

GOODWIN PLC

IVY HOUSE FOUNDRY, HANLEY, STOKE-ON-TRENT



DIRECTORS REPORT AND ACCOUNTS

30th APRIL 2005

GOODWIN PLC

www.goodwin.co.uk

Registered in England and Wales, Number 305907
Established 1883

Directors:

J. W. Goodwin (*Chairman*)
R. S. Goodwin (*Managing Director*)
R. J. Dyer
F. A. Gaffney
P. J. Horton

Secretary and registered office:

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

Registrar and share transfer office:

Computershare Investor Services PLC,
P.O. Box No. 82,
Bristol, BS99 7NH

Auditors:

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

NOTICE IS HEREBY GIVEN that the SEVENTIETH ANNUAL GENERAL MEETING of the company will be held at 10.30 am, on Wednesday, 2nd November, 2005 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, 2005 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 approve the directors' remuneration report for the year ended 30th April, 2005.
4. To re-appoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration.

By Order of the Board

Registered Office:

Ivy House Foundry,
Hanley, Stoke-on-Trent.
23rd September, 2005

P. ASHLEY
Secretary

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 the 4th November, 2005.

GOODWIN PLC

CHAIRMAN'S STATEMENT

I am pleased to report annual pre-tax profits for the Group for the year to 30th April 2005 of £3.53 million (2004: £2.80 million), an increase of 26% on a turnover of £45 million (2004: £34 million), up 32% on the previous year. The directors propose that a dividend of 13.889p per share (2004: 11.806p) be paid. This would result in shareholders' remaining funds increasing by £1.45 million, 13.8% (2004: 10.7%).

Record sales figures reflect exports of UK manufactured goods into the growing energy markets. The planned increase in efficiency from investments in machine tools and better processing plant, together with longer term forward order commitment, has enabled the Group to remain competitive. This has been achieved despite rising raw material and energy costs, not all of which could be passed on to our customers. All Group UK companies traded profitably with Goodwin International, the valve company, and Easat, the radar antenna company, performing particularly well again this year.

The new financial year started with the order books in our foundry and our valve company substantially higher than the same time last year which, again, should provide the opportunity for a further increase in annual turnover and profit. Our manufacture of valves, both check valves for the petrochemical, oil, gas and LNG industries as well as steam valves for the power generation industries, should ensure we remain busy for the foreseeable future due to demand in the developing world from where 80% of our sales growth has come, despite the strength of sterling during the period.

The globalisation of the jewellery casting industry continues at a rapid rate and the migration of western-based manufacturing units to the Pacific Basin countries continues relentlessly. Our response to this has been to initiate appropriate steps, such that we may service the Pacific Basin jewellery industries from within their own domestic markets. We will report on the progress of this activity next year.

As the Group continues to grow further, the factory space which was built last year has been fully utilised in catering for the increased demand. This demand is reflected by the increase in sales, work in progress and corresponding down-payments, resulting in a healthy net cash inflow from operating activities.

The Group has niche skills in its employees, its equipment and engineering experience. The Board wishes to take the opportunity of thanking all our employees, so many of whom have worked beyond the call of duty, such that the Group has been able to satisfy the demanding needs of our international customers and achieve another year of record profitability.

J. W. GOODWIN
Chairman

26th August, 2005

GOODWIN PLC

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and audited financial statements for the year ended 30th April, 2005.

Business review

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

	2005	2004
	£'000	£'000
Turnover	44,945	<u>34,018</u>
Profit on ordinary activities before taxation	3,532	<u>2,804</u>
Taxation charge	(1,016)	<u>(854)</u>
Profit on ordinary activities after taxation	2,516	<u>1,950</u>

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

Proposed dividends

The directors recommend that an ordinary dividend of 13.889p per share be paid to shareholders on the register at the close of business on 7th October, 2005. (2004: 11.806p 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
F. A. Gaffney
P. J. Horton

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

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

	Number of 10p ordinary shares	
	30th April	30th April
	2005	2004
<i>Beneficial</i>		
J. W. Goodwin	150,868	301,736
R. S. Goodwin	276,182	303,022
J. W. Goodwin and R. S. Goodwin	1,757,653	1,739,797
J. W. Goodwin and R. S. Goodwin	1,105,062	1,072,918
R. J. Dyer	17,500	17,500
F. A. Gaffney	7,131	7,131
P. J. Horton	112,425	112,425
<i>Non-beneficial</i>		
J. W. Goodwin, R. S. Goodwin and others	295,530	281,246
J. W. Goodwin and E. M. Goodwin	243,087	275,229

On 9th May, 2005, share transactions took place amending the following directors' beneficial and non-beneficial interests as follows:

	9th May	30th April
	2005	2005
<i>Beneficial</i>		
R. S. Goodwin	272,122	276,182
J. W. Goodwin and R. S. Goodwin	1,113,182	1,105,062
<i>Non-beneficial</i>		
J. W. Goodwin and E. M. Goodwin	239,027	243,087
	1,624,331	<u>1,624,331</u>

There have been no further changes in the directors' interests between 9th May 2005 and 26th August 2005.

