

# GOODWIN PLC

IVY HOUSE FOUNDRY, HANLEY, STOKE-ON-TRENT

INTERIM REPORT  
31<sup>ST</sup> OCTOBER 2007

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2007

### CHAIRMAN'S STATEMENT

I am pleased to report that the pre-tax profits for the Group for the six month period ending 31<sup>st</sup> October 2007 were £4.37 million (2006: £2.83 Million), an increase of 54% on a revenue of £34.96 million which is up 15% on the same period last financial year.

The order books of all Group companies remain buoyant and it would be surprising if the current level of activity were to drop in the second half of the year. The Group's continued investment in terms of time and money in order to develop manufacturing and sales operations in the rapidly expanding Pacific Basin countries is progressively resulting in a larger proportion of Group profits emanating from this region and the Board considers this effort will position the Group well in future years.

Goodwin Steel Castings continues to win multi million dollar orders for valves and components for use in high efficiency electrical power generating plant, be it in China, India or the USA.

Goodwin International, having recently expanded its range of check valves to include the nozzle check valve to complement its dual plate check valve, and with its new sister company in Germany, Noreva GmbH, is expected yet again this year to win record levels of orders from the oil, gas and LNG industries world wide which have an impressive five year investment programme to keep pace with the increasing world demand.

The Refractory Engineering Division with manufacturing units in the UK, Thailand, China and India continues to expand and we are starting now to see economies of scale benefits, especially with our new UK vermiculite facility which is scheduled to be fully commissioned in January 2008.

Internet Central has engineered a hardware/software platform that provides a stable leading edge technology voice over internet protocol (VOIP) telephone exchange system that is now being sold through a growing number of distribution channels, which should enable this company to continue its growth in turnover and profitability.

The Board continues to investigate opportunities of achieving additional growth in terms of turnover and profitability but it remains Board policy that the Group should finance any such growth from its own profit streams and that expansion would be in areas where our experience and core skills can be discerningly utilised.

The Group continues to invest and carry out research into products that will result in reduced environmental pollution. This is especially the case for products that are needed to improve the efficiency of coal and gas fired power stations which represent over 65% of world power generating capacity.

John W Goodwin  
Chairman

21st December 2007

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2007

### Management report

During the six months to 31st October 2007 the Group has manufactured products for customers whose markets are very much driven by environmental needs.

The Group has continued to invest in research with a view to protecting its niche market in the power generation industry. The emphasis is firmly placed on researching and supplying products which when incorporated into our customers' plants give the benefit of reduced CO<sup>2</sup> emissions.

Within the oil, gas and LNG industries the last six months have seen dramatic rises in fuel costs and this has created more investment opportunities and a greater need for the valves we manufacture. The Group's investment in vermiculite, used in many insulating applications has been significant and with the imminent commissioning of our new facility in the UK, we hope to be in a good position to meet an encouraging demand stimulated by the much higher energy costs and grants for energy saving. This new £2 million facility will be commissioned in January 2008.

The incidence of flooding seems to be rising and during the period one particular flood in South Yorkshire and another to the north of Birmingham knocked out the internet connectivity for thousands of users. This really brought home the dependency on the internet for communications by both business and domestic users. In addition to this BT made clear their plans for converting existing telephone exchanges away from ISDN and advertised the technology changes coming using voice over internet protocol (VOIP) for the 21st century. Our internet company has led the way locally for providing multiple resilient internet connectivity (having initially thought about denial of access to areas in the event of a disaster such as bird flu). The result was that many customers who lost connectivity through flooding had alternative backup routes provided by Internet Central, which has also launched a leading telephone exchange for VOIP in the last 6 months.

Our overseas subsidiaries have been growing at rates in excess of the GDP growth rates in their domestic economies. During the period there have been no exceptional or material adverse events and no changes to composition of the Group.

Two intellectual property infringement cases have been pursued via litigation and have been successful. The Group will continue to actively protect its intellectual property.

