1997 £'000	1996 £'000
<i>Authorised, allotted, called up and fully paid:</i>		
7,200,000 ordinary shares of 10p each ... ..	720	720

## **20. Profit and loss account**

	Group £'000	Company £'000
At beginning of year ... ..	3,389	2,128
Retained profit for the year ... ..	971	361
Exchange loss on re-translation of overseas subsidiaries' net assets ... ..	(102)	-
At end of year ... ..	<b>4,258</b>	<b>2,489</b>

Cumulative goodwill in the Group amounting to £221,000 (1996: £221,000) arising on the acquisition of subsidiary undertakings has been written off in previous years.



# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 21. Reconciliation of movements in shareholders' funds

Company	1997 £'000	1996 £'000
Profit for the financial year ... ..	573	1,912
Dividends ... ..	(212)	(1,292)
Net additions to shareholders' funds ... ..	361	620
Opening shareholders' funds ... ..	2,848	2,228
Closing shareholders' funds ... ..	3,209	2,848

## 22. Reconciliation of operating profit to net cashflow from operating activities

	1997 £'000	1996 £'000
Operating profit ... ..	1,931	2,233
Depreciation charges ... ..	601	484
(Profit)/loss on disposal ... ..	(1)	14
(Increase)/decrease in stocks ... ..	(334)	276
Increase in debtors ... ..	(54)	(232)
Increase in creditors ... ..	70	712
Net cash inflow from operating activities ... ..	2,213	3,487

## 23. Analysis of cashflows

	1997 £'000	1996 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received ... ..	1	5
Interest paid ... ..	(190)	(208)
Interest element of finance lease rental payments ... ..	(12)	(6)
Net cash outflow for returns on investment and servicing of finance ... ..	(201)	(209)
<b>Capital expenditure</b>		
Purchase of tangible fixed assets ... ..	(824)	(685)
Sale of plant and machinery ... ..	100	29
Net cash outflow for capital expenditure ... ..	(724)	(656)
<b>Financing</b>		
Capital element of finance lease repayments ... ..	(28)	(8)

## 24. Changes in net debt during the year

	At 1st May 1996 £'000	Cashflow £'000	Exchange movement £'000	At 30th April 1997 £'000
Cash at bank ... ..	166	(57)	(13)	96
Bank overdrafts ... ..	(267)	(961)	—	(1,228)
	(101)	(1,018)	(13)	(1,132)
Finance leases ... ..	(139)	28	—	(111)
	(240)	(990)	(13)	(1,243)

## 25. Contingencies

On 30th April, 1997, the Group had entered into performance bonds in the normal course of business amounting to £747,738 (1996: £314,000) in respect of 37 (1996: 29) 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	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Contracted ... ..	<u>240</u>	<u>60</u>	<u>110</u>	<u>12</u>

#### (b) Operating lease commitments

At 30th April, 1997, the Group had annual commitments under non-cancellable operating leases as follows:

	1997		1996	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire: In the second to fifth years inclusive	<u>-</u>	<u>37</u>	<u>-</u>	<u>37</u>

#### (c) Other commitments

The Group is committed to pay annual premiums of £53,520 until February, 1998 to insure itself against future interest rate increases.

### 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.

	Group £'000	Company £'000
<b>Transactions</b>		
Sales to ... ..	1,014	-
Administration fee ... ..	64	13
<b>Balance at end of year</b>		
Trade debtors ... ..	<u>50</u>	<u>2</u>