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 26th August, 2005, the following had an interest in 3% or more of the issued share capital of the company: J. W. Goodwin and R. S. Goodwin 1,757,653 shares (24.41%), J. W. Goodwin and R. S. Goodwin 1,113,182 shares (15.46%). These shares are registered in the names of J. M. Securities Limited and J. M. Securities (No. 3) Limited respectively. J. W. Goodwin, R. S. Goodwin and others 295,530 shares (4.10%), R. S. Goodwin 272,122 shares (3.78%), J. W. Goodwin and E. M. Goodwin 239,027 shares (3.32%), J. H. Ridley 517,167 shares (7.18%), L. R. Dean 246,250 shares (3.42%), D. J. Williams 216,000 shares (3.00%).

Donations

Donations by the Group for charitable purposes amounted to £7,000 (2004: £ Nil).

Employee consultation

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

Employment of disabled persons

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

Creditor payment policy

The company has not adopted any formal code or standards on supplier payment practice. The company's policy is to settle payments having negotiated and advised terms and conditions with suppliers on a contract by contract basis. The holding company has no trade creditors at 30th April, 2005.

Corporate governance

Introduction

The Board has taken the opportunity presented by the introduction of the new combined code on Corporate Governance to review its approach to corporate governance and to consider the extent to which changes in governance should be introduced.

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

Compliance statement

The company is required to report on compliance with the detailed requirements of the combined code throughout the year. In relation to all of the provisions except those mentioned here the company complied throughout the period. Further details on all areas are given below.

The Group is unable to comply with aspects of the Code's requirements paragraphs A3, C3.1, B2.1 and A4.1, in terms of non-executive directors and the requirement for an Audit Committee, Remuneration Committee and Nominations Committee and senior independent director.

The roles of the chairman in running the board and the managing director in running the Group's businesses are well understood. It is not considered necessary to have written job descriptions. This is contrary to paragraph A2.1. The Chairman and Managing Director do not retire by rotation, which is contrary to paragraph A7 of the Code.

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

The Group does not have an internal audit function which is contrary to paragraphs C3.1 and C3.3

The Board

The Board, which comprises five executive directors, meets formally by itself and with subsidiary directors on a regular basis. In view of the Group's present size and proven track record, it is not seen as appropriate to increase further the number of directors on the Board nor are non-executive directors thought to be appropriate, due to the cost likely to be involved and the lack of opportunity for adding significant value to the business. The Chairman and Managing Director do not retire by rotation. With this exception, all directors retire at the first AGM after their initial appointment and then by rotation at least every three years.

During the year, the Board met formally 10 times. Regular informal meetings are also held to enable all members of the Board to discuss relevant issues with local management and staff at the business units.

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

Board evaluation

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

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

Board Committees

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

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

Internal control

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

The Board meets with an agenda to discuss corporate strategy, to formulate and monitor the progress of business plans for all subsidiaries and to identify, evaluate and manage the business risks faced. The management philosophy of the Group is to operate its subsidiaries on an autonomous basis, subject to overall supervision and evaluation by the Board, with formally defined areas of responsibility and delegation of authority. The Group has put in place formal lines of reporting with subsidiary management meeting with the directors on a regular basis.

The Board considers that the close involvement of the company's directors in all areas of the day to day operations of the Group's business represents the most effective ongoing control over its financial and business risks. In particular, authority is limited to the company directors in key risk areas such as treasury management, capital expenditure and other investment decisions. The directors annually review the effectiveness of the internal financial control system including considering reports from management; discussions with senior personnel throughout the Group; and consideration by the Board of any reports from the external auditor. These procedures have been in place throughout the year and up to the date of this report and accord with the Turnbull Guidance.

Given the close involvement of the company's directors in the operation of the business, the Board does not currently consider that a formal review of non-financial controls would provide any additional benefit in their review of the effectiveness of the Group's internal controls.

The Group does not have an internal audit function. This is presently considered appropriate given the size and complexity of the Group and the close involvement of executive directors and senior management on a day to day operational basis. However, the need for an internal audit function is kept under constant review.

Directors' remuneration

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

Details of each element of the directors' remuneration are given in the directors' remuneration report on page 6.

External audit

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

Shareholder relations

All shareholders are encouraged to participate in the company's annual general meeting.

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

The directors attend the annual general meeting. The Chairman will be available to answer questions at the forthcoming annual general meeting. In addition, proxy votes will be counted and the results announced after any vote on a show of hands.

