

GOODWIN PLC

IVY HOUSE FOUNDRY, HANLEY, STOKE-ON-TRENT

INTERIM REPORT
31ST OCTOBER 2005

GOODWIN PLC

UNAUDITED INTERIM RESULTS

CHAIRMAN'S STATEMENT

The pre-tax profit of £2,107,000 is a 22.4% increase over the same period last year and turnover has increased by 31.8%. Higher energy costs have affected margins and yet are stimulating greater demand for engineering within the energy industries. Our heavy engineering order book remains very healthy.

In accordance with European Union regulations, the Group has started to adopt International Financial Reporting Standards (IFRS) in its consolidated accounts for the first time and notes explaining these changes are included.

J.W.GOODWIN, Chairman

GROUP INCOME STATEMENT for the half year ended 31st OCTOBER 2005

	Half year ended 31st October 2005 £'000	<i>Half year ended 31st October 2004 £'000</i>	<i>Year ended 30th April 2005 £'000</i>
TURNOVER - CONTINUING	<u>26,977</u>	<u>20,462</u>	<u>44,945</u>
OPERATING PROFIT BEFORE FINANCE COSTS	2,278	1,931	4,088
FINANCE COSTS	(171)	(210)	(553)
PROFIT BEFORE TAX	<u>2,107</u>	<u>1,721</u>	<u>3,535</u>
TAX EXPENSE	(638)	(562)	(1,016)
PROFIT FOR THE PERIOD	<u>1,469</u>	<u>1,159</u>	<u>2,519</u>
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT	1,434	1,141	2,477
MINORITY INTEREST	35	18	42
	<u>1,469</u>	<u>1,159</u>	<u>2,519</u>
EARNINGS PER ORDINARY SHARE	19.91p	15.85p	34.40p
Basic and diluted			

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GROUP BALANCE SHEET at 31st OCTOBER 2005

	Half year ended 31st October 2005 £'000	<i>Half year ended 31st October 2004 £'000</i>	<i>Year ended 30th April 2005 £'000</i>
ASSETS			
Intangible Assets	227	140	130
Property, Plant and Equipment	10,948	10,670	10,920
TOTAL NON CURRENT ASSETS	11,175	10,810	11,050
Inventories	11,716	9,436	10,004
Trade and Other Receivables	11,367	11,516	9,743
Cash	462	242	275
TOTAL CURRENT ASSETS	23,545	21,194	20,022
TOTAL ASSETS	34,720	32,004	31,072
LIABILITIES			
Trade and Other Current Payables	13,038	9,343	14,459
Corporation Tax Liabilities	590	519	635
Obligations under Finance Leases	260	340	315
Bank Overdrafts	4,486	7,662	945
TOTAL CURRENT LIABILITIES	18,374	17,864	16,354
NET CURRENT ASSETS	5,171	3,330	3,668
Deferred Tax	1,060	975	951
Obligations under Finance Leases	456	464	576
NON CURRENT LIABILITIES	1,516	1,439	1,527
TOTAL LIABILITIES	19,890	19,303	17,881
NET ASSETS	14,830	12,701	13,191
EQUITY			
Share Capital	720	720	720
Retained Earnings	13,696	11,777	12,262
Foreign Exchange Hedge Reserve	158	0	0
Overseas Subsidiaries Translation Reserve	(8)	0	(20)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	14,566	12,497	12,962
Minority Interests	264	204	229
TOTAL EQUITY	14,830	12,701	13,191

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GROUP CASH FLOW STATEMENT for the half year ended 31st OCTOBER 2005