### Financial Highlights

	<b>Unaudited Half year to 31<sup>st</sup> October 2007</b>	Unaudited Half year to 31 <sup>st</sup> October 2006	Audited Year ended 30 <sup>th</sup> April 2007
<b>Consolidated Results</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Sales Revenue	34.96	30.51	65.31
Operating Profit	4.84	3.11	7.76
Profit before tax	4.37	2.83	7.04
Profit after tax	3.04	1.95	4.84
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Capital Expenditure	1.72	1.81	2.68
Net debt *	9.00	7.12	8.99
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Earnings per share (Basic and Diluted)	40.42p	26.40p	65.1p

\*Bank and lease borrowings less cash on hand

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2007

### Revenue: up by 15%

Sales revenue was £34.96 million, which represents a 15% increase over the £30.51 million achieved during the same period last year. The Group's markets showed healthy overall trends during the first half of 2007 driven by significant revenue growth in almost all the Group's segments. We are pleased to report that our newly acquired subsidiary, Noreva GmbH, is performing well. As can be seen from the segmental analysis, the geographical spread shows a more balanced input from territories throughout the world.

### Operating Profit: up by 56%

The operating profit for the 6 months of £4.84 million represents an increase of 56% over the £3.11 million achieved during the 6 months to 31st October 2006. Increased gross margins and control of overhead costs have combined to generate the significant improvement in the operating profit.

### Net Debt

Despite the sustained growth in the Group's turnover and the significant investment made by the Group (both fixed assets and external acquisitions) the overall level of debt remains modest in relation to the net assets of the Group. As reported in the Group's full year accounts, the directors consider that the market value of the Group's freehold land and buildings is in excess of the values disclosed in the Group balance sheet.

### Report on Expected Developments

This report describes the expected developments of the Group during the year ended 30<sup>th</sup> April 2008. The report may contain forward-looking statements and information based on current expectations, and assumptions and forecasts made by the Group. These expectations and assumptions are subject to various known and unknown risks, uncertainties and other factors, which could lead to substantial differences between the actual future results, financial performance and the estimates and historical results given in this report. Many of these factors are outside the Group's control. The Group accepts no liability to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

### 2008 Outlook

The outlook remains buoyant and we remain enthusiastic about our products and our markets. It is hoped that Government policy on carbon emissions in steel making will not jeopardise the tremendous contribution our Group is making in the UK to the world wide reduction of carbon emissions from power stations.

We are concerned about the planning and electricity availability in the UK and long term we believe in the urgent need for nuclear power. Now the Government has announced its intent to allocate specific sites, we intend to continue our representation and learning within this field to provide an indigenous component supply capability. The Group already has supplied components into this industry.

Despite the continuing weakness of the US Dollar the Group currently sees no reason to expect a deterioration in performance during the second half of the financial year.

### Responsibility statement of the directors in respect of the half-yearly financial report

The directors confirm to the best of their knowledge that this condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the Interim Management Report and condensed financial statements include a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and 4.2.8 of the United Kingdom's Financial Service Authority.

J. W. Goodwin  
Chairman  
21st December 2007

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## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2007

	<b>Unaudited Half year to 31st October 2007 £000</b>	Unaudited Half year to 31st October 2006 £000	Audited Year ended 30th April 2007 £000
<b>Continuing operations</b>			
Revenue	<b>34,958</b>	30,509	65,314
Cost of sales	<b>(25,395)</b>	(23,117)	(50,135)
<b>Gross profit</b>	<b>9,563</b>	7,392	15,179
Distribution costs	<b>(1,401)</b>	(935)	(1,903)
Administrative expenses	<b>(3,320)</b>	(3,349)	(5,518)
<b>Operating profit</b>	<b>4,842</b>	3,108	7,758
Financial expenses	<b>(474)</b>	(280)	(716)
<b>Profit before taxation</b>	<b>4,368</b>	2,828	7,042
Tax on profit	<b>(1,328)</b>	(874)	(2,198)
<b>Profit after taxation</b>	<b>3,040</b>	1,954	4,844
<b>Attributable to:</b>			
Equity holders of the parent	<b>2,910</b>	1,901	4,687
Minority interest	<b>130</b>	53	157
<b>Profit for the period</b>	<b>3,040</b>	1,954	4,844
<b>Basic and diluted earnings per ordinary share</b>	<b>40.42p</b>	26.40p	65.10p