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

Going concern

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.

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 August, 2005

GOODWIN PLC

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002.

Consideration by the directors of matters relating to directors' remuneration

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

Remuneration policy

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

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

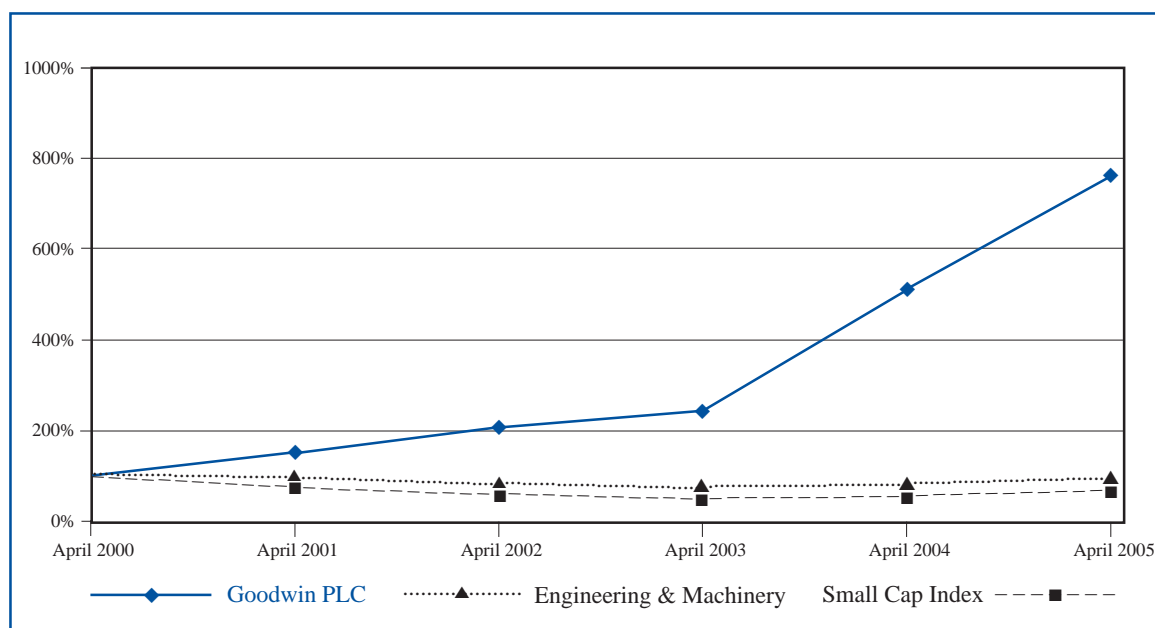
Service contracts

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

Total shareholder return

The following graph compares the company's total shareholder return over the five years ended 30th April, 2005, with that for the FTSE Small-Cap share index and the FTSE Engineering and Machinery Sector Index.

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



DIRECTORS' REMUNERATION REPORT *(continued)*

Details of individual emoluments and compensation

				Salary	Benefits in kind	Total	Total	Pension contrib- utions 2005	Pension contrib- utions 2004
				2005	2005	2005	2004	2005	2004
				£'000	£'000	£'000	£'000	£'000	£'000
J. W. Goodwin	...	...	...	170	7	177	157	11	11
R. S. Goodwin	...	...	...	170	7	177	157	11	11
R. J. Dyer	...	...	...	90	1	91	89	16	16
P. J. Horton	...	...	...	104	1	105	100	-	-
F. A. Gaffney	...	...	...	107	1	108	106	-	-
				641	17	658	609	38	38
2004				604	5	609			

Pension contributions comprise contributions to money purchase pension schemes.

Benefits in kind consist of the provision of a fully-expensed motor vehicle or cash alternative scheme and healthcare insurance.

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

The above table of information has been subject to audit.

Approval of report

An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming annual general meeting.

The directors' remuneration report was approved by the Board of directors on 26th August, 2005, and is signed on its behalf by:

J. W. GOODWIN
Director

R. S. GOODWIN
Director

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.

INDEPENDENT AUDITOR'S REPORT

to the Members of
GOODWIN PLC

We have audited the financial statements on pages 9 to 22. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described above, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 4 and 5 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

Basis of audit 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 and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

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, 2005 and of the profit of the Group for the year then ended; and the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

26th August, 2005

KPMG Audit Plc
Birmingham
Chartered Accountants
Registered Auditor

GOODWIN PLC

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 30th April, 2005

	Note	2005 £'000	2004 £'000
TURNOVER	2	44,945	34,018
Cost of sales		(34,635)	(25,238)
GROSS PROFIT		10,310	8,780
Distribution costs		(1,506)	(1,147)
Administrative expenses		(4,719)	(4,530)
OPERATING PROFIT		4,085	3,103
Interest payable and similar charges	3	(553)	(299)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	3,532	2,804
Taxation on profit on ordinary activities	7	(1,016)	(854)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,516	1,950
Minority interests - equity		(42)	(31)
PROFIT FOR THE FINANCIAL YEAR	8	2,474	1,919
Proposed ordinary dividend	9	(1,000)	(850)
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,474	1,069
EARNINGS PER ORDINARY SHARE - BASIC AND DILUTED	10	34.36p	26.65p

A statement of movement on reserves is given in note 22.