	Half year ended 31st October 2005 £'000	Half year ended 31st October 2004 £'000	Year ended 30th April 2005 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	1,469	1,159	2,519
<i>Adjustments for:</i>			
Depreciation	732	720	1,506
Amortisation	20	20	40
Interest Expense	171	210	553
Loss on Sale of Fixed Assets	4	2	43
Corporation Tax Expense	638	562	1,016
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS	3,034	2,673	5,677
Increase in Trade and Other Receivables	(1,379)	(1,914)	(156)
Increase in Inventories	(1,681)	(2,097)	(2,665)
(Decrease)/Increase in Payments on Account	(180)	464	3,301
(Decrease)/Increase in Trade and Other Payables	(1,322)	403	2,808
CASH GENERATED FROM OPERATIONS	(1,528)	(471)	8,965
Interest Paid	(171)	(210)	(553)
Corporation Tax Paid	(642)	(392)	(753)
NET CASH FROM OPERATING ACTIVITIES	(2,341)	(1,073)	7,659
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Plant and Equipment	5	1	25
Acquisition of Plant and Equipment	(739)	(1,265)	(2,177)
Acquisition of Subsidiary Interest	(116)	0	(11)
NET CASH FROM INVESTING ACTIVITIES	(850)	(1,264)	(2,163)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of Capital Element of Finance Lease Obligations	(175)	(213)	(435)
Dividends Paid	-	-	(850)
NET CASH FROM FINANCING ACTIVITIES	(175)	(213)	(1,285)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,366)	(2,550)	4,211
Opening Cash and Cash Equivalents	(670)	(4,871)	(4,871)
Effect of Exchange Rate Fluctuations on Cash Held	12	0	(10)
CLOSING CASH AND CASH EQUIVALENTS	(4,024)	(7,421)	(670)

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GROUP STATEMENT OF CHANGES IN EQUITY for the half year ended 31st OCTOBER 2005

	Half year ended 31st October 2005	<i>Half year ended</i> 31st October 2004	<i>Year ended</i> 30th April 2005
	£'000	£'000	£'000
BALANCE AT START OF PERIOD	13,191	11,542	11,542
Adjustment for IAS 39	<u>2,856</u>		
Revised Balance at Start of Period	16,047		
Profit for the Period	1,469	1,159	2,519
Prior Year Dividend Paid			(850)
Effective Changes in Fair Value of Cash Flow Hedges	(3,854)		
Tax on Items Taken Directly to Equity	1,156		
Exchange Movements	12		(20)
BALANCE AT END OF PERIOD	<u>14,830</u>	<u>12,701</u>	<u>13,191</u>

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UNAUDITED INTERIM RESULTS for the half year ended 31st OCTOBER 2005

NOTES

1. Key changes in accounting policies

From 2005, the Group will produce its consolidated report and accounts in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS). Previously the Group reported under UK Generally Accepted Accounting Practice (UK GAAP). The key changes that have arisen due to the transition from reporting under UK GAAP to reporting under IFRS are set out in Appendix 1. The Group's date of transition to IFRS is 1 May 2004, which is the beginning of the comparative period for the 2005 financial year. Therefore the opening balance sheet for IFRS purposes is that reported at 30th April 2004 as amended for changes due to IFRS.

This interim financial report is the first to be prepared under IFRS, which results in the comparative figures being prepared on the same basis and are therefore restated from those previously reported under UK GAAP. To help understand the impact of the transition, reconciliations have been produced to show the changes made to statements previously reported under UK GAAP in arriving at the equivalent statements under IFRS and are also included in Appendix 1.

The income statement for the six months to 31st October 2005 and the balance sheet at that date are reported under IFRS. As they have not previously been reported under UK GAAP no reconciliation to IFRS is provided.

The interim report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) anticipated to be in effect at the first reporting date which is 30th April 2006. They have been prepared on the assumption that all IFRS statements issued as effective from 2005 reporting will be endorsed by the European Commission.

As permitted by IFRS 1 "First Time Adoption of International Financial Reporting Standards", the Group has elected not to restate comparative information for the Financial Instrument standards IAS 32 and IAS 39. In this respect the prior year information has been prepared under UK GAAP.

A full set of UK GAAP accounting policies was published in the Group's report and accounts for the year to 30th April 2005. The accounting policies that have changed under IFRS are detailed below.

Basis of accounting

The financial statements and reconciliations shown in this report have been prepared on an historic cost basis except for certain financial instruments which are measured at fair value. The statements are also prepared on the basis of IFRS expected to be in issue at 30th April 2006. The financial statements presented are unaudited.

Intangible assets

All business combinations are accounted for by applying the purchase method. For acquisitions that have occurred since 1st May 2004, goodwill is recorded as

the difference between the fair value of consideration given on acquisition and the aggregate fair value of its identifiable net assets. In respect of acquisitions prior to this date, goodwill is recorded at deemed cost under UK GAAP. In accordance with IFRS3 'Business Combinations', goodwill is no longer amortised but stated at cost less any provision for impairment in value. In accordance with IFRS 1 business combinations made prior to 1st May 2004 have not been restated. Goodwill is reviewed annually for any impairment in its value or at such time there is an indication that its value has reduced.