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2007

### Condensed consolidated interim statement of recognised income and expense for the half year ended 31st October 2007

	<b>Unaudited Half year to 31st October 2007 £000</b>	Unaudited Half year to 31st October 2006 £000	Audited Year ended 30th April 2007 £000
Foreign exchange translation differences	(11)	(47)	9
Effective portion of changes in fair value of cash flow hedges	917	390	589
Change in fair value of cash flow hedges transferred to profit or loss	(94)	(780)	(935)
Tax on income and expenses recognised directly in equity	(211)	117	104
	<hr/>	<hr/>	<hr/>
<b>Net income and expense recognised directly in equity</b>	<b>601</b>	(320)	(233)
<b>Profit for the period</b>	<b>3,040</b>	1,954	4,844
	<hr/>	<hr/>	<hr/>
<b>Total recognised income and expense</b>	<b>3,641</b>	1,634	4,611
	<hr/>	<hr/>	<hr/>
<b>Total recognised income and expense for the period is attributable to:</b>			
Equity holders of the parent	3,511	1,581	4,454
Minority interest	130	53	157
	<hr/>	<hr/>	<hr/>
	<b>3,641</b>	1,634	4,611
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# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2007

### Condensed consolidated interim balance sheet at 31st October 2007

	<b>Unaudited Half year to 31st October 2007 £000</b>	Unaudited Half year to 31st October 2006 £000	Audited Year ended 30th April 2007 £000
<b>Non-current assets</b>			
Property, plant and equipment	<b>14,188</b>	12,097	13,305
Intangible assets	<b>4,815</b>	327	5,050
	<b>19,003</b>	12,424	18,355
<b>Current assets</b>			
Inventories	<b>14,405</b>	12,512	14,367
Financial assets	<b>20,862</b>	15,216	17,186
Cash and cash equivalents	<b>470</b>	514	412
	<b>35,737</b>	28,242	31,965
<b>Total assets</b>	<b>54,740</b>	40,666	50,320
<b>Current liabilities</b>			
Bank overdraft	<b>2,922</b>	6,564	2,493
Other interest-bearing loans and borrowings	<b>5,622</b>	396	5,626
Trade and other payables	<b>16,994</b>	12,532	16,598
Tax payable	<b>1,276</b>	707	1,303
	<b>26,814</b>	20,199	26,020
<b>Non-current liabilities</b>			
Other interest-bearing loans and borrowings	<b>959</b>	677	1,280
Deferred consideration	<b>1,558</b>	-	1,509
Deferred tax liabilities	<b>1,652</b>	1,429	1,395
	<b>4,169</b>	2,106	4,184
<b>Total liabilities</b>	<b>30,983</b>	22,305	30,204
<b>Net assets</b>	<b>23,757</b>	18,361	20,116
<b>Equity attributable to equity holders of the parent</b>			
Share capital	<b>720</b>	720	720
Translation reserve	<b>22</b>	(23)	33
Cash flow hedge reserve	<b>1,296</b>	653	684
Retained earnings	<b>21,120</b>	16,524	18,210
	<b>23,158</b>	17,874	19,647
<b>Minority interest</b>	<b>599</b>	487	469
<b>Total equity</b>	<b>23,757</b>	18,361	20,116

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2007

### Condensed consolidated interim cash flow statement for the half year ended 31st October 2007

	<b>Unaudited Half year to 31st October 2007 £000</b>	Unaudited Half year to 31st October 2006 £000	Audited Year ended 30th April 2007 £000
<b>Cash flow from operating activities</b>			
Profit for the year	<b>3,040</b>	1,954	4,844
<i>Adjustments for:</i>			
Depreciation	<b>843</b>	767	1,495
Amortisation of intangible assets	<b>235</b>	26	101
Financial expense	<b>474</b>	280	716
Loss on sale of property, plant and equipment	<b>2</b>	8	9
Tax expense	<b>1,328</b>	874	2,198
<b>Operating profit before changes in working capital and provisions</b>	<b>5,922</b>	3,909	9,363
Increase in trade and other receivables	<b>(3,073)</b>	(1,966)	(2,910)
Decrease/(Increase) in inventories	<b>15</b>	(2,242)	(1,736)
(Decrease)/Increase in trade and other payables (excluding payments on account)	<b>(1,215)</b>	457	(597)
Increase/(Decrease) in payments on account	<b>1,811</b>	(537)	1,793
<b>Cash generated from operations</b>	<b>3,460</b>	(379)	5,913
Interest paid	<b>(439)</b>	(261)	(657)
Corporation tax paid	<b>(1,309)</b>	(920)	(1,768)
Interest element of finance lease obligations	<b>(35)</b>	(19)	(59)
<b>Net cash from operating activities</b>	<b>1,677</b>	(1,579)	3,429
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment	<b>5</b>	7	25
Acquisition of property, plant and equipment	<b>(1,721)</b>	(1,287)	(2,403)
Acquisition of customer list	<b>-</b>	-	(880)
Acquisition of subsidiary net of cash acquired	<b>-</b>	-	(2,739)
<b>Net cash from investing activities</b>	<b>(1,716)</b>	(1,280)	(5,997)
<b>Cash flows from financing activities</b>			
Payment of capital element of finance lease obligations	<b>(328)</b>	(156)	(382)
Dividends paid	<b>-</b>	-	(1,100)
Proceeds of new loans	<b>-</b>	-	5,000
<b>Net cash from financing activities</b>	<b>(328)</b>	(156)	3,518
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(367)</b>	(3,015)	950
Opening cash and cash equivalents	<b>(2,081)</b>	(3,024)	(3,024)
Effect of exchange rate fluctuations on cash held	<b>(4)</b>	(11)	(7)
<b>Closing cash and cash equivalents</b>	<b>(2,452)</b>	(6,050)	(2,081)



# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2007

### Notes

#### *to the condensed consolidated interim financial statements*

#### **1 Reporting entity**

Goodwin PLC (the "Company") is a company incorporated in the UK. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31st October 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 30th April 2007 are available upon request from the Company's registered office at Ivy House Foundry, Hanley, Stoke on Trent ST1 3NR or via the Company's web site: [www.goodwin.co.uk](http://www.goodwin.co.uk)

#### **2 Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted in the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30th April 2007.

The financial information for the six months ended 31st October 2007 and the comparative figures for the six months ended 31st October 2006 have not been audited or reviewed. The summarised financial information in respect of the year ended 30th April 2007 is not the Company's statutory accounts for that financial year. Those accounts, which were prepared under IFRS as adopted in the EU, have been delivered to the Registrar of Companies. The report of the auditor was (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985.

These condensed consolidated interim financial statements were approved by the Board of Directors on 21st December 2007.

#### **3 Significant accounting policies**

Except as described below, the accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30th April 2007.

IAS 34 states the tax measurement basis may depart from the basis adopted in the year end accounts. In accordance with IAS 34, the interim tax charge shown in these condensed accounts is based on the estimated full year tax rate for the year ended 30th April 2008 of 29.84% for corporation tax, with deferred tax being provided at a rate of 28%.

#### **4 Estimates**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30th April 2007.

# GOODWIN PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half year ended 31st October 2007

Notes (continued)

### 5 Segmental analysis

Segment information is presented in respect of the Group's business and geographic segments. The primary format business segment is based on the Group's management and internal reporting structure.

#### Business segment

The Group has one significant primary trading activity that of mechanical and refractory engineering so no further analysis is provided.

#### Geographical segment

	Half year ended 31st October 2007			Half year ended 31st October 2006			Year ended 30th April 2007		
	Revenue £000	Operational assets £000	Capital expenditure £000	Revenue £000	Operational assets £000	Capital expenditure £000	Revenue £000	Operational assets £000	Capital expenditure £000
UK	8,717	20,904	1,638	6,280	16,909	1,497	12,754	18,020	2,786
Rest of Europe	9,146	1,038	-	2,112	72	-	9,911	545	-
USA	2,854	-	-	1,162	-	-	4,544	-	-
Pacific Basin	6,350	1,075	48	14,129	672	161	27,466	868	203
Rest of world	7,891	740	35	6,826	708	154	10,639	683	153
Total	<u>34,958</u>	<u>23,757</u>	<u>1,721</u>	<u>30,509</u>	<u>18,361</u>	<u>1,812</u>	<u>65,314</u>	<u>20,116</u>	<u>3,142</u>

The Group is managed as one business but operates in the above principal locations. In presenting the information on geographical segments, revenue is based on the location of its customers and assets on the location of the assets.

### 6 Dividends

The directors do not propose the payment of an interim dividend.

	Half year ended 31st October 2007 £000	Half year ended 31st October 2006 £000	Year ended 30th April 2007 £000
Equity dividends:			
Paid dividend (April 2006: 15.278p per share)	-	-	1,100
Proposed dividend (April 2007: 18.403p per share)	-	-	1,325

### 7 Earnings per share

The calculation of the earnings per ordinary share is based on the number of ordinary shares in issue during all periods of 7,200,000 and on the profit for the period attributable to ordinary shareholders of £2,910,000 (31st October 2006: £1,901,000). The company has no share options or diluting earnings per share.

### 8 Significant acquisition of plant, property and equipment

As referred to in the Management Report, the Group is nearing the completion of its new vermiculite plant. In the six month period to 31<sup>st</sup> October 2007, the capital expenditure on this activity has been £912,000.