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

GOODWIN PLC

BALANCE SHEETS At 30th April, 2005

	Notes	Group		Company	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
FIXED ASSETS					
Intangible assets	11	127	160	-	-
Tangible assets	12 & 13	10,920	10,391	9,649	2,213
Investments	14	-	-	1,570	1,560
		<u>11,047</u>	<u>10,551</u>	<u>11,219</u>	<u>3,773</u>
CURRENT ASSETS					
Stocks	15	10,004	7,339	-	-
Debtors	16	9,743	9,602	4,705	10,791
Cash at bank and in hand		275	229	1,372	7
		<u>20,022</u>	<u>17,170</u>	<u>6,077</u>	<u>10,798</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	<u>(17,354)</u>	<u>(15,486)</u>	<u>(7,690)</u>	<u>(7,753)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>2,668</u>	<u>1,684</u>	<u>(1,613)</u>	<u>3,045</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,715</u>	<u>12,235</u>	<u>9,606</u>	<u>6,818</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	<u>(576)</u>	<u>(603)</u>	<u>(548)</u>	<u>-</u>
PROVISIONS FOR LIABILITIES AND CHARGES	20	<u>(951)</u>	<u>(940)</u>	<u>(487)</u>	<u>(187)</u>
NET ASSETS		<u>12,188</u>	<u>10,692</u>	<u>8,571</u>	<u>6,631</u>
CAPITAL AND RESERVES					
Called up share capital	21	720	720	720	720
Profit and loss account	22	11,239	9,785	7,851	5,911
SHAREHOLDERS' FUNDS - EQUITY		<u>11,959</u>	<u>10,505</u>	<u>8,571</u>	<u>6,631</u>
MINORITY INTERESTS - EQUITY		<u>229</u>	<u>187</u>	<u>-</u>	<u>-</u>
		<u>12,188</u>	<u>10,692</u>	<u>8,571</u>	<u>6,631</u>

These financial statements were approved by the Board of directors on 26th August, 2005 and signed on its behalf by:

J. W. GOODWIN
Director

R. S. GOODWIN
Director

GOODWIN PLC

GROUP CASH FLOW STATEMENT

For the year ended 30th April, 2005

	Note	2005 £'000	2004 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		8,965	510
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE ...	24	(553)	(299)
TAXATION		(753)	(812)
CAPITAL EXPENDITURE	24	(2,152)	(3,240)
ACQUISITIONS		(10)	–
EQUITY DIVIDENDS PAID		(851)	(750)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		4,646	(4,591)
FINANCING	24	(435)	(469)
INCREASE/(DECREASE) IN CASH IN THE YEAR		4,211	(5,060)
RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		4,085	3,103
Depreciation and amortisation charges		1,549	1,075
Loss on disposal of fixed assets		43	13
Increase in work in progress		(1,461)	(2,758)
Increase in other stocks		(1,204)	(164)
Increase in debtors		(156)	(1,943)
Increase/(decrease) in payments on account		3,301	(137)
Increase in trade and other creditors		2,808	1,321
Net cash inflow from operating activities		8,965	510
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase/(decrease) in cash in the year		4,211	(5,060)
Finance lease repayments		435	469
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	25	4,646	(4,591)
New finance leases	25	(309)	(690)
Foreign exchange translation difference	25	(10)	(27)
MOVEMENT IN NET DEBT IN THE PERIOD		4,327	(5,308)
Net debt at start of year	25	(5,888)	(580)
NET DEBT AT END OF YEAR	25	(1,561)	(5,888)

GOODWIN PLC

OTHER PRIMARY FINANCIAL STATEMENTS

For the year ended 30th April, 2005

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2005	2004
	£'000	£'000
Profit for the financial year	2,474	1,919
Exchange adjustments on foreign currency net investments	(20)	(56)
Total recognised gains and losses for the financial year	<u>2,454</u>	<u>1,863</u>

RECONCILIATION OF MOVEMENTS IN GROUP EQUITY SHAREHOLDERS' FUNDS

	2005	2004
	£'000	£'000
Profit for the financial year	2,474	1,919
Dividends	(1,000)	(850)
Other recognised gains and losses relating to the year	<u>1,474</u>	<u>1,069</u>
NET ADDITION TO EQUITY SHAREHOLDERS' FUNDS	1,454	1,013
Opening equity shareholders' funds	<u>10,505</u>	<u>9,492</u>
CLOSING EQUITY SHAREHOLDERS' FUNDS	<u>11,959</u>	<u>10,505</u>

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.