Expenditure on development activities is capitalised according to IAS 38 if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses and amortised over its useful economic life.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

For consolidation purposes the assets and liabilities of overseas subsidiary undertakings are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of overseas subsidiary undertakings are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. This is a change from UK GAAP where the revenues were translated at closing rate.

Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. They are released into the income statement upon disposal.

The group has taken advantage of relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS (1st May 2004).

Deferred taxation

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation of the settlement of the carrying value of the assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Financial instruments

Derivative financial instruments are used by the Group to hedge foreign currency exchange rate risks. Under IAS 39 'Financial Instruments', forward foreign exchange

contracts are stated in the balance sheet at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where forward exchange contracts qualify for hedge accounting, the effective part of any gain or loss is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement. The associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

IAS 39 will be applied from 1st May 2005 as permitted under the transitional arrangements of IFRS 1. Comparatives are presented under UK GAAP where gains and losses on forward foreign exchange contracts treated as hedging instruments were not recognised in the income statement. On realisation of the hedged transaction the unrecognised gains and losses arising on the instrument were recognised in the income statement.

2. Dividends

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

	Half Year Ended 31st October 2005 £'000	Half Year Ended 31st October 2004 £'000	Year Ended 30th April 2005 £'000
Equity Dividends:			
Paid Dividend (April 2004 - 11.806p per share)	0	0	(850)
Proposed Dividend (April 2005 - 13.889p per share)	0	0	(1,000)

3. Earnings per share

The calculation of the earnings per ordinary share is calculated on the number of ordinary shares in issue during both years of 7,200,000 and on the profit for the period attributable to ordinary shareholders of £1,434,000 (31st October 2004 £1,141,000). The company has no share options or diluting earnings per share.

4. Financial Information

The financial information for the six months ended 31st October 2005 and the comparative figures for the six months ended 31st October 2004 have not been audited or reviewed. The summarised financial information in respect of the year ended 30th April 2005 is not the Group's statutory accounts for that financial year. Those accounts, which were prepared under UK GAAP, have been delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985.

Reporting under International Financial Reporting Standards (IFRS)

From 2005, Goodwin PLC will produce its consolidated report and accounts in accordance with IFRS as adopted by the European Union. Previously the Group reported under UK Generally Accepted Accounting Practice (UK GAAP). This commentary highlights the key changes that have arisen due to the transition from reporting under UK GAAP to reporting under IFRS. The Group's date of transition to IFRS is 1st May 2004, which is the beginning of the comparative period for the year ended 30th April 2006. Therefore the opening balance sheet for IFRS purposes is that reported at 30th April 2004 as amended for changes due to IFRS.

This interim financial report is the first to be prepared under IFRS, which results in the comparative figures being prepared on the same basis and are therefore restated from those previously reported under UK GAAP. To help understand the impact of the transition, reconciliations have been produced to show the changes made to statements previously reported under UK GAAP in arriving at the equivalent statements under IFRS. The following five unaudited reconciliations are included below.

1. Balance sheet at 1 May 2004
2. Income statement for the 6 months to 31st October 2004
3. Balance sheet at 31st October 2004
4. Income statement for the year to 30th April 2005
5. Balance sheet at 30th April 2005

The income statement for the six months to 31st October 2005 and the balance sheet at that date are reported under IFRS. As they have not previously been reported under UK GAAP no reconciliation to IFRS is provided.

Key accounting policy changes are included within the interim report. A full set of IFRS accounting policies will be published in the Group's report and accounts for the year to 30th April 2006.

First time adoption

IFRS1 'First Time Adoption of International Financial Reporting Standards' sets out the approach to be followed when IFRS are applied for the first time. IFRS accounting policies are, in general, to be applied retrospectively although IFRS1 provides a number of exceptions to this general principle. The policy choices made under IFRS1 are mentioned under the relevant headings below:

Goodwill

Under UK GAAP, goodwill was amortised over its useful economic life. Under IFRS3 'Business Combinations' goodwill is not amortised but is carried at cost with impairment reviews being undertaken annually or when there is an indication that the carrying value has been reduced. Under IFRS1 the Group has applied the change from the date of transition as opposed to full application to all business combinations prior to that date.