The company is exempt under S230(4) Companies Act 1985 from the requirement to present its own profit and loss account.

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

(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 consolidated under the acquisition method.

(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 was written off against reserves for all acquisitions prior to 1st May, 1998. This goodwill would be charged or credited in the profit and loss account on disposal of the business to which it relates. Goodwill on any acquisition subsequent to this date is capitalised and amortised over its useful life.

(iii) 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.

Prior to becoming a subsidiary undertaking, Goodwin Alloy Products Limited ("GAP") was accounted for as an associated undertaking. In accordance with FRS 2 *Accounting for Subsidiary Undertakings* and in order to give a true and fair view, purchased goodwill has been calculated as the sum of the goodwill arising on each purchase of shares in GAP, being the difference at the date of each purchase between the fair value of the consideration given and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from the statutory method, under which goodwill is calculated as the difference between cost and fair value on the date that GAP became a subsidiary undertaking. The statutory method would not give a true and fair view because it would result in the Group's share of GAP's retained reserves, during the period that it was an associated undertaking, being re-characterised as goodwill. The effect of this departure is to decrease retained profits by £71,000 and to decrease the cost of purchased goodwill recognised on the acquisition by £71,000. The effect of this departure from the statutory method on profits for the year is not material.

(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	...	...	...	...	2% or 2½% on cost
Leasehold property	...	...	...	...	Over period of lease on cost
Plant and machinery	...	...	...	...	15% or 25% 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.

Results attributable to the stage of completion of a long term contract are recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus the attributable result, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

(e) **Turnover**

Turnover represents the amounts (excluding value added tax and other sales taxes) derived from the provision of goods and services (including long term contracts as above) to external customers.

(f) **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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(g) **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

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

(h) **Leasing**

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

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

(i) **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 paid.

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

(j) **Research and development expenditure**

Development costs are capitalised as intangible fixed assets, insofar as they relate to clearly defined projects from which benefits can reasonably be regarded as assured. Such costs are not regarded as realised losses. Expenditure so deferred is limited to the value of estimated future related profits and is amortised through the profit and loss account in line with forecast sales of the product. Should research expenditure occur, it will be written off when incurred.

2. Turnover

										2005	2004
										£'000	£'000
The analysis of turnover by destination is as follows:											
United Kingdom	...	...	...	...	...	...	...	...	...	10,525	8,879
Rest of Europe	...	...	...	...	...	...	...	...	...	8,920	8,521
Rest of World	...	...	...	...	...	...	...	...	...	25,500	16,618
										44,945	34,018

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 SSAP25.

The geographical source of all turnover is the U.K. Overseas entities are not considered material.

3. Interest payable and similar charges

										2005	2004
										£'000	£'000
Interest payable on bank loans and overdrafts	...	...	...	...	...	...	...	...	...	505	247
Finance lease interest	...	...	...	...	...	...	...	...	...	48	52
										553	299

4. Profit on ordinary activities before taxation

										2005	2004
										£'000	£'000
The profit on ordinary activities before taxation is stated after charging the following:											
Depreciation and amortisation of tangible fixed assets											
– owned	...	...	...	...	...	...	...	...	...	1,373	840
– held under finance lease	...	...	...	...	...	...	...	...	...	133	193
Amortisation of development expenditure and goodwill	...	...	...	...	...	...	...	...	...	43	42
Operating lease rentals:											
Short term plant hire	...	...	...	...	...	...	...	...	...	99	21
Auditors' remuneration and expenses - Group	...	...	...	...	...	...	...	...	...	45	42

Fees charged by the company's auditors in respect of work carried out in the year for Group non audit services amounted to £33,000 (2004: £25,000). The audit fee for the company itself amounted to £11,000 (2004: £10,000).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Directors' Remuneration

Details of directors' remuneration are set out in the Directors' Remuneration Report on pages 6 and 7.

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:

	2005 Number	2004 Number
Works personnel	534	447
Administrative staff	38	34
	572	481

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	11,981	9,870
Social security costs	1,165	997
Other pension costs	38	48
	13,184	10,915

7. Taxation on profit on ordinary activities

Analysis of charge in year:

	2005 £'000	2004 £'000
<i>UK corporation tax</i>		
Current tax on income for the year	961	682
Adjustments in respect of prior years	44	-
Total current tax charge	1,005	682
<i>Deferred taxation (see note 20)</i>		
Current year	97	181
Adjustments in respect of prior years	(86)	(9)
Tax on profit on ordinary activities	1,016	854

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2004: lower) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below.

	2005 £'000	2004 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,532	2,804
Current tax at 30% (2004: 30%)	1,060	841
<i>Effect of:</i>		
Expenses not deductible for tax purposes	10	54
Capital allowances in excess of depreciation	(92)	(210)
Additional tax credit for research and development	(10)	(9)
Adjustments to tax charge in respect of previous periods	44	-
Other	(7)	6
Total current tax charge (see above)	1,005	682

The only significant factor which may affect future tax charges would be a change in the UK corporation tax rate.

8. Profit for the financial year

The consolidated profit for the financial year includes a profit of £2,940,000 (2004: £1,906,000) which has been dealt with in the financial statements of the parent company.

9. Proposed dividend

The proposed ordinary dividend of £1,000,008 (2004: £850,032) represents 13.889p per share (2004: 11.806p per share).

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Earnings per ordinary share

The earnings per ordinary share has been calculated on profit on ordinary activities after taxation and minority interests of £2,474,000 (2004: £1,919,000) and by reference to the 7,200,000 ordinary shares in issue throughout both years. The company has no share options or other diluting instruments and accordingly there is no diluted earnings per share.

11. Intangible fixed assets of the Group

	Goodwill	Development costs	Total
	£'000	£'000	£'000
Cost			
At beginning of year	41	201	242
Additions	10	-	10
At end of year	<u>51</u>	<u>201</u>	<u>252</u>
Amortisation			
At beginning of year	2	80	82
Charge for year	3	40	43
At end of year	<u>5</u>	<u>120</u>	<u>125</u>
Net book value			
At 30th April, 2005	<u>46</u>	<u>81</u>	<u>127</u>
At 30th April, 2004	<u>39</u>	<u>121</u>	<u>160</u>

12. Tangible fixed assets of the Group

	Land and buildings Freehold	Land and buildings Short leasehold	Plant and machinery	Fixtures, fittings, tools and equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At beginning of year	2,564	46	13,707	2,615	1,716	20,648
Additions	173	-	1,860	87	-	2,120
Disposals	-	-	(160)	(1,111)	-	(1,271)
Exchange adjustments	6	-	(13)	(1)	-	(8)
Transfers	-	-	1,716	-	(1,716)	-
At end of year	<u>2,743</u>	<u>46</u>	<u>17,110</u>	<u>1,590</u>	<u>-</u>	<u>21,489</u>
Depreciation						
At beginning of year	577	22	7,639	2,019	-	10,257
Charge in year	77	4	1,292	133	-	1,506
Disposals	-	-	(129)	(1,069)	-	(1,198)
Exchange adjustment	4	-	-	-	-	4
At end of year	<u>658</u>	<u>26</u>	<u>8,802</u>	<u>1,083</u>	<u>-</u>	<u>10,569</u>
Net book value						
At 30th April, 2005	<u>2,085</u>	<u>20</u>	<u>8,308</u>	<u>507</u>	<u>-</u>	<u>10,920</u>
At 30th April, 2004	<u>1,987</u>	<u>24</u>	<u>6,068</u>	<u>596</u>	<u>1,716</u>	<u>10,391</u>

The net book value of plant and machinery held under finance leases at 30th April, 2005 was £1,379,257 (2004: £1,097,000). Depreciation for the year on these assets was £133,104 (2004: £193,000).

The net book value of assets in the course of construction held under finance leases at 30th April, 2005 was £621,000 (2004: £690,000).

The total amount outstanding in respect of these leases at 30th April, 2005 is £891,000 (2004: £1,017,000) - see note 19(e).

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. 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	...	...	...	795	35	1,710	1,897	4,437
Additions	...	...	...	-	-	214	53	267
Disposals	...	...	...	-	-	(53)	(1,111)	(1,164)
Intra-group transfers*	...	...	...	3,062	-	4,529	-	7,591
At end of year	...	...	...	<u>3,857</u>	<u>35</u>	<u>6,400</u>	<u>839</u>	<u>11,131</u>
Depreciation								
At beginning of year	...	...	...	350	20	356	1,498	2,224
Charged in year	...	...	...	15	1	253	99	368
Disposals	...	...	...	-	-	(41)	(1,069)	(1,110)
At end of year	...	...	...	<u>365</u>	<u>21</u>	<u>568</u>	<u>528</u>	<u>1,482</u>
Net book value								
At 30th April, 2005	...	...	...	<u>3,492</u>	<u>14</u>	<u>5,832</u>	<u>311</u>	<u>9,649</u>
At 30th April, 2004	...	...	...	<u>445</u>	<u>15</u>	<u>1,354</u>	<u>399</u>	<u>2,213</u>

The net book value of plant and machinery held under finance leases at 30th April, 2005 was £1,232,146 (2004: £468,000). Depreciation for the year on these assets was £ Nil (2004: £83,000).