Dividends

Under UK GAAP proposed dividends were accrued at the balance sheet date although there was no obligation to pay until formal approval by shareholders was granted at the Annual General Meeting. Under IAS 10 'Events after the Balance Sheet Date', a liability should only be recognised once there is an obligation to pay. As a result the dividend will only be recognised once shareholders approve it.

Treasury instruments

The Group makes use of forward foreign exchange contracts to reduce the risk exposure to changes in foreign exchange rates. These contracts are designated as part of a hedging relationship and hence where the hedge is shown to be effective changes in fair value are accounted for in equity. The impact on the 30th April 2005 balance sheet is to increase other debtors and net assets by £2,856,000 by creating a hedge reserve within equity.

Foreign exchange

In accordance with IAS21 'The effects of changes in foreign exchange rates', translation differences that arise in respect of foreign entities have been reclassified as a separate component of equity from the date of transition 1st May 2004.

The financial statements presented are unaudited and there is a possibility that adjustments may be required before they are incorporated as part of the first audited annual report and accounts prepared under IFRS, which are due to be published in September 2006.

The balance sheet reconciliations at 1st May 2004 (date of transition to IFRS) and at 30th April 2005 (date of last UK GAAP financial statements) and the reconciliation of profit for the period, as required by IFRS1 are shown below. The balance sheet reconciliation at 31st October 2004 and the reconciliation of profit for the six months to 31st October 2004 have also been included to enable a comparison of the 2005 interim figures with those published in the corresponding period of the previous financial year.

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APPENDIX 1

BALANCE SHEET RECONCILIATION as at 1st MAY 2004

	UK GAAP* IFRS Format £'000	IAS 10 Dividends £'000	IFRS £'000
NON CURRENT ASSETS			
Intangible Assets	160		160
Property, Plant and Equipment	10,391		10,391
NON CURRENT ASSETS	10,551	0	10,551
CURRENT ASSETS			
Inventories	7,339		7,339
Trade and Other Receivables	9,602		9,602
Cash	229		229
CURRENT ASSETS	17,170	0	17,170
TOTAL ASSETS	27,721	0	27,721
CURRENT LIABILITIES			
Trade and Other Current Payables	9,587	(850)	8,737
Corporation Tax Liabilities	385		385
Obligations under Finance Leases	414		414
Bank Overdrafts	5,100		5,100
CURRENT LIABILITIES	15,486	(850)	14,636
NET CURRENT ASSETS	1,684	850	2,534
NON CURRENT LIABILITIES			
Deferred Tax	940		940
Obligations under Finance Leases	603		603
NON CURRENT LIABILITIES	1,543	0	1,543
TOTAL LIABILITIES	17,029	(850)	16,179
NET ASSETS	10,692	850	11,542
EQUITY			
Share Capital	720		720
Retained Earnings	9,785	850	10,635
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	10,505	850	11,355
Minority Interests	187		187
TOTAL EQUITY	10,692	850	11,542

*As published under UK GAAP reformatted for IFRS presentation.

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UNAUDITED INTERIM RESULTS

APPENDIX 1

INCOME STATEMENT RECONCILIATION 6 Months to 31st OCTOBER 2004

	UK GAAP* IFRS Format £'000	IFRS 3 Goodwill £'000	IFRS £'000
TURNOVER - CONTINUING	20,462		20,462
OPERATING PROFIT BEFORE FINANCE COSTS	1,930	1	1,931
FINANCE COSTS	<u>(210)</u>	<u> </u>	<u>(210)</u>
PROFIT BEFORE TAX	1,720	1	1,721
TAX EXPENSE	(562)		(562)
PROFIT FOR THE PERIOD	<u>1,158</u>	<u>1</u>	<u>1,159</u>
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT	1,140	1	1,141
MINORITY INTEREST	<u>18</u>	<u> </u>	<u>18</u>
	<u>1,158</u>	<u>1</u>	<u>1,159</u>

*As published under UK GAAP reformatted for IFRS presentation.