The total amount outstanding in respect of these leases at 30th April, 2005 is £846,000 (2004: £146,000) - see notes 17 and 18.

*Intra-group transfers of freehold land and buildings and other plant and machinery reflects a transfer of these assets at 30th April, 2005 from subsidiary undertakings.

14. Investments

(a) Company											Subsidiary undertakings £'000
Cost and net book value											
At beginning of year	...	...	...	...	...	...	...	...	...	...	1,560
Additional equity in subsidiary undertaking	...	...	...	...	...	...	...	...	...	...	10
At end of year	...	...	...	...	...	...	...	...	...	...	<u>1,570</u>

(b) **Subsidiary undertakings**

The company is the beneficial owner of the issued share capital of the following principal subsidiary undertakings, all of which are included in the consolidation:

<i>Subsidiary undertakings</i>	<i>Country of Incorporation and operation</i>	<i>Type of shares</i>	<i>% held</i>
Goodwin International Limited	Great Britain	Ordinary Preference	100 100
Goodwin Steel Castings Limited	Great Britain	Ordinary	100
Hoben International Limited	Great Britain	Ordinary Preference	100 100
Hoben Industrial Minerals Limited	Great Britain	Ordinary	100
Easat Antennas Limited	Great Britain	Ordinary	89
Internet Central Limited	Great Britain	Ordinary	82½
Goodwin Alloy Products Limited	Great Britain	Ordinary	100
Goodwin GmbH	Germany	Ordinary	100
Goodwin Korea Co. Limited	South Korea	Ordinary	95

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Stocks

	Group	
	2005	2004
	£'000	£'000
Raw materials and consumables	3,388	2,300
Work in progress	5,907	4,447
Finished goods and goods for resale	709	592
	<u>10,004</u>	<u>7,339</u>

16. Debtors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Trade debtors	8,977	8,386	1	4
Amounts owed by Group undertakings	-	-	1,520	9,820
Other debtors	307	354	-	-
Prepayments and accrued income	227	194	51	43
Corporation tax	-	-	351	256
Value added tax	232	668	232	668
Dividend receivable	-	-	2,550	-
	<u>9,743</u>	<u>9,602</u>	<u>4,705</u>	<u>10,791</u>

17. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank overdrafts	945	5,100	4,988	1,568
Obligations under finance leases (note 18)	315	414	298	146
Payments received on account	3,672	371	-	-
Trade creditors	9,059	6,511	-	-
Amounts owed to Group undertakings	-	-	858	4,268
Corporation tax	635	385	-	-
Other taxes and social security	788	631	106	73
Other creditors	85	79	-	-
Accruals and deferred income	855	1,145	440	848
Proposed dividends	1,000	850	1,000	850
	<u>17,354</u>	<u>15,486</u>	<u>7,690</u>	<u>7,753</u>

18. Creditors: amounts falling due after more than one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase agreements (repayable between two and five years)	576	603	548	-

The obligations under finance leases and hire purchase agreements are secured on the related assets.

At 30th April, 2005, certain fixed assets which were subject to finance leases were transferred to the company from subsidiary undertakings.

19. Financial instruments

(a) **Financial assets**

The Group's financial assets, excluding short-term debtors, consist mainly of Sterling, Euro and US Dollar denominated cash at bank which earns interest at floating rates related to bank base rates. Cash at bank at the year end was £267,000 (2004: £221,000).

(b) **Financial liabilities**

The Group's financial liabilities, excluding short-term creditors, are set out below. Floating rate financial liabilities comprise Sterling, Euro, and US Dollar denominated bank loans, leases and overdrafts. The floating rate financial liabilities bear interest at rates related to bank base rates. The fixed rate financial liabilities bear a weighted average interest rate of 5.24% (and the weighted average period over which this is fixed is 3.5 years) (2004: 5.32% fixed for 4.5 years).

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Financial Instruments (continued)

(b) **Financial liabilities** (continued)

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	2005	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	2004
			Total £'000			Total £'000
Sterling	956	808	1,764	5,876	817	6,693
Euro	48	-	48	22	-	22
US Dollar	24	-	24	(515)	-	(515)
Other	-	-	-	(83)	-	(83)
Total	1,028	808	1,836	5,300	817	6,117

(c) **Interest rate risk**

The Group is subject to fluctuations in interest rates on its borrowings and surplus cash. The Group is aware of the financial products available to insure against adverse movements in interest rates. Formal reviews are undertaken to determine whether such instruments are appropriate for the Group. No such instruments were utilised in the year to 30th April, 2005.