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UNAUDITED INTERIM RESULTS

APPENDIX 1

BALANCE SHEET RECONCILIATION as at 31st OCTOBER 2004

	UK GAAP* IFRS Format £'000	IAS 10 Dividends £'000	IFRS 3 Goodwill £'000	IFRS £'000
NON CURRENT ASSETS				
Intangible Assets	139		1	140
Property, Plant and Equipment	10,670			10,670
NON CURRENT ASSETS	10,809	0	1	10,810
CURRENT ASSETS				
Inventories	9,436			9,436
Trade and Other Receivables	11,516			11,516
Cash	242			242
CURRENT ASSETS	21,194	0	0	21,194
TOTAL ASSETS	32,003	0	1	32,004
CURRENT LIABILITIES				
Trade and Other Current Payables	10,193	(850)		9,343
Corporation Tax Liabilities	519			519
Obligations under Finance Leases	340			340
Bank Overdrafts	7,662			7,662
CURRENT LIABILITIES	18,714	(850)	0	17,864
NET CURRENT ASSETS	2,480	850	0	3,330
NON CURRENT LIABILITIES				
Deferred Tax	975			975
Obligations under Finance Leases	464			464
NON CURRENT LIABILITIES	1,439	0	0	1,439
TOTAL LIABILITIES	20,153	(850)	0	19,303
NET ASSETS	11,850	850	1	12,701
EQUITY				
Share Capital	720			720
Retained Earnings	10,926	850	1	11,777
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	11,646	850	1	12,497
Minority Interests	204			204
TOTAL EQUITY	11,850	850	1	12,701

*As published under UK GAAP reformatted for IFRS presentation.

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APPENDIX 1

INCOME STATEMENT RECONCILIATION 12 Months to 30th APRIL 2005

	UK GAAP* IFRS Format £'000	IFRS 3 Goodwill £'000	IFRS £'000
TURNOVER - CONTINUING	44,945		44,945
OPERATING PROFIT BEFORE FINANCE COSTS	4,085	3	4,088
FINANCE COSTS	<u>(553)</u>	<u> </u>	<u>(553)</u>
PROFIT BEFORE TAX	3,532	3	3,535
TAX EXPENSE	(1,016)		(1,016)
PROFIT FOR THE PERIOD	<u>2,516</u>	<u>3</u>	<u>2,519</u>
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT	2,474	3	2,477
MINORITY INTEREST	<u>42</u>	<u> </u>	<u>42</u>
	<u>2,516</u>	<u>3</u>	<u>2,519</u>

*As published under UK GAAP reformatted for IFRS presentation.

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APPENDIX 1

BALANCE SHEET RECONCILIATION as at 30th APRIL 2005

	UK GAAP* IFRS Format £'000	IAS 10 Dividends £'000	IFRS 3 Goodwill £'000	Reclassification £'000	IFRS £'000
NON CURRENT ASSETS					
Intangible Assets	127		3		130
Property, Plant and Equipment	10,920				10,920
NON CURRENT ASSETS	11,047	0	3	0	11,050
CURRENT ASSETS					
Inventories	10,004				10,004
Trade and Other Receivables	9,743				9,743
Cash	275				275
CURRENT ASSETS	20,022	0	0	0	20,022
TOTAL ASSETS	31,069	0	3	0	31,072
CURRENT LIABILITIES					
Trade and Other Current Payables	15,459	(1,000)			14,459
Corporation Tax Liabilities	635				635
Obligations unde Finance Leases	315				315
Bank Overdrafts	945				945
CURRENT LIABILITIES	17,354	(1,000)	0	0	16,354
NET CURRENT ASSETS	2,668	1,000	0	0	3,668
NON CURRENT LIABILITIES					
Provisions for Liabilities and Charges	951				951
Obligations under Finance Leases	576				576
NON CURRENT LIABILITIES	1,527	0	0	0	1,527
TOTAL LIABILITIES	18,881	(1,000)	0	0	17,881
NET ASSETS	12,188	1,000	3	0	13,191
EQUITY					
Share Capital	720				720
Retained Earnings	11,239	1,000	3	20	12,262
Overseas Subsidiaries Translation Reserve	0			(20)	(20)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	11,959	1,000	3	0	12,962
Minority Interests	229				229
TOTAL EQUITY	12,188	1,000	3	0	13,191

*As published under UK GAAP reformatted for IFRS presentation.