(d) **Currency exposure**

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

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

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

30th April, 2005

Net foreign currency monetary assets/(liabilities)

Functional currency of Group operation	Sterling £'000	US Dollar £'000	Total £'000
Korean Won	(219)	-	(219)
Sterling	-	(181)	(181)
Other	(366)	-	(366)
Total	(585)	(181)	(766)

30th April, 2004

Net foreign currency monetary assets/(liabilities)

Functional currency of Group operation	Sterling £'000	US Dollar £'000	Total £'000
Korean Won	(103)	-	(103)
Sterling	-	(181)	(181)
Other	(325)	-	(325)
Total	(428)	(181)	(609)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Financial Instruments (continued)

(e) **Maturity profile**

The maturity profile of the Group's financial liabilities, other than short-term creditors such as trade creditors and accruals was as follows:

Borrowings analysed by maturity date	Overdrafts	Finance leases and hire purchase agreements	2005 Total	Overdrafts	Finance leases and hire purchase agreements	2004 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings due within one year	945	315	1,260	5,094	414	5,508
Borrowings due after one year	-	230	230	6	233	239
Between one and two years	-	346	346	-	370	370
Between two and five years	-	-	-	-	-	-
Total borrowings due after one year	-	576	576	6	603	609
Total	945	891	1,836	5,100	1,017	6,117

At 30th April, 2005 the Group had the following undrawn facilities in respect of which all conditions precedent had been met. The committed facilities have an average maturity of 31 months.

	Uncommitted £'000	Committed £'000	Total £'000
Undrawn committed borrowing facilities	9,591	2,000	11,591

(f) **Fair values**

At 30th April, 2005 the fair value of the Group's financial instruments was not materially different to the book value of the instruments. The fair value was calculated using market rates where available, otherwise cash flows were discounted at prevailing rates.

20. Provisions for liabilities and charges

	Deferred taxation	
	Group £'000	Company £'000
Balance at beginning of year	940	187
Charge for the year in the profit and loss account:		
Current Year	97	347
Prior Year	(86)	(47)
Balance at end of year	951	487

The amount provided for deferred taxation, which is the full potential liability calculated on the liability method at 30% (2004: 30%), is set out below:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Difference between accumulated depreciation and amortisation and capital allowances	984	978	487	187
Losses	(33)	(38)	-	-
	951	940	487	187

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Share capital	2005	2004
	£'000	£'000
<i>Authorised, allotted, called up and fully paid:</i>		
7,200,000 ordinary shares of 10p each	720	720
22. Profit and loss account	Group	Company
	£'000	£'000
At beginning of year	9,785	5,911
Retained profit for the year	1,474	1,940
Exchange loss on re-translation of overseas subsidiaries' net assets	(20)	-
At end of year	11,239	7,851

Cumulative goodwill in the Group amounting to £248,000 (2004: £248,000) arising on the acquisition of subsidiary undertakings has been written off against reserves.

23. Reconciliation of movements in shareholders' funds	2005	2004
	£'000	£'000
Company		
Profit for the financial year	2,940	1,906
Dividends	(1,000)	(850)
Net additions to shareholders' funds	1,940	1,056
Opening shareholders' funds	6,631	5,575
Closing shareholders' funds	8,571	6,631

24. Analysis of cash flows	2005	2004
	£'000	£'000
Returns on investments and servicing of finance		
Interest paid	(505)	(247)
Interest element of finance lease rental payments	(48)	(52)
Net cash outflow for returns on investment and servicing of finance ...	(553)	(299)
Capital expenditure		
Payments to acquire fixed assets	(2,177)	(3,251)
Proceeds from sale of plant and machinery	25	11
Net cash outflow for capital expenditure	(2,152)	(3,240)
Acquisitions		
Purchase of subsidiaries	(10)	-
Financing		
Capital element of finance lease repayments	(435)	(469)

25. Analysis of net debt					
	At		Other	Exchange	At
	1st May	Cash flow	non-cash	movement	30th April
	2004	£'000	changes	£'000	2005
	£'000	£'000	£'000		£'000
Cash at bank	229	56	-	(10)	275
Bank overdrafts	(5,100)	4,155	-	-	(945)
	(4,871)	4,211	-	(10)	(670)
Finance leases	(1,017)	435	(309)	-	(891)
	(5,888)	4,646	(309)	(10)	(1,561)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26. Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a value of £309,000 (2004: £690,000).

27. Contingencies

On 30th April, 2005, the Group had entered into performance bonds in the normal course of business amounting to £6,729,000 (2004: £1,861,000) in respect of 120 (2004: 115) contracts.

28. Capital commitments

Capital commitments at 30th April, 2005, for which no provision has been made in these financial statements, were £ Nil (2004: £ Nil).

